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Elizabeth France
Chair, UK Pensions Consultative Forum and Scheme Advisory Board

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RESTRICTION ON MAXIMUM COMMUTATION PAYMENTS FOR CERTAIN MEMBERS OF THE 1987 POLICE PENSION SCHEME

Dear Elizabeth

I am writing to you as chair of the UK Police Pensions Consultative Forum and the Scheme Advisory Board to inform you of the Ministerial decision that has been taken in relation to the current restriction on maximum commutation payments for certain members of the 1987 Police Pension Scheme.

Following discussions at the Consultative Forum the Home Office was asked to consider a proposed change to regulations. The proposal was to remove the current restriction on commutation for officers with between 25 and 30 years service in the 1987 scheme, to allow them to commute up to 25% of their total pension benefits.

Having carefully considered the legal and financial implications of this proposal, Ministers have agreed to change the restriction currently in regulations, so that it may be lifted under certain conditions.

This change will be subject to the introduction of arrangements whereby the relevant police force, as the “employer”, will have discretion in individual cases on whether to consent to the restriction being lifted, and also be responsible for the funding of the difference in a commutation payment paid under these circumstances. In response to representations made in favour of removing the restriction, these arrangements will give police forces the flexibility to remove a disincentive for members to choose to retire before reaching 30 years service. They will provide greater flexibility and choice over retirement dates for both scheme members and employers.

Employers will be provided with the discretion to increase the commutation limit to a quarter of the individual’s total pension benefits; there is no obligation to exercise this

option. The Home Office expects that forces will only exercise this option where it is financially responsible to do so.

There are inevitable upfront costs associated with the removal of the restriction. Having considered the matter, in consultation with HM Treasury, it is clear that those costs have not been factored into the Exchequer's spending plans. It would not be appropriate to expose public funds to that level of uncontrolled risk. We therefore believe it is the appropriate way of balancing the interests of individual officers, police forces and taxpayers.

This policy decision is consistent with that taken in respect of the firefighters' pension scheme, whereby Fire and Rescue Authorities have discretion over, and are responsible for funding, any increase in commutation payments for firefighters in an equivalent position.

Regulations will be amended and subject to consultation in the usual way. The changes will not be retrospective. The Home Office will advise administrators of our intention to amend the 1987 Police Pension Scheme regulations to reflect the change in policy. We will provide an update on the timing of implementation in due course.

I am of course happy to discuss this decision further at the Consultative Forum meeting on 8 July.

Yours sincerely

Angela Chadha

Head of Police Pensions Analysis & Reform and Exits Policy
Police Workforce and Capability Unit