



The unforeseen consequences of delaying GMP rectification... and how to mitigate them

Once upon a time... (and in what now feels like a land far far away) ...most Schemes completed their GMP reconciliation, with their administrator following a process to ensure that the Guaranteed Minimum Pension (GMP) liability on the scheme records agreed with that held by HMRC.

The process involved cross checking scheme records against those held by HMRC and raising queries or supplying evidence where mismatches above an agreed tolerance level were identified.

And that's where many projects stopped. With good intentions. GMP equalisation was on the horizon and many Trustee Boards took a decision to only update members records and communicate an already complicated message once.

Several years later, and GMP equalisation is still on the agenda for many schemes. Whilst court decisions took time to be resolved, and guidance took a while to follow, being a trailblazer in dealing with GMP equalisation was on very few Trustee priority lists. In the meantime, those members who have been receiving incorrect benefits for potentially 30 years, most of those being underpaid, continued to receive incorrect benefits.

But the years of delays might have had wider reaching impacts than just paying incorrect member benefits.

During those years, many schemes have moved their pensions administration. Or the administrator themselves changed ownership or structure, or simply has different people servicing your Scheme and its projects.

The data that was all reconciled and collected all those years ago, often held separately to the administration system, perhaps by another team or department, or in another filing structure altogether, may not be as easily retrievable or as easily understood when it's picked back up by new hands. Assuming it can even be found! And the Trustees who understood and made the decisions may not be on the Board anymore.



Mitigating the implications of pausing GMP reconciliation work mid-way seem to be understood by very few. Those who are a little more detached have been told it's all done, which isn't itself untrue. However, the real question is whether anyone can find what was done, and can they understand it without having to repeat a lot of the work.

If you are changing administrator, or have recently changed administrator:

- Ask if your GMP reconciliation data is included as part of the knowledge transfer in the transition – many TPA transition check lists ask if GMP reconciliation is completed, but then take a yes to mean the data has been updated on the member record – this is not the same thing, but a new administration partner wouldn't have the information to challenge this assertion one way or the other.

Even if you are with the same administration firm, it's still worth checking:

- Where your administrator is holding your GMP reconciliation files.
- Whether there is anyone working on your Scheme or who remains accessible, who was involved in your GMP reconciliation project.
- Is there a document capturing the reconciliation process undertaken as well as the key decisions taken.

GMP projects are costly... and time consuming... and they require the same skilled resources that the industry is clamouring to find to complete de-risking journeys and dashboard readiness work. If you have delayed GMP rectification, in favour of correcting member benefits just the once, ensuring you have a robust governance trail can be key to make sure you don't have to go back to the start of the story.

Do you need help, or want to know more?

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