

# Police Service of Scotland Annual Benefit Statement 2016

## Additional Notes

Please read the following information carefully

### Pension

This is the estimated value of your pension benefits in this employment if you left the scheme at 31st March 2016, and which would be paid at the deferred pension age that applies to the scheme you are a member of at the date of this statement, as shown in the table below.

	PPS (1987)	NPPS (2006)	2015 CARE SCHEME
Deferred pension age	60	65	State Pension age

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

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

**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 salary rate as provided by your employer. Your 2015 CARE Scheme salary should equal the amount of pay you have received and paid pension contributions on as a member of the 2015 CARE Scheme during the scheme year 1st April to 31st March.

## Pensionable Service

This is your service in years and days to the 31 March 2016 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 new scheme.

Please also note that any transferred in service will be included in this total.

## PPS (1987) Scheme

If you are a member of the PPS (1987) Scheme, your deferred pension is calculated as a proportion of the pension you would have expected at normal pension age, which is age 55 or at 30 years' service, whichever happens first, spread over years actually served.

### **B x C ÷ 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 Scheme, who joined the Police Pension Scheme on 31st July 1992.

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

At 31st March 2016, Amina has completed 23 years and 244 days of service.



### Calculation

Her deferred pension calculated at 31st March 2016 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 31st March 2016**

C = 23 years and 244 days

#### **D = Period of years of notional service**

D = 30 years

$$(\pounds21,333.33 \times 23 \text{ years } 244 \text{ days} \div 30 \text{ years}) = \pounds16,830.93$$

## Tapered or unprotected members

The calculation for a taper-protected or unprotected 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 taper-protected or unprotected member remains (unchanged) and is the service and pension you would have expected to achieve at normal retirement age under the PPS 1987 Scheme if there had been no reform to the pension scheme.

### Example

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

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

### Calculation

His deferred pension calculated at 31st March 2016 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) Scheme

### Protected

The current value of benefits for the final salary NPPS 2006 Scheme 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.

### Taper-protected and unprotected members

The current value of your benefits for the final salary NPPS 2006 Scheme 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 a 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, multiplied by 1/56.1th of your pensionable pay for the scheme year 1st April 2015 to 31st March 2016.

The 2015 CARE Scheme pension will be increased by a revaluation order each year on 1st April. The revaluation order for the Police Pension Scheme is 1.25% + CPI (consumer price index). For the 2015/2016 year, the increase will be 1.15%, due to negative CPI for the Scheme year 2015/16.

However, this statement at 31st March 2016 does not include revaluation as it is not due until the following day (1st April 2016), and this will be reflected in next year's benefit statement.

### Example A

Sarah's pensionable pay for the scheme year 1st April 2015 to 31st March 2016 was £34,160.

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

Her 2015 CARE Scheme pension built up from 1st April 2015 to 31st March 2016 is  $£34,160 \times 1 \div 56.1 = \mathbf{£608.91}$ .

### Example B

Mo is a taper-protected member, whose date of birth is 22nd January 1971. He will move into the 2015 Scheme on 6th September 2015.

Mo's current actual pay at the date of his statement is £31,189.

His 2015 Scheme pension built up from 6th September 2015 to 31st March 2016 is calculated based on 207 days of pay at £31,189 ( $207 \div 365 \times £31,189$ ) = £17,688.01  $\times 1 \div 56.1 = \mathbf{£315.29}$ .

## 1987 taper-protected or unprotected members

Taper-protected or unprotected members with benefits built up in the PPS (1987) Scheme can retire and take their PPS (1987) pension at the retirement age for the PPS (1987) Scheme.

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 your normal pension age, an early retirement factor will apply – see the box below.

#### Active factors

If you choose to retire and take your benefits from the 1987 Scheme 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) Scheme 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 Scheme 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 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, a scheme membership over 20 years is doubled. For example, the pension for a member with 30 years' service in the 1987 Scheme 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 Scheme into the 2015 CARE Scheme a proportion of the double accrual they could have expected to receive had they stayed in the PPS 1987 Scheme. 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) Scheme.

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 31st March 2016, 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)

If you die whilst still employed and a contributing member of the scheme, this is the estimated pensionable payable to your legal spouse, civil partner or nominated qualifying partner.

For further information on benefits payable please see the regulations on our website at [www.sppa.gov.uk](http://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](http://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 2016.

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 2015/2016 was £1.25million but this has reduced to £1million since April 2016. 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 A

Lifetime allowance 2015/2016 = £1.25million

Annual pension at 31 March 2016 = £35,000 x 20 = £700,000 ÷ £1,250,000 x 100 = 56% of lifetime allowance used.

### Example B

Lifetime allowance 2016/2017 = £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](http://www.sppa.gov.uk)

### Questions?

If you have any questions about the information contained in this factsheet, please contact SPPA at  
7 Tweedside Park,  
Tweedbank,  
Galashiels  
TD1 3TE.

Email: [Policeabs@gov.scot](mailto:Policeabs@gov.scot)

