

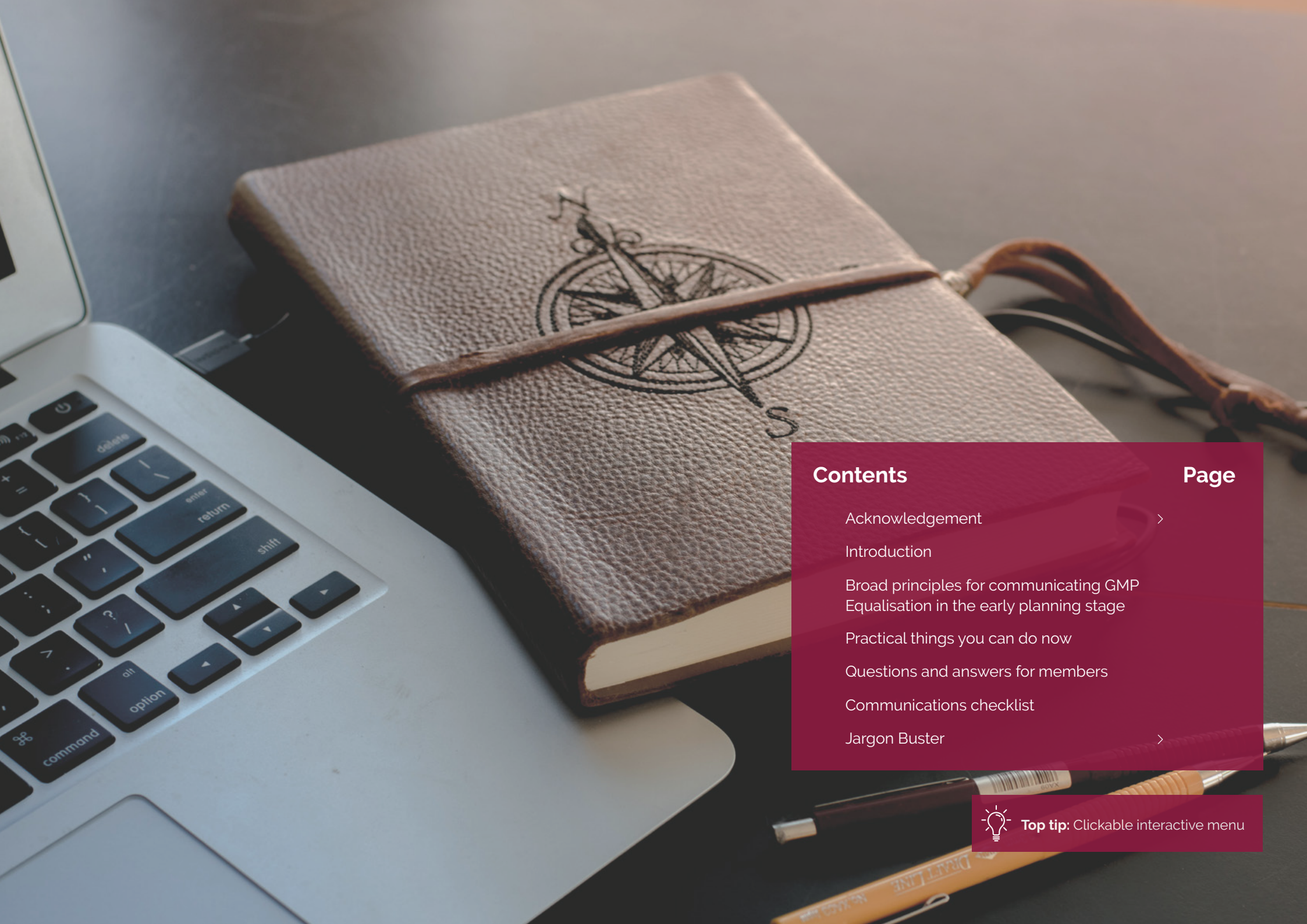


# GMP EQUALISATION WORKING GROUP

## Communications Sub-Group

Guide to GMP Communications – Early Planning Stage

August 2020



## Contents

## Page

Acknowledgement	>
Introduction	
Broad principles for communicating GMP Equalisation in the early planning stage	
Practical things you can do now	
Questions and answers for members	
Communications checklist	
Jargon Buster	>



**Top tip:** Clickable interactive menu



# 1. Acknowledgement

This Guidance has been carefully written with representation and inputs from all pensions professional disciplines.

The GMP Equalisation Working Group is grateful to the authors of the Guidance and their active participation in the Communications Sub-Group of the GMP Equalisation Working Group and to their employers.

Lou Harris	WillisTowersWatson 
Jane Beverley	 LawDebenture
Johanna Clarke	 C/M/S
Joe Craig	 QUIETROOM <small>thinking - writing - training</small>
Tracey Dalmon	 Capita
Shaun Gunner	WillisTowersWatson 
Bill Mexson	 SIEMENS
Kate Robertson	 SIEMENS
Mark Williams FIA	 BUCK

To read a biography of the authors, click their name.

If you want to get involved in future authoring, please get in touch with PASA at [info@pasa-uk.com](mailto:info@pasa-uk.com)

This Guidance has been kindly designed by

WillisTowersWatson 



## 2. Introduction

Since the Lloyds Bank judgement was announced in October 2018 pension schemes have wrestled with how to communicate to members. It's a hard balance to strike between communicating too little where members aren't informed and communicating too much where members might get the impression that GMP Equalisation will have a bigger impact on their benefits than is actually the case.

This Guidance is designed for schemes in the **early planning stages** of GMP Equalisation where they are considering how they will approach their communications, how they will work effectively with their administrators, and what they really need to say to their members.

### This Guidance comprises:

1. **Introduction**
2. **Broad principles** schemes can follow when planning their communications to members
3. **Questions & Answers** members might ask that schemes can use as a starting point to respond to members
4. **A checklist** of the communications to members which may need to be reviewed in light of GMP Equalisation, which schemes can use as a starting point
5. **A jargon buster** for schemes to use as a guide to help avoid using words and phrases members may find confusing



A second Guidance document will be published later called Guide to GMP Communications – Implementation Stage covering communicating GMP Equalisation during the implementation stage, which will have more specific information.





### 3. Broad principles for communicating GMP Equalisation in the early planning stage

#### When and how to talk to pension scheme members about GMP Equalisation



When communication gets long and complicated, full of jargon and technicalities, members don't understand it – if they read it at all. This means members are worried when they don't need to be and the scheme has to handle more queries. So rather than focus on everything we could tell members about GMP Equalisation, think about what they really need or want to know.

**A good starting point for any piece of comms is to ask these 3 questions:**

- 1** What do you want members to know?
- 2** How do you want them to feel?
- 3** What do you want them to do?

Before you work up a full communications strategy for GMP Equalisation, here are some tips for an 'interim' communications approach. These should help you keep members informed while you're not yet in a position to start full implementation.

#### Recognise the characteristics of your membership

-  This is not a 'one size fits all' situation. Actuaries, factory workers, academics, chefs, farmers... everyone needs something different from your communication.
-  What approach is going to connect best with your membership? What do they know already? What do you know about them?

#### Do you need to say anything at all?

**Unless you're starting to implement, there's no requirement to say anything to members yet. Saying nothing could be the right approach.**

Lots of schemes only talk to members when they have to – when there's a change to the scheme or when members need to make a decision. If that's true for you, think about whether GMP Equalisation is any more significant than other potential changes you'd have to talk about, like annual pension increases.

However, there are some good reasons to talk to members now. You may consider it a matter of good governance to keep members updated when you become aware of something which may change their benefits. Or:

- **You may have already said something to members** back in 2018 when the Lloyds judgement was first announced, so they're waiting to hear more from you. If you know more now, it's sensible to clarify or build on what you said back then.
- **You may have a regular newsletter**, in which case it may be odd not to mention GMP Equalisation.
- **If you're rectifying benefits for GMP reconciliation now**, it's probably appropriate to say something about GMP Equalisation in the relevant communications. You can read the Guidance on when to rectify [here](#).
- **Some members who have requested a transfer value will likely have been told something about GMP Equalisation**. Similarly, members looking at retirement options might see reference to GMP Equalisation in the communications from the scheme.
- **Some members may have read about the change in the press**, or have heard about it from a trade union, and have queries or concerns.
- **Some members may also be members of another scheme** that might communicate with them.

## Start your communication by making it clear who it applies to

If you're including the information about GMP Equalisation in a newsletter or other regular communication, it's probably easiest to send it to all members. But, it might not apply to all members. So, make it very clear – in the first line or the heading – the change won't impact everyone.

If you're sending out a 'one off' communication, you can target it to those who have some GMP. Even then, let them know it doesn't apply to everyone. Members talk to each other and a colleague who hasn't received the communication could be confused.



Don't forget, depending on the approach taken to implement GMP Equalisation, you might need to communicate with all members with GMP – not just those with 1990-1997 GMP.

## Know your members

Recognise your members will have differing needs like level of literacy, financial understanding, accessibility, and preferences for types of communications. Consider carefully what will best support your members.



## Dos and Don'ts

✓ Do...	Examples to follow	✗ Don't...	Examples to avoid
...be reassuring	"A recent court case in relation to sex equality has implications for the scheme and its benefits. We have this all in hand."	...be overly complex or formal. Don't use jargon	"The scheme was contracted out of SERPS and therefore you accrued GMP which is revalued differently to your excess pre-1997 pension."
...indicate it may take some time to complete	"It is not an easy project, and it will take more than a year to complete."	...provide a strong indication of the size of the impact – this will vary and there is a risk of mismanaging expectations	"The impact will be small."
...say why it takes time (i.e. it is not the scheme's fault)	"Lots of schemes in the UK are affected by this issue and the industry is still waiting for further guidance. It will then take time for us to work with our administrators to complete the project."	...say there will be no reduction to pensions – this may not be true in all cases, depending on the method used (unless you know you can say this absolutely)	"There will not be a reduction to your pension."
...indicate not all members will be impacted (and possibly who)...to manage members' expectations	"It is not yet possible to say exactly who will be affected. However, for many members (including people who started working after April 1997) there will be little or no change at all."	...say things that are true but technically complex – this may confuse members or create the wrong impression	"The change can only be positive, in that the overall value of your benefits will not be less than it is now."
...be especially careful where you have a GMP reconciliation project in progress, to make sure you're consistent in your approach	"This is separate from the GMP reconciliation process, which we'll write to you about in January."	...say things that are true but that may cause undue concern or make members feel they may 'lose out'	"There is a lot of uncertainty regarding the potential impact on members' benefits."
...be consistent in your use of terminology	For example, the consistent use of reconciliation or rectification rather than interchanging the two		



You can see some examples in how we have made use of the dos and don'ts in our questions and answers in [section 5](#).



## 4. Practical things you can do now

### Help your administrators

Administrators are at the front line. They speak to members and answer queries. Support them and provide them with the appropriate level of resource, training and reference materials (or if your administration is outsourced, oversee that your provider has this in place), such as:



Background  
information



High-level  
timeline



Your core  
messaging on  
GMP Equalisation



List of questions  
and answers



Examples of how it  
may affect members



Contact details for  
team members for  
technical support

### Check your regular communications

You'll have an array of regular communications, like transfer value forms and retirement packs. These might already include references to GMP. So, review them and update them to make sure everything is consistent. We've put together a checklist to help you remember everywhere you might need to look.

In your quotations, you should let members know whether or not GMP Equalisation is included, so they know what to expect. For example, it may be the case that you've allowed for GMP Equalisation in transfer values, but not in retirement or trivial commutation calculations. It may be appropriate to give some brief rationale as to the approach taken.





## 5. Questions and answers for members

### Introduction



These model Questions and Answers (Q&As) are designed to help scheme managers, communicators and administrators answer many of the common questions they may be asked. These Q&As are focused on the questions people are more likely to ask in the earlier stages of GMP Equalisation and will need to be reviewed and edited according to the specifics of each scheme.

Many of the Q&As will be the questions members ask and schemes wrestle with. These Q&As will provide a helpful starting point in how to respond to members of your scheme and can be used alongside our checklist of communications to ensure all relevant documents are updated with consistent information.

### Does GMP Equalisation apply to me?

GMP Equalisation is a technical pensions matter. If you're affected by it, we will write to you. It can only apply to you if you built up GMP in a contracted-out scheme between 17 May 1990 and 5 April 1997.

Even if that is you, you may not be affected.

### What is GMP Equalisation?

There used to be two state pensions – the main one and an additional one. You might see references to the additional one as:

- State Earnings-Related Pension Scheme, or 'SERPS'
- State Second Pension, or 'S2P'

State pensions are paid for by taxes and National Insurance contributions.

People who had a workplace pension could be 'contracted out' of this additional state pension. Contracting out meant paying lower National Insurance contributions, but it also meant building up less additional pension. Instead, their workplace pension had to meet certain requirements. For employment before 6 April 1997, the requirement was that the scheme would pay at least a certain level of pension income, known as a Guaranteed Minimum Pension (GMP).

Because GMPs were intended to substitute part of the additional state pension, they reflected the fact the state pension was calculated differently for men and women and paid from different ages. Most benefits in workplace pensions were made equal for men and women with effect from a court judgement on 17 May 1990. It was unclear whether the judgement applied to GMPs, but a court case in October 2018 (the Lloyds judgement) made it clear it did.

'GMP Equalisation' is the name we give to the process of reviewing the benefits people built up when they were 'contracted out' between 17 May 1990 and 6 April 1997 and correcting these benefits where necessary so men and women are treated the same.

*GMP Reconciliation is a different exercise to GMP Equalisation.*

Following changes to the state pension system in April 2016, pension schemes have been going through a process of checking the records they hold on GMPs against those held by HMRC. In some cases, this has identified discrepancies between the scheme's and HMRC's records. Correcting these discrepancies is known as 'GMP Reconciliation' – this is different to GMP Equalisation.

### Why are you telling me now?

In common with many schemes, we have been waiting for guidance to become available before taking final decisions on GMP Equalisation. Even though the benefits we're talking about go back as far as 1990, it wasn't until a court judgement in 2018 (the Lloyds judgement) that we broadly knew what we would have to do.

Since that judgement in 2018, the Department for Work and Pensions, HMRC and an industry working group have been producing guidance on how GMP Equalisation will work in practice. We're also waiting for a further court judgement on how to deal with benefits which have been transferred out of the scheme in the past, and it is possible there may be further legal developments. As a result, it is likely the process of GMP Equalisation will take some time.

We are telling you now as we are moving towards being able to implement GMP Equalisation and we want to provide you with an update.

### What does it mean for me?

**If you are currently receiving a pension, or close to taking it,** your benefits will be reviewed but this will take a while. We will contact you to let you know how you are affected. If we need to make any adjustments these will probably be relatively minor.

**If you're not planning on taking your pension for a while yet,** it is likely the pension you receive in future will take account of GMP Equalisation – in which case we won't need to make future adjustments.

### I am a spouse/civil partner/dependant receiving a pension, how will this affect me?

Your benefits will be reviewed but this will take a while. We will contact you to let you know how you are affected. If we need to make any adjustments these will probably be relatively minor.

### If my pension goes up, how much more will I get?

If your pension is going to go up, it will probably be by a relatively small amount.

### Will this change how much my pension goes up by every year?

Once we've completed GMP Equalisation, any adjustments will be taken into account when your annual pension increase is worked out.

### Will I get a back payment for higher pension I should have received in previous years?

If you're owed something, you will be paid arrears which may be taxable. The back payment is likely to be taxed through PAYE, where you could apply to HMRC to spread the payment over the relevant number of tax years. HMRC have not yet confirmed how tax will be applied.

### Can my pension go down?

The purpose of GMP Equalisation is not to give anyone a smaller pension, and for the vast majority of people your pension will not go down. There are a very small number of cases in which the annual pension may go down slightly, but at the same time you'd probably also get a modest lump sum which means your overall benefits wouldn't go down.

### What happens if I die before you've worked out any adjustment?

We'll pay any back payments to your estate.

### Will my spouse's/civil partner's pension change?

In the event of your death, your spouse/civil partner will be entitled to a pension based on the correct amount of your pension following equalisation of your benefits. So, yes, if your pension changes, their pension will change.

### What happens if I want to transfer out?

Your benefits will need to be equalised. You'll find further details in the transfer documentation you receive when you request a transfer.

### Will there be any tax implications?

There are some potential tax implications. For example, in the same way as you pay PAYE on the pension you receive now you may also need to pay PAYE on any additional sums. Once HMRC have clarified some details we will be able to let you know more.

### How will I know that there won't be any future changes to my pension?

We're not aware of any future changes. We'll always write to you if we are aware of a need to change your pension.

### When will I find out more?

It is likely the process of GMP Equalisation will take some time. If you are affected, we will write to you. In the meantime, look out for news in our regular communications and if you have any particular questions do get in touch.

### What if I have more questions?

Look out for news in our regular communications and if you have any particular questions do get in touch.





## 6. Communications checklist



This checklist is to help industry professionals and trustees of ongoing schemes ensure they have reviewed all appropriate documents which include information relating to Guaranteed Minimum Pension (GMP) or may need to change in light of GMP Equalisation. By GMP Equalisation we mean the effect of equalising for GMPs.

This doesn't mean all these materials have to change, just that you should look to review them. Remember these documents may exist in many places. This checklist is designed to help you locate and track changes to your affected materials. You will need to revisit this checklist as your GMP Equalisation project progresses.



**Top tip:** Clickable interactive checklist



### General scheme information

Materials	Word/PDF	Print/stock	Intranet	Flex platform	Scheme website	Secure online member area	Admin team	Trustee portal
Member booklets								
Member guides (such as on LTA, AA, Scheme Pays)								
Member websites (including any modellers or calculation functionality)								
Scheme apps (including any modellers or calculation functionality)								
Explanatory videos/animations/presentations								
Trust Deed and Rules								

## Ongoing member communications

Document	Word/PDF	Print/stock	Intranet	Flex platform	Scheme website	Secure online member area	Admin team	Trustee portal
Benefit statements								
Pension Increase letters								
Newsletters								
Summary Funding Statement								
Annual Report and Accounts								
Member engagement material								

## Admin and process communications

Document	Word/PDF	Print/stock	Intranet	Flex platform	Scheme website	Secure online member area	Admin team	Trustee portal
Leaver packs and leaving statements								
Transfer Out packs (including guides, discharge forms, and divorce quotes and settlements)								
Transfer In correspondence, quotes and settlements								
Retirement Quotation and Settlement packs								
Trivial Commutation Quotation and Settlement letters								
Serious ill health lump sum correspondence								
Death Benefits communications (including dependant beneficiaries)								
"Value of Benefit" quotations								



## 7. Jargon buster



In writing this Guidance we avoid jargon as far as possible, but where we have used any of the terms below, we have sought to describe them in a way the average person would understand.

The list of words and phrases below is designed to help scheme administrators and others to use simple explanations for members in all communication during the early planning stage of GMP Equalisation.

More terms may be added in our next Guidance document to be published later, called 'Guide to GMP Communications – Implementation Stage' which will cover communicating the different treatments to equalise benefits including conversion.

We **strongly encourage** all schemes to use these definitions so that individuals have a consistent experience.

### Defined jargon during the early planning stage of GMP Equalisation

#### ☑ Contracted/contracting out

If you were contracted out, it means you built up some of your benefits in a workplace pension scheme rather than a state pension scheme. Contracting out meant paying lower National Insurance contributions, but it also meant building up less additional state pension. Instead, the workplace pension had to pay at least a certain level of pension income, known as a Guaranteed Minimum Pension (GMP).

#### ☑ GMP

Guaranteed Minimum Pension, or GMP, is the name given to the minimum level of pension income workplace pension schemes had to provide to employees that had been contracted out.

#### ☑ GMP Equalisation

'GMP Equalisation' is the name we give to the process of reviewing the benefits people built up when they were 'contracted out' between 17 May 1990 and 6 April 1997 and correcting these benefits where necessary so men and women are treated the same.

#### ☑ State pension

There used to be two state pensions – the main one and an additional one. You might see references to the additional one as:

- State Earnings-Related Pension Scheme, or 'SERPS'
- State Second Pension, or 'S2P'

State pensions are paid for by taxes and National Insurance contributions.

#### ☑ Workplace pension scheme

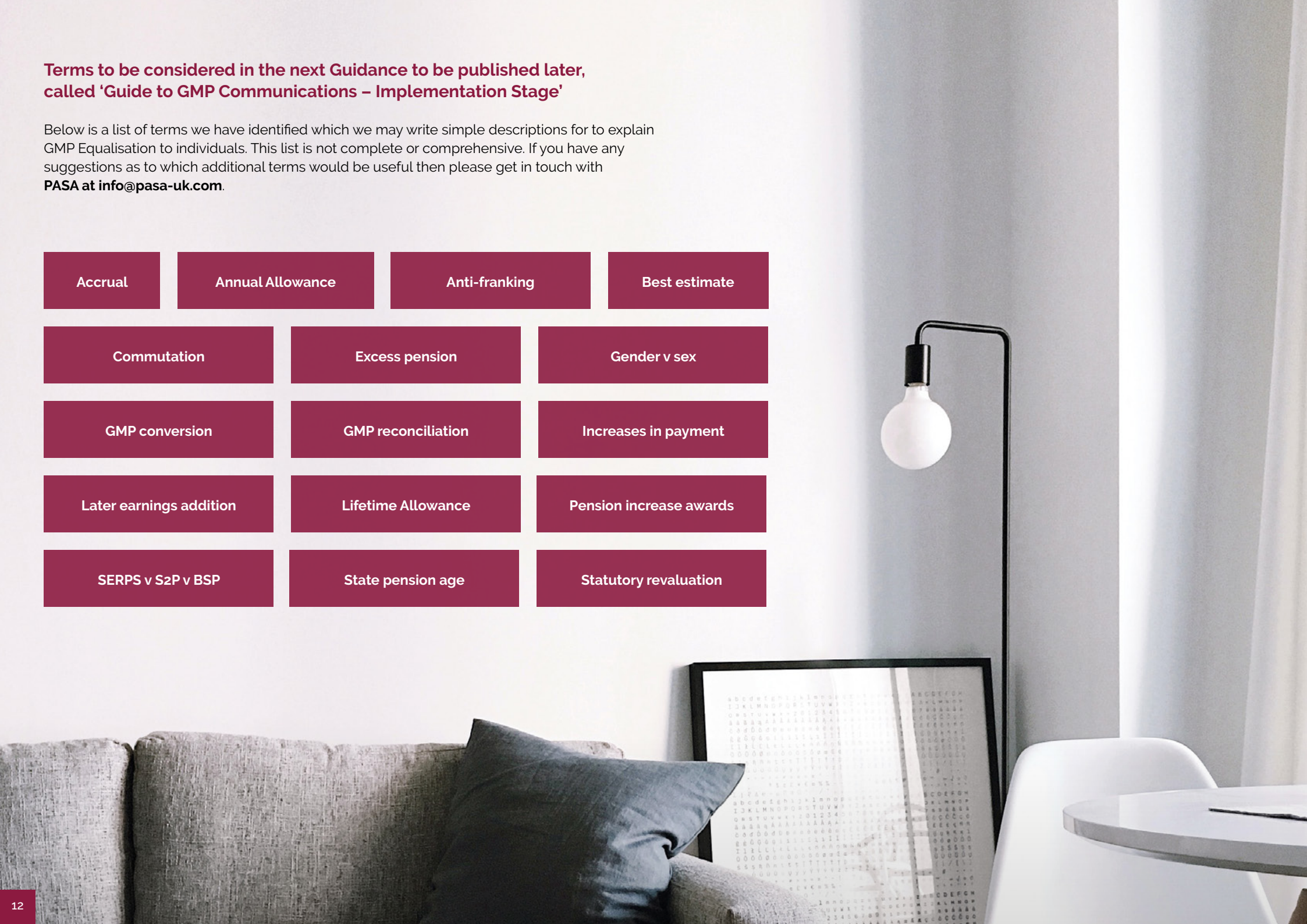
This is a pension scheme provided by an employer, as part of the benefits of working for the company.



**Terms to be considered in the next Guidance to be published later, called 'Guide to GMP Communications – Implementation Stage'**

Below is a list of terms we have identified which we may write simple descriptions for to explain GMP Equalisation to individuals. This list is not complete or comprehensive. If you have any suggestions as to which additional terms would be useful then please get in touch with **PASA at [info@pasa-uk.com](mailto:info@pasa-uk.com)**.

Accrual	Annual Allowance	Anti-franking	Best estimate
Commutation	Excess pension	Gender v sex	
GMP conversion	GMP reconciliation	Increases in payment	
Later earnings addition	Lifetime Allowance	Pension increase awards	
SERPS v S2P v BSP	State pension age	Statutory revaluation	







## THE PENSIONS ADMINISTRATION STANDARDS ASSOCIATION

**Get in touch:**

[info@pasa-uk.com](mailto:info@pasa-uk.com)

[www.pasa-uk.com](http://www.pasa-uk.com)