ITM Proposal:
GMP Reconciliation Priority Project for Orbis

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12 June 2017

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1 Introduction

1.1 Summary

ITM is very pleased to submit this proposal for Guaranteed Minimum Pension (GMP) Reconciliation services for Orbis in respect of the East Sussex Pension Fund and the Surrey County Council Pension Fund (the Funds), following the initial audit carried out by ITM (Initial Audit). The Funds are administered by Orbis (the Administrator) through a Shared Services agreement.

The intention is that this document will enable Orbis to propose a "Priority Project" of GMP reconciliation activities to the relevant administering authorities (the Authorities) that will enable the vast majority of queries to HMRC to be submitted at the earliest possible point, therefore achieving a better position in HMRC's work queue. This in turn should enable Orbis to process HMRC responses and submit any follow-up queries to HMRC well before the final deadline of October 2018.

Following completion of the "Priority Project", ITM will provide Orbis with reports and member-level outputs so that Orbis is in a position to evaluate how to proceed with the remainder of the GMP reconciliation. While ITM would be delighted to assist further, ITM's outputs will also be sufficient for Orbis to create a specification of the remaining work required to provide to other suppliers, and also to enable either Orbis, or any other party, to take on the remainder of the GMP reconciliation work.

ITM will work to a pre-agreed target timescale and fixed fee for the work, once the scope of ITM's involvement is agreed. For the active members work the date by which the "HMRC actives member closure scan" is available will define the timing of that part of the project.

1.2 Next steps

We hope the information presented in this proposal provides all that is required at this stage and look forward to discussing in more detail in the near future.

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2 Stage 1- GMP Comparison

2.1 Current Position – Non-actives

ITM has previously completed a GMP comparison analysis exercise using the HMRC Scheme Reconciliation Service data provided for non-active members for both Funds. Following this exercise, ITM has:

▶ Determined the current position regarding the GMP reconciliation for the Funds, based upon the data provided. There were circa 64,000 discrepancies identified between HMRC records and Orbis's records, including both contracted-out membership discrepancies and GMP value discrepancies. This is projected to rise to c 72,000 once all HMRC GMP data is available to compare with administration data.

▶ Analysed the membership and GMP discrepancies, and determined how a bulk analytical approach to resolution can be applied, as opposed to a manual labour-intensive approach. This approach would include the application of ITM's technology to control costs and minimise the requirement for individual file review, as set out later in this section.

▶ Met with Jason Bailey from Orbis to determine how a Priority Project could be scoped to best meet the most urgent GMP reconciliation objectives, which are those that will result in large volumes of queries being submitted to HMRC and entering their work queues.

2.2 Current Position – Active members

There has been considerable delay in HMRC providing SRS data for those members who remained in active service at 6 April 2016, referred to by HMRC as a Scheme's 'Active Closure Scan'. However, Schemes are now receiving Closure Scan data, and ITM understands that Orbis has requested this data for the Funds, and is currently awaiting it from HMRC.

Once received, ITM will undertake the tasks set out in Section 3 below, which will also include carrying out the equivalent of the Stage 1 comparison for these members.

3 Stage 2 Priority Project

3.1 Project scope

ITM's proposed project scope is as follows:

▶ Undertake a focused, 2 month project, designed to efficiently and accurately issue the vast majority of queries to HMRC in good time, before the expected capacity issues at HMRC as the volumes of schemes carrying out GMP reconciliation increases to its peak ahead of the October 2018 deadline.

▶ If active members closure scan data is not available at the outset of the project, then ITM will proceed with the deferred and pensioner members first, to ensure that these queries are not delayed in being submitted to HMRC. The active members will then be addressed in a separate two-month project.

▶ During the project ITM will perform a range of data analysis tasks to resolve discrepancies between the population of HMRC records and Fund records, backed by ITM's technology platform which has been specifically designed for reconciliation of Altair data with HMRC data, for example for members with multiple employments.

▶ Produce query files for HMRC throughout the project. These query files will cover the vast majority of HMRC queries that need to be submitted and require a response back, in order to be processed by Orbis, or any future supplier of GMP reconciliation to Orbis.

The detailed scope and methodology that ITM propose is set out in the table below:

ITM Priority Project Scope		
Preparation		
Project initiation session	ITM, Orbis	Initiation meeting and agreement on any additional data and information sources that are available relevant to the Initial Project (e.g. archived data from a data migration).
Agree how ITM will access the relevant HMRC eRoom	ITM, Orbis	Different options are available.
Loading of full administration data extract, and all available HMRC data	ITM, Orbis	We could use existing data used for Stage 1, depending on logistics it may be prudent to use a fresh extract from Altair
Process the baseline position. Separate baseline to be produced in respect of active members once the closure scan has been received and analysed.	ITM	Create a detailed categorisation of all discrepancies between Fund records and HMRC data, to enable analytical investigation to proceed. Include active closure scan data if available.
Data analysis and query submission		
Member record held on Altair, no HMRC data provided	ITM	Initial analysis for members for whom HMRC have not provided any records. Initial queries to be submitted to HMRC. Following this a list of members whose data requires further individual file review by the Administrator to improve member matching or to challenge HMRC, for example where suspicious service date queries are identified (e.g. date of joining, leaving and retirement all show the same date), will be produced and made available to the Administrator.

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Temporary or invalid NI numbers	ITM	Use data analytics to improve matching. ITM reprocess to match to HMRC records. Discrepancies that cannot be resolved by analytics will be added to cases to be reviewed by the Administrator.
Multiple records on HMRC not matching clearly to administration system	ITM	Perform analytical checks to establish as many matches between the HMRC and Administration data as possible, catering for LGPS-specific issues such as multiple concurrent employments. Where GMP values are within tolerance, match exactly or post-97 service dates agree for members where the links between HMRC and Administration data has been improved, the cases will be considered to be reconciled and their reconciliation status will be updated. Discrepancies that cannot be resolved by analytics will be submitted to HMRC for investigation.
Multiple records on administration system not matching clearly to multiple HMRC records	ITM	Complete analytical checks to establish as many matches as possible. For example, members with multiple administration records matched to a single HMRC record as the contracted out service period provided by HMRC covers all administration service periods. Where GMP values are within tolerance, match exactly or post-97 service dates agree for members where the links between HMRC and Administration data have been improved, then the cases will be considered to be reconciled and their reconciliation status will be updated. Discrepancies that cannot be resolved by analytics will be submitted to HMRC for investigation.
Deceased member analysis	ITM	Complete analytical checks to establish as many matches as possible. An initial batch of queries may be submitted to HMRC if there are members whom HMRC records as alive but are shown as deceased on the administration record with no further liability due e.g. no qualifying spouse. There will be some unresolved cases passed into file review in respect of members who are shown as alive on the HMRC but deceased on the administration record, in which case a copy of the death certificate will need to be retrieved from the member record to enable the HMRC position to be challenged. Members where HMRC records the member as deceased with a spouses' pension in payment, but the administration data indicates that the member is alive, will also be passed for individual file review by the Administrator.

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Dependants' records on administration system not linked to deceased member	ITM	Complete analytical checks to establish as many matches to the original first life as possible. Members will be passed for individual file review by Orbis where it is not possible to link the records through data interrogation.

All remaining population discrepancies between HMRC and Fund records

All remaining members	ITM	Submit bulk advice to HMRC, including "*not in scheme*" queries and "*was in scheme*" queries, using the new HMRC templates for automated query processing. Confirm where members with no GMP provided are expected to have no GMP.

3.2   Project deliverables

At the conclusion of the project, ITM will provide the following deliverables:

▶ A full report detailing the success of the Initial Project in resolving population discrepancies, and submitting queries to HMRC. A section of this report will also set out the GMP reconciliation work remaining to be carried out, and as such this report could be used as part of a specification to procure services to enable completion of the GMP reconciliation.

▶ Member-by-member data output from ITM's GMP reconciliation system that provides the results of the reconciliation analysis and member matching carried out in a format that can be used by whichever team or external supplier picks up the remainder of the GMP reconciliation work. This will also include full details of queries files that have been submitted to HMRC.

▶ Member listings where ITM's analysis has concluded that additional data may be available on individual member files, or in the case of active members from other records held by employers, that will assist with the reconciliation. Each group of members will be clearly categorised so that Orbis can take decisions on how much individual review is required for each group. Orbis can then proceed to undertake those reviews and provide the results to whichever team or external supplier picks up the remainder of the GMP reconciliation work.

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4   ITM Methodology

4.1   ITM's approach for the Priority Project

ITM's approach to be employed on this Priority Project for Orbis has been developed from work on over 50 Stage 2 GMP reconciliations. Four major LGPS funds administered on Altair have already completed Stage 2 using this approach.

Through this experience, and the support of Aquila Heywood, ITM has configured an extensive code base for data interrogation of Altair data into our data management platform eDAaRT. This enables ITM analysts to maximise the use of the Altair database to carry out investigations into discrepancies between Altair and HMRC records.

This approach has proved very successful on other LGPS clients, where c 90% of discrepancies are expected to be resolved through data interrogation and HMRC queries, with only 8% submitted to the administering authority for possible file review investigation (not all of which will ultimately require manual investigation).

ITM's technology includes sophisticated code that is utilised for investigating LGPS-specific scenarios, such as multiple and concurrent employments under the LGPS, that have been created by ITM's expert analysts. This technology will be key to support many of the initial GMP reconciliation tasks included in this Priority Proposal.

This technology allows ITM to carry out investigation for GMP reconciliations under a uniquely analytical and efficient approach. The technology utilised ensures the highest level of quality because complex analytical tasks, such as those related to multiple and concurrent employments, are undertaken by analysts using in-built system procedures rather than as manual assessments that are prone to human error.
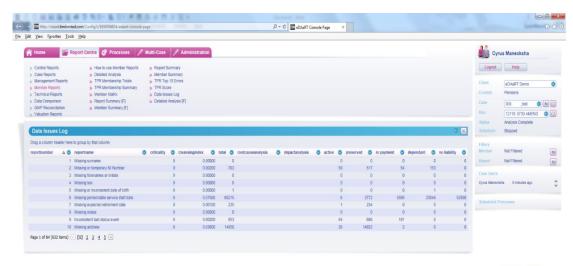
4.2   ITM technology

ITM's proprietary GMP reconciliation system eDAaRT, together with its highly skilled pool of data analysts and LGPS reconciliation experts, enables ITM to investigate GMP reconciliation discrepancies under a uniquely analytical and efficient approach, which has the benefit of controlling the number of individual file reviews that will need to be performed by Orbis, giving the following benefits for Orbis:

- ▶ reduced overall disruption to the Orbis administration team; minimising internal costs
- ▶ reduced timescales for Stage 2 of the GMP reconciliation ability to meet the October 2018 deadline
- ▶ ensuring the highest level of quality of output; it is mostly generated from data interrogation rather than manual assessments recorded by staff working on the project

eDAaRT is also ITM's core data management system, which includes in-built templates for loading and interpreting Altair data, refined over many previous projects, and maintained with support from Aquila Heywood when upgrades may impact the underlying data held.

Once loaded, eDAaRT enables ITM to access its full library of LGPS analysis scripts and procedures. A screenshot of eDAaRT is shown below:

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For GMP reconciliation projects, eDAaRT's functionality is built around a task management, quality and auditing framework that will support all the GMP reconciliation tasks in the Priority Project as follows:

▶ Enabling analysts to work effectively

▶ Ensuring all analysis is peer reviewed for quality control

▶ Producing an unambiguous audit trail of how the reconciliation status of each member has improved by each piece of analysis or individual file review

▶ Providing exports of the member-by-member data that is required to pass back to Orbis at the conclusion of the Priority Project

4.3 Quality and auditing

ITM's approach for GMP reconciliation is applied within the structure of its quality control processes. ITM's focus on quality underpins all aspects of the business through a robust Quality Management System (ITM QMS) which governs all working processes, systems and internal controls. ITM has been approved by Lloyds Register Quality Assurance (LRQA) to the following standards:

▶ Quality management – ISO 9001:2008 (obtained in September 2008)

▶ Information security management – ISO/IEC 27001:2013 (obtained June 2012)

ITM undertook AAF01/06 audit for the 2015 reporting year, (and will undertake an AAF accreditation every other year). ITM's QMS will be moving to ISO 9001:2015 in 2017.

The following key quality controls are enforced to ensure the accuracy of information being updated following the investigations carried out during the course of the project:

▶ Each analysis task is tracked, together with the members that are included in the task population.

▶ All analysis tasks for each member are tracked at a member level, together with the next action required.

▶ Any decisions required to conclude the reconciliation for groups of members are clearly noted, including the timing and level of authority at which decisions were taken.

▶ Submissions to HMRC are tracked.

▶ GMP values and any other revised data to be updated on the Altair administration system are recorded.

▶ Doers/checkers and dates are allocated to all actions to ensure quality control and peer review.

5 Fee Proposal

5.1 Introduction

ITM has estimated our fees for the Priority Project outlined above based on the Stage 1 report previously carried out for the deferred and pensioner members, and also based on our recent experience of processing active member closure scans.

5.2 Stage 2 Priority Project

ITM's fee estimates below are for carrying out the entirety of the Stage 2 Priority Project, including processing the Active Closure Scan, using our methods and technology set out in Sections 3 and 4 above.

ITM would commit to fixed fees against a fixed detailed scope, as detailed in the table below.

Please note that all fees quoted exclude VAT, travel and disbursements.

Phase	Fees
Stage 2 (GMP Reconciliation) Project for both Funds – two month project for deferred and pensioner members. Two month project for active members that can be separated if required if data is received later. Priority Project, including: Loading of SRS data including HMRC Error Code cases and Actives closure scan; loading data from client following manual file reviews; loading of additional administration data provided Matching of multiple HMRC/ multiple admin records, dependants linking and improvements in matching Analytics to resolve cases where dependant link needs to be established Confirming members as "agreed no GMP" cases where there is no HMRC record ITM Senior Analyst control and sign off throughout project; liaison with HMRC and Orbis; submission of HMRC queries; all initial activities; maintenance of audit trail throughout project and provision of final data and reports **TOTAL fixed cost:** **£**	Proposed fixed fee:

5.3 Assumptions behind fees

ITM's fee quotations have been based on the results of the Stage 1 comparison for deferred and pensioner members. The other key assumptions in ITM's fee quotation are as follows:

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▶ It will be necessary for ITM to raise queries with HMRC using the Scheme Reconciliation Service, including escalation of such queries as appropriate by sending individual queries to HMRC. There are different ways of achieving this and ITM will agree this with Orbis at the outset of the project.

▶ ITM will request data from the Contracted-Out Contributions/Earnings Information Service (COCIS) for employers related to the Scheme whose ECONs are present on the Scheme Reconciliation Service data where it is concluded that it will assist our investigations.

▶ The project management component with the fees quoted is based on the assumption that the work is carried out in the elapsed timescales stated.

▶ The activities will be carried out at ITM's offices using ITM's technology, where it is possible to do so.

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6 Why ITM and the benefits ITM bring

6.1 Why ITM

ITM is uniquely well placed to undertake this project for Orbis because:

▶ ITM has unique industry experience of pricing GMP reconciliation projects as an independent provider of data services. ITM has been appointed by 10 LGPS funds to carry out GMP reconciliation on this standardised pricing basis. Six of these LGPS funds have now successfully completed their GMP reconciliation project (four administered on Altair), and one of the funds administered on Altair is mid-way through the benefit rectification project following GMP reconciliation.

▶ ITM is a projects-based business that understands that administration projects are different to "business as usual" administration activities, most importantly that they need to take place over a defined period of time and within an overall fixed budget.

▶ ITM is a specialist pensions data analysis and data cleansing company with pensions data specialists and custom built GMP / data analysis and GMP / data cleansing software (eDAaRT).

▶ ITM has a well-established relationship with HMRC gained through undertaking many previous GMP projects.

▶ ITM will work to a pre-agreed target timescale and firm fixed fee.

▶ ITM is able to make an immediate start with the project to enable further queries to be submitted to HMRC at the earliest opportunity, to ensure that Orbis's queries are in the queue.

6.2 Benefits of working with ITM

The benefits of ITM undertaking this project with Orbis can be summarised as follows:

▶ ITM has a proven track record of achieving complex GMP and data cleanse projects on time and to budget - with a range of large, complex, final salary pension schemes, including LGPS Schemes, which are good comparators for the challenge that will be faced in carrying out a reconciliation with Orbis for the Fund.

▶ A highly cost effective approach that resolves a high percentage of discrepancies, without the need for individual file review.

▶ An approach that uses data analytics to guarantee accuracy, reducing the reliance on unnecessary human judgements and manual intervention during individual file review.

▶ ITM has performed around 16 GMP reconciliations on Altair held data.

▶ Reduced disruption for the Orbis administration teams enabling them to focus on other projects and business as usual member service activities.

▶ ITM's approach for the GMP Reconciliation Priority Project is planned to take place over a compressed period, adopting an automated approach that is both practical and effective for large pension schemes.

▶ An automated, fully auditable solution delivered efficiently in conjunction with LGPS knowledge.

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