

Report to: Authority
Agenda item: Item 11
Date: 24 March 2021
Subject: Police Staff Pension – Consultation Outcome
Sponsor: Authority Chief Financial Officer
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For: Approval

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1. Purpose of paper

The purpose of the paper is to provide members with an overview of the consultation response document and to seek approval on the decisions made as part of finalising the outcome of the consultation. The Authority is ultimately being asked to:

- Approve the implementation of the proposed DC scheme for new employees from 1 April 2021.
- Approve the closure of the existing DB scheme to new employees (Police Staff and PCSOs) from 1 April 2021.
- Approve the proposed DC scheme as the auto enrolment vehicle.

2. Consultation Overview

The Authority has undertaken a consultation process with employees in relation to the proposed implementation of a new Police Staff pension scheme. The proposed new scheme would be a Defined Contribution (DC) scheme rather than the current Defined Benefit (DB) scheme. The current DB scheme is open to all Police Staff and PCSOs and is also used as BTP's auto enrolment vehicle. A small number of Police Officers are also members of the current DB scheme.

Consultation started on 7 October 2020 with Police Staff and PCSOs, as well as the TSSA (Staff Association for Police Staff). The consultation was restarted on 2 December 2020 after an IT issue was identified, and at this time the consultation was expanded to include Police Officers who were active members of the DB scheme and those Police Officers who were not a member of any available pension scheme. Consultation with the relevant Staff Associations was also started, then being the Superintendents' Association and The BTP Federation.

The consultation closed on 7 February 2021, and the Consultation Response document sets out an overview of the process which has taken place, a summary of the submissions received and the rationale behind each of the decisions which are now being proposed as part of finalising the Authority's formal response to the consultation.

3. Summary of Responses

The table below provides a high-level summary of the considerations/proposals submitted to the Authority for consideration, and a proposed decision against each of these. The full rationale for each decision can be found on page 10 of the Consultation response document.

Ref.	Submission	Accept / Reject
1.	Offer funding for financial advice for members considering moving from DB to DC.	Reject – but agreement to hold road-shows during the first 12 months of the scheme to improve employees’ pension knowledge and understanding.
2.	Consideration of a Network Rail type pension arrangement.	Reject
3.	Consider a mechanism to allow officers to take BTPFSF benefits and retain access to a DB scheme.	Reject
4.	Cap on any increases to member contribution rates as a result of closure.	Reject at this stage due to the valuation yet to be finalised. Any changed in contribution rates will require a separate consultation.
5.	Consider offering additional ancillary benefits alongside the new DC scheme.	Accept – but full details are not currently available until the life assurance procurement has been completed.
6.	Consider increasing contributions to DC scheme.	No decision can be made at this time until the ancillary benefits have been confirmed.
7.	Consider changing definition of pensionable pay to include London Allowance and London Weighting.	Accept - based on a snap shot of new employees hired over the last 6 months, the additional cost over a 12month period would be £21,562, assuming all opted for tier 3 contributions. The total potential cost will be considered when further considering item 6 above following confirmation of the ancillary benefits.
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).	Accept

4. Governance and Communications

The Pension Working Group endorsed the decisions outlined above and recommended the implementation of the new DC Scheme as well as the closure of the existing DB scheme to the Appointments & Remuneration Committee for approval. Approval was provided by the committee on 10th March 2021.

All employees and Staff Associations who were communicated with as part of the consultation process have since received a formal response to the consultation, notifying them of the feedback received, the decisions taken as described above, and that it remains the intention of the Authority to proceed with the proposal.

5. Next Steps

Below are the next steps which need to take place to ensure the timely implementation of the proposed DC scheme.

- Obtain approval from the Secretary of State to open the new scheme. This is required as per the Railways and Transport Safety Act 2003. There is some risk around obtaining this approval by 1 April. Discussions are ongoing with DfT. If approval is not obtained then the existing Scheme will remain open to new employees through the original employment contracts until such time as approval is received.
- Completion of amendments to BTP and BTPA employment contracts to close the current DB scheme to new starters
- Complete the procurement of life assurance for employees for both levels of cover and procure the ancillary benefits
- Develop the contents of the education/information roadshows – PS Aspire are assisting with these

6. Recommendation

Members to review the Consultation document and approve the following:

- the above submissions for acceptance. (Ref – 5,7 and 8)
- the above submissions for rejection. (Ref – 1,2,3 and 4)
- the implementation of the proposed DC scheme for new employees from 1 April 2021 (or later pending Secretary of State approval)
- the closure of the DB scheme to new employees (Police Staff and PCSOs) from 1 April 2021 (or later pending Secretary of State approval)
- the proposed DC scheme as the auto enrolment vehicle