

## Summary Document

Regarding Consultation over the British Transport Police Shared Cost Section of the Railways Pensions Scheme (the “Staff Scheme”)



Employees:

Commenced October 2020 – February 2021 (60-day consultation extended)

TSSA

Commenced October 2020 -February 2021 (60-day consultation extended)

Federation/Superintendents

Commenced November 2020- February 2021 (60-day consultation)

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# Background:

The Independent Public Service Pensions Commission (Hutton Report) published a report in March 2011 that required public services to review their pension arrangements by April 2018. This topic has been part of considerations by BTPA (“the Authority”) for several years. Following full consideration of the benefits currently offered to Police Staff as part of the British Transport Police Shared Cost Section of the Railways Pensions Scheme (the “Staff Scheme”), detailed proposals were shared with affected employees and unions, with an initial proposed date of change of January 2021. During consultation the proposed implementation date of change moved to 1 April 2021.

The current pension arrangement for Police Staff is the Staff Scheme. The Staff Scheme is a Defined Benefit (DB) final salary arrangement providing 60ths accrual rate. The Staff Scheme is the auto enrolment vehicle for all employees.

A new Career Average Revalued Earnings (CARE) benefit structure was introduced within the British Transport Police Force Superannuation Fund (“BTPFSF”/ the “Officer Scheme”) for Police Officers joining from 1 April 2015. A CARE arrangement provides benefits calculated on retirement, or an earlier leaving date, that are based on the member’s average career earnings. This was designed to broadly mirror the benefits being offered by the Police Pension Scheme for Home Office Police Officers.

The purpose of this document is to set out the reasons for the proposed changes to the Staff Scheme, details of the consultation itself and to record the decisions on feedback received as part of the consultation.

## **Need for change - summary**

The Authority has carried out a full review of the benefits within the Staff Scheme and in particular looked at how these align with the Authority’s current workforce. The need for change is largely two-fold:

Increased costs and risks: In addition to the requirement to change from the current Final Salary design (as a result of the Hutton Report), there are significant risks associated with DB schemes in general (in particular investment, inflation, salary and longevity risk). As a result, DB schemes have become increasingly unsustainable for pension scheme sponsors and the Authority is no different in this respect. Many of these DB schemes (albeit in the private sector) are being replaced with alternative lower risk arrangements (such as Defined Contribution (DC) arrangements).

Recruitment and retention: The Authority’s analysis has shown that a majority of new Staff joiners no longer see their employment with BTP as a long-term career, and instead choose to move into other organisations after a relatively short period. Whilst it is noted this is a growing trend across the younger generation, the Authority looked towards a proposal for pension provision that was more suited for this workforce, offering not only flexibility (to make it accessible to more Staff) and portability of pension but also offering a far wider choice of pension benefits than the Authority are currently providing.

# Initial proposal for consultation:

The changes proposed as part of the consultation are set out in the table below.

## The initial proposed changes

Date of commencement of employment	Pension entitlement
Before 1 April 2021	Eligible to join the DB Staff Scheme. DB benefits as currently provided by the Staff Scheme. Members currently contribute 10.6% of Section Pay (which is subject to review at each valuation). Employer contribution 15.09%.
On or after 1 April 2021	New defined contribution (DC) pension scheme – a group personal pension plan. Members can choose to contribute between 4.4% and 5.6% of Pensionable Pay, with the Authority contributing 1.5 times the member rate, i.e. between 6.6% and 8.4% of Pensionable Pay. Members have the option to contribute more than 5.6% of Pensionable Pay but the Authority contribution is capped at 8.4% of Pensionable Pay. Members can choose where to invest their savings.

Pensionable Pay is defined as 'more than or equal to basic pay'. This definition of Pensionable Pay includes salary, holiday pay and statutory payments. For employees, this will mean that contributions are based on basic salary without overtime or weightings.

DC pension arrangements are now more flexible as a result of options introduced by the government from 6 April 2015. The Authority believe that a DC pension arrangement for new Police Staff joiners will offer an attractive and sustainable structure with increased accessibility, full portability and retirement flexibility. To clarify, Police Staff as an employee group includes PCSOs. The Staff Scheme is currently used as the Authority's auto enrolment scheme and is therefore open to any employee that is not an active member of one of the Authority's other pension schemes. From 1 April 2021 it was proposed that the new DC arrangement would become the Authority's new auto enrolment vehicle.

## Consultation process - affected groups:

The Police Staff consultation launched on the 7 October 2020, however, due to a technology issue it was unclear if the consultation letter was received by all intended recipients. It was therefore decided that the consultation would re-start on the 2 December 2020.

At the outset of the consultation it was agreed that all Police Staff would be consulted, along with the staff association which represents them, the TSSA. Initially the Superintendents' Association, Federation and Chief Police Officers Association (CPOSA) were *notified* of the proposed change. On reflection and following receipt of further legal advice, the formal consultation was widened to include the Superintendents' Association and the Federation. The rationale for consulting with the Police Officer representative bodies was that the Staff Scheme is used as the Force's auto enrolment scheme and therefore Officers are affected although to a lesser extent than Police Staff.

The consultation with the Superintendents' Association and the Federation also launched on the 2 December 2020. As part of the consultation with the Superintendents' Association and the Federation, letters were sent

to Police Officers who were active members of the Staff Scheme and Police Officers who were not active members in any Authority pension scheme.

Following careful consideration of the benefits and risks, the Authority took the decision not to send consultation letters to all current Police Officers participating in the BTPFSF. The main concern of the Authority was that this communication activity could cause significant confusion to these Officers given it would be proposing a change for a completely different pension arrangement; one which they would only become a member of at some point in the future if they made the choice to drawdown their pension from their existing BTPFSF Pension, remain employed and thus look to enrol as a member in the Staff Scheme. The Authority understands that, if challenged, remedies for not fully complying with the Pension Consultation Regulations ("PCR") may require the Authority to go through the whole decision-making process again using a full consultation process or be subject to a fine/claim for damages, and in either case, reputational consequences. Although it is not possible to eliminate these risks entirely, a number of mitigating actions have been undertaken as part of the consultation process such that on balance, the risks of proceeding as outlined are deemed acceptable. In reducing the risks, significant effort was made by the Authority to ensure that the process was as open and transparent to all as possible. The approach, including planned mitigating activities, was discussed and ultimately endorsed by the Federation and the Superintendents' Association. As noted previously, consultation letters *were* sent to all Police Officers who are active members of the Staff Scheme and those Police Officers who are not active members in any pension scheme and the intranet has been used as a key method of communicating and making information available to *all* employees. Finally, all feedback received by the Authority throughout the consultation period has been considered in making the final decisions around the closure of the Scheme and introduction of the new DC Scheme.

At the request of the Federation, the Retired Police Officers Association was also notified of the change to the Staff Scheme. The Retired Police Officers Association confirmed that they acknowledged the change and that it did not affect their members.

# Communications:

No.	Date	Action	Medium	Circulated to
1	2 October 2020	Launching Consultation	Intranet Article	All Employees with access to intranet.
2	2 October 2020	Consultation Letter	Email (Long term absence letter)	Affected Contributory/ Non-Contributory members
3	2 October 2020	Intranet article published	Intranet	All Employees
4	14 October 2020	Q&A Session held	Teams Call	All Employees affected by change or not that requested session via intranet article.
5	16 October 2020	FAQ's circulated	Email	Affected Contributory/ Non-Contributory members
6	21 October 2020	Q&A Session held	Teams Call	All Employees affected by change or not that requested session via intranet article.
7	2 December 2020	Consultation Letter (Relaunch Police Staff/ Launch Officers)	Email (Long term absence letter)	Affected Contributory/ Non-Contributory members including officers
8	2 December 2020	Official Consultation letter to Supt Association / Federation	Email	Supt Association/ Federation
9	3 December 2020	Updated Intranet article published	Intranet	All employees with access to intranet.
10	12 January 2021	Update line managers Chief Constable	Teams Call	First line managers

11	26 January 2021	Reminder Communication	Intranet / Carousel on front page of intranet	All employees with access to intranet.
12	29 January 2021	CEO communication to TSSA	Letter via Email	TSSA

Appendix A contains copies of all communication in numerical order

## Meetings:

No.	Date	Meeting held with management side	Meeting held with Staff Side
1	20 October 2020	BTP/BTPA/Aspire/XPS	TSSA
2	4 November 2020	BTP/BTPA/Aspire/XPS	TSSA
3	30 November 2020	BTP/BTPA/Aspire/XPS	TSSA
4	7 January 2021	BTP/BTPA/Aspire/XPS	TSSA
5	20 January 2021	BTP/BTPA/Aspire/XPS	TSSA
6	2 February 2021	BTP/BTPA/Aspire/XPS	TSSA
7	16 November 2020	BTP/BTPA/Aspire/XPS	Supt/ Federation
8	9 December 2020	BTP/BTPA/Aspire/XPS	Supt/ Federation
9	11 January 2021	BTP/BTPA/Aspire/XPS	Supt/ Federation
10	27 January 2021	BTP/BTPA/Aspire/XPS	Supt/ Federation

<sup>1</sup>Appendix B contains copies of minutes from the above meetings in numerical order.

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<sup>1</sup> XPS / Aspire are external advisors to the BTPA on pension matters



# Feedback:

## Employee feedback/ Requested information:

The responses to consultation fell into two categories: Neutral and Against. From the employee-led feedback, 71 responses were received in total:

- 4.2% was Against (3 responses)
- 95.8% was Neutral (68 responses)

## Consultation themes:

Question / Feedback	Response from BTP/ the Authority
Erosion of Terms and Conditions Transferring risk from employer to employee New pension won't offer same level of benefits	Responded to individuals via email; all responses recorded.
Will access to financial advice be offered? Why are contribution rates different? Can transfers be made to existing scheme? Does this affect me? I'm a pensioner, does this affect me? Do I have to change to the new scheme? How do the two types of pension schemes compare? What are the drivers for change? Who will the new pension apply to? What is the past performance of new pension supplier? Can a comparison of benefits be provided? Will the new scheme have a pension committee? Can the new scheme be opted out of? Can additional pension savings still be setup in existing scheme once new scheme launches? Why is the police staff scheme being changed? Has the police officer scheme changed? If I become permanent can I join existing scheme. What benefits does the new scheme offer? Is this cost saving? How will life assurance work on new scheme? What will be the impact of the valuation? Is the contribution split the same for both schemes? Can Officers join the RPS? If I wish to stay in the RPS do I need to opt in? Can I leave the RPS after consultation? How does this affect fixed term contracts?	Captured in Staff Association feedback. Confirmation DB pension based on Section Pay rather than Pensionable Pay. Confirmed not possible. Confirmation of information within consultation letter. Confirmation of impact. Confirmation of information within consultation letter. Confirmation of consultation letter content. Information provided by XPS Confirmation all current employees in Staff Scheme protected. Information and caveat provided by Aspire. Comparison of schemes provided. Confirmation of intended governance provision. Confirmation given. Confirmation given . Confirmation of consultation letter content. Confirmation given changed April 2015. Confirmation given. Confirmation given. Reiterated drivers for change. Confirmation given. Confirmation this cannot be confirmed until valuation concluded. Confirmed that is correct 60:40 split (Authority:employee) Confirmation given. Confirmation given. Confirmation given. Confirmation given.

All responses have been captured and logged and are stored if needed for future reference. All queries received have been responded to.

**Staff Association Feedback:**

Below are the items for consideration that have been raised by the Staff Associations. Feedback was gained at the meetings outlined above.

TSSA response

Confirmation was received from TSSA that a separate written response would not be submitted and that the issues raised at the formal meetings was their submission. TSSA have confirmed that once the final outcome of the consultation is known, a formal response to the proposal will be made. In the interim, a letter from the TSSA General Secretary dated 11 January 2021 was received on 8 February 2021 (a copy can be found in Appendix C).

Superintendents’ Association/Federation response

The formal submission from the Supt. Association can be found in Appendix D. The Federation agreed with the content of the Superintendents’ submission. The Supt. Association confirmed within their submission that they do not support the proposed new scheme as it does not give the required parity in relation to pay with the Home Office Police Forces and that it is not fit for purpose as it does not provide the protection frontline officers require when performing their duties. The Supt. Association have asked for a number of additional points to be considered and these are included in the table below.

Feedback from both the TSSA and Superintendents’ Association/Federation formed a number of themes which are summarised below and all have been given formal consideration.

No.	Feedback
1	Offer funding for financial advice for members considering moving from an existing DB scheme to the new DC scheme
2	Formally consider Network Rail type pension arrangement (i.e. a DC arrangement for the first 5 years with the option to move to a CARE arrangement thereafter)
3	Consider a mechanism to allow Officers to take BTPSFS benefits and retain access to a defined benefit scheme
4	Cap on any increases to existing Staff Scheme member contribution rates as a result of closure
5	Consider offering additional ancillary benefits alongside the new DC scheme
6	Consider increasing employer contributions to the DC scheme
7	Consider changing definition of pensionable pay to include London Allowance and London Weighting
8	Consider a window to allow current employees to consider their financial position and to join the Staff Scheme if they wish (after the launch of the new scheme)

# Proposed responses with rationale/ considerations made:

## **1. Offer funding for financial advice for members considering moving from an existing DB scheme to the new DC scheme**

Proposal is to be rejected.

There is a considerable level of risk associated with offering employer funding for advice. The Authority would need to ensure that the funding is being used for the correct purpose and with an accredited independent advisor. Also, this approach has traditionally not been supported by the organisation. It is noted that the funding of pension advice has been offered in other instances and take up has generally been very low (for example, from a group of 68 eligible employees, only two employees took up the offer).

To help provide further information and education to the employees it has been proposed that benefits roadshows are to be offered over the first 12 months of the new scheme, which will include a comparison of the two benefit structures and provide further information to help employees understand the differences. This would not be advice but instead be aimed at improving employees' general knowledge and understanding in this area.

It is noted that where a member wishes to transfer past service into the new DC arrangement (in the form of a statutory transfer value), the member is required to obtain independent financial advice if the transfer value is over £30,000. This will therefore provide some protection to the member in these circumstances. Furthermore, the Trustee of the Staff Scheme is required to carry out certain checks on any transfer out of the Staff Scheme, thereby providing further safeguards in these scenarios.

## **2. Consideration of a Network Rail type pension arrangement**

Proposal to be rejected.

The Authority has already carried out a full review of the benefits currently offered and how these might be changed to meet the Authority's objectives. In particular, consideration of a CARE type arrangement (and in particular a Network Rail-type pension arrangement) was carried out, including costings and how these costs might vary under different benefit scenarios. However, following this analysis it was concluded that continuing with a DB structure still carried significant risks (in particular, investment, inflation, and longevity risk) and therefore did not meet the Authority's objectives in this regard.

Furthermore, careful consideration was given to modernising the pension options, improving investment choices, portability, the ability to offer the full retirement flexibility and ensuring good value for members. It was also considered important to ensure that any new arrangement was accessible to all Staff. Again, it was felt that a Network Rail type pension arrangement did not meet this objective.

It was also suggested by the Staff Associations that introduction of a DB arrangement after an employee completes 5 years' service (in line with a Network Rail type pension arrangement) could help aid recruitment and retention. However, on consideration of this point, the Authority has

concluded that there is little evidence that the current Staff Scheme (this being more generous than the suggested future CARE arrangement) has little impact on the retention of employees, with the average employee (Police Staff) typically not staying longer than around 5 years.

Therefore, on reconsideration of this proposal, the reasons for rejecting this type of arrangement during the benefit review process were found to be unchanged and therefore a decision has been taken to reject this proposal. For completeness, information on the analysis carried out as part of the benefit review was provided to the Staff Associations as part of the consultation process.

### **3. Consider a mechanism to allow officers to take BTPFSF benefits and retain access to a DB scheme**

Proposal to be rejected.

The Superintendents' Association and Federation raised the point that BTP Officers have a pay parity right as set out in the Wright Report 1979. However, it is the Authority's view that although the report is clear on 100% parity between BTP and Home Office Officers regarding pay, this does not confirm that BTP Officers should have parity in terms of pension.

Furthermore, a BTP Officer has access to a DB arrangement (i.e. the BTPFSF) and BTP Officers do not need to leave this arrangement if they do not wish to. The BTPFSF offers a comparable scheme to the Home Office arrangements.

As such, it is the Authority's view that there is not a strong enough argument to leave the Staff Scheme open to enable Police Officers who choose to take their BTPFSF benefits and remain employed, access to an arrangement that provides further DB pension accrual.

### **4. Cap on any increases to member contribution rates as a result of closure**

Proposal to be rejected at this stage.

This is not something that can be fully considered as part of this consultation as the valuation of the Staff Scheme as at 31 December 2019 is currently being carried out under a different workstream and the final conclusions resulting from that exercise are not yet known. Furthermore, there are many factors influencing the outcome of the valuation and therefore simply attributing any part of a proposed contribution increase solely to the impact of closure is not straightforward.

However, should there be a need to propose an increase to member contribution rates as a result of the valuation, the Authority will consider different options as to how to limit any such increase (whether that increase is due to closure or other valuation factors). Furthermore, any such proposal regarding increasing contribution rates will be consulted on separately.

### **5. Consider offering additional ancillary benefits alongside the new DC scheme**

Proposal to be adopted.

As was explained as part of the consultation, work is underway in relation to the procurement of life assurance benefits. The cost for the provision of life assurance benefits is yet to be confirmed. However, it has been recognised that the terms underlying the payment of life assurance benefits on death will need to be considered carefully to ensure they are fit for purpose for both Police Staff and Police Officers. The Authority has approved that the level of cover being provided will be comparable to the level of cover currently provided in the Staff Scheme, which is equitable to four times

pensionable pay. The Authority has also agreed to provide one times pensionable pay cover for those employees who are not a member of any of the available pension schemes.

Consideration is also being given to other ancillary benefits. In particular, benefits that are comparable with the existing benefit structure offered within the Staff Scheme and deemed appropriate in the current market. The current benefit structure within the DB scheme includes death in service (four times average salary) and ill health benefits, which a member only qualifies for after five years membership. For a member of the proposed DC scheme to have access to any of the proposed additional ancillary benefits (except life assurance where cover will commence from day one), an employee needs to have been a member of the DC scheme for five years. Currently it is more common practice with DC arrangements to offer income protection rather than an ill health benefit. The advantages of this is that the insurer handles the whole of the process including whether the claim is legitimate, carries out regular reviews and helps manage a return to work, if possible. Whereas for ill health benefit claims it is the Trustees who decide if the claim is acceptable and this can lead to future challenges.

## **6. Consider increasing employer contributions to the DC scheme**

Consideration of this proposal cannot be considered fully at this time until the overall benefit budget is confirmed following the procurement of life assurance and other ancillary benefits.

Options can be adopted only on the basis of affordability. This proposal will be revisited after the life assurance procurement is complete and the cost of other ancillary benefits can be ascertained. It is worth noting that members will be able to set their own contribution rates for the new DC scheme, with the employer contribution being a maximum of 8.4%. The minimum contribution rate will be used for those entered into the DC scheme during the auto enrolment window.

Employees will be given an annual window where they will be able to amend their contribution rate into the DC scheme. Contribution rates will not be able to be altered outside of this window. It may be necessary for an employee to alter contributions (changing the terms of the salary sacrifice arrangement) outside of the annual window where a lifestyle change significantly alters an employee's financial circumstances. This may include a change in circumstances directly arising as a result of Covid-19, marriage, divorce or partner becoming redundant or pregnant.

## **7. Consider changing definition of pensionable pay to include London Allowance and London Weighting**

Proposal to be adopted.

The Superintendents' Association and The Federation raised that London Weighting allowance is pensionable as stated in regulations. On these grounds, the approach to pensionable pay should be amended to include London Weighting in order to adhere to regulations. For continuity, Police Staff will also have London Allowance made pensionable in the new scheme to mirror the way in which Police Officers are treated, and also reflect how London Allowance is dealt with in the Staff Scheme. This approach to pensionable pay will also ensure that payroll errors are kept to a minimum as all pensionable pay will be treated in the same way.

**8. Consider a window to allow current employees to consider their financial position and to join the Staff Scheme if they wish (after the launch of new scheme)**

Proposal to be adopted.

Current employees (both Police Staff and Police Officers) who are not already members of the existing Staff Scheme will be offered approx. 10 weeks from ending 15 June 2021 in order to evaluate whether they would like to join the existing Staff Scheme. This period of time is felt an appropriate time frame for people to seek advice (if they so wish) and make that decision. The Staff scheme will then be closed to all new entrants from 16 June 2021 (with the exception of anyone with protected or indefeasible rights), and the only available scheme will be the new DC arrangement. For the avoidance of doubt, any new Police Staff employees joining from 1 April 2021 will only be given the option to join the DC arrangement.

## Conclusion and consultation outcome

As a result of the consultation and the feedback received, the final decision is that the Authority will proceed with the proposal to close the existing Staff Scheme to new employees from 1 April 2021 and instead introduce a DC arrangement (as outlined within the consultation materials).

However, in recognition of the feedback received it has been decided that:

- Further ancillary benefits will be considered alongside the proposed life assurance benefits such as income protection for members of the proposed DC scheme after being a member for a qualifying period.
- The top tier pension contribution may be revised once the full cost of the ancillary benefits is known such that the cost of the new DC arrangement is broadly comparable with the cost of the existing Staff Scheme.
- Members will be allowed to set their contribution rate (which can be equal to or higher than the minimum contribution level), with the employer's contribution rate being capped at 8.4% of pensionable pay.
- London Allowances for both Police Staff and Police Officers will be made pensionable.
- Any employee not currently a member of the Staff Scheme will be given a fixed window ending 15 June 2021 to join the Staff Scheme.
- Consideration will be given to how any increase in member contribution rate as a result of the current valuation of the Staff Scheme can be managed. This will be covered under a separate consultation.

# Appendices

Appendix A	Copies of all communication in numerical order
Appendix B	Copies of Minutes of meetings with TSSA, Superintendents' Association and The Federation.
Appendix C	TSSA letter sent to Chief Executive Hugh Ind
Appendix D	Superintendent Association formal submission and response
Appendix E	Key Decision log

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