

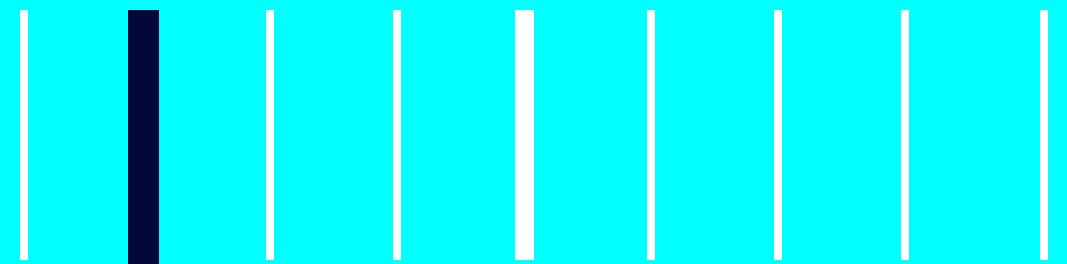
# GMPe Newsletter



March 2021

 **capita**





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# Industry insights and developments

Since our last update, it's been a busy time in the Guaranteed Minimum Pension (GMP) equalisation space. A lot has happened, so here's everything that you need to know and the most important developments to be aware of.

In 2018, the High Court ruled that the inequality between men and women in respect of GMP benefits is not compatible with UK or EU legislation. Since then, we've been left with some unanswered questions, especially around benefits that have already been paid. One of these was whether a scheme had to correct past transfer payments that included an element of GMP, which were paid before the scheme had been able to correct for any inequalities.

This has been answered by the ruling handed down by the High Court on 20th November 2020 in respect of the Lloyds Bank schemes. While there's a lot of detail to mull over, the main thrust of the judgment means that trustees of the transferring scheme are legally responsible for correcting any past transfer payments made.

But it's easier said than done. This latest ruling highlights a number of practical challenges, especially when it comes to administration.

These include:

- Identifying the potential population in scope
- Determining which members are due a top-up, and how they should be contacted
- Whether the top-up payments can be made to the receiving arrangement.

Market thinking about the best way to approach this will no doubt develop over the next few months. We know that the industry-wide GMP Equalisation Working Group (GMPEWG) is planning to produce some good practice guidance, to help schemes to understand their options and implement the necessary changes.

In the meantime, it'll be helpful for you to put together a report showing the potential number of your members who are in scope. Your Capita client manager or one of our specialist team members can help you with this.





# Guidance from the GMPEWG

The GMPEWG has been hard at work, making sure that it can give as much guidance to schemes as possible during the first half of 2021:

In August 2020, the GMPEWG published the first of its guidance on communication, which focuses on reviewing existing communications and planning a communications strategy. More information can be found [here](#).

Its second guidance document will be published in the first half of 2021, and will focus on communicating GMP equalisation during the implementation stage of your project.

## 01

Since our last update the GMPEWG has issued its initial guidance on tax issues related to GMP equalisation. This guidance builds on the information contained in the two newsletters published by HM Revenues and Customs (HMRC) during 2020.

## 02

Industry feedback combined with the drafting of the tax guidance has highlighted a need for the GMPEWG to provide help to schemes in respect of GMP conversion. A sub-group has been established with this in mind, and will produce a working document including details of the various options available and highlighting any associated risks and case studies. While this process has only just begun, it's a priority for the sub-group, who want to finish it as soon as possible. We'll be able to give you an idea of timing in our next newsletter, or will advise you separately if it's available sooner.

## 03

In our last update, we indicated that a sub-group has been established to address the complexities of GMP equalisation and anti-franking. We're excited to report that this is progressing, and some worked examples should be available soon to help the industry in this area.

## 04

As mentioned above, the methodology sub-group has recently started to work on best practice guidance in relation to past transfers out. Hopefully, we'll be able to give you an expected timescale for publication in our next newsletter.





# Helping you to plan and prepare

From the outset, it's always been clear that GMP equalisation projects will be scheme specific. And the scope of the project will be affected by a number of factors, such as the choice of methodology, other decisions – such as what data is needed – that trustees and potentially the scheme sponsor will need to make, the calculation approach to be used, where assumptions can be made and where data cleanse will still be required.

Quality of data is key to being able to progress GMP projects. With our recently announced partnership with Intellica, we're now able to provide a holistic data analysis report, covering everything needed for GMP equalisation and rectification, as well as common and scheme specific data scores. All we need is your go-ahead: let us know when you're ready to start work on your GMP project and we can take it from there. Then, there are the decisions that will directly affect members in scope, such as what to communicate and when (recognising that the conversion brings its own requirements in this area), and how to deal with any resulting queries. In some ways a GMP equalisation project is really two projects in one. The first is to equalise the benefits for members so that they're receiving the correct level of benefit, including payment of any arrears due, and the second is to change the administration capability including data holding, calculations and member letters, so that benefits can be administered on an equalised basis in future. Planning this second part can only take place once an impact analysis has been completed, clarifying what needs to change.

We're here to help you to begin this process. Use our handy checklist (or we can complete it for you), which will make sure that you don't forget any important details as you start on your GMP equalisation journey.

We are often asked how long a typical GMP equalisation project will take to complete. This is tricky because each one is different. The diagram below will take you through the key phases of the project and how long each of these should take. Also, don't forget that some phases can be completed at the same time, but other work – for example, if a significant amount of data cleanse activity is required – can actually add on to project timelines.

The final consideration here is resourcing. Most providers will be managing these projects for a number of schemes that may all want this work completed at the same time. So it's imperative to engage early on with all of your providers and share your expected timeframes, so that the work needed for your scheme can be scheduled in as soon as possible.



# GMP project timelines

## Preparation

1 month

### Key actions:

- Kick-off meeting
- Capture decisions
- Scope project
- Commercial agreement

### Stakeholders:

- Capita: CM, SPT
- Schemes: Trustees
- Other advisers

## Data review

2 months

### Key actions:

- Address tracing (where applicable)
- Data analysis and validation
- Discuss review and agree next steps

### Stakeholders:

- Capita: CM, SPT, Tracing team
- Schemes: trustees
- Intellica: data analyst
- Other advisers

## Data cleanse\*

1 month

### Key actions:

- Cleanse data (where applicable)
- Update system data

### Stakeholders:

- Capita: SPT, IT, Data cleanse team

## Communications†

2 months

### Key actions:

- Develop member engagement campaign (website, email, letters, FAQs etc)
- Issue communications to members (including consultation communications)
- Field member queries

### Stakeholders:

- Capita: Sparks, CIC, SPT, Call centre staff
- Schemes: trustees

## System and payment updates

1 month

### Key actions:

- Check and upload revised values
- Plan final tasks
- Make payment of arrears

### Stakeholders:

- Capita: IT Dev, Payroll

## Calculations and rectification†

4 months

### Key actions:

- Scope and define calculations
- Produce and run calculations
- Check results
- Creation of results schedules

### Stakeholders:

- Capita: actuarial team
- Other advisers

## Process and automation†

4 months

### Key actions:

- System updates (letters, calculations, PI routine, valuation extract, ad hoc reports)
- Update online capability
- Re-specify casework setup

### Stakeholders:

- Capita: SPT, PA, IT dev, Web dev, Actuary

## Important information

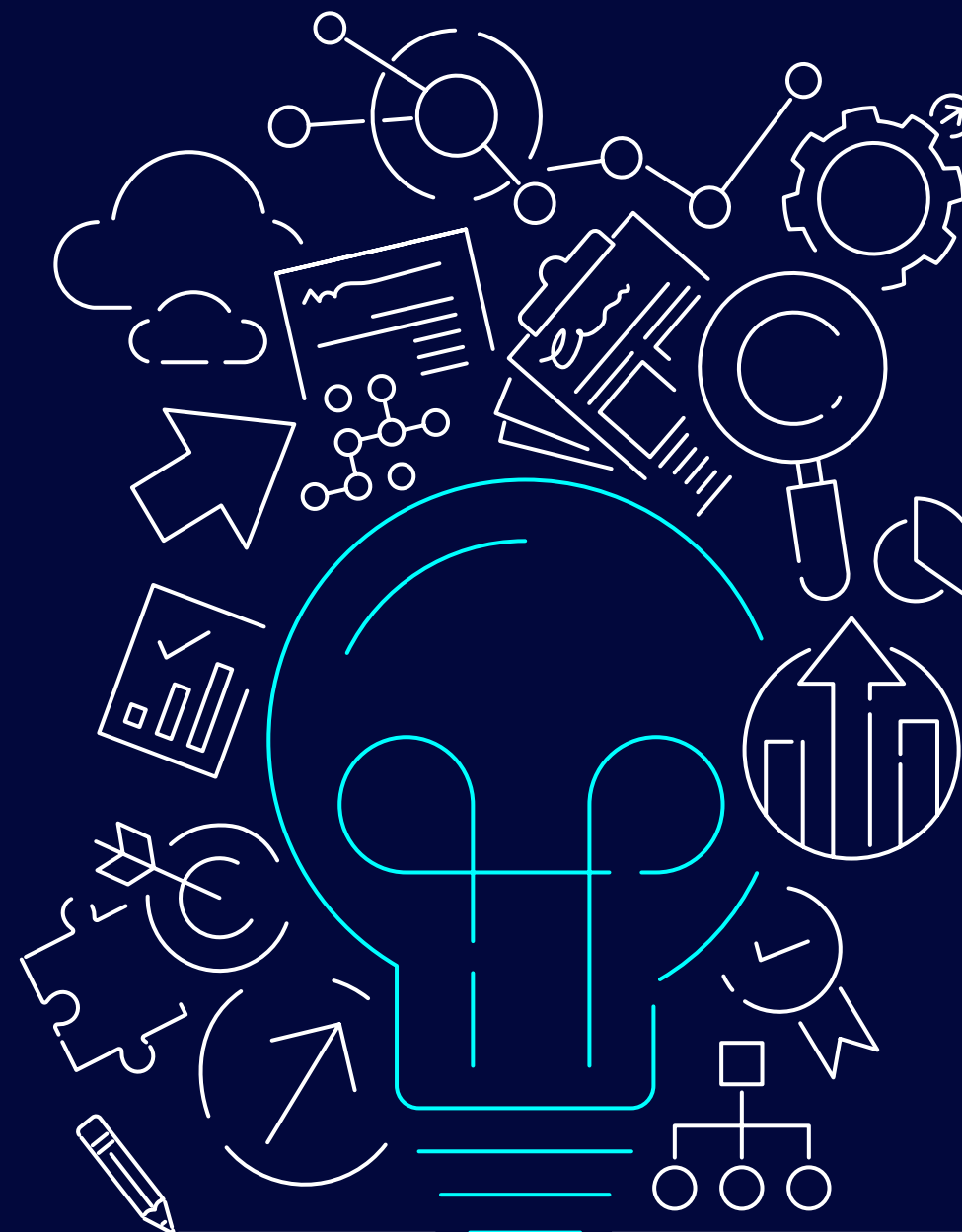
### Key

- CM: Client Management
- SPT: Senior Pensions Technician
- PA: Pensions Administrator
- CIC: Capita Intelligent Communications

† Completed concurrently

\* Data cleanse – This action will not be required for all schemes following Data Review.

All timescales provide are indicative, based on a small/medium scheme of standard complexity. The final timescales will vary based on a number of factors for every client and can be more accurately calculated once your GMPe project has been fully scoped.





# Getting you started



A key factor in planning your GMP project is understanding where you are on the journey. First things first: if your analysis of the GMP final listing is complete, you can tick the GMP reconciliation box and be confident that GMP rectification and equalisation is being done on accurate GMP data.

Once this is clear, it's time to plan the future stages of your journey. And if you haven't yet completed your GMP rectification project, now's the time to decide if you want to complete it as a separate project or wait and include it as part of your GMP equalisation.

Your advisors will be able to help you in making this decision, including providing numbers of members in scope for both projects, where these populations overlap and an indication of the effect on benefits in payment to affected members. The information on the next page gives more clarity, and sets out the importance of understanding the different populations and elements of the GMP programme of work.





# GMP journey

## 01

### GMP reconciliation

(Including analysis of the final listings)

#### Purpose

- Ensures that you have the correct GMP information for existing members.

## 02

### GMP rectification

#### Purpose

- Corrects benefits for members where the GMP information previously used was incorrect. Trustees will need to liaise with advisers to agree the scope of the work involved.
- For pensions in payment, GMP rectification can result in larger underpayments than GMP equalisation as well as overpayments, so be careful when considering timescales for this work.

## 03

### GMP equalisation

(or conversion)

#### Purpose

- Equalises benefits for the effects of GMP for members who have accrual between 17th May 1990 and 5th April 1997.
- GMP conversion allows for trustees, with employer consent, to convert all GMP liabilities within the scheme.
- The choice of methodology will be driven by a number of objectives including cost, timing, member impact, speed of implementation, ease of administration and so on. Input from the advisers to the scheme is important in helping the trustees to make this decision.
- Once the methodology has been chosen, the detailed project planning can get underway.

## 04

### GMPe historic CETVs

#### Purpose

- Trustees are required to revisit past Cash Equivalent Transfer Values (CETVs) for members in scope to equalise these for the effects of GMP.
- Industry thinking in this area continues to develop, so, in the meantime, we recommend that you focus on the preceding three stages of the GMP journey, to allow time for the GMPEWG to issue good practice guidelines.





**We're here to help you**

To find out how we can get you up and running on your GMP journey, contact us at [GMPEqualisationTeam@capita.com](mailto:GMPEqualisationTeam@capita.com)