

**2 February 2022**

**Agenda Item: 5**

**REPORT OF SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE, AND  
EMPLOYEES.**

**LOCAL GOVERNMENT PENSION SCHEME – GUARANTEED MINIMUM  
PENSION RECTIFICATION – UPDATE REPORT**

**Purpose of the Report**

1. The purpose of the report is to update Pension Committee on the progress of the Guaranteed Minimum Pension (GMP) rectification exercise following the completion of the reconciliation exercise undertaken with HM Revenue and Customs (HMRC).
2. The report also seeks approval for the extension of additional resources to undertake the remaining activity required to rectify records and communicate the outcome of the rectification of pension benefits to actual pensioners.

**Information  
Background**

3. The GMP reconciliation exercise was a national requirement initiated by HMRC which impacted all Public and Private Sector Pension Funds who were contracted out of additional state pension.
4. Since March 2018 the Pension Fund has been engaged in the reconciliation exercise with support from Civica the Pension Fund software provider. The purpose of the exercise was to compare the GMP liabilities held by the Fund with the data held by HMRC. It required the investigation of discrepancies between the two sets of data to come to an agreed record, reconciled with HMRC records.
5. It was important to reconcile the GMP element recorded on the pension fund administration system with that held on the HMRC system, to ensure that pensions coming into payment, together with those already in payment, are paid at the correct amount, and that the liabilities of the pension scheme, so far as GMP values are concerned, are represented accurately at each future valuation.

6. The final HMRC scan data was delayed a number of times and was eventually received in July 2020. Following receipt of the scan the final rematching was undertaken by the Pension Fund in September 2020.

## The Rectification Process

7. In order to progress the GMP programme was split into a number of parts. Part 1 of the programme (Reconciliation) has been completed and the Fund are now in a position to progress with parts 2-4 (Rectification).

	Stages of Activities	Activity Description	Project Status	Project Dates
<b>Reconciliation</b>				
Part 1 – identification and confirmation of liabilities with HMRC	<b>Discovery Phase</b> Stage 1	Initial comparison of fund data with HMRC file and an early indication of the potential size of the reconciliation issues In Depth Analysis of results from Stage 1	Complete	October 2017
	Stage 2			- January 2018
	<b>Delivery Phase</b> Stage 3 Stage 4	Queries issued to HMRC HMRC query returns analysed and distributed into specific categories Individual investigation In-depth analysis and bulk resolution Further individual investigation	Complete	May 2018 - November 2018
	Stage 5 Stage 6			
Stage 7				
<b>Completion Phase</b> Stage 8	Case Conclusion-Receipt of final file from HMRC Concluded cases uploaded into the pensions administration system	Complete	July 2020 (File received)	
Stage 9			- September 2020 conclusion	
<b>Rectification</b>				
Part 2	<b>Calculation Phase</b> – Over payments – Under payments	System and individual calculation to be undertaken using reconciled GMP liability amounts to determine overpayments and underpayments		Estimated January 2022 – March 2022
Part 3	<b>Communication Phase</b>	A communication strategy will need to be developed to ensure that communication is clear to individual pensioners affected by the		Estimated Q1- Q2 2022 –

		reconciliation exercise, and where a pension in payment needs to be adjusted, to enable them to understand the potential impact of any adjustment		
Part 4	<b>Rectification and Communication</b>	Pensioner payroll records to be adjusted to reflect correct payments determined in the Calculation Phase, and communicated to members		Estimated May 2022 - Onwards

8. The final reconciliation scan rematching highlighted 9,443 records which potentially need to be rectified.
9. There have been a number of issues which have delayed progress of the rectification stage, and which have necessitated additional analysis:
  - A payroll reconciliation exercise took place between September 2020 and March 2021 as UPM (Pension Administration System), and SAP (Pension Payroll) had become misaligned over time. This is because UPM and SAP are administered independently and apply Pension Increase separately, and data updates such as GMP adjustments following notifications can occur independently on SAP. This work needed to be completed before final checks could be undertaken on GMP values in payment and has added additional complexity to the analysis undertaken to verify the rectification population.
  - Civica's ongoing development of a GMP Rectification Module on UPM has been delayed and was not delivered until June 2021.
  - Testing of the UPM GMP Module has highlighted defects which have led the Fund to consider an alternative bulk calculation solution to enable progress to be made.
10. The Fund are now in a position to progress with detailed planning of the next phase and an extension is required for the additional resource of a temporary project manager. The key responsibilities will be to continue to work with Civica to:
  - Agree the bulk rectification calculation methodology
  - Verify the members who need to have pensions adjusted, due to the delays in implementing changes
  - Ensure all GMP data is aligned on member records
  - Progress and document Fund decisions
  - Oversee pension adjustment work
  - Develop a communication approach

### **Review of Resources Requirements**

11. In July 2019 Committee agreed to resources of:

Type	Effort (Days)	Day Date	Total
Output Analysis	20	£1,295	£25,900
Rectification	100	£1,295	£129,500
<b>Total</b>	<b>120</b>	<b>£1,295</b>	<b>£155,400</b>
<b>Spending to Date</b>	<b>73</b>	<b>£1,295</b>	<b>£94,535</b>

12. It was estimated that the effort required could range significantly depending on numerous factors, including decisions from the fund. Whilst it was estimated that 100 days effort would be sufficient to complete the rectification activities required it is unlikely that this will be the case due to the additional effort undertaken to date to verify the rectification population and the additional time it will take to complete the project. If further rectification is required, then this will be addressed in a further report.
13. It is estimated that the Project will run for a further 12 months to December 2022 to enable the completion of rectifying pensioner records and pensions in payment. Therefore, the Post of Project Manager will need to be extended to December 2022 at a salary cost of £35,934. However, should the work be completed earlier than estimated, the post will cease.
14. The additional recommended resources costs for the next stage of the project will be charged to the Fund.
15. The additional resource enables the pension administration team to continue with day-to-day activity whilst the Fund maintain sufficient oversight of the work being undertaken by Civica.
16. Once detailed plans have been developed and it has been established how many cases will fallout of the automated process a further update to Pension Committee will be provided.

### Reasons for Recommendations

17. In order to complete the project, it will be important to continue to engage the support of Civica to assist in the rectification process, in terms of supporting the process of calculating the benefits for members following changes to their GMP, which cannot be catered for in the bulk calculation resolution.
18. Given information from other funds in line with their projects, resources have been used to communicate, and in certain instances meet with members of the scheme who have been affected, mainly by significant overpayments to their pensions which will need to be handled with sensitivity.
19. In addition, work still needs to be ongoing in reconciling payroll data with pension records.
20. In order to support the project, it will be necessary to extend the temporary contract of the Project Manager.

21. The work also supports the requirements of the Pension Regulator to reconcile and ensure that pension records are accurate and up to date, as the Pension Regulator will be asking funds to report on the accuracy of the fund data and impact the accuracy of the 2022 scheme valuation.

## **Statutory and Policy Implications**

22. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability, and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

## **Data Protection and Information Governance**

23. The project, by its very nature, involves reconciliation, sharing and processing of personal and sensitive data. This is covered by existing arrangements and agreements with Civica, the software provider. However, a data impact assessment has been completed for the project overall to reflect the aspects of the data sharing, and updating of data, along with ensuring the mitigation of risks arising from the project activity itself.

## **Financial Implications**

24. The Financial costs are set out in the report and are chargeable to the Pension Fund.

## **RECOMMENDATIONS**

It is recommended that the Committee:

- 1) Approve the continuation of the GMP Rectification Project and the allocation of the required resources as set out in the body of the report to complete the calculation, communication, and rectification phases, to ensure the Fund is able to meet its statutory requirements.
- 2) To approve the extension of the Project Manager post until December 2022.
- 3) Agree to receive an update report on the rectification stage once an assessment of the volume of cases requiring manual rectification has been established.

**Marjorie Toward**

**Service Director – Customers, Governance and Employees**

**For any enquiries about this report please contact:**

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## **Constitutional Comments (KK13/01/2022)**

25. The proposals in this report are within the remit of the Nottinghamshire Pension Fund Committee.

## **Financial Comments (KP13/01/2022)**

26. The financial implications are set out in paragraph 13 of the report with the extension of the Project Manager and these costs are chargeable to the Pension Fund.

### **HR Comments (JP)**

27. The requirements for additional internal staffing resources are set out in the report to Personnel Committee on 13 March 2019.

### **Background Papers and Published Documents**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

### **Electoral Division(s) and Member(s) Affected**

- All