

LOCAL FIREFIGHTERS' PENSION BOARD

17 DECEMBER 2018



GMP RECONCILIATION PROJECT

Purpose of report: Provide the Board with an update on the progress of this important project

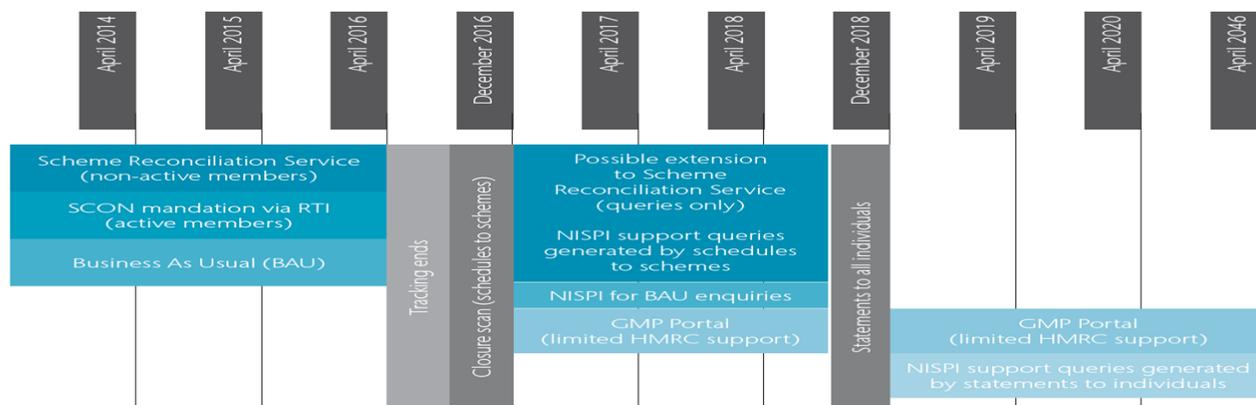
Recommendation

The Board are requested to note the report and are invited to comment.

1. Background

1.1. The abolition of contracting out for defined benefit (DB) schemes in April 2016 requires all pension schemes to reconcile their Guaranteed Minimum Pension (GMP) liabilities. A GMP reconciliation is a project to ensure that the GMP liability on the scheme records agrees with that held by HMRC. The GMP reconciliation involves comparing the scheme's GMPs information with that held by HMRC and investigating any discrepancies between the two sets of figures. The original end of contracting out timeline is shown below:-

Timeline: The ending of contracting out



2. Progress to Date

- 2.1. Orbis Procurement and Business Operations teams completed a mini tender exercise and identified a preferred provider to deliver the GMP reconciliation exercise. Bids were received from four providers, JLT, ITM, KPMG and Equiniti, with JLT being appointed. Worthy of note is that the contracted work required JLT **“to deliver a complete reconciliation exercise to meet statutory deadlines.”**
- 2.2. Instruction was given to the winning bidder on 26 April that we wished to proceed, however, contracts were not signed until the 3rd August 2018 to enable the work to

commence as a result of extended GDPR contractual negotiations. The completion date agreed for this work was agreed as being the 30 December 2018.

- 2.3. The Board should note that it will be necessary for JLT to engage with the Pension Board and Committee outside of the normal cycle of meetings in order to secure decisions: Typically decisions will be required in the following areas:
- How to proceed with cases which cannot be resolved following the review of system data, external member files, and review with HMRC?
 - When to pay cases where Contribution Equivalent Premium (CEP) payments can be made to extinguish any GMP liability discrepancies – for members with short service, and who are under GMP Age, it may be possible to clear the liability by payment of a CEP, if evidence of a previous CEP payment cannot be found?
 - Whether to attempt to trace ‘Not on Admin’ members whose position cannot be resolved following review of all records?
 - GMP values where these differences fall within a certain range – for example difference between 0p and 12p which may be due to ‘rounding’?
 - How to deal with under or over payment calculations for Pensioners whose GMP values have changed. For example does the Fund want to look into all under and overpayments, does the Fund want to write off any overpayments or re-claim them from pensioners?

3. Current Status

- 3.1 Although the contract was signed later than hoped the automated submission to HMRC (NISPI) of the scheme data is progressing well with the number of GMP discrepancies reducing. As at the 23rd November 1,695 members have been identified as having a GMP to reconcile of which 1,118 have been matched at a scheme membership level with 577 needing further investigation. Noting that one member might have multiple GMP value queries 1,281 GMP value discrepancies outside of a £2 per week tolerance still need resolving with HMRC.
- 3.2 Worthy of note is that HMRC are expecting a large number of queries to be registered with them from a wide range of schemes by the 31st October deadline set for registering queries with them. They as a consequence have allowed themselves a 3 to 4 month window in which to respond to those queries with further “toing and froing” issue resolution taking place through to April 2019.
- 3.3 JLT our supplier have a 12 strong team working on this project across all the Orbis administered funds until 31st December 2018.
- 3.4 As mentioned above JLT will require some decisions to be made by the scheme from the 30th November onwards on how to progress certain matters. We anticipate these questions will be presented in small batches with some notes on how other schemes have progressed similar issues/ queries.
- 3.6 In summary, although we still have much still to do we do not at this point feel we will miss any statutory/ regulatory deadlines for completing this work and although we have started late the project is now being progressed by JLT.

4. Current Project Risks

4.1 The project team are cognisant of and managing the following project risks which should be noted:-

- A reliance on JLT to resource and conduct the exercise to statutory timescales under contract.
- Members may receive inaccurate GMP entitlement information from HMRC if the exercise is not completed on time.
- Some members may have been under or overpaid as a consequence of an incorrect GMP entitlement.
- Until the GMP reconciliation has been completed, there is a risk that the scheme is carrying GMP liabilities that have been transferred back to the State Pension Scheme, another provider or more worryingly, are not holding details of GMP liabilities that HMRC believe still sit with the scheme. Inaccurate GMPs can have an impact on overall scheme liabilities.
- Inaccurate GMPs can delay the use of automated calculations. Member events (retirement quotes etc.) can require GMP data to be confirmed with HMRC. This can delay the provision of information and settlement of benefits.
- It is anticipated that the Department of Work and Pensions (DWP) will publish legislation or guidance following the ending of contracting out, which will require schemes to equalise GMP benefits. It is important that these exercises are only undertaken using fully reconciled GMP data.

5. Next steps:

- 5.1. Continue to review the fortnightly progress reports received from JLT.
- 5.2. Be prepared and give guidance to JLT on GMP reconciliation matters that are not easily resolved or are at an impasse point with HMRC.
- 5.3. Have internal administration resource dedicated to resolving issues in partnership with JLT.
- 5.4. Review the JLT contract expiry date as the reconciliation process will continue through the first quarter of 2019.

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