

Letter from the Chairman of the APS Trustees, sent to APS members & pensioners – 15 Sept 2011

Dear APS member

We are writing to provide an update on recent events arising from the Government's decision to change the basis of the Pensions Increase (Review) Order (the Order).

The headline items are:

- The Trustees' objective to restore annual RPI type increases
- The 11 July Members' and Pensioners' meeting
- Notice of a further postal ballot
- The results of the recent pensioner ballot

Trustees' objective to restore RPI type annual increases

In March the Trustees decided to amend the Scheme Rules to introduce a facility to enable them to pay increases over and above those which are payable in accordance with the Order. Although the Trustee Board did not believe it was prudent to exercise this facility in April 2011 they have confirmed that it is their objective to return to RPI type annual increases as soon as it is appropriate to do so. The Trustee Board decided in May to set up a sub group of the Board to look in detail at the circumstances under which it may be possible to exercise this discretionary power. Work is underway to identify the best way of achieving this; for example, developing a framework to achieve the ultimate aim of paying an annual RPI increase in an environment where the Scheme has achieved a strong funding position which is supported by low risk and well matched investments. Working with the Trustees' professional advisers, the sub group's role is to review all the options and to then report back to the full Trustee Board with their recommendations.

Members' and Pensioners' meeting

The Trustees were required to convene a Members' and Pensioners' meeting in accordance with Rule 25 of the Scheme, (for active Members and Pensioners in receipt of their pension). The meeting was held over two sessions on 11 July 2011 at Ascot. 1353 Members and Pensioners attended (with an additional 902 proxy appointments). The meeting provided an opportunity to explain the steps that had been taken by the Trustees, to hear the views of Members and Pensioners and for the Trustees to confirm their objective to restore RPI type annual increases as soon as it is prudent to do so.

Presentations were made to the meetings by Captain Mike Post, Captain Cliff Pocock and Mr Graham Tomlin (all of whom were, at the time, former APS Trustees) followed by a Question and Answer session. The anger and disappointment arising from APS increases being aligned to CPI was clearly expressed by those who attended the meeting. Only one Trustee was unable to attend and the others listened closely to the views expressed by those present.

Notice of a further postal ballot (Rule 25)

At the Ascot meeting there was a request, subsequently confirmed in writing by over 100 Members and Pensioners, for a further postal ballot to be held. (As with the meeting mentioned above, the ballot will involve only active Members and Pensioners in receipt of their pension). When such a request is received the Trustees are required to arrange the postal ballot. This letter provides the formal notification of this ballot which will be sent out around 21 October 2011. The general nature of the questions to be raised in the further ballot are again concerned with the level of pension increases paid by the Scheme.

We understand that several Pensioners took exception to the inclusion of an Explanatory Leaflet with the first postal ballot and the information letter with the Pensioner election ballot. The Trustees wish to make clear that the inclusion of this information was not intended in any way to interfere with the ballot process. The Trustees included this information because they considered it important that they provided background and context to the various issues raised in the candidate statements and the ballot questions, particularly to those Members and Pensioners not fully involved in the ongoing RPI/CPI discussions. In both cases the source of the information was made clear. The insertions were clearly identified as having been produced by the Trustees whilst the election statements were produced by the candidates and the questions in the ballot were as set out in the Member and Pensioner requests for the ballot. One of the questions on the second ballot paper will ask you to indicate whether you feel such information sheets interfere with the ballot process.

As with the earlier postal ballot, the results provide information regarding the views of Members and Pensioners, but cannot impose any requirement on the Trustees to take any specific action.

Pensioner Trustee Ballot Results

We would like to take this opportunity to confirm the results of the Pensioner Trustee Ballot that were received at the end of July. Captain Cliff Pocock and Mr Graham Tomlin, who resigned as Trustees in April this year, have been successful in their election campaigns and rejoined the Trustee Board on 28 July. The other successful candidate was Captain Paul Douglas who was an Employer Appointed Trustee up to his retirement in 2007 and who now brings his experience and knowledge to the Board as a Pensioner Trustee. Completion of this process therefore restores the Board to its full complement, which is welcomed by the Board.

What's happening now?

The main ongoing matters are:

- i. the work being undertaken by the sub group to identify circumstances under which the Scheme may be in a position to exercise their discretionary powers to provide increases above that specified in the Order, and
- ii. monitoring the progress of an application for a judicial review which has been lodged by various public sector and trade union representatives (e.g. the Police Federation, the GMB and the Civil Service Pensioners' Alliance). The judicial review is of interest to the Scheme as the parties are challenging the use of CPI by the Government as the basis of the Orders and this is therefore something that the Trustees will monitor closely over the coming months.

We will seek to keep you informed on these items via the usual Scheme publications.

Yours sincerely



Chairman of Trustees