

Fact Sheet PFS1

Opting Out of the Police Pension Regulations 1991 or the Police Pension Regulations 2010

This Fact Sheet provides important information for you to read if you are thinking about opting out of (leaving) either the Police Pension Regulations 1991 or the Police Pension Regulations 2010 (the Police Scheme).

What will it mean for me?

Pension rights are a valuable asset and you need to think very carefully about what you will be giving up and missing out on. If you are thinking about opting out of the Police Scheme, please remember that you will be missing out on:

- A range of valuable benefits for you and your family: including a pension, lump sum and potential pension benefits for your surviving dependants;
- Cover for death in membership benefits including life assurance
- An important part of your pay and reward package – as you will miss out on a generous employer contribution into your pension pot; and
- The peace of mind that comes from knowing you have made a start on planning towards your retirement.
- Tax relief on contributions and reduced rate NI

There are lots of reasons for thinking about opting out of a pension scheme, the most common being;

- I don't want to pay a percentage of my pay towards a pension;
- I'm too young to think about a pension; or
- I'm not planning on staying long in the police service.

If these are some of the reasons why you are thinking about opting out, then please read on:

I don't want to pay a percentage of my pay towards a pension;

In the Police Scheme you will currently be paying a contribution that is dependent on how much you earn. The contribution rates are currently between 13.5% and 14% (in the Police Pension Regulations 1991 or between 10.70% to 12% (in the Police Pension Regulations 2010) of your pensionable earnings, but your contributions actually cost you less than this because of tax relief.

You will also pay a reduced rate National Insurance contribution if you are a member of the Police Scheme and if you opt out, your National Insurance Contribution will increase. Your department's pay office will be able to give you an indication of how much you will pay if you opt out and pay the higher NI rate.

A majority of the overall cost of pension benefits is subsidised by the Isle of Man Government – if you had your own pension plan you would have to meet the full cost yourself for a similar retirement income.

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By opting out you are turning down some free pension and possibly putting greater dependence on state benefits to support you in retirement.

I'm too young to think about a pension

You are never too young to start building up a pension – the earlier the better. If you want to enjoy “life after work”, a pension built up over your working life could be the key to achieving this.

I'm not planning on staying long in the police service

That doesn't matter – your pension rights are transferable and can easily follow you through your working life with both public and private sector employers both in the IOM and overseas.

If I opt out what happens to the benefits I have built up so far?

If you leave the Police Scheme with less than 2 years service (any service you have transferred in counts towards this requirement) you will not be able to preserve your benefits.

If you leave within 3 months you will have a refund of your contributions, more than 3 months but less than 2 years you will have the choice of a refund of contributions or to apply to transfer the value of your pension you have built up to another pension scheme.

More than 2 years service will mean that you will have the option to either preserve (freeze) the benefits you have built up in the Police Scheme and these will be paid to you at retirement or you could apply to have transfer the value of your pension to another pension scheme.

Deferred (preserved) Pensions

The amount and age at which the benefits are paid is dependant on which of the Police Schemes you are a member of:

Police Pension Regulations 1991

If you opt out of the pension scheme and have at least two years' qualifying service, you will be entitled to a PPS 'deferred pension' payable at age 60.

If you have at least 25 years' pensionable service, you will be entitled to an ordinary pension payable from age 50.

The deferred pension is based on a proportion of your 'hypothetical pension' (the pension that you would have been earned if you had served until your short service pension age.

If you have 30 years' service and opt out, you will receive an immediate full pension on retirement.

Police Pension Regulations 2010

Provided that you have at least two years' qualifying service, you will be entitled to a deferred pension payable from age 65.

If you opt out before age 55 you can only be entitled to a deferred pension payable from 65, irrespective of your length of service.

The deferred pension is based on an officer's actual pensionable service.

Where can I find further information?

Please read your Police Scheme guide on the website for further information about the valuable benefits offered by your pension scheme arrangements.

Alternatively, you can contact the PSPA to talk to a pension's administrator about opting out – our contact details are on page 4. PSPA staff can not give you financial advice about the Police Scheme and how it may enhance your financial future. We do recommend that you seek independent financial advice if considering opting out. You should always check that any independent adviser you consult is authorised and /or licensed to give the advice you are seeking. Most financial advisers will charge for their advice.

Please think very carefully before making your decision and consider taking independent financial advice to help make the right choice for you and your dependant's financial future.

I have read the advice in this fact sheet, but I still want to Opt Out of the Police Scheme?

Action: Complete Opt Out Form Gen P 8/12 and tell your employer

If you still decide you wish to opt out of the Police Scheme arrangements completely, then you should complete Section 1 and 2 of the Opt Out Form Gen P 8/12 and hand it in to your employer's payroll office.

They will make the necessary adjustments to take you out of the scheme and adjust your payroll records, before passing it on to the PSPA. Once the PSPA receives the form, we will update your pension record to show that you have opted out.

Can I opt out and then rejoin the Police Scheme in the future?

It is possible to opt out of a Police Scheme at any time – your re-joining rights will depend on which scheme you are currently a member of:- .

If you have opted out of the Police Pension Regulations 1991 and want to opt back in to a police pension scheme, you can only join the new Police Pension Regulations 2010. This may be subject to a medical examination, for which you would have to pay the cost, to decide whether you will be eligible for ill-health benefits.

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If you have opted out of the Police Pension Regulations 2010 you can rejoin if you wish. This may be subject to a medical examination, for which you would have to pay the cost, to decide whether you will be eligible for ill-health benefits. If this determines that you are not eligible for ill-health benefits, you can still rejoin but you will be unable to get an ill-health pension (and will pay the lower contribution rate). However, if you opt back in, and then opt out a second time, you are permanently excluded from joining the Police Scheme for the remainder of your period of service.

Disclaimer

This fact sheet is a guide only and does not represent any entitlement to the provisions described. This fact sheet provides information to help you think about the consequences of opting out and does not cover every aspect of the scheme. The full details are contained only in the Regulations, which are the legal basis of the scheme. Nothing in this fact sheet will over ride the Regulations, and in the event of any unintentional difference, the regulations will apply.

Where can I go for help?

Contact the Police Scheme administrators at the PSPA:

Email: pensions@pspa.im

Write to:
Public Sector Pensions Authority
3rd Floor, Prospect House
27-29 Prospect Hill
Douglas
ISLE OF MAN
IM1 1ET

You can telephone us on 01624 685598, however we always recommend putting your enquiry in writing if you can, so that there is a written record of your enquiry and our response.