

**REPORT OF SERVICE DIRECTOR – CUSTOMERS AND HUMAN
RESOURCES****STAFFING RESOURCES FOR GUARANTEED MINIMUM PENSION
PROJECT****Purpose of the Report**

1. The purpose of the report is to seek approval from Personnel Committee for additional resources required within the Pensions Administration Team in order to undertake the national requirement to reconcile Pensions Records with those held by HM Revenue and Customs (HMRC).

Information**Background**

2. Nottinghamshire County Council is the administering authority for the Nottinghamshire Local Government Pension Fund. There are currently 331 Scheme Employers and a total membership of 131,552. Membership is comprised of 45,904 active members, 50,903 deferred members and 34,745 pensioners. The Pension Administration Team delivers a full range of pension administration activities to all of its membership including the processing of estimates, retirements into payment, death of scheme members and divorce sharing orders. This team also provides support and guidance to all Scheme Employers.
3. Up until April 2016 contributing members of the Local Government Pension Scheme (LGPS) paid lower rate National Insurance contributions as they were “contracted out” of the Additional State Pension which has previously been known as S2P, the state second pension or the State Earnings-Related Pension (SERPS). LGPS employers also paid reduced rate National Insurance contributions in respect of their employees who were in the LGPS. Contracting out ended from 6 April 2016 as part of the Government’s introduction of a single-tier basic state pension.
4. Between 1978 and 1997 contracting out of the Additional State Pension was undertaken on a Guaranteed Minimum Pension (GMP) basis. This required contracted out pension schemes to offer pension benefits for the period of contracting out that were worth at least as much as the benefits the additional state pension would have provided. Contracted out pension schemes had to record the relevant contracted out earnings for that period and supply HMRC with details of these. HMRC retained a record of contracted out earnings and GMP entitlement for each individual and then advised pension schemes of GMP entitlements when the individuals reach state pension age.

5. The GMP reconciliation is the process of comparing the pension scheme's GMP information with that held by HMRC. The process will investigate any discrepancies between the two sets of figures so that the fund and HMRC end up with consistent GMP data and benefit records; ensure that current and future payments are correct and that future valuations of the fund are based on more accurate information on potential liabilities. This is a national requirement initiated by HMRC which will impact all Public and Private Sector Pensions Funds who were contracted out of additional state pension.
6. HMRC's starting position is usually that its data is automatically correct, although experience tells us that this is not always the case, unless the pension scheme can prove otherwise. This puts the investigative responsibility and costs fully onto the pension scheme.
7. The reconciliation activity will involve investigative work, reviewing data and benefit accrual. As part of the process the Pension Fund has registered with HMRC's scheme reconciliation service and has received a data file which lists all active, deferred, and pensioner members totalling 102,632 records.
8. In order to progress the reconciliation exercise and for the Pension Fund to understand the impact of the reconciliation process the Fund has engaged Civica, the Fund's software provider, to undertake an evaluation exercise of the Fund's data, called the "Discovery Phase". This phase has now been completed and the information it provided used to shape the next phases of the GMP Reconciliation Project and to help identify the potential resource requirements going forward in order to meet the HMRC deadline of December 2018. The Pension Fund in association with its Civica software partner have identified the need to reconcile 163,620 lines of data.
9. A full report on the GMP Reconciliation Project and what it means for the Nottinghamshire Pension Fund will be presented to Pensions Committee on Thursday 8 March 2018.

Resources Required

10. To ensure that the reconciliation work can be completed within the HMRC timeframe, it has been identified that a temporary Project Manager resource will be required to coordinate, oversee and drive the project to ensure that the reconciliation work is completed to the agreed project plan, working in collaboration with the Civica Project Team. There are other resource requirements but it is intended to use existing resources within the Business Services Centre and the Pensions Administration Team to help keep the costs to a minimum.
11. It is estimated that the project will run for a 12 month period up until March 2019 to enable all phases of the project to be completed, including any necessary rectification, and managed using project management methodology. However if all phases of the project can be completed more quickly than anticipated then the requirement for the staffing resources will be reduced.
12. This report is therefore seeking to establish a temporary post of Project Manager to undertake the day to day project management activities which will be required.
13. The cost of a Temporary Post of Project Manager Band B will be up to £35228 up until 31 March 2019 or less if the project finishes ahead of schedule.

Other options considered

14. Information from other LGPS Pension Funds across the country is that some have engaged external providers to manage the project in totality at significantly greater costs. Some are relying on internal resources with consequently larger internal project teams. The Nottinghamshire LGPS feels that a blended approach provides the best balance of expertise, cost and the ability to conclude the project within the HMRC's timeframe.

Reason for Recommendation

15. In order to manage the GMP Reconciliation Project within the Pensions Administration Team and ensure that the necessary work is completed to plan within the agreed timeframe.

Statutory and Policy Implications

16. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Data Protection and Information Governance

17. The project, by its very nature, involves the reconciliation, sharing and processing of personal and sensitive data. This is covered by existing arrangements and agreements with HMRC and Civica, the software provider. However, a separate Data Protection Impact Assessment is being undertaken for the project overall to reflect this and ensure mitigation of any risks arising directly from the project activity itself.

Financial Implications

18. It is estimated that the cost of the additional resources of a temporary post of Project Manager, Band B, up until 31 March 2019 will be approximately £35228. The report to Pensions Committee seeks approval to fund this from the Pension Fund. Any additional BSC resources will be funded from existing BSC staffing budgets.

Human Resources Implications

19. Appointment to the temporary Project Manager post will be through the Council's agreed Recruitment and Selection Procedures. The utilisation of existing staffing resources within the BSC will be undertaken by posts which are already part of the BSC's authorised staffing establishment.

RECOMMENDATION

It is recommended that:

- 1) Members approve the establishment of a temporary post of Project Manager, Band B, until 31st March 2019, subject to confirmation by the Pensions Committee at its meeting on 8th March that the costs will be funded by the Pension Fund.

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For any enquiries about this report please contact: Jonathan Clewes, Pensions Manager on 01159773434 or Jon.Clewes@nottsc.gov.uk

Constitutional Comments (KK12/02/18)

20. The proposal in this report is within the remit of the Personnel Committee.

Financial Comments (KP 13/02/18)

21. The financial implications are set out in the report.

Human Resources Comments (CG 26/02/18)

22. The Human Resources implications are set out within the body of the report.

Background Papers and Published Documents

None

Electoral Division(s) and Member(s) Affected

All