

Guaranteed Minimum Pension (GMP)

Extract from Pensions and Lifetime Savings Association (PSLA) website

Before 1997, contracted out defined benefit schemes were required to provide guaranteed minimum pensions (GMP) in respect to contracted out service.

GMP RECONCILIATION

Where an employer “contracted out” of the State Earning Related Pension Scheme (SERPS, later, the state second pension), it agreed to provide certain minimum benefits under its own scheme, and received a rebate of the NICs that would normally be paid into that scheme. Members of the scheme paid lower national insurance contributions. They are not entitled to benefits from SERPS/state second pension for that period of service, although they are entitled to the basic state pension.

With the introduction of the new State Pension in April 2016, contracting out of DB schemes will come to an end.

It is not unusual for HMRC and the administrator of a contracted-out pension scheme to hold different information concerning which employees were contracted out of state additional pension, which periods of service were contracted out or the rate of compensation. Without an exercise to reconcile these differences, the member may receive the wrong amount of GMP, the wrong amount of additional state pension, the wrong amount of scheme pension (above GMP) or, occasionally, all of the above. Unreconciled records can lead to unexpected costs.

At present most schemes reconcile a member’s GMP when they approach retirement. However with the end of contracting out HMRC has announced that it will be closing its GMP reconciliation service in 2018. As a result HMRC has told schemes that any records not submitted to the service by April 2016 may not be processed.

Isle of Wight Council Pension Fund approach

Following a procurement exercise, JLT Employee Benefits has been contracted to carry out the reconciliation project.

Initial project meetings have been held, and a project plan and timetable agreed. An overview of the project is presented below, and Jane Garton from JLT will be attending the meeting to provide more detail about the project.

IOW Council - GMP Reconciliation Stages Overview

Phase	Objective	Key Process and Reporting	JLT Assistance
Stage 1	Diagnose discrepancies between NISPI and the Scheme.	<ul style="list-style-type: none"> The Scheme registered for SRS & NISPI data received; The Scheme data prepared in format compatible with NISPI data; Merged Comparison File created; Phase 1 Report Prepared for The Fund confirming membership, GMP and other contracted out data discrepancies; Discussions to review Phase 1; The Scheme specific recommendations, work plan and costs provided for Phase 2. 	<ul style="list-style-type: none"> Phase 1 report issued – discussions to be held.
Stage 2	<p>Membership & GMP Value Reconciliation: Not on NISPI Not on Admin C/Out Dates Multiples Surname Status</p> <p>GMP Differences (based on £2 tolerance level)</p>	<ul style="list-style-type: none"> Bulk Investigation of differences: unlinked dependants, transfers in/out, multiple service, additional service, incorrect NI Numbers; Bulk investigations of contracted out earnings differences; Bulk recalculation of GMP values Load queries to NISPI Bulk analysis of NISPI responses Individual analysis of NISPI responses for remaining members Update Master Control Database with each members current position Report prepared for each Fund confirming membership agreed and any unresolved cases Decisions on how to proceed with unresolved cases 	<ul style="list-style-type: none"> Comments required on identified trends and impact on resolution of cases Decisions on how to proceed with unresolved cases.

Phase	Objective	Key Process and Reporting	JLT Assistance
Stage 3	<p>GMP Reconciliation:</p> <p>GMP Differences</p> <p>Membership & GMP Value Reconciliation:</p> <p>Not on NISPI</p> <p>Not on Admin C/Out Dates</p> <p>Multiples Surname</p> <p>Status</p> <p>GMP Differences (based on £2 tolerance level)</p>	<ul style="list-style-type: none"> • Individual analysis of unreconciled members against files, systems and archives • Load queries to NISPI • Bulk analysis of NISPI responses • Individual analysis of NISPI responses for remaining members • Update Master Control Database with each members current position • Report prepared for each Fund confirming GMP's reconciled and any unresolved cases • Decisions on how to proceed with unresolved cases; • Work Plan formulated and agreed for Stage 4. • Perform GMP rectification calculations using our automated tools • Report prepared for each Fund confirming under/over payment calculations 	<ul style="list-style-type: none"> • Comments required on identified trends and impact on resolution of cases • Decisions on how to proceed with unresolved cases • Agreement of basis for rectification calculations which can include, but not limited to the following: re-tranching and recalculation of pension at leaving, retirement, GMP and/or current date; calculation of over/underpayments; increases to pension in payment; • Decision on how to proceed with under/over payment cases, including member comms.
Stage4	Rectification of the Fund data	<ul style="list-style-type: none"> • Prepare update templates for bulk upload of corrected data to member records on Altair and Payroll systems • Member records updated via system provider (Test / Live) on Altair and Payroll systems; • Audit of update (Test & Live) • Agreed correspondence to be issued to members; • Fund to be advised of all information on pensioner changes to amend payroll records and arrange payment adjustments for under and over payments of pensions and recovery of over payments where required. • Production and review of Project Closure Report 	<ul style="list-style-type: none"> • Approval of communication letters • Approval of record updates to be applied to Altair and Payroll • Review of Project Closure Report and sign off of project