

**Scheme Advisory Board**  
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HM Revenue & Customs  
Sent via email  
[polycpensions@hmrc.gov.uk](mailto:polycpensions@hmrc.gov.uk)

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**Consultation on combining Legacy and Reformed pensionable service when calculating Annual Allowance**

The Police Pension Scheme for England and Wales Scheme Advisory Board (SAB) submits its response to the HM Revenue and Customs [consultation](#) on combining Legacy and Reformed pensionable service for the purposes of calculating an individual's pension input amount against their Annual Allowance.

The purpose of the SAB is to provide advice to the Secretary of State for the Home Office on the desirability of changes to the Police Pension Schemes.

Our views on the proposal

Our overarching view is that this change is welcome. Treating the Legacy and Reformed schemes separately for Annual Allowance purposes has the potential to result in penal outcomes for members, particularly when inflation is high and/or real pay growth is negative – both of which have occurred in recent years.

There is however one area of the proposal that we wish to query. We are not lawyers, but our layperson's understanding of the [draft Order](#) is that:

- Negative growth in the Legacy Scheme can be used to offset positive growth in the Reformed Scheme, but
- Negative growth in the Reformed Scheme cannot be used to offset positive growth in the Legacy Scheme.

This appears at odds with the announcement in the 2023 Spring Budget, where the policy intent appears to be that “...*open and closed public service pension schemes for a given workforce will be considered linked for the purposes of calculating Annual Allowance charges...*”

For the majority of public service pension scheme members, this is not an issue. In the NHS Pension Scheme for example, the date that in-service revaluation is applied has been moved from 1 April to 6 April each year. This change effectively aligns the CPI inflation measures used for a) Annual Allowance and b) in-service revaluation, meaning that real pension growth cannot be negative for Annual Allowance purposes.

However for the Police Pension Schemes (and others), in-service revaluation continues to be applied on 1 April, creating a 'mismatch' between the CPI used for a) Annual Allowance and b) in-service revaluation.

While this 'mismatch' exists, there is the potential for negative real growth in the Reformed Scheme for Annual Allowance purposes. As above, our understanding of the draft Order is that any negative growth in the Reformed Scheme cannot be used to offset positive growth in the Legacy Scheme.

This situation would occur when accrual and in-service revaluation in a particular tax year is less than the inflationary uplift applied to the 'opening value' of a member's benefits, which could occur when high inflation one year is followed by low inflation in the next.

While the likelihood of negative growth occurring in the Reformed Scheme is currently relatively low, due to relatively short periods of service, this possibility will increase over time as members build up more pensionable service in the Reformed Scheme.

#### Our proposed amendment

We ask that HM Revenue and Customs considers amending the draft Order to allow negative growth in the Reformed Scheme to offset positive growth in the Legacy Scheme for Annual Allowance purposes.

As detailed above, we believe the impact of this suggested amendment to be relatively small. But it would remove a perceived unfairness that continues to exist as long as the 'CPI mismatch' exists in some schemes and not in others.

#### Other comments

The reason for requesting this amendment is due to the 'CPI mismatch' that currently exists in the Police Scheme, along with other public service pension schemes.

We have raised this issue before, and Chris Philp (Minister of State for Crime, Policing and Fire) has stated previously that "*We can review in the future, when the administrative burden of doing so could be managed and prepared for better than in the current public service pensions arena.*"

The SAB remain of the view that fixing the 'CPI mismatch' remains worthy of consideration sooner rather than later, while accrual in the Reformed Scheme remains relatively low. This will be considered by the SAB at the next meeting..

While we appreciate that this falls outside of HMRC's remit, we thought it helpful to mention, and have copied Home Office into our response in order to progress this discussion further.

If you have any questions, please let me know.

Yours faithfully,



Julia Mulligan

Chair of the Police Pension Scheme for England and Wales Scheme Advisory Board

CC: Home Office