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To: Treasurers and Pension Fund Administering Authorities

RE: Police civilian staff pension arrangements at stage 2

As part of the Home Office Police and Crime Commissioner (PCC) transition programme for the implementation of the Police Reform and Social Responsibility Act 2011, the Home Office established a working group to consider pensions implications arising from the transition. This working group was lead by Vice-President of the Police Authority Treasurer Society (PATS), Bob Summers.

The working group examined the pension implications for all those officers and staff that could be affected by the transition. This covered the Uniformed Home Office Scheme for police officers, the Principal Civil Service Scheme for civilian staff (who are now employed in the Mayors Officer for Policing and Crime in London) and the Local Government Pension Scheme for civilian staff currently employed by police authorities.

This letter explains the employer implications as a scheduled employer in the Local Government Pension Scheme (LGPS).

<u>Police Reform and Social Responsibility Act 2011 (PRSA 2011)</u>

As set out in the PRSA 2011, PCCs and Chief Constables will be established in law as corporations sole on 22 November 2012. As such, both will be enabled by law to employ staff (and hold funds) in their official capacity. The full implementation of this new model will take place in two stages. Stage one will take place on 22 November when all staff employed by the police authority on 21 November, pass to the employment of the PCC. Stage 2 will involve the division of staff between the PCC and the Chief Constable. The Home Secretary has been clear that stage 2 will take place in each force area by 1 April 2014.

<u>Stage 1 (November 2012)</u>

PCCs will become participating employers in the LGPS by virtue of paragraph 6 of Part 1 of Schedule 2 of the LGPS (Administration) Regulations 2008. Chief Constables will become participating employers by virtue of paragraph 28 of Part 1 of Schedule 2 of the LGPS (Administration) Regulations 2008. The provisions are included in the Local Government

Pension Scheme (Miscellaneous) Regulations 2012 (SI2012/1989) and will take effect from 22 November 2012.

This statutory instrument provides for police authorities, as employers, to be replaced by the PCC and the Chief Constable. The same regulations enable the PCC as a post holder to be eligible for membership of the LGPS. The new employers, the PCC and the Chief Constable, will be scheduled bodies within the LGPS as were police authorities.

At stage 1, all civilian staff previously employed by police authorities will continue as employees of the PCC. All pension liabilities, including those related to deferred and pensioner members, of the relevant police authorities will become the responsibility of the PCC at this stage. The LGPS employer contribution rate will consequently not be affected by this change. There are no other implications for employers at stage 1 and membership benefits for contributors are not affected by the transition.

Stage 2 (by April 2014)

While any LGPS pensions issues around stage 1 have now been dealt with, the situation around stage 2 is more complex. Subject to local negotiation between the PCC and the Chief Constable, there will be a transfer of officers and, possibly, staff eligible for the LGPS, from the PCC (as a corporation sole) to the Chief Constable (as a corporation sole). As a consequence, both corporations sole will be employers, unlike the position at stage 1 where the PCC will be the single employer.

When this change takes place, the relevant LGPS actuary will need to consider how to set the contribution rates for the corporations sole and one option is for the relevant LGPS actuary to make separate LGPS calculations for employer contribution rates. To undertake these calculations the actuary will need to understand how the liabilities in relation to the deferred and pensioner members referred to in stage 1 are to be apportioned between the two corporations sole.

The Home Office working group has examined these implications with representatives from the four actuarial consultancies who advise LGPS funds in England and Wales. The outcome of these discussions is the recommendation from the working group that a pooled approach be taken which will result in a single employer contribution rate for both corporations sole. This approach avoids unnecessary complexities that would arise if past service deficits in relation to pensioner and deferred liabilities had to be apportioned between both corporations sole. A pooled approach would also ensure that additional actuarial costs at stage 2 were minimised.

Accounting requirements at stage 2 will still require pension costs to be included in separate Income and Expenditure accounts and Balance Sheets for each corporation sole. These and other implications of Stage 2 are being addressed by the Chartered Institute for Public Finance and Accounting (CIPFA). It is our intention to fully assist CIPFA in the development of advice on the accounting requirements at stage 2.

The Home Office working group is now seeking to secure wider agreement on this pooled employer contribution rate at stage 2 but cannot enter into local discussions with your Scheme actuary. We want to be able to reassure Ministers that the approach is acceptable to administering authorities but Ministers will, of course, wish to know as soon as possible should there be any difficulties with the approach. We therefore ask that Treasurers and Pension Fund Administrators discuss the contents of this letter and provide feedback to the Home Office working party via the Police Authority Treasurers Society.

I hope you find this letter helpful. If you require any further information or clarification, please get in touch with Eleanor Cannell (Eleanor.Cannell@homeoffice.gsi.gov.uk).

Yours sincerely

Ziggy MacDonald
Head of Crime and Policing Group Finance Unit