

Devon and Cornwall Police Authority Resources Committee

14 June 2005

Open for the purposes of FOI

Report of the Treasurer

Police Staff Pensions

Recommendation:

That members note that government decisions not to implement the intended changes to the police staff pension scheme will impact significantly on future financial planning.

Background

1. Actuarial advice and budget decisions on employer contributions to the police staff pension fund were based on the assumption that the announced changes to the pension scheme would be implemented. The government has stated that the legislation that implemented these changes will now be revoked making the financial position of the fund more difficult. Members are asked to note that this will impact on future financial planning.
2. Members may recall the difficult budget decisions on future employer pension scheme contributions for police staff. The last actuarial review showed that our funding level had dropped over 3 years from 90% to 65.5%. It was little comfort to know that the Authority was better placed than many, that there is some suggestion that the actuary may have been more severe than some, or that we would have been worse off had we accepted the actuary's advice in full at the last revaluation. The reasons for the decline are varied. They include the usual demographic issues but the results have been dramatically affected by changed assumptions on investment returns and, critically, the return on gilts.
3. Different options to recover the situation were offered and the Authority chose to increase contributions in a stepwise fashion over 6 years costing an extra £250,000 each year cumulatively.
4. It is important to note that the actuary's calculations were based on the reasonable assumption that the announced tightening up of the scheme would actually take place. In the event, government withdrew the proposals after opposition from the staff side and threatened industrial action at a sensitive time. More proposals are expected but these will take some time and it will be very difficult to implement alternatives which benefit the scheme solvency as much. All this means that the Authority's recovery plan is likely to be insufficient and that additional contributions will be necessary at some stage in the future. No action is recommended at present but the change must impact on the Authority's financial planning.

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