

OVER 60% OF SCHEMES NOT EXPECTED TO HAVE SUFFICIENT DATA TO CARRY OUT GMP EQUALISATION

14 November 2018 | London
Firm news

In a survey of trustees, sponsors and advisers conducted by Herbert Smith Freehills regarding the implications of the recent decision in the Lloyds Bank case, in which it was held that schemes are required to equalise male and female members' benefits for the effect of GMPs:

- 61% of respondents said that they did not expect that their scheme (or those that they advise) would have sufficient data to equalise members' benefits
- 53% identified the ongoing administration associated with paying equalised benefits as the biggest challenge with implementing the judgment, while 40% think it will be incomplete data
- 17% of respondents said that their scheme (or those that they advise) have decided to temporarily suspend transfers while they decide their approach, and
- 78% of respondents thought that the judge was correct to conclude that trustees need to equalise members' benefits for the effect of GMPs.

Commenting on these results, [Samantha Brown](#), pensions partner at Herbert Smith Freehills, says:

"It is unsurprising that so many schemes will face challenges with their data given how long ago the relevant benefits accrued and the fact that much of the data required to equalise benefits has not previously been relevant. The key question is what can trustees do where their records are inadequate?"

Depending upon the circumstances trustees may be able to make certain assumptions about the missing data which they can then use to calculate members' equalised benefits. Alternatively, this could provide grounds for trustees to compromise members' claims which may actually be a helpful way of cutting through some of the complexity associated with equalising benefits."

On the administrative challenge, she says:

"The additional administration that calculating and paying equalised benefits on an annual basis will generate will be significant and could add materially to the costs of scheme administration. The extra administration cost per member may well outweigh the uplift that members receive in many cases. As a result, I expect that many schemes will want to make use of the GMP conversion legislation, once they have equalised benefits, to avoid the need to carry out an annual true-up and to maintain multiple benefit records for all affected members."

And on transfers, she comments:

"Many trustees are raising concerns about how to deal with transfer payments that are in the pipeline and whether they should be suspending them or applying adjustments to them. There are a number of approaches that trustees can take. However, given the strict statutory deadlines for processing transfers it is important that trustees take advice quickly and that any suspensions on transfers are kept as short as possible. Trustees also need to think carefully about what they are saying to transferring members and about the terms of any discharge that they require transferring members to give."

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