

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 11

INVESTMENT PANEL REPORT

27 SEPTEMBER 2017

STRATEGIC DIRECTOR FINANCE, GOVERNANCE AND SUPPORT – JAMES BROMILEY

GMP RECONCILIATION REQUIREMENTS

1. PURPOSE OF THE REPORT

- 1.1 To provide an overview of requirement to undertake a reconciliation of each member's Guaranteed Minimum Pension held by the Teesside Pension Fund and that held by HMRC's National Insurance Contributions Office (NICO).

2. RECOMMENDATIONS

- 2.1 That Members note the contents of the paper and approve the undertaking of the second stage of the reconciliation process.

3. FINANCIAL IMPLICATIONS

- 3.1 The exact financial implications are not known at this time, though an estimated cost of £252,200.00 has been proposed. Exact costs will be determined by the type of query the reconciliation produces.

4. BACKGROUND

- 4.1. For the period from 6th April 1978 to 5th April 2016 the Local Government Pension Scheme, along with many other occupational pension schemes, was "contracted-out" of the State Second Pension (S2P), previously known as State Earnings Related Pension Scheme (SERPS).
- 4.2. The benefits for the scheme member and scheme employer in operating a "contracted-out" scheme were that they both paid reduced National Insurance Contributions compared to those payable for non-members or members of "contracted-in" schemes.
- 4.3. Though pension schemes could be contracted out of S2P/SERPS until 5th April 2016, only the period to 5th April 1997 accrued a Guaranteed Minimum Pension (GMP).
- 4.4. A GMP is the minimum benefit a UK occupational pension scheme must provide for a member (or a surviving spouse or civil partner following the death of a member) for periods of service during which that member was contracted-out of the State Earnings-Related Pension Scheme (SERPS) between 6th April 1978 and 5th April 1997.

- 4.5. The GMP was intended to be broadly equivalent to the additional State benefit (S2P/SERPS) the member would have received, had he or she not been in contracted-out employment. Different rules apply for pension increases on the GMP in relation to periods of service before and after 6 April 1988.
- 4.6. The GMP was therefore the minimum benefit that a scheme had to pay to account for the fact the member had not accrued S2P/SERPS benefits from the State.
- 4.7. This could result in a higher benefit being payable than normally paid by the LGPS.
- 4.8. Since 6th April 2016, the Government introduced changes to the State Pension whereby it became a single flat rate amount and “contracting out” was abolished for all schemes.
- 4.9. As all schemes are no longer contracted out, HMRC’s scheme support services are being withdrawn from 31st December 2018. Responsibility for maintaining GMP records is being passed over to the pension schemes. HMRC have recognised that their record keeping over the years has been somewhat haphazard, and so have engaged in an exercise with the occupational pensions industry to ensure that the HMRC records match those of the pension schemes taking over the responsibility for the GMP. This exercise enables administrators to determine what GMP liabilities are held and by which schemes.
- 4.10. At the end of April 2018, HMRC will issue a definitive list of liabilities to each pension scheme. After this list is issued there will no longer be any responsibility for GMP’s left with HMRC – all liabilities will now be with the pension schemes.
- 4.11. If a pension scheme has missing or inaccurate GMP data – that is, scheme records differ from the data held by HMRC – then benefit calculations and pension payments may be incorrect. Errors in relation to revaluation and pension increases can be compounded over time, potentially resulting in major discrepancies.
- 4.12. There can also be cases where HMRC may still hold a GMP liability against one scheme when that benefit has been refunded or transferred to another scheme. If HMRC records do not show the correct information then the wrong scheme could become liable to pay a benefit equivalent to the GMP value to that member even though the liability should have been passed on; this adds to the liabilities of the scheme.
- 4.13. With a requirement to protect the Public Purse, public sector schemes should be seen as being at the forefront of ensuring the correct benefits are being paid.
- 4.14. With increased life expectancies these overpayments, though potentially small on an individual basis, may cumulatively turn out to be quite significant.
- 4.15. Public Sector schemes are now overseen by the Pensions Regulator. Part of the Pension Regulators remit is to ensure schemes have good governance procedures in place which includes quality member data. If a scheme has not undertaken a reconciliation of GMP’s then it cannot claim that it holds good quality data.
- 4.16. The cost of reconciling scheme data to that held by HMRC has the potential to be high. The Teesside Pension Fund had a total of 36,152 members who had left the scheme by 6th April

2016 and required additional investigation under stage 2 of the reconciliation process put forward by Kier Business Services Ltd, which equates to a cost of £252,200 (or £6.98 per member).

- 4.17. The cost of Stage 2 has been based on an estimate of the time to complete each type of query and priced using the cost rates of the staff expected to undertake the work. This would work out at £31.35 per hour for a supervisor and £17.89 per hour for a Pensions Officer. This compares to the rate card pricing of £431 per day (£58.24 per hour) for a consultant and £376 per day (£50.81 per hour) for an analyst.
- 4.18. In order to ensure that the Teesside Pension Fund was obtaining value for money, Kier initially investigated outsourcing this process and initial quotes were obtained from third party specialists. Quotes were only obtained for completing stage 1 of the process because until that is completed there are no figures available upon which to base a quote for stage 2 of the process. Stage 1 costs for the Teesside Pension Fund were quoted as £85,624.00 compared to the £5,000.00 charged by Kier for undertaking this exercise.
- 4.19. As a benchmark, a quote of £162,000 has been provided to a scheme (not administered by Kier) which had 6,327 stage 2 queries (£25.60 per member). Sourced from Pensionweb, online pension community. Using this company the cost to the Teesside Pension Fund would be in the region of £900,000
- 4.20. Industry estimates have consistently quoted prices for completing the whole exercise between £20 and £40 a scheme member (based on total scheme membership – not just the membership identified from the stage 1 results) which equates to between £1.2m and £2.4m for the Teesside Pension Fund.
- 4.21. The Stage 1 report is shown in Appendix A. The report provides an overview of the queries to be investigated under Stage 2, along with an overview of the final two stages to complete the reconciliation work.

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Kier Workplace Services
Teesside Pension Fund
GMP Reconciliation Exercise
Stage 1 Report

Introduction

Purpose and Scope

The purpose of this document is to provide a summary of the initial findings following the Stage 1 data analysis of non-active members of the Teesside Pension Fund.

The scheme members currently in scope are those who hold a contracted-out liability and whose status is pensioner, dependant pensioner or deferred member.

In October 2016 HMRC announced their intention to identify all individuals who were still in contracted out employment on 5 April 2016 and automatically close their pension scheme membership details on HMRC's records. We have received confirmation from HMRC that the closure scan request for the Teesside Pension Fund has been registered. Once we receive this data, it will be subject to the same analysis as outlined below and we will provide you with an update of the initial findings once this work is complete.

There will be no GMP to reconcile for those members who hold a post 97 contracted out membership, however HMRC still require a reconciliation to be carried out to ensure that the responsibility for the member's contracted out period of employment is held in the correct Scheme.

Stage 1 Overview

Stage 1 of the reconciliation process involves a comparison of the data held by HMRC against the data held on the Kier Altair system.

HMRC submit their data via the online Shared Workspace which is a secure portal allowing HMRC and authorised Customer Organisation Representatives to view, add and query sensitive data. The data files submitted by HMRC contain members' National Insurance Number, Surname, Initials, Total GMP, Post-88 GMP and Revaluation Rate. The GMP reconciliation module in Altair extracts the equivalent data from the member's records, compares this with HMRC data and produces a findings report.

Stage 1 involves comparing the initial data from both sources and identifying any bulk issues across the member records. Stage 2 is a lengthier process which involves a more detailed investigation into individual member records.

Stage 1 includes the following steps:-

- Requesting and retrieving member data files from the HMRC Shared Workspace.
- Preparing the administration reports from Altair in a format that is compatible with the HMRC data files.

- Analysing the merged data files and identifying any bulk issues that can be fixed without the requirement for a more detailed individual member investigation.
- Identifying the difference in membership and GMP liability amounts between Altair and HMRC.
- Creating the Stage 1 report which includes initial findings along with suggestions and recommendations based on those findings.
- Agreeing tolerance levels (which anomalies will be investigated and to what degree) with the Client and how cases inside and outside of the tolerances will be dealt with.

Teesside Pension Fund

Data Submission

When HMRC submit their data on the Shared Workspace, it is either a 'Full Membership' file or a 'Type 5' file. A Type 5 file is a file containing updates to the original Full Membership file. It contains a list of members who were shown as *category 5 on the original Full Membership file and have subsequently been altered to another category. 5 data files were submitted for the Teesside Pension Fund, details of which are as follows:

File Type	Data Submitted	Total Members
Full Membership	7 October 2014	38,022
Type 5	30 July 2015	420
Type 5	22 January 2016	11
Type 5	18 April 2016	214
Full Membership (2 nd Output)	10 May 2016	39,023

Further to the original Full Membership file in October 2014, HMRC identified an additional 1,001 members who needed to be allocated to the Teesside Pension Fund: these were included in the 2nd Full Membership file on 10 May 2016. Upon investigation of the file received on 10 May 2016, it was identified that the members in the previous Type 5 files had reverted to category 5*. This was queried with HMRC who advised that the data in the Type 5 files would be the most accurate for these members; the 4 files were therefore amalgamated before performing the data comparison. 61 of the members in the Type 5 files were new which increased the total members to 39,084.

* Incomplete records – member records that contain insufficient information.

A breakdown of the data held on both systems prior to the reconciliation is provided below.

HMRC Data Breakdown

Member Category	Total Members
0 – No Liability	8
1 – Early Leaver	24,046
2 – Pensioner	13,247
3 – Widow	1,376
4 – Widower or Surviving Civil Partner	204
5 – Incomplete record	203
Total	39,084

The categories used by HMRC to split their members are detailed below:

- o - **No Liability** – No liability due to no qualifying spouse

- 1 - **Early Leaver** – a member who left the pension scheme prior to state pension age (SPA).
- 2 - **Pensioner** – a member who has reached SPA at extraction date.
- 3 - **Widow** – a spouse claiming a dependant’s pension, entitled to 50% of the first-life member’s total GMP.
- 4 - **Widower or Surviving Civil Partner** – a spouse claiming a dependant’s pension, entitled to 50% of the first-life members post-88 GMP.
- 5 - **Incomplete records** – member records that contain insufficient information.

HMRC have advised that some members have incomplete records for whom they are currently unable to provide full details. They will actively investigate these records where possible and provide further information via a Type 5 data file in the future.

Altair Data Breakdown

Member Category	Total Members
3 - Leaver – No liability	20,345
4 - Deferred	22,778
5 - Pensioner	17,430
6 - Widow/er	5
7 - Deceased	8,639
8 – Awaiting Entry	559
9 – Frozen Refund	9
o – Optant Out	5,963
T – Third Tier Cessation	7
TOTAL	75,735

The Altair administration system categories are:

- 3 – **No Liability** - a member who has left the pension scheme and whose benefits have been transferred to another pension provider.
- 4 – **Deferred** - a member who has left active employment, is not yet in receipt of a pension but has benefits preserved within the scheme.
- 5 – **Pensioner** - a member currently in receipt of a pension from the scheme.
- 6 – **Widow/er** - a spouse claiming a dependant’s pension.
- 7 – **Deceased** – details provided by HMRC for these cases relate to an originating deceased member for whom a spouse/dependant’s pension exists.
- 8 – **Awaiting Entry** – New Joiner to the Scheme
- 9 – **Frozen Refund** – a member who has left active employment and is entitled to refund which cannot currently be paid.
- o – **Optant Out** – a member who opted out of the pension scheme.
- T – **Third Tier Cessation** – a member who is in receipt of ill health retirement but is due a review due to the fact they could be capable of undertaking gainful employment within 3 years of the date of cessation.

Results

The Altair GMP Reconciliation facility provides support for the Scheme Reconciliation Service, enabling members’ GMP data recorded in Altair to be compared to data received from HMRC and updated where appropriate.

The data comparison has been carried out and the results are provided below:-

Results Category	Number of records
1. 100% Match	12,358

2. Best Match (BM) - NINO and Start & End Dates	716
3. BM – NINO and Surname	7,314
4. Both GMP Outside Tolerance	1,766
5. End Date Mismatch	897
6. Multiple (HMRC) Mismatches	3,585
7. Multiple (Scheme) Mismatches	5,821
8. Orphaned (HMRC)	2,835
9. Orphaned (Altair)	30,625
10. Orphaned (Deceased) - Altair	6,748
11. Orphaned (Deceased) - HMRC	123
12. Post 88 GMP Outside Tolerance	112
13. Revaluation Rate Mismatch	4,787
14. Start Date Mismatch	3,231
15. Surname Mismatch	646
16. Total GMP outside Tolerance	591
17. NINO Mismatch	43
18. Status Mismatch	80
TOTAL	82,278

A breakdown of all categories and their definitions are provided below:

- 100% Match** - The number of non-deceased records that matched all relevant fields for both the scheme file and reconciliation file.
- Best Match – NINO Start & End Dates** – The NINO and Employment dates agree on HMRC and Altair however, other data, such as Surname, does not.
- Best Match – NINO and Surname** - The NINO and Surname agree on HMRC and Altair however, other data, such as Employment dates do not.
- Both GMP Outside Tolerance** – Records where all relevant fields match with the exception of both the total and post 88 GMP. If a zero tolerance was used, this category will contain all records where post 88 GMP was the only mismatched field
- End Date Mismatch** – Records where all relevant fields match except for the end date.
- Multiple (HMRC) Mismatches** – Records in the HMRC file that do not fall into the above categories or categories 13, 14 and 15. If one of the multiple mismatches on a record is a NINO, that record will be reported as “Orphaned Altair” record rather than a multiple mismatch. Cases where identical multiple records exist in the HMRC file (where all fields are exactly identical) may appear in this category, especially where multiple identical records have attempted a match against only one scheme record. It is recommended that these categories are reviewed for such occurrences. HMRC type 5 members are likely to appear in this category if they have matched a scheme NI number.
- Multiple (Scheme) Mismatches** - Records in the HMRC file that do not fall into the above categories or categories 13, 14 and 15. If one of the multiple mismatches on a record is a NINO, that record will be reported as “Orphaned Altair” record rather than a multiple mismatch. Cases where identical multiple records exist in the HMRC file (where all fields are exactly identical) may appear in this category, especially where multiple identical records have attempted a match against only one scheme record. It is recommended that these categories are reviewed for such occurrences. HMRC type 5 members are likely to appear in this category if they have matched a scheme NI number.
- Orphaned (HMRC)** – Records in the HMRC file that do not appear in Altair.
- Orphaned (Altair)** – Records in Altair that do not appear in in HMRC file.
- Orphaned (Deceased) Altair**– Deceased member records in the Altair that do not appear in the HMRC file.
- Orphaned (Deceased) HMRC** – Deceased member records in the HMRC file that do not appear in Altair.
- Post 88 GMP Outside Tolerance** - Records where all relevant fields match, except post 88 GMP (post 88 GMP at exit, at SPA, or at date of death depending on the member type), but post GMP is outside the weekly tolerance set at the input screen. If a zero tolerance was used, this category will contain all records where post 88 GMP was the only mismatched field.

13. **Revaluation Rate Mismatch** - Records where all relevant fields match except for revaluation rate. Because HMRC does not provide the fixed rate revaluation rate for each member where applicable, only revaluation type can be used in this stage of matching.
14. **Start Date Mismatch** - Records where all relevant fields match except for start date/date contracted out. The Altair value used in this comparison is the 'Date Contracted Out' field.
15. **Surname Mismatch** - Records where all relevant fields match, except for surname.
16. **Total GMP Outside Tolerance** - Records where all relevant fields match, except total GMP (total GMP at exit, at SPA, or at date of death depending on the Member Type), but total GMP is outside the chosen weekly tolerance. If a tolerance of 0.00 was used, this category will contain all records where total GMP was the only mismatched field.
17. **NINO Mismatch** – Records where all relevant field match, except for the National Insurance Number.
18. **Status Mismatch** – Records where all relevant fields match, except for the status/member type.

Analysis of Results

100% Match

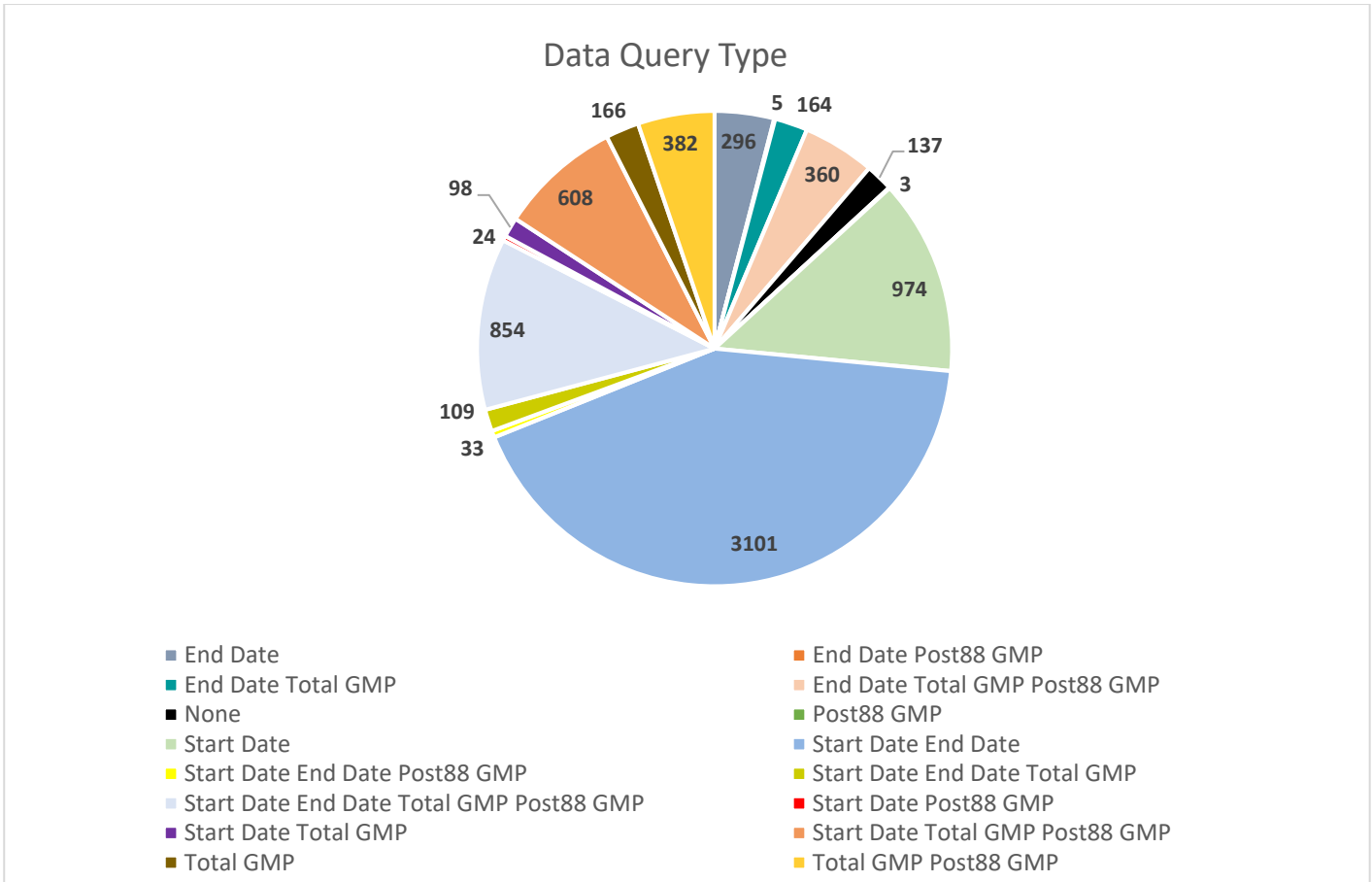
We have identified that 12,358 (15.02%) records are 100% Match and require no further action. This leaves a total of 69,920 records to investigate further.

Best Match – NINO and Start & End Dates

We have identified 716 (0.87%) records where only the NINO and Start & End Dates match. Initial investigations indicate that 552 records do not require any further action as the fields that do not match are the member's surname and initials; this does not affect the member's GMP entitlement. The remaining records have been highlighted due to a difference in the total and post 88 GMP amounts.

Best Match – NINO and Surname

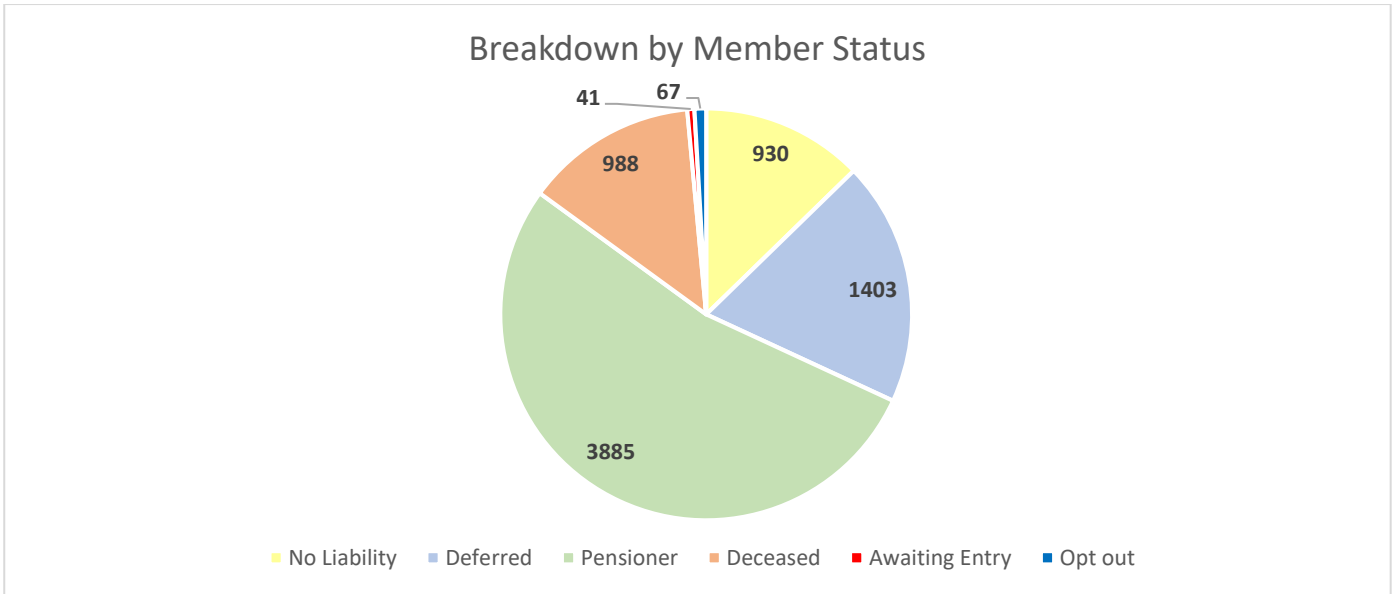
We have identified 7,314 (8.89%) records where only the NINO and Surname match. Initial investigations have enabled us to categorise these records further, details of which are provided in the charts below:



The above chart illustrates the different query types that have been identified during the Stage 1 process and the corresponding number of records for each.

We immediately identified that 137 records can be eliminated from further investigation. These members were highlighted due to a mismatch of 1 day between the employment end dates held on Altair and the end dates held by HMRC. It is not unusual to see a 1 day mismatch in some circumstances due to Altair showing the end date as the member’s last day of employment and HMRC showing the end date as the member’s first day of retirement. We are satisfied that no further investigation is required for these cases.

The remaining 7,177 records all require further investigation due to a mismatch relating to either the member’s employment dates, the GMP amounts, or both.



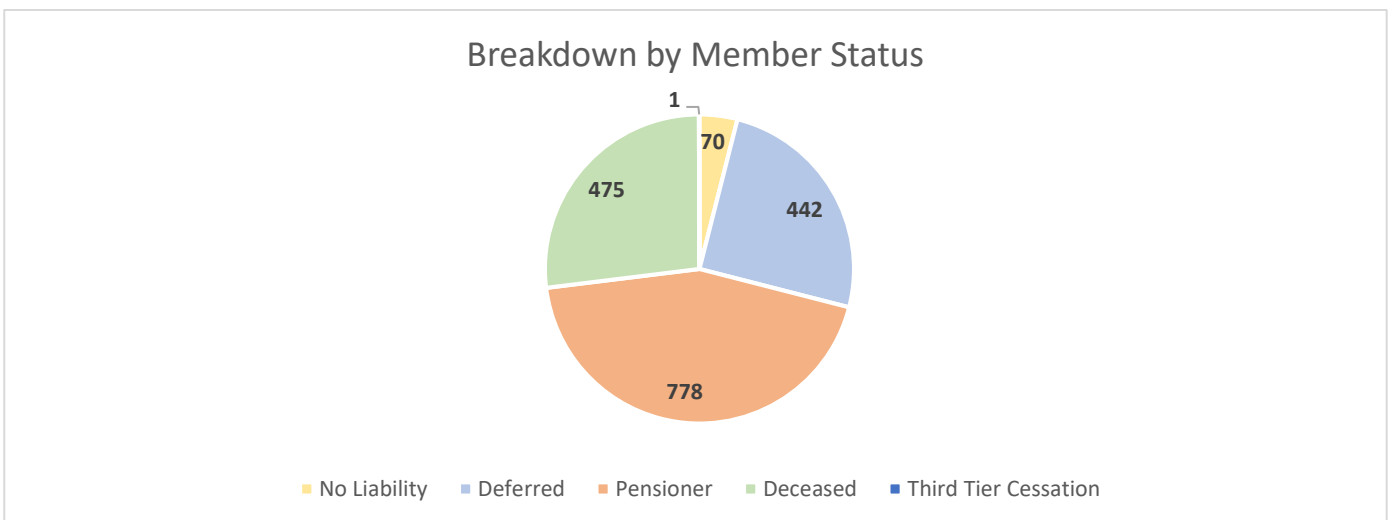
The above chart shows a breakdown by Status type. The “No Liability” status represents those members who have left employment and transferred their benefits out of the Teesside Pension Fund to another provider. In these instances the GMP liability has transferred to the receiving scheme but the paperwork for this transfer has either not reached or not been actioned by the HMRC.

The Pensioner records represent members who are already in receipt of a pension and could potentially be identified in Stage 2 as an over or underpayment if they have already reached State Pension Age. The data provided by HMRC at this stage does not include the member’s date of birth; it is our intention in Stage 2 of the process to identify members who are over or approaching State Pension Age and give these cases priority so that under and overpayments are identified at the earliest opportunity.

It should be noted that the 137 records illustrated in the chart on page 6 can be deducted from the chart above: Of the 137 records, 35 are Pensioners, 52 No Liability – Leaver, 25 are Deferred, 9 Awaiting Entry, 6 is Deceased and 10 Optant Out. This leaves 3,850 Pensioners, 878 No Liability – Leaver, 1,378 Deferred, 32 Awaiting Entry, 982 Deceased and 57 Optant Out records to investigate.

Both GMP outside Tolerance

We have identified 1,766 (2.15%) records where both the total and post 88 GMPs disagree.



A zero tolerance has been applied in the first instance to identify all anomalies between Altair and the HMRC data. From our experience, we consider 3 pence per week as an acceptable tolerance as this covers any issues impacting the GMP from the application of rounding within the calculation. An analysis has also been carried out based on the £2 per week tolerance recommended by the Pensions Regulator, the results of which are below:

Tolerance	Queries
Zero	1,766
3p a week	1,668
£2 a week	1,264

The impact of applying a 3 pence per week tolerance reduces the queries by 5.55% and the £2 per week tolerance reduces the queries by 28.43%. The monetary difference in the remaining queries ranges from £2.02 to £139.60 per week.

End Date Mismatch

We have identified that there are 897 (1.09%) records for which the member's End Dates do not match.

We immediately identified that 55 of these records can be eliminated from further investigation. These members were highlighted due to a mismatch of 1 day between the employment end dates held on Altair and the end dates held by HMRC. It is not unusual to see a 1 day mismatch in some circumstances due to Altair showing the end date as the member's last day of employment and HMRC showing the end date as the member's first day of retirement. We are satisfied that no further investigation is required for these cases.

The remaining 842 records will require further investigation.

Multiple HMRC Mismatches

We have identified 3,585 (4.36%) records that have a multiple HMRC data mismatch. As these records have also been highlighted in the "Multiple Altair Mismatches" category; they have already been marked for further investigation; the total number of queries therefore reduces by 3,585 (4.36%).

Multiple Altair Mismatches

We have identified 5,821 (7.07%) records which have a multiple Altair data mismatch. 4,972 of the records relate to the members where HMRC have more than 1 period of contracted out employment recorded for them.

Orphaned HMRC and Altair

A significant part of the GMP reconciliation exercise is to identify any missing member records; those that are either recorded only by HMRC as a contracted out member or only by the administration system as a contracted out member.

We have identified 2,958 (3.60%) records where data is held on the HMRC database but not on the Altair system and 37,373 (45.42%) records where data is held on Altair but not on the HMRC database.

Corresponding records

	Total Records
Corresponding records	41,947
Orphaned - HMRC	2,835
Orphaned - HMRC (Deceased)	123
Orphaned - Altair	30,625
Orphaned - Altair (Deceased)	6,748
Total	82,278

We immediately identified that 22,770 of the Orphaned Altair records can be eliminated from further investigation. 17,286 of these members are Leavers with no liability left in the Scheme and 5,484 of the members have opted out of the Scheme; we would therefore not expect HMRC to have them recorded as having a contracted out entitlement with the Teesside Pension Fund.

We also identified that 1,094 of the Orphaned Altair (Deceased) records and 81 Orphaned Altair records can be eliminated from further investigation. These members all have employment periods that ceased prior to 6 April 1978 and therefore have no contracted out entitlement.

The member records that are recognised on one system but not the other will need to be investigated and an agreement established with HMRC as to whether the scheme holds contracted out liability for the members in question. We anticipate that the majority of these records will be queried in bulk however, there will be some instances where a more detailed individual member query will be required.

It is possible that some of the member records that are "Orphaned Altair" or "Orphaned HMRC" do correspond but may not have been matched because they do not share the same National Insurance Number. At this stage, HMRC have provided limited information which does not include the member's date of birth or gender; this means that we are reliant on the member's National Insurance Number for identification purposes. Other possible reasons for a mismatch are that the member may have transferred in or out of the scheme but the correct paperwork has not reached or been actioned by HMRC.

Post 88 GMP outside Tolerance

We have identified 112 (0.14%) records for which the member's post 88 GMP does not agree based on a zero tolerance. We have applied a 3 pence and £2 tolerance to the data to illustrate how this affects the number of queries required.

Tolerance	Queries
Zero	112
3 pence pw	85
£2 per pw	32

The impact of applying a 3 pence per week tolerance reduces the queries by 24.11% and the £2 per week tolerance reduces the queries by 71.43%. The monetary difference in the remaining queries ranges from £2.08 to £62.35 per week.

Revaluation Rate Mismatch

We have identified 4,787 (5.82%) records for which the member's revaluation rate does not agree. 4,770 of these members have contracted out employment which commenced after 6 April 1997. As GMPs ceased to exist from 6 April 1997, no further action is required on these records. This leaves 17 records requiring further investigation.

Start Date Mismatch

We have identified 3,231 (3.93%) records for which the member's start date does not agree.

We immediately identified that 35 of these records can be eliminated from further investigation. These members were highlighted due to a mismatch of 1 day between the employment start dates held on Altair and the end dates held by HMRC. It is not unusual to see a 1 day mismatch in some circumstances. As this does not affect the member's contracted out entitlement, we are satisfied that no further investigation is required for these cases.

The remaining 3,196 records will need to be investigated in more detail to ascertain the correct start date for each member.

Surname Mismatch

We have identified 646 (0.79%) records for which the member's surname does not agree.

Differences in the members' name do not have an effect on assessing the members' contracted out liability as National Insurance Numbers are used as the member's unique identifier. However, as pension scheme administrators, we have a duty to maintain good record keeping across all membership categories specified in the Record Keeping Regulations. We would therefore advise that these mismatches should still be investigated and resolved.

Total GMP outside Tolerance

We have identified 591 (0.72%) records for which the member's total GMP does not agree based on a zero tolerance. We have applied a 3 pence and £2 tolerance to the data to illustrate how this affects the number of queries required.

Tolerance	Queries
Zero	591
3 pence pw	443
£2 per pw	322

The application of a 3 pence per week tolerance reduces this category of queries by 25.04% and the £2 per week tolerance reduces the queries by 45.52%. The monetary difference in the remaining 54.48% of the queries ranges from £2.04 to £61.25 per week.

National Insurance Number Mismatch

We have identified 43 (0.05%) records for which the National Insurance Number held in Altair does not agree with the National Insurance Number held by HMRC. As all other data matches for these members and HMRC are responsible for issuing National Insurance Numbers, we intend to accept the number they hold and update our records accordingly.

Status Mismatch

We have identified 80 (0.10%) records for which the member's status/type does not agree.

Assumptions

This section describes how the application of certain assumptions affects the number of matching records and the subsequent remaining number of queries.

- **Identical Matches**

There are 12,358 members with identical matches when applying a zero tolerance. This is the equivalent to a 15.02% agreement rate between the data held on Altair and the HMRC data.

- **Accepting Surname Mismatch**

If we disregard any further investigation into the surname mismatch queries within the GMP reconciliation exercise, this provides an increase of 1,198 records requiring no further action. This increases the agreement rate by 1.46%

- **Post 6 April 1997 Service**

Accepting that no further action is required for these 4,770 records due to their contracted out employment dates, provides an increase in the agreement rate of 5.80%.

- **1 day tolerance Mismatch**

Choosing to accept a 1 day tolerance with the Start and End employment dates reduces the amount of queries by 227. This provides an increase in the agreement rate of 0.28%.

- **Duplicate Multiple Mismatch**

Removing the duplication of the 3,585 Multiple Mismatch queries provides an increase in the agreement rate of 4.36%.

- **Pre 6 April 1978 Service**

Accepting that no further action is required for 1,175 records due to their service ending prior to 6 April 1978, provides an increase in the agreement rate of 1.43%.

- **Opt out/No Liability Status**

Accepting that no further action is required for these 22,770 Orphaned Altair records provides an increase in the agreement rate of 27.67%.

- **NI Number Mismatch**

Accepting the National Insurance Number that is held by HMRC for 43 members provides an increase in the agreement rate of 0.05%.

The acceptance of all of the above assumptions results in an increase to the agreement rate from 15.02% to 56.07%.

This leaves a total of 36,152 records which require further investigation.

Summary of Stage 1 Results

Choosing to accept the assumptions detailed in the previous section results in a remaining 43.93% of the total member records requiring further investigation. These have been categorised into Single and Bulk queries depending on the nature of the query; details of which are as follows:-

Results Category	Bulk Queries	Single Queries
BM - NINO and Start & End Dates		164
BM – NINO and Surname		7,177
Both GMP Outside Tolerance		1,766
End Date Mismatch		842
Multiple Mismatches		5,821
Orphaned (HMRC)	2,835	
Orphaned (Altair)	7,774	
Orphaned (Deceased) - Altair	5,654	
Orphaned (Deceased) - HMRC	123	
Post 88 GMP Outside Tolerance		112
Revaluation Rate Mismatch		17
Start Date Mismatch		3,196
Total GMP outside Tolerance		591
Status Mismatch		80
TOTAL	16,386	19,766

Post 1997 members

We have identified that out of the 36,152 queries, 35,884 of them relate to records where the member's contracted out employment commenced after 6 April 1997. Although there is no GMP to reconcile in these circumstances, HMRC still require a reconciliation to be carried out to ensure that the responsibility for the member's contracted out period of employment is held in the correct Scheme.

4,770 of these records were eliminated from further investigation when they were initially highlighted as a post 1997 member in the 'Revaluation Mismatch' category (see page 9).

497 of these records were eliminated from further investigation when they were initially highlighted as a surname and initials mismatch in the 'Best Match – NI and Start & End Dates' category (see page 6).

134 of these records were eliminated from further investigation when they were initially highlighted as a 1 day mismatch in the 'Best Match NI & Surname' category (see page 6).

4 of these records were eliminated from further investigation when they were initially highlighted as a 1 day mismatch in the 'End Date Mismatch' category (see page 8).

10 of these records were eliminated from further investigation when they were initially highlighted as a 1 day mismatch in the 'Start Date Mismatch' category (see page 9).

415 of these records were eliminated from further investigation when they were initially highlighted in the 'Surname Mismatch' category (see page 9).

15,718 of these records were eliminated from further investigation when they were highlighted as a Leaver or Optant Out Status in the 'Orphaned Altair' category (page 9).

The remaining 14,336 records have not been eliminated due to mismatches between the employment dates held on Altair and those held by HMRC which must be queried and reconciled.

6,549 of these records are contained within the 'Orphaned Altair' and 'Orphaned (Deceased) Altair' categories and will be included in the bulk query submission to HMRC.

Stage 2 Process

Estimated Work Required

The purpose of Stage 2 of the exercise is to reconcile the discrepancies in the membership data identified by Stage

1. This involves the following steps:

- Reach an agreement with the Teesside Pension Fund based on the assumptions and recommendations provided in this report.
- Make the relevant adjustments to the data removing any records that have been excluded from scope.
- Identify all individuals who are due to reach State Pension Age prior to December 2018.
- Identify all individuals who have already reached State Pension Age and are in receipt of a pension from the Scheme.
- Investigate all "Orphaned HMRC" records using the Bulk query facility on the HMRC Shared Workspace. We believe that these queries may have arisen due to HMRC holding the incorrect (SCON) Scheme Contracted Out Number; if this is the case, HMRC will be responsible for investigating and amending their database accordingly.
- Investigate all "Orphaned Altair" records using the bulk query facility on the HMRC Shared Workspace. It is possible that more queries will be generated following the initial bulk query submission for these records. In cases where HMRC have not been advised of an individual's membership within the Scheme, HMRC will be

required to update their records accordingly which will subsequently produce a GMP entitlement for the member. If this GMP or any other data the HMRC holds for these members does not agree, a single member query submission will be required.

- Investigate all single member queries and submit queries to HMRC where required.
- Identify cases of under/overpayment of pension and agree the course of action with the Teesside Pension Fund.
- Create the Stage 2 report containing detailed findings from the reconciliation along with suggestions, recommendations and costings for the next stage of the process.

Estimated Cost of Stage 2

The amount of time required to investigate each individual record cannot be exactly calculated due to the differing complexities of each member. The costs provided below have been calculated based on an average of the minimum and maximum amount of time we estimate will be spent on each case.

Query Type	No of cases
Best Match - NINO Start & End Dates Access and review member record. Submit query to HMRC and review response OR Identify update.	164
Best Match - NINO & Surname Access and review member record. Submit query to HMRC and review response OR Identify update. Identification of over/underpayments.	7,177
Both GMP Outside Tolerance Access and review member record. Submit query to HMRC and review response OR Identify update. Identification of over/underpayments.	1,766
End Date Mismatch Access and review member record. Submit query to HMRC and review response OR Identify update.	842
MULTIPLE Mismatches Access and review member record. Submit query to HMRC and review response OR Identify update.	5,821
Orphaned – HMRC Batch and format data, Submit query to HMRC. Review response from HMRC and respond accordingly.	2,835
Orphaned – Scheme Batch and format data. Submit Queries to HMRC. Review response from HMRC. Depending on HMRC response, single queries could be generated.	7,774
Orphaned (deceased) – Scheme Batch and format data. Submit Query to HMRC. Review response from HMRC. Depending on HMRC response, single queries could be generated.	5,654
Orphaned Records (deceased) – HMRC Batch and format data, Submit query to HMRC. Review response from HMRC.	123
Post 88 GMP outside Tolerance Access and review member record. Submit query to HMRC and review response OR Identify update. Identification of over/underpayments.	112
Revaluation Rate Mismatch Access and review member record. Submit query to HMRC and review response OR Identify update.	17
Start Date Mismatch Access and review member record. Submit query to HMRC and review response OR Identify update.	3,196
Total GMP outside Tolerance	591

Access and review member record. Submit query to HMRC and review response OR Identify update. Identification of over/underpayments.	
Status Mismatch	80
Access and review member record. Submit query to HMRC and review response OR Identify update.	
Total	36,152
Obtain member DOB file from Altair and amalgamate with current Altair data files	
Identify member approaching SPA prior to December 2018	
Identify members over SPA already receiving pension	

The total estimated cost for carrying out Stage 2 of the reconciliation process is £252,200.00.

We cannot predict the content of the responses that we will receive from HMRC and it is quite possible that further queries will be generated following the submission of our initial enquiries. This may subsequently result in an increase to the amount of administration time and related costs involved. It is also possible that the number of queries initially identified in Stage 1, will reduce following further investigation; this may result in a reduction in the amount of administration time and related costs involved.

In the event of the requirement to revise our initial costs, no further action will be taken until agreement has been obtained from the Teesside Pension Fund.

Timing

Stage 2 is expected to take between 6 and 12 months.

The results of our investigations will be provided upon completion of all of the actions detailed within this report.

Our initial plans involved a 3 Stage process; which included the identification and calculation of the correct level of benefits taking place in Stage 2, along with the identification and calculation of any over/underpayments. However, due to the complex nature of the calculations required, it is now our intention to split the final stages of this exercise into 2. This will not affect the overall timescales for completing this exercise which will be completed within HMRC's deadline of December 2018.

Stage 3

Stage 3 includes the following steps:-

- Calculate correct level of benefits and any over/underpayments.
- Agree tolerance levels and actions to be taken on any over/underpayments.
- Provide and agree costs for Stage 4.

Stage 4

Stage 4 includes the following steps:-

- Making corrections to the member records in Altair.
- Contacting the affected members to advise them of any changes.
- Finalise agreed member and GMP records with HMRC