

“We as GMP crusaders have an opportunity to contain the scandal that could appear in the national press if GMP reconciliation procedures are not carried out effectively with HMRC.” This was the heartfelt message ITM director John Broker delivered to delegates attending the *Pensions Age* half day seminar, *GMP Delivered*, in association with ITM.

As chair for the day, Broker highlighted the legal ramifications and member implications of failing to conduct GMP reconciliations correctly, not least of which included over- and under-paying members. The seminar aimed to look at how the GMP process can be made simpler.

The Pensions Regulator’s policy lead Louise Sivyer kicked off the day’s proceedings, providing the latest news on matters affecting record-keeping, auto-enrolment and data issues. In the same way that trustees have to be prudent around the whole GMP reconciliation process as it is their fiduciary duty to ensure members receive the correct benefits, Sivyer said the 21st century trustee should have motivation to undertake their role, have the technical knowledge of their jobs in hand and have the correct governance and personal skills along with effective communication and inquisitiveness. She said the regulator’s research shows that the trust model works quite well “but there are instances where there are uneven balances of skills and competences, meaning some schemes have sub-optimal standards of governance and administration”.

The seminar moved onto the history and technicalities behind GMPs. ITM senior technical consultant Catherine Jones set out a potted history of GMPs, commencing with their origins in 1978. Jones covered the three big changes to GMPs that occurred in 1988 - the accrual rate dropping from 80ths to 100ths, resulting in less year on year, pension increases introduced for post-88 GMPs



GMP delivered

✓ **The *Pensions Age*/ITM half day seminar looked at the GMP maze and how a degree of clarity can be brought to the GMP reconciliation arena**

only and widowers pensions introduced for post-88 GMPs.

“So why does GMP reconciliation matter?,” she said. “As a trustee there are two fundamental questions. Who do you owe benefits to and how much are those benefits? Data is what matters here and GMPs are part of that data. Carrying out a reconciliation process now would save a lot of time and upset, a lot of re-thinking and will also save on additional fees. There is no law that a reconciliation project must be done, but there are regulations about having good data.”

The crux of the seminar showcased the hands-on delivery procedure behind the reconciliation process. ITM director Darran Blount and senior consultant

Hannah Blomfield covered stages one and two of this procedure - reconciling data with HMRC and how to clean up the data using technology solutions.

Blount said the first key stage is to “collate and compare”. One must obtain data from HMRC and conduct a comparison process with scheme records, he said. The differences in the data are looked at, analysed and reconciled. Blomfield emphasised that it takes about a month to understand the extent of the reconciliation project and PIE exercises, annual pension increases, project timescales and tolerance levels must be taken into account before starting investigations.

“Using technology you can actively



monitor who can be processed, and who doesn't need to be," she said. "The output you need from this has to be clear because at stage three of the process where you need to update member records, it is vital you know what updates you are making."

Blount accentuated the importance of understanding HMRC processes and timescales, and knowing how to handle large quantities of data from multiple sources.

ITM director Maurice Titley and the firm's senior technical consultant Nathan Jones delved into the rectification methods that can be used to carry out benefit corrections quickly and effectively.

"It is really important to clearly define the groups of members who need the correct benefits," Titley stated. "If you are talking about correcting pensions in payment, you need to know which members are in scope and which members are not. Secondly it is key to use rectification methods which are robust, even when the data entering them is likely to be relatively poor and going back a large number of years."

Titley said this period of time

amounted to 38 years and the last thing people would want to be doing is an audit of 38 years of pension scheme administration. Jones outlined the firm's delta approach, a rectification method accommodating uncertainty over administration practice in the past 38 years but still producing a robust correction to benefits.

"Rather than looking to re-calculate pension benefits, we look at the change to GMP and the impact that this changed GMP has on pension benefits," Jones added.

GMP reconciliation work often falls in line with a scheme's de-risking process and the project plans of an overall PIE exercise. BT head of pensions Kevin O'Boyle and BT head of reward and pensions integration Eddie McGowan covered the importance of GMPs in liability management exercises and their effect from a sponsor perspective. O'Boyle spoke of the importance of GMPs in BT's own PIE exercise introduced in 2009. Members coming up to retirement could choose their normal options or give up some of their increase in pension for a higher starting flat-rate pension.

"Writing to 200,000 pensioners meant that we had to make sure all data was correct," O'Boyle stated. "This included their addresses and their GMPs. GMPs can often be forgotten but they are very important. If you don't have a correct GMP you can't calculate a transfer value, a deferred benefit, a retirement pension or a pension increase correctly."

Data cleansing was conducted pre-launch in pensioner tranches and where there were data discrepancies, BT had to liaise with HMRC. McGowan mentioned the importance of actively engaging with HMRC around this as "it won't just happen" and added that ITM brought a degree of capability and capacity that BT did not have.

So how does the GMP process feel from a trustee perspective? Punter Southall Independent Trustees director of business development Kevin

Clark explained that when looking to reconcile, everyone should "agree what the tolerance levels should be". Communication programmes should also be carried out, so it is all managed from a member's perspective, he said.

ITM communications consultant Stephen Willard carried on the theme of communication by outlining the three parts of a member's brain that should be targeted when developing communication strategies. Willard said a concept called emotional scale should be adopted, where a communications strategy is assessed for how provocative it is, along with the need to segment personas among the scheme membership.

"The absolute minimum that should be done is to send out a letter to members along with an infographic explaining GMPs, what they are for and the process followed," he commented. "On social media, infographics are shared three times as much as any other piece of content. Members must be told the full story and not just the conclusion."

The seminar was rounded off with a panel discussion consisting of O'Boyle, Sivy, Titley and Squire Patton Boggs partner Anthea Whitton. Whitton provided her view on the day's proceedings from a law perspective.

"The common theme of today is the need for effective member communication and from a legal aspect where we often get involved is within an overpayments or underpayments scenario," she outlined. "We have seen cases where an individual is told they are receiving more money but this has still ended up in huge correspondence about how exactly this figure was reached and whether interest is being paid on this sum. Good data and communication is vital to the GMP process."

 **Written by Adam Cadle**

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