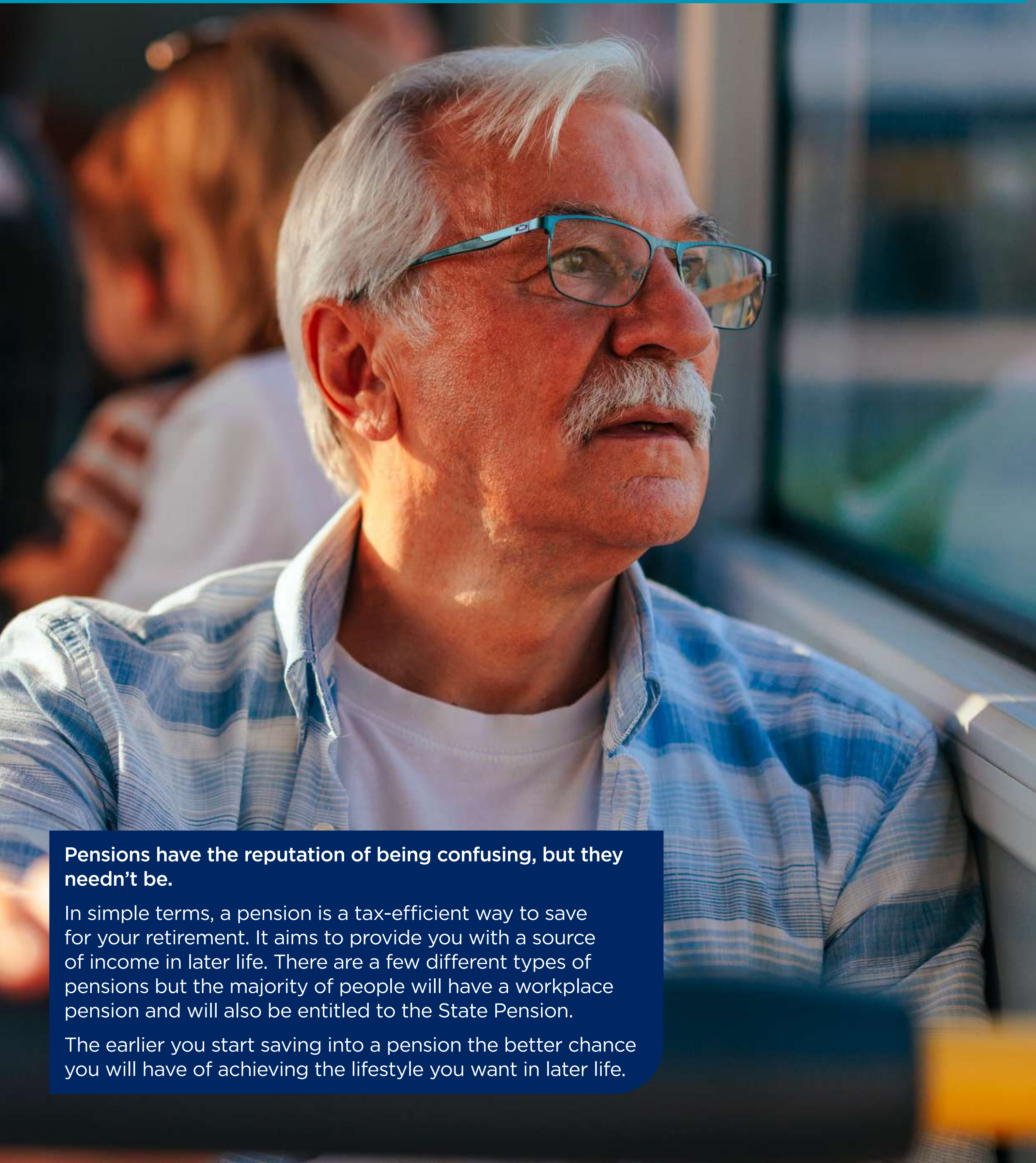
Let's Talk

Police Mutual

Police Staff Pensions

September 2024



Pensions have the reputation of being confusing, but they needn't be.

In simple terms, a pension is a tax-efficient way to save for your retirement. It aims to provide you with a source of income in later life. There are a few different types of pensions but the majority of people will have a workplace pension and will also be entitled to the State Pension.

The earlier you start saving into a pension the better chance you will have of achieving the lifestyle you want in later life.

Workplace pensions

To encourage people to save for retirement the Government offers tax incentives.

If you're a UK taxpayer, in the tax year 2024 - 25 you'll get tax relief on pension contributions of up to 100% of your earnings or a £60,000 annual allowance, whichever is lower.

- **For example, if you earn £30,000 but put £35,000 into your pension pot (using money from another source), you'll only get tax relief on £30,000.**
- **Similarly, if you earn £70,000 and want to put that amount in your pension scheme in a single year, you'll normally only get tax relief on £60,000.**

Any contributions you make over this limit won't attract tax relief and will be added to your other income and be subject to income tax at the rate that applies to you. In the majority of cases you can carry forward unused allowances from the previous three years, as long as you were a member of a pension scheme during that time.

If you have no earnings or earn less than £3,600, you can still pay into a pension scheme and qualify for tax relief on your contributions up to £2,880.

There is now no overall maximum you can put into your pension however, there are limits as to how much you can exchange for a tax free lump sum.

Workplace pension schemes are provided by employers. Your pension pot is based on contributions taken directly from your wages, as well as your employer's contributions.

There are two main types of workplace pension, also known as occupational or company pension schemes. These are either a defined benefit or final salary scheme, like the Police Staff pension scheme, which provides benefits linked to your salary when you retire. Or a defined contribution or money purchase scheme, where you and your employer's contribution combine to build up a pot of money. This pot is then used to invest and provide a regularly income for you to use during your retirement.

Police Staff Pension Schemes

There are significant benefits to the Police Staff pension scheme:

- **Guaranteed Pension**
- **Pension Index Linked – CPI (Consumer Price Index)**
- **Death in service benefits – 3 x salary**
- **Surviving Spouse/ Partner/Children's pensions payable in the event of death***
- **Allows for the provision of ill-health pension**

There are different Police Staff pension schemes and you may have been in more than one of the schemes

LGPS (Pre 2008) scheme:

This is a final salary scheme. Contributions were set at 6% of pensionable salary and include a lump sum of 3 times their annual pension. Subject to HMRC rules.

Anyone who joined this scheme will have moved to the new scheme in April 2008.

The April 2008 to March 2014 scheme:

This is a final salary scheme. Contributions varied depending on your salary, from 5.5% to 12% of your pensionable income. A lump sum can be chosen by surrendering £1 of annual income for each £12 of lump sum. Subject to HMRC rules.

Anyone who joined this scheme will have moved to the new scheme in April 2014/2015.

The Career Average Revealed Earnings (CARE) scheme from April 2014 in England & Wales and April 2015 in Scotland and Northern Ireland:

A CARE pension scheme means that you will build a pension equal to 1/49 of your Pensionable Earnings for each year of service, which is then added to your pension account. This is increased at the end of each year in line with CPI plus 1.25% to maintain the value of the pension earned. When you retire the total pension is calculated depending on the number of years you have served and the amount in your pension account.

Contributions vary depending on your salary, from 5.5% to 12.5% of your earnings each year. When you retire the total pension is calculated depending on the number of years you have served.

A lump sum can be chosen by surrendering £1 of annual income for each £12 of lump sum, subject to HMRC rules.

If you are struggling to afford this level of contributions you do have the option to pay half % as a regular deduction.

You can choose to take your pension between the age of 55 and 75 although this will increase from 55 to 57 from 6 April 2028. For more details click **here**. For tools and calculators click **here**.

Civil Service Pension Scheme Pre July 2007 scheme:

Most people would have been a member of Premium or Classic pension schemes. Members who joined before 2002 were members of the "classic" scheme which has a Normal Pension Age of 60 and is final salary linked. The contribution was free to the member but a contribution of 1.50% was made for the Widows Pension Scheme. Members joining between 2002 and 2007 joined the "premium" pension scheme which has a Normal Pension Age of 60 and is final salary linked. The premium scheme was contributory, and provides a spouse pension which is whole life.

The 30 July 2007 to 31 March 2015 scheme:

Most people will have joined the NUVOS scheme during this period. Contributions vary depending on your salary, from 3.5% to 8.25% of your pensionable income. A lump sum can be chosen by surrendering £1 of annual income for each £12 of lump sum. Subject to HMRC rules. Anyone who joined this scheme will have moved to the new scheme in April 2015 unless the individual is a protected member.

The Career Average Revealed Earnings scheme (APLHA) from April 2015 in England & Wales:

Contributions vary depending on your salary, from 4.6% to 8.05% of your earnings each year. This slice is increased in line with CPI to maintain the value of the pension earned. When you retire the total pension is calculated depending on the number of years you have served. The pension builds up at a rate of 2.32% of your pensionable pay each year.

A lump sum can be chosen by surrendering £1 of annual income for each £12 of lump sum, subject to HMRC rules. You can choose to take your pension between the age of 55 and 75

You also have the choice of joining the Partnership Pension which is a defined contribution scheme which is managed by Legal & General.

Pension calculators can be found on Pension calculators - Civil Service Pension Scheme

For more details of the schemes please contact your force pensions departments.

Tax Free lump Sums

When you take your pension you will be given the option of being able to take up to 25% of your pension fund as a tax-free lump sum payment, subject to HMRC rules.

Your Police staff Pension may not be your only source of income, especially once you reach the state retirement age. You may have also paid into other schemes in the past or even been entitled to certain benefits. Click **here** to read about what other benefits you may be entitled to.

Pension income paid to you is normally treated as earned income for income tax purposes, although National Insurance contributions are not payable. For more details on tax and pensions click **here**.

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