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POLICE PENSIONS | WEBINAR SERIES

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24 SEPTEMBER 2026

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What we will cover

Commutation Factor Changes

Exit Points

NPCC Calculator – no longer available

Worked examples

Benefit Statements

Tools to check your figures

Index Linking

What has happened with the actuarial factors?

19th May Written Ministerial Statement – SCAPE rate increase from 1.7% to 2%.

The change in commutation factors was announced lunchtime on 21st May - reduction

Fourth commutation change since 2016 – first decrease – March 2016, October 2018 and April 2023 – periodic review but not fixed.

Always implemented immediately – B7(7) of the 1987 Police Pension Regulations

Government relying on the Cox Judgement – come into effect the date they are prepared

[Police Federation of England and Wales & Ors, R \(on the application of\) v The Secretary for the Home Department & Anor \[2009\] EWHC 488 \(Admin\) \(17 March 2009\)](#)

There has been a 30% increase in the factors since 2008, including the 21st May 2026 reduction.

Positive change in unauthorised tax charge – less and age it applies has come down to 61 years and 1 month.

Change is lawful and PFEW have advised directly affected officers of potential PO challenge

Along with other SAs and NPCC have and continue to speak with Government regarding future changes

Practical Effect – 1987 Pension

There are four distinct scenarios – Gross Pension not affected

Maximum lump sum – reduction in commutation

Maximum tax-free lump sum reduction in commutation and annual pension

Commutation capped member – no change in commutation but a reduction in annual pension

Member wants a chosen amount of commutation – reduction in pension

The effects of the change will dissipate over time and already are due to the pay rise

Age	Maximum Lump Sum	Maximum Tax Free Lump Sum/Pension
48 years and 6 months	3.9%	1% for both
50	4%	1% for both
52	3.6%	1% for both
55	3.4%	1% for both
57	3%	0.9% for both
60	2.7%	0.9% for both

What comes next?

The next batch of factors were expected to be released by the end of June – they were not.

7th July – 2006 Inverse Commutation factors, trivial commutation factors – published immediately.

The following were published on 7th July 2026 but not implemented until the 1st August 2026.

2015 Late Retirement additional supplements - positive

2015 Actuarial Reductions from NPA and SPA and buy out factors - negative

2006 Actuarial Reductions from 65 – deferred pensions - negative

Added pension factors in the 2015 scheme – positive

Maximum Commutation 2015 update published on 4th September – remains at 35.7% unless taking benefits 68+

To follow later in the year, actuarial reduction buy outs, AA factors and Club Transfers.

Exit Points

No such thing as a full pension anymore need to change thinking.

25 years across the schemes if 1987 is your legacy scheme. Must be pensionable service.

Need to be 50 at this point to take an immediate benefit – commutation capped at 2.25 times the gross pension – higher residual.

If less than 50 with 25 years and leave – 1987 deferred to 50.

As 2015 pension taken before 55 then deferred to SPA – opportunity to take at 55 but with an actuarial reduction of around 45%

2006 pension if leave before 55 deferred to 65 – can be taken at 55 but with a 38.2% actuarial reduction

30 years across the schemes – 1987 can be taken at any age with full commutation factors. (55 any service unless County Inspector)

55 – first time for an immediate benefit from 2006 and 2015 schemes.

Pension Freedom Age

2015 scheme actuarially reduced by 20.2%, no actuarial reduction in the 2006 scheme for active members

60 – no actuarial reduction on the 2015 scheme and if work beyond then 4% actuarial uplift – no CRA anymore.

County Inspector and above CRDs

County Inspectors and above CRD is 60 – all ranks in the Met is 55 as are PCs and PSs in county forces – COLP is a county force for this provision.

Cannot take an immediate benefit from the 1987 pension with any service and the full commutation factors until 60.

If they reach 30 years before 60 no issue.

Commutation cap is extended too – 25 years and over 55 the commutation is still capped at 2.25 times the gross pension.

We have traced this back to the war and the CRDs have been maintained for pension regulations ever since – does not have an effect on the 2015 scheme.

Home Office have been asked to change and we will continue to keep this on the agenda.

NPCC Calculator

Has been withdrawn. Disappointing as was advocated as a solution for members.

Need to replicate the results manually.

Official Forecasts

Need official forecast to make financial decisions.

12 Administrators

XPS have won the Met Contract – will take over the administration in September 2027

XPS have a calculator through their portal – it is worth accessing and using

Will only provide forecasts up to 12 months in the future

The further away the date the more variables at play

General level of service is poor

Annual Benefit Statements

Produced each August – forecast to 60 – Met also 55 – useful housekeeping opportunity.

If you have not received one then get one from your administrator – still 2,000 outstanding RSSs

Official Forecasts

Divorce – PSOs – will need administrators

Part-time – reckonable service will be on ABS – can work out 2015 – use FTE APP – check your part-time hours

Transfers in – should be shown on ABS – time in legacy schemes – monetary in 2015

Promotion – can still work out APP if between pay points – amount of time in the last year at each pay point

Not for IHR

How to work out average pensionable pay

For today's date for a non-Met PC – changes daily!

Basic pay at 31/8/2026 – £50,256

Basic pay at 31/8/2027 - £52,015

Take one from the other gives an annual increase of £1,759

How many days from 1/9/2026 to today – 24 days

Multiply the annual increase by 24/365 giving an increase to date of £115

Add the increase to date to the basic pay at 31/8/2026 and that is the average pensionable pay for today's date: £50,371

Alternative calculation – need pay position for the different periods

24 days at new pay rate – $52015 \times 24/365 = £3,420$

341 days at old pay rate - $50256 \times 341/365 = £46,951$

Add them together and you have the £50,371 average pensionable pay for 24/09/2026.

A live example

PC not Met

12th July 1975 date of birth

Joined on 25/9/2001 – 1987 Legacy Member

No part time, no unpaid leave and no pension brought in

Current average pensionable pay – today's date: £50,371

Manually work out the exit points:

50 with over 25 years across the schemes.

30 years and over 55

60

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Take reckonable service at 31/3/15 or 31/3/2022 and divide by weighted accrual factor for total service and multiply by APP.

Final salary is calculated using the best APP of the last three years working back in annual blocks from date of retirement – temporary salary is usually the only issue.

Total continuous pensionable service upon retirement in the 1987 and 2015 Scheme (years)	Fraction that years of earned 1987 service is converted to
30	1/45th
29	1/45.789th
28	1/46.667th
27	1/47.647th
26	1/48.75th
25	1/50th
24	1/51.429th
23	1/53.077th
22	1/55th
21	1/57.273th
20 or less	1/60th

Years	Age in years and completed months on day pension commences											
	0	1	2	3	4	5	6	7	8	9	10	11
Below 48	26.30											
48	26.30	26.30	26.30	26.30	26.30	26.30	26.16	26.12	26.09	26.05	26.02	25.98
49	25.94	25.91	25.88	25.85	25.81	25.78	25.75	25.71	25.68	25.65	25.61	25.58
50	25.55	25.51	25.48	25.44	25.41	25.37	25.34	25.30	25.27	25.23	25.20	25.16
51	25.13	25.09	25.05	25.02	24.98	24.94	24.91	24.87	24.83	24.80	24.76	24.72
52	24.69	24.65	24.61	24.57	24.53	24.49	24.45	24.41	24.38	24.34	24.30	24.26
53	24.22	24.18	24.14	24.10	24.06	24.02	23.98	23.94	23.90	23.86	23.82	23.77
54	23.73	23.69	23.65	23.61	23.56	23.52	23.48	23.44	23.39	23.35	23.31	23.27
55	23.22	23.18	23.14	23.09	23.05	23.01	22.96	22.92	22.88	22.83	22.79	22.75
56	22.70	22.66	22.61	22.57	22.52	22.48	22.44	22.39	22.35	22.30	22.26	22.22
57	22.17	22.13	22.08	22.04	21.99	21.95	21.90	21.86	21.81	21.77	21.72	21.68
58	21.63	21.59	21.54	21.50	21.45	21.41	21.36	21.32	21.27	21.22	21.18	21.13
59	21.09	21.05	21.01	20.97	20.93	20.89	20.85	20.81	20.77	20.73	20.69	20.65
60	20.61	20.56	20.52	20.47	20.42	20.38	20.33	20.29	20.24	20.19	20.15	20.10
61	20.05	20.01	19.96	19.91	19.86	19.82	19.77	19.72	19.68	19.63	19.58	19.54
62	19.49	19.44	19.39	19.35	19.30	19.25	19.20	19.16	19.11	19.06	19.01	18.97
63	18.92	18.87	18.82	18.77	18.73	18.68	18.63	18.58	18.53	18.48	18.44	18.39
64	18.34	18.29	18.24	18.19	18.15	18.10	18.05	18.00	17.95	17.90	17.85	17.81
65	17.76	17.71	17.66	17.61	17.56	17.51	17.46	17.41	17.36	17.32	17.27	17.22
66	17.17	17.12	17.07	17.02	16.97	16.92	16.87	16.82	16.77	16.72	16.67	16.62
67	16.57	16.52	16.47	16.42	16.37	16.32	16.27	16.22	16.17	16.12	16.07	16.02
68	15.97	15.92	15.87	15.82	15.77	15.72	15.67	15.62	15.57	15.52	15.47	15.42
69	15.37	15.32	15.27	15.22	15.16	15.11	15.06	15.01	14.96	14.91	14.86	14.81
70	14.76	14.71	14.65	14.60	14.55	14.50	14.45	14.40	14.35	14.30	14.24	14.19
71	14.14	14.09	14.04	13.99	13.94	13.88	13.83	13.78	13.73	13.68	13.63	13.58
72	13.52	13.47	13.42	13.37	13.32	13.27	13.21	13.16	13.11	13.06	13.01	12.96
73	12.91	12.85	12.80	12.75	12.70	12.65	12.60	12.55	12.50	12.44	12.39	12.34
74	12.29	12.24	12.19	12.14	12.09	12.04	11.99	11.94	11.89	11.84	11.78	11.73
75	11.68											

A live example

Can retire today – as reaches 25 years' service across the schemes.

He is 51 years and 2 months – commutation factor – 25.05 – immediate pension from 1987 scheme

Need reckonable service at 31/3/2022 – can be taken from ABS or can be calculated.

20 years and 188 days – $188/365 = .5151$ so decimalised he has 20.5151 years service in 1987 scheme.

Weighted accrual is $1/50^{\text{th}}$ - gross pension is $\text{APP} \times \text{service}/50 = £50,371 \times 20.5151/50 = £20,667$ per annum.

Commutation is capped at 2.25 times the gross pension = $£20,667 \times 2.25 = £46,500$

Divide commutation by commutation factor - $£46,500/25.05 = £1,856$ of pension given up

If takes the maximum commutation then a residual pension of $£20,667 - £1,856 = £18,811$.

As not yet 55 the 2015 scheme will be deferred

Deferred to their state pension age – there is the opportunity to take it at 55 but with an actuarial reduction of 44.8%. (42.4% if SPA is 66 and 47% if SPA is 68).

Can take the amount of 2015 pension accrued at 31/3/2026 from ABS – for this PC he had accrued £3,797 per annum

If he did retire today there would be a further 177 days of accrual since 1/4/2026. Using the APP for today.
 $\text{£}50,371 / 55.3 = \text{£}910$ for the full year – $177 / 365 * \text{£}910 = \text{£}441$

The total 2015 pension accrued would be £4,238 which would be deferred.

This could be deferred to the members SPA (67) where it will have accrued inflationary increases – no actuarial reduction

The member could claim at 55 and over and take the pension with an actuarial reduction of 44.8% - it will be uprated by CPI from day after retirement to April before 55th birthday

Also, can be taken at any point between 55 and SPA with a different actuarial reduction – can also buy out actuarial reductions

Actuarial reduction buy out factors are still awaiting update.

What about 30 years? 24th September 2031

He will be 56 years and 2 months – commutation factor – 22.61

Need reckonable service at 31/3/2022 – still 20.5151 as that won't change

If there were 2% annual pay rises then the APP would have increased to £56,302 – can use different assumptions. Weighted accrual factor is now 45ths as 30 years' pensionable service.

The gross pension calculation is $£56,302 \times 20.5151 / 45 = £25,667$ per annum

He can commute a quarter of the pension $£6,416$ at $22.61 = £145,085$ maximum commutation
Unauthorised tax charge would be $£5,024$ leaving $£140,061$ and a residual pension of 75% - $£19,250$

I have calculated the approximate loss of commutation in the table on the next page at each age.

Unauthorised Tax Charge

Not personal taxation

Charge against the scheme passed lawfully on to members

48 years and 6 months	Approximately 7% of total commutation
49 years	6.9%
50 years	6.5%
51 years	6.1%
52 years	5.6%
53 years	5.2%
54 years	4.8%
55 years	4.1%
56 years	3.5%
57 years	2.8%
58 years	2.1%
59 years	1.4%
60 years	0.9%
61 years	0.01%
61 years and 2 months	No tax implication

What if he wants the maximum tax-free lump sum?

The calculation is:

$20 \times \text{gross pension divided by } 3 + (20/\text{commutation factor})$

In our example that would give: $20 \times \text{£}25,667 \text{ divided by } 3 + (20/22.61)$
 $\text{£}513,340/3.8846 = \text{£}132,147$ maximum tax-free commutation

To calculate the residual pension for this option, divide the commutation by the commutation factor:

$\text{£}132,147/22.61 = \text{£}5,844$ has been given up to provide the tax-free commutation

The residual pension is $\text{£}25,667 - \text{£}5,844 = \text{£}19,823$ per annum.

He can take the 2015 pension immediately (deferment from active service)

At 31/3/2026 his pot was £3,797 per annum.

He will have had five more years of accrual. We can work out the accrual for 2026/27 - $£51,277/55.3 = £927$

Using 2% pay rises and 2% inflation.

$£927 + £3,797 = £4,724 \times 1.0325 = £4,877$ (April 2027)

$£927 \times 1.02\% = £945 + £4,877 = £5,822 \times 1.0325 = £6,011$ (2028)

$£945 \times 1.02\% = £964 + £6,011 = £6,975 \times 1.0325 = £7,201$ (2029)

$£964 \times 1.02\% = £983 + £7,201 = £8,184 \times 1.0325 = £8,450$ (2030)

$£983 \times 1.02\% = £1,002 + £8,450 = £9,452 \times 1.0325 = £9,759$ (April 2031)

177 days again to take him to 24/9/2031 $£1,002 \times 177/365 = £486$ giving a total 2015 pot of **£10,245 per annum**

He is 56 years and 2 months giving an actuarial reduction factor of 0.839 = $£10,245 \times 0.839 = £8,595$ per annum.

Can commute a maximum of 35.7% at £12 for every £1 commuted = £36,820 – no tax implication

With a residual pension of £5,526 per annum (64.3% of £8,595).

2015 pension can be calculated for any length of time using the above principles.

A 2006 Member, 55 today who joined on 1/4/2007 – non-Met PC

55 is the first time an immediate benefit can be taken from the 2006 scheme

15 years reckonable service exactly – calculation is $\text{service}/70 \times \text{average pensionable pay}$

$15/70 \times £50,371 = £10,794$ per annum. Commutation is an automatic $4 \times \text{gross pension} = £43,176$ – no tax implication

Can inverse commute and exchange all or some of the commutation for extra pension - $£43,176/23.38 = £1,847$ per annum

2015 pension the same as the earlier example £4,238 per annum but as she is 55 then there is an immediate benefit available with a 20.2% actuarial reduction.

$£4,238 \times 0.798 = £3,382$ per annum

Maximum commutation of $£3,382 \times 35.7\% \times £12 = £14,488$

Residual pension $£3,382 \times .643 = £2,174$ per annum

Use the APP that we have been calculating but with the 2006 scheme there are three ways to calculate APP make sure the pension administrator has put their mind to all three

[illegible]

Official Forecasts – 1987

Previous slides will give you the tools to check your forecasts.

Will not receive the statement of benefits to make your choices until around four weeks before retirement.
Put your intention to retire in well before – only a month is needed by regulation.

A or Option 1 will be 1987 pension for the remedy period.

B or Option 2 will be 2015 pension for the remedy period.

There will be three options shown.

(1) Gross pension and no commutation.

(2) Maximum tax-free commutation from both schemes and commensurate residual pension.

(3) Maximum commutation from both schemes, pay the unauthorised tax-charge and the residual pension

There are other choices available – if you want one of those you will need to contact the administrator

Official Forecasts – 1987

Official choices as shown – choices outside this contact administrator.

There are four commutation choices for the 1987 scheme. If not yet 55 then the amount that is deferred to SPA is shown and no immediate 2015 options shown.

Take no commutation.

Take the maximum tax-free commutation.

Take the maximum commutation and pay the unauthorised tax charge.

Take an amount of commutation between zero and the maximum – not shown.

Can take 1987 tax free commutation and none from 2015.

Can take tax free and 2015 commutation.

Can take maximum commutation from 1987 and none from 2015.

Can take maximum from both.

£12 for every £1 commuted – 1987 £23.22 at 55.

Official Forecasts – 2006

Will not receive the statement of benefits to make your choices until around four weeks before retirement.

A or Option 1 will be 2006 pension for the remedy period.

B or Option 2 will be 2015 pension for the remedy period.

There will be two options shown.

(1) Gross pension from both schemes and automatic commutation from the 2006 scheme.

(2) Maximum tax-free commutation from both schemes and commensurate residual pension.

There are other choices available – if you want one of those you will need to contact the administrator

Official Forecasts – 2006

Official choices as shown.

Don't have to take any commutation.

Can take commutation from one and not the other.

Can take an amount of commutation between zero and the maximum.

No tax implication for 2006 and 2015 commutation.

Bringing A1 and B1 to a comparable value

Divide the commutation by the inverse commutation factor for 55 it is 23.38 for example

That gives gross pension at A1 and B1 without commutation which is easier for comparison.

IFA allowed under the compensation process

Non-remedy officers will not receive a choice of pension for the remedy period

Official Forecasts – 2015

There are members retiring who have 2015 pension only.

They will have two choices.

Gross pension.

Maximum commutation and residual pension.

They can choose a commutation amount between zero and the maximum.

Best Day to Leave

Once you have decided you are going not much in it

Commutation factors drop each month – day before birthday anniversary

Deductions and part way through a month

Met end of the month gives one final full pay packet

Sunday popular for weekday workers

Friday won't see commutation until Monday

Pensions paid in advance – Met good at this – some Forces not so much

Ultimately not much in it!

Index Linking/Pension Increases

Pensions are index linked day after leaving/opting out.

Annual increase for those in payment is paid in April and is CPI for previous September. It was 3.8% in April 2026 – the 2027 figure will be released on 21st October 2026.

PI tables are used to calculate index linking and 2006 final salary.
Published each February.

When a member reaches 55 index linked to the April before.

<https://www.gov.uk/government/publications/public-service-pensions-increase-2026>

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