

GMP Rectification Decisions – Personnel Committee 31 January 2020

APPENDIX

Ref No.	Decision Description	Proposal
D1	Is it acceptable that members who are “No liability” are entirely excluded (and hence treated as if they are also in Band 1)?	It is proposed that members will be included in Band 1 (no rectification required) when: <ul style="list-style-type: none"> • identified during Stage 2 as having suspect HMRC data that cannot be successfully challenged and hence will not be rectified, or • the member has a "no liability" status
D2	Is it acceptable to apply the easement and remove these members from the population that are submitted for rectification processing?	It is proposed to accept the HM Treasury easement to accept Fund records where GMP differences are within £2 pw at the point of comparison, for pensioners and dependant members. This point of comparison will be GMP age or Date of Death for pensioners and dependants respectively.
D3	Is it acceptable to operate a trivial threshold at all? If so then at what level should the trivial threshold be set?	ITM propose that a “trivial threshold” is set based on a review of the full set of draft rectification results. If the size of the correction to a member’s current pension is below the trivial threshold then the member would then be treated as a Band 3 – Trivial Adjustment member. Typically clients have chosen trivial thresholds of between £2.60 pa and £12 pa, often applying to both under and overpayments.
D4	Is it acceptable to operate a trivial threshold in respect of underpaid members?	WPF could choose to apply a smaller trivial threshold to underpayments than that applied to overpayments.
D6	Is it acceptable to not attempt to take account of the impact of incorrect GMP on a deceased member’s pension, and hence on the dependant’s initial pension level?	Where the deceased member died in retirement after GMP date then it is possible to either rectify the dependant’s benefits only or to rectify both the deceased member’s benefits and the dependant’s benefits. ITM’s preference is to correct pension increases from date of death for all dependant pensioners. However, ITM's preferred method is that only the dependant’s GMP will be corrected, that is no attempt will be made to assess if the deceased member’s pension was impacted by incorrect GMP.
D7	Whether and how underpaid pensions in payment will be corrected?	Once WPF are aware that incorrect benefits are being paid then legal advice is usually that they have a duty to correct them.

		Therefore pensions that are currently being underpaid (and the change is non-trivial) should be increased to the correct level as soon as is practical.
D8	Whether historic underpayments will be paid to the member?	Historic underpayment of benefits should be made good through a single payment.
D9	Whether interest will be applied to historic underpayments?	Interest may be applied to these underpayments in line with LGPS regulations (e.g. Bank of England base rates or the rate interest applied when past underpayments are corrected as part of business as usual processing).
D10	Whether and how overpaid pensions in payment will be corrected?	<p>Once WPF are aware that incorrect benefits are being paid then they have a duty to correct them.</p> <p>Therefore pensions that are currently being overpaid (and the change is non-trivial) should be decreased to the correct level as soon as is practical, but allowing the member enough time to adjust their financial arrangements or query the change with the Pension Fund.</p> <p>Alternatively WPF could augment benefits to maintain benefits at their current, overstated level.</p> <p>A third option is to freeze benefits at their current level until pension increases/bonuses cause the rectified pension amount to catch-up with the frozen benefit. This option also involves carrying out an augmentation, possibly on an annual basis for each member whose pension has not “caught up” with the frozen level.</p> <p>Any augmentation may or may not be passed onto dependants in the event of an overpaid member's death.</p>
D11	Whether historic overpayments will be clawed back and whether interest will be applied?	<p>Historic overpayments can be recouped and WPF may feel that they have a duty to the Pension Fund to do so. However, in ITM's experience it is more common for Trustees / Pensions Committees to waive historic overpayments.</p> <p>ITM understand that some of our clients have received advice that waiving the recoupment of an overpayment does not result in that overpayment being treated by HMRC as an unauthorised payment, as long as the overpayment was made “by mistake”.</p> <p>WPF could consider looking at extreme cases and to bring these back to Pensions Committee for further consideration/decision.</p>