

Report of the Section 1.5.1. Officer

Local Pension Board – 5 September 2017

CONSIDERATION OF OPTIONS TO COMPLETE THE GMP RECONCILIATION EXERCISE WITHIN TIMESCALES AVAILABLE

Purpose: To inform the Pensions Committee that an exercise is being undertaken to consider the options available to complete the GMP reconciliation exercise within the required timescales

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Legal Officer: Stephanie Williams – Principal Lawyer

Access to Services Officer: N/A

FOR INFORMATION

1. Background

- 1.1 At the Pension Fund Committee meeting on 12th March 2015, the Committee approved funding to purchase software and appoint a temporary member of staff to achieve Guaranteed Minimum Pension (GMP) reconciliation between Fund and HMRC records to address discrepancies in respect of the GMP values held for members and identify those for which the Fund holds no liability.
- 1.2 The facility is available until December 2018, after which HMRC will accept no further challenges. Failure to complete the exercise provides a potential additional liability risk to the Fund.

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- 2.1 The reconciliation exercise has proven to be resource intensive.
- 2.2 The exercise consists of four stages:
 - Stage 1 – Initiate exercise, carrying out data collection and analysis.
 - Stage 2 – Initial reconciliation, resolving bulk issues (e.g. members who are incorrectly included in HMRC records and vice versa).
 - Stage 3 – Individual reconciliations - including identifying any cases that may have been underpaid and overpaid, and ensuring that all records are certified with the correct GMP and contracted out information.

- Stage 4 - Rectification – benefit correction
- 2.3 The Fund has completed Stage 1 with more than 42,000 records identified as mismatched (this includes records for which the Fund believes it no longer holds liability) and has completed just over 25% of Stage 2.
- 2.4 There is concern that the reconciliation exercise cannot be completed in the timescales demanded without additional resource. A consultation to review the Fund's position has recently been undertaken and has identified that an additional 8 FTE staff would be required to ensure success.
- 2.5 Due to ongoing workload constraints, re-allocating existing staff to assist in this exercise would have an extreme detrimental impact on service delivery and performance. In addition, due to the complex nature of the exercise and level of knowledge and experience that would be required it would not be prudent to appoint additional staff who do not have a pension administration background.
- 2.6 The Fund has therefore signed up to the National LGPS Framework to obtain information about the options available, which include consultancy support and the procurement of the services of a field expert, to complete the exercise within the limited timescale remaining.
- 2.7 The consideration of the options is ongoing and a further report for approval will be presented to Committee at the earliest opportunity.

3. Equality and Engagement Implications

- 3.1 None

4. Legal Implications

- 4.1 Proper procurement processes will need to be undertaken to procure the necessary support.

5. Financial Implications

- 5.1 Failure to complete the exercise provides a potential additional liability risk to the Fund.

FOR INFORMATION

Background papers: None

Appendices: None