

"AN APPROACH WHICH IS TIMELY, EFFICIENT AND FULLY AUDIT-COMPLIANT"

NOVEMBER 2009



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LOCAL GOVERNMENT

POLICE & FIRE AUTHORITIES - ACCOUNTING FOR PENSION COSTS

Many organisations find accounting for pension costs demanding, with the associated audit scrutiny and tight deadlines. The position is no less so for Police and Fire authorities. In response to their need for timely, audit-compliant disclosures, GAD has developed an innovative approach to producing accurate disclosures, within an agreed delivery timetable and at a low fixed cost. The approach should be of interest to other public sector bodies needing to account under FRS17.

POLICE & FIRE FINANCING & ACCOUNTING

New financing arrangements for Police and Firefighters' pensions were introduced in 2006 in England and in 2007 in Wales. Employing authorities pay contributions and an adjustment is provided from central government to equalise annual benefit expenditure and contribution income. A similar approach to financing Police and Firefighters' pensions has been proposed for Scotland.

Police and Fire authorities in England, Wales and Scotland are required to disclose pension scheme costs and liabilities in line with the FRS17 accounting standard, but subject to the Statement of Recommended Practice (SORP) guidance which applies to all local authority accounting. The arrangements and requirements for the Northern Ireland Police and Fire schemes are slightly different, as they report under the Financial Reporting Manual (FRM) requirements which apply to central government accounting, rather than the SORP.

GAD'S APPROACH

The key to GAD's innovative approach is its self-validating data collection spreadsheet. This permits more accurate disclosures without painful data validation or increased costs.

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ACCURACY

PAINLESS
MEMBERSHIP
DATA
VALIDATIONCOMFORT ON
THE ACTUARIAL
ASSUMPTIONSINJURY
BENEFITSLOW FIXED COST
& AGREED
DELIVERY
TIMETABLE

ACCURACY

FRS17 permits "roll-forward" valuations whereby the results of a full valuation are projected forward and adjusted for significant changes to provide the disclosures in the following few years. However, GAD's approach is to carry out a full actuarial valuation of the pension liabilities each year. This ensures accurate, robust and audit friendly disclosures. The detailed calculations also enable us to run different valuation scenarios easily, or even projections of future cashflow, if required.

PAINLESS MEMBERSHIP DATA VALIDATION

Good quality membership data is the cornerstone of meaningful actuarial valuation figures. However, it is often the case that the process of ensuring that the data is fit for purpose is costly and painful with seemingly endless iterations between client and actuary.

GAD's self-validating data collection spreadsheet breaks this cycle. Authorities input their data and the spreadsheet alerts them to any significant inconsistencies in the data so these can be investigated and corrected before the spreadsheet is returned to us. This spreadsheet significantly reduces, and sometimes completely bypasses, the need for client/actuary iterations on data and it has been very much welcomed by our clients. Indeed, in our recent client survey, many have commented positively on this "user-friendly software", the supporting instructions and guidance and the "friendly, helpful, quality customer service" when any queries arise.

Our service also includes help with setting assumptions and valuing injury benefits.

**"COMPLETELY BY-PASSES THE
NEED FOR CLIENT/ACTUARY
ITERATIONS ON DATA"**

COMFORT ON THE ACTUARIAL ASSUMPTIONS

Under FRS17, it is the Authority that is responsible for setting the actuarial assumptions, not the actuary. GAD's approach is to propose assumptions to the Authority which are compliant with the accounting guidance and, as far as possible, based on actual scheme-wide experience. We have found that our clients greatly value our proposals as giving them a high level of comfort in setting their assumptions.

INJURY BENEFITS

Under the new financing arrangements, injury benefits are no longer payable from the pension scheme. But as they need to be shown as separate liabilities within the accounts, GAD values these injury awards alongside the normal disclosures, on request.

LOW FIXED COST & AGREED DELIVERY TIMETABLE

Because we provide this standardised, streamlined service to a large number of Authorities, we can call upon large economies of scale, and offer this service at a low fixed cost - a fraction of the cost of a typical stand-alone actuarial valuation.

We also recognise the importance of prompt delivery. We work to a multi-stage pre-agreed timetable designed to meet Authorities' disclosure needs. We aim to produce final disclosures within one month of the final data receipt.

This standardised approach ensures provision of timely, efficient and fully audit-compliant pension accounting disclosures to Police and Fire authorities.

CONTACT US

GAD currently provides the annual pension disclosures to nearly 50 Police and Fire Authorities. If you would like more information about GAD's FRS17 Service or the self-validating data collection spreadsheet, please e-mail gfs@gad.gov.uk or call Daniel Selby on 020 7211 2616.