



Report to: Audit and Risk Assurance Committee
Date: 31 May 2013
Agenda Item: 12
Subject: Pension contributions during employment breaks
SCT Sponsor: Interim Director of Corporate Resources
For: For decision

1. PURPOSE OF PAPER

1.1 This paper proposes ceasing payment of pension contributions during employment breaks (“career breaks”) and responds to the Audit Committee’s view that contributions should be suspended during periods of employment breaks. Recommendations in this paper were agreed by the Force Executive Board on 8 May 2013.

2. FINANCIAL IMPLICATIONS AGREED – N/A

2.1 Changing pension status during employment breaks will save employer’s contributions equal to 20% or 24% of annual salary for each year’s break for an Officer or 15.09% for Police Staff. Based on 20 employees on breaks during 2012, annual savings could be around £82,000.

3. HUMAN RESOURCE IMPLICATIONS AGREED – YES

3.1 Updates will be made to the Flexible Working, Maternity and Family Friendly and Sickness Management SOPs with clearer guidelines for employees and managers.

4. TECHNOLOGY IMPLICATIONS AGREED – NO

4.1 Better utilisation of ORIGIN to track employees on employment breaks will be achieved by including details of reason for career break, last contact and date for return to BTP which

would be available in 4-weekly reports for audit purposes. Sickness and maternity/paternity leave is already recorded via ORIGIN.

5. ESTATES IMPLICATIONS AGREED – N/A

6. BACKGROUND

6.1 Management of Employment Breaks

6.1.1 Employment Breaks are a well-established means by which employers can provide workers with a break from full time paid employment while retaining their skills for the longer-term. Primarily, breaks are approved for family commitments or extended travel. The majority of the 18 BTP employees currently on employment breaks are female, with their reasons for the employment breaks linked to maternity and child-care.

6.1.2 BTP has adopted the Police Negotiation Board (PNB) framework for career breaks, introduced for the police service in October 2000. These regulations outline requirements for timescales and agreement of clear objectives and conditions of service applicable during the break. BTP's procedures need strengthening to remain fit for purpose.

6.1.3 Revised procedures will require employees to sign a formal agreement outlining roles, responsibilities and obligations for the employee and employer while on a career break (e.g. requirement to attend training days, types of employment that can be undertaken while on career break) and facility for recall to duty for exceptional policing needs. BTP's policy also needs to place greater emphasis on the ability of line managers to refuse a career break if there is no clear benefit to BTP and to ensure that breaks are recorded fully on ORIGIN.

6.2 Payment of Pension Contributions for employees on Employment Breaks

6.2.1 BTP's current practice is to pay both the employer and employee contributions for employees throughout the employment break. This ensures that the employee retains their membership in

the Pension scheme and right to incapacity and death in service benefits. Problems arise when the employee does not return to BTP after their break and the Force has had to reclaim contributions already paid. The pensions reconciliation project has identified several of these.

6.2.2 Similar career break schemes such as those for the Civil Service, Metropolitan Police Staff, and some other sections of the Railways Pension Scheme, stipulate that individuals do not build up any reckonable service during the absence, so contributions are not paid. Pension benefits entitlements are frozen from the start of the career break and throughout its duration. Upon return to work, the employee can make up any missed payments if they so choose.

6.3 Payment of Pension Contributions during absence due to Sickness, Maternity and Paternity Leave

6.3.1 BTP currently pays pension contributions for employees who are absent from work due to sickness, maternity and paternity leave. Where an individual has insufficient or no earnings in a particular week, BTP must cover the employee contributions and then recover the arrears on the employee's return. This fulfils requirements in Pension Fund rules that contributions accrue weekly and must remain in payment for benefit entitlements to be valid.

6.3.2 From 1 May 2013 BTP must comply with new pension legislation on automatic enrolment. This includes a statutory duty not to do anything which could be seen as discouraging or preventing an employee from being a member of an occupational pension scheme. Unilateral withholding of pension contributions during absence from work could breach these duties.

7. RECOMMENDATIONS

7.1 Management of Employment Breaks and Pension Contributions

7.1.1 The policy and procedure relating to Employment Breaks sits within the Flexible Working Standard Operating Procedure. It is recommended that this is refreshed and updated, with clear guidelines for:

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- The approval process for career breaks, including greater emphasis on management discretion in approving/rejecting a career break.
 - Roles, responsibilities and obligations on line managers and employees while on career breaks, including a new requirement for a signed declaration (e.g. whether the employee is allowed to work overseas, with other police forces, requirement to attend training days).
 - Accurate recording of career breaks on ORIGIN including end date, reason and length.
 - Formal signed agreement for approved break, maintained on employee's personal file.

7.1.2 It is recommended that BTP ceases to count employment breaks towards pensionable service. Entitlement to benefits will be frozen at the day before the start of the approved career break. Employee and employer contributions will not be paid during the break. However individuals who make up the gap in contributions once they return from their employment break will have their payments matched by employer contributions at that time.

7.1.3 Subject to approval by the Pension Fund Trustees and the Management Committees of the BTP Superannuation Fund (BTPFSF) and BTP Section of the Railways Pension Scheme (RPS), RPMI are willing to apply this practice for BTP Employment breaks. It is recommended the BTPA request that BTPFSF and RPS (BTP Section) rules are amended to include this.

7.1.4 Once the new rules are implemented, it is proposed employees on Employment Breaks at that time are reviewed on an individual case basis in association with RPMI.

7.2 Management of pension contributions for employees on other absences from work

7.2.1 It is recommended that no changes are made to the pension contributions arrangements for employees who are absent from work due to Sickness or Maternity and Paternity Leave. Closer monitoring of contributions for these employees is already provided for under the pension payments reconciliation project.



8. PROPOSED NEXT STEPS / OPTIONS

- 8.1 Should the recommendations be approved, the BTPA, in its capacity as employer for the two Pension Schemes, would need to liaise with RPMI and the Railways Pension Scheme to bring the changes to Pension Fund Rules into effect.
- 8.2 The proposals will need to be agreed by both the BTPFSF and RPS (BTP) Section Management Committees. This would be done by RPMI asking them to approve a Deed of Amendment to the Rules which would have to be prepared by the Trustees' legal advisors, probably Herbert Smith Freehills. The Trustees would then have to sign off the Deed as well. There would be a charge against the Funds for this amendment. The next meetings are on 5 July or 19 September for the BTPFSF and 24 May or 13 September for the RPS.
- 8.3 Trade Unions and Staff Association Groups will be consulted as part of the implementation of the new procedure.