

Police Federation
Of England and Wales



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Lloegr a Chymru

Established by Act of Parliament

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FROM THE GENERAL SECRETARY'S OFFICE

AF/sjr

22 June 2018

JBB Circular 013-2018

To: All Branch Board Chairs and Secretaries
CC: Members of the Interim National Board

Dear Colleague,

**HOME OFFICE/GOVERNMENT ACTUARY'S DEPARTMENT PRODUCED PENSIONS
CALCULATOR**

1. After extensive lobbying from PFEW the Home Office (HO) commissioned the Government Actuary's Department (GAD) to produce a pension calculator for use by police officers in order to provide them with an illustration of the retirement benefits they might expect to receive from the police pension schemes when they choose to retire.
2. The calculator went live on 9 March 2018 and can be accessed here:

<https://www.gov.uk/government/publications/police-pensions-calculator>

3. We are aware that both the nature and the format of this new calculator are somewhat different to those of the previous version provided by the HO/GAD. Consequently, we felt it worth drawing your attention to some specific elements of

the calculator and its usage. These will hopefully assist you in responding to any queries you receive from members.

4. The new calculator deals with the benefits officers may receive from all three of the current police pension schemes:

- the Police Pension Scheme 1987 (PPS 1987),
- the New Police Pension Scheme 2006 (NPPS 2006), and
- the Police Pension Scheme 2015 (CARE 2015 Scheme).

These schemes are all defined benefits schemes, but the benefits from the first two are based on the member's final salary, whereas the CARE 2015 Scheme is a career average revalued earnings scheme. Under CARE 2015, benefits accrue on a yearly basis based on the pay received by the member during that year.

5. The calculator deals with the transitional provisions introduced along with the CARE 2015 Scheme (covering those who move across into the CARE 2015 Scheme from the PPS 1987 or the NPPS 2006) and also with the effects of periods of part-time service.
6. Consequently, by its very nature, the calculator is complex and in order to obtain the appropriate results members need to accurately input a certain amount of information. In order to assist members in doing this there are "More Info" boxes provided alongside many of the questions. Also, we recommend that members take the time to read the guidance notes provided prior to attempting to fill in the calculator as they are designed to assist in the process and to help members understand the results. Members are also advised to have available the latest benefit statement that they have been issued with by their force's scheme administrator as they should be able to extract much of the information it is necessary to input into the calculator from that document.
7. Predicting the likely benefits at retirement under the two final salary schemes (the PPS 1987 and the NPPS 2006) is relatively simple. However, due to the way in which career average revalued earnings schemes work, it is more difficult to predict likely

benefits under the CARE 2015 Scheme. There are some variables that officers themselves can choose to vary (such as exactly when they retire, and whether they work part-time at any point), and officers will need to input data regarding their own assumptions about these variables. There are also some that are not under officers' control (such as movements in the Consumer Price Index (CPI)), and GAD have had to make assumptions about these, in order to predict future benefits. Further, whilst the assumptions are based on the best information available to GAD actuaries, they are predictions, and therefore they cannot be perfect. There may, therefore, be a variation between what the calculator predicts and what is actually provided under the CARE 2015 Scheme. However, every effort has been taken to design a calculator which gives good indicative results, and HO/GAD have undertaken to make adjustments to the calculator in the future to keep it as up-to-date and realistic as possible.

8. Some specific points which should be reiterated are as follows:

- The calculator allows the member to select the date (and therefore the age) at which s/he feels s/he might like to retire and produces indicative results based on that date. If members wish to compare those results with the indicative benefits they might expect to receive at an alternative date/age then they need to complete the details in the calculator again using that alternative date as the retirement date. There is no limit to the number of alternatives that can be generated for comparison purposes.
- The calculator assumes that CPI movement will be +2% on an ongoing basis. Three sets of results are shown on the basis that salary increases and inflation will be CPI, CPI+1% and CPI+2% respectively. However, no allowance is made for any increases in salary due to promotion or incremental progression.
- Results are shown in two ways. One set of results reflects the actual projected figures, and the other reflects what those figures are worth in today's terms, making allowances for future inflation.

9. The results produced by the calculator are indicative only and do not in any way constitute financial advice, which if required by a member should be obtained from an independent financial adviser. The calculator makes an assumption about the continuing rate of CPI movement and also uses the currently applicable early and late retirement factors in the CARE 2015 Scheme where appropriate, and the current commutation factors for the PPS 1987. These are all subject to periodic review and adjustment as and when required.

10. For an officer who is currently part-time the calculator assumes that the officer will continue to work part-time at the current proportion of hours worked until retirement - which may not prove to be the case.

11. Our hope and aim is to ensure that this calculator produced by the HO/GAD is as fit for purpose and user friendly as possible. With that aim in mind we are currently collating feedback on the usage of the calculator which we can pass back to the HO/GAD and which may allow them to make adjustments to aid use by members.

12. Therefore we would be happy to receive any such feedback from yourselves or your members which we can pass on to the HO/GAD. This should be sent by email to the pensions' mailbox:

pensions@polfed.org

Yours faithfully,

A handwritten signature in black ink, appearing to read 'A. Fittes', is written over a light grey grid background.

ANDY FITTES
General Secretary