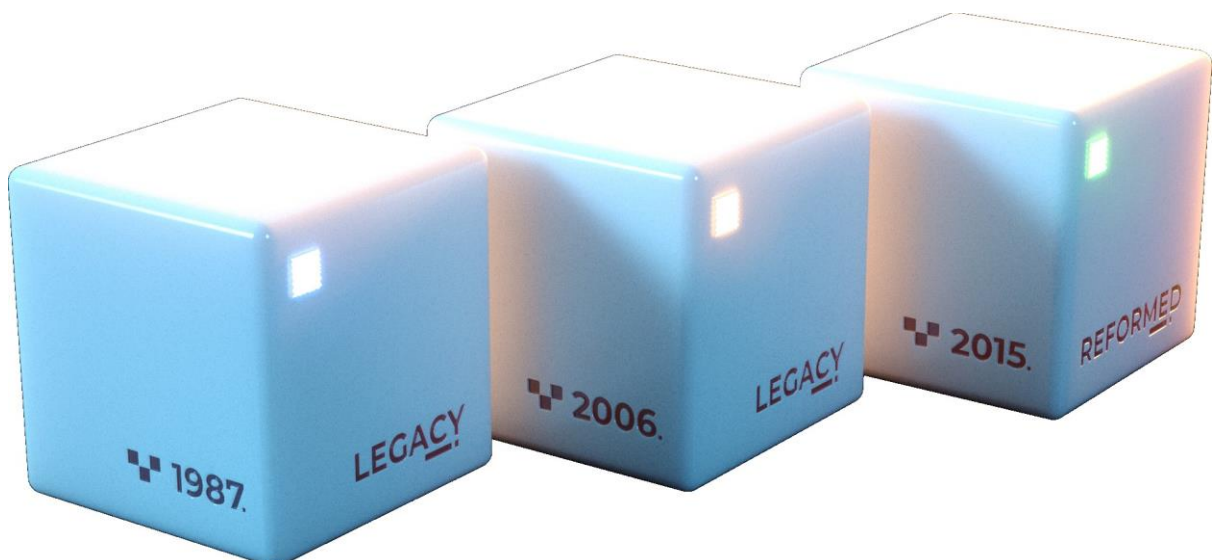# ABS–RSS information:

How your benefits in the legacy PPS 2006 or PPS 1987 are calculated

Contents

The Legacy Police Pension Schemes

Pensions typically fall into two categories, either a Defined Benefit (DB) scheme or a Defined Contribution (DC) scheme.

The Police Pension Scheme 2006 (PPS 2006) and the Police Pension Scheme 1987 (PPS 1987) are both DB Schemes which means that there is a formula to work out your pension and provides you with a guaranteed income when you retire.

There are different types of DB schemes, such as 'final salary' or 'Career Average Revalued Earnings' (CARE).

The PPS 2006 and the PPS 1987 are both final salary schemes, which means that the pension is built up based on your length of membership and your final salary when you leave the Police Pension Scheme.

Final salary

Final salary is an average of your whole-time equivalent pay in the 365 days to your date of leaving. The full title of this is the final year's average pensionable pay and is sometimes shorted to final pay, final salary, or average pensionable pay.

If one of the two preceding years gives a higher average, then this will be used as the average pensionable pay instead. This is known as the best of the last three years whole-time equivalent average pensionable pay and is sometimes shortened to the best of the last three.

The average pensionable pay is the pay that you receive in the final year on which you pay pension contributions. If you work part time, or have reduced earnings in the final year, your whole-time equivalent pay will still be used.

Overtime and most allowances paid with your salary are not subject to pension contributions, this means that they are not pensionable pay and therefore, not included in your average pensionable pay. There will be details on your payslip which will identify which parts of your pay are pensionable or not.

Transitional membership

If you have previous membership in either the PPS 1987 or the PPS 2006, then you will have transitioned to the Police Pension Scheme (PPS 2015). This is known as transitional membership and means that your pension will be calculated in two separate portions. Each portion is subject to the rules applicable to that scheme and means that when you retire, they can be paid separately at different times or together.

For information about how the PPS 2015 scheme is calculated please see the useful document on How your benefits in the PPS 2015 scheme build up.

PPS 2006 Scheme

Calculating the standard benefits

The PPS 2006 is based on two main components, your pensionable service and your final pay.

If you work part-time, your membership is accrued on a pro-rata basis according to the percentage of full time that you work.

Benefits are calculated as a proportion of your final salary depending on the length of your pensionable service.

For each year of membership, you get a $1/70^{th}$ of your final pay, this is known as the accrual rate (the rate at which your pension built up).

$$\frac{years\ of\ pensionable\ service}{70} \times final\ pay = annual\ pension$$

The PPS 2006 also provides an automatic lump sum which is four times the annual pension.

$$annual\ pension \times 4 = lump\ sum$$

Example standard PPS 2006 benefits calculation
Membership in the PPS 2006 can only have been accrued up to 31 March 2022 and the earliest a member may have joined the scheme was on 6 April 2006.

- The maximum pensionable service that a member may have is: – 16 years 360 days (excluding any transferred in service or added years).
- A Police Constable who has been in the scheme for 16 years, would have an average final years pensionable pay for 2023/24 of £44,784.89.
  - (1 April 2023 to 31 August 2023 = 153 days at £43,032), plus
  - (1 September 2023 to 31 March 2024 = 213 days at £46,044)

$$\frac{16\ years\ 360\ days}{70} \times £44,784.89 = £10,867.57\ (annual\ pension)$$

$$£10,867.57 \times 4 = £43,470.28\ (lump\ sum)$$

Additional benefits will also be payable from the PPS 2015. For information about how the PPS 2015 scheme is calculated please see the useful document on How your benefits in the PPS 2015 scheme build up.

Exchanging lump sum for annual pension

The PPS 2006 allows members to exchange some or all of their automatic lump sum to provide additional annual pension. This is also known as inverse commutation.

There are factors which determine the rate at which the lump sum can be exchanged. They are based on your age in years and months at the date of retirement and you will receive a higher amount of additional annual pension the older you are. The factors are provided by the Government Actuary Department.

$$\frac{lump\ sum\ to\ be\ exchanged}{inverse\ commutation\ factor} = additional\ annual\ pension$$

$$automatic\ lump\ sum - lump\ sum\ to\ be\ exchanged = lump\ sum$$

Example maximum inverse commutation PPS 2006 calculation
Where:

- Lump sum = £44,470.28 – all of this to be exchanged
- Annual pension = £10,867.57
- Age at date of retirement = age 55
- Inverse commutation factor = 24.42

$$\frac{£44,470.28}{24.42} = £1,821.06\ (additional\ annual\ pension)$$

$$£10,867.57 + £1,821.06 = £12,688.63\ (total\ annual\ pension\ payable)$$

$$£44,470.28 - £44,470.28 = £0.00\ (automatic\ lump\ sum\ payable)$$

Normal pension age

The normal pension age of the PPS 2006 for an active serving officer who retires is age 55. This is the earliest that the pension can be paid.

PPS 1987 Scheme

Calculating the standard benefits

The PPS 1987 is based on two main components, your pensionable service and your final pay.

If you work part-time, your membership is accrued on a pro-rata basis according to the percentage of full time that you work.

Benefits are calculated as a proportion of your final salary depending on the length of your pensionable service.

For each year of membership up to 20 years, you get a 1/60th of your final pay, this is known as the accrual rate (the rate at which your pension built up).

For years 20 to 30, you get 2/60th of your final pay, this is known as the double accrual.

Years 1 to 20

$$\frac{years\ of\ pensionable\ service}{60} \times final\ pay = annual\ pension\ at\ \frac{1}{60th}$$

Years 21 to 30

$$2 \times \left(\frac{years\ of\ pensionable\ service}{60}\right) \times final\ pay = annual\ pension\ at\ \frac{2}{60th}$$

The total of the two annual pension calculations provide the total annual pension payable.

Weighted accrual

Although actual membership in the PPS 1987 can only have been accrued up to 31 March 2022, as part of the transitional benefits of the PPS 2015, there is what is called a 'weighted accrual'.

In simple terms, as you will not now be able to receive a full 30-year pension from the PPS 1987 scheme, it is a formula to provide members with a proportion of the double accrual benefits that they would have been entitled to receive, if the PPS 1987 scheme had not been closed.

The weighted accrual will only apply to members who have at least 20 years membership[1] of the police pension scheme when they retire. The accrual rate will be dependent on the years' service that a member has and will vary between 1/45th and 1/60th.

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[1] Calculated including service in the 2015 scheme

There are three factors that make up the weighted accrual calculation

    A. Total calendar length service in both the PPS 1987 and PPS 2015

    B. 60 (accrual rate for the PPS 1987)

    C. Total service including the double accrual that would have been awarded if all service was in the PPS 1987

$$A \times \frac{B}{C} = Weighted\ accrual\ rate$$

Example weighted accrual calculation

To calculate the weighted accrual rate that will be used to calculate the PPS 1987 benefits. Where:

- A = 30 years (PPS 1987 = 21 years 165 days and PPS 2015 = 8 years 200 days)

- B = 60

- C = 40 years (30 years + 10 years)

$$30 \times \frac{60}{40} = 45\ (weighted\ accrual\ rate)$$

Example standard PPS 1987 benefits calculation

To calculate the PPS 1987 portion of benefits for a transitional member using the weighted accrual. Where:

- PPS 1987 pensionable service = 21 years 165 days

- Accrual rate = 1/45

- Final year average pensionable pay = £44,784.89

$$\frac{21\ years\ 165\ days}{45} \times £44,784.89 = £20,900.07\ (annual\ pension)$$

Additional benefits will also be payable from the PPS 2015. For information about how the PPS 2015 scheme is calculated please see the useful document on How your benefits in the PPS 2015 scheme build up.

Exchanging annual pension for lump sum

The PPS 1987 allows members to exchange up to 25% of their annual pension to provide a lump sum. This is also known as commutation.

There are factors which determine the rate at which the annual pension can be exchanged. They are based on your age in years and months at the date of retirement and you will receive a lower amount of lump sum the older you are. The factors are provided by the Government Actuary Department.

$$annual\ pension \times 25\% = commuted\ annual\ pension$$

$$commuted\ annual\ pension + commutation\ factor = lump\ sum$$

$$annual\ pension - commuted\ annual\ pension = annual\ pension\ payable$$

Example maximum commutation PPS 1987 calculation

To calculate the maximum scheme lump sum available from the PPS 1987. Where:

- Annual pension = £20,900.07 – 25% of this to be exchanged
- Age at date of retirement = age 55
- Commutation factor = 24.30

$$£20,900.07 \times 25\% = £5,225.02\ (commuted\ annual\ pension)$$

$$£5,225.02 \times 24.30 = £126,967.99\ (lump\ sum)$$

$$£20,900.07 - £5,225.02 = £15,675.05\ (annual\ pension\ payable)$$

For more information about the maximum scheme lump sum payment, see the [Unauthorised Payments – Member Remedy Factsheet](#).

Normal pension age

The normal pension age of the PPS 1987 for an active serving officer who retires is age 55.

Your PPS 1987 pension can be paid when: –

i. You are age 55 or over, or

ii. You have achieved 30 years pensionable service, or

iii. You are a Constable or a Sergeant and have achieved 25 years pensionable service, and, are at least age 50, or

iv. You are an Inspector or above and you have achieved 25 years pensionable service, and, are at least age 55.

Disclaimer

This factsheet has been prepared by NPCC using the regulations as they stand at July 2024, however they should be used only as an informal view of the interpretation of the Police Pension Scheme as only a court can provide a definitive interpretation of legislation.

This factsheet should not be interpreted as legal advice.