

# The GMP journey...is the end in sight?

## ✓ Maurice Titley considers what needs to happen for the pensions industry to get to a time beyond GMPs

**W**here are schemes at now? The future's bright, but it's a way off being GMP free. Schemes are starting to focus on GMP equalisation, but for many, GMP reconciliation is still not complete. Ultimately, reconciliation of both the scheme membership and GMP values is essential before member benefits can be correctly rectified. And it is only once this correct starting point is established that the data is fit for purpose to meet the scheme's requirements – for example undertaking liability management exercises, or correcting for gender inequality brought about by GMP rules.

Given there is so much at stake, the delays in concluding GMP reconciliation in 2019 have caused much frustration across the industry. The root cause is that in the run up to HMRC's final cut-off dates for raising queries in 2018 there was a scramble to submit queries, including some schemes who were very late to the GMP reconciliation party.

Most of HMRC's responses were back with schemes by June this year, leaving huge quantities of replies to be analysed to understand if they have been resolved (reconciled) or if they now need to be referred to trustees for a decision. Unfortunately, the way HMRC has provided these responses has not been consistent and will need more manual work to process than was predicted. In addition, some of the key data – including the GMP values themselves – has not been provided in responses and will only be made available when the final cut of HMRC scheme reconciliation data is provided to schemes from November this year.

### What next – rectification?

Once the reconciliation is finalised then

benefits need to be corrected where GMP has been incorrectly used in the past. The reasons for these mistakes can vary greatly but if the final decision is to accept HMRC as correct, benefit recalculation is needed.

Many schemes have delayed commencing this benefit correction, or 'rectification' exercise, for a number of reasons:

- Waiting for the GMP reconciliation to complete to the stage where all, or almost all, affected members can be included in one exercise
- Provider capacity to undertake these exercises across hundreds of schemes has been a limiting factor, and has led to schemes being encouraged to hold off
- The Lloyds ruling on GMP equalisation and the desire to understand the likely timing and scope of member outcomes from GMP equalisation before applying under or over payment outcomes that have arisen purely from GMP reconciliation

While the future impact of GMP equalisation on members is of course important to consider, it would be a mistake to think that the calculation of members' corrected benefits following GMP reconciliation should now be combined with calculations of GMP equalisation corrections. The reality is that the populations of members impacted, the methods to be used, and the demands on historic data to support the rectification calculations will be very different for GMP equalisation, and to combine the two exercises risks a serious 'levelling up' of costs and complexity, not to mention an unjustifiable delay in rectifying member benefits identified as inaccurate during the GMP reconciliation exercise.



### And finally, can we get started on GMP equalisation?

The need to correct benefits following GMP reconciliation does not detract from the requirement to also commence preparation for GMP equalisation, informed by the outputs of the industry working groups. Schemes are commencing work in a number of areas, which will be required irrespective of whether GMP conversion is ultimately applied, including:

- Undertaking member-level assessments of the impact of GMP equalisation
- Assessing the quality of the data available to support historic rectification calculations
- Liaising with their administrator or system provider to commence planning for the changes to BAU scheme calculations

The future is certainly not GMP free, but there should be light at the end of the tunnel!



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