Complete Agenda

Democratic Service
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Meeting

PENSIONS COMMITTEE

Date and Time

2.00 pm, THURSDAY, 10TH NOVEMBER, 2016

Location

Ystafell Gwyrfai, Council Offices,

Caernarfon, Gwynedd. LL55 1SH

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(DISTRIBUTED 03/11/16)

PENSIONS COMMITTEE

MEMBERSHIP (7)

Plaid Cymru (3)

Councillors

Peredur Jenkins   W. Tudor Owen   Simon Glyn

Independent (2)

Councillors

Trevor Edwards   John Pughe Roberts

Labour (1)

Councillor Glyn Thomas

Liberal Democrats (1)

Councillor Stephen W Churchman

Co-opted Members

Hywel Eifion Jones	Anglesey County Council
Margaret Lyon	Conwy County Borough Council

Aelodau Ex-officio / Ex-officio Members

Chairman and Vice-Chairman of the Council

A G E N D A

1. APOLOGIES

To receive any apologies for absence

2. DECLARATION OF PERSONAL INTEREST

To receive any declaration of personal interest

3. URGENT ITEMS

To note any items which are urgent business in the opinion of the Chairman so that they may be considered

4. MINUTES 4 - 5

The Chairman shall propose that the minutes of the meeting of this committee held on 15.09.16 to be signed as a true record

5. TREASURY MANAGEMENT 2016/17 - MID YEAR REVIEW 6 - 11

To consider the report of the Head of Finance

6. ACTUARIAL VALUATION 2016 - UPDATE ON THE PROCESS 12 - 13

Consider the Investments Managers Report

7. INVESTMENT POOLING UPDATE 14 - 15

Consider the report of the Investment Manager

8. PROGRESS ON THE GUARANTEED MINIMUM PENSION (GMP) RECONCILIATION EXERCISE 16 - 18

To consider the report of the Pensions Manager

PENSIONS COMMITTEE, 15.09.2016

Present: Councillors: Stephen Churchman, Trevor Edwards, Peredur Jenkins, Margaret Lyon (Conwy County Borough Council Representative), W Tudor Owen (Chair), John P. Roberts and Glyn Thomas

Officers:- Dafydd Edwards (Head of Finance Department), Caroline Roberts (Investment Manager) and Lowri Haf Evans (Member Support Officer).

1. APOLOGIES

Apologies were received from Councillors Seimon Glyn and H. Eifion Jones (Isle of Anglesey County Council Representative)

2. DECLARATION OF PERSONAL INTEREST

None to note

3. URGENT ITEMS

None to note

4. MINUTES

The Chair signed the minutes of a meeting of this committee, held on 9 June 2016, as a true record.

5. 2015 - 2016 TREASURY MANAGEMENT

(a) A report was submitted by the Investment Manager detailing how the Pension Fund’s cash was invested along with the Council’s money in 2015/16. The report responded to the requirements of the Welsh Government’s Statutory Guidance.

(b) It was outlined that the security of the investment was the Authority's main investment objective and it was explained how the money had been invested in order to maximise the benefits. It was noted that combining the funds sought better returns.

(c) The recommendation to accept the report was proposed and seconded.

THE REPORT OF THE INVESTMENT MANAGER WAS RECEIVED FOR INFORMATION

6. FIDELITY FEES

(a) Submitted - the report of the Head of Finance Department recommending that the Committee accepted the offer from Fidelity of new fee scale in order to seek to reduce costs. With the fund having secured significant savings from the reductions in Blackrock fees as a result of passive equity investments pooling of the Welsh funds, there was an opportunity to review the Fidelity fees. It was noted that the risks had been considered and that advice had been received from Hymans (which had been circulated to Committee Members), recommending moving to a new fee scale. It was reiterated that the pooling of funds had led to the offer which was likely to be advantageous to the Fund.

(b) The recommendation was proposed and seconded.

RESOLVED TO ACCEPT THE OFFER FROM FIDELITY OF NEW FEE SCALE FORTHWITH

The meeting commenced at 1pm and concluded at 1:20pm.

MEETING:	**PENSIONS COMMITTEE**
DATE:	**10 NOVEMBER 2016**
TITLE:	**TREASURY MANAGEMENT 2016/17 – MID YEAR REVIEW**
PURPOSE:	**CIPFA's Code of Practice recommends that a report on the Council's actual Treasury Management during the current financial year is produced.**
RECOMMENDATION:	**RECEIVE THE REPORT FOR INFORMATION**
AUTHOR:	**DAFYDD L EDWARDS, HEAD OF FINANCE**

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1. INTRODUCTION

The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that Authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end). This report provides a mid-year update.

The Council's Treasury Management Strategy for 2016/17 was approved by full Council on 3 March 2016 which can be accessed on https://democratiaeth.cyngor.gwynedd.gov.uk/ielistdocuments.aspx?cid=130&mid=286&ver=4&

The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.

2. EXTERNAL CONTEXT

As we entered 2016, there was a significant uncertainty about the outlook for global growth. The slowdown in the Chinese economy and the knock-on effects for both trading partners and commodity prices, the uncertainty over the outcome of the US presidential election (no clear party or candidate being identified as an outright winner) and the impending referendum on the UK's future relationship with the EU, all resulted in nervousness and a shaky start for markets.

Fluctuations in the opinion polls on the EU referendum prompted pronounced volatility in exchange rates, gilts, corporate bonds and equities as the result became increasingly uncertain. Immediately prior to the result, financial market sentiment shifted significantly in favour of a Remain outcome, a shift swiftly reversed as the results came in. The vote to leave the EU sent shockwaves through the domestic, European and global political spectrum, the most immediate impact being the resignation of Prime Minister David Cameron.

Between 23rd June and 1st July the sterling exchange rate index fell by 9% and short-term volatility of sterling against the dollar increased significantly. Worldwide, markets reacted very negatively with a big initial fall in equity prices. Government bond yields also fell sharply by 20-30 bps across all maturities (i.e. prices rose) as investors sought safe haven from riskier assets. The 10-year benchmark gilt yield fell from 1.37% to 0.86%.

Yet, a week on from the result the overall market reaction, although significant, was less severe than some had feared. The 5-year CDS for the UK (the cost of insuring against a sovereign default) rose from 33.5 basis points to 38.4 basis points. The FTSE All Share index, having fallen sharply by 7% from 3,481 points on 23rd June to 3,237 after the result, had subsequently risen to 3,515 by the end of the month.

The Bank of England sought to reassure markets and investors. Governor Mark Carney's speeches on 24th and 30th June in response to the referendum result stressed that the Bank was ready to support money market liquidity and raised the likelihood of a cut in policy rates 'in the summer'. In August the Bank cut the base rate to 0.25% and the impact of this will take some time to work through the system.

3. INVESTMENT ACTIVITY

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held.

The Welsh Government's Investment Guidance gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

The transposition of European Union directives into UK legislation places the burden of rescuing failing EU banks disproportionately onto unsecured local authority investors through potential bail-in of unsecured bank deposits.

Given the increasing risk and continued low returns from short-term unsecured bank investments, it is the Council's aim to further diversify into more secure and/or higher yielding asset classes during 2016/17. The majority of the Council's surplus cash has been invested in short-term unsecured bank deposits, certificates of deposit and money market funds. Diversification into securities with underlying collateral and investments with organisations which are not subject to bail-in will represent develop going forward.

Investment Activity in 2016/17

Investments	Balance on 01/04/16 £'000	Investments Made £'000	Maturities/ Investments Sold £'000	Balance on 31/08/16 £'000	Average Rate %
Unsecured Investments with financial institutions rated A- or higher - call accounts - deposits and CDs	 3,300 49,000	 41,635 42,500	 (41,510) (44,000)	 3,425 47,500	 0.44 0.44
Secured Investments with financial institutions - covered bonds	2,184	-	-	2,184	1.75
Investments with Corporates - corporate bonds issued by companies	-	-	-	-	-
Money Market Funds	9,100	101,435	(95,135)	15,400	0.52%
TOTAL INVESTMENTS	**63,584**	**185,570**	**(180,645)**	**68,509**	
Increase in Investments				4,925	

Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2016/17.

Counterparty credit quality was assessed and monitored with reference to credit ratings (the Council's minimum long-term counterparty rating for institutions defined as having "high credit quality" is A- across rating agencies Fitch, S&P and Moody's); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

Credit Risk

Counterparty credit quality as measured by credit ratings is summarised below:

Date	Value Weighted Average – Credit Risk Score	Value Weighted Average – Credit Rating	Time Weighted Average – Credit Risk Score	Time Weighted Average – Credit Rating
31/03/16	4.34	AA-	3.57	AA-
30/06/16	4.49	AA-	3.43	AA

Scoring:
-Value weighted average reflects the credit quality of investments according to the size of the deposit
-Time weighted average reflects the credit quality of investments according to the maturity of the deposit
-AAA = highest credit quality = 1
- D = lowest credit quality = 26
-Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

Investments were made with banks and building societies and included call accounts, fixed-rate term deposits and certificates of deposit, Money Market Funds and covered bonds.

Counterparty Update

Various indicators of credit risk reacted negatively to the result of the referendum on the UK's membership of the European Union. UK bank credit default swaps saw a modest rise but bank share prices fell sharply, on average by 20%, with UK-focused banks experiencing the largest falls. Non-UK bank share prices were not immune although the fall in their share prices was less pronounced.

Fitch downgraded the UK's sovereign rating by one notch to AA from AA+, and Standard & Poor's downgraded its corresponding rating by two notches to AA from AAA. Fitch, S&P and Moody's have a negative outlook on the UK. S&P took similar actions on rail company bonds guaranteed by the UK Government.

Moody's affirmed the ratings of nine UK banks and building societies and revised the outlook to negative for those banks and building societies that it perceived to be exposed to a more challenging operating environment arising from the 'leave' outcome.

There was no immediate change to Arlingclose's credit advice on UK banks and building societies as a result of the referendum result. Our advisor believes there is a risk that the uncertainty over the UK's future trading prospects will bring forward the timing of the next UK recession. In the coming weeks and months Arlingclose will therefore review all UK based institutions, and it is likely that, over time, will advise shortening durations on those institutions considered to be most affected.

Earlier in the year Moody's downgraded Deutsche Bank's long-term rating from Baa1 to Baa2 reflecting the agency's view of increased execution risks for the implementation of Deutsche Bank's strategic plan. In June Moody's downgraded Finland from Aaa to Aa1 on its view that Finnish economic growth will remain weak over the coming years, reducing the country's ability to absorb economic shocks.

Fitch upgraded the long-term rating of ING Bank from A to A+ based on Fitch's view of the bank's solid and stable financial metrics and its expectation that that the improvement in earnings will be maintained. Fitch also upgraded Svenska Handelsbanken's long-term rating from AA- to AA reflecting the agency's view that the bank's earnings and profitability will remain strong, driven by robust income generation, good cost efficiency and low loan impairments.

Budgeted Income and Outturn

The average cash balances were £*m (* figure will be presented on the day of the Committee) during the five months. The UK Bank Rate had been maintained at 0.5% since March 2009 but on 4th August 2016 the rate was changed to 0.25%. This even lower rate will have an impact on the interest earned in the future although the fixed deposits currently held will reduce the effect in the short term.

All investments will be impacted going forward and we will work closely with our advisors to use appropriate investments to maximise the interest whilst following the principal aim which is to protect the sum invested.

The Council's budgeted investment income for the year is estimated at £0.36m. based on an investment outturn of 0.5% for the whole year.

The Bank Rate is expected to be cut further towards zero in the coming months, which will in turn lower the rates short-dated money market investments with banks and building societies. As some of the Council's surplus cash continues to be invested in short-dated money market instruments, it will most likely result in a fall in investment income over the year.

Update on Investments with Icelandic Banks

The Council has now received repayment of 98% of the investment in Heritable Bank. The outstanding amount is now £80,376. It is likely that a further distribution will be received although the administrator has not yet made an official estimate of the final recovery.

Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators.

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed will be:

	2016/17	**2017/18**	**2018/19**
Upper limit on fixed interest rate exposure	100%	100%	100%
Actual	100%		
Upper limit on variable interest rate exposure	50%	50%	50%
Actual	0%		

Principal Sums Invested for Periods Longer than 364 days: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2016/17	**2017/18**	**2018/19**
Limit on principal invested beyond year end	£40m	£20m	£10m
Actual	£2.18m	£2.18m	£2.18m

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating or credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

	Target	**Actual**
Portfolio average credit score	6.0	3.43

7. Investment Training

During the period officers have attended investment training with Arlingclose and CIPFA relevant to their roles.

8. Outlook for the Remainder of 2016/17

Following the UK's vote to leave the European Union, the economic outlook for the UK has immeasurably altered. It will to a large extent be dependent on the nature of the future relationship negotiated with the EU, particularly in relationship to trade. The negotiations crucially hinge on domestic politics which, at the end of the June quarter, were unsettled themselves.

The domestic outlook is uncertain, but likely to be substantially weaker in the short term than previously forecast. Arlingclose has changed its central case for the path of Bank Rate over the next three years. Arlingclose believes any currency-driven inflationary pressure will be looked through by Bank of England policymakers.

	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
Official Bank Rate													
Upside risk	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25

Arlingclose believes that the Government and the Bank of England have both the tools and the willingness to use them to prevent any immediate market-wide problems leading to bank insolvencies. The cautious approach to credit advice means that the banks currently on the Authority's counterparty list have sufficient equity buffers to deal with any localised problems in the short term.

MEETING	**PENSIONS COMMITTEE**
DATE	**10 NOVEMBER 2016**
TITLE	**ACTUARIAL VALUATION 2016 – UPDATE ON THE PROCESS**
PURPOSE	**To inform the committee of the work to date and the draft results**
AUTHOR	**CAROLINE ROBERTS, INVESTMENT MANAGER**

1. INTRODUCTION

The Pension Fund's actuary is currently working on the actuarial valuation as at 31 March 2016. The process has reached the stage where the draft Formal Valuation Initial Results 2016 has been produced at the whole fund level. The overall employer contribution rate for the fund has been calculated and employers will receive their individual rates on 10 November.

2. FORMAL FUNDING VALUATION INITIAL RESULTS 2016

The funding level on the agreed funding basis has improved from 85% in 2013 to 91% in 2016, i.e. the funding deficit has decreased. The main reason for the change in the funding level over the period was better than anticipated investment returns. These have offset increases in the value placed on the liabilities due to the changes in the financial assumptions used.

The following table shows the draft initial whole fund results of the 2016 formal valuation based on our agreed funding basis, with the results at the 2013 formal valuation shown for comparison.

Valuation Date	**31 March 2013**	**31 March 2016**
Past Service Liabilities	**£m**	**£m**
Employees	699	762
Deferred Pensioners	185	251
Pensioners	521	657
Total Liabilities	**1,405**	**1,670**
Assets	**1,195**	**1,525**
Deficit	**(210)**	**(145)**
Funding Level	**85%**	**91%**

Hence, the level of employers’ pension contributions to finance past service liabilities will reduce. However, the valuation of future service liabilities, and the level of employers’ pension contributions required in order to finance those liabilities, will increase.

3. CONTRIBUTION RATES

Within the fund level figures there will be significant differences for individual employers, depending on the profile of their members. Every employer has their own tailored funding plan and valuation results will vary depending on their own membership, funding plan and experience since the last valuation (or since they joined the Fund). Changes in market conditions may put upward pressure on employer rates generally, both in respect of future service and of paying off any deficit.

4. SMALLER EMPLOYERS

Members will recall that during the 2013 valuation process the decision was made to disband the two small employer pools. The Fund arranged ill health retirement insurance as requirement for these employers to protect them from the high costs of any such retirements. The changes in individual employer contributions from the pool rate are being phased in over a longer period and this will be taken into account in setting the contributions for these bodies.

5. NEXT STEPS

The next milestone in the valuation process is preparation of the draft individual employer results which will be available for the employer forum scheduled for the morning of 10 November, before this committee takes place in the afternoon, and members are welcome to attend.

6. RECOMMENDATION

Members are requested to agree the process and the results to date.

MEETING	**PENSIONS COMMITTEE**
DATE	**10 NOVEMBER 2016**
TITLE	**INVESTMENT POOLING**
PURPOSE	**To inform the committee of the work to date**
AUTHOR	**CAROLINE ROBERTS, INVESTMENT MANAGER**

1. INTRODUCTION

This report provides members with an update on the Investment Pooling collaboration in Wales.

Members are aware that the 8 LGPS funds in Wales have submitted a proposal to UK Government to enable them to pool their £13bn of investments. The aim is to reduce investment management costs and through joint governance arrangements share knowledge and best practice which will assist with managing investment risks with the aim of improving fund returns.

2. PRESS RELEASE

The project will be releasing a press release in the near future with an update on the joint progress based on the following information.

The LGPS funds within Wales wish to appoint a third party FCA regulated Operator to establish and run a range of collective investment vehicles (CIVs) to allow the pooling of their pension fund assets.

The primary objectives behind this initiative are to achieve savings on investment management costs through economies of scale and also to provide access for funds to a wider range of potential investment opportunities.

Asset allocation decisions (the amounts invested in equities, bonds, property and other asset types) will differ between funds and will remain the responsibility of each individual LGPS fund participating in the Welsh pool.

The CIV will provide a range of sub-funds that will be the building blocks enabling individual funds to implement their investment strategy. The Operator will be responsible for contracting with investment managers – this is a regulatory requirement – and putting in place the necessary depositary, custody and asset servicing arrangements for the CIV(s).

The detailed specification of the services required will be informed by engagement with potential suppliers who have expressed interest following the Public Information Notice which is a precursor to a tender process.

It is anticipated that the formal tender will be issued before the end of 2016, with a final decision likely on the preferred supplier(s) by Spring 2017. This will be a new appointment since the regulated LGPS investment pool and CIVs will be new arrangements for the Welsh LGPS funds.

The estimated value of assets to be included within the Wales Pool is in the region of £13bn. Initially some of these assets may remain outside of the new collective investment vehicles.

The aim is for the Wales LGPS CIV to be operational in 2017, ahead of the government proposals for the creation of LGPS investment pools by April 2018.

The LGPS funds in Wales are encouraged by amount of interest from potential suppliers in response to the Public Information Notice. ”

3. RECOMMENDATION

Members are requested to note the information provided and the progress achieved to date.

Agenda Item 8

MEETING	**Pensions Committee**
DATE	**10 November 2016**
TITLE	**Progress on the Guaranteed Minimum Pension (GMP) reconciliation exercise.**
PURPOSE FOR THE REPORT	**To approve a tolerance level before records should be corrected / reconciled, and to update the Committee on the progress made by the team.**
AUTHOR	**Nicholas Hopkins – Pensions Manager**
RECOMMENDATION	**Approve a £2 per week tolerance before corrections are to be made, and to finance extension of the contract of employment of the Senior Pensions Officer (GMP) and the continuation of the team.**

1. BACKGROUND

1.1 In its meeting of 10 November 2015 this Committee approved a recommendation to establish an in-house team to reconcile Guaranteed Minimum Pensions in line with HMRC recommendations.

1.2 The team was to be set up and led by the former Pensions Manager, for an initial 12 month period at two days a week. The Committee also agreed to second an experienced member of the section's permanent staff to a full time position of Team Leader, and recruit a temporary full time member of staff externally, both posts to run up to 31 March 2018.

1.3 In accordance with the request in November 2015, this progress report recommends the resources required in order to complete the work.

2. TREASURY RECOMMENDATIONS

2.1 A Treasury letter dated 2 February 2016 addressed to the Department for Communities and Local Government outlined the conclusions of a working party set up to collectively decide which data should be reconciled, and what options are available to simplify the exercise for all Public Service Pension Schemes (PSPS). In general the two main points raised were:-

2.2 Which data should be reconciled:

- Active and deferred members with service between 6/4/1978 and 5/4/1997;
- Non-members for whom the PSPS believes it has already discharged its liability;
- Members whom HMRC believe are still in the scheme, but the scheme believe have left (e.g. transferred out); and
- All pensioner members with active service between 6/4/1978 and 5/4/1997.

2.3 Options for simplifying the process:

- That contracted out dates fall within the same tax year or +/- one year, 6 April to 5 April inclusive;
- The weekly amount of GMP held by the PSPS and HMRC is within a **£2 a week** tolerance level.

2.4 A number of further minor technical issues were recommended in terms of the work. However, the Government suggest that Committee approval is sought only for the £2 a week tolerance level.

3. PROGRESS IN THE WORK

3.1 The initial work involved setting up the team, the office space and IT equipment.

3.2 The original file received from HMRC covered pensioner and deferred members only, and included **16,130** records to be checked at multiple layer level. The initial output from the Altair system produced the following results, remembering that some may produce more than one error:

Scheme Output	Total
Reconciliation Errors (including multiple errors)	20,344
Records that 100% Matched	4,084
Scheme orphaned records -	4,423
HMRC orphaned records -	2,669

3.3 As of the week ending 7 October 2016, eight query files have been forwarded to HMRC containing a total of 3,059 queries under various headings. HMRC has confirmed by phone that they are struggling to cope with the sheer number of national queries and will be in contact at a later stage. In the meantime Gwynedd Pension Fund's deferred and pensioner records have been updated as follows:

Scheme Output	Total
Records 100% Matched	10,417
Queries Sent	3,059
Records to check	906
Records Checked	15,224

4. DISCUSSIONS WITH OTHER ADMINISTRATION AUTHORITIES IN WALES

4.1 In a meeting of the All Wales Pension Fund administration Managers held in Cardiff on the 3rd October it became apparent that Gwynedd were progressing well in comparison. A few Funds were contemplating outsourcing the work, with estimated costs in excess of £500K. This quote did not include the in-house work that would be required, i.e. extracting files, amending payroll records etc.

4.2 It was also evident that valuation and annual benefit statement work had impacted on reconciliation work, something that Gwynedd avoided by having a separate team established.

5. STAFFING

5.1 Based on 2015/16 salary rates, the following staffing and costs were agreed by the Committee (November 2015). This included the re-employment, on a 12 months initial period, of then Pensions Manager, the secondment of an experienced pension staff member, and the recruitment of a temporary member of staff for the duration. The salary cost of the team was estimated as follows:

Job title / Grade	**Annual total net (£)**	**Annual total gross (£)**
Senior Pensions Officer (GMP) Grade S3 (16 hrs)	11,729	12,219
GMP Reconciliation Team Leader Grade S2 Full Time (seconded)	24,472	31,392
GMP Reconciliation Assistant Grade GS5 Full Time (recruited)	17,372	22,017
Annual Total:	**53,573**	**65,628**

5.2 With the exception of the Senior Pensions Officer (GMP), the team was established in June 2016. Therefore, the total amount will not be spent this year.

5.3 In order to move forward with the exercise from January 2017 up to 31 March 2018, and based on 2016/17 and 2017/18 salary rates, the following costs will need to be financed:

Job title / Grade	**Total January 2017 – March 2018 net (£)**	**Total January 2017 – March 2018 gross (£)**
Senior Pensions Officer (GMP) Grade S3 (16 hrs)	14,926	15,490
GMP Reconciliation Team Leader Grade S2 Full Time (seconded)	29,966	39,182
GMP Reconciliation Assistant Grade GS5 Full Time (recruited)	21,192	27,300
Total:	**66,084**	**81,972**

6. RECOMMENDATION

6.1 Members are asked to approve the £2 a week tolerance before which corrections should be made, in accordance with HM Treasury recommendations.

6.2 Members are asked to approve continuing with the project to 31 March 2018 at the staff costs outlined above, which would allow the Head of Finance to extend the post-flexible-retirement employment of the Senior Pensions Officer (GMP) to 31 March 2018.