



New Police Pension Scheme 2006 Purchase of Increased Benefits

Date: 19 February 2013

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1 Introduction

1.1 Scope of this guidance note

- 1.1.1 This guidance note sets out the factors for purchase of increased benefits in the New Police Pension Scheme introduced in April 2006.
- 1.1.2 The factors apply in England & Wales, Scotland and Northern Ireland in accordance with parts 5 of The Police Pensions Regulations 2006 (UK SI 2006/3415), The Police Pensions (Scotland) Regulations 2007 (Scottish SI 2007/201) and The Police Pension (Northern Ireland) Regulations 2009 (Northern Ireland SR 2009/79).
- 1.1.3 This note supersedes the note issued on 23 May 2007 (for members eligible for ill-health benefits) and is effective immediately.
- 1.1.4 The factors issued on 20 July 2007 (for members ineligible for ill-health benefits) have been withdrawn with immediate effect. The factors in this guidance note may not be used for members who are ineligible for pension awards payable on permanent disablement (in accordance with regulation 8(6) of The Police Pensions Regulations 2006 and The Police Pensions (Scotland) Regulations 2007 or regulation 6(6) of The Police Pension (Northern Ireland) Regulations 2009). If such a member applies to purchase added years please inform the scheme manager (Home Office, SPPA or Department of Justice, Northern Ireland).
- 1.1.5 Section 2 covers purchase of increased benefits by payment of a lump sum.
- 1.1.6 Section 3 covers purchase of increased benefits by payment of periodical contributions.
- 1.1.7 Section 4 gives some examples.

- 1.2 This guidance should not be used for any other purpose than to determine the amount required to purchase increased benefits. The Government Actuary's Department does not accept liability if the factors are used for any other purposes.

1.3 Questions about this guidance

- 1.3.1 If you have any questions about how to use this guidance, in the first instance administrators should consult published information or raise queries on the Police Pensions Administrators' Forum, at:

<http://pensions.police.homeoffice.gov.uk/>
- 1.3.2 If the Forum does not help, administrators may contact the Police Pensions Teams at the Home Office, the Scottish Public Pensions Agency or the Department of Justice, Northern Ireland, as applicable. These teams can be contacted in writing at the following addresses:

Police Pay, Pensions and Employee Relations
Police Productivity Unit
6th Floor, Fry Building
Home Office
2 Marsham Street
London
SW1P 4DF

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Scottish Public Pensions Agency
7 Tweedside Park
Tweedbank
Galashiels
TD1 3TE

Department of Justice, Northern Ireland
Policing Policy and Strategy Division
Block A, Castle Buildings
Stormont Estate
Belfast
BT4 3SG

- 1.3.3 The Home Office, the SPPA or the Department of Justice, Northern Ireland will seek input from the Scheme actuary if necessary.

2 Lump sum payments

2.1 Lump sum contributions can be made at any time within 12 months of last becoming a regular police officer.

2.2 Calculations

2.2.1 The lump sum payment required can be calculated using the following formula:

$$\mathbf{AYLS \times N \times PAY}$$

AYLS Added Years Lump Sum factor – **Table A**

N Number of added years to be purchased, expressed in years

PAY Member's pensionable pay in NPPS expressed as an annual rate (ie as would be used in the calculation of lump sum death grant) as at the date of payment

2.2.2 The same Added Years Lump Sum factor applies irrespective of the date the member specifies in his or her notice of election on which the added years become reckonable for the purpose of calculating awards.

3 Payment by periodical contributions

- 3.1 An election to pay periodical contributions can be made at any time up to compulsory retirement age.
- 3.2 Contributions commence on the birthday following the election.
- 3.3 The member specifies in his or her notice of election a date, between his or her 55th birthday and his or her compulsory retirement age, on which the added years become reckonable for the purpose of calculating awards. The periodical contributions will cease either on this date, or earlier if the officer retires, ceases to serve as a regular police officer, or opts out of the NPPS.
- 3.4 The contributions are deducted by the police authority from the pay of the officer concerned.
- 3.5 **Calculations – periodical contributions over periods of 1 year or more**
- 3.5.1 The percentage to be deducted from the member's pensionable pay can be calculated using the following formula:

AYPC × N

- AYPC Added Years Periodical Contribution factor – **Table B**
- N Number of added years to be purchased, expressed in years

- 3.5.2 Where the date on which the added years become reckonable is not a birthday, an intermediate value for the AYPC factor should be determined, as shown in Example 3.

- 3.6 **Calculations – periodical contributions over periods less than 1 year**

- 3.6.1 If the member commences payment of periodical contributions at age 55 or later, and specifies the date on which the added years become reckonable to be within one year of the date on which contributions commence, the percentage to be deducted from the member's pensionable pay can be calculated from the following formula:

(AYLS × [(365 ÷ DAYS) – 1] + AYPC) × N

- AYLS Added Years Lump Sum factor applicable to the member's age when the periodical contributions commence – **Table A**
- AYPC Added Years Periodical Contribution factor applicable to the member's age when the periodical contributions commence and the next whole reckonable age after the reckonable date specified by the member – **Table B**
- N Number of added years to be purchased, expressed in years
- DAYS Period during which deductions will be made from the member's pensionable pay assuming the contributions continue until the date on which the added years become reckonable, expressed in days

4 Example calculations

- 4.1 This section provides examples of the calculations described in this note.
- 4.2 Figures in these example calculations are rounded to a suitable level of accuracy. Where a figure is shown as an intermediate step in the calculation, subsequent steps will use this rounded figure as written on the page. It is also acceptable to perform these calculations on a computer spreadsheet, such as MS Excel, or using other suitable software. In that case, the figures calculated in the intermediate steps may not be rounded, so the final answer may be slightly different to that shown in these examples. The difference will not be significant and both methods are valid. Whichever calculation method is used, the figures calculated as intermediate steps should not be rounded to a lower level of accuracy than used in these examples.

Example 1: Lump sum payment

The following information is needed for this calculation:

A. Number of added years purchased	120 days
B. Date of birth	6 January 1984
C. Date of payment	29 August 2014
D. Pensionable pay at date of payment	£23,454 pa
E. Age last birthday on making payment	30

From 2.2.1, the formula for calculating the required lump sum payment is:

$$\mathbf{AYLS \times N \times PAY}$$

We have:

$$\text{AYLS} = 51.5\% \text{ (from Table A)}$$

$$\text{N} = 120 \div 365 \text{ (from A.)}$$

$$\text{PAY} = £23,454 \text{ (from D.)}$$

Substituting these values into the formula we get:

$$\begin{aligned} \text{Lump sum payment required} &= 51.5\% \times (120 \div 365) \times 23,454 \\ &= \mathbf{£3,971} \end{aligned}$$

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Example 2: Payment by periodical contributions over a period of 1 year or more

The following information is needed for this calculation:

A. Number of added years purchased	2 years
B. Date of birth	6 January 1984
C. Date of election	29 November 2024
D. Date on which the added years become reckonable	6 January 2039
E. Age at which contributions commence	41
F. Age at which the added years become reckonable	55

From 3.5.1, the formula for calculating the percentage to be deducted from the member's pensionable pay is:

$$\mathbf{AYPC \times N}$$

We have:

$$\text{AYPC} = 3.03\% \text{ (from Table B)}$$

$$\text{N} = 2 \text{ (from A.)}$$

Substituting these values into the formula we get:

$$\begin{aligned} \text{Percentage deduction from pay} &= \mathbf{AYPC \times N} \\ &= 3.03\% \times 2 \\ &= \mathbf{6.06\%} \end{aligned}$$

The contributions to be deducted are 6.06% of the member's pensionable pay at the time of the deduction.

Example 3: Date on which the added years become reckonable not a birthday

The following information is needed for this calculation:

A. Number of added years purchased	2 years
B. Date of birth	6 January 1984
C. Date of election	29 November 2024
D. Date on which the added years become reckonable	5 June 2040
E. Age at which contributions commence	41
F. Age at which the added years become reckonable	56 years, 151 days

From 3.5.1, the formula for calculating the percentage to be deducted from the member's pensionable pay is:

$$\mathbf{AYPC \times N}$$

We have:

AYPC if added years become reckonable at age 56 = 2.84% (from **Table B**)

AYPC if added years become reckonable at age 57 = 2.67% (from **Table B**)

N = 2 (from **A.**)

As required under 3.5.2, an intermediate value for AYPC should be calculated as:

$$\text{AYPC} = [(151 \times 2.67\% + (365 - 151) \times 2.84\%] \div 365 = 2.77\%$$

Substituting these values into the formula we get:

$$\begin{aligned} \text{Percentage deduction from pay} &= \mathbf{AYPC \times N} \\ &= 2.77\% \times 2 \\ &= \mathbf{5.54\%} \end{aligned}$$

The contributions to be deducted are 5.54% of the member's pensionable pay at the time of the deduction.

Example 4: Periodical contributions for less than 1 year

The following information is needed for this calculation:

A. Number of added years purchased	1 year
B. Date of birth	6 January 1977
C. Date of election	29 November 2032
D. Date on which the added years become reckonable	6 June 2033
E. Age at which contributions commence	56
F. Age at which the added years become reckonable	56 years, 151 days

From 3.6.1, the formula for calculating the percentage to be deducted from the member's pensionable is:

$$(AYLS \times [(365 \div DAYS) - 1] + AYPC) \times N$$

We have:

AYLS = 39.6% (from **Table A**)

AYPC = 36.92% (from **Table B**)

N = 1 (from **A.**)

DAYS = 151 (from **F.** and **E.**)

Substituting these values into the formula we get:

$$\begin{aligned} \text{Percentage deduction from pay} &= (AYLS \times [(365 \div DAYS) - 1] + AYPC) \times N \\ &= (39.6\% \times [(365 \div 151) - 1] + 36.92\%) \times 1 \\ &= \mathbf{93.04\%} \end{aligned}$$

The contributions to be deducted are 93.04% of the member's pensionable pay at the time of the deduction.

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5 Tables of factors

Table A: Cost of One Added Year: Lump Sum Payments

Table B: Cost of One Added Year: Payment by Periodical Contributions

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Table A: Cost of One Added Year: Lump Sum Payments
Males and Females

Age last birthday on making payment	Lump sum payment (% of pensionable pay)
20	47.9%
21	48.4%
22	48.9%
23	49.4%
24	49.8%
25	50.3%
26	50.6%
27	50.9%
28	51.2%
29	51.4%
30	51.5%
31	51.6%
32	51.6%
33	51.5%
34	51.4%
35	51.3%
36	51.1%
37	50.8%
38	50.5%
39	50.1%
40	50.0%
41	49.8%
42	49.6%
43	49.2%
44	48.8%
45	48.4%
46	47.8%
47	47.2%
48	46.5%
49	45.8%
50	44.9%
51	44.0%
52	43.0%
53	41.9%
54	40.7%
55	40.2%
56	39.6%
57	39.1%
58	38.5%
59	37.9%
60	37.4%
61	36.7%
62	36.1%
63	35.5%
64	34.8%

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Table B: Cost of One Added Year: Payment by Periodical Contributions

Males and Females

Exact age at starting contract	Age on the date on which the added years become reckonable										
	55	56	57	58	59	60	61	62	63	64	65
21	1.17%	1.14%									
22	1.22%	1.18%	1.15%								
23	1.26%	1.23%	1.20%	1.17%							
24	1.31%	1.28%	1.24%	1.21%	1.18%						
25	1.37%	1.33%	1.29%	1.25%	1.22%	1.19%					
26	1.42%	1.38%	1.34%	1.30%	1.26%	1.23%	1.20%				
27	1.48%	1.43%	1.39%	1.35%	1.31%	1.28%	1.24%	1.21%			
28	1.54%	1.49%	1.45%	1.40%	1.36%	1.32%	1.29%	1.25%	1.22%		
29	1.61%	1.55%	1.50%	1.46%	1.41%	1.37%	1.33%	1.30%	1.26%	1.23%	
30	1.68%	1.62%	1.57%	1.52%	1.47%	1.42%	1.38%	1.34%	1.31%	1.27%	1.24%
31	1.76%	1.69%	1.63%	1.58%	1.53%	1.48%	1.43%	1.39%	1.35%	1.32%	1.28%
32	1.84%	1.77%	1.70%	1.64%	1.59%	1.54%	1.49%	1.44%	1.40%	1.36%	1.33%
33	1.92%	1.85%	1.78%	1.71%	1.65%	1.60%	1.54%	1.50%	1.45%	1.41%	1.37%
34	2.02%	1.93%	1.86%	1.79%	1.72%	1.66%	1.61%	1.55%	1.51%	1.46%	1.42%
35	2.12%	2.03%	1.94%	1.87%	1.80%	1.73%	1.67%	1.61%	1.56%	1.51%	1.47%
36	2.23%	2.13%	2.04%	1.95%	1.87%	1.80%	1.74%	1.68%	1.62%	1.57%	1.52%
37	2.36%	2.24%	2.14%	2.05%	1.96%	1.88%	1.81%	1.75%	1.69%	1.63%	1.58%
38	2.49%	2.36%	2.25%	2.15%	2.05%	1.97%	1.89%	1.82%	1.75%	1.69%	1.64%
39	2.64%	2.50%	2.37%	2.26%	2.15%	2.06%	1.97%	1.90%	1.82%	1.76%	1.70%
40	2.82%	2.66%	2.51%	2.39%	2.27%	2.17%	2.07%	1.99%	1.91%	1.84%	1.77%
41	3.03%	2.84%	2.67%	2.53%	2.40%	2.28%	2.18%	2.08%	2.00%	1.92%	1.85%
42	3.26%	3.04%	2.85%	2.69%	2.54%	2.41%	2.30%	2.19%	2.10%	2.01%	1.93%
43	3.53%	3.27%	3.05%	2.86%	2.70%	2.55%	2.42%	2.31%	2.20%	2.11%	2.02%
44	3.84%	3.54%	3.28%	3.06%	2.87%	2.71%	2.56%	2.43%	2.32%	2.21%	2.12%
45	4.21%	3.85%	3.55%	3.29%	3.07%	2.88%	2.72%	2.57%	2.44%	2.33%	2.22%
46	4.66%	4.22%	3.86%	3.56%	3.30%	3.08%	2.89%	2.73%	2.58%	2.45%	2.34%
47	5.21%	4.66%	4.22%	3.86%	3.56%	3.31%	3.09%	2.90%	2.74%	2.59%	2.46%
48	5.92%	5.21%	4.66%	4.23%	3.87%	3.57%	3.31%	3.10%	2.91%	2.74%	2.60%
49	6.85%	5.92%	5.21%	4.66%	4.23%	3.87%	3.57%	3.32%	3.10%	2.91%	2.75%
50	8.15%	6.84%	5.91%	5.21%	4.66%	4.23%	3.87%	3.57%	3.32%	3.11%	2.92%
51	10.1%	8.12%	6.82%	5.90%	5.20%	4.66%	4.22%	3.87%	3.57%	3.32%	3.11%
52	13.3%	10.0%	8.09%	6.80%	5.88%	5.19%	4.65%	4.22%	3.87%	3.57%	3.32%
53	19.6%	13.2%	9.98%	8.05%	6.77%	5.86%	5.17%	4.64%	4.21%	3.86%	3.57%
54	38.5%	19.4%	13.1%	9.91%	8.01%	6.74%	5.83%	5.15%	4.62%	4.20%	3.85%
55		37.4%	18.7%	12.5%	9.37%	7.50%	6.26%	5.37%	4.70%	4.18%	3.77%
56			36.9%	18.5%	12.3%	9.25%	7.40%	6.17%	5.30%	4.64%	4.12%
57				36.4%	18.2%	12.2%	9.12%	7.30%	6.09%	5.22%	4.57%
58					35.9%	17.9%	12.0%	8.99%	7.19%	6.00%	5.15%
59						35.3%	17.7%	11.8%	8.85%	7.09%	5.91%
60							34.8%	17.4%	11.6%	8.71%	6.97%
61								34.2%	17.1%	11.4%	8.57%
62									33.6%	16.8%	11.2%
63										33.0%	16.5%
64											32.4%