

Agenda item 4 – Technical Group 9 March 2018

Update from HMT GMP Technical Working group that took place on 28 February 2018

Those present at the meeting/conference call included representatives from:

- HMT
- Wales Government (PSPS)
- Scotland Government (PSPS)
- Northern Ireland Government (PSPS)
- Department of Education
- Teachers' Pension Scheme
- Ministry of Justice
- Home Office (representing Police and Fire Pension Schemes)
- Fire Brigade Pension Scheme
- Ministry of Defence (Armed Forces Pension Scheme)
- Ministry of Housing Communities and Local Government
- Local Government Pension Scheme
- National Health Service Pension Scheme

HMT provided an update on the outcome of the consultation on the indexation and equalisation of GMP in public service pension schemes:

- Within the response published by HMT on 22 January 2018, it was indicated that during the period from 6 December 2018 and before the 6 April 2021 “*the government will investigate the possibility of an alternative long-term methodology, known as “conversion”*”. In 2019 HMT intend to set up a focused working group to look at all the issues surrounding the feasibility of conversion, be this legislation, policy, practicality etc.
- Following on from the previous bullet point, this appears to indicate that the long term solution for those reaching SPa on and after 6 April 2021 (whatever that may be) will involve the public service pension scheme becoming responsible for all pension increases on any GMP entitlement (because additional pension (AP) is no longer payable by the state in respect of those members who reach SPa on and after 6 April 2016). Thus, it was mentioned by representatives from LGPS and TPS that it would seem reasonable that any non-club CETV out/in or pensioner on Divorce CETV performed ‘now’, should also reflect this eventuality. HMT are considering this point further.
- In order to implement the outcome of the consultation the Ministerial Direction dated 6 April 2016 and issued under section 59A of the Social Security Pensions Act 1975, requires revising. HMT are aware of the urgency with which this revision is needed are currently pushing this through with their lawyers.

Contracted-out reconciliation exercise, updates:

- Pensioner overpayments – schemes are in various stages of assessing as to whether or not to write off any overpayments. Initial tentative indications, show

that the majority of schemes are looking to write off any over payment and reduce the monthly pension values accordingly. Whilst Scotland Police, Fire and LGPS are also reviewing any overpayments, it was indicated that they would not be looking to reduce the monthly pension values, instead they intend to convert the element of monthly overpayment into an 'increased pension entitlement' (in the same way that the overpayments were addressed following the 2009 GMP exercise).

- Pensioner underpayments – again schemes are in various stages of assessing as to the value of any such underpayments, though some schemes have already repaid any monies owing and increased the member's pension entitlement. A discussion took place surrounding as to whether or not interest should be applied to any such payments. LGPS and TPS confirmed that it was prescribed within their regulations as to when interest should be paid. However, within some other public service pension schemes there is no legal requirement to pay interest.
- Stalemate cases – the majority of schemes are reaching the position where they have a number of stalemate cases. The most problematic of which, appear to be those cases for which the scheme cannot find any liability, though HMRC are insistent that the liability lies with the scheme. The representative from the LGPS confirmed that in their view a GMP In our view, a guaranteed minimum pension (GMP) is not a scheme benefit, it is merely the guaranteed minimum that a scheme must pay. The LGPS is a defined benefits scheme and as such, the benefits are based on a period of membership accrual and pay, following which the level of those benefits are assessed against the value of the GMP. Therefore, in order to pay a scheme benefit the scheme must have the necessary accurate data (prescribed within the scheme regulations and be in compliance with the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 [SI 2014/3138]) with which to calculate the defined benefits. HMT are aware of this issue and will consider this area further.
- Quality of data from HMRC – there was concern amongst the group regarding the quality of data that has been received from HMRC particularly the inconsistency when data is refreshed.