

Kickstarting GMP equalisation

ITM's Andrew Lowe provides a guide for schemes to kickstart GMP equalisation

For many schemes, it feels like getting GMP equalisation projects moving, let alone completed, is an impossible task. This can be especially true when considering all the other daily challenges facing schemes which takes focus away from this complicated challenge.

Whilst GMP equalisation calculations are some of the more complex in the pensions administration world, there are relatively straightforward solutions to configure and deploy IF you have the right data.

We have highlighted key areas below where accurate and complete data is required to facilitate swift progress on GMP equalisation. We've also included some insight on how to start now, even if you are waiting on other decisions or resources to progress the overall project –

ultimately reducing time and costs when these other blockers are removed.

It's also hugely important to be pragmatic about how data will impact the outcome of a project – spending £000s to adjust benefits by pennies is inefficient. Data gaps can be plugged more effectively by taking clever approaches which minimise the risk of a negative outcome.

While the below is crucial for the progress of your GMP equalisation project, it's vital to address data quality more widely before undertaking scheme projects such as preparation for buyout, transition of administration, or implementing technology.

By considering your approach to data preparation as part of a wider strategy and in line with your overall scheme objectives, it's possible to get even more value from what can otherwise be

standalone project-related data activity.

For example, work carried out now to trace deferred members will allow schemes to re-engage with them in the short term, including for GMP equalisation. But also having an eye on member data needed for pensions dashboards will ensure maximum value from that tracing exercise.

If planned properly, your data preparation activity can be prioritised for your immediate needs but needn't prevent you from getting wider value – making other scheme activities such as automation, dashboards preparation or road to buyout less costly and time-consuming.



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Data Item	What is it?	Why is it important?	What can Schemes do to prepare?
Unlinked dependants	Every dependant member is related to an original scheme member but often this link is lost when the dependant member record is created	To effectively carry out GMP Equalisation calculations, the original member's pension and service information is required – without a link this cannot be identified	Original members can be found through tracing and linked to the dependant's record
Transfers-in	Details of any transfers into the scheme, the dates they were received and relate to, and the pension that they provide within the scheme	Any GMP within a transfer needs to be considered for equalisation – this will be more accurate with detailed information on the transfer	Ensure that details of transfers-in are held consistently and transferred-in GMP is easily identifiable – this could be executed during GMP rectification or when considering historic transfer files
Part-time information	Details of part-time service including dates and hours worked	Pension benefits (including GMP) need to be split between periods to be equalised, and those that are not – part-time service can impact this split significantly	Ensure that part-time service data is complete and consistent, potentially by reviewing historic payroll files
Service dates	The dates of service completed by a member	Pension benefits (including GMP) need to be split between periods to be equalised and periods that are not – accurate service dates are essential for this	Ensure that accurate service dates are held for all members – possibly including a review of old payroll information or other backfiles
Later Earnings Addition (LEA)	Details of any LEAs paid to members	Members who retire from active service after GMP age may be entitled to an LEA – details of this are required to understand the difference between the true and opposite-sex positions	Ensure that LEA information is held for all impacted members – where information is not available agree on how assumptions should derive LEA amounts