

# NPCC Finance Co-ordination Committee

## Title: Update on Police Pensions

**24 June 2021 / Agenda Item:**

### 1. UPDATE

At the last meeting in March the focus of the update was on the government response to the Remedy consultation. Since then there have been the following financial and non-financial developments.

#### **Financial:**

- Late March – Letter to Chiefs to seek agreement to accept ET Final Declaration Judgment.
- 26 April – Guidance to CFOs on accounting for Remedy, and follow up in May on accounting approach with forces. 11 forces replied ( 4 disclosure note, 4 contingent liability and 3 reserve/provision).
- 29 April - Letter to Minister from AC Jukes to Police Minister requesting assurance on funding of Remedy. This followed receiving Leigh Day settlement offer.
- 10 May – Update to Chief Constables via Chiefs Net.
- 20 May – First meeting of CFO Pensions Group ( second meeting 17 June).
- 25 May – Update provided to SR Team on Pension funding.
- 25 May – Response from Minister to AC Jukes letter including offer of engagement with officials. NPCC Team have followed up so as put in place engagement across HO Pensions, Finance and GLD to ensure joined up approach with initial focus on LD Compensation claim but also wider Spending Review modelling of financial pressures.

#### **Non Financial:**

- April – June engagement with all 3 software providers and 13 pension administrators. All software providers integrated into HMT Policy development and lead Pension Administrator. Have received first version of Heywood software plan ( provider to 38 forces) and PID from XPS ( provider to 29 forces ). Awaiting proposal from Equiniti shortly.
- May – Data collection guidance provided to all forces. Heywood to commence process shortly. XPS aiming to complete exercise by end of 2021. Will require resourcing by forces.
- 28 May – Selection of 12 Test Cases ( 4 MPS, 3 GMP, Beds, Cambs, North Yorks, City of London, Merseyside ) for December ET hearing finalised.
- 10 June HO Immediate Detriment guidance issued alongside NPCC Note and separate legal advice. NPCC Team is seeking to establish service wide approach. Forces have been asked to determine approach to ID by 6 July ( not to implement, implement in line with guidance or implement more widely).
- 14 June – HO/GAD have agreed for Police to be ‘early adopter’ on a Remedy compliant Pension Modeller and to provide scenario material to support communication to scheme members.

- June – Draft NPCC / Chief Constable Pension Team MOU has been circulated to forces for July Chiefs' Council.

## 2. ALLOCATION OF £7M IMPLEMENTATION AND ADMINISTRATION GRANT

Implementing Remedy will require significant additional resourcing to support changes to systems, processes, reworked calculations, uprating of both legacy and reform accrual going forward, adjustments to contributions and pension tax, and the administration of any compensation payments. The service has received £7.0m grant funding from the HO to meet the cost of implementing and administering remedy.

NPCC Pension Team are working with commercial suppliers to develop plans to enable cost effective implementation of Remedy. This is particularly the case with regard to updated pension software which is the main enabler to effective and efficient implementation.

At this stage it is proposed that **half of the funding is retained centrally** to support strategic enablers, resourcing and tools that can be commissioned nationally, or involve compliance with national standards, **and that half of the funding is now allocated to forces based on NRE**, reflecting the fact that a significant proportion of costs will be incurred locally either by force client side/project management and or on pension administration which is large part volume driven irrespective of whether provision is in-house or outsourced.

The table at the bottom of the paper sets out the proposed allocation of the £3.5m. Following development of supplier and force implementation and spending plans in the second half of the financial year, **central spend will be prioritised/approved and scope for further allocation of funding direct to forces reviewed**. It is intended that this phased release of funding minimises the risk of having to go back to forces in-year to request additional funding to support nationally commissioned spend.

The £7.0m grant is unconditional (Section 31 ) and hence there is not a need to complete a discrete return on the expenditure. However, NPCC Pension Team propose to submit a bid for further funding for 2022/23 and in support of this forces are asked to record 2021/22 expenditure/resources incurred in support of a future bid.

### SOFTWARE / NATIONAL COSTS

We are engaging with the 3 software providers and have received an initial proposal from Heywoods who provide software to 38 of the 43 forces ( the 5 non-Heywood forces being MPS, Surrey, Sussex, Essex and Hampshire). Heywood provide the software to XPS on behalf of their 29 forces and directly to the 9 non-XPS forces which includes outsourced and in-house pension administrators. Heywood are now working on the resource / cost implications of the proposal and we have asked that options are set out. Heywood have also put in place an Engagement Group of representative clients which we part of.

We understand Equiniti will be submitting a proposal to their forces shortly. We are working with LGA/Fire Pensions regarding Civica as they have a much larger number of Fire pension administrators. We expect the process of agreeing plans and financials to take another 2-3 months, in part linked to the fact Home Office will not be introducing legislation until July at the earliest and consultation on changes to Police regulations will take place after this. At this stage we expect NPCC to be directly

involved in agreeing the plan and costs, although this may vary depending on the supplier. We intend to work with the software suppliers, contracting body ( forces) to agree contract changes, and the cost/charging mechanism, whether it is appropriate to make payment direct to the software suppliers or rather focus on services standards/deliverables with agreed payment levels to be made by the forces/outsourced providers.

In addition we have signalled a preparedness to fund a Remedy Compliant GAD Pension Modeller to enable officers to input their pension details and receive high level information on their pension entitlement. HO/GAD have come back with a proposal ( including worked scenarios to support workforce comms ) which has been shared with the CFO Pension Group, CC Stevens and AC Jukes who are supportive.

There are potential additional costs linked to hosting /updating the modeller. The Pension Team are also exploring with the National Reward Team and NPCC the scope to establish and host a website via NPCC. As supplier, Force and NPCC implementation plans develop it will be possible to get a clearer view of service wide issues and hard to resolve areas which may require a national solution ( e.g. bespoke material/training/communication on the unique pension tax issues that arise from Remedy). Arising from this additional national spend areas will be identified and assessed, and reported to Chair of NPCC Finance Committee.

#### **LOCAL / PENSION ADMINISTRATION SPEND**

It is apparent that a sizeable proportion of Remedy work and costs will be volume driven, undertaken by the Pension Administrator and linked to size of workforce and or locally delivered linked to client side / project management resourcing. It is recognised that there are different administration models across the country, be that largescale outsource providers and smaller in-house teams. It is proposed that the allocation of administration/local spend is not linked to the different delivery models. It is envisaged that increased administration and client side costs will be required at least up until the end of 2023/24.

NPCC Pension Team has engaged with forces to get an indication of local spending plans with just over one-quarter of forces responding. It is apparent that forces are at differing stages of development in their planning and that there is variation in the make-up of spend given the different delivery models and assumptions on resourcing / charging. It is evident some in-house providers have already recruited resources. It also expected that outsourced providers will put be translating their implementation plans into distinct chargeable phases of work ( e.g. data work) and that costs will start to be incurred this year. NPCC Pension Team are working with the large pension administration providers to agree implementation plans and costs.

James Hurley ( [james.hurley@herts.pnn.police.uk](mailto:james.hurley@herts.pnn.police.uk) )

NPCC Pension Lead

Force	Home Office Remedy
<b><u>London</u></b>	
City of London	£21,832.79
MOPAC	£773,325.93
<b><u>Joint Forces</u></b>	
Greater Manchester	£171,439.73
Merseyside	£95,782.88
Northumbria	£81,637.19
South Yorkshire	£75,482.58
West Midlands	£166,153.76
West Yorkshire	£129,623.92
<b><u>Non Metropolitan - England</u></b>	
Avon & Somerset	£88,047.64
Bedfordshire	£32,793.24
Cambridgeshire	£42,076.05
Cheshire	£56,324.25
Cleveland	£38,190.03
Cumbria	£31,076.80
Derbyshire	£52,492.58
Devon & Cornwall	£90,600.20
Dorset	£38,432.23
Durham	£35,681.64
Essex	£85,568.85
Gloucestershire	£33,991.31
Hampshire	£98,826.39
Hertfordshire	£59,596.09
Humberside	£53,679.32
Kent	£90,915.81
Lancashire	£82,740.14
Leicestershire	£55,016.91
Lincolnshire	£35,464.64
Norfolk	£47,421.81
North Yorkshire	£44,051.85
Northamptonshire	£38,945.95
Nottinghamshire	£60,446.42
Staffordshire	£56,313.10
Suffolk	£36,148.18
Surrey	£66,498.34
Sussex	£83,490.67
Thames Valley	£123,282.48
Warwickshire	£29,592.78
West Mercia	£63,478.67
Wiltshire	£34,416.50
<b><u>Wales</u></b>	
Dyfed-Powys	£31,043.75
Gwent	£38,224.94
North Wales	£44,911.06
South Wales	£84,940.60
<b><u>England &amp; Wales Total</u></b>	<b><u>£3,500,000.00</u></b>

