

Pensions October 3, 2018

Pensions clawback debacle risks being repeated in 20 years

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By **Simoney Kyriakou**

Pensioners in defined contribution schemes could find themselves at risk of future clawback requests because of poor pension scheme administration, a former pensions minister has warned.

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In echoes of the ongoing guaranteed minimum pension clawback debacle, in which thousands of Britons have received letters from their former schemes asking for pension benefits issued erroneously to be repaid, Baroness Ros Altmann has warned the same risk could be repeated 20

This was because, according to Ms Altmann, pension scheme systems are still woefully inadequate and data collection, contribution calculations and pension projections are still subject to the sorts of errors that led to the wide-scale problems between 1978 and 1997, around calculating the level of benefits accruing to people who contracted out of the state earnings-related pension scheme.

She said: "The administration of pensions is still not working properly.

"There are hardly any safeguards in place to be sure that auto-enrolment pension contributions are actually correct. And the error rate for the contributions, often uploaded manually onto spreadsheets and sent to pension providers with errors, is high."

Ms Altmann warned if these records are wrong at the start, "we could be building up to the same problems [as we have seen with GMP clawback] again in 20 or 30 years' time, when people find the amount paid in for them was not correct, and then have to try to sort out the mess, rather than having strong safeguards in place now to ensure problems do not arise in the first place".

Her comments came as the long process of reconciling pension scheme data against HMRC data draws to a close.

This process, which has been ongoing since 2016, involves all those pensioners whose defined benefit pension schemes - both private and public - were contracted out of Serps between 1978 and 1997.

As reported by *FTAdviser*, in its [CPD Guide to navigating GMP clawback](#), these members will have opted out of the higher earnings-related national insurance contributions (Nics) in return for a lower state pension, in exchange for a GMP.

However, HMRC realised the data collated by pension schemes was at best sketchy in places, with some pensioners' entitlements being calculated incorrectly, so that when any guaranteed increases on the GMP were paid by an increase in the state pension, the increases were, in fact, wrong.

Ms Altmann suggested similar data collation and calculation problems were still prevalent among defined contribution schemes.

In August, *FTAdviser* reported errors were found in half of the data employers

sent to providers on the auto-enrolment contributions of their staff.

Integration platform Pensionsync, which recently appointed Ms Altmann as chairwoman, had analysed data on contributions to more than 10,000 schemes between August 2017 and July 2018 and found 50 per cent had to be sent back for correction.

There were errors such as contribution amounts that were too high or too low, payments made for workers who do not belong to the scheme or have opted out, or incorrect pay period dates.