



Haringey Council

Report for:	Pension Committee	Item Number:	
Title:	Local Government Pension Scheme - Guaranteed Minimum Pension Reconciliation		
Report Authorised by:	Jacque McGeachie - Interim Head of Human Resources and Organisational Development		
Lead Officer:	Janet Richards, Pensions Manager		
Ward(s) affected: None	Report for Key/Non-Key Decisions: Non-Key Decision		

1. Describe the issue under consideration

- 1.1 The Local Government Pension Scheme (LGPS) is a contracted out occupational pension scheme. The government is abolishing contracting out from 6 April 2016. By being in a contracted out scheme most members of the scheme who have service between 6 April 1978 and 5 April 1997 will have accrued a Guaranteed Minimum Pension (GMP) liability. Currently HM Revenue and Customs (HMRC) are responsible for maintaining the contracted out records, notifying schemes of the value of the GMP and confirming which pension scheme holds the liability. As the administrating authority, the Council will need to ensure that the HMRC records match its own records by conducting a reconciliation exercise. The Council will need to commence the reconciliation exercise as HMRC will be withdrawing the service from 2018. This exercise will ensure the correct benefits are being paid to pensioners and transfer values will correctly reflect the benefits due.

2. Cabinet Member introduction

Not applicable

3. Recommendations

That the Committee note and agree:

- 3.1 For the Pension Administration Team to reconcile the Guaranteed Minimum Pensions which are held by HMRC. The first stage of the exercise for the reconciliation of GMP is to identify where there are differences between the Council's scheme records and HMRC records. This stage of the



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exercise will be completed by our pension system provider, Heywoods and will cost of £7,600.00. This is seen as the most cost-effective way of completing the initial review of the Councils records.

- 3.2 That following the first stage, the Pension Administration Team is to assess the potential resources required to reconcile the identified differences and complete the GMP reconciliation. This may include the need to hire additional staff; although until stage one is completed, this will not be confirmed. Should additional resources be required, a further report will be provided to this Committee.

4. Alternative options considered

Not applicable.

5. Background information

- 5.1 The Local Government Pension Scheme is a contracted out occupational pension scheme.
- 5.2 Contracting out was introduced in April 1978 to relieve members of approved pension schemes from paying for both an occupational pension scheme and the State Earning Related Pension Scheme (SERPS). Depending on earnings both employers and employees pay reduced national insurance contributions. By contracting out, members have a Guaranteed Minimum Pension (GMP).
- 5.3 The Pensions Act 2014 introduced a new single tier state pension for those reaching state pension age from 6 April 2016. Therefore the current state pension, pension credit and S2P and formally SERPS will be abolished.
- 5.4 Contracting out will be abolished from 6 April 2016. One of the effects will be that LGPS employers and employees will suffer a material increase in National Insurance Contributions from April 2016.
- 5.5 HMRC has confirmed that the current assistance available to pension scheme administrators through the National Insurance Contributions Office (NICO) will be withdrawn by the end of April 2018. Therefore the Council will be required to reconcile the contracted out membership and GMP records with those held by HMRC whilst the HMRC assistance is still available.
- 5.6 The initial exercise will require Heywood to produce a report identifying areas of data mismatch between scheme records and data held on behalf of the scheme by HMRC.
- 5.7 For the next stage HMRC is currently offering a Scheme Reconciliation Service. This will be a complex exercise were we need to compare and analyse the contracted out membership and GMP information held on our scheme records against the information held on HMRC records. Where there are GMP differences between the HMRC and the scheme's pension records the Council will investigate material differences and challenge HMRC where necessary. This service is likely to be withdrawn from April 2016; HMRC will offer only limited support for further reconciliation.
- 5.8 The GMP is a vital component of the make up of a pension as it confirms the minimum pension which we have to pay. Once HMRC stop holding GMP records, the pension funds will be obliged to pay whatever GMPs are attributed to them, even those that may be incorrectly calculated or that have actually been transferred out. A GMP data cleansing exercise is in line with best governance practice and would meet the record keeping requirements.
- 5.9 GMP records will require matching against data held by HMRC. This will be labour intensive work as the Council will be required to check the GMP for every member of the pension fund who had contracted out service between 1978 and 1997.



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5.10 HMRC will contact all contracted out members with details of their contracted out history in 2018.

6. Comments of the Chief Finance Officer and financial implications

6.1 Paying the appropriate GMP is an important aspect of running the pension scheme. Over payments represent an unnecessary cost while underpayments may be challenged by pensioners. The initial cost of £7,600 to match records with HMRC is likely to be a small component of the total cost. Consideration should be given to the definition and treatment of small differences to manage the cost and timescale of the project.

7. Assistant Director of Corporate Governance and legal implications

7.1 The Assistant Director of Corporate Governance has been consulted on the content of this report. The report raises no legal issues at this stage. The reconciliation exercise is necessary if the Council, in its capacity as administering authority for the Haringey Pension Fund, is to meet its obligations.

8. Equalities and Community Cohesion Comments

Not applicable.

9. Head of Procurement Comments

Not applicable.

11. Policy Implication

Not applicable.

12. Reasons for Decision

The Council is obliged under the Local Government Pension Scheme Regulations 2013 to have best governance practice and meet record keeping requirements.

13. Use of Appendices

None.

14. Local Government (Access to Information) Act 1985

Not applicable.