

PENSIONS COMMITTEE
1 DECEMBER 2017**ADMINISTERING AUTHORITY – ADMINISTRATION**
UPDATE

Recommendation

1. **The Interim Head of Human Resources and Organisational Development recommends that:**
 - a) **delegated authority be granted to the Interim Chief Financial Officer to proceed with procuring external support and manage the delivery of the Fund's Guaranteed Minimum Pension (GMP) reconciliation exercise; and**
 - b) **the general update from the Administering Authority be noted.**

Guaranteed Minimum Pension (GMP) Reconciliation exerciseBackground

2. GMP is an element of the pension payable by the fund to members. As it is related to state pension and contracting out it 'acts' differently to standard benefits payable from the fund and therefore needs to be recorded separately.
3. Over time the records held by Her Majesty's Revenue and Customs (HMRC) have become out of kilter with Pension fund records. This is a universal problem across the entire pension industry.
4. Post the exercise HMRC will be writing to members informing them of their GMP entitlement. This may well differ from records held by the fund. This letter from HMRC could indicate the members benefits are materially different to those currently held by the fund and in some instances will confirm benefits that the fund has no record of. As a result:
 - members before retirement will need to have their pension valued in a different way
 - pensioners will have been over or under paid since retirement
 - It is common that differences between records with HMRC and the fund can account for typically 30% of all records.
5. The industry is addressing this problem by auditing their records against those held by HMRC and rectifying any differences. It is a long and complicated process with significant value at stake. For example:

- a. There will be records held with HMRC that are not on the funds' records (i.e currently unknown liabilities);
 - b. There will be pensioners that have been paid too much pension since retirement (as a result of the records not matching and therefore pension increases being out of kilter); and
 - c. There will be pensioner under payments for the same reason
6. The Fund has a duty to undertake a GMP reconciliation exercise (for active, pensioners and deferred members) and to complete this exercise by 31 December 2018.
7. The exercise contains 4 stages:
- o Initial comparison of data/Identify discrepancies (completed for pensioner and deferred members)
 - o Reconciliation - Bulk analysis
 - o Reconciliation - Individual analysis (stage 2 and 3 can happen concurrently)
 - o Rectification.
8. Following feedback from other Funds and a review of resources the Administering Authority would be unable to release any existing staff to undertake this exercise.
9. The Fund has undertaken soft market engagement with 2 potential providers and is also registered to use The National Frameworks (which would remove a large scale and timely procurement exercise).
10. The Fund is proposing to establish a project management team to complete the appropriate procurement exercise, in consultation with the Council's Procurement Manager, so that the contract could commence as soon as possible before Christmas or early New Year.
11. Example pricing for some LGPS funds are below:
- | | | |
|-------------|-----------------|----------|
| Single Fund | 40, 000 members | £370,000 |
| Single Fund | 37,000 members | £325,000 |
| Multi Fund | 80,000 members | £369,000 |
12. The pricing is dependent on the number of mis-matches and the standard of the data held on the administration system. Worcestershire Fund has approximately 59,000 members and would expect a cost between £325,000 and £350,000.
13. Additionally the Fund will need to purchase software to be able to report the discrepancies for all active members from our current system and this cost has been requested from our supplier.
14. The project team will report to the Interim Chief Financial Officer on a monthly basis and updates will be provided to the Committee throughout the project.

General Update

Year end

15. The Administering Authority is preparing for Year End reconciliation and reminding employers of the importance of submitting monthly CARE Pay reports to assist the year end process.

16. The team are following up any missing monthly CARE Pay reports which allow for data/membership queries to be resolved across the year rather than waiting until year end.

17. Year end reconciliation will enable the fund to issue Annual Benefit Statements to all members.

Administration Forum

18. Unfortunately the proposed date for the Administration Forum which was due to take place in October had to be postponed. We are now looking for a date in December or January 2018. The date, once finalised, will be shared with Committee and Board members for information.

19. The Administration Forum Agenda will include GMP Reconciliation.

Legal Update

20. The Fund is waiting for the following:

- Regulations in respect of a proposed new termination cap of £95,000 and recovery of termination payments for employees who return, following redundancy, to public service within a defined period
- Amendment Regulations to the LGPS Regulations 2013 (as amended), following consultation in autumn 2016 in respect of 'Fair Deal for staff pensions' for staff in the local government pension scheme who are compulsorily transferred to another service provider. The consultation was seeking comments on proposals to ensure that local government and participating employers in the local government pension scheme, provide the appropriate level of pension provision as set out in the new Fair Deal guidance.

Staffing Update

21. The Administering Authority is in the process of appointing 2 new supervisor posts, one for each Membership and Pensioners team, to create resilience and more robust succession planning across the teams.

22. Additionally a new Communications Officer, will be appointed in the New Year, who will take responsibility for employer liaison, newsletter production, member and employer self-service, developing workshops and co-ordinating the Administration Forum.

Admissions to the Fund

23. No Admission Agreements to report

Contact Points

County Council Contact Points

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Specific Contact Points for this report

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Background Papers

In the opinion of the proper officer (in this case the Interim Head of Human Resources and Organisational Development) there are no background papers relating to the subject matter of this report.