BTPA
British Transport Police Authority

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Notes of the Meeting

Pensions Working Group

30th November 2011,

at Punter Southall Limited, 126 Jermyn Street, London SW1Y 4UJ

Present: Mr Howard Collins (Chairman)

Mr Lew Adams

Mrs Liz Pike, Authority Finance Director

In attendance:

Mr Neil Lalley (Punter Southall)

Apologies:

Mr Neil Scales

Mr Andrew Figgures, Authority Chief Executive

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Minutes of the Meeting on 5th April 2011
Agenda Item 1

Mr Lalley commented that he had noted a couple of small amendments on the draft minutes. Having agreed these, the Pensions Working Group authorised Mr Collins to sign them as a true and fair record of the discussions held at the meeting on 5th April 2011.

Matters arising
Agenda Item 2

It was noted that all actions arising from the last meeting had been completed.

In particular, Punter Southall had drafted a proposal for the Authority following the recent governance review of the British Transport Police Force Superannuation Fund (the "Fund") and had subsequently drafted a letter for the Authority to send to the Trustee outlining a number of suggested changes to the current arrangements and attaching a draft Terms of Reference for the new management committee. It was agreed that this letter would be sent early in 2012 once a significant issue relating to some unauthorised payments which have been made from the Fund had been resolved.

It was also noted that the Pensions Working Group meeting originally agreed for May 2011 had been postponed as the discussions around the Fund's investment strategy were still ongoing. Mrs Pike undertook to update the Pensions Working Group on this issue later in the agenda.

Police Staff Valuation as at 31st December 2010
Agenda Item 3

A paper was presented on the results of the Actuarial Valuation of the British Transport Police Shared Cost Section of the Railways Pension Scheme as at 31st December 2010 (the "2010 valuation") which was set up for Staff employees at BTPA (the "Staff Scheme").

It was noted that a paper had been presented to the Authority meeting on 22 September 2011 (the "Authority Paper"), where it was agreed that the Pensions Working Group would make the necessary recommendations and undertake the required actions. The decisions recommendations required from the Pensions Working Group were:

1. To gain agreement (or otherwise) to the assumptions proposed by the Trustee, as amended, for use in the 2010 valuation;
2. To agree what level of Joint Contribution Rate (the "JCR") should be payable going forward; and
3. To decide whether to agree to the Trustee's proposal to reduce the "risk-budget" used for the purpose of deciding how much investment risk to take in the Fund.

It was noted that the salary assumptions had already been challenged such that it had now been reduced from RPI plus 1.5% per annum to two years with anincreement of 3% and thereafter RPI plus 1% per annum. This being the case, and having review all of the remaining assumptions, the Pensions Working Group agreed that they were content to agree to the assumptions summarised in Section 2 of the Authority Paper.

Mrs Pike explained that there was currently an opportunity to reduce the JCR from the current rate of 25.15% per annum to 19.95% per annum which would be split 7.98% per annum/11.97% per annum between the members/employer, respectively. This position had occurred because a significant surplus, of £7.4m, had arisen from the 2010 valuation. It was noted that the key reasons for this surplus arising were the impact of changing the reference index for paying future pension increases from RPI to CPI, positive experience from pay increases being lower than anticipated and a change in early retirement factors versus the assumptions used for the last actuarial valuation as at 31 December 2007 and contributions being paid towards the previous deficit. It was however noted that investment returns had been substantially lower

than expected at the last valuation and hence this served to offset some of this positive experience.

However, it was noted that equity markets had deteriorated substantially since the 2010 valuation and as such this surplus was likely to have been all but wiped out. In view of this and having reviewed the other considerations set out in the table of the paper, it was agreed that it would be prudent to keep the JCR at the current level, rather than seek to take advantage of a surplus that was unlikely to exist at the current time.

On the final issue, the Pensions Working Group agreed that it would be a good idea to de-risk the investment strategy of the Staff Scheme, in principle, as had been discussed in relation to the Fund, subject to this being deemed an appropriate action for the Staff Scheme. To obtain this confirmation, Punter Southall were asked to review the Trustee's proposal and give their views on whether the proposed investment strategy was appropriate for the Staff Scheme going forward.

Action: Mr Lalley agreed that he would speak to his colleagues at P-Solve in order to undertake a brief review of the investment strategy of the Staff Scheme, and advise as to whether they felt the Trustee's proposal was appropriate.

Investment strategy of the Fund
Agenda item 4

The Authority and the Pensions Working Group had previously consented to seek agreement from the Trustee to move the Fund to an alternative (less risky) investment strategy. Since the last meeting therefore, a letter had been sent to the Trustee asking that they move the Fund to the following investment strategy, as soon as reasonably possible:

Growth Pooled Fund:	70%
Index Linked Gilts:	20%
Private Equity pooled fund:	6%
Infrastructure pooled fund:	4%

Agreement to this change had been provided by the Trustee's Investment sub-committee and the Benefits and Funding committee, although this latter agreement was still subject to gaining comfort that moving to this strategy did not have any immediate implications on the contributions required by either the Authority or the Fund's members. The next steps were therefore for the Authority and its advisers to meet with the Trustee

to agree the timing of the implementation of this revised strategy. Furthermore, it was noted that this investment strategy was seen as a stepping stone to achieving a greater investment risk reduction which, it was anticipated, would be discussed as part of the next actuarial valuation as at 31 December 2012.

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Mrs Pike and Punter Southall would continue to update the Working Party on progress in this area.

Governance review of the Fund
Agenda Item 5

It was noted that this item had been covered under agenda item 2 and that the next steps would be to issue the Authority's proposal to the Trustee early in 2012.

Action: Mrs Pike will issue the Authority's proposal to the Trustee early in 2012.

Any other business
Agenda Item 6

Mr Adams commented that he was concerned about the Authority's current policy for granting ill-health retirement benefits in the Fund. However, after some discussion, it was noted that this was an Authority HR issue rather than a pension issue and as such, Mr Collins agreed to progress this with the relevant members of the Authority outside of the meeting.

Action: Mr Collins will progress this issue with the relevant members of the Authority.

Signed.....

Chairman

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