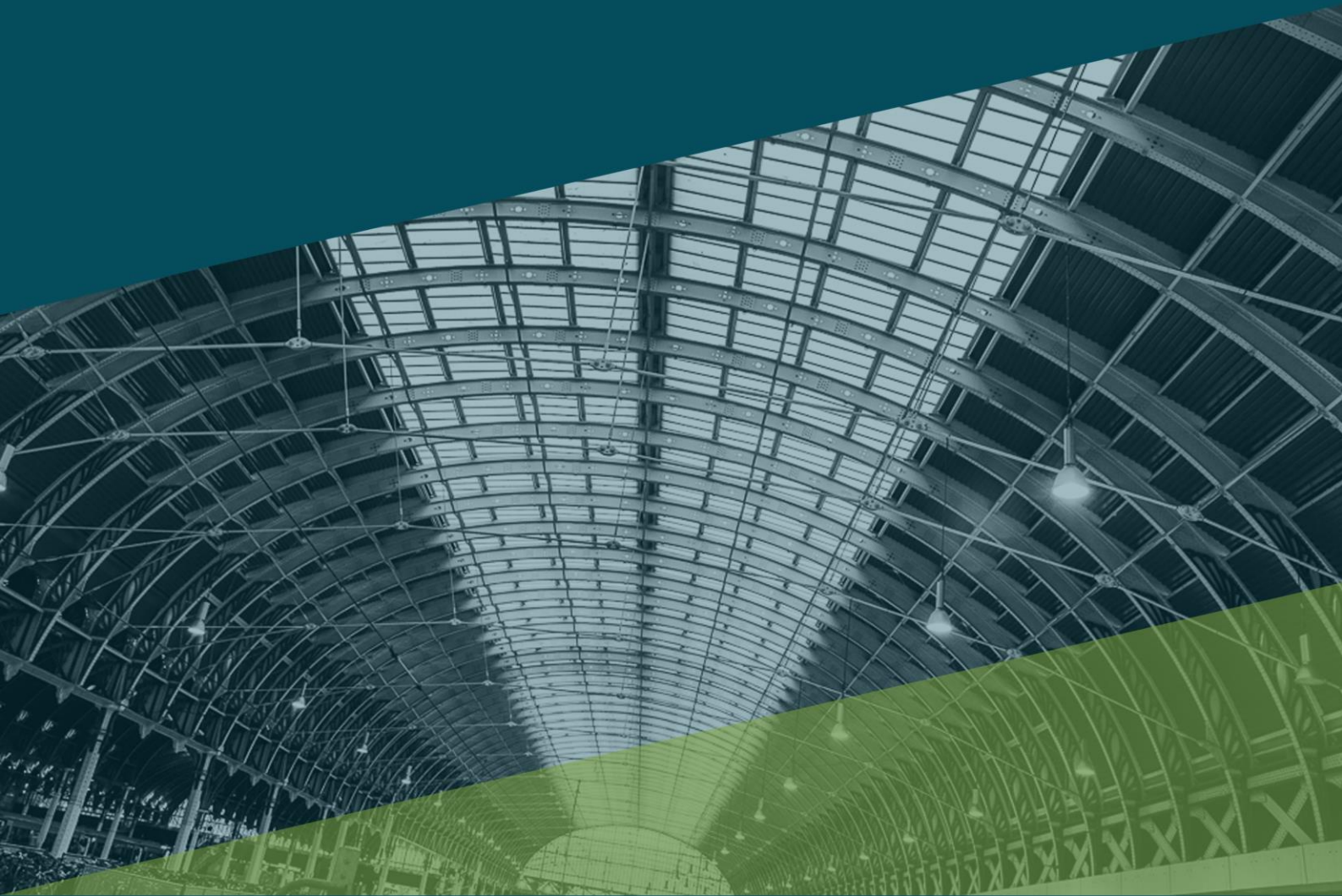


**Veratta®**

# **Contracted-out Benefits and Records Reconciliation Services**



## RISKS

Failure to reconcile the contracted out liabilities and rectify any errors can lead to increased risks and higher associated costs to the effective management of your scheme.

### Membership

According to a 2014 study by HMRC, there is a variance of up to 30% between the number of members with a contracted-out liability recorded by schemes and HMRC's own records. From our experience, approximately 10% of members in HMRC's records are completely missing from a scheme's records.

### Incorrect GMPs - Pensioners

Approximately 10% of pensioners are typically found to have a significant discrepancy between the value of their GMP in payment and the value recorded by HMRC. From our experience, overpayment is common in these situations.

### Incorrect GMPs - Deferreds

Approximately 10% of deferred members have a significant discrepancy between the value of their GMP recorded in the scheme's data and the value recorded by HMRC. In 2018 HMRC intends to inform all deferred members of contracted out schemes how their contracted-out liabilities affect their state pensions.

### Data Queries - Actives

In December 2016 HMRC will identify and close all active member entries held on its records. Schemes will be notified of all members where the records have been closed. Schemes have until December 2018 to agree or query their active membership.

## MISSED OPPORTUNITIES & INCREASED COSTS

The common issues listed above can combine to make processes more costly and complicated, and restrict your ability to pursue beneficial opportunities when they arise

### Funding Strategy

Uncertainty about the true value of your scheme's contracted-out liabilities can have a huge impact upon your scheme's funding position and funding strategy. The discovery of additional members and discrepancies with deferred GMP liabilities can lead to valuation errors that go on to affect your future funding decisions.

### De-Risking

If you are looking to complete a buy out exercise, insurers will apply a 5% premium loading to the cost of buy out if you cannot provide evidence that contracted-out liabilities have been reconciled in the your scheme. The actual cost of this premium can potentially run into millions of pounds.

### Governance

By failing to reconcile contracted-out benefits and records you could be breaking your legal obligation of paying the correct benefit amounts to your members. You could also be in contravention of the Pension Regulator's guidance on record keeping by failing to ensure that member records are complete and accurate.

### Administration

Inaccurate or missing GMP liabilities can complicate the settlement of benefits for your members. Furthermore, dealing with the queries resulting from HMRC contacting individual members and the cessation of contracting out could prove time-consuming and disruptive if not properly managed.

## TAKING CARE OF YOUR CONTRACTED OUT RECONCILIATION

Veratta offers a complete contracted-out reconciliation service, including full data analysis, an in depth report of the results and a tailored strategy to deal with the issues arising from the exercise.

### Cutting edge technology

We have applied our unrivalled expertise in pension scheme administration, data management, and software development to create a comprehensive reconciliation system that is compatible with HMRC's own data reports and all sources of pension scheme administration data, regardless of complexity.

The system is used to manage the entire reconciliation process, which includes as standard:

An audit of the source data required for the reconciliation process.

A reconciliation of the scheme membership against HMRC's records.

A full reconciliation of all contracted out data and benefits.

An analysis of the potential impact of any discrepancies in the reconciliation.

Investigation of the issues raised and any data rectification required.

### Efficiency and Control

Our expert approach, combined with cutting edge technology ensures that a quality assured and cost effective GMP reconciliation exercise can be delivered with confidence. Every aspect of the GMP reconciliation analysis and calculations is fully mapped and audited, providing control over what can be an extremely complex exercise.

### Clear reporting

Our reports provide you with a clear summary of the analysis results, as well as a full breakdown of the issues discovered. We provide reports of our initial findings followed by a final report upon completion of any rectification work with regular progress reports provided throughout the exercise.

### Insightful strategy

We provide personalised guidance for your scheme, based upon the results of the reconciliation exercise. We can assist you in successfully managing any actions required following reconciliation, including:

Managing unresolved cases.

Benefit adjustment exercises.

GMP equalisation.

Full data and benefit audit.

For more information contact:

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