

Police Pension Schemes (Scotland) Annual Benefit Statement 2018

Additional Notes

Please read the following information carefully

Pension

This is the estimated value of your accrued pension benefits at 31 March 2018 had you left employment at this time.

This value does not take into consideration any adjustments that may be made for the following;

a. Actuarial reduction (NPPS 2006/2015 CARE Scheme only) – the figures quoted may be reduced if you take them before your deferred pension age.

b. Scheme Pays – if you have opted to use Scheme Pays (where you pay an annual allowance charge from your pension scheme), the figures on the statement do not take account of the reduction to your pension benefits to meet the charge. The amount of the reduction will be calculated when you take your pension.

c. Pension Sharing on Divorce Order – if a Pension Sharing on Divorce Order or earmarking order following a divorce or a dissolution of a civil partnership applies to your pension benefits, the figures on the statement do not take account of the reduction to your benefits made by the order. The amount of the reduction will be calculated when you take your benefits.

Pensionable Pay

The pensionable pay used in this estimate is your current pensionable salary as provided by your employer.

Pensionable Service

This is your service in years and days to the 31 March 2018 if you are a protected member of the scheme. If you are an unprotected or a tapered member who has transitioned over to the 2015 CARE Scheme this will be the service to the date you joined the scheme. Please also note that any transferred service will be included in this total.

Added Years and Additional Pension

Please note, if you have taken out a contract for additional pension or added years, it may not be shown on your statement.

PPS 1987

If you are a member of the PPS 1987, your deferred pension is calculated as a proportion of the pension you would have expected at normal pension age, spread over the years actually served.

$$B \times C \div D$$

B = notional pension

C = period in years of pensionable service

D = period in years of notional service

a. Notional service and pension is the service and pension a member would have expected to receive if they had not left the scheme.

Protected members

Example

Amina is a protected member of the PPS 1987, who joined the Police Pension Scheme on 31 July 1992.

Amina was born on 1 September 1968, and would expect to retire on 30 July 2022, having completed 30 years' service.

At 31 March 2018, Amina has completed 25 years and 244 days of service.

Calculation

Her deferred pension calculated at 31st March 2018 will be as follows.

B = notional pension

As Amina will be able to complete 30 years' service before age 55, her notional pension will be 40/60ths x £32,000.

$$B = 40 \div 60 \times £32,000 = £21,333.33$$

C = Period of years of pensionable service to 31 March 2018

C = 25 years and 244 days

D = Period of years of notional service

D = 30 years

$$(\pounds21,333.33 \times 25 \text{ years } 244 \text{ days} \div 30 \text{ years}) = \pounds18,253.15$$

Unprotected or Tapered Members

The calculation for an unprotected or tapered member is the same formula as for a protected member. However, the period of years of pensionable service (C) is calculated to the date of joining the 2015 CARE Scheme.

The notional pension and service for a PPS 1987 unprotected or tapered member remains unchanged and is the service and pension you would have expected to achieve at normal retirement age under the PPS 1987 if there had been no reform to the pension scheme.

Example

Mark is an unprotected member of the PPS 1987, who joined the Police Pension Scheme on 1 December 1997.

Mark was born on 30 March 1972, and will retire on his 55th birthday (29 March 2027), having completed 29 years and 119 days.

Calculation

His deferred pension calculated at 31 March 2018 will be as follows.

B = notional pension

The notional pension is calculated as the pension Mark would have received at age

55. 29 years 119 days + 9 years 119 days = 38 years 238 days

38 years 238 days ÷ 60 x £42,000 =

£27,056.44 B = £27,056.44

C = Period of years of pensionable service in the 1987 Scheme

C = 18 years 121 days

D = Period of years of notional service

D = 29 years 119 days

(£27,056.44 x 18 years 121 days ÷ 29 years 119 days) = £16,912.81

NPPS 2006

Protected Members

The current value of benefits for the final salary NPPS 2006 is calculated based on service up to the date of the statement divided by an accrual rate, multiplied by your pensionable pay. The table below lists the accrual rate that applies.

Unprotected and Tapered members

The current value of your benefits for the final salary NPPS 2006 is calculated based on your service up until you joined the 2015 Scheme, divided by an accrual rate, multiplied by your final pensionable pay. The table below shows the accrual rate that applies.

NPPS 2006	
Accrual rate	1/70ths

Your NPPS Pension is based on 1/70th of your pensionable pay for each year of pensionable service up to a maximum of 35/70ths.

For example, 25 years equals 25/70ths. The maximum length of pensionable service that can count towards an NPPS Pension is 35 years.

The lump sum is four times the annual pension.

Example

Carlton's final pensionable pay is £30,000 and his pensionable service is 21 years.

His pension = $\frac{£30,000 \times 21}{70} = \text{£9,000}$ per year

His lump sum = $\frac{£30,000 \times 21}{70} \times 4 = \text{£36,000}$ (tax free)

2015 CARE Scheme

The estimated value of the 2015 CARE Scheme pension is calculated based on the 2015 pension built up to the date of your statement.

The 2015 CARE Scheme pension will be increased by a revaluation order each year on 1 April. The revaluation order for the Police Pension Scheme is 1.25% + CPI (consumer price index). For the 2016/17 year, the increase was 2.25%, due to a CPI of 1% for the Scheme year.

This statement at 31 March 2018 does include revaluation for the 2016/17 year, but the revaluation for the 2017/18 year is not included as it is not due until 1 April 2017, and this will be reflected in next year's ABS.

Please note, you are not entitled to an automatic lump sum, however, you can commute up to 35.7% of your CARE benefits in order to generate a lump sum.

Example A

Sarah's date of birth is 25 May 1972. Sarah moved into the 2015 CARE Scheme as an unprotected member on 1 April 2015. She will reach normal pension age (age 60) on 25 May 2032.

Sarah's starting pension for the year 2016/17 is $\text{£}1,242.06 + 2.25\% = \text{£}1,270.01$

Pensionable pay for the scheme year 1 April 2017 to 31 March 2018 was $\text{£}35,127.00 \times 1 \div 56.1 = \text{CARE pension accrued for 2017/18} = \text{£}626.15$

Total Pension $\text{£}1,270.01 + \text{£}626.15 = \text{£}1,896.16$

Example B

Mo's date of birth is 22 January 1971. Mo is a tapered member who moved into the 2015 Scheme on 6 September 2015. She will reach normal pension age (age 60) on 22 January 2031.

Mo's starting pension for the year 2017/18 is $\text{£}880.43 + 2.25\% = \text{£}900.24$

Pensionable pay for the scheme year 1 April 2017 to 31 March 2018 was $\text{£}35,127.00 \times 1 \div 56.1 = \text{CARE pension accrued for 2017/18} = \text{£}626.15$

Total Pension $\text{£}900.24 + \text{£}626.15 = \text{£}1,526.39$

PPS 1987 Unprotected and Tapered members

Unprotected and Tapered members with benefits built up in the PPS 1987 can retire and take their PPS 1987 pension at the retirement age for the PPS 1987.

The 2015 CARE Scheme pension would then be due early, from the age of 55.

Early retirement

The minimum pension age for taking the 2015 CARE Scheme pension is age 55.

If you take your 2015 CARE Scheme pension earlier than the normal pension age for that scheme, an early retirement factor will apply - see the box below.

Active factors

If you choose to retire and take your benefits from the PPS 1987 at the age of 55 or over, you can draw the 2015 CARE Scheme pension early. A reduction factor depending on your age (as in the table below) will be applied to the value of your 2015 CARE Scheme pension at the date you want to retire.

	Age 55	Age 56	Age 57	Age 58	Age 59
Reduction %	15%	12.5%	9.8%	6.8%	3.5%

Or, you can retire and take your benefits from the PPS 1987 and defer payment of your 2015 CARE Scheme pension until your State Pension Age, when it would be paid unreduced.

Deferred factors

If you choose to retire and withdraw your benefits from the PPS 1987 before age 55, the 2015 CARE Pension benefits are deferred to your State Pension Age and paid at an unreduced rate. However, you can draw your 2015 CARE Scheme pension benefits early, from age 55. A reduction factor depending on your age (as in the table below) will be applied to the value of your 2015 CARE Scheme pension at the date you want to retire.

	Age 55	Age 56	Age 57	Age 58	Age 59
Reduction %	49.4%	46.8%	44%	41%	37.8%

Double accrual guarantee

In the PPS 1987, scheme membership over 20 years is doubled. For example, the pension for a member with 30 years' service in the PPS 1987 would be calculated at 40/60ths (20 + 10 + 10). This is more commonly known as 'double accrual'.

The new regulations give members who move from the PPS 1987 into the 2015 CARE Scheme a proportion of the double accrual they could have expected to receive had they stayed in the PPS 1987. Full continuous pensionable service (that is, before and after membership of the 2015 CARE Scheme) is taken into account to calculate the benefits to be awarded under the PPS 1987.

For further information on double accrual please follow this [link](#)

Lump Sum

Scheme	PPS 1987	NPPS 2006	2015 CARE Scheme
Lump Sum Options	Option to commute part of the pension for a Lump Sum	4 x Pensionable service x Final pensionable pay ÷ 70 = Lump Sum	Option to commute up to a maximum of 35.7% of the pension to receive a tax free Lump Sum

Death Grant Nomination

The current value of the death in service lump sum has been based on the scheme you are a member of at 31 March 2018, as shown in the table below.

	PPS 1987*	NPPS 2006	2015 CARE Scheme
Death in service lump sum	2 x pensionable pay	3 x pensionable pay	3 x pensionable pay

* Husband/Wife/Civil Partner only (cannot nominate)

Survivor's pension

A survivor's pension is paid if, when you die, you are married or have a civil partner or eligible cohabiting partner (someone you live with who would be entitled to a survivor's pension).

The table below shows whether a surviving partner would receive a pension when you die, based on your partnership status and which pension scheme you are a member of.

	PPS 1987	NPPS 2006	2015 CARE Scheme
Husband, Wife or Civil Partner only	Yes	Yes	Yes
Cohabiting Partner	No	Yes, if nominated	Yes (if the Scheme manager agrees)

Please note that this is based on the current marital status as held on our records, if you believe this to be incorrect, please contact us at sppapolicypensions@gov.scot

For further information on benefits payable please see the regulations on our website at www.sppa.gov.uk

Financial advice

Your employer and pension administrator cannot give you financial advice about the information contained in your annual benefit statement. If you need help to find an independent financial advisor, you can use the following link:

www.moneyadvice.service.org.uk/en/articles/choosing-a-financial-adviser

Note on the regulations

The benefits in this statement have been calculated under the Police Pension Scheme Regulations as at August 2018.

These notes are an informal interpretation of the Police Pension Scheme Regulations, as only a court can provide a definitive interpretation of the law.

Lifetime Allowance

The lifetime allowance for 2017/18 is £1million. The lifetime allowance is the maximum amount of pension savings you can have before a tax charge is made. To calculate how much of your lifetime allowance you have used, multiply your annual pension by 20, divide this by the lifetime allowance and multiply by 100.

Example

Lifetime allowance 2017/18 = £1million

To show the effect of the lifetime allowance reducing to £1million from April 2016, the same pension figure would change the lifetime allowance used, as follows.

Annual pension = £35,000 x 20 = £700,000 ÷ £1,000,000 x 100 = 70% of lifetime allowance used.

You may choose to protect your lifetime allowance if it was £1million or more at 5 April 2016 by taking Individual Protection 2016 (IP 2016). For more information, you should seek independent financial advice or view the information available on our website www.sppa.gov.uk

Questions?

If you have any questions about the information contained in this factsheet, please contact SPPA at
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