

Police and Crime Commissioner for Surrey – Decision Making Record

Report Title: Authorisation of a £2.5 million payment to reduce the current Surrey Police Local Government Scheme Pension Deficit

Decision number: 085/2015

Author and Job Role: Ian Perkin, Treasurer & CFO

Protective Marking: Part One

Executive Summary:

To approve the making of a £2.5 million payment to the Surrey Local Government Pension Scheme to reduce the current Surrey Police Local Government Pension Scheme Deficit.

Background

The majority of Surrey Police Staff are members of the Surrey Local Government Pension Scheme, which is a funded pension scheme that looks after the pension provision for Surrey County Council, District and Borough Council and Police staff as well as the staff of other admitted bodies. Because of recent turbulence in the Scheme's stock market investments, which represent the major assets of the Scheme and the consequences of falling GILT rates, by which the liabilities of the Scheme are measured, the Surrey Police share of the total Scheme deficit at January of this year amounted to approximately £45 million. A lump sum payment of £2.5 million, will reduce by £232,000 the annual deficit recovery payments, which Surrey Police has to statutorily make to the scheme each year, in order to eliminate the pension deficit and bring the scheme back into balance (i.e. the value of the assets equals the value of the liabilities). The annual saving of £232,000 can be used to reduce the total amount of savings that Surrey Police needs to find to balance the reduced revenue budget that results from the reductions in funding that Government are currently imposing on the police service.

Surrey Police is in a position to make a payment of £2.5 million to the Surrey Local Government Pension Scheme, as a result of successfully delivering key elements of the 2015/16 savings programme ahead of schedule and creating a one off saving that can be used for this purpose.

Recommendation

- The Police and Crime Commissioner is asked to approve the making of a payment of £2.5 million to the Surrey Local Government Pension Scheme, for the express purpose of reducing the current Surrey Police Pension Scheme Deficit and creating a revenue benefit that can be used to help achieve the savings target that Surrey Police need to achieve in order to balance the budget over the next four years.

Police and Crime Commissioner Approval

I approve the recommendation(s):

Signature:

A handwritten signature in black ink, appearing to read "Iain Phely", written over a horizontal line.

Date: 19/03/2015

All decisions must be added to the decision register.

Areas of consideration

Consultation

Consultation has been carried out with the Chief Constable, the OPCC's Chief Finance Officer and the Surrey Police CFO.

Financial implications

The payment of £2.5 million to the Surrey Local Government Pension Scheme will have a beneficial impact on the Surrey Police Finances as the value of the Pension Deficit as shown in the balance sheet will be reduced and revenue saving of approximately £232,000 per annum will be produced.

Legal

The Surrey Local Government Pension Scheme with statutory rules that must be followed so that there are no particular legal problems in making this payment

Risks

The risk of not agreeing to these recommendations is that if there is further adverse turbulence in financial markets the Pension Deficit could increase significantly thereby increasing the amount of the annual deficit payment that Surrey Police would be required to make.

Equality and diversity

No implications.

Risks to human rights

No risks.