

To:	The Chief Constable Sussex Police
From:	Chair of the Police Pension Board
Subject:	Pension Board Annual Report
Date:	11 September 2018

Purpose of Report:

This report sets out the key activities of the Pension Board for the period 17 August 2017 and 31 May 2018, its membership and attendance record, the revised Terms of Reference (TOR) for approval and the proposed work plan for the year ahead.

Recommendations:

- To note the work of the Board during the year.
 - To approve the revised TOR
 - To approve the work plan for 2018/19.
 - To thank the Board members for their work in support of the Scheme Manager.
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The Police Pension Board For Sussex

Annual Report 2017/18

Report by Iain McCulloch, Chair of the Police Pension Board For Sussex

1 Introduction

- 1.1 The Board was established on 1 April 2015 by Chief Constable Giles York, as Chief Constable of the Sussex Police (the "Scheme Manager") according to section 5 of Act and regulation 13 of the 2015 Regulations.
- 1.2 This report sets out highlights of the work of the Board for the meetings between 17 August 2017 and 31 May 2018 and the work planned for 2018/19.

2 Pension Schemes Overseen

- 2.1 There are three pension schemes under administration within Sussex police pension scheme.
- 2.2 As at 30 April 2018 and 2017 total membership of each of the three pension schemes in operation (including active, deferred, pensioners and spouse/dependants) were as follows:

30 April	2018	2017
1987 Scheme	5,943	5,980
2006 Scheme	993	1,003
2015 Scheme	1,969	1,925

- 2.3 A summary of the benefits payable under each of the schemes can be found in Appendix 1.
- 2.4 The Pension Fund is administered by the Chief Constable in accordance with the Police Pension Fund Regulations 2007 (SI 2007 No 1932).
- 2.5 Day to day administration of the schemes is completed by a contractor overseen by Sussex Police with actual pension payments made via Sussex Police.
- 2.6 Payments totalling £77m were made to pensioners in 2017/18. The pension fund accounts as published in the Chief Constable's Statement of Accounts 2017/18 are shown in the following table.

Sussex Police Pension Fund Account Statement

	As at March 2018		As at March 2017	
	£000	£000	£000	£000
Contributions Receivable				
From Employer:				
- Normal	(18,984)		(19,452)	
- Early Retirements	(277)		(842)	
From Members	(12,305)		(12,491)	
		(31,566)		(32,785)
Transfers In				
Individual Transfers in From Other Schemes		(668)		(358)
Total Inflows		(32,234)		(33,143)
Benefits Payable				
Pensions	63,914		62,216	
Commutations and Lump Sums	12,740		11,802	
Lump Sum Death Benefits	244		285	
		76,898		74,303
Payments To and On Account of Leavers				
Refund of Contributions	23		102	
Individual Transfers Out To Other Schemes	508		30	
		531		132
Total Outflows		77,429		74,435
Net amount payable for the year transfer from the Group of an amount equal to the deficit		45,195		41,292
Additional contribution from the Group to fund the deficit for the year *		(42,583)		(38,638)
Additional funding payable by the Police Operating Account to meet deficit for the year @ 2.9%**		(2,612)		(2,654)
Net Amount Payable for the Year		0		0

2.7 The annual deficit on the Police Pensions Account is funded by the Home Office Pension's Top-up grant.

3 Board Membership and Attendance

3.1 Board members carry out an important role to support the Scheme Manager some of whom volunteer their time or take time out of their busy day job. I would like to take the opportunity to recognise and thank the Board members for their time and work in support of the Scheme Manager over the last year.

3.2 The Board met four times during the year on 17 August 2017, 23 November 2017, 1 February 2018 and 31 May 2018. The table below sets out the attendance of each member.

Attendee / Meetings		17/08/2017	23/11/2017	01/02/2018	31/05/2018
CHAIR - Iain McCulloch	Chair	Y	Y	Y	Y
Daisanne Summersfield	Employer Representative	N	Y	N	Y
Bill Davies	Employer Representative	Y	N	N	Y
Steve Whitton	Employer Representative	N - SUB	N - SUB	n/a	n/a
Matt Webb	Member Representative - Police Federation	Y	Y	Y	Y
Carwyn Hughes	Member Representative - Superintendents Association	Y	Y	Y	Y
Graham Bradley (NARPO)	Member Representative - North Sussex NARPO	Y	Y	Y	Y

3.3 We have enjoyed a stable membership compared with the previous year which Change in membership. The table shows full attendance by member representatives.

4 Revised Terms of Reference (TOR)

4.1 The regular review of the TOR of the Board is important to ensure that they are fit for purpose.

4.2 The TOR was reviewed by the Board at their focussed meeting held on 5 April 2018 and a number of changes have been made including a

revision to Annex A - Functions of the Board above it's core statutory role.

4.3 The revised TOR is attached at Appendix 1 and we are seeking approval of these by the Scheme Manager.

5 A summary of the work of the Board 2017/18

5.1 The Board completed a wide range of activities both planned and reactive during the year.

Work Plan - Planned Activity	Outcome
<p>Oversee the procurement of administration services, making recommendations on the scope of the service, budget, evaluation criteria and signing off preferred provider proposals;</p>	<p>The East Midlands framework was used to go out to procurement. As well as service improvement savings were also made on both Surrey and Sussex pension contracts. The Pension Board had involvement at tender meetings along with the scoring of bidding organisations on the framework.</p> <p>Acknowledgement needs to be made to the Sussex Pension Transfer Project Team as none of this could have been achieved without their commitment and hard work. They ensured each milestone ran as smoothly as it could and to very tight timelines. This happened whilst they were all doing their day jobs.</p>
<p>Ensure issues arising from the member survey are considered by the Board and addressed where possible and monitor common areas of complaints and disputes, addressing issues arising from cases referred to the internal dispute resolution procedure and/or the Pension Ombudsman;</p>	<p>A member survey was completed in March 2017. This gave a range of results and helped the Board understand where issues were arising for members.</p>

Ensuring the communication of the benefits of the Scheme and develop a suitable website presence for the Board to communicate its work and other pension matters with scheme members and the Regulator;	All agendas and minutes are now on the Sussex Police external website, in line with requirements set by The Pensions Regulator. More work is required, so this activity will be carried forward.
Monitoring the issue of the Annual Benefit Statements and any subsequent member feedback;	The Pension Board initiated a review from Capita; accuracy, timeliness and a review of communications was part of the review.
Complete a review of scheme governance and compliance and oversee implementation of actions to ensure it meets Regulator and legislative requirements;	Key areas have been reviewed this year: <ul style="list-style-type: none"> • Conflict policy • Risk register • Compliance
Continue to develop and scrutinise key performance and other data including complaints and accuracy of member records to ensure the scheme is properly administered and fully compliant ;	A standard agenda is set for each meeting. The pension administrator is also in attendance so they can provide an update on recent performance.
Continue the training and development of Board Members; To keep up to date with national developments to the pension scheme and oversee the development of processes and systems to incorporate any new statutory requirements;	Training is kept up to date via the Pensions Regulator online training. Other training has been attended: <ul style="list-style-type: none"> • Tax and Lifetime allowance – London • TPR training - Crawley

5.2 In addition the Board carried out the following additional activities:

Activity	
GMP reconciliation	Continued to monitor the progress to of the Guaranteed minimum pension (GMP)

	reconciliation for the contracted out defined benefit schemes that was being administered by Capita. This is remaining with Capita despite the transfer to Equiniti.
Made links with the Scheme Advisory Board	Invited Kevin Courtenay to attend the meeting on 23/11/2017.
Review of TOR and other responsibilities of the Board.	Held a separate focussed group meeting on 5 April 2018 in which it reviewed the risk register, terms of reference and other forms.
Risk Register	The revision of the risk register to manage the internal controls risk management framework based on the Pension Regulator guidance. This is now on the work plan for 2018/19.
Agenda Content	Continued to develop the Board agenda to include standing items. This to ensure consistent and comparable data and information to enable the Board to discharge its responsibilities;

6 Board Work Plan for 2018/19

6.1 Looking ahead the Board guided by the revised TOR will focus on the following key areas:

- Monitor the bedding in of the new pension administrator provider Equiniti and their interaction with the Board.
- Monitor the implementation of the new on-line offer including self service to members and review feedback from members on its performance.
- Data Scoring – Data underlies everything in pensions. The TPR will be asking schemes to provide their scheme specific data score. The Board will review this and ask:
 - Does the scheme have the right processes in place;
 - How is 'bad data' corrected;

- Determine what will be the outcomes of the TPR measuring tool will be and what investment needs to take place in data quality.
- Review and revise the reporting Breaches of the Law in light of guidance received from the Scheme Advisory Board;
- Ensuring the communication of the benefits of the Scheme and develop a suitable website presence for the Board to communicate its work and other pension matters with scheme members and the Regulator;
- Monitoring the distribution of the Annual Benefit Statements and any subsequent member feedback (Surveys);
- Complete a review of scheme governance and compliance and oversee implementation of actions to ensure it meets Regulator and legislative requirements;
- Continue to develop and scrutinise key performance and other data including complaints and accuracy of member records to ensure the scheme is properly administered and fully compliant;
- Continue the training and development of Board Members so that they have the right skills to meet the requirements of The Pension Regulator;
- Develop a network of contacts and experts that can support Members of the board e.g. Scheme Advisory Board;
- To keep up to date with national developments to the pension scheme and oversee the development of processes and systems to incorporate any new statutory requirements;
- Relationship with the Surrey Pension Board in order to share learning. To also keep under review the possibility of amalgamating the two pension boards.

7 Recommendations

- To note the work of the Board during the year.
- To approve the revised TOR
- To approve the work plan for 2018/19.
- To thank the Board members for their work in support of the Scheme Manager.

7.1 The approved report will be shared with the Scheme Advisory Board.

Appendix 1 - Pension Scheme Summary of Benefits

Benefits payable under all three schemes are shown in tabular form below:

	Police Pension Scheme (PPS) (1987)	New Police Pension Scheme (NPP) (2006)	Police Pensions Scheme 2015
What is maximum pension	2/3 final salary, with option to exchange part of the pension for a lump sum	½ final salary plus fixed lump sum of 4 times the pension, with option to exchange part or all of lump sum for extra pension	Pension at retirement is the sum of each of the accrued pension pots, subject to revaluation at a rate of CPI +1.25% per year.
Final salary basis	Pensionable remuneration is normally the average remuneration in the employee's final year	Earnings over the last ten years are taken into account via best average over 3 consecutive years	Scheme is a Career Average Revalued Earnings scheme
Length of service for maximum pension	30 years	35 years	No maximum length of membership
Earliest age to receive pension	Age 50 after 25 years of service Any age after 30 years of service Age 55 for less than 25 years of service Age 60 if leave service before compulsory retirement age with less than 25 years of service	Age 55 if remain in police service until that age Age 65 if leave police service before age 55 or opting out of the scheme	Age 60 if remain in police service until that age. State pension age if leave police service before age 60.
Pension increases	All pensions in payment, deferred pensions and children's pensions are increased annually in line with the Consumer Price Index.	All pensions in payment, deferred pensions and children's pensions are increased annually in line with the Consumer Price Index.	All pensions in payment, deferred pensions and children's pensions are increased annually in line with the Consumer Price Index.
How is pension accumulated	1/60 of final salary for first 20 years of service, plus 1/30 for final 10 years of service up to a maximum pension entitlement of 40/60.	1/70 of final salary for each year of service up to a maximum 50% of final pensionable after 35 years of service.	1/55.3th of pensionable earnings each year is added to the members' pension pot for each year of membership.

Appendix 2 - Terms of Reference

Please see TOR attachment



Item 3 - Pension
Board TOR - Revised /