

## GMP RECONCILIATION FOR ACTIVE MEMBERS

### Introduction

Following the abolition of DB contracting out any member who had an open period of contracted out service has now been automatically contracted back in with an effective date of 6 April 2016.

In practice, members remain in the scheme as contracted in members until they actually leave service. At that point a GMP must be calculated.

E.g	Start Date	1 June 1992
	End Date	31 December 2019

This member has 27 ½ years' service and the GMP must be calculated in the usual way when they leave service in 2019.

As HMRC do not know when each member will leave service, for the purposes of reconciliation the notional leaving date of 6 April 2016 has been used.

It is possible some members may have a different Date of Leaving applied. This would only be the case if a termination notice had not been sent in a previous tax year. In that scenario HMRC apply the SCOP used in the last RTI (Real Time Information) submission.

### Closure scan date/revaluation provisions

Before the abolition of contracting-out, schemes provided GMP revaluation either (a) in line with section 148 orders both during and after contracted-out employment, or (b) by reference to section 148 orders during contracted-out employment and through fixed rate revaluation after the end of contracted-out employment. All contracted-out employment ended at the point of abolition on 6 April 2016, and the revaluation provisions were amended so that under option (b) above, the switch to fixed rate revaluation would be delayed to the end of pensionable service. This change only applies to active members who were in contracted-out employment at the point of abolition.

HMRC's closure scan shows the end of contracted-out service for active members as at abolition, as 5 April 2016 – however, it is intended to capture the population of active members whose contracted-out employment ended at the point of abolition on 6 April 2016 and to whom the revised revaluation provisions would potentially apply (depending on the relevant scheme rules). The previous revaluation provisions apply to members whose contracted-out service actually ended at any point before abolition.

It's also worth noting that the updated form of revaluation only applies where schemes have appropriate wording in their rules. A modification power was provided to assist schemes to update their scheme rules to reflect the changes to the fixed rate revaluation method for GMPs – if this is relevant to your scheme, the resolution must be passed by 5 April 2017.

### Why schemes need to do this

Any scheme that had active members as at 6 April 2016 will now need to include those members in any wider GMP reconciliation project.

SRS works by picking up any member with a closed period of service i.e. a start date and a leaving date. As these members have not left as such they will not have been included on any earlier SRS extracts and thus have not yet been tested for accuracy.

### Timescales

HMRC has indicated they are now accepting requests. We expect that once forms are submitted, data will be provided approximately 4-8 weeks of receipt. Closure scan output will be loaded to your current Data Transfer e-room. If you do not have a current SRS room this should be raised/requested now in advance as this can take several weeks to get setup.

### Format of the data being provided by HMRC

Data format will be exactly the same as was used for earlier output from SRS.

- SCON
- Member Type
- NI NO
- Surname
- Initials
- Start/ End date
- Total GMP
- Post 88 GMP
- Revaluation Rate
- Terminating ECON

The member types on the Active closure scan will be different to the SRS member types and will show Type 6 or Type 7.

Type 6 is where HMRC has closed the open membership entry using the SCON provided on the FPS. Type 7 is where HMRC have the SCON recorded but have been unable to close the open membership entry. For example HMRC may have picked up the member has one or more years of missing contracted out earning/contributions.

## Type 7s

Type 7 outputs should be used to reconcile membership of your scheme. Where you disagree with HMRC records, please raise a “not in scheme” query as soon as possible after receiving your data as HMRC will use the SCON provided by the employer, to close the membership in your scheme.

### What to do to prepare for this data

The GMP figures HMRC will be providing have an effective date of 6 April 2016. As these members were active as at that date it is highly unlikely a GMP will be present on your administration system.

You will therefore need to calculate a GMP using any contracted out earnings/contributions held. You will need to use a notional date of leaving of 6 April 2016 to ensure the calculation is using the same basis as HMRC.

Care should be taken when calculating from raw data like this e.g if the member has service from 1985 – 2005 you would reasonably expect contracted out earnings/contributions for every year from 1985 – 1997. Any missing years are likely to result in an inaccurate GMP.

### Members who joined after 05/04/1997

While members who joined after 5 April 1997 are not expected to show a GMP liability, they should still be checked both that they are held on the expected SCON and that the period of service is accurate.

## Other issues to consider

Many schemes will have started GMP reconciliation using SRS data from an early stage when SRS first became available. If a re-run of membership has not been requested since the first SRS data was received, it is possible that any members who moved from an active to deferred status could now be missing from the project. E.g:

- SRS data received 1 November 2014 – will not have included ANY active members;
- Members moving from Active to Deferred from 1 November 2014 – 5 April 2016 – will not be on the 1 November 2014 data and will also not be on the Active Data HMRC is now preparing.

You should analyse members who have become deferred since they started the project.

To combat this issue you can either raise “Was in Scheme” queries or request a rerun of SRS data.

HMRC has indicated that any request for a re-run of data will not be accepted until June 2017 to allow them time to share the closure scan data with you.

Care should be taken to check that you agree with the termination dates HMRC has provided on the closure scan once received.

E.g if a member has a leaving date of 1 March 2016 but HMRC is showing 6 April 2016 a query notice should be sent back to HMRC notifying them of the correct termination date.