

A simpler conversion

➤ **Jack Gray examines the Private Member's Bill currently making its way through parliament that aims to clarify and streamline the GMP conversion process for pension schemes**

Equalising guaranteed minimum pensions (GMP) is a process that pension schemes will be very familiar with. In 2018, the High Court ruled that occupational pension schemes must equalise pensions accrued since May 1990 to ensure people do not receive less pension income than they would have done if they were the opposite sex, and schemes have been dealing with the issue ever since.

The size of the task was already enormous, but the complexity of the conversion process has amplified the difficulty in equalising member benefits. To address the complexity, Independent MP for Rutherglen and Hamilton West, Margaret Ferrier, introduced a Private Member's Bill in June 2021.

Immediately, the industry issued its support for the bill, known as the Pension Schemes (Conversion of Guaranteed Minimum Pensions) Bill, which aims to amend and clarify existing GMP conversion legislation.

The proposals

Introducing the bill to the House of Commons in June 2021, Ferrier stated that she chose to pursue the simplification of the GMP conversion process to help reassure occupational pension schemes that they are able to use the methodology published in government guidance to equalise the effective differences between pension

amounts paid out to men and women.

"Historical inequalities of treatment between men and women in the pension system have long resulted in uneven amounts being paid out as GMPs in occupational pension schemes to men and women. This bill will begin to rectify these persisting issues," she said.

The bill contains several legislative amendments intended to allow regulations to clarify and streamline the GMP conversion process. These include clarifying that conversion applies to both earners and survivors, outlining which employers need to give consent, enabling clarification of the minimum survivor's pension required and removing the need to notify HMRC.

Reacting at the time of the bill's introduction, LCP partner and head of GMP equalisation, Alasdair Mayes, said it was "great news".

He continued: "It has been known for several years that the GMP conversion legislation has some rough edges. Survey after survey shows that GMP conversion, in some shape and form, is preferred by many as a means to equalise benefits for GMPs over the administratively complex 'dual record' approaches. Hopefully this bill will iron out the rough edges in the conversion legislation."

Second reading

Following its acceptance as a Private Member's Bill, the bill moved onto



its second reading in the House of Commons. In this debate, the government issued its backing of the bill, with Pensions Minister, Guy Opperman, thanking Ferrier for the work she had done.

"With respect, although this is a smaller bill than the 125 clauses of the Pension Schemes Bill that we took through the house earlier this year, it affects a significant number of our constituents and I am genuinely keen to progress it," he said. "I can therefore confirm that it is with pleasure that I give the government's backing to the honourable member for Rutherglen and Hamilton West, her bill and the work that she has done. The government supports the bill. We wish it well in committee."

Mayes added, as the bill moved onto committee stage, that it had made an excellent start in making GMP conversion simpler and more streamlined, but that there was still much



detail that needed to be set out in regulations, on which there may be a consultation.

Committee stage

Mayes’ prediction that the regulations may be consulted on was proved correct as the bill passed through the committee stage. Speaking at the debate, Shadow Pensions Minister, Matt Rodda, expressed Labour’s support for the measures included in the bill.

However, Rodda raised queries about communication, consultation and the wider imbalances between men’s and women’s pensions.

In particular, Rodda cited concerns as to how the changes are being communicated to those affected and argued that the bill must to commit to “full

and timely consultation with experts in the industry and others before the government introduce the regulations”.

“Obviously, we welcome the bill but while it is generally positive, sadly some people may be in line to lose out compared with previous expectations,” he said. “They may need time to plan and adjust.”

In response, Opperman confirmed that the government will consult on these matters: “There will be a full consultation among industry to which, obviously, opposition parties and all parts of industry can make representations; there will then follow regulations, which will be debated in this house,” he stated.

Opperman also confirmed that he would write to Rodda to provide further details on other queries raised in relation to the bill, including gender equality.

On to the Lords

In the most recent development on 25 February, the bill completed its third reading in the House of Commons and will move on to the House of Lords for consideration.

Speaking at the report stage of the bill, Ferrier stated that the removal of the requirement for a scheme to notify HMRC if it converts GMP rights into other rights was requested by HMRC.

“The bill will simply help pension schemes that decide to use GMP conversion to do what they need to do to ensure payments are fair,” she continued.

“I have engaged positively with representatives from the pensions industry, who have long called for these changes and welcome the bill’s provisions”

As the bill completed its reading and moved on to the House of Lords, Ferrier said that she was extremely pleased and proud that the bill could help schemes that want to use GMP conversion, and that she was delighted by the cross-party support it had received so far.

Written by Jack Gray

DIY equalisation

Buck has announced that it completed a ‘standalone’ GMP equalisation project with the Valliant Group Pension Scheme. The pensions consulting, technology and administration services firm stated that it was the pensions industry’s first GMP equalisation project that had been completed without the use of an existing service provider and the sector’s first large-scale equalisation exercise with no direct link to an insurance transaction.

Buck said that its work with the Valliant scheme demonstrated that trustees could complete GMP projects as ‘business as usual’ exercises and were not tied to their current providers. Furthermore, it could signal that there is an opportunity to drive competitive pressure and efficiency in the GMP services market, which may lead to shorter project durations, reduced fees and improved member outcomes.

“GMP equalisation is a complex and time-consuming task, but this doesn’t mean that schemes should wait to act, especially when their strategic journey requires the project to be completed sooner rather than later,” commented Buck UK managing director, David Plitz.

“As our work with the Vaillant scheme shows, GMP equalisation exercises concern material amounts of money for individuals, and we’re delighted to have brought these long overdue benefits to the members of the Vaillant Group Pension Scheme.”

Equalisation was completed in just over 18 months for 4,500 pensioners through conversion using Buck’s ‘Square’ solution. This included a full data audit and data cleanse alongside the equalisation calculations. It found that 60 per cent of the scheme’s members with GMP needed an uplift, ranging from small amounts to over £1,000 a year. Some back payments were found to exceed £10,000, with an average of £900 a member.