

## GMP Equalisation Data and Benefit Assurance

### Introduction

Following the Lloyds Bank court case in 2018, most UK Defined Benefit ("DB") pension schemes will need to equalise any Guaranteed Minimum Pension ("GMP") between men and women that was earned after 17 May 1990.

For most DB schemes GMP equalisation will be one of the most complex and difficult projects ever undertaken.

A wide range of historic member data and scheme wide data will be required (some of which will not typically be readily available). This will then feed into one of the most complex models your adviser will have ever created to calculate the uplifts in pensions required, undertake rectification analysis and calculate back payments required for each member.

Along side this, trustees will need to clearly communicate these extremely complex changes to members and possibly run a consultation exercise.

Finally business as usual administration calculation routines will typically be reprogrammed and tested on the scheme's administration platform.

GMP Equalisation Data and Benefit Assurance can help trustees and/or scheme sponsors independently test and audit each stage of their GMP Equalisation project to ensure:

- accurate calculations and processes are performed;
- members receive complete, accurate and understandable communications; and
- the correct uplifts, back-payments benefits are paid now and in the future.

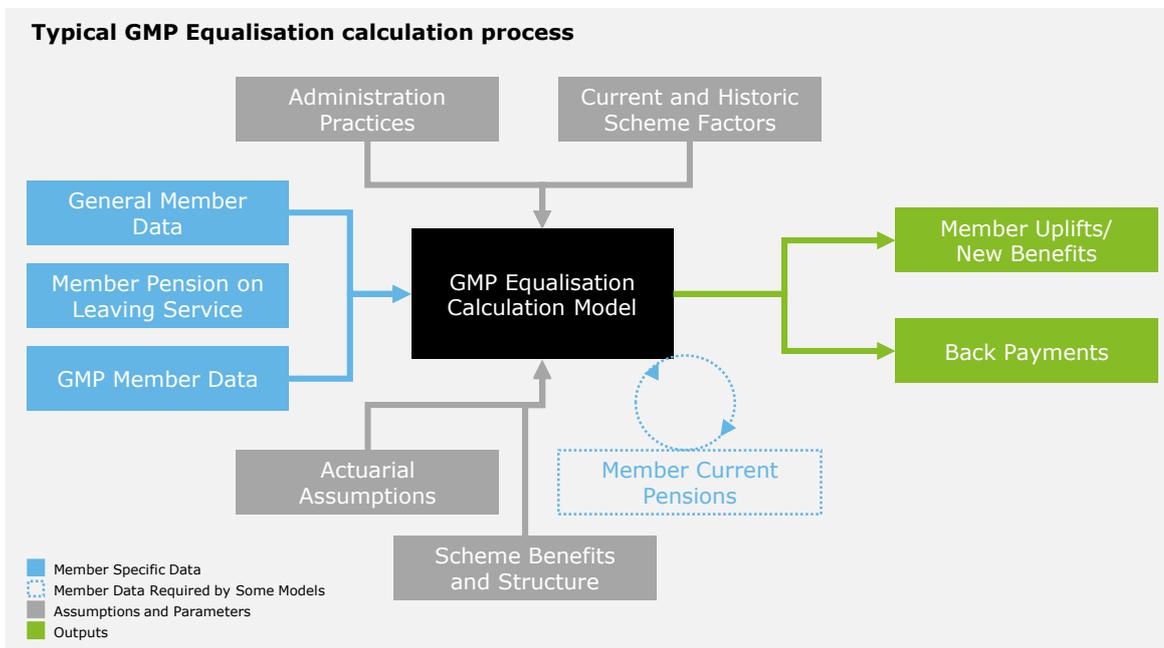
### Deloitte's approach

Deloitte has a modular approach to GMP Equalisation Data and Benefit Assurance with the following 7 key modules:

01	<b>GMP Equalisation Planning</b> Assessment of the overall plan and approach to implementing GMP Equalisation
02	<b>Member Data Assurance</b> Assessment of the availability and quality of the individual member data needed to equalise GMPs
03	<b>Scheme Data Review</b> Assessment of the availability and consistency of scheme data needed to equalise GMPs
04	<b>Member Screening</b> Ensures up-to-date membership information
05	<b>Benefits Assurance</b> Integrated testing to confirm model inputs are consistent with members pensions in payment
06	<b>GMP Equalisation Assurance</b> End-to-end calculation testing of member uplifts and back-payments
07	<b>Post GMP Equalisation</b> Testing and assessment of post GMP Equalisation administration systems and processes changes

These modules, when combined together, can perform a complete and robust audit of each component of your adviser's GMP Equalisation calculation process.

Overleaf we set out Deloitte's approach to testing each area of the process in more detail.



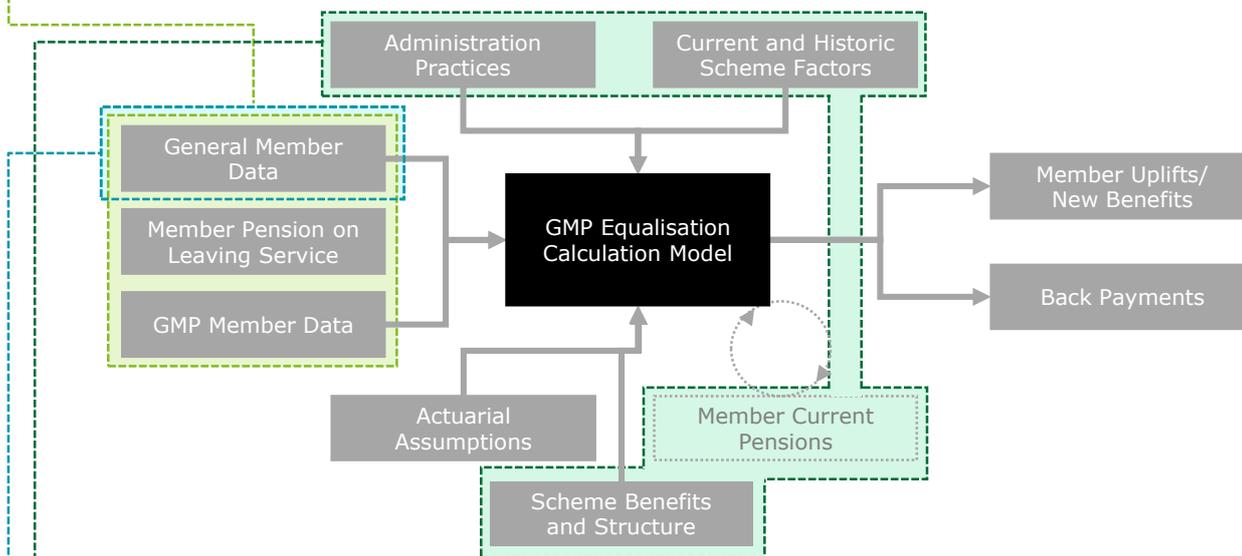
**01 GMP Equalisation Planning**

Detailed planning is a key aspect to any GMP Equalisation project. Deloitte can work with you not only to time the different aspects of GMP Equalisation Data and Benefit Assurance optimally, but also to review your advisers overall approach (e.g. that necessary administration, actuarial, legal and tax advice is obtained at the appropriate times), confirm the GMP Reconciliation has been completed appropriately and review the very technical aspects of the project (e.g. certain technical assumptions and approaches have minimal impact on funding valuations and so are not usually considered, but are unlikely to be appropriate for GMP Equalisation).

**02 Member Data Assurance**

The member data required goes beyond the GMP data that will have been reconciled with HMRC. Performing standard "data gap analysis" and testing the internal consistency and integrity of member data can help to ensure the correct data is input into your adviser's GMP Equalisation Calculation Model.

Deloitte's approach to Data Assurance goes beyond this basic testing and can identify where missing information is unlikely to impact a members uplift or where a member is unlikely to receive any uplift (i.e. not having this missing information is unlikely to impact a member). For example, allowing for members' detailed part-time service history on their non-GMP is unlikely to impact some members GMP uplifts. Deloitte can identify these members and help avoid your administrator manually reviewing paper files to obtain this missing data.



**03 Scheme Data Review**

The calculation of members equalised benefits starts with understanding the administration practices of your scheme. Some administration practices can result in much larger uplifts to members' pensions than would be the case for other practices, so understanding the current and past practices is a key starting point. The scheme's current and historic factors such as the early retirement, late retirement and commutation factors are also required to equalise GMPs.

Typically many of these practices are undocumented and historic factors can be lost in time. This is particularly common where the scheme's administrators have changed over time. Deloitte can test the administration practices and the historic factors that the scheme's administrators believe have been historically applied against members actual pensions, to ensure these are correct and the correct parameters are used in your advisers GMP Equalisation Calculation Model.

**04 Member Screening**

Member Screening can include tracing members current addresses to ensure they are properly consulted (where required). This could be particularly important if members are given options around GMP Equalisation.

Member Screening can also include a member existence exercise. For a typical scheme around 5% of pensioners are expected to pass away each year. A member existence exercise can verify that pensions are only being paid to individuals entitled to benefits and that GMP Equalisation is only performed for those where there is a requirement to equalise their GMPs.

## 05 Benefits Assurance

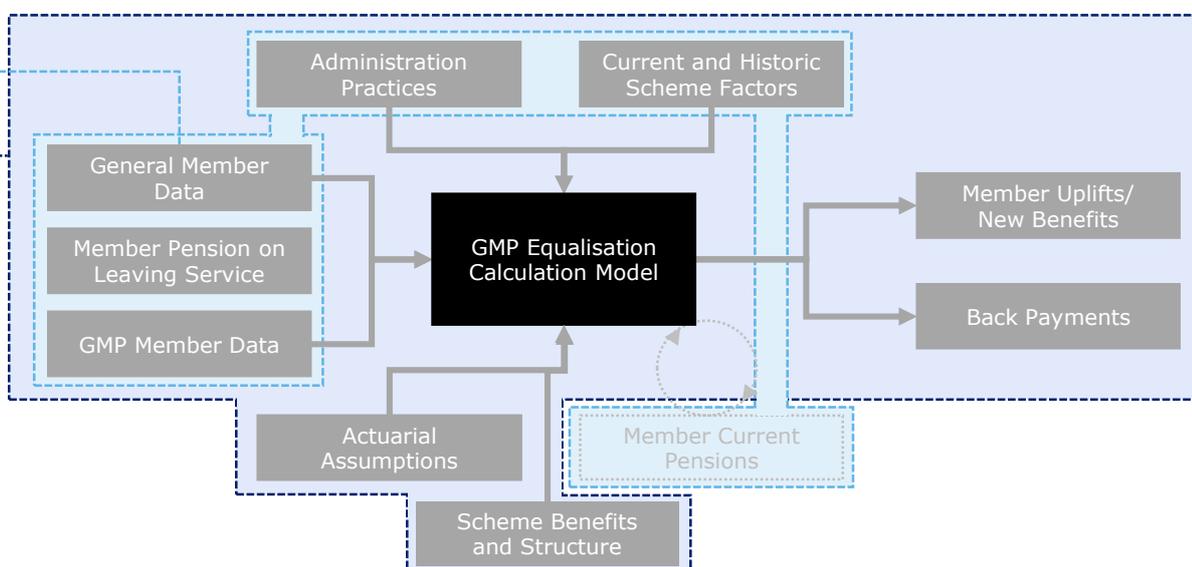
Building on GMP Equalisation Data Assurance and a Scheme Data Review, Deloitte is able to perform an integrated test on members benefits that are currently in payment and that impact GMP Equalisation.

These tests combine raw member data and members' retirement options combined with the scheme's governing documentation, administration practices, factors, benefits and structure to test that these are consistent with the benefits pensioners and dependent pensioners currently receive. Benefit assurance should form part of a good scheme governance routine and is imperative in ensuring GMP Equalisation results in the correct benefits being paid to members.

## 06 GMP Equalisation Assurance

Building on Data Assurance and a Scheme Data Review, Deloitte is able to test that the calculation approach and the technical assumptions proposed are robust and inline with best practice. We are also able to perform a further integrated test that the member uplifts and back-payments calculated by your advisers are consistent with the various inputs.

Deloitte can review the member communications against the scheme's administration practices, factors, benefits and structure as well as the future benefits that are expected to be provided, to provide assurance that members receive both accurate and best in class member communications.



## 07 Post GMP Equalisation

Post GMP Equalisation, members benefits will receive different increases in payment. This will require the business as usual administration calculation routines being reprogrammed for members new benefits, we can test the results of these routines to provide assurance that members will receive the correct new benefits when they come to retire, transfer-out and/or receive and receive the correct increases to their pensions once they are in payment. Similarly, member communications will need to be updated and we can review these to ensure they are complete, accurate and understandable.

GMP Equalisation Data and Benefit Assurance focuses specifically on trustees and companies GMP Equalisation projects. Trustees should also consider the benefits periodically considering a full scheme data and benefit assurance review. The Pensions Regulator advises trustees to regularly review their scheme data and highlights that poor record-keeping can have a huge impact on members and be very expensive to schemes if things go wrong due to bad or missing data. Deloitte can combine GMP Equalisation Data and Benefit Assurance with a full scheme data and benefit assurance review on request.

### Finding out more

If you would like to find out more about GMP Equalisation Data and Benefit Assurance or how GMP Equalisation can effect your DB pension scheme please contact one of our team below or your usual Deloitte contact.



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