

## Cutting through the jargon and making sense of GMP reconciliation

With the countdown to the end of contracting out for defined benefit (DB) well underway, [GMP reconciliations](#) are high on many schemes' agendas as trustees take action to meet the December 2018 deadline.

Further information  
in support of  
this briefing  
note is available  
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As you might expect, in such a complicated process as GMP reconciliation – and rectification – there's an abundance of communication from administrators, consultants and HMRC. Much of this is jargon, acronyms and terminology unique to the subject matter. How much of this do trustees and company representatives actually understand and/or want to query with their administrators? After all, they're supposed to know their scheme as well as anyone.

To help with this problem, we've put together a glossary of terms used in connection with GMP reconciliation, covering industry terms such as 'SERPS' and 'CEPS', as well as more contemporary terminology around the types of discrepancies found between scheme and 'NICO' records. So now we all know what 'not on NICO' actually means and what to do about it.

This glossary accompanies reports that we sent to our clients to help them understand some of the finer points and make both our consultancy and administration roles easier, allowing our clients to focus on applying their limited resources to work that genuinely adds value to their scheme.

### Appendix 2 – glossary of terms

#### **Contracted-Out Contributions and earnings Information Service (COCIS)**

This is a service set up by HMRC to provide historical earnings information to enable pension schemes to calculate GMPs.

#### **Contracting-out**

Schemes could elect to contract-out of SERPS which meant the employer and its employees paid lower national insurance contributions and the scheme paid a benefit to members in place of SERPS; known as a GMP.

#### **Contributions Equivalent Premium (CEP)**

A premium paid by a contracted-out scheme to 'buy-back' SERPS or S2P benefits for members who were in a contracted-out scheme but have received a refund of their contributions.

The premium is broadly equal to the value of the national insurance contributions rebates received by the employer and employee.

#### **Discrepancy type**

Admin and NICO records show different:

- **Surname** - but consistent NI number and date of birth (this might be due to a misspelling or following a change of name due to marriage)
- **National Insurance number** - but other information for members matches, such as date of birth and surname
- **Start date** - Dates the member started contracted-out employment (this is usually the date the member joined their scheme)

- **End date (or termination date)** - Date the member ceased contracted-out employment (this is usually the date the member left their scheme).
- **Total GMP calculation** - Figures for the total GMP payable to an individual member. This is likely to be because there is another query on these members or because different contracted-out earnings are recorded.
- **Post 1988 GMP calculation** - Figures for the GMP earned after 5 April 1988 payable to an individual member. This is likely to be because there is another query on these members or because different contracted-out earnings are recorded.
- **Revaluation method** - Revaluation rates to be applied to GMP between end date and GMP Age. This could be because of a start/end date query or a discrepancy between fixed rate, section 148 or limited rate.
- **Un-notified death** - Status for individual members; specifically NICO records to indicate a member who has died that the administrator is not aware of.
- **Not on admin** - Status for individual members; specifically NICO have a record for a member where admin do not.
- **Not on NICO** - Status for individual members; specifically admin who have a record for a member where NICO does not.
- **Possible duplicates** - Data records with reference to the same National Insurance number. NICO may have more than one period of contracted-out employment recorded, or the scheme may have more than one record with the same National Insurance number. Some investigation will be required to determine which contracted-out information applies to which admin record.

## Early leavers

Members who used to be in contracted-out employment and are below GMP age (60 for females and 65 for males).

## Guaranteed Minimum Pension (GMP)

The minimum benefit payable by a contracted-out scheme to its members for service from 6 April 1978 to 5 April 1997. It is broadly equivalent to SERPS and is payable from age 60 for females and 65 for males.

## National Insurance Contributions Office (NICO)

The office within HMRC responsible for maintaining national insurance records for individuals.

## Pensioner

Members with contracted-out benefits who are over GMP age; 60 for females and 65 for males. These individuals do not need to be receiving a pension from their scheme to be classed as a pensioner by HMRC.

## Query template

This is a pre-formatted spreadsheet that schemes send to HMRC to query information they've provided. A number of these will be sent covering similar queries for a range of members, allowing reconciliation activity to be done in bulk.

## Revaluation

GMP revalues, or increases, every 6 April between date of leaving and GMP age

- **Fixed rate** - A fixed percentage - the relevant percentage for each individual is determined by their end date.
- **Full – Section 148 Orders (S148)** - In line with Section 148 Orders, which are a measure of national average earnings.
- **Limited rate** - By the lesser of Section 148 Orders or 5% a year. Trustees using this revaluation method are required to pay a Limited Revaluation Premium (LRP) to HMRC.

## Scheme Reconciliation Service (SRS)

The service offered by HMRC to allow contracted-out membership and benefit information to be reconciled in bulk between HMRC and pension schemes.

SRS is for use by schemes in which members continue to earn benefits and provides data for early leaver and pensioner members only. Membership records and benefit information for active members will have to be reconciled after 6 April 2016.

## Shared Workspace (SWS)

An online service offered by HMRC which allows contracted-out membership and benefit information to be reconciled on an individual basis between HMRC and pension schemes. SWS is most commonly used by schemes in which members are no longer earning benefits and provides data for all members.

## State Earnings Related Pension Scheme (SERPS)

Additional state pension earned by individuals from 6 April 1978 to 5 April 1997.

## State Second Pension (S2P)

Replaced SERPS from 6 April 1997. Schemes passing the 'reference scheme test' pay sufficient benefits to contracted-out members.

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Please contact your Barnett Waddingham consultant if you would like to discuss any of the above topics in more detail. Alternatively contact us via the following:

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