

# South West Region Police Pension Board – Annual Report 2019

## Introduction

This is the second annual report of the activities of the South West Police Pension Board (SWPPB), which was established in September 2015 in accordance with the requirements of The Public Service Pension Act 2013. The report is primarily a summary of the Board meetings held throughout the year and publication has been regrettably delayed due to staff turnover and the impact of COVID-19.

The members of the SWPPB believe that although there is no legal requirement to publish an annual report it is helpful to produce a summary of the Board's activities and the challenges faced by the administrators of the police pension schemes, both at a national and local level. We hope readers will find the report useful and informative.

Unlike other public service pension schemes such as the NHS, teachers and the civil service, the police pension scheme is not a single scheme and each of the police forces in the United Kingdom operates its own pension scheme. These pension schemes are the responsibility of the scheme manager who by law is the senior police officer (usually the Chief Constable). The police pension regulations require each scheme manager to establish a pension board, but allow for a pension board to assist more than one scheme manager and the Chief Constables (Scheme Managers) of the Police Forces of the South West Region (Avon & Somerset, Devon & Cornwall, Dorset, Gloucestershire and Wiltshire) have agreed that a single pension board is a cost effective and efficient method of achieving this aim.

The Board represents the relevant bodies interested in the police pension schemes, namely:

Scheme Managers	(Chief Constables)
Employers	(Regional Police Forces)
Active Members	(serving police officers)
Retired Members	(pensioners)
Dependent members	(usually widows/widowers and children of pensioners)
Deferred Members	(police officers who have left service, but who are not yet eligible to draw their benefits)

There is no doubt that in recent years Public Pensions have become more complicated and this trend continued in 2019. Changes to the taxation of pension savings, legal challenges to the new public service pension schemes and potential reform of pension contribution tax relief all pose significant challenges to both the efficient administration of the police pension schemes and importantly members' understanding and confidence in their schemes. The Board continues to engage with all these developments and some of these issues are reported on in this report.

## Purpose of the Board (Terms of Reference)

The purpose of the SWPPB is to 'assist the Scheme Managers' (the Chief Constable of each Police Force) in administering the police pension schemes; to provide advice on matters including compliance with scheme regulations and requirements imposed by the Pensions Regulator; ensure the efficiency and effective administration of the schemes; advise on communications with members and monitor complaints.

In common with the pension schemes of all other UK police forces, the SW Police Pension Schemes are unfunded 'pay as you go' schemes and the Pension Board has no responsibility for the funding of the schemes, but rather is primarily focused on the delivery of the various police pension schemes which are administered under contract by two providers: XPS for Devon & Cornwall, Dorset, Gloucestershire and Wiltshire Police Forces and by Peninsula for Avon & Somerset Police.

## Membership

During 2019 the membership of the SW Police pension schemes was reported as follows:

	Active Members	Pensioners & Dependents	Deferred	Total
Avon & Somerset	2577	4330	1141	8048
Devon & Cornwall	2979	4143	665	7787
Gloucestershire	1103	1649	389	3141
Dorset	1261	1872	285	3418
Wiltshire	1005	1526	336	2867
Totals	8930			

## The Pension Board

The Police Pension Scheme Regulations state that police pension boards should have an equal number of representatives from both employers and members. As allowed by the Regulations the Scheme Managers have chosen an independent person to fill the role of Chair.

During 2019 there were eleven members of the SW Region Police Pension Board. The letters following each name indicates meeting attendance:

Ian Pollitt CBE	Chair (Independent) F, M, A, D
Sergeant Steve Gardner	Member (Police Federation) M, A
Sergeant Peter Land	Member (Police Federation) A, D
ACC Sharon Taylor	Member (Chief Police Officers Staff Association) F M (Replaced by ACC Jon Stafford) - D
Supt Antony Hart	Member (Superintendents' Association) F, A, D
Paul O'Brien	Member (National Association Retired Police Officers)

	F, M
Nick Adams	Employer (Avon & Somerset Police) M, D
Sandy Goscomb	Employer (Devon & Cornwall Police) M, D
John Jones	Employer (Dorset Police) & Vice-Chair F, M, A (Replaced by Steve MacKenzie) D
Peter Skelton	Employer (Gloucestershire Police) A, D
Clive Barker	Employer (Wiltshire Police) M, D

Members are represented by their deputies as required:

Robin Hobbs	Member (NARPO) M, A, D
Sarah Holbrook	Employer (Wiltshire Police) F, M, A, D
Lisa Adams	Employer (Glos Police) F, M, A, D
Sharon Quantick	Employer (A&S) F
Steve Penford	Employer (Devon & Cornwall Police) F
Claire Hargreaves	Employer (Avon & Somerset Police) A

In addition a number of officials attended the board meetings as required. These included:

Julie Taylor F, M, A	Secretary (Dorset Police)
Richard Hicks F, M, A	Strategic Pension Lead (Dorset Police)

Representatives of XPS pensions administration team and Peninsula pension administration team.

## **Board Meetings**

Pension regulations do not set a minimum, or maximum number of meetings required per year. The Pensions Regulator recommends that boards meet 4 times per year and the experience of the SWRPB is that this is a reasonable frequency for a pension board to meet. Accordingly the SWRPB has agreed to meet quarterly and during 2019 met on the following dates:

07 February 2019  
 09 May 2019  
 01 August 2019  
 06 December 2019

## **Access to the business of the Board**

The terms of Reference and detailed minutes of the Board meetings are published on the South West Police Pensions Board site ([Meeting minutes and Reports \(swpolicepb.co.uk\)](http://swpolicepb.co.uk)) with each Force hosting a link via their own web pages.

[Avon and Somerset](#)  
[Devon and Cornwall Police](#)  
[Dorset Police](#)  
[Gloucestershire Police](#)  
[Wiltshire Police](#)

## Training & Development

All Pension Board members are required to complete the public service pensions on-line training as provided by the Pensions Regulator.

Additional training is generally provided by updates from the Chair and technical briefings on an item-by-item basis, supported by external briefings where possible. In May and December the Board was joined by the National Police Chiefs Council Pensions Adviser who updated the Board on the workings of the Police Scheme Advisory Board and a number of current issues including the rise in scheme opt-outs, the new Employment Support Allowance and its effects on injury related benefits and the implications of the McCloud legal judgment on police pensions

## Role of the Board

The role of the Pension Board is to ensure that the schemes are properly run in the interests of both the members of the schemes and the employers, represented on the Board by all the Regional Police Forces. Put simply, the Pension Board's role is to assist the Scheme Managers in ensuring that 'the correct pension is paid to the right person at the right time'.

Accordingly during the reporting period the Board has been briefed on a number of issues relevant to the management of the scheme and the most significant of these are described below:

## Issues Discussed

1. Change of contractor. Last year we reported that the contract for the administration of the Police Pension Schemes within the SW Region (except Avon & Somerset) passed in March 2018 from Capita to XPS Pensions Group (Xafinity Punter Southall). We are pleased to report that the new contractor has consistently performed to a high standard and the majority of contractual KPIs (Key Performance Indicators) have been met. Good progress has been made with regard to active members logging on to the Online Portal with an average of 68% of serving officers engaging and 21% of retired officers registering.
2. Pension Increase 2017 errors. Following the discovery by XPS of an issue related to the application by Capita of the 2017 Pension Increase XPS has undertaken a thorough analysis of the records of those pensioner members affected and by the end of 2019 had almost completed the work of rectifying the error. The majority of underpayments were less than £500 and pensioners were paid the sums in early 2020. Similarly the majority of overpayments were relatively small and the Forces affected agreed to write-off these sums. Records were corrected in early 2020 of those pensioners affected.
3. McCloud case: McCloud/Sargeant. The legal challenges to the transitional protection afforded to certain members of the 2015 Public Service Pension Schemes continued during 2019, with a final ruling by the Court of Appeal in favour of the claimants: McCloud against the Judges scheme and Sargeant against the

Firefighters scheme. The Supreme Court refused the Government's application for permission to appeal, thus ending the legal proceedings and on 15 July 2019 the Government announced that it accepted that the judgment applies to all the main public service pension schemes, including the 2015 Police scheme.

In effect the Courts have ruled that the manner in which transitional protection was implemented for the 2015 Public Service Pension Schemes discriminated on the grounds of age, gender and race. It must be stressed that the ruling does not state that the 2015 schemes are in any way unlawful, but rather that the special protections allowing members to remain with their current schemes, or delay transferring to the 2015 schemes are unlawful.

The ruling has been extended to the Police Pensions Scheme 2015 and the next stage is for the Government to offer all claimants (and those who did not submit a legal complaint) legal remedy. We do not yet know what this is, but a technical working group has been established to consider different options. It is not anticipated that the resultant changes will be introduced before 2022, but the Board will continue to monitor developments and engage with the Home Office as appropriate. When the future is clearer, the Board will ensure that appropriate communications are issued.

4. Pension Tax. The taxation of pension growth in excess of the annual allowance and/or in excess of the Lifetime Allowance continues to be an issue for a significant number of scheme members. The Board is pleased to report that Scheme Managers continues to support officers affected by the pensions tax through the provision of pension tax training events. The SWPPB is also represented through the Chair at pensions tax forums and the Public Service Pensions Tax Working Group, which continued in 2019 to lobby Government for amendments to the current tax regime, in particular the pensions tax taper.
5. Scheme Valuation. In last year's annual report we reported on the Pension Scheme Valuation exercise conducted by the Government's Actuary Department (GAD) and their findings that for the Police 2015 scheme, costs for members were less than predicted and have breached the lower cost threshold (-2%). In accordance with the relevant regulations the Police Pension Scheme Advisory Board is required to consider changes to the 2015 scheme (only) to bring the costs back within the prescribed cost envelope (+/- 2% of costs) and to make appropriate recommendations, for example a reduction in member contributions, to the Home Secretary as the ultimate manager of the police pension scheme. However, because of the uncertainties surrounding the McCloud and Sargeant cases, the Government suspended any further decisions on the Valuation exercise pending resolution of the legal challenges. Separately, the costs of all police pension schemes rose and the Government increased the employer's costs (as a percentage of the wages bill) from 24.2% to 31% in April 2019

## **Cost of the Board**

The primary costs of the board are the expenses related to the Independent Chair (fees), training and travel expenses for members. Costs for 2019 were less than £10k.

## **Governance & Compliance**

As recommended by the Pensions Regulator, the Board maintains a Risk Register as an effective internal control to assist the Scheme Managers. The Register is a standing item on the Board's agenda and risks are reviewed, added, removed or adjusted as the Board considers appropriate. The risks are those potential threats to the schemes that the Board considers require regular scrutiny and action plans.

During 2019 the number one risk was considered to be the effects of the McCloud judgement on members of the 2015 Police Pension Scheme as this will potentially involve the administration of remedial action to many hundreds of records. As yet the scale and precise nature of these changes is not yet known – hence the risk.

Other risks considered by the Board included the quality of pension records, Business Continuity Plans for the pension administrators (XPS & Peninsula) and the emerging risk of Cyber Attack. All of these issues are closely monitored by the SWRPPB.

## **Referrals to the Pensions Regulator**

The Public Service pensions Act 2013 requires Police Pension Scheme Managers to reported breaches of regulations to the Pensions Regulator. Examples include failure to collect contributions within the prescribed timeframes; failure to issue Annual Benefit Statements and Pension Savings Statements by the due date and failure to maintain correct records of scheme members. Whilst there were administrative matters brought to the attention of the Board during 2019, none were considered necessary to report to the Pensions Regulator.

## **Complaints**

In common with all other public service pension schemes, the SW Police Pension Schemes operates a formal complaints procedure known as the Internal Dispute Resolution Procedure (IDRP). Every Board meeting includes 'Complaints' as a standing item on the agenda and any IDRP complaints are brought to the attention of the Board. The Board does not have access to personal complainants details and focuses its interest on ensuring that cases are handled correctly and in a timely manner. It is also interested in any developing trends, concerns, or lessons to be learned.

The Board is pleased to note that formal complaints regarding the administration of the pension service continue to be few in number and the Board is of the opinion that such complaints have been handled correctly and conscientiously.

## **Priorities for 2020**

It is expected that the McCloud judgment will continue to be a major pension theme during the year and on behalf of the Scheme Managers, the South West Police Pension Board will take a keen interest in developments and seek assurances that members are kept informed of developments.

During the year the Forces that constitute the South West Region will be undertaking an auto-enrolment exercise which will involve those police officers that are not currently members of a police pension scheme being re-admitted to the scheme. Whilst some officers will not wish to re-join the pension scheme, it is hoped that many will see the benefits of being a member of one of the best pension schemes in the UK and that membership numbers, currently averaging around 95% will see a corresponding increase.

It is anticipated that the adjustments to the Guaranteed Minimum Pensions will be concluded for the police schemes administered in the South West Region, though it remains unclear how many pensions will be affected and to what extent.

Finally, the Board will continue to monitor the administration of the police pension schemes in the Region to ensure that members receive the good service to which they are entitled.

Ian Pollitt CBE  
Chair  
South West Police Pension Board

July 2020