

The Police Pension Scheme. Is it still worth it?

The best financial investment you are ever likely to make....
....or your worst financial decision

In tough financial times such as these it can be easy to focus on today at the expense of tomorrow. However, just occasionally, thinking of the longer term is absolutely the right thing to do.

From April this year the level of contribution required from Police Officers to remain in the Police Pension Scheme (PPS) is going up. We understand that affordability can be an issue, but we are also hearing that the question being asked around the country is 'is it really still worth it?'

At Police Mutual we always try and act in your best interests, so here's our completely unbiased view:

You can never be sure how long you're going to live, but if we were to offer you an investment into which you paid 12-15% per annum of your salary for 30 years and in return we offered to pay you 66% of your salary each year (increasing by inflation) over, hopefully, a similar period, wouldn't that sound attractive? Is there any other financial investment realistically capable of providing you with the same sort of risk free return? **We firmly believe that there isn't.**

If you decide to opt out of the PPS this is what you'll potentially be missing out on:

- An employer contribution that is expected to average 24.2% of pensionable remuneration
- Tax relief on your personal contribution at whatever is your marginal rate - 20% or 40%
- Your Death in Service benefits
- Indexation on any ill health early retirement benefits up to age 55.
- You'll also pay a higher rate of National Insurance (NI) contribution.

Officers often believe, by opting out, they'll see an increase in their take home pay equivalent to their personal contribution when, in fact, once you remove the benefit of tax relief and add in increased NI it's significantly less. Actually, you'll only see an improvement in 'take home pay' of roughly half of your gross pension contribution.

In conclusion our view is that the Police Pension Scheme remains one of the best financial investments you are ever likely to make.

We hope this helps you with your thought process, however, putting it quite simply, unless you've got 30 years service under your belt, opting out of the PPS could be the worst financial decision you ever make.

If you are in any doubt, we strongly suggest you take Independent Financial Advice before making any decision with regards to your Police Pension.

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