

GMP equalisation – is your data ready?

✔ **It's been 28 years since the European Court of Justice (ECJ) ruling in the Barber case requiring pension schemes to equalise benefits between men and women, but the troublesome issue of GMP equalisation remains unresolved. Now there is a glimmer of hope in the form of the long awaited Lloyds Bank court case**

The journey

In recent years the government's position has been that pension schemes should be equalising for the effects of differences in GMP on scheme benefits. The government has issued two consultations on the subject. The first consultation, back in 2012, proposed an administratively complicated and arguably overly generous 'dual calculation' method, whereby schemes were required to calculate the male and female equivalent of pension for each year of retirement and pay the higher. The proposal was not popular with the pensions industry and so the government decided to rethink. The second consultation in 2016 used GMP conversion legislation to convert GMPs into standard scheme benefits – seemingly a substantial improvement on the original method, and more widely welcomed by the industry.

Whilst the 2016 consultation reaffirms the government's position that GMP equalisation is required, it does not go as far as legislating on either the need to equalise or on the adoption of the proposed method. This is where the Lloyds case may provide answers.

The court case

More than a year ago Lloyds Banking Group, the union BTU and the trustees of the bank's defined benefit pension schemes, started proceedings in the High Court, seeking clarity as to whether the

Lloyds schemes need to equalise for the effect of unequal GMPs and if so, how should they go about it. The hearing has finally begun and could have far reaching implications for pension schemes throughout the UK. However a ruling is not expected until later this year. Once a final ruling is received then the way forward for pension schemes looking to equalise GMP benefits should become clearer.

Get your data ready

So what action should schemes be taking to prepare? It's not yet clear what the preferred method will be or even if one will be specified, but an important first step to take now is to get your data in order so that when these details are confirmed your scheme will be able to move forward.

1. GMP reconciliation and

rectification: Before equalising benefits for unequal GMPs, a scheme will need to ensure GMP records are accurate. Completing GMP reconciliation and rectification is therefore essential (particularly as DWP deadlines are fast approaching). It is important to reconcile both the scheme membership and the level of GMP to which each member is entitled. Only then can benefits be correctly equalised.

2. Review additional data

requirements: In order to carry out GMP equalisation, schemes may need

more detailed GMP data than is typically used for day-to-day administration, for example, for opposite sex GMP calculations and to calculate GMP accrued specifically over the period 17 May 1990 to 5 April 1997. Schemes may need to obtain full earnings data and opposite sex calculations from HMRC for this purpose. Schemes should seek expert guidance on this issue.

3. Data audit: Once specific datasets are being reviewed and corrected, there is a knock-on effect to other data used for administration. It is therefore sensible to review wider data integrity and accuracy so that any issues can be identified and addressed, to avoid further amendments in the future. High-quality data is essential and will have a real impact on the benefits individuals receive.

Final thoughts

The Lloyds court case on GMP equalisation once again pushes to the forefront the importance of good data, for the efficient and accurate administration of benefits.

Although legislation on GMP equalisation remains some way off, schemes can ensure they are ready to act when the time comes. This means pressing on with reconciling and rectifying GMPs, reviewing the additional data requirements for GMP equalisation and carrying out calculations now to assess the potential cost and funding implications. This will ensure that the GMP equalisation exercise will be as pain-free as possible.



✔ Written by ITM senior technical consultant **Rebecca Morgan**

In association with

itm
Solution delivered...