

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.