

OCOP (99)8
20 August 1999

HM TREASURY
OFFICIAL COMMITTEE ON OCCUPATIONAL PENSIONS

NOTE BY THE SECRETARIAT

NIRS2 PROBLEMS: OVERPAYMENTS DUE TO LATE GMP NOTIFICATIONS

Further to OCOP (99)5 attached are letters from the Benefits Agency and National Insurance Contributions Agency (NICO) which provide an update on the latest position in respect of the issue to schemes of Guaranteed Minimum Pension (GMP) notifications

Action for schemes

2. Schemes will wish to note the latest position and factor this into their handling of the overpayment cases in accordance with the criteria in OCOP 99(5).

JAMIE HUTCHINSON



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Date: 20th August 1999

To: Jamie Hutchinson
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From: Allan Stephenson
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Alfred Wilson House
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GMP NOTIFICATIONS TO PAYMASTER

Following both the recent MOCOP meeting, where you will recall I gave an update to members advising the latest position in relation to the production of GMP statements via an electronic interface, and a subsequent meeting with representatives of Paymaster Limited which was held on the 4th August I can now offer the following information.

Following the meeting with Paymaster Limited a number of issues remained unresolved which required further discussion between Paymaster Limited and the NHSPA pension scheme. Having completed their discussions, I have received from Paymaster Limited confirmation that the test data which Andersen Consulting provided from NIRS2 is indeed correct.

Following their formal acceptance, I have contacted Sarah Holdstock requesting details of their preferred method of receiving the backlogs of work. As I explained at the MOCOP meeting Paymaster Limited have the option of accepting the backlog of GMP notifications in total (approximately 30,000) which will be made available by w/c 13/9/99. Alternatively Paymaster Limited have the option of requesting the backlog in three tranches from now until w/c 13/9/99. Sarah Holdstock is to discuss this with her colleagues and advise me of their requirement, I will, when notified by Sarah, advise Andersen Consulting accordingly. To date she has not confirmed her preferred approach to receiving the backlog.

The backlog of paper statements are in the process of being issued and it is hoped that all statements will have been issued by the end of the first week in September. Currently Benefits Agency are undertaking their normal Long Term Benefit reviews which may result in the production of a revised statement where applicable. This work is expected to continue until end of October.

Should you require any additional information please do not hesitate to contact me.

Allan Stephenson

Allan Stephenson

National Insurance Contributions Office



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Jamie Hutchison
 HM Treasury
 Parliament Street
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Date: 28 July 1999

Dear *Jamie*

GMP NOTIFICATIONS TO PUBLIC SERVICE PENSION (PSP) SCHEMES

At the MOCOP meeting on 19 July I picked up two action points relating to the GMP/PSP notification arrangements.

1. When will a fault in the NIRS2 notification routines be put right?

Before April 1995 when Incapacity Benefit replaced Invalidity Benefit (IVB), a person receiving IVB could on attaining pension age continue to receive that benefit for up to five years rather than claim Retirement Pension (RP). The rate of IVB paid from pension age was the rate of RP which would have been paid had RP been claimed. Effectively therefore, BA indexed any GMP entitlement through notional SERPS.

As you know, PSP schemes are required by law to fully index their occupational pensions. Where however there is a GMP which BA is indexing through notional SERPS, the PSP scheme applies indexing to the difference between the occupational pension and the GMP. There are however special arrangements for those pensioners who remain on IVB and these result in schemes indexing the GMP even though the BA is doing so

When a person deferring RP and remaining on IVB is a public service pensioner, NIRS on receiving information from the BA office showing the person's retirement status as "not retired" would:

- send the PSP scheme a GMP notice CA1629 (or an electronic notification) annotated "not retired"; and also
- a form RD614 (or electronically) indicating to the scheme that although there is GMP entitlement, the full occupational pension including the GMP should be indexed.

Double indexing of the GMP in these particular cases is therefore correctly achieved. Once IVB ceases however (normally at age 65 for women and 70 for men) so do the special arrangements allowing double indexing. The PSP scheme is required to adjust the occupational pension to the rate it would have been at had the indexing of the GMP never been allowed in the first place.

The authority for PSP schemes to stop indexing the GMP was a further form RD614. This was generated by the BA office telling NIRS that the person had now retired. This second RD614 can contain up to three messages which, when read in conjunction with the Treasury guidance



Received by NIRS 7/29	To: <i>Jamie Hutchison</i>	➔ Telefax
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schemes hold, will result in the adjustment to the occupational pension taking place. The three messages are:

- AP less than GMP from (due date);
- AP equal to or greater than GMP from (due date);
- GMP as at (due date) to apply.

The fault is that PSP schemes are not receiving RD614s when the person reaches age 65/70. NIRS2 is sending a further CA1629 restating the GMP position of five years earlier (which would have been on form RD655) and failing to provide any of the RD614 messages.

For people receiving Incapacity Benefit on reaching pension age after 12 April 1995, only a very small proportion can stay on that benefit after that age and then only for a maximum of one year. For this small number of people, the arrangements described above apply but the fault will also be occurring with these cases as well.

Andersen Consulting were told of the problem on 21 May. I have reminded them following the MOCOP meeting but still await a response. I will let you know when I do.


For schemes who have contacted OSD about the fault, we have told them that the second CA1629 at age 65/70 should be a RD614 and they should be safe to remove the double indexing which they had applied. However, if they had any doubt, OSD would provide confirmation on receipt of the pensioners' names and NI numbers.

2. NIRS interface with the Pensions Computer System (PSCS)

All RP and Widows Benefit awards are put on to PSCS which arranges payment. In addition, PSCS notifies NIRS of the awards. On receipt of that notification NIRS will, if the award is in respect of a public service pensioner, tell PSCS of that fact. PSCS will then set a flag on the account. BA offices notify PSCS of all rate changes. If the change relates to an account on which the PSP flag is set and it is the SERPS rate which is affected, NIRS will be notified and schemes told if the GMP/SERPS relationship is affected.

It is this interface which is not yet working and there is a backlog of over 700,000 to be input to NIRS2. As expected however I cannot get any sort of reliable estimate as to how many might refer to public service pensioners. Some most certainly will but of that number we would expect there to be no more a handful where the SERPS rate has changed. It is not this interface which generates GMP entitlement notices CA1629/electronic notification nor the RD614s which schemes should receive for the IVB cases described above. These notifications are sent following a separate action by BA offices to notify NIRS of awards.

I hope you find this helpful but please get in touch as necessary. I will be back in the office on Thursday 5 August.


RAY CUMMINGS

Copy: Alan Stephenson COEG



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cc: Pete
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Jamie Hutchinson
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Date: 10 August 1999

Dear *Jamie*

GMP NOTIFICATIONS TO PUBLIC SERVICE PENSION (PSP) SCHEMES

Further to my letter of 28 July and our telephone conversation on 9 August.

I can confirm that the backlog of BA work items which were stockpiled when no NIRS service was available between 19 June 1998 and 5 January 1999 have now all been input to NIRS2. Among these work items are those which generate both paper GMP entitlement notices for PSP schemes and equivalent electronic notifications. The backlog of paper GMP notices which were produced for this period have all been sent to schemes on blue paper. I have spoken with Alan Stephenson and he will be writing to you to confirm the position with electronic notifications.

Yours sincerely

RAY CUMMINGS

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cc Alan Stephenson

