



Illustrations of pensions and cash lump sums at different ages in the Police Pension Schemes in Scotland

Introduction

This booklet is intended to illustrate the pension scheme benefits that officers may receive at different retirement ages from 1 April 2022.

Officers who started their police service before 6 April 2006 will have joined the Police Pension Scheme 1987 (PPS or 1987 Scheme) unless they opted not to do so. The PPS is a 'final salary' scheme, which means that pensions are calculated as a proportion of final average pensionable pay. This is generally pay in the last year of service as a member of the scheme. The pension also depends on pensionable service, which for most officers will be the length of service in the police force over which they have paid pension contributions, with appropriate adjustments for part-time service. Further details about the PPS can be found in the [PPS Member Guide](#).

The New Police Pension Scheme 2006 (2006 Scheme) came into effect for new entrants from 6 April 2006. No illustrations of 2006 Scheme benefits are provided in this booklet.

The Police Pension Scheme (Scotland) 2015 (2015 Scheme) came into effect for new entrants on 1 April 2015. Some members of the PPS had 'transitional protection' that meant they stayed in the PPS, while others moved to the 2015 Scheme on or after 1 April 2015. However, it was announced in February 2021 that most members of the PPS will receive a 'deferred choice' of whether to receive PPS or 2015 Scheme benefits for the period 1 April 2015 to 31 March 2022. More background on why this choice is being given and who is eligible can be found on www.gov.uk.

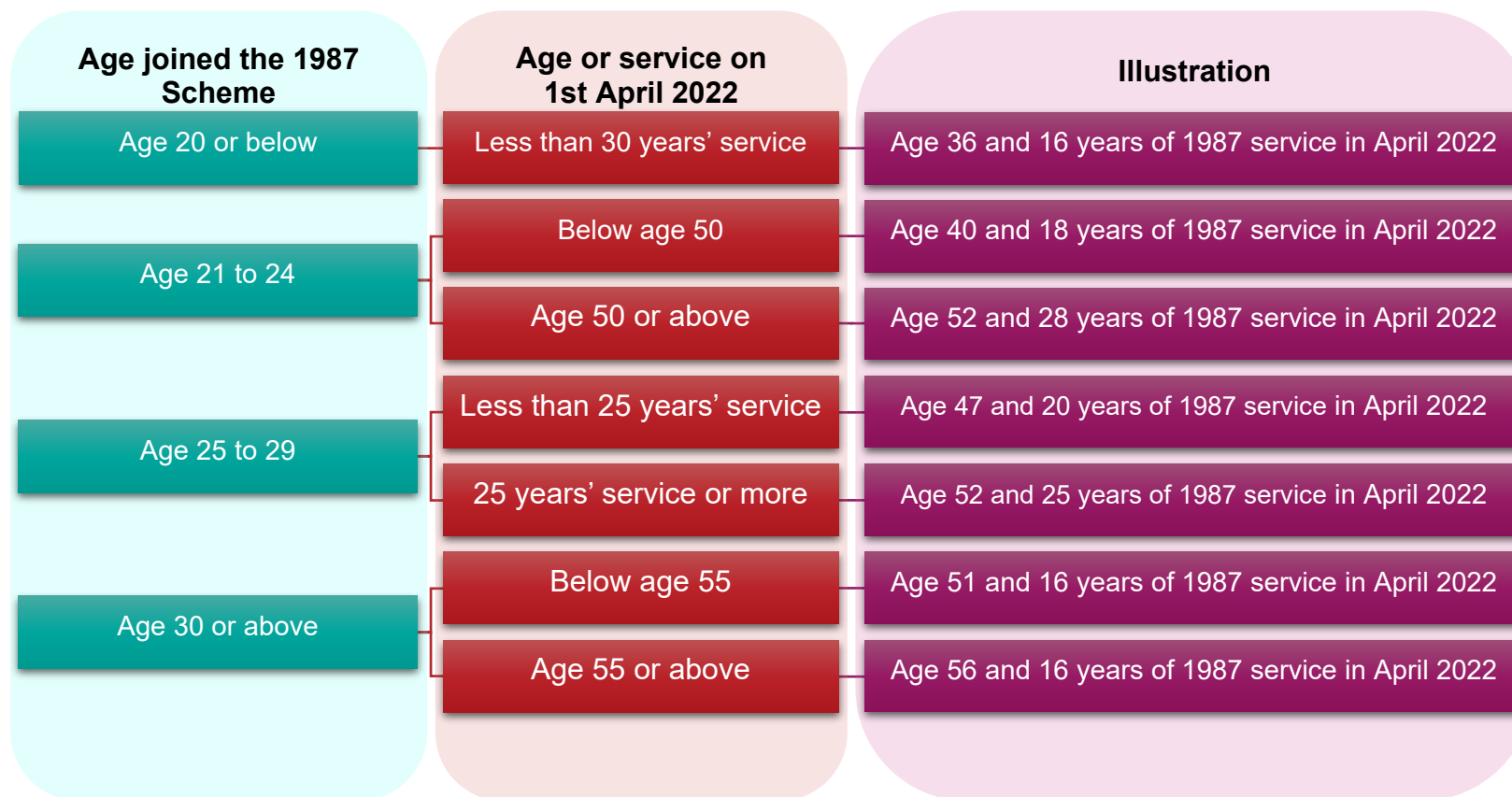
From 1 April 2022 all officers who continue in service will do so as members of the 2015 Scheme, regardless of age. The 2015 scheme is a Career Average Revalued Earnings (CARE) pension scheme. This means that for each year as an active member officers will earn a fraction (1/56.1) of the salary for that year as earned pension and this will be revalued for each subsequent year until retirement. Further details about the 2015 Scheme can be found in the [2015 Scheme Member Guide](#).

The illustrations in this booklet only apply to officers in police forces in Scotland who are currently members of the PPS, or who were members of the PPS prior to moving to the 2015 Scheme, and who are eligible for the 'deferred choice'. They also only apply to officers with a 'Voluntary Retirement Age' of 55 (those with a rank of Constable or Sergeant).



Illustrations

The ages at which you can retire from both the 1987 and 2015 Scheme, and the pension and lump sum you will receive at each of these ages, depend upon the age you joined the 1987 Scheme, and your age or combined 1987 and 2015 Scheme service on 1 April 2022. The following flow chart is intended to help you to identify the illustration that most closely relates to your own circumstances.



Retirement ages included in the illustrations

Each illustration includes a comparison of pension and lump sum amounts at the following milestones where these are relevant:

(1) **1 April 2022** (end of remedy period), at which point some members will be able to leave with 1987 Scheme deferred benefits payable from age 60, and others will be able to retire immediately from the 1987 Scheme.

(2) Retirement after **25 years' service** where they are aged 50 to 54:

- 1987 Scheme pension is payable immediately and members can commute up to 25% of their 1987 pension.
- 2015 Scheme pension can be taken at age 55 with a 45% to 50% reduction due to being paid early, or at State Pension Age without reduction.

(3) Retirement after **30 years' service**:

- 1987 Scheme pension maximum accrual rate has been reached and is payable immediately, and members can commute up to 25% of their 1987 pension.
- If the member is less than 55 at this time, 2015 Scheme pension can be taken when they reach age 55 with a 45% to 50% reduction due to being paid early, or at State Pension Age without reduction. If the member is 55 or over at this time 2015 Scheme benefits can be taken immediately with a reduction between 0% and 15% due to being paid early, or at age 60 without reduction.

(4) **Age 55**:

- 1987 Scheme pension is payable immediately and members can commute up to 25% of their 1987 pension.
- 2015 Scheme benefits can be taken at this age with a reduction of around 15% due to being paid early, or at State Pension Age without reduction).

(5) **Age 60**:

- 1987 Scheme pension is payable immediately and members can commute up to 25% of their 1987 pension.
- 2015 Scheme benefits can be taken without reduction.

How pensions and lump sums have been calculated

The illustrations are based on members choosing to receive 1987 Scheme benefits for the period 1 April 2015 to 31 March 2022 (the “remedy period”). Not all members will be better off if they choose to receive 1987 Scheme benefits for service in the remedy period, and financial advice should be sought before making your deferred choice at retirement or earlier leaving. Choosing to receive 1987 Scheme benefits for service in the remedy period will generally increase member contributions over this period. Member contributions have not been included in the illustrations.

The pension and lump sum amounts are shown in real (current) money terms. This means that the projected amounts at retirement are reduced for assumed inflation between 1 April 2022 and the future retirement date for each scenario in each illustration.

Members’ salaries are assumed to increase in line with inflation (consumer price inflation) only. No allowance has been made for any future promotional salary increases that members may receive.

2015 Scheme pensions are reduced for early payment for retirement before age 60 (or before SPA in scenarios where the 2015 Scheme pension is deferred). These reductions are based on the early retirement factors currently in effect. However, the factors will be reviewed periodically, and may increase or decrease. Benefits at retirement will depend on the early retirement factors in effect at that time.

At retirement you will be able to choose how much pension to exchange (commute) for a lump sum (within limits) from each of the 1987 and 2015 Schemes. The illustrations show pension and lump sum amounts assuming that (a) no lump sum is taken; and (b) the maximum allowable lumps sums are taken from each scheme. The amount of lump sum that you receive for each £1 of 1987 Scheme pension commuted depends on your age at retirement, and these illustrations are based on the 1987 commutation factors currently in effect. However, commutation factors are reviewed periodically and the amount of lump sum available at your actual retirement will depend on the commutation factors in effect at that time. The amount of lump sum you receive for each £1 of 2015 Scheme pension commuted is fixed at £12.

The illustrations are based on members in full-time employment throughout their career.

Members are assumed to retire on normal health terms (i.e. the illustrations do not include benefits under ill-health retirement or injury).

The 1987 and 2015 Schemes provide survivor benefits payable in the event of your death, which are not shown in these illustrations. See your scheme guide for details.

No allowance has been made for Guaranteed Minimum Pension (GMP) and any impact that GMP has on when benefits can be taken.

The illustrations do not allow for taxation. Benefits will be subject to the various tax rates and limits in force.

Limitations

This booklet has been prepared by the Government Actuary's Department (GAD) at the request of Scottish Public Pensions Agency (SPPA).

This booklet is solely for guidance purposes and is an illustration only of how benefits compare at certain milestones for each illustration. It is not intended to provide you with financial advice. If you require financial advice, you should contact an independent financial adviser. GAD do not accept any liability for individual financial decisions taken based on the information provided in this booklet.

The pension and lump sum amounts shown have been estimated using a given set of assumptions. Using different assumptions could produce materially different results. The key assumptions used are inflation and salary increases (which are assumed to be equal). Salary increases above inflation would increase the pensions and vice versa, with the biggest changes being for retirement ages furthest into the future. Since the results are in real terms, the results are not sensitive to the inflation assumption. If future experience differs from the assumptions used, the pension and lump sum amounts will be different from those shown in this booklet.

The illustrations and explanation slides do not override the scheme rules or pension legislation. If there is a difference between the illustrations/explanation slides, and the scheme rules, the scheme rules will apply.

This booklet has been prepared in accordance with Technical Actuarial Standard (TAS) 100 issued by the Financial Reporting Council (FRC). The FRC sets technical standards for actuarial work in the UK.

At GAD, we seek to achieve a high standard in all our work. We are accredited under the Institute and Faculty of Actuaries' Quality Assurance Scheme. Our website describes the [standards](#) we apply.



Police S member illustrations - Overview of calculations for members age 18 to 20 at joining with less than 30 years' service in April 2022

Journey of Police officer's service pension: Explanation of pension build up and entitlements at key milestones

Police officer scenario

Member begins service in the 1987 scheme and opts to remain in the scheme over the remedy period.

Transitions to the 2015 scheme in April 2022

1 April 2022 (end of remedy)

Member is not yet eligible to take any pension. If the member opts out of the scheme immediately their pension will be preserved until they reach deferred retirement age (age 60).

If member remains in the scheme:

2015 Pension
Member begins to build up 2015 pension.

1987 pension
Maintain link to salary increases.

Earliest age eligible for 1987 pension

2015 Pension
Ineligible for payment until age 55 - with around 45% to 50% reduction to pension as paid early (or 2015 pension can be taken at State Pension Age without reduction).

1987 Pension
30 years of service reached so eligible for retirement.

Lump Sum
Member can opt to exchange up to 25% of 1987 pension for a cash lump sum immediately.

Member can exchange up to 35.7% of 2015 pension for a cash lump sum when their 2015 pension commences.

At age 55

2015 Pension
Member continues to build up 2015 pension until age 55, which can be taken immediately, with a reduction of around 15% as paid early.

1987 Pension
Maintain link to salary increases. No change to accrual rate as 30 years' service already reached.

Lump Sum
Member can opt to exchange up to 25% of 1987 pension and 35.7% of 2015 pension for a cash lump sum.

At age 60

2015 Pension
Member continues to build up 2015 pension until age 60, which can now be taken with no reduction applied (as being paid from age 60)

1987 Pension
Maintain link to salary increases. No change to accrual rate as 30 years' service already reached.

Lump sum
Member can opt to exchange up to 25% of 1987 pension and 35.7% of 2015 pension for a cash lump sum.

End of remedy April 2022

Earliest age eligible for 1987 pension

Age 55

Age 60





Police S member illustrations - Age 36 and 16 years 1987 scheme service at end of remedy period

Journey of Police officer's service pension: Pension at key milestones before commutation

Police officer scenario

Age at joining 1987 scheme

20

Date of transition into the 2015 scheme

April 2022

Age at transition

36

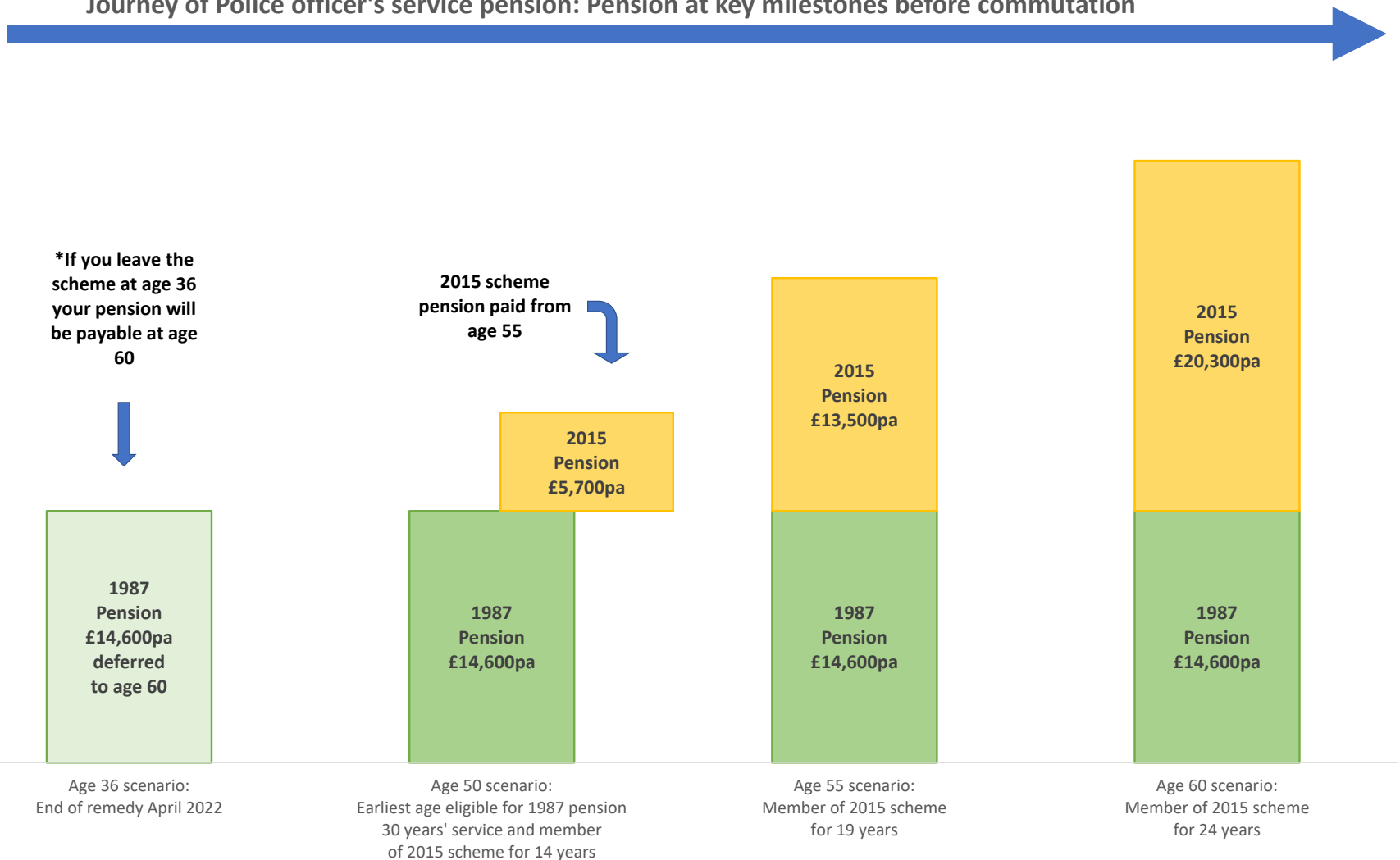
1987 scheme service at transition (years)

16

Salary at transition

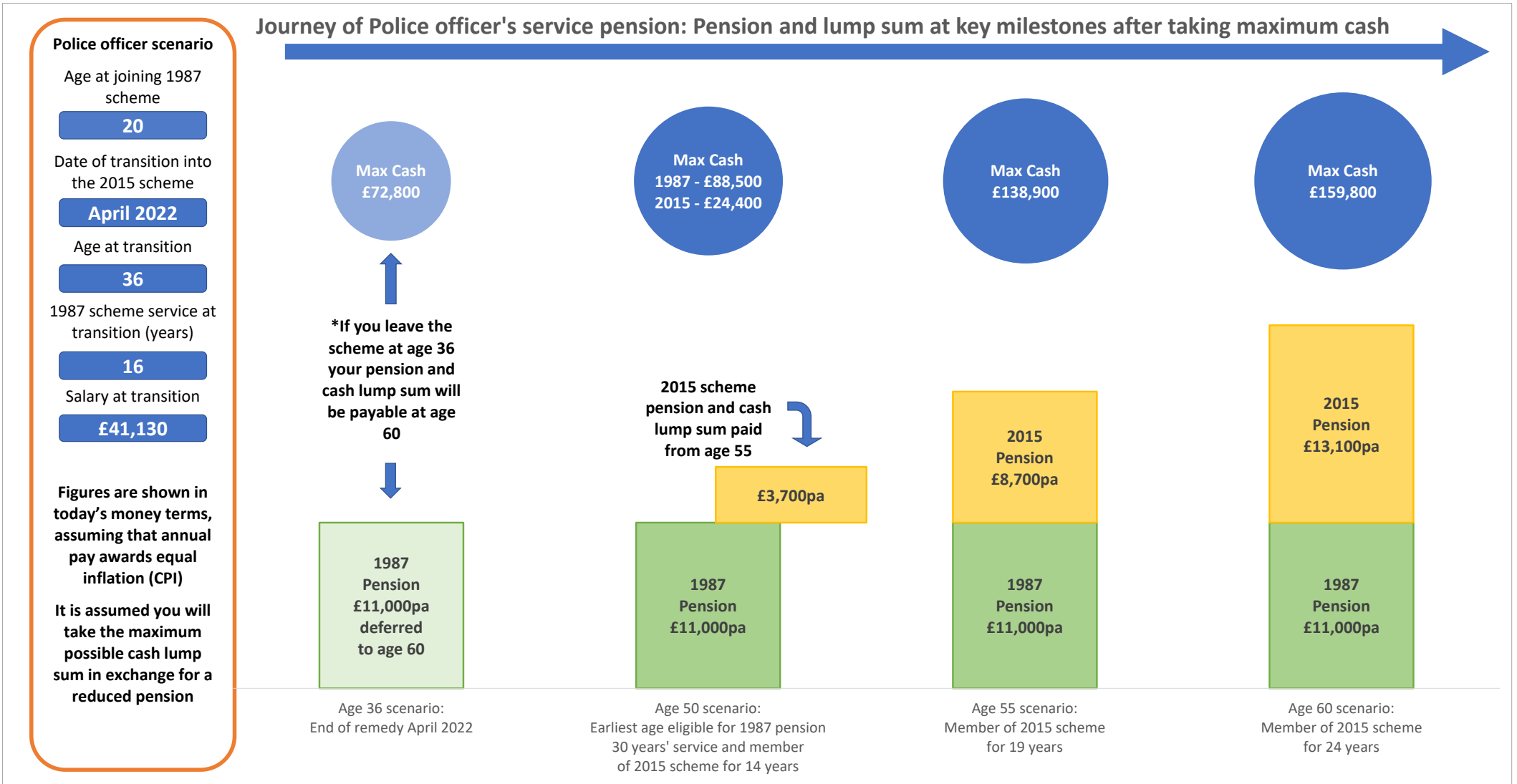
£41,130

Figures are shown in today's money terms, assuming that annual pay awards equal inflation (CPI)



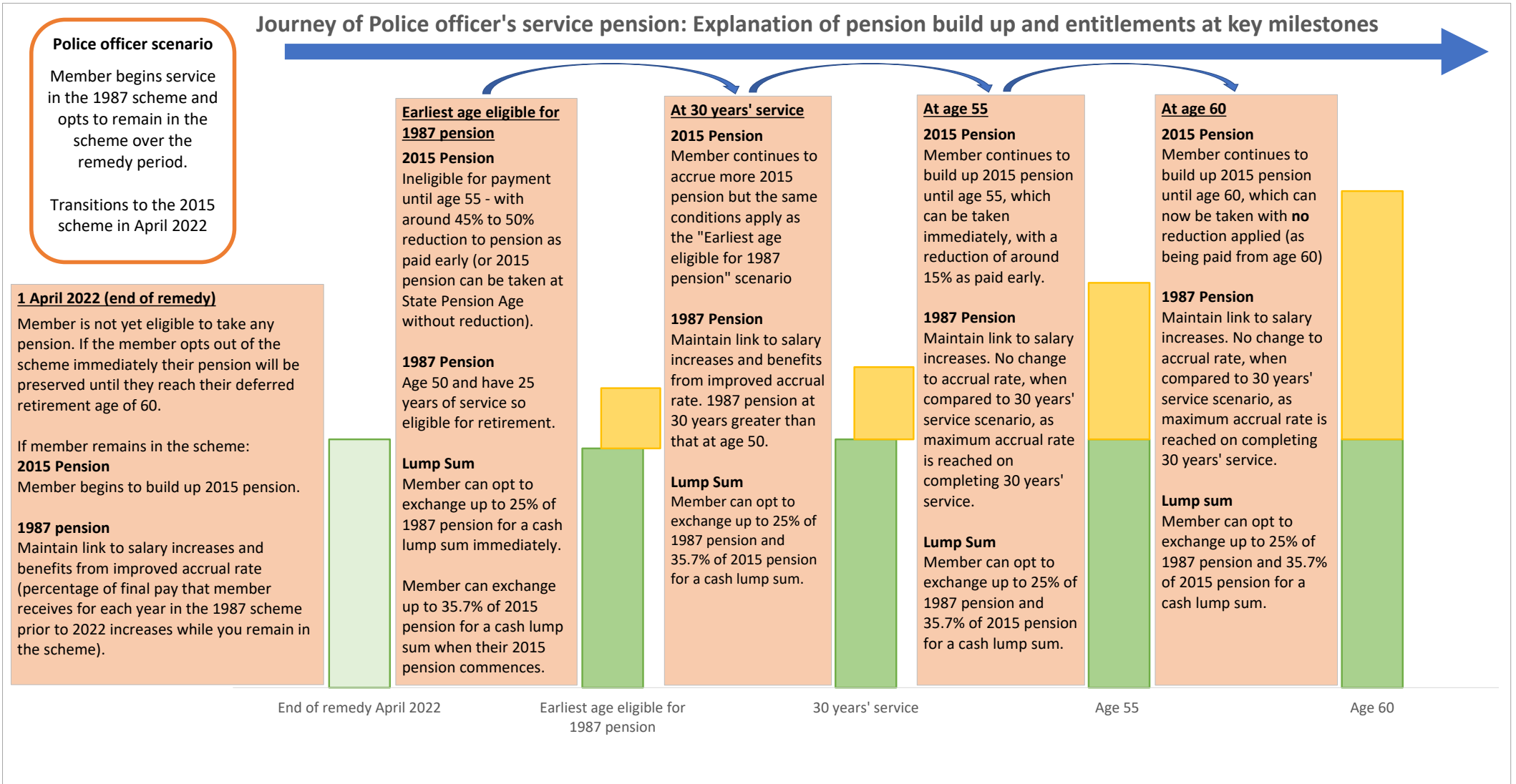


Police S member illustrations - Age 36 and 16 years 1987 scheme service at end of remedy period





Police S member illustrations - Overview of calculations for members age 21 to 24 at joining and below age 50 in April 2022





Police S member illustrations - Age 40 and 18 years 1987 scheme service at end of remedy period

Journey of Police officer's service pension: Pension at key milestones before commutation

Police officer scenario

Age at joining 1987 scheme

22

Date of transition into the 2015 scheme

April 2022

Age at transition

40

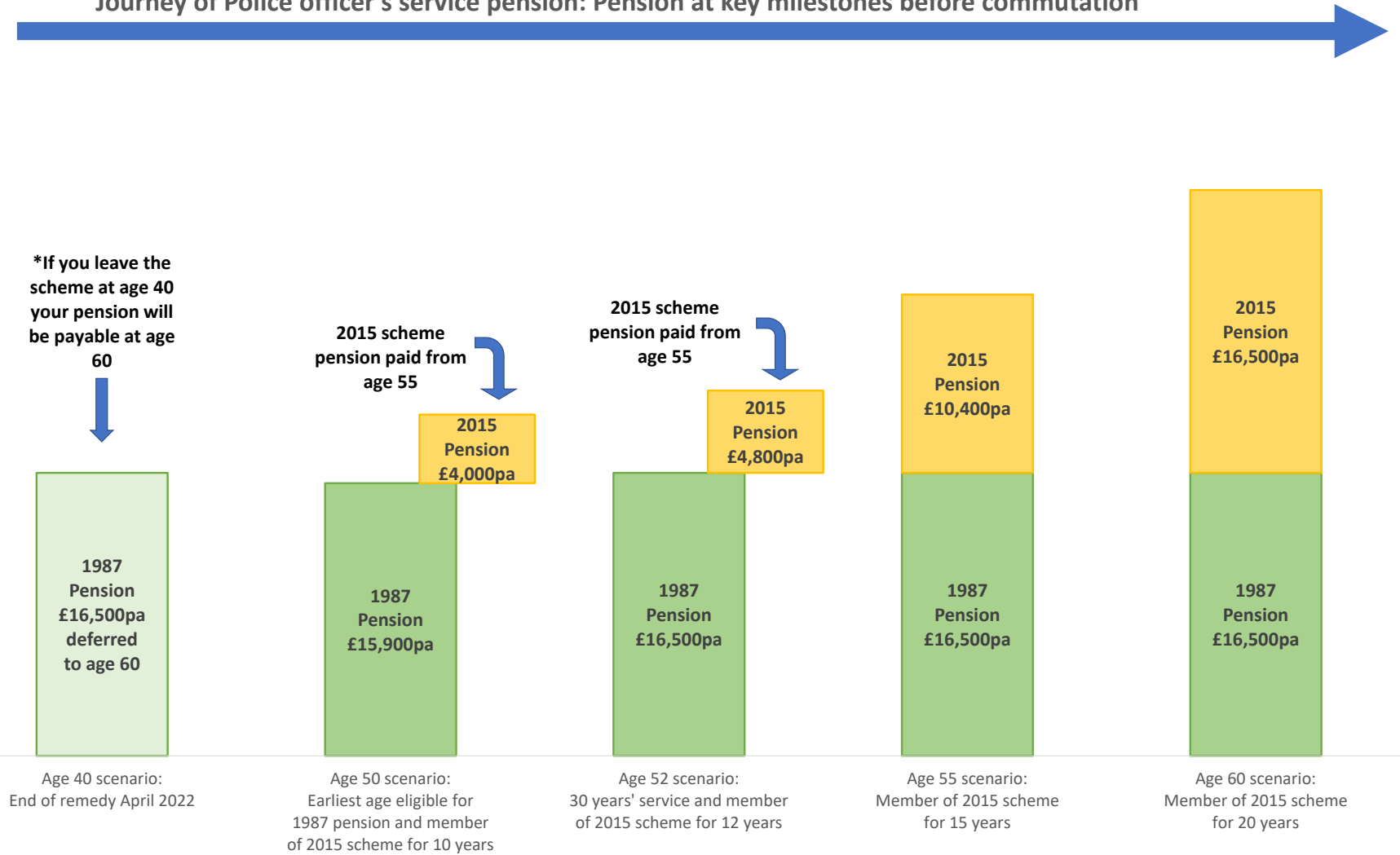
1987 scheme service at transition (years)

18

Salary at transition

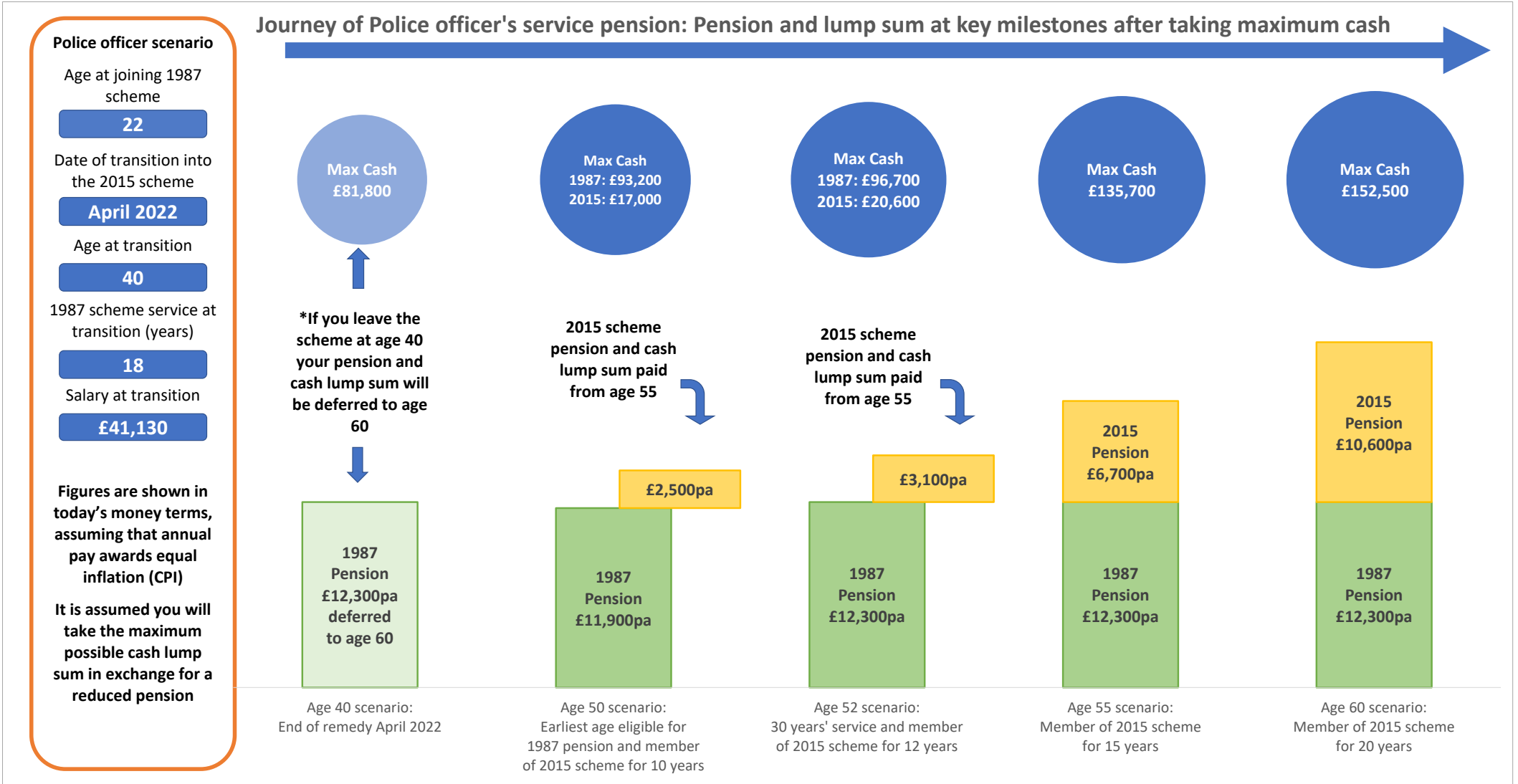
£41,130

Figures are shown in today's money terms, assuming that annual pay awards equal inflation (CPI)





Police S member illustrations - Age 40 and 18 years 1987 scheme service at end of remedy period





Police S member illustrations - Overview of calculations for members age 21 to 24 at joining and age 50 or above in April 2022

Journey of Police officer's service pension: Explanation of pension build up and entitlements at key milestones

Police officer scenario

Member begins service in the 1987 scheme and opts to remain in the scheme over the remedy period
Transitions to the 2015 scheme in April 2022

1 April 2022 (end of remedy)

Member is eligible to take 1987 pension at the end of the remedy period (over age 50 with 25 years of service) and can take up to 25% of 1987 pension as a cash lump sum (in exchange for a reduced 1987 pension).

If member remains in the scheme:

2015 Pension

Member begins to build up 2015 pension.

1987 pension

Maintain link to salary increases and benefits from improved accrual rate (percentage of final pay that member receives for each year in the 1987 scheme prior to 2022 increases while you remain in the scheme).

End of remedy April 2022 and earliest age eligible for 1987 pension

At 30 years' service

2015 Pension

Ineligible for payment until age 55 - with around 45% to 50% reduction to pension as paid early (or 2015 pension can be taken at State Pension Age without reduction).

1987 Pension

Maintain link to salary increases and benefits from improved accrual rate.

Lump Sum

Member can opt to exchange up to 25% of 1987 pension for a cash lump sum immediately.

Member can exchange up to 35.7% of 2015 pension for a cash lump sum when their 2015 pension commences.

30 years' service

At age 55

2015 Pension

Member continues to build up 2015 pension until age 55, which can be taken immediately, with a reduction of around 15% as paid early.

1987 Pension

Maintain link to salary increases and benefits from improved accrual rate.

Lump Sum

Member can opt to exchange up to 25% of 1987 pension and 35.7% of 2015 pension for a cash lump sum.

Age 55

At age 60

2015 Pension

Member continues to build up 2015 pension until age 60, which can now be taken with **no** reduction applied (as being paid from age 60)

1987 Pension

Maintain link to salary increases. No change to accrual rate, when compared to 30 years' service scenario, as maximum accrual rate is reached on completing 30 years' service.

Lump sum

Member can opt to exchange up to 25% of 1987 pension and 35.7% of 2015 pension for a cash lump sum.

Age 60





Police S member illustrations - Age 52 and 28 years 1987 scheme service at end of remedy period

Journey of Police officer's service pension: Pension at key milestones before commutation

Police officer scenario

Age at joining 1987 scheme

24

Date of transition into the 2015 scheme

April 2022

Age at transition

52

1987 scheme service at transition (years)

28

Salary at transition

£41,130

Figures are shown in today's money terms, assuming that annual pay awards equal inflation (CPI)

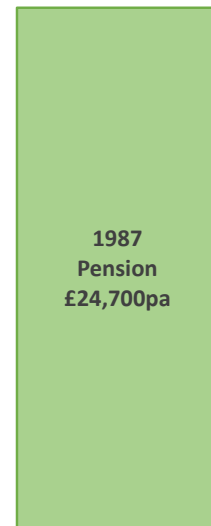
1987 Scheme paid from age 52 as member has 25 years of service and is 50 or over



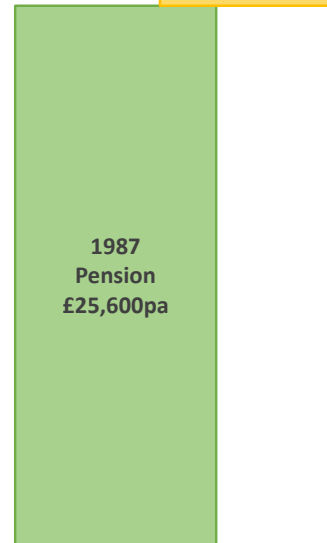
2015 scheme pension paid from age 55



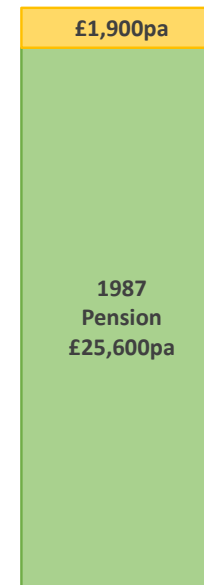
£800pa



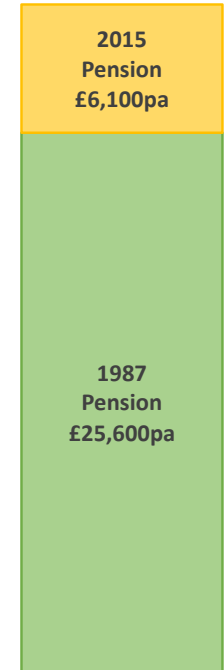
Age 52 scenario:
End of remedy April 2022 and earliest age eligible for 1987 pension



Age 54 scenario:
30 years' service and member of 2015 scheme for 2 years



Age 55 scenario:
Member of 2015 scheme for 3 years

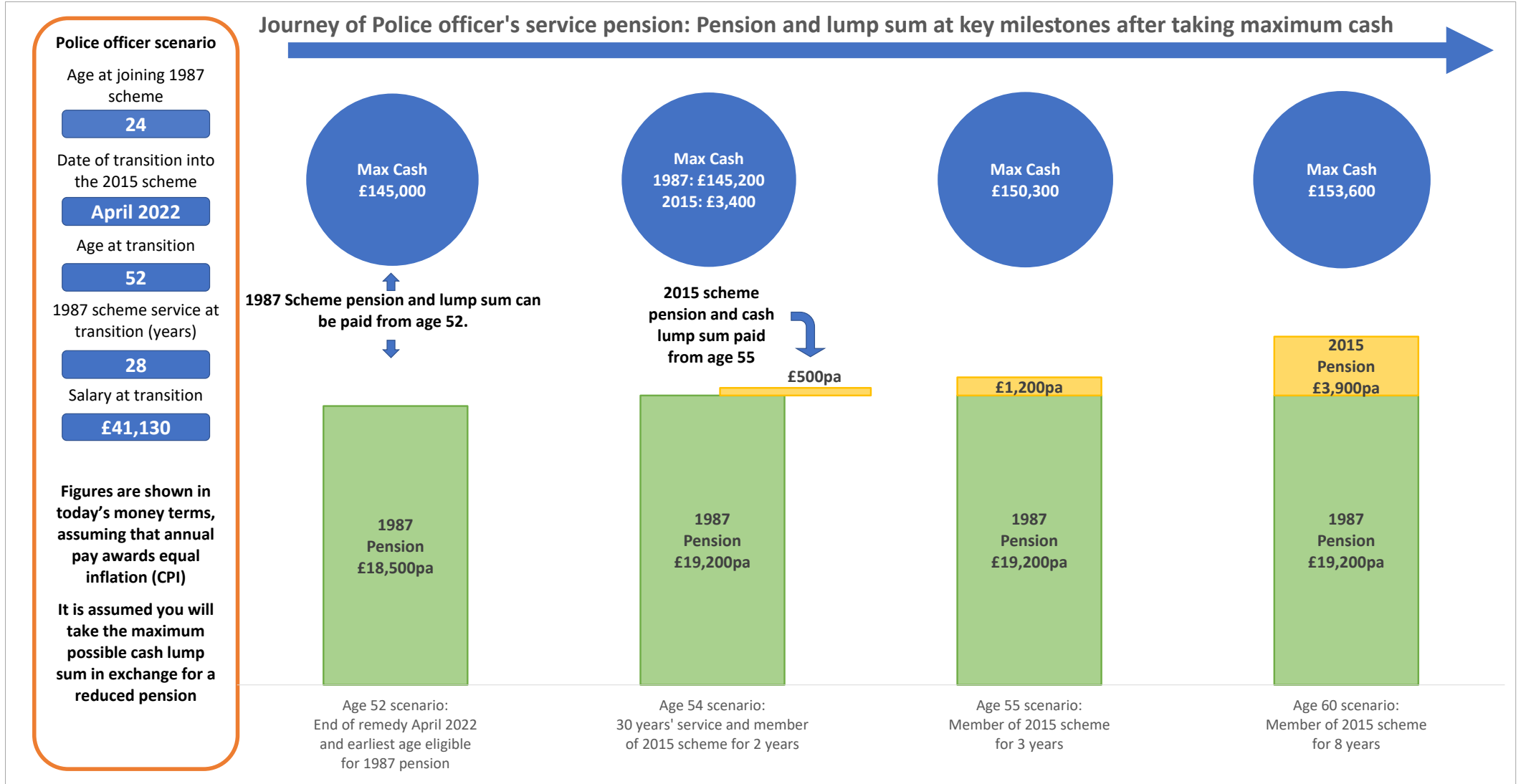


Age 60 scenario:
Member of 2015 scheme for 8 years



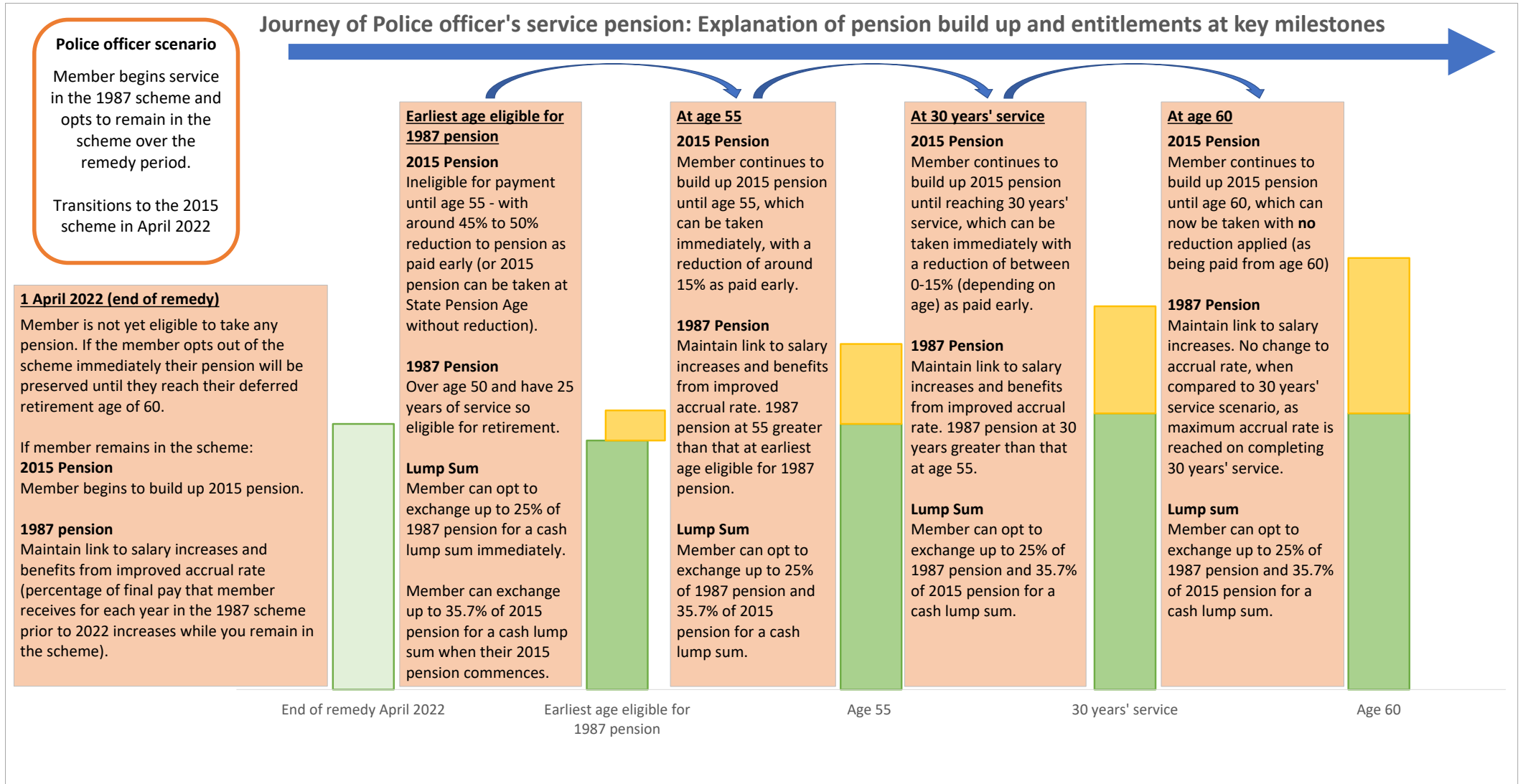


Police S member illustrations - Age 52 and 28 years 1987 scheme service at end of remedy period





Police S member illustrations - Overview of calculations for members age 25 to 29 at joining with less than 25 years' service in April 2022





Police S member illustrations - Age 47 and 20 years 1987 scheme service at end of remedy period

Journey of Police officer's service pension: Pension at key milestones before commutation

Police officer scenario

Age at joining 1987 scheme

27

Date of transition into the 2015 scheme

April 2022

Age at transition

47

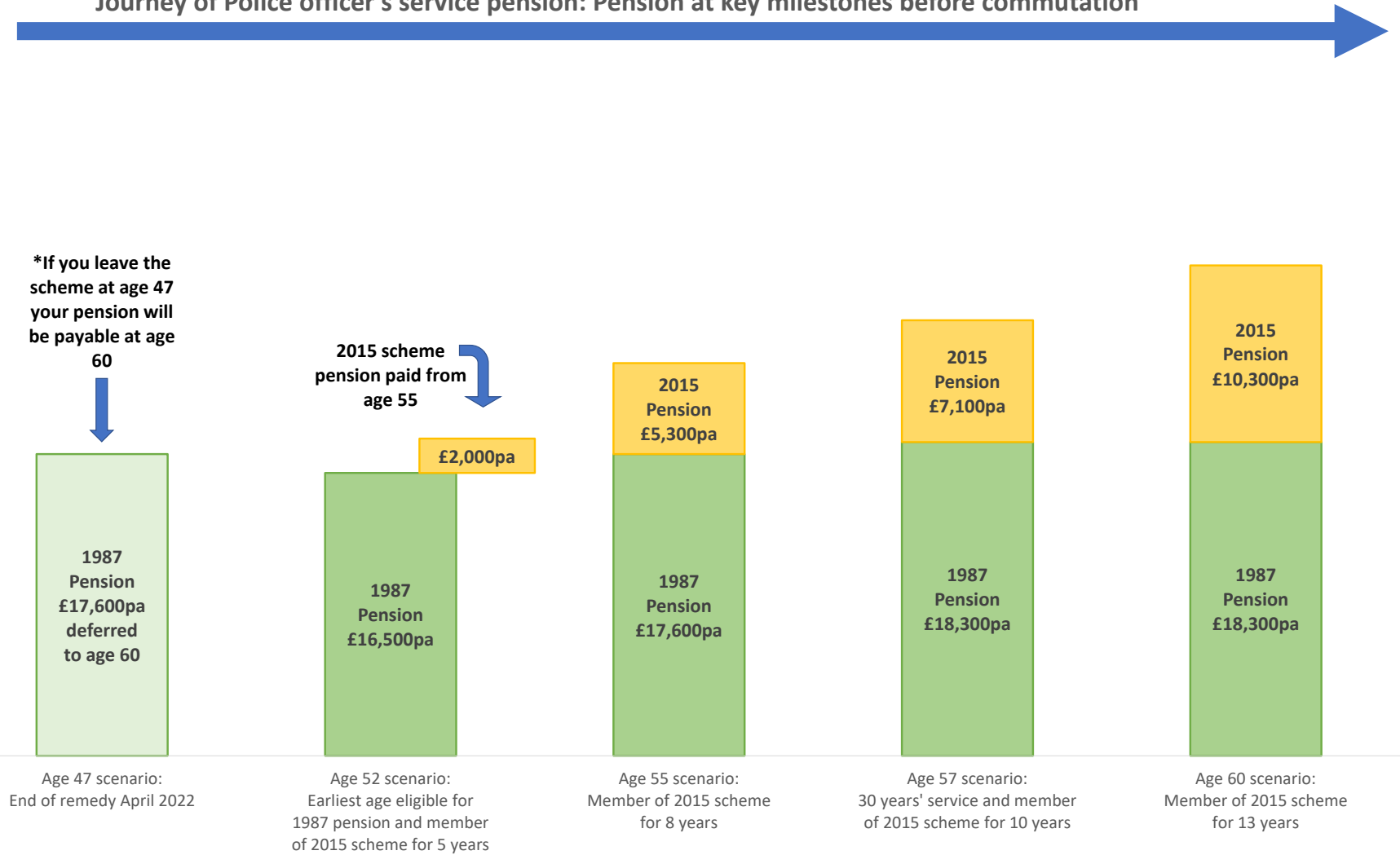
1987 scheme service at transition (years)

20

Salary at transition

£41,130

Figures are shown in today's money terms, assuming that annual pay awards equal inflation (CPI)





Police S member illustrations - Age 47 and 20 years 1987 scheme service at end of remedy period

Journey of Police officer's service pension: Pension and lump sum at key milestones after taking maximum cash

Police officer scenario

Age at joining 1987 scheme

27

Date of transition into the 2015 scheme

April 2022

Age at transition

47

1987 scheme service at transition (years)

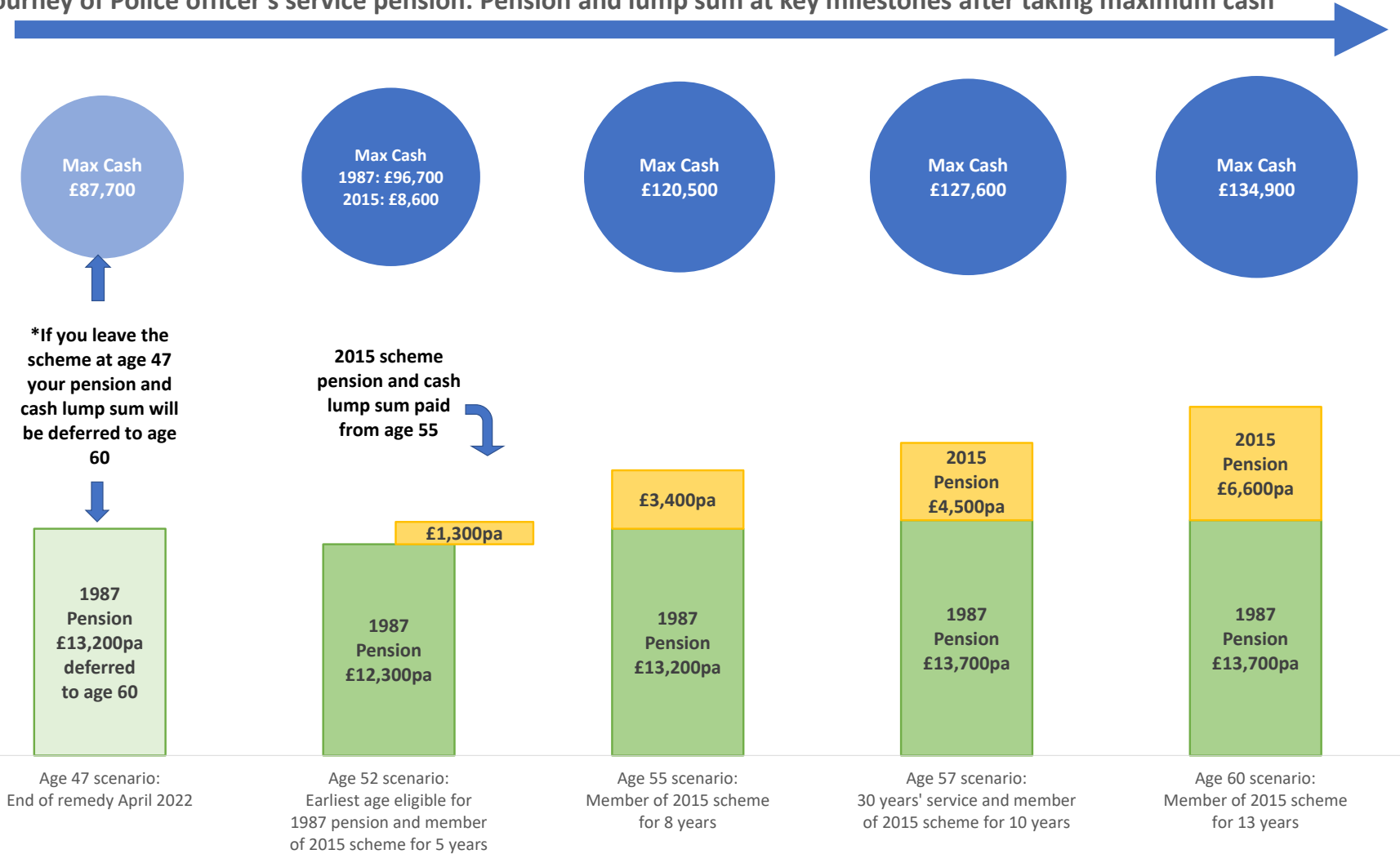
20

Salary at transition

£41,130

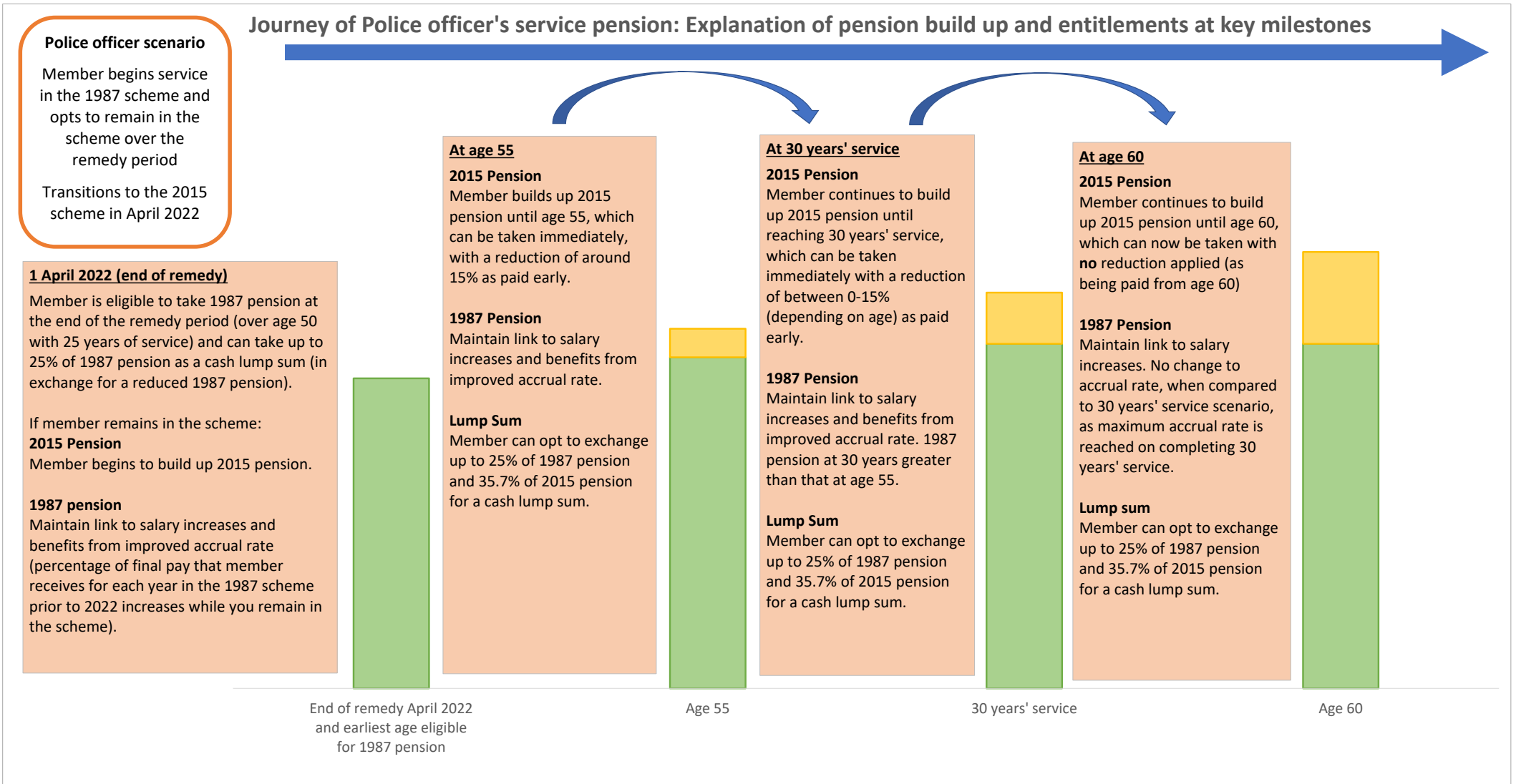
Figures are shown in today's money terms, assuming that annual pay awards equal inflation (CPI)

It is assumed you will take the maximum possible cash lump sum in exchange for a reduced pension





Police S member illustrations - Overview of calculations for members age 25 to 29 at joining with at least 25 years' service in April 2022





Police S member illustrations - Age 52 and 25 years 1987 scheme service at end of remedy period

Journey of Police officer's service pension: Pension at key milestones before commutation

Police officer scenario

Age at joining 1987 scheme

27

Date of transition into the 2015 scheme

April 2022

Age at transition

52

1987 scheme service at transition (years)

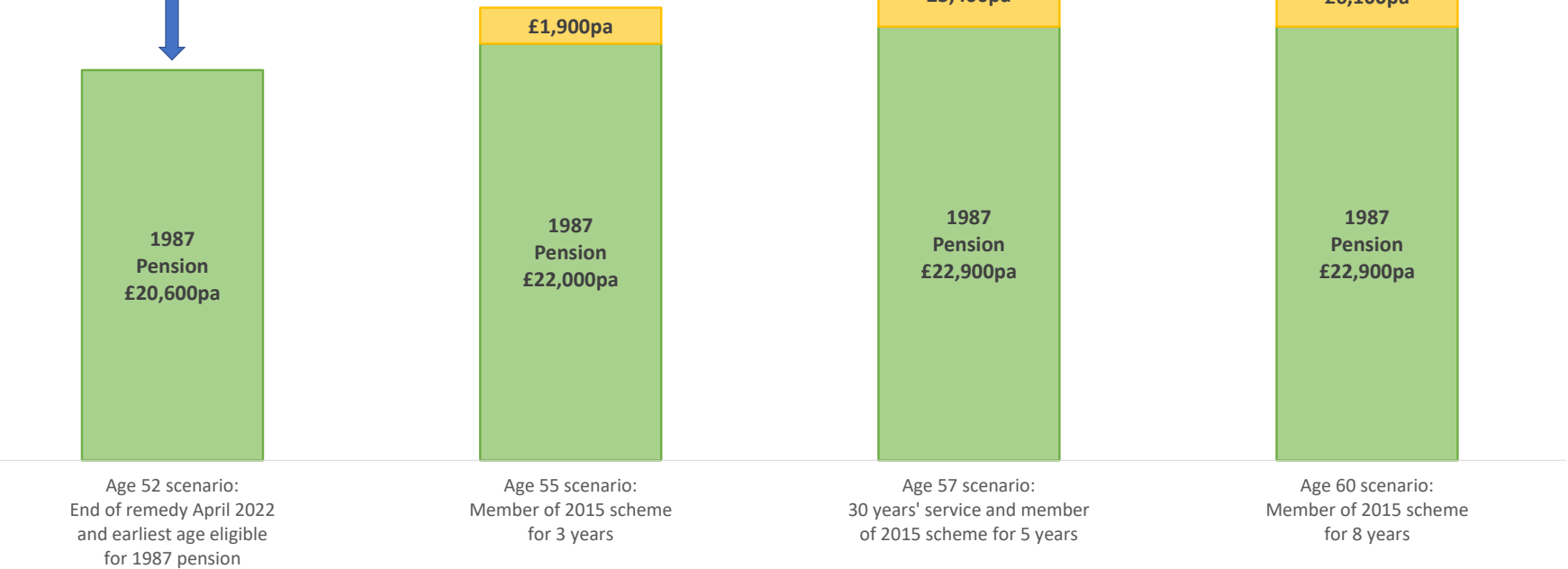
25

Salary at transition

£41,130

Figures are shown in today's money terms, assuming that annual pay awards equal inflation (CPI)

1987 Scheme paid from age 52 as member has 25 years of service and is 50 or over



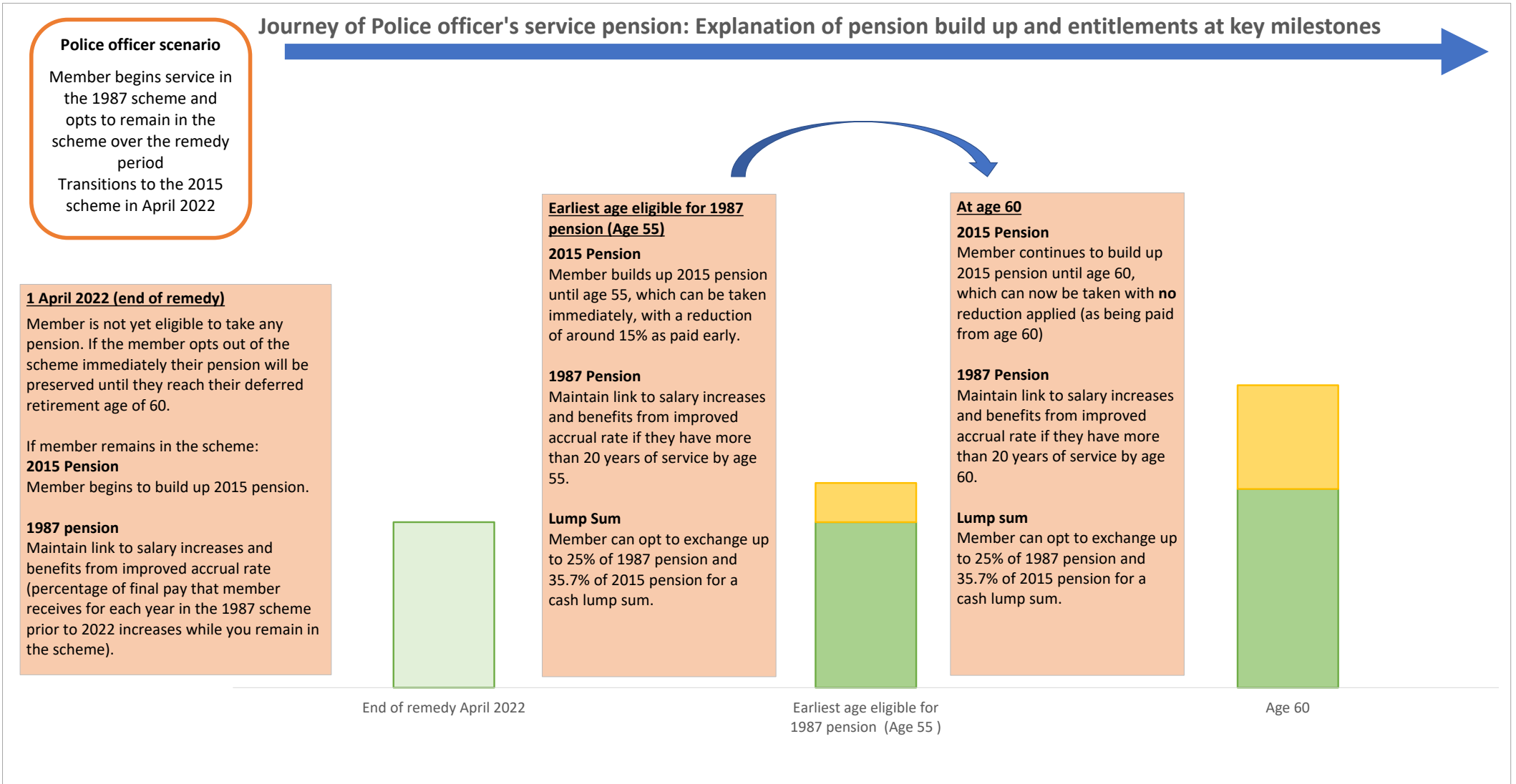


Police S member illustrations - Age 52 and 25 years 1987 scheme service at end of remedy period





Police S member illustrations - Overview of calculations for members age 30 or over at joining and below 55 in April 2022





Police S member illustrations - Age 51 and 16 years 1987 scheme service at end of remedy period

Journey of Police officer's service pension: Pension at key milestones before commutation

Police officer scenario

Age at joining 1987 scheme

35

Date of transition into the 2015 scheme

April 2022

Age at transition

51

1987 scheme service at transition (years)

16

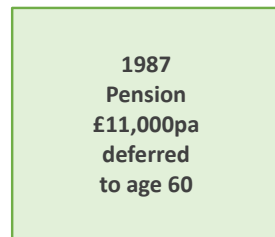
Salary at transition

£41,130

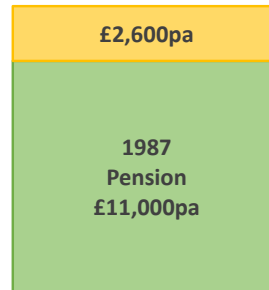
Figures are shown in today's money terms, assuming that annual pay awards equal inflation (CPI)



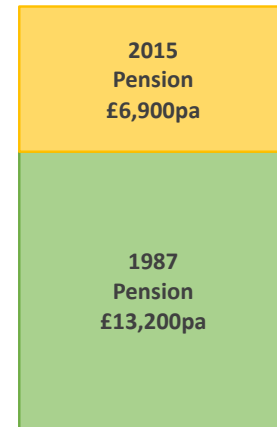
***If you leave the scheme at age 51 your pension will be payable at age 60**



Age 51 scenario:
End of remedy April 2022



Age 55 scenario:
Earliest age eligible for 1987 pension and member of 2015 scheme for 4 years



Age 60 scenario:
Member of 2015 scheme for 9 years





Police S member illustrations - Age 51 and 16 years 1987 scheme service at end of remedy period





Police S member illustrations - Overview of calculations for members age 30 or over at joining and age 55 or above in April 2022

Journey of Police officer's service pension: Pension at key milestones before commutation

Police officer scenario

Member begins service in the 1987 scheme and opts to remain in the scheme over the remedy period
Transitions to the 2015 scheme in April 2022

1 April 2022 (end of remedy)

Member is eligible to take 1987 pension at the end of the remedy period (age 55 or over) and may choose to exchange up to 25% of 1987 pension for a cash lump sum immediately.

At age 60

2015 Pension

Member builds up 2015 pension until age 60, which can be taken with **no** reduction applied (as being paid from age 60).

1987 Pension

Maintain link to salary increases and benefits from improved accrual if they have more than 20 years of service by age 60.

Lump sum

Member can opt to exchange up to 25% of 1987 pension and 35.7% of 2015 pension for a cash lump sum.

End of remedy April 2022

Age 60





Police S member illustrations - Age 56 and 16 years 1987 scheme service at end of remedy period

Journey of Police officer's service pension: Pension at key milestones before commutation

Police officer scenario

Age at joining 1987 scheme

40

Date of transition into the 2015 scheme

April 2022

Age at transition

56

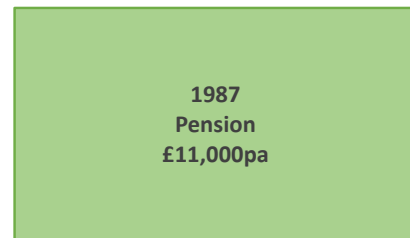
1987 scheme service at transition (years)

16

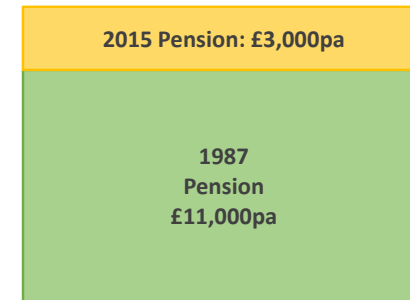
Salary at transition

£41,130

Figures are shown in today's money terms, assuming that annual pay awards equal inflation (CPI)



Age 56 scenario:
End of remedy April 2022



Age 60 scenario:
Member of 2015 scheme
for 4 years





Police S member illustrations - Age 56 and 16 years 1987 scheme service at end of remedy period

Journey of Police officer's service pension: Pension and lump sum at key milestones after taking maximum cash

Police officer scenario

Age at joining 1987 scheme

40

Date of transition into the 2015 scheme

April 2022

Age at transition

56

1987 scheme service at transition (years)

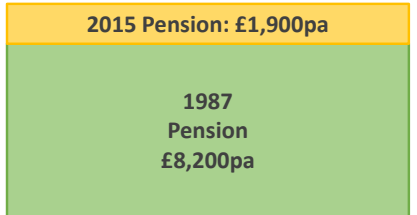
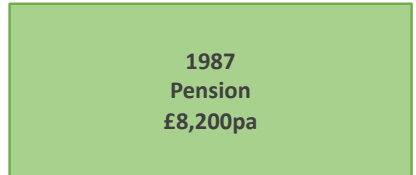
16

Salary at transition

£41,130

Figures are shown in today's money terms, assuming that annual pay awards equal inflation (CPI)

It is assumed you will take the maximum possible cash lump sum in exchange for a reduced pension



Age 56 scenario:
End of remedy April 2022

Age 60 scenario:
Member of 2015 scheme
for 4 years

