

## **GMP reconciliation project**

### Background

The LGPS, like all public sector schemes, was 'contracted out' of the state second pension scheme between 6 April 1978 and 5 April 1997. This meant that members who were contributing to the LGPS in this period paid lower national insurance contributions but were only eligible for the basic state pension. As part of being a contracted out scheme, schemes had to ensure that the pension it paid to the member was as least as good as the member would have received had they been entitled to the additional state pension. This notional pension amount is known as the Guaranteed Minimum Pension (GMP).

The GMP is only applied to an individual when they start to receive a pension. When a member moves between pension schemes, information about their GMP entitlement has to be given to HMRC so that they know which scheme holds the GMP liability. HMRC records were not always kept up to date with the latest information.

From April 2016, contracting out ceased with the introduction of the single tier state pension. The result of this was that HMRC announced they would no longer maintain GMP data on an ongoing basis, and instead would assign the GMP liability to the last recorded scheme that the member belonged to. All pension schemes had reconcile their records with HMRC records. Initially this reconciliation was due to be completed by 2018, with HMRC then intending to write to individuals with details of which Fund held their GMP liability. It became clear that HMRC was not in a position to meet their own timetable as they could not respond to the volume of queries being sent by schemes.

### Hampshire GMP project

Hampshire completed its reconciliation project in 2019 with just over 10,000 members who remained in an unreconciled position due to outstanding queries with HMRC or due to being a stalemate case (where the Fund records did not align with HMRC, but the Fund did not accept that HMRC's record was correct).

Due to the number of queries submitted to HMRC towards the end of the project from the industry as a whole, HMRC issued communications to say that the closure scans would be a lot later than expected. The final file for Hampshire was received in August 2020 and was used to review cases which were in an unreconciled position. This work completed in February 2021.

The outcome of the reconciliation work, following the final scan rematching exercise which completed in June 2022 is shown in the table below.

Status	Number of folders*	Proposed action
Active	2,644	Load reconciled data to record
Pensioner	7,043	Rectify pension in payment
Deferred	3,492	Load reconciled data to record
No liability records	2,981	Load reconciled data to record
<b>Total requiring action</b>	<b>16,160</b>	
Stalemate cases	5,935	Accept value already held on UPM as correct
Outstanding HMRC queries	1,540	Accept value held on UPM as correct unless HMRC respond

\* matching was carried out at individual person level but the rectification needs to happen across all the memberships held by that person in the system (known as folders).

The diagram overleaf summarises the work which has been undertaken to date.

# Progress to date



We are here

- Queried member and service mismatches with HMRC
- Investigated various populations.
- Processed returns and moved to relevant reconciliation position

- The project used the Final HMRC scan data to rematch members who were in a stalemate position.
- Produced an output file for UPM.

## Member and Service Comparisons

## GMP Value Comparison

## Rectification

## Query submission and investigation

## Final Scan Rematching

- Member level comparison of HMRC SRS file and UPM record.
- Where there was a member match, we then compared the service data held.

- If service data matched, then GMP values were compared.
- If GMP values mismatched members were highlighted as requiring GMP rectification.
- If GMP values matched member was reconciled.
- Final Reconciliation report provided.

- Refer to slide 4 for an overview of the next steps required for rectification.

