

## Appendix 2

### Contracted-out reconciliation – LGPS Scotland

*“SPPA wrote out on 11 February 2016 setting out its advice on how GMP reconciliation cases should be taken forward and a copy is attached for information.*

*The guidance set out the range of cases that needed to be included in the reconciliation and also the tolerances that could be applied when considering any discrepancies between HMRC and scheme GMP data. The aim of the guidance was to apply a consistent approach across the public service schemes, particularly those devolved to the Scottish Ministers.*

*The guidance issued on 11 February 2016 still applies, and we are seeking an update on where each Fund is in relation to its reconciliation exercise. In particular, we’d like to know whether any Funds have completed their reconciliation and are now in a position to identify any overpayments for those pensioners who reached SPA after 5 April 2009 (the guidance set out that only those pensioners who reached SPA after 5 April 2009 should be included, given the previous GMP reconciliation undertaken by the scheme in 2009, although that was not the case for the LGPS in E&W).*

*A decision has still to be made on how any resulting overpayments are handled and, as stated previously, that will be finalised when sufficient evidence from across the public service schemes allows a decision on recovery to be made by HM Treasury. SPPA will confirm that position as soon as it is known.*

*Funds may already be aware of a change to HMRC regulations since the 2009 reconciliation exercise was undertaken, whereby if a pension is not corrected within a reasonable time an overpayment comes to light, then any resulting overpayment arising from that failure to adjust the pension going forward becomes an unauthorised payment. However, HMRC apply a de minimis rule for overpayments. Where such payments are in aggregate under £250, HMRC will not seek to collect the tax that, in strictness, is due in respect of the unauthorised payment (although the payment remains an unauthorised payment), and the scheme administrator does not have to report the unauthorised payment to HM Revenue & Customs, and the unauthorised payment does not have to be returned on the recipient’s Self-Assessment tax return or, otherwise, be notified to HM Revenue & Customs. Schemes will need to be aware of this when they start to identify any overpayments on individual member cases. (Registered Pension Schemes (Authorised Payments) Regulations 2009/1171 and PTM146300.)*

*Could you confirm:*

- 1. At what stage your Fund is on the reconciliation process for both pensioner/deferred and active members?*
- 2. If any individual overpayments have been identified and if so what action has been taken?*
- 3. If individual overpayments have not yet been identified, can an estimate be made when this might commence?*

*Regarding question 1 above, I realise that most of you have already provided a response on the stage you are at with your pensioner/deferred members – thank you very much for that. Could you now provide the status for active members (any update you may have for your pensioner/deferred members would be welcome)?*