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## **GMP RECONCILIATION**

**Report by Chief Officer Human Resources**

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### **JOINT PENSION FUND COMMITTEE AND PENSION FUND BOARD**

**14 September 2017**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 The purpose of this report is to seek approval to engage external support to progress the reconciliation of Guaranteed Minimum Pension figures between the Pension Fund and Her Majesty's Revenue and Customs.**
- 1.2 The Business plan approved on 22 June 2017 agreed to the carrying out of a full reconciliation of Guaranteed Minimum Pension (GMP) amounts between the Pension Fund and Her Majesty's Revenue and Customs, this report now gives consideration as to how the Fund can achieve this.
- 1.3 The reconciliation exercise should be carried out for Stage 1 and Stage 2 as outlined in paragraph 4.4 through the use of external resource, with Stage 3 to be completed in house.
- 1.4 The appointment of external assistance to meet the deadline of 31 December 2018 is proposed to be undertaken via procurement under the Norfolk framework by direct award.

#### **2 STATUS**

- 2.1 Due to competing deadlines and the information gathering required for this report the consultation procedure was not complete prior to issuing the report to Committee. Comments received during the consultation will be highlighted at the meeting.

### **3 RECOMMENDATIONS**

**3.1 It is recommended that the Pension Fund Committee;**

- (a) Agrees the use of the Norfolk Framework for the procurement;**
- (b) Agrees to the delegation of responsibility for the direct award of external resource to complete the GMP reconciliation exercise, capped at a maximum of £99,000 to the Chief Financial Officer.**

## 4 GMP RECONCILIATION

- 4.1 In 2014 it was announced that Pension Funds would be required to carry out a reconciliation exercise to validate the figures that they are holding for Guaranteed Minimum Pension (GMP) against those held by Her Majesty's Revenues and Customs (HMRC) following the abolition of contracting out for defined benefit schemes in April 2016. Due to conflicting demands, mainly dealing with the implementation of the new scheme rules this has not been progressed to date for the Fund.
- 4.2 There is a deadline of 31<sup>st</sup> December 2018 for completion of this exercise, at which time HMRC will no longer answer any enquiries around GMP and Pension Funds will be left with the liability for any individuals where there is a variance between Fund and HMRC figures. Thereafter, HMRC will be writing to all those individuals who will be affected by this to clarify the GMP they will receive and confirm which Fund will be responsible for paying it.
- 4.3 The process of reconciling data will be a resource intensive task and one that we have been unable to devote the required resource to due to conflicting priorities, mainly around the implementation of the new scheme legislation. With the deadline for completion of this exercise now looming large it is imperative that we look at how this exercise can be completed to ensure that the Fund are not left facing liabilities that should be met by another Fund.
- 4.4 There are generally three defined stages to the reconciliation process, as follows: -

Stage	Action
1	Comparison of HMRC records with those held on Altair, the Pensions Administration System, to establish the extent of the discrepancies between HMRC and Scottish Borders Pension Fund records
2	Reconciliation of discrepancies between HMRC and Scottish Borders records for Active, Deferred and Pensioners
3	Rectification of benefits for members where it has been confirmed in stage 2 that incorrect figures have been used in the administration process, this may be amending figures held for future use or adjusting payments that have been processed

- 4.5 The key stages in terms of date constraints are stage 1 and 2, these must be completed by 31 December 2018 to ensure the Fund is not left with any liabilities that should be met by other Funds, with HMRC not accepting any new queries from Funds after October 2018.
- 4.6 The Pensions Administration Team for the Fund is a small team and do not have capacity to deal with this time consuming exercise on top of day to day tasks. It is generally recognised the administration of the LGPS has become increasingly complex following wave after wave of scheme reforms, this has placed administering authorities under immense pressure and stretched resources to their limits.

- 4.7 To ensure best value in the appointment of the provider it is proposed the Norfolk framework is used. This framework allows for a streamlined process of procurement due the work previously undertaken in developing the framework shortlist. With the timeframe that we are working within it is proposed that we use a direct award approach in order to maximise the available time for completion of the reconciliation.

## **5 IMPLICATIONS**

### **5.1 Financial**

- (a) To allow the Fund to utilise the Norfolk Framework there is a one off joining fee of £1,500. This will allow the fund access to undertake any procurement under the framework for "Pensions Administration Support Services". This cost will be fully met from the Pension Fund. This is not an additional cost to that proposed in the Communication Strategy Paper.
- (b) The cost for undertaking the GMP reconciliation for Stage 1 and 2 is estimated at a maximum of £99,000, this is based on a proposal that we have had from one of the providers named on the Norfolk Framework. These costs will be fully met from the Pension Fund.

### **5.2 Risk and Mitigations**

The failure to undertake the GMP reconciliation may lead to the Pension Fund being left with paying liabilities that are not actually the responsibility of the Fund.

### **5.3 Equalities**

It is anticipated that there are no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals in this report.

### **5.4 Acting Sustainably**

There are no direct economic, social or environmental issues with this report which would affect the Council's sustainability policy

### **5.5 Carbon Management**

There are no direct carbon emissions impacts as a result of this report.

### **5.6 Rural Proofing**

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

### **5.7 Changes to Scheme of Administration or Scheme of Delegation**

No changes to the Scheme of Administration or Scheme of Delegation are required as a result of this report.

## 6 CONSULTATION

- 6.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk and the Clerk to the Council are being consulted on and comments received will be reported at the meeting.

### Approved by

**Clair Hepburn**  
**Chief Officer human Resources**

**Signature .....**

### Author(s)

Name	Designation and Contact Number
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### Background Papers:

**Previous Minute Reference:** Joint Pension Fund Committee & Board, 22 June 2017

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Ian Angus can also give information on other language translations as well as providing additional copies.

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