Kier Workplace Services

Cheshire Fire & Rescue Service Pension Scheme

GMP Reconciliation Exercise

Stage 1 Report

Contents

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 Cheshire Fire & Rescue Service Pension Scheme.

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 Cheshire Fire & Rescue Service Pension Scheme 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.

This report provides information for the Cheshire Fire & Rescue Service and the Cheshire Fire & Rescue Service - New Pension Scheme in two separate sections for clarity.

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.

Cheshire Fire & Rescue Service Pension Scheme

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. 3 data files were submitted for the Cheshire Fire & Rescue Service Pension Scheme, details of which are as follows:

File Type	Data Submitted	Total Members
Full Membership	29 September 2014	723
Type 5	29 October 2014	18
Full Membership (2nd Output)	12 May 2016	754

Further to the original Full Membership file in September 2014, HMRC identified an additional 31 members who needed to be allocated to the Cheshire Fire & Rescue Service Pension Scheme: these were included in the 2nd Full Membership file on 12 May 2016. Upon investigation of the file received on 12 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 file would be the most accurate for these members; the two files were therefore amalgamated before performing the data comparison. 1 of the members in the Type 5 file was new which increased the total members to 755.

* 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
1 – Early Leaver	445
2 – Pensioner	254
3 – Widow	53
5 – Incomplete record	3
Total	755

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

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.
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	118
4 - Deferred	64
5 - Pensioner	690
6 - Widow/er	1
7 - Deceased	102
0 – Optant Out	4
TOTAL	979

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.
- **0 – Optant Out –** a member who opted out of the pension scheme.

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	203
2. Best Match (BM) - NINO and Start & End Dates	4
3. BM – NINO and Surname	241
4. Both GMP Outside Tolerance	27
5. End Date Mismatch	7
6. Multiple (HMRC) Mismatches	17
7. Multiple (Scheme) Mismatches	12
8. Orphaned (HMRC)	52
9. Orphaned (Altair)	234
10. Orphaned (Deceased) - Altair	71
11. Orphaned (Deceased) - HMRC	22
12. Post 88 GMP Outside Tolerance	1
13. Revaluation Rate Mismatch	13
14. Start Date Mismatch	154
15. Surname Mismatch	1
16. Total GMP outside Tolerance	11
TOTAL	1,070

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

1. **100% Match** - The number of non-deceased records that matched all relevant fields for both the scheme file and reconciliation file.
2. **Best Match – NINO Start & End Dates** – The NINO and Employment dates agree on HMRC and Altair however, other data, such as Surname, does not.
3. **Best Match – NINO and Surname** - The NINO and Surname agree on HMRC and Altair however, other data, such as Employment dates do not.
4. **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
5. **End Date Mismatch** – Records where all relevant fields match except for the end date.
6. **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.
7. **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.
8. **Orphaned (HMRC)** – Records in the HMRC file that do not appear in Altair.
9. **Orphaned (Altair)** – Records in Altair that do not appear in in HMRC file.
10. **Orphaned (Deceased) Altair** – Deceased member records in the Altair that do not appear in the HMRC file.
11. **Orphaned (Deceased) HMRC** – Deceased member records in the HMRC file that do not appear in Altair.
12. **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.

Analysis of Results

100% Match

We have identified that 203 (18.97%) records are 100% Match and require no further action. This leaves a total of 867 records to investigate further.

Best Match – NINO and Start & End Dates

We have identified 4 (0.37%) records where only the NINO and Start & End Dates match. Initial investigations indicate that 2 records do not require any further action as the fields that do no 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 241 (22.52%) 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:
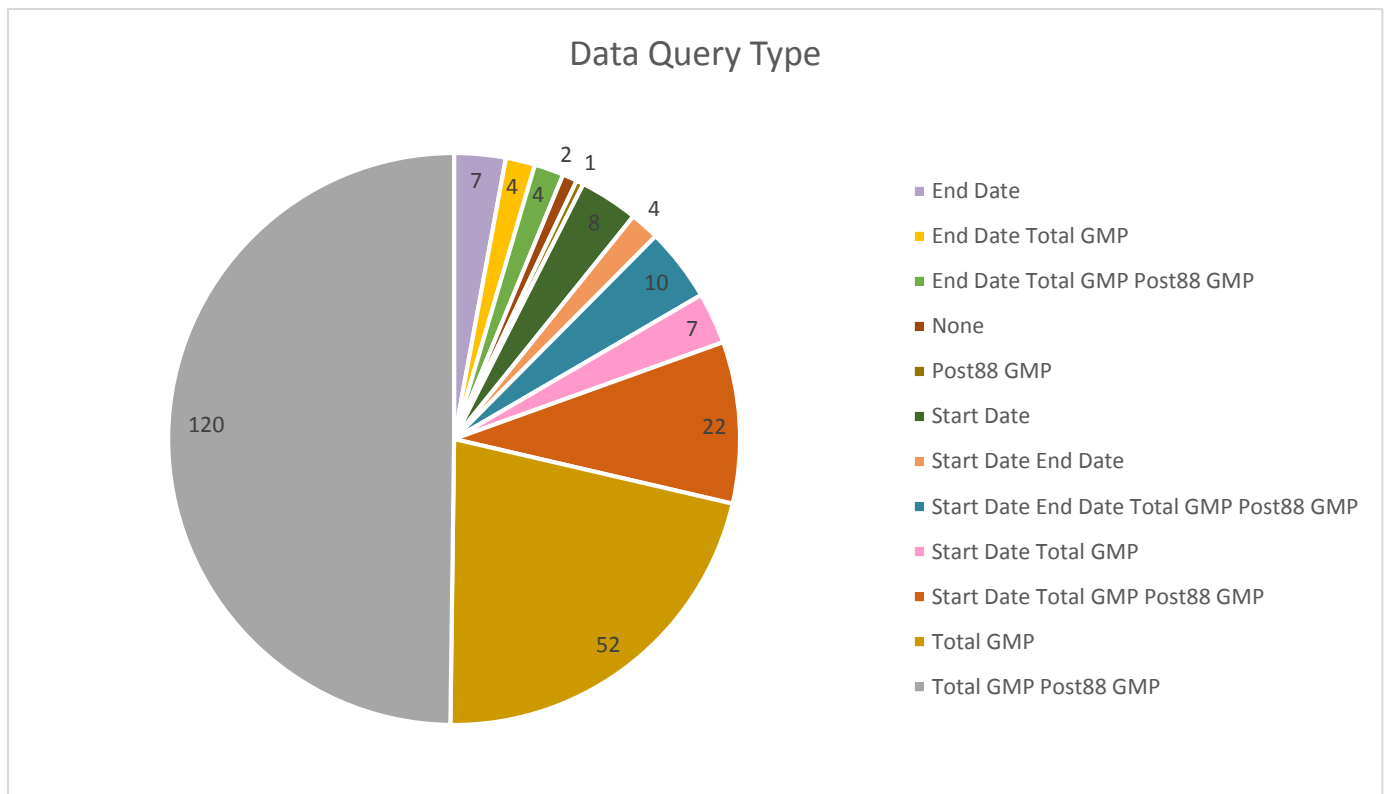

The above chart illustrates the different query types that have been identified during the Stage 1 process and the corresponding number of records for each.

We immediately identified that 2 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 239 records all require further investigation due to a mismatch relating to either the member's employment dates, the GMP amounts, or both.

Breakdown by Member Status
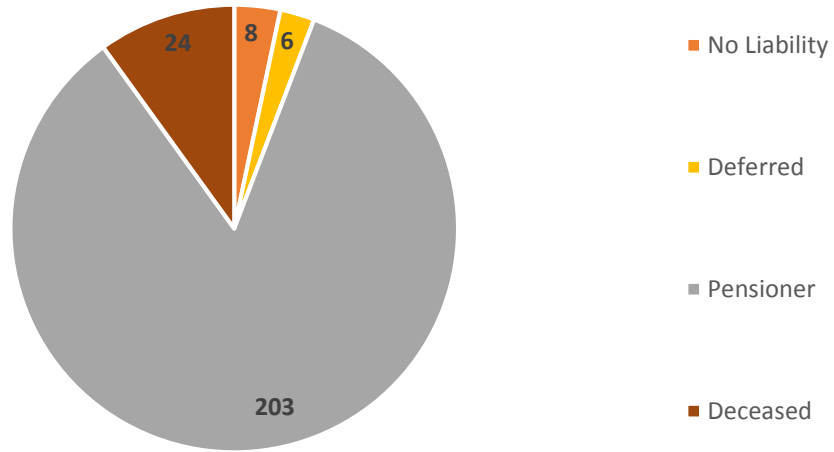
The above chart shows a breakdown by Status type. The "No Liability" status represents those members who have left employment and transferred their benefits out of the Cheshire Fire & Rescue Service Pension Scheme to another provider. In these instances the GMP liability has transferred to the receiving scheme but the paperwork for this transfer has either not reached or not been actioned by the HMRC.

The Pensioners 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 2 records illustrated in the chart on page 6 can be deducted from the chart above: the 2 records are Pensioners. This leaves 8 Leaver – No Liability, 203 Pensioners, 6 Deferred and 24 Deceased records to investigate.

Both GMP outside Tolerance

We have identified 27 (2.52%) records where both the total and post 88 GMPs disagree.
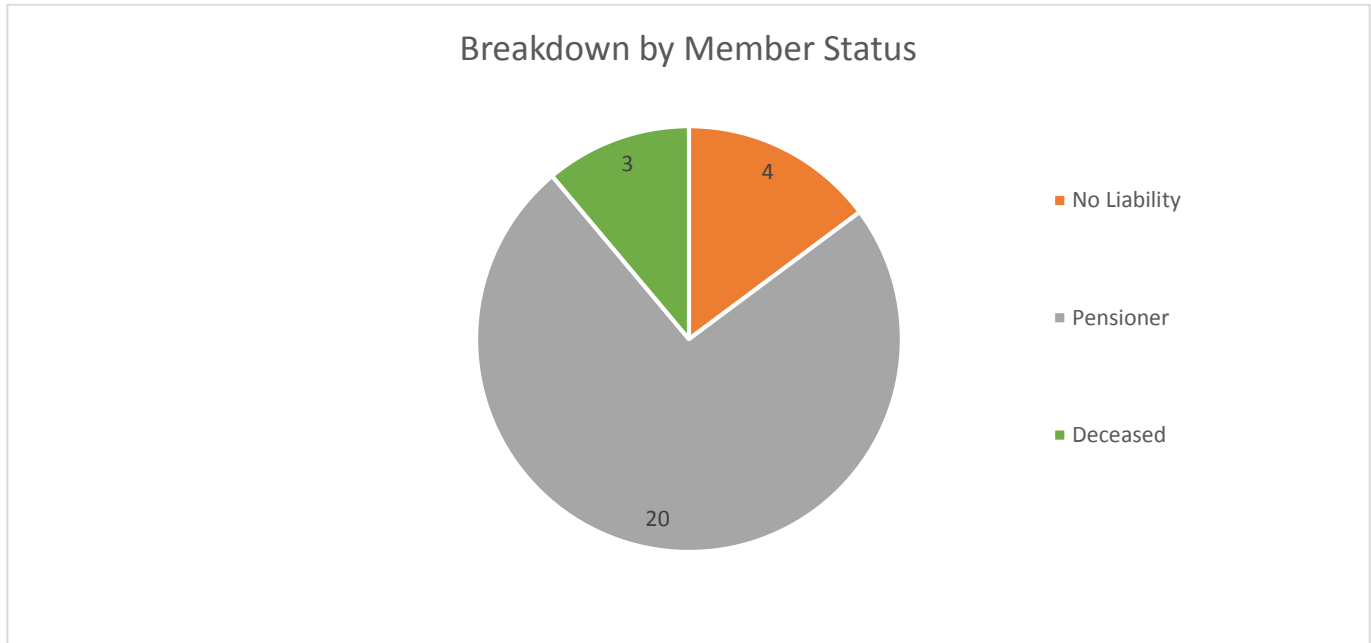
A zero tolerance has been applied in the first instance to identify all anomalies between Altair and the HMRC data. From our experience, we consider 3 pence per week as an acceptable tolerance as this covers any issues impacting the GMP from the application of rounding within the calculation. An analysis 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	27
3p a week	26
£2 a week	23

The impact of the various tolerance levels is minimal, with a 3 pence per week tolerance reducing the queries by 3.70% and the £2 per week tolerance reducing the queries by 14.81%. The monetary difference in the remaining queries ranges from £4.16 to £82.86 per week. Given the minimal impact of changing the tolerance levels we would recommend that the zero tolerance is adopted and all mismatches are investigated.

End Date Mismatch

We have identified that there are 7 (0.65%) records for which the member's End Dates do not match.

Multiple HMRC Mismatches

We have identified 17 (1.59%) records that have a multiple HMRC data mismatch. 10 of the records relate to the members where HMRC have 2 periods of contracted out employment recorded for one member. These members have also been highlighted in the "Multiple Altair Mismatches" category.

Multiple Altair Mismatches

We have identified 12 (1.12%) records which have a multiple Altair data mismatch. As these records have also been highlighted in the "Multiple HMRC Mismatches" category; they have already been marked for further investigation; the total number of queries therefore reduces by 12 (1.12%).

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 74 (6.92%) records where data is held on the HMRC database but not on the Altair system and 305 (28.51%) records where data is held on Altair but not on the HMRC database.

Corresponding records

	Total Records
Corresponding records	691
Orphaned - HMRC	52
Orphaned - HMRC (Deceased)	22
Orphaned - Altair	234
Orphaned - Altair (Deceased)	71
Total	379

We immediately identified that 34 of the Orphaned Altair (Deceased) records and 16 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 1 (0.09%) 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 and have found that the monetary difference on both records is in excess of £2 per week.

Revaluation Rate Mismatch

We have identified 13 (1.21%) records for which the member's revaluation rate does not agree. All 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.

Start Date Mismatch

We have identified 154 (14.39%) records for which the member's start date does not agree.

We immediately identified that 110 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 start 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 this case.

The remaining 44 records will need to be investigated in more detail to ascertain the correct start date for each member.

Surname Mismatch

We have identified 1 (0.9%) record 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 11 (1.03%) 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	11
3 pence pw	10
£2 per pw	6

The application of a 3 pence per week tolerance reduces this category of queries by 9.09% and the £2 per week tolerance reduces the queries by 45.45%. The monetary difference in the remaining 54.55% of the queries ranges from £4.52 to £18.71 per week.

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 203 members with identical matches when applying a zero tolerance. This is the equivalent to an 18.97% 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 3 records requiring no further action. This increases the agreement rate by 0.28%

- **Post 6 April 1997 Service**

Accepting that no further action is required for these 13 records due to their contracted out employment dates, provides an increase in the agreement rate of 1.21%.

- **1 day tolerance Mismatch**

Choosing to accept a 1 day tolerance with the Start and End employment dates reduces the amount of queries by 112. This provides an increase in the agreement rate of 10.47%.

- **Duplicate Multiple Mismatch**

Removing the duplication of the 12 Multiple Mismatch queries provides an increase in the agreement rate of 1.12%

- **Pre 6 April 1978 Service**

Accepting that no further action is required for 50 records due to their service ending prior to 6 April 1978, provides an increase in the agreement rate of 4.68%

The acceptance of all of the above assumptions results in an increase to the agreement rate from 18.97% to 36.73%.

This leaves a total of 677 records which require further investigation.

Summary of Stage 1 Results

Choosing to accept the assumptions detailed in the previous section results in a remaining 62.80% 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		2
BM – NINO and Surname		239
Both GMP Outside Tolerance		27
End Date Mismatch		7
Multiple Mismatches		17
Orphaned (HMRC)	52	
Orphaned (Altair)	218	
Orphaned (Deceased) - Altair	37	
Orphaned (Deceased) - HMRC	22	
Post 88 GMP Outside Tolerance		1
Start Date Mismatch		44
Total GMP outside Tolerance		11
TOTAL	329	348

Post 1997 members

We have identified that out of the 677 queries, 224 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.

13 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).

64 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).

The remaining 147 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.

69 of these records are contained within the 'Orphaned Altair' category and will be included in the bulk query submission to HMRC.

Cheshire Fire & Rescue Service– New Pension Scheme

Data Submission

A data files was submitted for the Cheshire Fire & Rescue Service - New Pension Scheme, details of which are as follows:

File Type	Data Submitted	Total Members
Full Membership	9 May 2016	116

HMRC Data Breakdown

Member Category	Total Members
1 – Early Leaver	113
2 – Pensioner	2
3 – Widow	1
Total	**116**

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

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.

Altair Data Breakdown

Member Category	Total Members
3 - Leaver – No liability	21
4 - Deferred	200
5 - Pensioner	25
7 - Deceased	4
0 - Optant out	55
Total	305

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.
- **7 – Deceased –** details provided by HMRC for these cases relate to an originating deceased member for whom a spouse/dependant's pension exists.
- **0 – Optant Out –** a member who opted out of the pension scheme.

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
100% Match	83
Best Match (BM) – NINO and Surname	2
Both GMP outside Tolerance	1
Multiple (HMRC) Mismatches	4
Multiple (Altair) Mismatches	8
Orphaned (HMRC)	11
Orphaned (Altair)	195
Orphaned (Deceased) - Altair	2
Start Date Mismatch	10
Surname Mismatch	4
TOTAL	320

A breakdown of all results categories and their definitions are provided on page 5 of this document.

Analysis of Results

100% Match

We have identified that 83 (25.94%) records are 100% Match and require no further action. This leaves a total of 237 (74.06%) records to investigate further.

Best Match – NINO and Surname

We have identified 2 (0.63%) records where only the NINO and Surname match.

Both GMP Outside Tolerance

We have identified 1 (0.31%) record for which both GMPs do not agree based on a zero tolerance. We have applied a 3 pence and £2 tolerance to the data and have found that the monetary difference on both records is in excess of £2 per week.

Multiple HMRC Mismatches

We have identified 4 (1.25%) 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 4 (1.25%).

Multiple Altair Mismatches

We have identified 8 (2.50%) records which have a multiple Altair data mismatch. All of these records relate to members where HMRC have 2 periods of contracted out employment recorded for one member. These members have also been highlighted in the "Multiple HMRC Mismatches" category.

Orphaned HMRC and Altair

We have identified 11 (3.44%) records where data is held on the HMRC database but not on the Altair system and 197 (61.57%) records where data is held on Altair but not on the HMRC database.

Corresponding records

	Total Records
Corresponding records	112
Orphaned - HMRC	11
Orphaned - Altair	195
Orphaned - Altair (Deceased)	2
Total	320

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 may 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.

Start Date Mismatch

We have identified 10 (3.13%) records for which the member's start date does not agree.

Surname Mismatch

We have identified 4 (1.25%) record 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.

Assumptions

There are 83 records with identical matches when applying a zero tolerance. This is the equivalent to a 25.94% agreement rate between the data held on Altair and the HMRC data.

- **Duplicate Multiple Mismatch**

  Removing the duplication of the 4 Multiple Mismatch queries provides an increase in the agreement rate of 1.25%

- **Accepting Surname Mismatch**

  If we disregard any further investigation into the surname mismatch queries within the GMP reconciliation exercise, this provides an increase of 4 record requiring no further action. This increases the agreement rate by 1.25%

The acceptance of the above assumptions results in an increase to the agreement rate from 25.94% to 28.44%.

This leaves a total of 229 records which require further investigation.

Choosing to accept the assumptions detailed in the previous section results in a remaining 70.31% 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 Surname		2
Both GMP Outside Tolerance		1
Multiple Mismatches		8
Orphaned (HMRC)	11	
Orphaned (Altair)	195	
Orphaned (Deceased) - Altair	2	
Start Date Mismatch		10
TOTAL	208	21

Recommendations

Actions that we recommend following the Stage 1 analysis are provided below:

- Prioritisation of Queries

We consider it beneficial to give initial priority to those members who are due to reach State Pension Age prior to December 2018. This will allow us time to correct the data and mitigate the risk of the possible over/underpayment of Scheme Benefits.

Records for those members who have already reached Stage Pension Age and are in receipt of a pension from the Scheme should then be investigated. This will allow us to identify any over/underpayments that have occurred and provide further details on these over/underpayments in our Stage 2 report.

- Agree acceptable tolerance

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 however given the minimal impact of changing the tolerance levels we would recommend that the zero tolerance is adopted and all mismatches are investigated.

We would not recommend adopting the £2 a week tolerance as we anticipate that the costs involved in resolving the discrepancies now will amount to much less than paying the member a discrepancy of up to £2 for the remainder of their lives.

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 Cheshire Fire & Rescue Service Pension Scheme 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 Stage 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 Cheshire Fire & Rescue Services Pension Scheme.

- 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	2
Access and review member record. Submit query to HMRC and review response OR Identify update.	
Best Match - NINO & Surname	241
Access and review member record. Submit query to HMRC and review response OR Identify update. Identification of over/underpayments.	
Both GMP Outside Tolerance	28
Access and review member record. Submit query to HMRC and review response OR Identify update. Identification of over/underpayments.	
End Date Mismatch	7
Access and review member record. Submit query to HMRC and review response OR Identify update.	
MULTIPLE Mismatches	25
Access and review member record. Submit query to HMRC and review response OR Identify update.	
Orphaned – HMRC	63
Batch and format data, Submit query to HMRC. Review response from HMRC and respond accordingly.	
Orphaned – Scheme	413
Batch and format data. Submit Queries to HMRC. Review response from HMRC. Depending on HMRC response, single queries could be generated.	
Orphaned (deceased) – Scheme	39
Batch and format data. Submit Query to HMRC. Review response from HMRC. Depending on HMRC response, single queries could be generated.	
Orphaned Records (deceased) – HMRC	22
Batch and format data, Submit query to HMRC. Review response from HMRC.	
Post 88 GMP outside Tolerance	1
Access and review member record. Submit query to HMRC and review response OR Identify update. Identification of over/underpayments.	
Start Date Mismatch	54
Access and review member record. Submit query to HMRC and review response OR Identify update.	
Total GMP outside Tolerance	11
Access and review member record. Submit query to HMRC and review response OR Identify update. Identification of over/underpayments.	
Total	906
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 £6,300.

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 Cheshire Fire & Rescue Service Pension Scheme.

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.