



Agenda Item 7

**JOINT AUDIT COMMITTEE
30th November 2017**

**Update on pensions data issue from Grant Thornton Audit
Findings Report**

1. PURPOSE OF REPORT

This report will inform members of the committee on the forces response to the Audit Findings report issue relating to police pension fund data. The report details actions that have been taken as a result of the report's findings to provide confidence in the accuracy and completeness of police officer pensions data.

2. BACKGROUND

2.1 The Audit Findings report presented to the last committee meeting in September by Grant Thornton highlighted some issues with the accuracy of the police pensions data from 2015-16.

2.2. Page 14 of the report stated that "management is unable to provide us with accurate member data. We have been provided with a number of inconsistent figures and management is unable to reconcile the movements between the April 2016 opening data to the March 2017 closing data". Subsequently the auditors exercised some concerns that any inaccuracies in the data could impact on the valuation of pension assets and liabilities in the next Tri-annual valuation which is due to take place in April 2018.

3. THE POLICE PENSION SCHEMES

3.1 The PCC operates 3 police pension schemes. The original scheme dates from 1987. A second scheme was added in 2006 with different terms and conditions and new starters in 2006 would join this scheme. These schemes are both final salary schemes and relatively straightforward to administer. A third scheme was introduced in 2015. This was a career average revalued earnings (CARE) scheme. When this scheme was introduced new colleagues were offered only this scheme and existing colleagues in the 2 former schemes had their benefits transferred to the CARE scheme subject to a number of transitional arrangements whereby as a result of their length or service or age they were able to retain their full pension in one of the original schemes. Between 2015 and 2022 there is a tapering arrangement whereby officers within age, or length of service range will retain some of their benefits in the old scheme and accrue benefits in the CARE scheme. After April 2022 this tapering will be completed.

These new arrangements serve to highlight the complexity of the administration of the pension schemes in that a single officer can be a member of multiple schemes simultaneously. This complexity is compounded when an officer wishes to port a pension from a previous employer into the police scheme.

4. RECONCILIATION OF THE SCHEME DATA

- 4.1. The pensions' team have systems in place to accurately record police pensions' membership to the 3 active pensions' schemes. At a given point in time the team have, and will continue to be able to provide membership data for the schemes to support internal and external requests for this information. This may include enquiries from individual officers to a full data set for a pension scheme valuation.
- 4.2. The Audit Findings Report was critical of the fact that data was provided on separate occasions with different results. As the pension system (called Altair) is a live system and given the fluidity of pensioner movements it is likely that if a dataset was run on 2 separate occasions a few weeks apart then there would be differences between the 2 sets of data. Changes to records within the system can have an impact on historical data so, in future the team will run all relevant reports at the end of the year and not run them again after this date – thus avoiding any issues of inconsistency in the membership numbers.

Importantly movements between pension schemes are now more difficult to reconcile because of the complexity of the CARE scheme and there may be more than 1 movement for a single pensioner – making it incorrectly appear that members have been double counted as there is no longer a 1 for 1 link between a member and a single pension scheme. The pensions' team will continue to work with the Auditors to ensure that the data that they require can be provided in a robust, accurate and timely manner both for the interim and full external audit.

- 4.3. The pension's team are currently undertaking an exercise, with a dedicated member of staff, to cleanse the data in the system as part of a national exercise to reconcile Greater Manchester Police information, which needs to be completed by December 2019. This will ensure that all start dates, leave dates, opt out dates and similar in the system are correct by the end of 2019. Currently, relevant dates are checked, but these checks are performed as part of the calculation of an individual's pension entitlement at the point of retirement. The pensions' team are aiming to get to a point where the data held in the system is fully accurate and up to date, to reduce the workload at the point of calculating someone's pension. At the time that the audit of the system took place the pension's team could not provide this level of assurance around the data held on individual pensioners. However, we would seek to assure members that the ongoing work to cleanse the pension's data – although not expected to be completed until 2019 will enable the team to provide much greater resilience around the data that is provided in 2018 for the next Tri-annual valuation as a result of the processes being put in place now to collect the correct data on an on-going basis.
- 4.4. Control checks and authorisations are in place around joiners, leavers and retirements to ensure that all membership data is processed correctly. A significant exercise has taken place over the last 2 years to reconcile the different historic sources of data relating to deferred memberships. This involved manual review of paper records, spreadsheet records and Altair records, and a large matching exercise. The pensions' team are now satisfied that they have a complete list of all deferred members that they held records for.
- 4.5. Where the pensions team currently rely on a number of external notifications for example in relation to the death of a deferred member we are in the process of setting up a more proactive approach to gathering this information which will include eligibility for childrens' and widows pensions'. In addition an interactive dashboard will be created for members and pensioners to be able to access their record and update any relevant information themselves. This is due to be launched in March 2018.
- 4.6. Reconciliations of active contributing members and pensioners to the relevant payroll systems have historically been done on an ad-hoc basis, approximately every March. The pensions' team are working in collaboration with the payroll team to create new payroll system reports with more relevant, higher quality data, in order to enable the pensions' team to perform these reconciliations more easily, and on a more regular basis. . The team will ensure that they provide evidence of these reconciliations to Auditors. The reconciliations will be carried out at the point that data is submitted to the Government Actuaries Department (GAD). These reports will assist

the team in ensuring that the correct data is reported to GAD in relation to the triannual valuation of pension liabilities in connection with paragraph 4.3.

5 RECOMMENDATIONS

The committee is asked to note the contents of the report and the additional work being completed by the pensions team to provide assurances about the accuracy of membership data.

CONTACT OFFICER

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BACKGROUND DOCUMENTS