

Appendix 1

Post 97 contracted-out reconciliation – LGPS England & Wales

On 2 February 2017 the Secretariat sent out the following communications to LGPS funds in England & Wales. We understand that SPPA are currently considering their approach with regards to LGPS funds in Scotland and guidance may be issued in due course.

“Dear Colleagues

On the 10 February 2016 the attached letter, concerning contracted-out reconciliation, was distributed to LGPS Funds. A couple of questions were not addressed within the letter and this email seeks to address the requirement to reconcile the data of members with service beginning after 5 April 1997 (the date at which members ceased to accrue a Guaranteed Minimum Pension (GMP)). The contents of this email have been discussed and agreed by DCLG.

The LGPS is a funded scheme with variable and locally set individual employer contributions based on triennial valuations. As such, and unlike the other public service schemes, the accuracy of individual employer contribution rates relies heavily on correct data at a very granular level. Allowing records to go uncorrected has a direct impact on contribution levels for the employer and therefore extensive resource hungry data checks are completed annually and at each valuation.

For this reason, the LGPC recommend that the LGPS pursue an alternative to automatic reconciliation of all post 5 April 1997 records with HMRC data. This alternative would, we believe, address the primary objectives for the scheme as well as providing valuable data to HMRC without potentially duplicating the extensive work already undertaken. Whilst the expressed desire for consistency across public service pension schemes is understandable it is not a principle that has always been applied and therefore should not necessarily be followed in this instance. The application of Freedom & Choice to the LGPS alone amongst the public service schemes because of its funded nature is a recent example of such.

The LGPC recommend to approach post 5 April 1997 contracted-out reconciliation of data in the following ways:

- 1. Where contracted-out records appear on HMRC records but no corresponding LGPS pension records exist within its fund, LGPS Administering Authorities should investigate all cases.*
- 2. Where the dates of contracted-out service differ, each LGPS Administering Authority should only investigate those cases where in its view there is a significant risk to LGPS benefits or process.*
- 3. Where contracted out records do not appear on HMRC records but an LGPS pension record exists within its fund, each LGPS Administering Authority should notify HMRC of the discrepancy but only investigate those cases where in its view there is a significant risk to LGPS benefits or process.*

This approach represents a cost effective means of minimising risk of incorrect benefits while avoiding unnecessary and cost duplication of the work already undertaken to ensure records are accurate and correct employer contribution rates are levied.

The contents of this email are merely a recommendation and Administering Authorities may wish to pursue an alternative local solution to contracted-out reconciliation”