

Monthly Contributions Reconciliation

November 2019

Monthly Contributions Reconciliation

Project Objectives

The main driver for change within Teachers' Pensions is the improvement of data held within the system through data management strategies as per the Pensions Regulator requirements.

The introduction of Monthly Data Collection (MDC) went some way to achieving these objectives, but further improvements were identified during the life cycle of the MDC project and the Employer Model Review.

The objective of the Monthly Contributions Reconciliation (MCR) project is to implement these identified improvements, which are to:

- Utilise MCR to accurately record and reconcile service and contribution information on one submission
- Simplify the process for submitting concurrent service
- Simplify the process for recording automatic and contractual enrolment
- Simplify the process for removing service, where a member has been placed in the wrong scheme or you have been notified late of a member leaving.



Monthly Contributions Reconciliation

MCR Submission

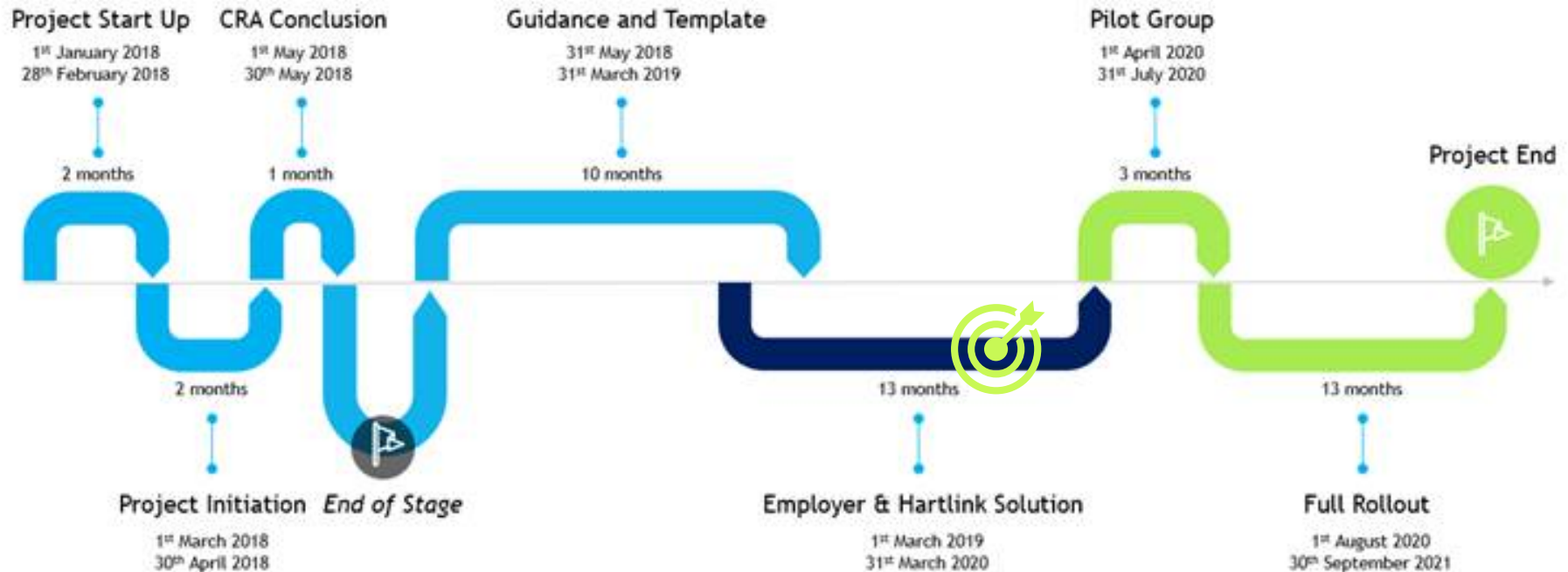
To achieve the objectives, we need to provide a platform for submitting data that will allow us to compare and reconcile the contributions information provided against the service and salary details and the payment made each month.

This will be achieved by creating a new MCR submission template that allows us to collect all the information we require to perform this reconciliation.

The new MCR submission also combines the following independent submissions into a single process:

- MDC service and salary submission
- Monthly contribution breakdown submission
- Employer enrolment submission.

MCR Project Progress



- Guidance Notes and Template shared with Employers. Updated version of guidance notes recently released following stakeholder feedback
- Internal Business Requirements completed and system development ongoing. Project team now focusing on Business Readiness to ensure the relevant support is available for employers on-boarding to MCR.
- On-boarding to MCR is now open. Instruction on this process can be found on our website.

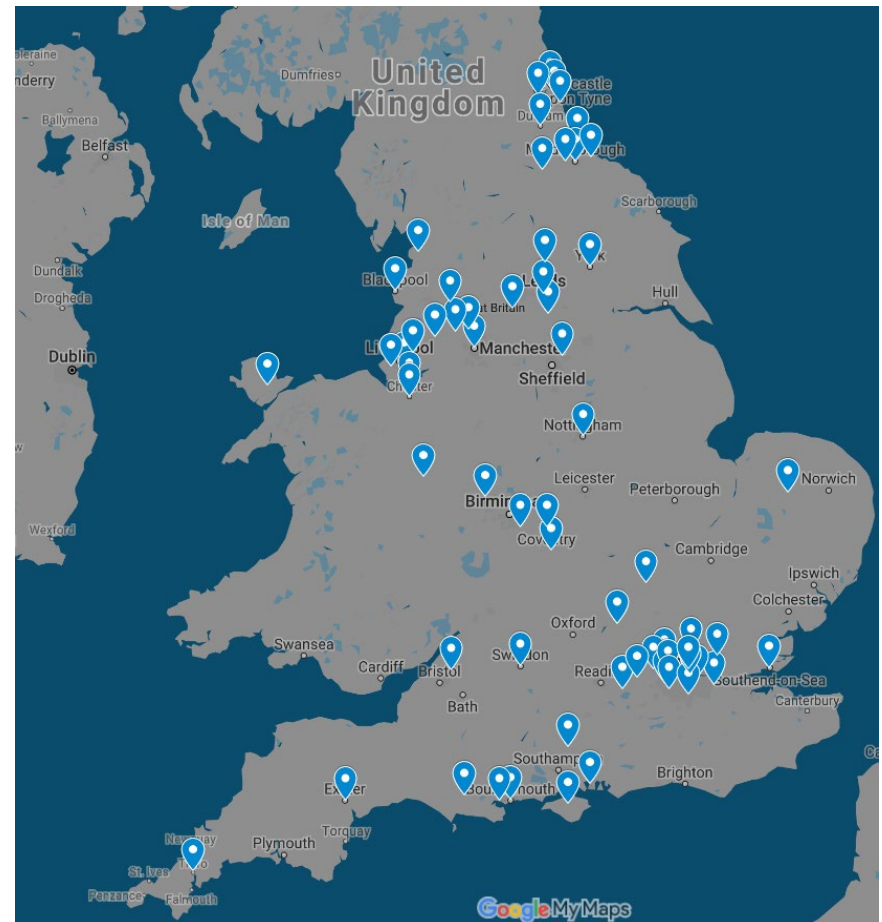
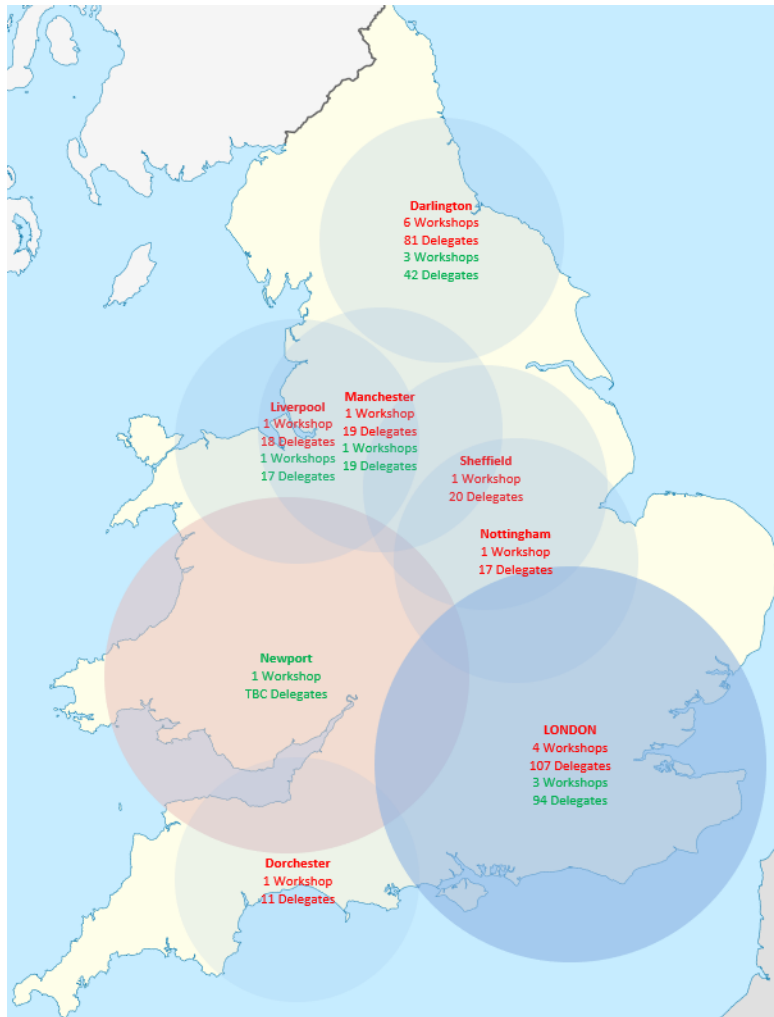
MCR Workshops

- February 2019 saw the conclusion of the final Teachers' Pensions led MCR workshops
- Throughout the last year, we facilitated 16 individual workshops and 3 MCR specific focus groups

1 st Workshop	2 nd Workshop	3 rd Workshop
Payroll & Software Non LA LA	Payroll & Software Non LA Non LA LA	Payroll & Software LA LA LA Non-LA Non-LA Non-LA Non-LA/LA
39 Attendees	61 Attendees	184 Attendees

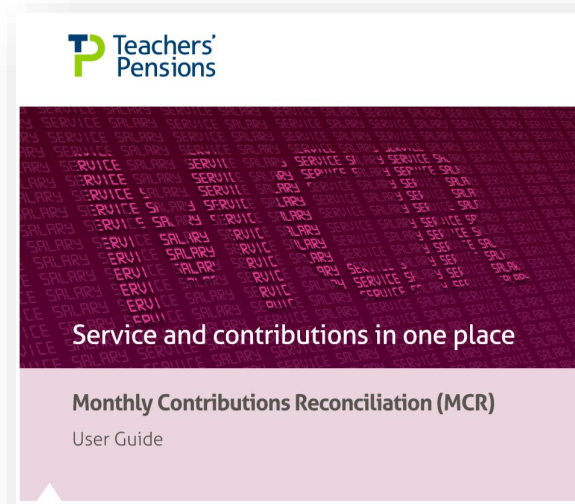
- The workshops have been pivotal in allowing us to plan the solution, which works for a cross section of employers and providers
- Over 75% of member coverage was achieved through engagement with software and payroll providers
- Each workshop was conducted in a formal, yet interactive way which remained professional. The feedback from the workshops show they were well received by stakeholders - we consider this the first project success.

MCR Workshops and Engagement



MCR Guidance and Specification

- Three guidance documents have now been completed and are available on our website to download
- They are:
 - **User Guidance** - an in-depth document for payroll providers, software providers and employers to develop an automated MCR solution or to collate the required information to use in the MCR template
 - **On-boarding Guidance** - a document which explains the on-boarding process for employers and providers and details as to what they'll expect throughout the transition
 - **MCR Template Guide** - a document which provides instruction to those employers who will be completing MCR manually, by using the MCR template directly.
- Completion of the guidance documents is the second project success (following completion of the workshops) as it allowed the project to begin the development stage
- An updated version of the User Guidance document has recently been released. These changes were made following feedback from received from various stakeholders.



Teachers' Pensions

Service and contributions in one place

Monthly Contributions Reconciliation (MCR)

User Guide

1. Header

Type	Field
Field Type	Alpha Numeric
Field Length	16
Position in MCR Template	N/A
Position in CSV file	Cell A1
Mandatory?	Yes
Description	Text that enables us to identify the employer and period the file relates to.
Format	The header must be created using the following naming protocol:- "MCR" + Local Authority Number of the Local Authority/MAT/Establishment/Payroll Provider the submission relates to + Establishment Number of the Local Authority/MAT/Establishment/Payroll Provider the submission relates to + Month (as a 2 digit number) the submission relates to + Year (as a 4 digit number) the submission relates to
Notes	If you're using the MCR template to create the CSV file to submit to us, the header will be automatically generated when you save the completed template based on the information you're required to input using the 'Enter Service and Contribution Period for this file' button
Examples	Submission for employer 123/0000 relating to June 2019 payroll Header would be MCR1230000062019
Validation	Stop Errors 1. Field has not been completed 2. Text in the field is not the correct length (e.g. not exactly 16 characters) 3. First 3 characters are not "MCR" 4. Any of characters 4 to 16 are not numeric 5. Characters 4 to 10 do not match those of a valid employer reference number 6. Characters 11 to 16 do not match those of a valid month and year
Version	0.2

MCR Engagement

Current Engagement Activities

- Dedicated MCR pages on website
- Bespoke MCR campaign to signpost to new guidance documents
- MCR included in employer bulletins and social media activity

Current Training Activities

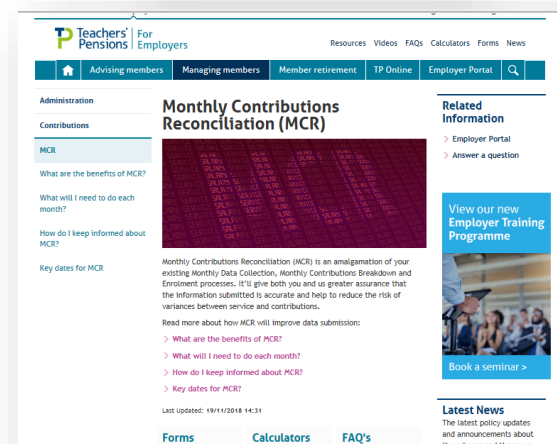
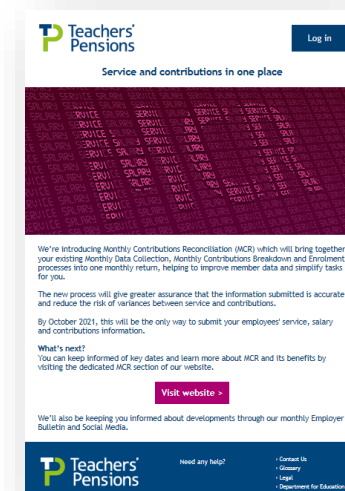
- MCR bespoke webinar started in February
- Three webinars per month are being delivered
- Dates for January and February will be released this Friday

Future Engagement Activities

- Further MCR email campaigns to signpost key events
- MCR specific news stories on website

Future Training Activities

- New MCR webinars to cover specific areas of new process





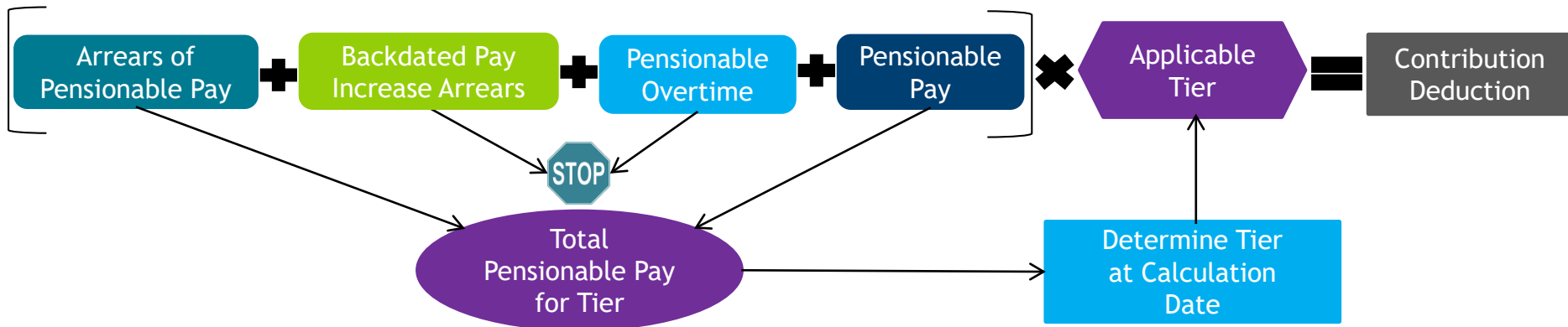
- The MCR template is available on our website to download. This is a working template that will allow to input data
- Upon inputting the necessary service and contribution information, the template will automatically calculate the contributions totals due and produce a confirmation receipt once uploaded to the Employer Portal
- STOP errors and WARNING errors have been developed to highlight areas where the data provided is incorrect or does not match the expected values
- Import function has also been built to allow you to review your automatically extracted data.

MCR Hot Topics - Contribution Calculations

Calculating Contribution Deductions based on the 'When Paid' method

This method requires you to take the total of the member's pensionable pay paid within a pay period (excluding any payments relating to overtime and/or arrears relating to a backdated pay increase), multiply it by twelve and use this calculated value to determine the contribution percentage (i.e. tier) the member is required to pay in that pay period.

This contribution percentage is then applied to the total pensionable pay paid in the pay period (including any payments relating to overtime and/or arrears relating to a backdated pay increase) to determine the deduction.



This will be the default method used within our routines (and generally by payroll software systems) to calculate contribution deductions.

MCR Hot Topics - Contribution Calculations

Calculating Contribution Deductions/Refund based on the 'When Earned' method

The 'When Earned' method must be used once you move to MCR for the following types of calculations:

- Refund of contributions due to overpaid salary or a retrospective opt out
 - This would be the case even when other changes occur within the same pay period to the same period the refund relates to (e.g. when paying a backdated pay increase and also adjusting for overpaid salary)
- When making a payment to a member (which requires contributions to be deducted) in the pay month after the one in which the member left employment.

We'd also recommend the 'When Earned' method is used when an error has occurred in the member's pensionable pay (e.g. pay not received, incorrect amount paid, Etc.) and the correction of this using the standard 'When Paid' method will cause the member to pay more contributions than if calculated using the 'When Earned' method.

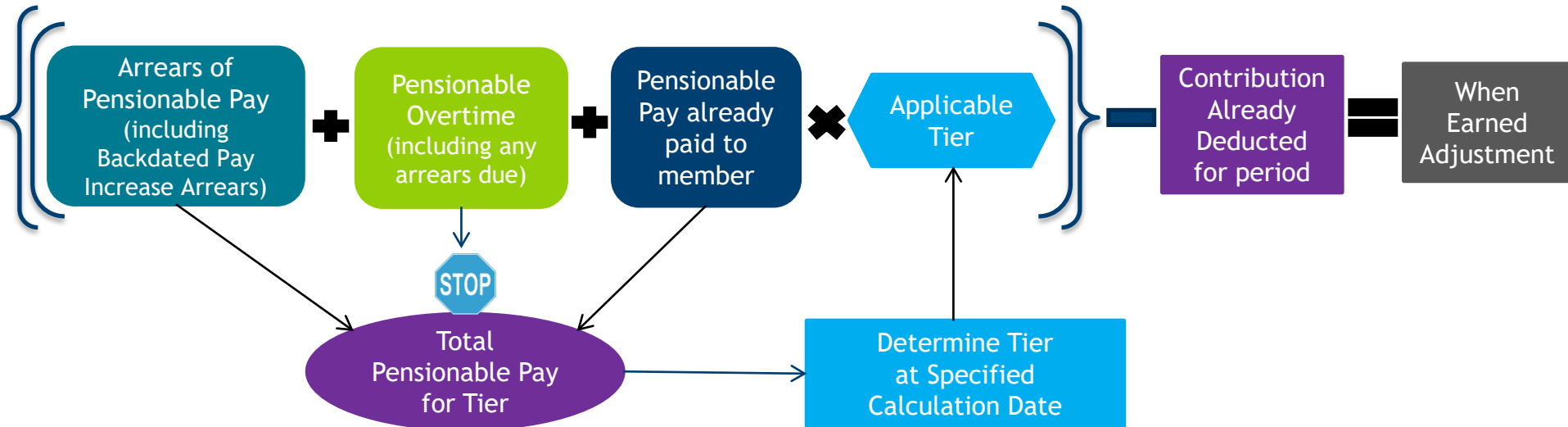
However, using this method to process a correction as described above is at your discretion and is not mandated by the Scheme. We recommend that if you choose to use this method, that consistency is applied across the employer.

MCR Hot Topics - Contribution Calculations

Calculating Contribution Deductions/Refund based on the 'When Earned' method

This method requires you to determine two values, the 'what **should've** been deducted' value and the 'what **has** been deducted' value.

You'll minus the 'what has been deducted' value from the 'what should've been deducted' value and the result of this sum will leave you with a '**When Earned**' adjustment.



A 'When Earned' adjustment can be a positive or negative value.

MCR Hot Topics - Contribution Calculations

Calculating Contribution Deductions/Refund based on the 'When Earned' method

You apply this formula to the different payment types as follows:-

First time payment (e.g. late notification of joiner)

Determine the 'what should've been deducted' value by assessing the payment as though it was being paid when it was earned (or at a specific calculation date if required) and the 'what has been deducted' value as zero.

Correction of payment (e.g. refund, underpayment of salary due to employer error)

Determine the 'what should've been deducted' value by reassessing the pay period the correction relates to using the up to date pensionable pay information for that period.

This reassessment must use the tier and banding rates applicable during the pay period, but using the correct amount of pensionable pay to determine the contribution percentage (i.e. tier) and the new contributions total for the period.

The 'what has been deducted' value will be the total amount of contributions that have already been deducted in relation to each period of affected service.

MCR Hot Topics - Role Identifier

This field will be used to uniquely identify an “employment” and the role within an “employment”.

We currently do this on our systems by using the following string of data:



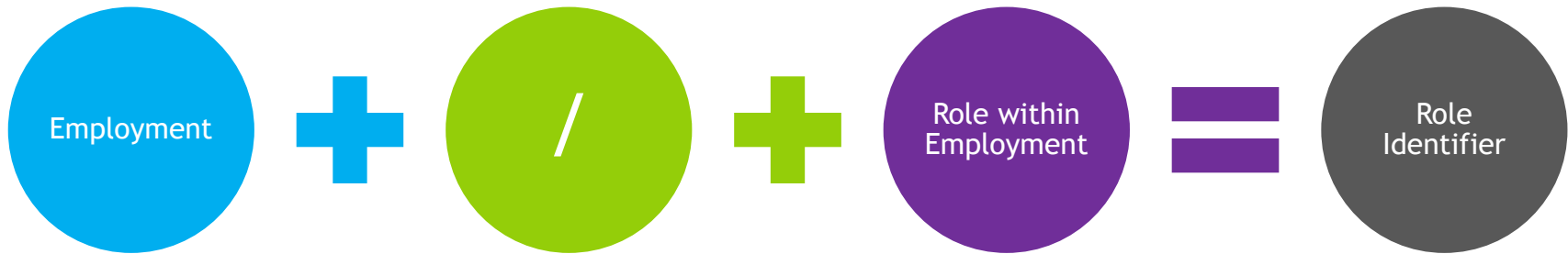
This string is limited as a member can have multiple employments or multiple roles within an employment that would be submitted using the same Local Authority Number and Establishment Number (concurrent service).

The Role Identifier (RI) has been introduced to extend this string to allow us to record ‘Concurrent Service’ within the same Local Authority Number and Establishment Number without the need for employers to ‘roll up’ the service into one row of data.

MCR Hot Topics - Role Identifier

The RI will be an employer generated reference that must contain two values separated by a '/' symbol.

The first value will uniquely identify the “employment” and the second number the role within that “employment”.



We require both of these values to enable us to correctly validate the contribution calculations for members with different contractual arrangements. From analysis undertaken by us, there are two types of contractual arrangements a member could have:

- **Type 1** - A separate contract of employment for each job role a member has with an employer
- **Type 2** - A single contract of employment for all job roles a member has with an employer

As the contractual arrangement is not something we can determine, it's up to an employer to decide which of these they have in place for their members and generate the RI accordingly.

MCR Hot Topics - Role Identifier

Once the contractual arrangement has been determined for the member, the RI can be created for the different types as follows:

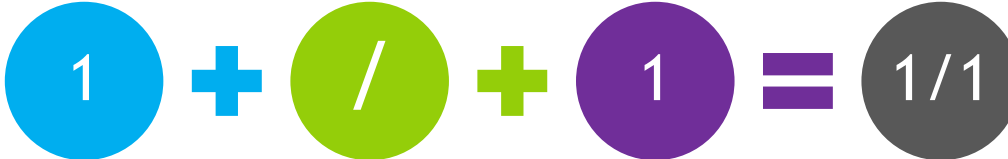
Type 1

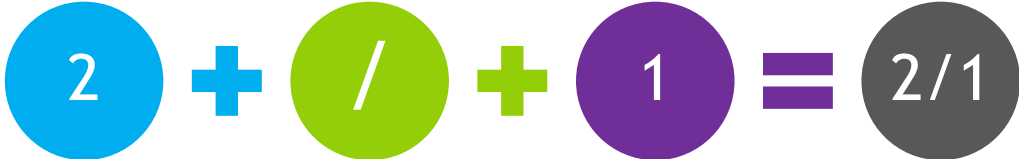
- The number before the '/' MUST be different for each job role
- The number after the '/' can be the same or different for each job role.

Example

Member A has two separate job roles within a school. Each job role is treated as being a separate employment under their contractual arrangement with the school (Type 1).

You would therefore create two RI numbers, with the value before the '/' being unique for each:

Job Role 1 = 

Job Role 2 = 

MCR Hot Topics - Role Identifier

Type 2

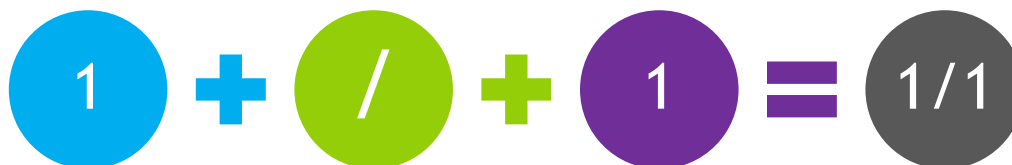
- The number before the '/' MUST be the same for each job role
- The number after the '/' MUST be different for each job role.

Example

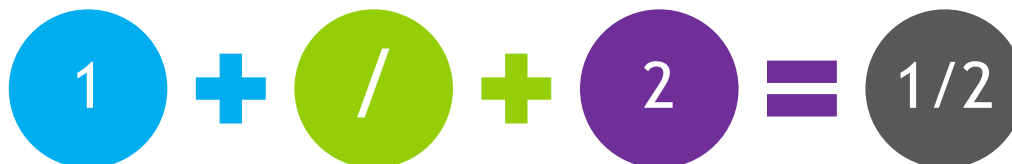
Member B has two separate job roles within a school. Both job roles are treated as being a single employment under their contractual arrangement with the school (Type 2).

You would therefore create two RI numbers, with the value after the '/' being unique for each:

Job Role 1 =


$$1 + + / + + 1 = = 1/1$$

Job Role 2 =


$$1 + + / + + 2 = = 1/2$$

Question and Answers

Any Questions?

