

## Working Group Update

### GMP Equalisation

Probably like most people as the year comes to end, my thoughts turn to planning for 2021. Although if we have learned something from the last 12 months it is the truth in the saying about the best laid plans of mice and men...

And yet, despite a challenging 12 months, as a pensions industry, we have still made progress in a significant number of areas. I wanted to take the opportunity to look at the achievements of the GMP Equalisation Working Group (GMPEWG) over the year and to share with you our plans for 2021.

We started 2020 in a very positive place having issued the good practice Guidance on Methodology in September 2019. This was very well received by the industry and is regularly referenced and used in Trustee discussions and documents.

The subgroups continued to work on further Guidance and we issued:

- Guidance designed to help [Trustees decide when to undertake GMP rectification](#), and whether this should be combined with any GMP equalisation project
- Comprehensive good practice [Guidance on the Data](#) needed for GMP equalisation and the impact of different calculation approaches. The GMPEWG recognised the need for this Guidance to be issued as soon as possible as the analysis of the quality of the data needed for GMP equalisation is typically an early deliverable from the project
- Phase 1 of our [Communications Guidance](#) designed to help schemes understand their communication needs and start to define their strategy based on common approaches and language

Of course, it would be remiss of me to talk about 2020 (in relation to GMPs) without mentioning the Lloyds judgment handed down on 20<sup>th</sup> November 2020, which means Trustees need to equalise past Cash Equivalent Transfer Values (CETVs). But more on this later.

So, what is ahead for 2021? In our experience, many schemes are still at the early stages of their GMP equalisation projects and this is, in part, due to some unanswered questions, particularly in relation to GMP conversion. The GMPEWG always recognised the support needs of the industry would change and we would need to amend the working group scope to meet those requirements, As such, we have recently established a subgroup specifically to look at GMP conversion.

Working with the Chairs of the subgroups, we plan to complete the following in 2021:

- Issue Guidance on the tax implications of GMP equalisation, taking into account the information provided by HMRC during 2020. It was drafting this Guidance however, which highlighted the need for us to prepare additional information on GMP conversion. We expect to now issue the tax Guidance by the end of February 2021.
- The GMP conversion subgroup mentioned above has been actively working together since early November 2020. The format of the output from this group will be different as there is no single approach to GMP conversion. This group is aiming to publish their document, which will include example case studies, by the end of April 2021.
- We have already committed to issuing a second Guidance document on communications called Guide to GMP Communications -Implementation Stage. This good practice Guidance will cover communicating GMP Equalisation during the implementation stage.
- Anti-franking has always been a thorny issue and implementing GMP equalisation has reminded us of this. A subgroup of the methodology group is in the process of preparing some examples to supplement the existing methodology Guidance to help schemes understand and deal with the complexities of anti-franking as they specifically relate to GMP equalisation. We are aiming for these examples to be available to the industry during the 2nd quarter of 2021.
- Those of us who have started to think about equalising past CETVs have already identified this will give rise to many questions and administrative challenges. The GMPEWG has already considered this and agreed there is value in us issuing good practice Guidance in this area. It is early days, but work has started, and we will provide a further update on timescales during the first quarter of 2021.

I wanted to finish by saying a massive thank you to all the members of the GMPEWG and the subgroups who have supported the work of the GMPEWG during 2020 and for their ongoing commitment during 2021 (and probably beyond). In what has been a challenging year, I am delighted so much has been achieved and I look forward to working with such a great team again over the coming months.

**Geraldine Brassett, PASA**  
**Chair of the GMP Equalisation Working Group**