HMRC, NIC&EO, National Insurance Services to the Pensions Industry, Scheme Cessation Business Update

In conjunction with The Pensions Regulator, Scheme Cessation has recently undertaken a review of its business structure and processes to continuously improve all aspects of its operational delivery.

The review identified a need to change the business unit structure and streamline some of the processes.

Structural Change

To enable Scheme Cessation to continue to provide a consistent professional service to all its customers the work will be streamed depending on whether the scheme is a defined benefit scheme or defined contributions scheme.

This may mean that the person previously dealing with a ceased scheme changes. However, the change will not impact any Customer Account Management roles and relationships Scheme Cessation currently have with a Pension Scheme Administrator. When requested, Scheme Cessation will continue to work with Pension Scheme Administrators to agree joint priorities and action plans.

The main drivers for the structural changes are:

- To ensure that the Scheme Cessation process is carried out effectively and efficiently.
- To ensure that Scheme Cessation and Pension Scheme Administrators are best placed to fully embrace the abolition of contracting-out on a Defined Contribution basis in 2012.

Process Changes

The main process changes that may impact the industry are summarised below.

- Scheme Cessation and Scheme Administrators have a legal requirement to keep customer data safe and secure, therefore Scheme Administrators will be asked to acknowledge receipt of the scheme enquiry listings and requests for copies will only be provided in exceptional circumstances. .

- When Scheme Cessation are notified that a pension scheme has ceased to contract out they provide GMP calculations to the relevant administrator as part of the scheme listings service. Scheme Cessation will not provide GMP calculations prior to sending out scheme listings.

- As mentioned above, GMP calculations are provided by Scheme Cessation as part of the scheme listings service. Calculations are re-valued to the scheme cessation date, to provide details of the full scheme liability at the point of scheme cessation. If Scheme Administrators require GMP calculations at date of leaving or state pension age they should calculate these by using the scheme cessation GMP and either working back or forward as appropriate. GMP calculations to date of leaving or state pension age will not be provided by Scheme Cessation.

- National Insurance Services to the Pensions Industry (NISPI) offer services which can help Scheme Administrators reconcile Scheme records with HMRC data. If Scheme Administrators require contracted-out contributions or earnings information for 20 or more members, they should use our Contracted-out Contribution/Earnings Information Service (COCIS). NISPI provide this service free of charge. Further information regarding this service can be obtained at the following website www.hmrc.gov.uk/nic/enquiry-service.htm

- GMP and membership queries and discrepancies should be fully investigated by Scheme Administrators. Where discrepancies or queries are identified, Scheme Administrators should provide full details of where the discrepancy is and provide evidence to support why HMRC's records are incorrect. If a Scheme Administrator does not provide full details of where the discrepancy is and provide evidence to support why HMRC's records are incorrect, Scheme Cessation will not change HMRC records.

- If a Scheme Administrator advises they have no trace of a member due to the member transferring out and are unable to provide details of the receiving scheme, the liability will remain with the ceased scheme on HMRC records. It is the Scheme Administrator's responsibility to maintain full and accurate records and to notify HMRC of all transfers.

- Scheme Cessation have dedicated forms that should be used to provide them with methods of preservation (MOPs). These forms enable National Insurance accounts to be updated quickly and accurately by the HMRC internal data input team. Scheme Cessation will only accept MOPs in this format. Notification in letter format will not be accepted. Further information regarding these forms can be obtained at the following website www.hmrc.gov.uk/nic/forms/ni_services-form.htm.

- A preferred method of working for Scheme Cessation is via their Shared Workspace service. Schemes which use this medium should send all queries through the Shared Workspace system. Scheme Cessation will not reply to letters sent by Scheme Administrators using this preferred method of working.

- Scheme Cessation currently work on a first in first out post process and will continue to do so. Telephone calls / e-mail / fax will not take priority over queries received by post.

Feedback

The changes to the structure and processes will be implemented from 4 January 2011 and will be subject to continual review.

Scheme Cessation will publish any further updates and provide a summary, explaining the roles and responsibilities of HMRC and Scheme Administrators when a pension scheme ceases on both The Pensions Regulator and the HMRC websites.

Both TPR and Scheme Cessation would welcome any comments or suggestions about this business update. Please send any comments or suggestions to TPR, Scheme Administrator CAM contacts or Victoria.malia@hmrc.gsi.gov.uk using the subject title – 'business update'.