

ABERDEEN CITY COUNCIL

COMMITTEE	PENSIONS COMMITTEE
DATE	15 MARCH 2019
REPORT TITLE	GUARANTEED MINIMUM PENSION RECONCILIATION UPDATE
REPORT NUMBER	PC/MAR19/GMP
DIRECTOR	STEVEN WHYTE
CHIEF OFFICER	JONATHAN BELFORD
REPORT AUTHOR	GARY GRAY
TERMS OF REFERENCE	1.1 AND 4.1

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to update the Committee on the reconciliation of Guaranteed Minimum Pension (GMP) values held by NESPF and HM Revenues and Customs (HMRC).

2. RECOMMENDATION

- 2.1 That the Committee note the outcome of the GMP reconciliation project and the decision of the Fund to not recover any overpayments of pension.

3. BACKGROUND

- 3.1 Between the periods of 6 April 1978 to 5 April 1997 the minimum level of benefit an occupational pension scheme had to provide was known as a Guaranteed Minimum Pension (GMP). When contracting-out ended on 5 April 2016 as a result of the introduction of a single tier State Pension scheme HMRC no longer tracked contracted-out rights or issued data to pension schemes. The comparison of data between HMRC and pension schemes is known as the GMP Reconciliation.

Reconciliation

- 3.2 NESPF commenced GMP reconciliation in August 2015 and has received 4 data files from HMRC which resulted in the Fund raising 3,852 queries prior to 31 October 2018 deadline. HMRC are scheduled to provide a final data file to all schemes on 31 March 2019 and have committed to answering all queries by this date.
- 3.3 Currently 35,347 actives, deferred and pension members GMP values held on Altair, the pension administration system, have been reconciled with HMRC in

accordance with guidance issued by HM Treasury. Completion of this exercise ensures that existing pensions paid by NESPF are correct and future pension benefits will be calculated using a reconciled amount.

Rectification

- 3.4 Where a pension scheme does not hold details of a member's GMP or holds an incorrect amount then there will be an error on the annual indexation applied in the first year the GMP is applied which will then be compounded every year thereafter. The final stage of the reconciliation, known as the GMP rectification, is to resolve any under/overpayments that have been identified during the exercise.
- 3.5 Scottish Ministers have decided that where an incorrect GMP value has led to an underpayment of pension this will be corrected going forward with any arrears being paid to the pensioner. The total value of underpayments identified during the current exercise amounts to £24,800.
- 3.6 A previous GMP reconciliation was undertaken in 2008/09 and for overpayments of pension the Scottish Ministers chose to allow the pension in payment to remain unadjusted going forward for affected pensioners. This was achieved by legislation that provided for a new Scheme award known as an Increased Pension Entitlement (IPE) which reflected the GMP related overpayment.
- 3.7 Scottish Ministers have decided that a similar approach should be taken for overpayments that arise from the current reconciliation exercise and previous legislation has been amended in draft, The Local Government Pension Scheme (Scotland) Pensions Amendment (Increased Pension Entitlement) Regulations 2018. These regulations were due to be laid in February 2019 however the Scottish Public Pensions Agency (SPPA) have advised that pressures on the legislative system, caused by work due to BREXIT, have resulted in them being 'put on hold'. They are expected to come into force later in 2019.

Overpayments

- 3.8 The total value of overpayments identified during the current exercise amounts to £61,842.
- 3.9 The previous GMP reconciliation (in 2008/09) identified 252 overpayments and at that time it was agreed that overpayments accrued up to the point of identification should be written off across all public service schemes.
- 3.10 For the current GMP reconciliation SPPA have advised that the decision to recover overpayments rests with the scheme and NESPF have adopted the same approach as other Scottish Funds not to recover any overpayments identified.
- 3.11 All members with a GMP overpayment will receive a letter advising them of their Increased Pension Entitlement award and that the overpayment identified will not be recovered.

4. FINANCIAL IMPLICATIONS

4.1 The amounts calculated to date in respect of under and overpayments are set out above in 3.5 and 3.8. However further reconciliation is still due to take place which will increase final non-recovered amounts, further updates on this will be provided to Committee.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications from the recommendations in this report.

6. MANAGEMENT OF RISK

6.1 The Pension Fund regularly updates its Risk Register in line with change and is reported quarterly to the Pensions Committee.

7. OUTCOMES

Design Principles of Target Operating Model	
	Impact of Report
Governance	This report links to the 'governance' design principle by ensuring transparency and by providing the necessary information to allow informed decisions to be made and implemented, including performance and improvement measures.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Not required
Data Protection Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. BACKGROUND PAPERS

None

10. APPENDICES

None

11. REPORT AUTHOR CONTACT DETAILS

Gary Gray
Operations Manager
GGray@nespf.org.uk
01224 264159