

The Society of Pension Professionals (SPP) response to the Home Office consultation on The Consumer Price Index (CPI) and the Police Pension Scheme 2015: Career average revalued earnings

1. Executive summary

- 1.1. **The Society of Pension Professionals (SPP) supports the proposal to align the revaluation date for the Police Pension Scheme 2015 Career Average Revalued Earnings (CARE) scheme with the start of the tax year.**
Aligning the revaluation date with the tax year should simplify administration, improve consistency between tax and pension calculations, and remove an unnecessary misalignment in the current framework.
- 1.2. **The transition year could produce some minor distortions in pension growth for some members, depending on the treatment of CPI during the changeover period.**
Clear guidance will therefore be needed on how the first year of transition will operate in practice.
- 1.3. **The SPP is keen to emphasise that even a small change to scheme dates can require system changes, payroll interface updates and revised communications to members.**
Adequate lead-in time will therefore be important to ensure smooth implementation.
- 1.4. **In light of existing pressures on pension scheme administration and the scale of system and communication changes required, the SPP recommends implementation from the 2028/29 tax year rather than 2027/28.**

2. Consultation response

Question 1. To what extent do you agree or disagree with the proposal to align the 2015 CARE scheme revaluation date with the start of the tax year?

- 2.1. This proposal appears to be a simplification because it aligns dates. It provides administrative efficiency, reducing complexity for payroll and pension administrators; and delivers tax alignment and consistency - tax and pension calculations would follow the same yearly cycle.
- 2.2. There are some potential downsides but these appear minimal and primarily relate to the first year of transition i.e. some members could see a one-off distortion in pension growth during the changeover year and depending on inflation timing, members might gain or lose slightly.
- 2.3. The SPP believes that the advantages appear to outweigh the potential disadvantages, that the precedent of the NHS and LGPS schemes worked well, and we therefore agree with the proposals in principle.
- 2.4. **Question 2. Do you think aligning the 2015 CARE scheme revaluation date with the start of the tax year will have any unintended consequences?**
- 2.5. Yes, as stated above, some members could see a one-off distortion in pension growth during the changeover year and depending on inflation timing, members might gain or lose slightly.

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- 2.6. It is important to understand exactly how the first year of transition will work. Clarification is needed. Will there be a short (5-day) revaluation period or a deferred adjustment? Could there be a “double counting” or “gap” in CPI application?
- 2.7. From an administrative perspective, even a 5-day shift in revaluation date can require:
- System reprogramming
 - Payroll interface changes
 - Updated actuarial assumptions
 - Revised benefit statements
- 2.8. So, adequate lead time is essential (please see below response to question 3).
- 2.9. From a communications perspective, how will members be told their revaluation date has shifted? Could members mistakenly believe benefits are being reduced? Care will need to be taken here to minimise disruption and uncertainty.

Question 3. What date do you think this should be implemented from?

- 2.10. Given the two options of 2027/8 and 2028/9, the SPP would strongly recommend the latter to reflect the administrative burden many are already under from dealing with legislative and regulatory changes, as well as administrative capacity given the need for system reprogramming, payroll interface changes and so on outline above in response to question 2.
- 2.11. Waiting a further year would also help reduce member communication fatigue around yet another change.
- 2.12. In short, a 2028/29 commencement date would provide appropriate sequencing, system readiness and communication clarity without undermining the underlying policy objective.

Question 4. Do you have any additional comments or considerations you would like the Home Office to be aware of regarding the proposed changes?

- 2.13. Yes, if properly implemented and communicated to avoid new complications, the change is worthwhile.
- 2.14. This is because it will eliminate an artificial tax distortion, restores alignment between pension growth and tax measurement, has the potential to improve fairness during inflation volatility, should simplify administration and aligns police pensions with broader public service pensions practice.
- 2.15. In summary, the SPP supports the change because it represents a targeted correction of an unintended consequence, improving system coherence, without altering underlying benefit generosity.
- 2.16. Given the above, on a broader point, the SPP suggests it would probably make sense for the same approach to be taken to other schemes. For example, the Firefighters’ Pension Scheme, Judicial Pension Scheme and Armed Forces schemes all currently have a revaluation date for the pensions accrued in those schemes of 1 April every year. Whilst it would have made sense to change them all when the NHS and LGPS were changed, perhaps now would be a good time to consider making the change for all remaining public sector schemes.

3. About The Society of Pension Professionals

- 3.1. The SPP is the representative body for a wide range of providers of advice and services to pension schemes, trustees and employers. Our work harnesses the expertise of our membership, striving for a positive impact on pension scheme members, the pensions industry and its stakeholders.
- 3.2. The breadth of our members is a unique strength for the SPP. Our membership of 90 corporate organisations employs over 20,000 pension professionals including actuaries, lawyers, professional trustees, DC consultants, investment managers, providers, administrators, covenant assessors, and other pension specialists.

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4. Further information

- 4.1. For more information about this consultation response please contact SPP Director of Policy & PR at: phil.hall@the-spp.co.uk or telephone the SPP on 0207 353 1688.
- 4.2. To find out more about the SPP please visit the SPP web site: <https://the-spp.co.uk/>
- 4.3. Connect with us on LinkedIn at: <https://www.linkedin.com/company/the-society-of-pension-professionals/>
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