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**HM TREASURY  
OFFICIAL COMMITTEE ON OCCUPATIONAL PENSIONS**

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**NOTE BY THE SECRETARIAT**  
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**NIRS 2 PROBLEMS: OVERPAYMENTS DUE TO LATE GMP NOTIFICATIONS**

Attached is a paper which considers the possible consequences for public service pension schemes of the delays to the implementation of the new National Insurance Recording System (NIRS2). Schemes will in particular wish to note the recommendations in paragraph 2.

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**NIRS2 PROBLEMS: OVERPAYMENTS DUE TO LATE GMP NOTIFICATIONS****A: SUMMARY AND ACTIONS FOR SCHEMES**

Public service schemes are required to stop uprating any Guaranteed Minimum Pension (GMP) element of a public service pension for any period in which DSS's Benefits Agency (BA) are in effect uprating that GMP through the SERPS element of a State Retirement Pension (RP) or Widow's Benefit (WB). However, if DSS fail to notify the public service scheme of the rate of the GMP and when DSS is uprating it, overpayments arise because of the double indexation by DSS and the scheme.

2 Problems over the introduction of the new NIRS2 computer of the Inland Revenue National Insurance Contributions Office (NICO - formerly the Contributions Agency of the DSS) have meant that GMP notifications have not been issued to public service schemes for new RP or WB claims made from 19 June 1998 to late March/May 1999. BA and NICO have given us the following information on their plans for bringing the notifications to public service schemes up to date. For those schemes that receive notifications in paper form, NICO started to issue them in respect of new awards on 29 March 1999. NICO hope to start magnetic tape notifications in the next few weeks. It is still uncertain when NICO will start to issue GMP notifications to clear the backlog although NICO hope the magnetic tape notifications for the 6 January 1999 to April 1999 period will be issued in May (when they will cover new awards and the January - April backlog). The Treasury recommends that public service pension schemes should:

- (i) consider what to tell scheme administrators (a draft background note for administrators is at annex B).
- (ii) consider what action to take when overpayments occur, consulting your Accounting Officer where appropriate (paragraphs 21 to 24):
- (iii) consider (after consulting your legal advisers where appropriate) whether scheme administrators should write to pensioners, in advance of knowing the GMP details (paragraphs 25 to 39).
- (iv) record all costs involved (both overpayments and administrative costs); and
- (v) ensure that administrators advise pensioners about the correct rate of pension and the handling of any overpayment when they adjust pensions following receipt of the GMP information from NIRS2.

## **B: NIRS2 PROBLEM**

3 Once RP/WB is in payment there are automatic procedures in place for notifying public service pension payers so that they can either begin or stop uprating the GMP in accordance with section 59 of the Social Security Pensions Act 1975 Annex C sets out these procedures. The Contributions Agency NIRS1 computer which previously issued GMP notifications was switched off on 19 June 1998 to be replaced by NIRS2 The intention was to start using NIRS2 for new RP, WB and Incapacity Benefit (IB) awards and for GMP notices within three weeks of NIRS1 being off-line However, this has not been possible. As a result, schemes have not received the GMP notifications needed to pay the correct level of public service pensions from April 1999

### ***Retirement pension/Widows Benefit awards***

4 Benefits Agency (BA) have not yet used NIRS2 to calculate awards for the 300,000 or so RP/WB cases which arose in the period 19 June 1998 to 5 January 1999 or to produce GMP notices based on those awards for the over 100,000 (of the 300,000) with GMPs from private or public sector schemes For the 300,000 or so RP/WB cases, RP is generally based on data previously held on NIRS1 and should therefore generally either be correct or underpaid (although some "emergency" awards have been made where it has not been possible to obtain NIRS information) In all cases individual retirement pensioners have been told that these are initial payments which may be revised If a pensioner queries the arrangement BA sends them a letter which explains that this is an initial award

5 The RP/WB problems mainly relate to the unavailability of National Insurance Contributions data for 1997-98 onwards This should not affect the level of GMP, as after 5 April 1997 GMPs no longer accrue Data for earnings prior to 6 April 1997 should already be held in the system (although in some instances some minor adjustments may be required to reflect late information relating to 1996-97 which had not been processed when NIRS1 was switched-off).

6 New RP/WB awards began to be processed on NIRS2 from 6 January

### ***GMP notifications***

7 However, NICO have not yet issued GMP notifications to public service schemes for RP/WB awards made from 19 June 1998 to April 1999 (although RP began to be processed from 5 January 1999, notifications were not issued, thereby creating two separate backlogs: that for the period 19 June 1998 to 5 January 1999 where RP has not been processed and that for 6 January 1999 to April 1999 where RP has been processed)

8 Although for some particularly urgent cases in the June - December 1998 period, e.g. where transfer values were required. GMPs were calculated manually for the pensioners concerned as DSS/NICO's systems are not designed to issue notifications to schemes or pensioners until such cases are processed on NIRS2. It would be too labour intensive and time consuming for BA and NICO to calculate over 100,000 GMPs and issue interim GMP notices manually, update the NIRS2 and BA computers during 1999-2000 and then, where appropriate, revise the manual calculations and issue final NIRS2 RP/WB awards and final GMP notices.

***19 June 1998 - 5 January 1999 back-log***

9 The latest BA estimate is that BA and NICO could start to process the June - December 1998 backlog in May 1999. Paper notifications relating to this period will be colour coded so that they can be separately identified. NICO are considering whether it is possible to identify separately the backlog items included in the magnetic tape notifications.

***6 January 1999 to April 1999 back-log***

10 From 6 January 1999 to April 1999, DSS has calculated new RP awards on NIRS2 and issued GMP notices to individual retirement pensioners. However, there have been GMP problems for new RP awards in the period 6 January 1999 to April 1999 (e.g. with the text of the notification form and the GMP figures quoted).

11 Andersen Consulting, who supply the NIRS2 software, have corrected the programmes producing paper notifications and NICO have verified that the GMP paper notifications for new claims since 26 March 1999 are now being produced correctly - although problems have been identified with recreating those notifications stockpiled from 6 January 1999. Andersen Consulting hope that very soon the magnetic tape notifications will be corrected, verified and operational and the backlog of magnetic tape notifications since 6 January 1999 can be issued shortly in May 1999. If so, NICO will issue notifications (paper and magnetic tape) for all RP/WB awards made since 6 January 1999 as soon as possible. NICO will add a covering note to enable schemes to identify these separately from GMP notifications for new awards made from late March/early April onwards. Schemes may be able to identify, in any case, most of them by the date the GMP takes effect.

12 When these GMP notifications are sent to schemes, NICO say that it is unlikely revised GMP notices will be sent to pensioners. There may be a few future changes to GMP information if revised National Insurance information becomes available but this would be part of the normal on going process by which individual cases are reviewed and updated as necessary. In this limited number of cases revised paper notifications will be issued to pensioners.

13 As NICO will not issue most of the January - April 1999 GMP notifications before early May 1999 it is likely therefore that very few of the GMP notifications for awards between June 1998 and April 1999 will be issued in time for schemes to make adjustments and avoid double indexation from 12 April 1999

14 The speed at which the backlog will depend on pensions administrators as well as DSS and NICO and on whether it will be necessary to undertake overpayment recovery procedures Individual overpayments could range from as little as a few pence to well over £10 a month (and perhaps even total over £100 in a few cases).

### ***IB/IVB cases***

15 The largest overpayments could arise in Incapacity Benefit (ex Invalidity Benefit) cases as some of these overpayments could have started in June 1998 and relate to the upratings over the previous five years (see Annex A). Therefore, if DSS/NICO are late in notifying schemes when IB/IVB cases move onto RP, overpayments occur, regardless of whether there is an April benefit uprating during the period of the missing notification. However, as these cases were wrongly underpaid in 1996-97 (highlighted in the NAO report "Underpayments to public service pensioners on IVB" HC681, dated 29 April 1998), some schemes have requested their pension administrators to implement a marker system which notifies schemes when an IVB pensioner should have moved onto RP (at 65/70) and the pension should probably be reduced.

### ***DSS position on rectification and compensation***

16 DSS/BA estimate that it could take up to 6 months to rectify incorrectly awarded RP payments (and therefore to process the backlog of GMP notices) for cases in the period 19 June 1998 to 5 January 1999. For the backlog arising since 6 January 1999 it is hoped that notifications will be issued in May 1999. For those on RP, IB and WB who are affected by the delays to NIRS2 implementation, BA will pay minimum compensation of £10 and other compensation will be considered under the DSS's Departmental Special Payments Scheme.

### ***DSS Publicity***

17 DSS have held conferences with private sector pension schemes to inform them that GMP notifications will not be issued and have issued newsletters. DSS/BA have informed public service schemes through the ad-hoc letters issued through the OCOP/MOCOP net and through the MOCOP meeting held on 23 February. However, DSS have not informed public service pensioners that GMP notifications will not be issued in time and that this means their RP and their public service pension may be amended once the backlogs are addressed (although if a

pensioner raises a query DSS explains the background to the NIRS2 problems and the effects on RP)

## **C: ISSUES FOR SCHEMES**

### *Decisions for schemes and desirable objectives*

18 There are two main decisions for schemes

(i) whether overpayments should be recovered or written-off; and

(ii) whether pensioners need to be told that their pension may be overpaid before schemes receive the GMP details.

Schemes may need to obtain their own legal advice on how to handle the overpayments and advise their pensioners, taking into account their own general practices and consulting "Government Accounting" where appropriate.

19 Schemes should look for approaches which

- represent best value for money,
- ensure the correct rate of pension is paid as soon as possible;
- minimise disruption to pensioners;
- are seen to be fair and legal - in accordance with the requirements of UK law and, where appropriate, "Government Accounting";
- avoid setting an unwelcome precedent;
- avoid adverse publicity, and
- avoid cases being referred to the Pensions Ombudsman on grounds of maladministration

20 They will also want to take account of what pensioners have already been told. For example, the Pensions Increase leaflet produced by HM Treasury states "at the time the pension paying authority first calculates the increase on the public service pension it may not have been notified of the amount of GMP to which you are entitled to, or whether the increase of your GMP will be paid by the DSS. In these cases schemes will use provisional figures to calculate your GMP and will adjust any overpayment or underpayment in subsequent pension payments". Some schemes may have incorporated such material into their own in-house literature. For example, Paymaster's "Guide to GMPs" does so.

## **D: RECOVERY OR WRITE-OFF**

21 If recovery were to be considered, pensioners could seek to rely on the *change of position defence*. As GA 35 1 14 states “an overpayment may be irrecoverable in certain circumstances where the recipient in good faith, without notice of the overpayment, and without having contributed to its being made, has changed his position in reliance upon it (for example, by spending the money he would not otherwise have done)” Although statements such as those in the Pensions Increase leaflet could mitigate this, in practice pensioners might argue, particularly if they had retired some time previously, that they had not noted the warning or had forgotten about it. Some form of “advance warning” letter (see Section E below) is more likely to be effective in avoiding claims to the change of position defence.

22 Section 91 of the Pension Act 1995, modified by the Occupational Pension Schemes (Assignment, Forfeiture, Bankruptcy etc) Regulations 1997 (SI 1997/785), restricts *set-off* (ie reducing future pension payments to recover earlier overpayments). Set-off without the pensioner's consent is permitted where a pensioner owes a debt to a public service employer but not where the debt is owed to the scheme. If recovery were to be pursued and compulsory set-off was required DSS would need to amend their Regulations. (Incidentally, following the decision of the House of Lords in *Kleinwort Benson v Lincoln City Council*, of 29 October 1998, the distinction between money wrongly paid under a mistake of fact and money wrongly paid under a mistake of law no longer exists.)

23 Schemes will need to consider the size of expected overpayments in relation to any threshold they operate below which overpayments are not recovered, as well as the administrative costs of recovery and the need as far as possible to treat those affected equitably including whether it is necessary to treat these “NIRS2 cases” consistently with other overpayments relating to late notification of GMPs. As GA notes recovery should generally be pursued where it is cost effective to do so.

24 The relevant costs and other considerations are likely to vary from scheme to scheme; and each scheme will be best placed to weigh them up and reach an appropriate judgement. In view of this the Treasury has not authorised a blanket dispensation to write-off overpayments. Such a dispensation would not, in any case, extend to many of the affected schemes, such as those administered by local authorities. Instead, individual schemes need to consider whether to apply a blanket write-off themselves in accordance with the objectives set out in paragraph 19.

## **E: ADVANCE WARNING**

25 Schemes will also need to decide, if recovery is pursued, whether pensioners require

“advance warning” that they have been overpaid and if so, whether it would be possible to target letters on those affected and ensure that any information was appropriate, correct and would not cause unnecessary alarm

26 Pension administrators should already have written to pensioners with their revised rate of pension following the April 1999 uprating. BA/NICO will only issue NIRS2 GMP notices to pensioners affected by the June - December 1998 backlog when their RP awards are finalised. However, BA/NICO has already issued a NIRS2 GMP notice to those pensioners whose RP awards have been made since 6 January 1999.

### ***Letter to pensioners***

27 The advantages of schemes issuing an additional letter now are that it might:

- (i) help to counteract the change of position defence;
- (ii) help pensioners plan for a possible future reduction to their pension;
- (iii) help to reduce possible claims of maladministration; and
- (iv) demonstrate that schemes have done all that is possible to advise pensioners

28 Among the disadvantages are that it

- (i) might be sent to people without GMPs, or where DSS was not uprating the GMP, but not get to all those where DSS was uprating the GMP,
- (ii) could not tell the recipient the amount of the overpayment, might mislead some and might cause considerable alarm,
- (iii) will add considerably to administrative costs, and
- (iv) lead to some disruption of schemes administration and rectification processes e.g. when pensioners contact schemes and departments, either directly or via Parliamentary representatives

29 As already noted in paragraph 21 it is possible that pensioners could seek to rely on *the change of position defence*. If an advance warning letter were issued, it could make it difficult for pensioners to claim that they had not been made aware of the overpayment and therefore plan for a future reduction in their pension.

30 The Pensions Ombudsman held that there had been a breach of the *Disclosure Regulations* (The Occupational Pension Schemes (Disclosure of Information) Regulations 1996, SI 1996 1655, as amended) in some of the IVB cases mentioned in paragraph 15 above. However, it is not clear that there will inevitably be a breach of these Regulations if overpayments are made in error as a result of NIRS2 problems. Schemes will nevertheless need to consider whether they have complied with the Regulations and to decide whether pensioners have been given adequate

advance warning (for example by the Pensions Increase leaflet produced by HM Treasury or specific scheme literature) to avoid breaching the *Disclosure Regulations* or whether a separate "advance warning" letter is required

31 However, even if "advance warning" letters were issued there would still potentially be disclosure problems as schemes would be unable to tell pensioners the amount of any overpayment, the correct rate of pension and when it could be expected that any reduction would be applied

### ***Targeting***

32 It will not be administratively possible to include a letter detailing NIRS2 problems with the letters to public service pensioners detailing the effect of the April 1999 uprating. Also, DSS have indicated that, although they could identify all those cases (including private sector cases) affected by late GMP notifications, they could not identify public service pensioners who are likely to have been overpaid (and could only write to Retirement Pensioners in general, which they have not done so far)

33 It may be possible for schemes to identify those GMP cases affected to near 95% accuracy by setting parameters that pick up all those cases who reached SPA since 19 June 1998. However, some GMP cases would be missed, for example,

- where individuals had reached state pension age just prior to NIRS1 being switched-off and NICO had not yet issued a notification; and
- certain widows, where the GMP is determined by the late member's circumstances

34 In addition, some people without a GMP in payment or where DSS was not uprating the GMP could be included, such as

- widows not receiving a GMP, because their husbands left service before 1978,
- preserved awards without a GMP as all service was before 1978;
- those who live overseas who are not eligible for GMP uprating by DSS under reciprocal Social Security arrangements; and
- IB cases where take up of RP has been deferred

### ***IB/IVB cases***

35 As noted in paragraph 15 above, some schemes have indicated that they are able to identify IB/IVB cases as a marker has been installed to indicate when the individual is expected to take up RP. However, not all schemes have implemented such a marker system. If there were to be "advance warning" letters, IB/IVB cases might need a different letter because the period of the

overpayment (and amount) could be greater and because they may already have been inconvenienced by actions taken on supposed overpayments during 1996-97.

### ***Indicating the size of possible reductions***

36 Any letter would need to be very carefully drafted, particularly as to what is said about recovery as pensioners will at least want an indication of how much the correct lower rate of pension might be, so they can plan for this. In most cases the reduction seems likely to be less than 1% of the public service pension. However, for some it will be greater. For cases other than IB/IVB, and assuming the overpayments are corrected by April 2000, the maximum overpayment could be 3.2% of the monthly pension if, exceptionally, the whole of the public service pension constituted the GMP.

37 Where the pensioner had transferred from IB/IVB to RP the reduction could be considerably greater because it would take account of cumulative inflation since the person reached State Pension Age. If, exceptionally, the whole of the pension constituted the GMP this could amount to about 16-17% of pension, so if a general letter about recovering overpayments were issued it might need to allow for the fact that reductions could be greater than 3.2%.

### ***Pensioners awarded their RP but where no GMP notification to schemes***

38 A further complication may arise where pensioners have been told their RP/WB award, and have been given a GMP figure, but the corresponding notification has not been issued to their pension scheme. This may happen for RP cases processed since 6 January. Conceivably, pensioners might ask their scheme to recalculate their public service pension and schemes would then be in the difficult position of deciding whether or not to attempt to calculate the correct rate of pension without DSS confirmation (although this could happen whether or not advance warning letters were issued). Given that BA/NICO hope soon to be issuing revised GMP notices for awards from 6 January to April 1999, and notices for the June - December 1998 backlog later in 1999, schemes could decide to tell pensioners that they will wait for the final notices to be issued. However, if the overpayment is significant, some immediate action may be warranted particularly since NICO say that pensioners are likely to have the correct GMP.

39 If schemes do not issue letters now they would presumably send individually tailored letters to pensioners as a matter of course when the scheme receives the GMP notification and amends the public service pension.

### ***Information for pension administrators***

40 Schemes will also need to consider whether they need to provide scheme administrators and others with a background note explaining the NIRS2 and GMP problems. A draft of a possible background note is attached at annex B.

### ***Help-line***

41 Whether or not schemes send pensioners advance warning letters, some pensions administrators may need to consider setting up a Help-Line for queries. BA has recently established a BA Task-force to act as a single point of contact for queries from their customers about NIRS2 which can be contacted on 08456 010586. Schemes would need to consider whether additional facilities would be needed to deal with queries which BA could not answer.

## **F: OTHER MATTERS**

### ***Pensions Ombudsman***

42 In earlier analogous cases the Pensions Ombudsman has recognised overpayments are recoverable, but has taken the view that attempts to recover should be administered so as to allow the pensioner every opportunity to take advantage of the change of position defence. He has also recognised that schemes are reliant on DSS for GMP information but appears nevertheless to have felt that this did not remove schemes responsibilities for notifying pensioners of their correct entitlements in due time.

### ***Timing of Rectification***

43 From 29 March 1999 BA/NICO have begun to issue paper GMP notifications to schemes for new RP awards but not yet magnetic tape notifications. They have been unable to give any assurances on how quickly the backlog will be addressed and when it will be completed. However, as noted in paragraph 10 above, NICO hope that details of GMP calculations for RP awards in the period 5 January to April 1999 can soon be issued on both magnetic tape and paper. The remaining backlog of cases from 19 June 1998 to 5 January 1999 will take DSS/BA at least six months to process and they will not have the resources to start doing this until May 1999 at the earliest.

### ***Funding and Recording of scheme costs***

44 If written-off, overpaid benefit would be charged to Superannuation Votes, pension funds or

the paying bodies' administrative budgets. Schemes will need to consider the distribution of additional administrative costs between themselves and their paying agents (if different). Whether overpayments are recovered or written off, schemes should keep a record of all additional benefit and administration costs

### *Andersen Consulting*

45 In a written PQ of 4 February Stephen Timms MP announced that DSS/BA were considering the recovery from Andersen Consulting of the additional costs of having to compensate benefit recipients who lost out as a consequence of NIRS2 delays.

### *Questions*

46 If you have any questions on this paper contact:

- *DSS/BA OSD Benefits Support, Room 87E, DSS Longbenton, Newcastle upon Tyne, NE98 1YX telephone 0191 225 7148* if the query concerns either the procedures for uprating GMPs or for any further information on NIRS2 implementation,

- *the Inland Revenue National Insurance Contributions Office, Contracted Out Employment Group (COEG), Longbenton, Newcastle Upon Tyne, NE98 1ZZ, telephone 06451 50106* regarding queries on either contribution records or the issue of GMP notices, and

- *HM Treasury on 0171 270 4645* regarding the policy on pensions increase

**PUBLIC SERVICE PENSIONS  
HM TREASURY**

## ANNEX A

### **A: HOW GUARANTEED MINIMUM PENSIONS (GMPS) ARE UPDATED**

For service after 4 April 1978 and before 6 April 1997 contracted out occupational pension schemes, such as the public service schemes, must provide a GMP broadly equivalent to the additional pension which the member would have accrued had they not contracted out of the State Earnings Related Pension Scheme (SERPS)

An entitlement to a GMP starts when the pensioner reaches State Pension Age (SPA), currently 60 for women and 65 for men For GMPs earned up to 5 April 1988 the occupational scheme is not required to uprate GMPs in payment, and from 6 April 1988 to 5 April 1997 is required to uprate by the lower of inflation or 3% For public service schemes GMPs are calculated by the Department for Social Security (DSS).

DSS calculate and uprate a notional amount of SERPS additional pension for all contracted out employees Any GMPs are deducted from the notional additional pension (after assuming increases of up to 3% for GMPs earned after 5 April 1988 and before 6 April 1997). This ensures that the GMPs receive the same uprating as if the employee had been contracted in to SERPS

DSS notifies people who have been contracted out of SERPSs of their individual GMP entitlements when they claim State Retirement Pension (RP) Widows similarly receive a GMP notice when their husbands have been contracted out DSS via NICO also notifies public service pension scheme administrators of the GMP entitlements so they can adjust the uprating of the public service pension, where appropriate Most public service schemes could not calculate GMP entitlements (e.g. because they do not hold the required NI records).

#### ***Double indexation***

To prevent both DSS and the public service pension scheme applying indexation on the GMP element (in effect providing for double indexation), section 59 of the Social Security Pensions Act 1975 limits public service pensions increase to the part of the public service occupational pension which exceeds the GMP as uprated by DSS Where the notional additional pension equals or exceeds the GMP, the GMP element is deducted from the public service pension before any pensions increase is applied at the next review Similar principles apply to widow(er)s' benefits (WB), although the precise details differ

### ***Invalidity Benefit (IVB)/Incapacity Benefit (IB)***

At State Pension Age individuals entitled to IVB terms were able to defer take up of RP and instead remain on IVB until compulsory pension age (age 65 for women and 70 for men), enjoying an element of double indexation during that period. At age 65/70, the occupational pension scheme stopped indexing the GMP and recalculated it back to SPA, causing a reduction in overall pension benefits. The new IB arrangements were introduced in April 1995, with transitional arrangements until age 65/70 for IVB claimants then already over SPA. Under the new IB arrangements a small number of recipients of longer-term IB can also retain IB after SPA, but only for a maximum of a year.

### ***Notification procedures***

BA and NICO have an automatic system for notifying public service pension payers when pensions increase for the GMP element of a public service pension should cease in accordance with section 59 of the SSPA 1975. A detailed explanation of the procedures is set out at Annex C. When BA and NICO do not issue a timely notification to public service scheme administrators the occupational pension will not be adjusted from the correct date (to reflect the fact that DSS has started to index the GMP) so there will be double indexation and an overpayment.

## ANNEX B

### NIRS2 INFORMATION NOTE FOR PENSION SCHEME ADMINISTRATORS

GMP entitlement notices are issued to pension schemes by the Inland Revenue National Insurance Contributions Office (NICO) National Insurance Recording System (NIRS) computer as a result of action by the DSS's Benefits Agency in connection with a claim to Retirement Pension (RP) or Widows Benefit (WB).

NIRS has been operational since 1981 and it was considered in the early nineties that it would not be able to support future business and legislative changes, in particular those associated with the 1995 Pensions Act. Andersen Consulting has developed a replacement system under a Private Finance Initiative contract signed in 1995. The new system - NIRS2 - is being released in controlled stages as correct working is demonstrated.

Information was moved from the old NIRS system to the new NIRS2 system during the period 19 June 1998 to 12 July 1998. A substantial part of the system was accepted on 13 July 1998 and since then the new facilities have continued to be introduced in stages. On 6 January 1999 BA accepted NIRS2 facilities for the processing of RP and WB claims.

GMP notices for new RP and WB claims since 6 January 1999 have been produced by NIRS2. However, because of formatting and calculation problems in a number of cases, DSS decided that GMP notices would not be sent to pension schemes until these problems were resolved. DSS took up these problems with Andersen Consulting and from mid-April 1999 notifications in respect of new claims (from late March/early April onwards) are being issued.

It is hoped the back-log arising between 6 January and April 1999 can be addressed soon (both magnetic tape and paper notifications). Work is expected to start in April/May 1999 on the back-logs of RP/WB awards and GMP notices for the period 19 June 1998 to 5 January. It is expected to take up to six months to process them on NIRS2.

## **NOTIFICATION PROCEDURES**

## **ANNEX C**

Four months before a customer reaches minimum State pension age (60/65) the National Insurance Recording System (NIRS) calculates the State Retirement Pension entitlement based on the data held to that date and notifies the BA computer through an electronic interface. The BA computer then creates a skeleton RP record and generates a claim pack detailing the RP entitlement

If and when the customer returns the RP claim form the BA office link this with the form issued by NIRS2. The BA then makes an initial or final RP award. The BA computer notifies NIRS2 of the claim but the BA local office has to return a tear-off form to NIRS giving the RP position. This tear-off slip process leads the NIRS computer to issue a GMP notification to all pension schemes including public service schemes.

If NIRS has not received a tear-off slip within 3 weeks after the BA computer has notified it of an RP claim a reminder will be issued to the BA offices. However, if NIRS still does not receive a tear-off slip no further action is taken.

Following receipt of the tear-off, NIRS sends a GMP notification to the scheme (either by magnetic tape or paper, depending on the pension payer), sends the BA local office an entitlement notice and sends the customer, via the BA local office, a similar notification detailing contracted out employment, the RP award and any GMP payable.

NIRS also sends public service pension schemes an additional form detailing the changes required to the occupational pension in payment to reflect what amount, if any, of the pension increase on the GMP element of the occupational pension is now being paid by DSS/BA and whether the scheme should therefore start or stop uprating the GMP element of the occupational pension. This notification advises whether the GMP is greater than the Additional Pension or the Additional Pension is the same as or more than the GMP.

An automatic NIRS2 interface is planned for 2000-01 which should help to reduce the "general" overpayment problem and DSS/BA may issue a further reminder to BA staff to ensure notifications are issued once NIRS2 starts to issue notifications to schemes.

Many public service pension schemes cover many hundreds or thousands of different employers. The main public service schemes have advised that it would not be possible to calculate GMP information themselves as they do not hold the necessary NI Contributions information and to

create such a database, and the systems to process the data, would take several years to set up and would in any case duplicate DSS and Inland Revenue National Insurance Contributions Office systems. The costs of setting up such systems would also outweigh the cost of overpayments.

Any questions on the notification procedures or the action required by pension administrators on receipt of a notification should be addressed to DSS on 0191 225 7148.