

Cumbria Police Authority

Personnel Committee

27 April 2005

Agenda item No. 14

Reform of the financing of Police Pensions

A report by the Chief Constable and Treasurer

1. Summary

- 1.1 Arrangements for police pensions are about to undergo significant reform. Firstly, the pension scheme is being modernised, with significant changes to the range of benefits offered, the normal length of the scheme and required contributions by serving officers. A separate report summarising the main changes to the pensions scheme will be prepared for a future meeting of the Committee. Alongside and complementary to those proposals, significant changes are now planned to the way police pensions are financed. This report deals with the reform of the financing of police pensions.
- 1.2 The paper summarises the report of a Home Office working group who have brought forward proposals to implement a new system to financing the growing cost of police pensions. The proposals seek to better manage both the increasing share of national and local police budgets consumed by police pensions costs and, in addition, help overcome the volatile nature of pensions costs, particularly relating to commutations and the cost of Ill Health retirements.
- 1.3 The proposals, in essence, attempt to mimic many of the attributes of a formal pensions fund without actually creating a fund. Authorities and Constabularies will be required to formally create a statutory pensions account, which will be credited with both employees contributions and a new 'employers contribution' rate, based on the current costs of police pensions (nationally), and debited with most, but not all of the current pensions charges. Any shortfall in income to the pension account will be met by the Home Office, via a system of top slicing from Police Authority principal grants and any surplus returned to the Home Office. The report of the working group states that there should be no overall effect on Council Taxes, nationally.

2. Recommendations

- 2.1 Members are recommended to: -
 - (i) Note the contents of the report
 - (ii) Allow the Treasurer and Chief Constable to formally respond to the consultation document, taking account of any comments made by members.

3. Introduction and Background

- 3.1 The Police Pensions scheme is currently financed on a 'pay as you go' basis. This means, essentially, that all pension payments are met from within the constabulary's revenue account when they become due, offset by individual contributions by serving officers. There is no separate pensions fund, out of which pensions awards are met.
- 3.2 The current system of financing has many shortcomings. There can be volatile variations in spending caused by uneven distributions of lump sum payments, both locally and nationally. The Constabulary has, however, to some extent, managed the uneven distribution of liabilities by setting up various pensions provisions and reserves over the years, which have had a stabilising effect on the Authority's finances.
- 3.3 In addition, there has been growing concern about the rising cost of the current scheme. Expenditure is forecast to rise, nationally, from £1.2bn in 2004-05 to £2.0bn by 2010-11. One of the direct effects of this is that, in an environment where settlements increase at a substantially lower rate than budgets, pensions are consuming a greater share of annual spending, and are thus eating into resources available for operational policing. Whilst this will not change in the short term, it will provide more clarity about sums spent on operational policing.
- 3.4 Alongside these proposals to change the financing of police pensions, some separate changes are being planned to the pensions scheme itself. These changes also recognise the increasing cost of police pensions, both for the Authority but also for individual officers who currently contribute 11% of pensionable pay. They also reflect recent Government initiatives which contain proposals in the wider economy to increase the minimum pensions age from 50 to 55 and the deferred pensions age from 60 to 65, recognising increasing longevity and the need to be able to work for longer in order to save for retirement.

4. Proposed Arrangements

- 4.1 The proposals for change revolve around the following modifications to the current arrangements. Firstly, a statutory pensions account will be created, quite separate from the revenue account, with a formally defined schedule of income and expenditure that can be charged to it. Most, but not all current pensions costs must be met from the pensions account, but some costs must be met from the Constabulary's revenue account. In addition, there will be some transactions between the pensions account and the revenue account. A full description of the pensions account is set out below for information at paragraph 4.4.
- 4.2 The most significant single modification is the creation of a standard employers contributions rate (or ASLC, Accruing Superannuation Liability Charge), which will provide income to the pensions account and represent a charge to the

revenue account, in a similar manner to the employers contribution rate in the Local Government Pensions Scheme (LGPS) for police staff. It is expected that this modification will add some much needed stability to force budgets. Taken together, employers and employees contributions will provide most of the income to the pensions account. There are, in addition, a number of further contributions, and these are explained in more detail in para 4.4 and Appendix 1.

- 4.3 The second most significant modification is the establishment of a system of underwriting any deficit on the pension account by the Home Office, in the event that the income described above is not sufficient to meet the statutory charges to the pension account. Similarly, if the pension account were to be in credit, then any surplus would be repayable to the Home Office. The expectation is that most Force pensions accounts would require 'topping up' and thus there would be a net cost to this. Accordingly, a national 'underwriting' fund would be created, by top slicing the principal grants receivable by Authorities. An analysis of the possible effects of this is set out at Appendix 3, based on the latest available national data.
- 4.4 The proposed **new pensions account** will be modeled on the framework set out below: -

Police Pensions Account			
Income		Expenditure	
1	Employers Contribution, currently assessed as 26.1%	8	Pension payments to former officers and dependents
2	Employees Contribution	9	Lump sums to retiring officers
3	Transfer payments from other non police schemes	10	Transfer schemes to other non police schemes
4	Inter Authority adjustments	11	Inter Authority adjustments
5	Re-instatement of pensions mis-selling	12	Refund of contributions
6	Employer Capital equivalent payment for Ill Health pensions		
7	Government 'top up'	13	Government repayment

- 4.5 As described above, not all pension payments can be met from the pension account in the proposals, and must, therefore, be funded from the revenue account. These are set out, for information in the table below: -

Police Revenue Account	
Ref	Area of pension
1	Employers contribution
2	Capital Equivalent charge for Ill Health pensions
3	Injury awards to officers and dependents

5. Current Issues related to the proposals.

5.1 The proposed changes to the financing of police pensions represent a significant change to their financial management. Many important issues have been debated as part of the process of developing the proposals now being consulted on. In summary, the main issues can be grouped together as follows: -

- (i) Alterations to national funding arrangements to underpin the changes to pensions financing
- (ii) Ill Health pensions
- (iii) Employee Contributions
- (iv) Reserves
- (v) Accounting, Accountability and Audit

5.2 Taking funding first, as has been briefly described above, one of the basic principles of the new arrangements is to create a mechanism which smoothes the uneven distribution of pensions costs which can currently affect spending profiles for police pensions. The proposed Pensions Account contains provision for contributions from Government (or for payments to Government) to cover any differences between income and expenditure. A financial model has been produced by the Home Office to try and assess the likely impacts of the changes. Using 2003-04 data, from the total costs of police pensions of £1.23bn, it has been estimated that about £90m will be required to 'top up' local Pension Accounts (net of repayments to Gov't). The result of the model show, at **Appendix three**, how removing the pensions element of the main formula might affect entitlements to grants and then compares that to revised pensions costs with an employers contribution rate of 26.1%. For Cumbria, using 2003-04 data, the position would have been as follows: -

Loss of Grant -	£71.8m less £70.2m = £1.6m
Reduced Pensions costs -	£10.9m less £9.1m = £1.8m
Overall effect (a gain in 2003-04) =	£0.2m (rounded to £0.1m in Table)

There has, however, been much concern of late about the use of 2003-04 data, which may not properly reflect the true position in 2006-07, when the new scheme is due to be implemented.

5.3 The analysis has also ignored any possible use in 2006-07 of 'floors and ceilings', which have been used in recent years to provide some stability to the grant system. The Working Group have stated that it is not possible to say what damping mechanisms might be in place for 2006-07, although it does now seem that Government are much more committed to providing some kind of protection. And with a commitment to three year funding settlements in future years, it would seem that some form of damping system will need to be in place in order to provide some certainty for longer term forward planning.

5.4 The report also considers the somewhat complex area of how to properly reflect the cost of **Ill Health pensions** in the new system of financing. The main issues surrounding Ill Health pensions and their financing, from the Working Group report are set out below: -

- (i) Providing incentives to reduce the cost of Ill Health pension costs
- (ii) Transparency as to the true cost of Ill Health retirements
- (iii) Complexity of charging arrangements

Taking the above into account, the Working Group recommended making a credit to the pension account (and a charge to the operational account for all Ill Health pensions) based on a notional capital value calculated as being twice the officer's pensionable pay with the contribution spread over four years. This would, in the eyes of the group, create a clean break between the Revenue and Pension Accounts and would create the funds in the pension account to enable the pension, including the lump sum to be met from that account.

5.5 As described above, one of the key changes in the proposals is to create a standard **Employers contribution rate** for police pensions, (or ALSC, Accruing Superannuation Liability Charge), similar in principal to that which operates in the Local Government (LGPS) scheme for police staff. The expectation is that this would significantly increase the certainty of commitment to the Revenue account, as together with a capital charge for Ill Health pensions and a charge for Injury awards, these would be the only charges to the Revenue account. However, the Working Group have had to take account of a number of important considerations in relation to how an employers rate should be arranged. In particular, there has been considerable debate around the following: -

- (i) Should the single rate vary between Forces and Authorities?
- (ii) Should there be differential contribution rates based on salary or rank?
- (iii) Should there be differential contribution rates for the current and new pension scheme?
- (iv) How often should the rate be reviewed and changed?

There are host of technical arguments in relation to these issues. However, the Group took the view that a single contribution rate should exist across all forces and ranks for at least the first four years, covering the existing and new pension scheme. It was accepted that there would be several advantages from having more precise and transparent arrangements, although, these would often involve more complex administration and expense. The working group has specifically asked authorities to comment on this proposal, because of the sensitive issues involved.

5.6 The report recognises that many forces have built up **earmarked reserves** in recent years to try and manage the peaks and troughs, which are a feature of the current system of financing police pensions. It is also recognised that the

proposed arrangements will continue to require reserves to meet some elements of pensions expenditure, not funded by employee and employer contributions, such as Capital Contributions to Ill Health pensions and the cost of Injury awards. There is nothing in the Working Paper to suggest that existing Authority reserves may be 'clawed back' as part of the new mechanisms.

5.7 Accounting, Accountability and Audit.

The proposals contain a number of new accounting and audit proposals. These are not unexpected given the nature of the overall changes and the potentially significant grant aid to 'top up' local pension accounts, via the top slicing mechanism as described above. There are a number of specific requirements, which will require: -

- (i) The Pensions account to be presented in a prescribed and uniformed manner. To this end a standard account has been put forward for Forces to adopt.
- (ii) The pensions account to be audited by the Audit Commission
- (iii) The provision of a range of data sets to the Home Office, to support the transition to the new scheme.

Finally, new local mechanisms will need to be put in place to: -

- (i) Change budgeting and accounting practices, reflecting the formal separation of the pensions account, and the new prescribed transactions to both the pensions account and revenue account.
- (ii) Make amendments to the payroll system to facilitate the creation of an employers' contribution rate for each officer, properly chargeable to the pensions account. To this end the Home office have undertaken to liaise with Treasurers and Directors of Finance about the levels of administration involved.

6. Consultation

- 6.1 As described above, the Home Office are currently consulting Authorities and Forces about the proposed changes. A number of key issues have been raised by the Working Group and, similarly, reflected in this report. A schedule setting out each of the questions formally posed in the consultation paper is set out at Appendix four. Given the timings of the release of the Working Group report, the Committee schedule of the Authority and the deadline for responses to the consultation document of 17 June, members are asked to allow the Treasurer and Chief Constable to frame a response incorporating any issues members may have about the proposals. Authorities have been reminded that any response may be made public, according to the requirements of the Freedom of Information Act 2000.

7. Timing of Proposed changes

- 7.1 The Working Group recommends that the new arrangements are implemented from April 2006. This complements the change to the new Police Pension Scheme. Further changes to the police funding formula are also planned for 2006-07, and given the proposed modifications to the grant system to create a pensions 'top up' fund, it would seem sensible to synchronize the timing of each of the changes. However, a successful outcome for the proposed changes requires a practical implementation timetable, recognising the new obligations to support the changes, particularly with respect to changes to the budgeting and accounting processes and the implications for payroll systems. A schedule of the key dates is set out for information at Appendix five.

Douglas Thomas
Police Authority Treasurer

Michael Baxter
Chief Constable

Appendices

1. Summary of main elements of New Pensions account
2. Items to be met from Police Revenue Account
3. Funding analysis, based on 2003-04 data
4. Formal consultation questions
5. Schedule of key proposed implementation dates

Summary of the main elements of the New Police pensions Account

Income		Expenditure	
1	Employers Contribution	8	Pension payments to former officers and dependents
2	Employees Contribution	9	Lump sums to retiring officers
3	Transfer payments from other non police schemes	10	Transfer schemes to other non police schemes
4	Inter Authority adjustments	11	Inter Authority adjustments
5	Re-instatement of pensions mis-selling	12	Refund of contributions
6	Employers Capital equivalent payment for Ill Health pensions		
7	Government 'top up'	13	Government repayment

The notes below explain, briefly, the main areas in the table above.

1. This is the intended **employer's contribution** to the scheme. It is intended that this will cover the majority of police pensions costs. Income to the pensions account will be a direct charge to the revenue account, i.e. like the Cumbria LG pension fund. There has been some debate about whether there should be a single rate for all Authorities or whether a local rate should be produced (similar to individual rates for organisations in the County pension fund). There has also been some debate about how often the rate should change. The current proposal, which is being consulted on, is for a single rate for all Authorities with rates reviewed after four years.
2. **Officers contributions**, made up of officers who retain membership of the existing scheme existing officers who elect to join the new scheme and new recruits who will automatically become members of the new scheme.
3. Transfer payments i.e. **accumulated benefits** from other, non-police schemes, which incoming officers elect to bring to the police scheme.
4. **Inter Authority Adjustments** are to reflect the change in the boundaries of Police Authorities, principally in relation to the 1974 Local Government Re-organisation. In Cumbria, there is an obligation to Lancashire and West Yorkshire as described below at note 11, although there is no obligation to this Authority.
5. Pension mis-selling regulations allow for compensation where mis-selling is deemed to have occurred, to be received into the scheme. Those provisions will be carried forward to the new scheme.

6. **Capital Equivalent payments for Ill Health.** There has been some debate in the consultation papers about the basis upon which the pension account should reflect the cost of Ill Health pensions. The Government feels the need for more equity in how the costs of Ill Health pensions is shared between Central and Local Government, and also between individual forces, who have had quite different records of Ill Health retirements. Government policy has brought about targets for managing early retirements. The consultation document has suggested two options for managing the costs of Ill Health pensions: -

(i) Requiring Authorities to pay the actual cost of an Ill Health pension up to a specific point, linked to when actual retirement would otherwise have taken place, after which payments would revert to the pensions account, OR: -

(ii) Requiring Authorities to charge their revenue account and credit their pensions account with a one off 'capital' charge, equivalent to the additional benefits brought about by virtue of having an Ill Health pension as opposed to a deferred pension.

A host of technical arguments have been advanced around this area of the consultation. On balance the consultation document is proposing a one off simplified capital charge, which creates a clean break between the revenue and pension accounts as the most practical way forward.

7. (and 13) **Government 'Top up' / repayment of surplus.** This is part of the equalisation apparatus to 'smooth out' the uneven nature of the ongoing pensions liabilities. It is designed to cover the difference between income and expenditure from items in the table above. The national fund to allow this to operate will be created by top slicing entitlements to existing Government grants. This issue is discussed in more detail at paragraph 5.2.

8. **Pensions to former officers and dependents.** The consultation describes the various categories of pension payable to retiring officers

9. **Lump Sums to retiring officers.** The consultation describes the various categories of Lump Sum payable to retiring officers

10. The **transfer of accumulated pension benefits** from the police pension scheme to other non-police schemes.

11. **Inter Authority adjustments** reflect boundary changes, principally in relation to Local Government structural changes in 1974. For Cumbria, there is a current and ongoing liability to contribute to the Lancashire pension fund and the West Yorkshire police pension fund in respect of those parts of Cumbria which were formerly in the other force areas. Clearly, more than 30 years after that reorganisation, those commitments are reducing annually

12. The current and proposed pension schemes both allow for a **refund of contributions** made. The existing scheme allows refunds to be made in respect of service of up to two years. It is proposed that this arrangement will continue in the new scheme.

Summary of the items of pensions related expenditure, to be met from the Police Revenue Account

As set out above, not all pension payments can be met from the pension account in the proposals, and must, therefore, be funded from the revenue account. These are set out, for information in the table below: -

Ref	Area of pension
1	Employers contribution
2	Capital Equivalent charge for Ill Health pensions
3	Injury awards to officers and dependents

The following notes provide a further brief explanation of the areas of expenditure: -

- (ii) **Employers contributions** will represent by far the largest cost of pensions to the Authority. It is this cost to the Authority's revenue account that creates the income to meet most of the obligations in the pensions account.
- (iii) **Capital Equivalent charge for Ill Health pensions.** As described in Appendix 1, note 6 above.
- (iv) **Injury awards to officers and dependents.** Inland Revenue regulation will require personal awards and death benefits for attributable injuries, which are not tax approved pension benefits to be excluded from the Police Pension Scheme and therefore the Police Pension Account.

Appendix 3

Funding Schedule

Replication of Annex G from Consultation Document
Comparison of Police FSS plus Police Grant against 03/04 Amending Report Version

Column A	B	C	D = C-B	E	F	G = F-D-E	H = E-F
	2003/04 Amending Report / £M	Removing pensions formula v2 / £M	Difference in grant / £M	Net pension expenditure per data collection exercise / £M	Income to the pension account from employers contribution of 26.1% / £M	Net revenue account variation (negative means reduced net exp) / £M	AME Grant payment / (repayment) / £M
City of London	67.0	64.4	-2.6	11.1	7.0	-1.5	4.1
GLA Police*	2044.9	2008.8	-36.1	240.5	233.6	29.3	6.9
Greater Manchester	456.5	453.4	-3.1	62.0	60.7	1.8	1.3
Merseyside	277.8	264.6	-13.3	46.3	32.6	-0.4	13.7
South Yorkshire	202.6	203.0	0.4	34.3	31.0	-3.8	3.4
Northumbria	255.9	254.6	-1.3	25.6	25.5	1.2	0.1
West Midlands	477.9	485.7	7.8	53.2	58.4	-2.6	-5.2
West Yorkshire	350.7	345.3	-5.4	49.2	39.7	-4.1	9.6
Dyfed-Powys	62.1	60.2	-1.9	9.0	9.0	1.9	0
Gwent	84.3	84.7	0.4	11.3	10.3	-1.4	1.0
North Wales	92.2	90.9	-1.2	12.1	12.3	1.4	-0.1
South Wales	193.1	185.5	-7.6	33.4	24.2	-1.5	9.1
Avon & Somerset	201.9	195.4	-6.5	31.5	25.0	0	6.5
Bedfordshire	76.7	78.3	1.6	8.4	8.5	-1.5	-0.1
Cambridgeshire	94.3	94.6	0.3	12.5	10.8	-2.0	1.7
Cheshire	135.4	135.2	-0.2	15.6	16.7	1.2	-1.0
Cleveland	99.8	98.9	-0.9	14.8	12.2	-1.8	2.6
Cumbria	71.8	70.2	-1.6	10.9	9.1	-0.1	1.8
Derbyshire	124.1	122.5	-1.6	15.9	15.5	1.2	0.5
Devon & Cornwall	208.5	205.5	-2.9	28.1	24.3	-0.9	3.9
Dorset	81.7	78.4	-3.3	12.3	11.0	2.0	1.3
Durham	96.3	95.3	-1.0	12.5	12.9	1.4	-0.4
Essex	194.9	196.5	1.6	28.6	23.3	-7.0	5.4
Gloucestershire	74.1	71.6	-2.5	10.3	9.5	1.7	0.8
Hampshire	235.2	234.7	-0.6	28.5	30.5	2.6	-2.1
Hertfordshire	133.4	139.1	5.7	13.3	14.9	-4.1	-1.6
Humberside	134.6	133.2	-1.4	16.8	16.2	0.8	0.6
Kent	218.5	218.1	-0.5	28.0	26.6	-0.9	1.4
Lancashire	216.9	212.6	-4.3	29.6	26.9	1.6	2.7
Leicestershire	123.9	126.2	2.2	15.7	16.5	-1.5	-0.8
Lincolnshire	76.0	72.0	-4.0	12.6	9.4	0.8	3.2
Norfolk	103.0	102.1	-0.9	12.9	11.7	-0.3	1.2

Column A	B	C	D = C-B	E	F	G = F-D-E	H = E-F
	2003/04 Amending Report / £M	Removing pensions formula v2 / £M	Difference in grant / £M	Net pension expenditure per data collection exercise / £M	Income to the pension account from employers contribution of 26.1% / £M	Net revenue account variation (negative means reduced net exp) / £M	AME Grant payment / (repayment) / £M
North Yorkshire	91.9	88.9	-3.0	15.9	11.3	-1.6	4.6
Northamptonshire	82.2	84.1	1.9	9.5	10.1	-1.2	-0.6
Nottinghamshire	149.3	145.7	-3.7	22.9	18.0	-1.2	4.9
Staffordshire	132.7	128.7	-4.0	21.3	17.3	0.1	3.9
Suffolk	83.1	81.6	-1.5	12.3	9.6	-1.2	2.7
Surrey	111.1	113.4	2.2	14.8	14.7	-2.3	0.1
Sussex	195.6	190.9	-4.6	26.9	22.8	0.5	4.2
Thames Valley	273.3	282.2	8.9	27.0	29.4	-6.6	-2.4
Warwickshire	63.1	62.3	-0.8	8.6	7.9	0.1	0.7
West Mercia	137.3	136.8	-0.6	17.6	17.7	0.7	-0.1
Wiltshire	77.9	77.9	0	9.3	9.1	-0.2	0.2
Total	8,664.0	8,574.0	-90.0	1,132.9	1,043.4	0.6	89.4

* The Metropolitan Civil Service pension uplift assessed at £20M has been deducted but will require reinstating. This will be from reductions in other authorities' grants.

Source: Appendix G of Home Office Consultation Document

Appendix 4

Specific Consultation Questions

Chapter 13 of the Home Office report invites comments on any of the Working Group's recommendations in the report, which are set out in context in the Executive Summary. The report invites specific comment on the following – paragraph references are to paragraphs in the full report:

1. The working group recommends starting the new system in 2006/07 – is this feasible in your view? (para 2.13)
2. The working group recommends a single employer contribution rate covering both current and new Police Pension scheme – do you think this is more practical than police authorities having to pay two different rates at the same time, one for current and one for the new scheme, or do you see advantages in having separate rates? (para 4.11)
3. The working group recommends that ill-health pensions should be paid entirely out of the pensions account but on the basis that the police authority will pay a capital-equivalent charge into the account in order to make up for the added cost to the scheme of the ill-health pension – do you agree that this is the most effective way of paying ill-health pensions under the new system? (para 5.17)
4. The working group recommends that the capital-equivalent payments be set at twice the average pensionable pay of the officer being retired and be spread over 4 years by even installments – do you think this is:
 - a. A reasonable amount, and
 - b. Are you in favour of the four year spread to avoid lumpiness in such expenditure? (para 5.21)
5. The working group recommends that the central agency which has an officer seconded to it should reimburse the sending Force with the full cost of the officer including employer and employee's contributions. Central agencies do not have the resources to make the new payments to sending Forces. The Working Group recommends that these resources be met out of the total set aside for top-up grant. Are you content with the way it is proposed to enable the central agencies to meet their new costs? (para 7.7).
6. The working group recommends a method for financing the added costs which central agencies will incur in switching to a system of based on paying pensions contributions into a new pensions account. Are you content with the way it is proposed to enable the central agencies to meet their new costs? (para 7.12)
7. The working group recommends a method for identifying the amount of resources needed for the central Government top-up grant. Do you think that this is a fair way of ensuring that a fair share of resources for the cost of pensions in payment between central government on the one hand and police authorities on the other? If not, what alternative would you suggest? (para 8.7)
8. The working group recommends that the outcome of the modelling exercise based on 2003/04 figures shows that the degree to which authorities may be winners or losers is manageable, given the long term benefits of moving to the new system. Do you:
 - a. Agree with this unreservedly? Or

- b. Agree because you expect the general damping mechanisms likely to be in place for 2006/07, coupled with use of your reserves, should be enough to smooth out winners and losers? Or
 - c. Want additional damping mechanisms in place and, if so, what mechanisms? (para 8.26)
- 9. The working group recommends that the introduction of the new system is not accompanied by a transfer of formal responsibility for the payment of police pensions to the Home Office. Do you agree this is the most practical solution for the time being? (para 9.3)
- 10. The working group recommends a timetable for bidding for and receiving top up grant. Are you content with what is proposed? (para 9.8)
- 11. The working group recommends a classification of the different types of pension payments which should be separately identified in the pensions account. Do you think that this strikes the right balance between precision on the one hand and avoiding being over-detailed on the other? (para 10.7)
- 12. The working group recommends a list of issues to be reviewed after 3-5 years. Do you agree with this timescale and do you have any further items to add to the list? (para 12.3).

Source: Chapter 13 of Home Office Consultation document.

Proposed Implementation Timetable

Consultations	
Issue Consultations Document	24 March 2005
Consultation period ends	17 June 2005
Consideration of responses to the consultation	June – July 2005
Finalise implementation proposals for the new financial arrangements	July 2005

Preparing for new system	
Confirm employer contribution rate for existing and new schemes	June 2005
Calculate amount of AME Grant to be taken out of settlement for 2006/07	October 2005
Changes to the Police Funding Formula Spending Share confirmed for 2006/07	November 2005
Police Authorities to provide estimates of deficit / surplus in their pension accounts for 2006/07	November 2005

Accounting	
Consultation on proposed changes to the accounting procedures	September to October 2005

Announcement	
Final details of new arrangements announced by HOC	October 2005

Guidance	
Guidance on the new financial arrangements issued to Police Authorities	October 2005

Legislation	
Consultation on SI to modify the financial arrangements for existing and new pension schemes	September – December 2005
Lay SI to modify the financial arrangements for existing and new pension schemes before parliament	February – March 2006
Order to change financial arrangements for existing and new pension scheme comes into force	1 April 2006

Introduction	
New financial arrangements introduced	1 April 2006

Source: Chapter 12 of Home Office consultation document.