

GMP EQUALISATION WORKING GROUP

As you will be aware, earlier this year the Pensions Regulator announced the formation of an industry working group to help pension schemes following the High Court's ruling on the equalisation of guaranteed minimum pensions (GMPs) in October 2018. The group brings together representatives from across the pensions industry, including from the legal, advisory, actuarial, data and trustees sectors, and is chaired by Geraldine Brassett of the Pensions Administration Standards Association (PASA). The primary objective of the group is to produce good practice industry guidance to support schemes in preparing for and then implementing GMP equalisation and potentially, for some schemes, conversion.

We thought it now timely to let you know where we have reached and what we are currently working on. As well as an indication of timescales for delivery of our guidance.

There have now been three meetings of the industry-wide GMP equalisation working group (GMPEWG). The terms of reference for the group and the scope of our deliverables have now been reviewed and agreed.

Sub-groups

We recognise producing this guidance will be a significant piece of work, and consequently we have formed five sub-groups with responsibility for drafting the guidance. The GMPEWG will retain responsibility for ensuring consistency of the guidance and will undertake the sign off prior to release.

The five sub-groups are as follows:

- 'Methodology' - Explain the different methodologies and implementation considerations
- 'Impacted Transactions' - Considerations for progressing 'inflight' transactions such as transfers out and trivial commutations
- 'Data' - Identification of data gaps and suggestions for good practice for rectification
- 'Tax' - Explain the tax implications which arise from GMP equalisation
- 'Reconciliation and Rectification' – consider the interaction between the projects and suggested ways forward

Those individuals who volunteered to help in preparing the guidance have been contacted with details of the sub-group they will be working with. All the sub-groups have met and are starting to think through the issues they will need to tackle.

It is possible as work progresses, we will identify other areas where there is a need for good practice industry guidance to be produced. If this is the case, we will set up further sub-groups as necessary.

Indicative timescales

We expect to produce more than one version of the guidance as industry thinking develops and we receive clarity in certain areas. In terms of timescales, there is an immediate need to provide some initial information on data issues, impacted transactions and suggested approaches to GMP reconciliation and rectification exercises. We are aiming to produce this by the end of June 2019. First versions of some of the good practice guidance are targeted for the end of September 2019.

Other industry initiatives

There are two other industry groups in place as follows.

- One group has been working with the Department for Work and Pensions (DWP) on guidance covering a methodology for GMP conversion, released just before Easter. The group is also working with the DWP so necessary changes to the current GMP conversion legislation are made to facilitate equalisation through conversion.
- The other group, chaired by HMRC, is focusing on the pension taxation issues that may arise as part of implementing GMP equalisation, whichever method is used. For example, potential unintended tax effects for scheme members and/or additional tax administration burdens for scheme administrators. The group is exploring and testing possible solutions using the current legislation and guidance; possible easements under management powers etc or possibly updating existing guidance or where appropriate, providing evidence to support changes to pension tax law. HMRC will continue to liaise with DWP in connection with GMP equalisation

The GMPEWG is not seeking to replicate the work being undertaken by these specialist groups, but is working closely with them to provide support and where appropriate will reference their output (or, their indication where possible, of issues in development) in GMPEWG guidance.