



HM Treasury

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Dear Chris,

I am writing to you with regards to the data reconciliation exercise which all public service pension schemes (PSPSs), including the Local Government Pension Scheme (LGPS), are undertaking between now and December 2018. The purpose of this exercise is to ensure that records held by your scheme and by HMRC, in relation to periods of contracted-out employment, are correct. As you'll be aware, this is a necessary step to ensure that both scheme records are up to date and that the data held by HMRC, which will be used in the calculation of an individual's new State Pension starting amount, are also correct.

As you'll know, a small working group has been looking at this issue and they have arrived at a number of collective decisions in relation to this exercise on (i) which data should be reconciled and (ii) what options are available to PSPSs to simplify the reconciliation exercise.

Schemes have expressed a preference for consistency in treatment where feasible across the PSPSs and so I am writing to you in order to suggest that the LGPS adopts these criteria as guidelines for the reconciliation exercise. Ensuring this exercise is taken forward robustly and consistently, where feasible, is clearly very important in ensuring members are treated fairly across the schemes.

This reconciliation exercise highlights the importance of precise data; we are separately developing a programme to improve data across the public service schemes. The aim of this programme is to improve efficiency of administration, give Treasury assurance around liabilities and payments, and better support future change.

The remainder of my letter sets out the collective decisions reached by the working group.

(i) Which data should be reconciled:

The working group recommends that the following members' data should be reconciled:

- Active and deferred<sup>1</sup> members with any service between 6 April 1978 and 5 April 1997;
- Non-members for whom the PSPS believes it has already discharged its liability;

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<sup>1</sup> 'Deferred members' as per the HMRC definition. This includes members who may have reached normal pension age in the scheme and taken retirement but have not yet reached their State Pension age.

- Members whom PSPS believe are still in the scheme, but HMRC believe otherwise; and
- All pensioner members with active service between 6 April 1978 and 5 April 1997.

For pensioners that have been underpaid, the working group recommend these individuals receive their pension arrears in full, with interest in accordance with the scheme rules. For pensioners who have historically been overpaid, the working groups recommend that you wait for evidence from the reconciliation exercise on the extent of overpayments. This would give more information on whether there will be value for money in recouping the overpayments.

The working group recommends that the following members' data should *not* be reconciled:

- Deceased members where there is no surviving dependant.

The working group and DWP are still considering whether it is necessary to reconcile the data of:

- Members with service beginning after 5 April 1997 (the date at which members ceased to accrue a GMP).

The working group is liaising with officials in DWP and HMRC to resolve this point, and PSPSs should defer reconciling this data until a decision is made. The Treasury will communicate decisions on these issues in due course.

(ii) Options for simplifying the reconciliation exercise:

The working group recommends that scheme managers may allow for minor discrepancies between their data and that held by HMRC, in reference to the contracted-out dates and GMP amount. In particular, where:

- the contracted-out dates fall within the same tax year or +/- one year, 6 April to 5 April inclusive;
- the weekly GMP amount held by PSPSs and HMRC is within a £2 per week tolerance level,

the scheme should default to HMRC data for active and deferred members (as per HMRC definition).

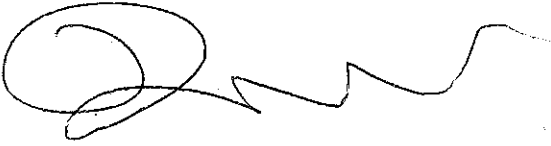
When reconciling pensioner members, PSPSs should default to scheme data where the GMP is within the £2 per week tolerance level, as this is the mechanism through which pensioners are already being paid. Further, with regards to a member with multiple gaps in service during that person's total period of contracted out employment, a tolerance of +/- 1 year (6 April to 5 April inclusive) at the start and end of each gap should apply.

This will ensure those members most significantly affected by any errors in the data will see corrections to their data but at the same time, the scale and cost of the exercise for each scheme is managed, supporting completion of this exercise by the December 2018 deadline.

Where a case falls outside the date or amount tolerance levels PSPSs need to investigate and correct data as necessary (but see the information earlier in this letter regarding any overpayments).

Given the views of the schemes and the agreement from HM Treasury Ministers that consistency across the schemes in this exercise is important, I am keen that, where feasible, scheme managers are consistent in their treatment of members throughout this exercise. These guidelines have been agreed across departments via the working group and at MOCOP and I'd welcome your support of this approach to the exercise. Nevertheless, should the LGPS choose not to adopt them, I would be grateful if you could please set out to me the reasons behind this decision and continue to work closely with us to ensure any learning or alternative approaches which may be beneficial to all schemes is effectively shared.

Yours Sincerely,

A handwritten signature in black ink, consisting of a large, stylized initial 'D' followed by a series of connected, wavy lines that form the rest of the name.