

## South West Region Police Pension Board – Annual Report 2018

### Introduction

This is the first annual report of the activities of the South West Region Police Pension Board (SWRPPB), which was established in September 2015 in accordance with the requirements of The Public Service Pension Act 2013.

There is no legal requirement to publish an annual report. However, the members of the SWRPPB believes it is in the interest of transparency and the benefit of the scheme members to highlight the membership and activities of the Board together with the challenges of both the Board and the scheme itself. We hope this report meets that remit and provides assurance around good governance.

Unlike other public service pension schemes such as the NHS, teachers and the civil service, the police pension scheme is not a single scheme, as each of the 45 police forces in the United Kingdom operates its own pension scheme and has a scheme manager who is by law the senior police officer (usually the Chief Constable). The police pension regulations require each scheme manager to establish a pension board, but allow for such a body to assist more than one scheme manager. The Chief Constables (Scheme Managers) of the Police Forces of the South West Region have agreed that a single pension board should fill this role.

Note – Police and Crime Commissioners are responsible for the pension arrangements for their respective Chief Constables who are not members of their respective Force's pension schemes whilst in post.

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

Scheme Managers	(Chief Constables)
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 have not yet qualified to draw their benefits)
Employers	(Regional Police Forces)

Pensions continue to be topical and increasingly complicated, with issues such as changes to the taxation of pension savings, the planned introduction of pension 'dashboards' and legal challenges to the new public service pension schemes. The Board has taken a keen interest in all these developments and some of these are reported on in this report. The Board's main focus has been the oversight of the pension administration provided to both serving officers and pensioners and involvement has ranged from monitoring complaints to overseeing a change of administration contractor.

## Purpose of the Board (Terms of Reference)

The purpose of the SWRPPB 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: Kier for Devon & Cornwall, Dorset, Gloucestershire and Wiltshire Police Forces and by Peninsula for Avon & Somerset Police. NB Kier is now known as XPS.

## Membership

During 2018 the membership of the SW Police pension schemes was as follows:

	Active Members	Opt Outs	% Membership	Pensioners & Dependents	Total
Avon & Somerset	2595	32	98.78	4226	6821
Devon & Cornwall	2926	139	95.50	4069	6995
Gloucestershire	1054	64	94.27	1624	2678
Dorset	1212	48	96.19	1841	3053
Wiltshire	902	64	93.38	1295	2197
Totals	8689	347	96.15	13055	21744

NB. Not included in the above figures are the deferred members of the police pensions schemes. These are officers who have left service, but who are not yet entitled to their pensions.

## 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.

There are currently eleven members of the SW Region Police Pension Board:

Ian Pollitt CBE	Chair (Independent)
Inspector Sarah Johnson	Member (Police Federation)
Sergeant Peter Land	Member (Police Federation)
ACC Sharon Taylor	Member (Chief Police Officers Staff Association)
Supt Antony Hart	Member (Superintendents' Association)

Paul O'Brien	Member (National Association of Retired Police Officers)
Nick Adams	Employer (Avon & Somerset)
Sandy Goscomb	Employer (Devon & Cornwall)
John Jones	Employer (Dorset Police) & Vice-Chair
Peter Skelton	Employer (Gloucestershire Police)
Clive Barker	Employer (Wiltshire Police)

Members are represented by their deputies as required. In addition a number of officials attend the board meetings as required. These include:

Julie Taylor	Secretary (Dorset Police)
Richard Hicks	Dorset Police
Eyan Naylor	SW Police Procurement Department
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 annum. The Board has agreed to meet quarterly and during 2018 the Board met on the following dates:

- 16 January 2018
- 04 April 2018
- 19 July 2018
- 18 October 2018

Experience has shown this to be a reasonable frequency for a pension board to meet.

### Access to the business of the Board

Each of the 5 Forces served by the Board host the Terms of Reference and Minutes on publicly accessible areas of their Police web pages as required of them.

### Training & Development

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

On-going training is generally provided by updates from the Chair and technical briefings on an item-by-item basis, supported by external briefings where possible. For example the Pensions Regulator joined the board meeting on 04 April 2018; The Cabinet Office briefed on the National Fraud Initiative at the July meeting and the Pensions Ombudsman joined the meeting on 18 October 2018. All gave presentations to the members on their roles and responsibilities with helpful advice on how the Board can best support the members of the police pensions schemes.

## 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. Towards the end of 2017 responsibility for the administration of the Police Pension Schemes within the SW Region (except Avon & Somerset served by Peninsula) passed from Capita to Kier Workplace Services following a competitive tender process. Both companies worked together during a transitional phase until the contract was fully transferred in March 2018. The Board has taken a keen interest in the changeover of administrator and will continue to monitor the 'bedding in' of the new contract. Note: Kier Workplace Services has since been bought by XPS Pensions Group (Xafinity Punter Southall). The Board has been briefed on this change of ownership and has been reassured there will be no impact on the services delivered to the SW Police Region.
2. Leigh Day case: This is legal challenge against the Government alleging discrimination in the manner in which transitional protection was implemented with regards to transfers to the new 2015 Public Service Pension Schemes. To date two specific cases have been heard in Court; the Judiciary and the Firefighters. Both cases continue and are subject to appeal with no final determination expected until 2019. The Board will continue to monitor any progress. However, it is too early to determine what effect the legal rulings may have on police officers who transferred to the 2015 Police Pension Scheme.
3. Pension Tax: The taxation of police officers' pensions savings continues to create widespread concern and debate. The relevant Annual Allowance and Lifetime Allowance are complicated areas of legislation; for context in 2018 60 (Peninsula) + 144 (XPS) letters were sent to officers in the SW Region affected by this specific type of taxation. In response to the Board's concerns, arrangements were made to provide pensions tax seminars to the relevant officer groups to aid understanding in this area.
4. Guaranteed Minimum Pension (GMP): GMP is the minimum pension that an occupational pension scheme has to provide to those employees who were contracted out of the State Earnings Related Pension Scheme (SERPS), later called the Second State Pension (2SP), between April 1978 and April 1997. HMRC is closing its GMP records service and all pension schemes are required

to reconcile their records with those held by HMRC by December 2018. Kier and Peninsula have been contracted to undertake this exercise for all SW Police pension records. The Board will continue to monitor this work to ensure all interested parties are kept properly informed.

5. Auto Enrolment (AE). All officers who join the Police are automatically enrolled in to the relevant Force's pension scheme. An officer then has the right to 'Opt Out' of the scheme should they wish. As at the end of 2018 the number of officers who were eligible to join the SW pension but who have chosen not to is 347 i.e. 4.38% of those eligible. The Board is taking a keen interest in the number of 'opt outs' and remains concerned at the number of younger officers choosing not to join the pension scheme. The Government requires all pension schemes to periodically re-enroll 'Opt Outs' back in to the relevant pension scheme. This exercise will be repeated in 3 years' time.
6. Pension Increase 2017 errors. The Board was made aware by Kier that there had been some errors with the application by Capita of the 2017 Pension Increase. The annual increase had been misapplied to some members and categories. Kier (XPS) has been investigating the extent of the error and in particular which members and Forces are affected. At the time of drafting this report the matter was still 'live' and this matter may require a self-referral to the Pensions Regulator. Member representatives have been kept apprised.
7. Scheme Valuation. One of the requirements of the 2016 Public Service Pensions Act was that all the public service pension schemes should undergo a simultaneous valuation exercise whereby the Government's Actuary Department (GAD) would cost the liabilities of the new schemes introduced in 2015. The process is long and complicated and various factors are considered including numbers of new joiners, retirements, deaths, pay awards, inflation and projected life expectancy rates. GAD then estimates whether the predicted costs will exceed the published tolerances (+/- 2% of costs). For the Police 2015 scheme GAD estimated that costs for members are less than predicted and have breached the -2% limit. Accordingly the Police Pension Scheme Advisory Board is required to consider changes to the 2015 scheme to bring the costs back within the prescribed cost envelope and to make appropriate recommendations to the Home Secretary as the ultimate manager of the police pension scheme. At the time of publishing no decisions have been made. The SWPPB will ensure members of the 2015 are kept informed of any changes to their scheme. It is important to note that this process will not change any of the design factors of the other Police pension schemes.

#### Cost of the Board

The primary costs of the board are the expenses related to the Independent Chair (fees), administrative support, training and travel expenses for members. Indicative costs for the calendar year are of the order of £20k in keeping with a budget set-up.

## 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 risks are those issues or threats that the Board considers require regular scrutiny and action plans. During 2018 the primary risks considered were the change of pension contractor, data management and communications with members. Second tier risks included GMP reconciliation and scheme 'opt outs'. All of these issues are the subject of action plans.

A separate group meets quarterly concerned with contractual compliance and scheme administration. Their focus is very much on the 'tactical delivery' of matters and to hold the contractors to account on a set of 'performance indicators' in the context of prescribed 'targets' expressed under the contract terms; in turn they 'feed into' the Pensions Board as the more strategic body. There is input to each group by the contractor on an invitation basis.

## Referrals to the Pensions Regulator

Whilst in 2018 to date there have not been any self-referrals to the Pensions Regulator, during late 2017 it became apparent that a number of Annual Benefit statements, which by law must be issued to scheme members by 31 August of each year, were late and/or inaccurate. This was specific to the function provided by Capita. These errors were reported to the pensions administrator at that time, Capita, and a rectification programme embarked upon. The relevant Police Pension Scheme Manager reported the breach of regulations to the Pensions Regulator and the Recovery Programme was closely monitored with strong engagement between TPR and the Force representative. Early in 2018 The Pensions Regulator reported formally back to the Force and the Board is pleased to report that the matter is now closed.

## Complaints

In common with all other public service pension schemes, the SW Region Police Pension Schemes operate a formal complaints procedure known as the Internal Dispute Resolution Procedure (IDRP). There is opportunity for IDRP complaints to be brought to the attention of the Pension Board at its meetings to note any developing trends, concerns or lessons to be learned. The Board does not have access to personal complainants details, but rather is concerned that cases are handled correctly and in a timely manner. The complaints have ranged from the inability to withdraw cash lump sums from Equitable Life AVC policies, to complaints regarding the refusal to grant early access to ill health pensions.

The Board is pleased to note that formal complaints regarding the pension service continue to be small in number and the Board is of the opinion that such complaints have been handled correctly and conscientiously. Where errors have occurred, action has been taken, where possible, to minimize further occurrence.

## Priorities for the year ahead

On behalf of the Scheme Managers, the SWRPPB will continue to monitor the administration of the pension schemes it is responsible for and to take a keen interest in the various pension issues that are relevant to its members. Data (i.e. quality, control, processing and safe-guarding) is expected to feature prominently in the coming year, particularly as the schemes grapple with the complicated subject of Guaranteed Minimum Pensions (GMPs) and observance of the General Data Protection Regulation (GDPR). The introduction of interactive online services for access by all categories of members should assist with 'self-review' of data held as well as delivering upon wider benefits.

Another subject the Board will be concentrating upon in 2019 is communications. The Board considers it vital that members, particularly new members, fully understand the benefits and costs associated with membership of the police pension scheme. Accordingly a review of all current communications material has been commissioned to determine what, if any, changes are required.

Above all we intend to ensure that the members of the SW Police pension schemes receive the good service to which they are entitled with high levels of collaboration with member representatives and a strong ethos of accountability.

Ian Pollitt CBE  
Chair  
South West Police Pension Board

May 2019