

THE BUDGET AND POLICE PENSION INCREASES

As a result of numerous enquiries at Head Office following the Chancellors Emergency Budget last week I thought it prudent to update you on our current understanding of the implications of the budget on Police Pension increases.

Police Pensions are increased under the provisions of the Pensions (Increase) Act 1971 and Section 59 of the Social Security Pensions Act 1975. The latter provides for public service pensions to be up-rated at the same time and by the same percentage as the increase in the additional pension provided under the State Earnings Related Pension Scheme (SERPS), which has traditionally been based on the September to September increase in the Retail Price Index (RPI).

In the Emergency Budget the Chancellor announced that the Government will use the Consumer Price Index (CPI) for the indexation of benefits and tax credits from April 2011, but more significantly for police pensioners, the Chancellor also announced that the change would also apply to public service pensions through the statutory link to the indexation of the Second State Pension (which replaced SERPS in 2002).

What does this mean to police pensions?

In our view this means that in April 2011 police pensions will increase by the same percentage as the RPI increase from September 2009 to September 2010.

Thereafter the indication from this budget is that police pensions will increase annually in April by the same percentage as the CPI increase from September to September.

This in real terms reduces the value of police pension increases as the RPI is generally higher than the CPI and when calculated over a period of over 20 years would amount to a significant amount of money.

We are currently discussing with other public sector pensioner organisations the full implications of the emergency budget and are considering a response and any future course of action we may consider taking, bearing in mind the assurances given in April 2010 by all three major political parties, that there were no plans to change the current index-linking of pensions in payment.

From Narpo Headquarters, Wakefield – 28th June 2010