

# Thirty years since Barber: Slow progress on GMPs

**L**AST MONTH WE CELEBRATED 30 years since the Barber judgment – and even in an industry focused on the passage of time, that is a significant anniversary. Since the 2018 Lloyds judgment the UK pension industry has been grappling with how to achieve GMP equalisation. But why has it taken so long to reach this

point and what are the hindrances to resolving it now?

By way of comparison, in the table below we tracked the progress of GMP equalisation alongside the history of computing. At a time where the world has become unrecognisable in the last three months, it shows how things have changed and highlights some of the data challenges given

the computing power in the 1990s – challenges that the pensions industry is having to live with now.

In an ideal world we would have data that logically no administrator would have needed to keep, so instead we must decide how much to try to rebuild and how much to make assumptions about. No scheme will get perfect data, however hard they look, so all schemes will retain some risk. The questions for many schemes are ‘What is the cost benefit analysis of how hard to search, compared to the risks remaining?’ and ‘Do assumptions make the inequalities any worse?’

All this might seem like it could take another three decades to get equalisation done, but in practice many schemes have already started the journey – some are even getting close to finishing.

It is clear from the 150 or so active equalisation projects the Aon team has on the go that schemes are prioritising in different ways to best suit their circumstances. Many schemes have started by agreeing objectives and are using these to make provisional decisions on the method to adopt. This helps narrow the scope of the exercise at an early stage, focusing time and budget on things that have a tangible impact on members. Some schemes with competing priorities for decision making are getting on with preparing their data so that once they are ready to make a decision they can swiftly complete the project and turn their attention to other things.

Others have started the journey by equalising transfers, particularly now when some providers are refusing to take unequalised transfers.

By the end of 2020 most schemes will expect to have progressed these early stages – and we hope to have made it to the barber!

*Tom Yorath is a partner and head of GMP equalisation services at Aon*

## A HISTORY OF GMP EQUALISATION

### GMPs vs the computer industry

Year	In GMP equalisation	In computing
1990	The Barber judgment required occupational pension schemes to provide the same benefits for men and women, equalising retirement ages. State benefits remained exempt. Where did this leave GMPs? Some thought they probably should be equalised and a few tried, but no-one had a good idea of how.	Microsoft launched Windows 3.0 and Word v1.1, prototype WorldWideWeb was launched, and a typical office desktop computer was a 386
1997	GMPs ceased to accrue and were replaced with alternative forms of contracting-out. Unequal benefits specified by contracting-out ended.	CD-RW introduced, and the Pentium II chip and Wi-Fi standard launched
2007	The Pensions Act 2007 permits trustees, with employer consent, to convert GMPs into 'normal' scheme benefits effective from 6 April 2009. All GMPs for the member converted must be included (later to become Method D2).	First one terabyte hard drive and Apple iPhone released
2012	A consultation proposed the year-by-year method but it was disliked by the industry as it could end up with both men and women receiving an uplift (later to become Method B).	Selfie is a new <i>Time</i> top ten buzzword
2016	A second consultation proposed a one-off actuarial calculation of value via conversion but left unanswered questions for tricky groups such as active members. Contracting-out also ceased on 5 April 2016 and this commenced the mass reconciliation of records.	Microsoft launched Office 365 
2018	The Lloyds judgment confirmed GMPs did need to be equalised and provided a range of acceptable methods including both dual records and conversion.	Cambridge Analytica alleged to have harvested 50 million Facebook profiles
2020	30 years on, we are finishing GMP reconciliation and rectification and getting stuck into GMP equalisation. Working through conversion, it is clearly not one option but many: who do you convert, when, to what benefit design, do you combine with other exercises? The second Lloyds case, on transfers, was heard in May.	Working from home with video conferencing