



GMP EQUALISATION

Following the ruling in October 2018 in the Lloyds Bank case, trustees now need to equalise scheme benefits between men and women for the effect of unequal GMPs

Historic differences in the way that the state benefits were calculated, led some pension schemes to treat men and women differently. Guaranteed Minimum Pension (GMP) equalisation, is the work pension schemes are performing to put these differences right.

As part of GMP equalisation, when working out whether errors were made, it is necessary to review the details of the scheme member and their accrued benefits during the period from May 1990 and April 1997.

Working out whether any corrections are needed for pensioners currently in payment is relatively straightforward because the information covering the period of service is readily available. However, this information is sometime less available for “dependant members”.

Dependant members are the dependants of the original pension member, that continue to receive a pension payment (often smaller) following the death of the original member.

The dependant members benefits are calculated based on the original members' period of service. If the period of service covers the May 1990 – April 1997 window, then there is a possibility that the current and historic payments to the dependant member may be wrong and may need correcting.

Figuring out whether the calculations were correct or not relies on the scheme being able to review the original members' data. A problem sometimes arises for schemes if the dependant's information has become unlinked to the members information, therefore making it impossible to determine whether a correction payment needs to be paid or not.

CASE STUDY

790

Dependant records reviewed

572

Original member details returned

72.4%

Return rate - offering scheme administrators:

- peace of mind
- doing the right thing
- reduced liability

The Tracing Group



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ASSETS. BUILD CONFIDENCE.
MAINTAIN CONTACT.

HOW THE TRACING GROUP CAN HELP

If the current dependants' members details, together with the date the payments commenced to this person are supplied, in a minimum of 70%* of cases, The Tracing Group can provide the name of the person most likely to be the original pension member, their date of birth and the date of death.

In most cases, the date of death occurs in the days immediately before the dependant members payments commenced. This additional information enables the scheme to locate the original pension members data to reassure themselves about whether an equalisation payment needs to be made or not.

This results in a fair and accurate outcome for all members, instead of the scheme having to assume an underpayment for all and pay the maximum equalisation amount in every case for "unlinked dependant members".


*figures based on the typical success levels of projects completed to date.

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