

Seven-year itch

➤ **More than seven years on from the *Lloyds* GMP High Court ruling, Sophie Smith looks at the delays facing GMP equalisation work, and the potential consequences schemes could face if further delays are seen**

It's been seven years since the pivotal *Lloyds Banking Group* judgment delivered a decisive message: pension schemes must equalise Guaranteed Minimum Pensions (GMPs). Yet the industry still faces continued delays that leave scheme members in limbo, often not knowing they are due a correction that remains stubbornly out of reach.

Indeed, EY head of pensions consulting, Paul Kitson, says that while the hard data on the progress of GMP equalisation among UK DB pension plans is limited, "anecdotally, it seems approximately half of the industry still need to complete their GMP equalisation programmes".

Halfway there, after nearly a decade. This suggests that, despite all the talk of high governance standards and getting savers the pensions they were promised, many pension schemes are still knowingly paying members incorrectly.

But the reason for the delay isn't malice, rather, it seems to be a perfect storm of complexity and historical data deficiencies.

In particular, Kitson says that one of the main obstacles to faster progress has been resource challenges, particularly as GMP equalisation often coincides with buy-ins and buyouts.

However, there are solutions emerging, as Kitson points out: "A number of technology providers are stepping up to support the industry in this area, for example via automated calculations, data management and tech-enabled compliance support, which is encouraging to see. These tools will



be crucial, as otherwise it could take years for all plans to complete GMP equalisation."

Broadstone, for instance, recently launched a service to help pension trustees complete GMP equalisation projects within 18 months, aiming to break the logjam that has stalled progress for many schemes since the 2018 ruling.

'GMPE Now' was developed by Broadstone to offer a streamlined way for schemes to complete standalone GMP equalisation exercises, addressing what its creators describe as "stasis and prohibitive costs" that have affected the process for the past seven years.

In addition to this, more and more

de-risking deals include specific solutions for GMP equalisation work.

One example is the Ridsdale Pension and Death Benefit Trust, which recently completed a £7 million full scheme buy-in with Just, including an insurer-led data cleanse and GMP equalisation process.

And this is set to become more common, as Just said it expects insurer-led data and GMP solutions to become more common across the market.

Still, it is undeniable that work in this area has been moving slowly, and members are starting to take notice.

So far only one GMP case has been looked at by The Pensions Ombudsman (TPO), but this has already provided crucial insight. While TPO dismissed the complaint regarding the time taken to effect GMP equalisation, it did award the member £500 for distress and inconvenience due to the trustee's failure to keep the member updated, despite agreeing to do so.

Some suggest that the outcome offers a valuable shield for trustees, given that the ombudsman acknowledged that the GMP equalisation exercise is an "inherently difficult and complicated project", and determined that the delay was not unreasonable.

Indeed, commenting on the case, experts from Baker McKenzie said that, provided trustees are engaging with the issues which the *Lloyds* litigation gave rise to and have a plan in place for how they will deal with GMP equalisation, the ombudsman is likely to be sympathetic about the length of time it is taking to implement GMP equalisation projects.

However, it said that trustees should make sure that they follow through on any express commitments which they have made to keep individuals informed about the progress of GMP equalisation exercises, which was the issue that caught the scheme out in this case.

The message seems clear: Pace is forgivable; silence is not.

➤ **Written by Sophie Smith**