



Report to Pension Fund Board

Date: 17 March 2021

Title: GMP Reconciliation/Rectification

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Recommendation: The Board is asked to **NOTE** the content of this report.

Executive summary

- 1.1 The end of contracting-out of the Additional State Pension from April 2016 triggered a Guaranteed Minimum Pensions (GMP) reconciliation exercise which was initially required to be completed by 31 December 2018. This deadline has not been met due to HMRC amending the date for reporting final queries.

The purpose of the exercise is to ensure that the information held by the Fund in relation to periods of scheme members contracted out employment correctly matches the data held by HMRC. Where information is incorrect and outside agreed tolerances, a rectification exercise will be undertaken.

The Fund engaged ITM to undertake the reconciliation and subsequent rectification exercise.

Content of report

- 1.2 The reconciliation exercise was initially required to be completed by 31 December 2018. This deadline was not met due to HMRC amending the date for reporting final queries. Subsequently HMRC then delayed issuing the final data, this however was issued and received in July 2020.

Since July 2020, ITM have been liaising with our Senior Payroll Officer to complete the comparison between HMRC data and data held on scheme member records.

As at 31 March 2020, 59,025 scheme member records had been reconciled & ITM continued to review and identified 10,051 pensioner and dependant scheme

members that needed a further reconciliation. A 'dry run' of the rectification was complete in February 2021 and of the 10,051 scheme members it has been identified that

- 8,699 members do not require rectification,
- 806 members do require their records to be updated with a correct GMP figure, but this does not affect any payments,
- 370 scheme members require pensions in payment to be recalculated.
- The further 176 scheme members require a file review by the payroll team before it is identified whether a recalculation is required.

Of the 370 scheme members identified, 25% have been underpaid with the remainder being overpaid due to either no GMP held on record or an incorrect GMP meaning that the pensions increase applied annually has been calculated incorrectly. For all cases, the correct rate of pension will be put in place from the rectification date and arrears, plus interest, for any underpaid cases will be paid. For any overpaid cases, there is no guidance on whether a fund should recover any overpayment or not and this has been left to the discretion of each administering authority. Historically, the Buckinghamshire Pension Fund has not recovered overpayments as a result of an incorrect GMP.

Based on the recent report, the average reduction of the scheme members whose pension would be reduced is £132 per annum with an average overpayment of £1,152 per member. The estimated total overpayment is £276,559. It is also estimated that the total arrears payable to scheme members whose pensions have been underpaid would total £34,337. Those aged between 70 and 79 look to be impacted the most.

Further decisions need to be made regarding setting a triviality threshold on the 370 scheme members who require full rectification. If a £12 per annum threshold is set, in line with other administering authorities' decisions, this would reduce the number of scheme members requiring rectification to 222 and change the totals mentioned in the paragraph above.

The administration team will begin to review the 176 cases & plan to review any cases where there is a large reduction/increase or where there is a large percentage change to a member's current pension before any rectification takes place. This will take place over the next month prior to ITM running the rectification.

The planned rectification date is 31 August 2021. This is further to the pension administration team running the annual pensions increase on pensions in payment

which should be complete by 30 April 2021. ITM will then aim to complete the live run of the rectification by 31 May 2021 and provide all necessary reports. Between 1 June and 30 June, letters will be sent to all affected members with the changes to pensions being applied from 31 August 2021 pension payments.

Once this rectification is complete, GMP figures will then be updated on all active, deferred and pensioner member records where they are under SPA so that records are correct going forward.

Other options considered

1.3 N/A

Legal and financial implications

1.4 N/A

1.5 There is a national agreement that where a scheme members pension has been overpaid, the administering authorities will not seek to recover any overpayments but will correct the payments going forward.

Consultation and communication

1.6 N/A

Next steps and review

Background papers

N/A

