

HEALTH WEALTH CAREER

A PRACTICAL GUIDE TO GMP EQUALISATION AND CONVERSION

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PRESENTERS:
Adrian Hartshorn
John Martin
Matt Jones
James Auty



TODAY'S SPEAKERS



ADRIAN HARTSHORN
Senior Partner (Host)
MERCER



MATT JONES
Scheme Actuary and
Relationship Manager
MERCER



JOHN MARTIN
Risk Transfer Specialist
MERCER



JAMES AUTY
Scheme Actuary and
Relationship Manager
MERCER

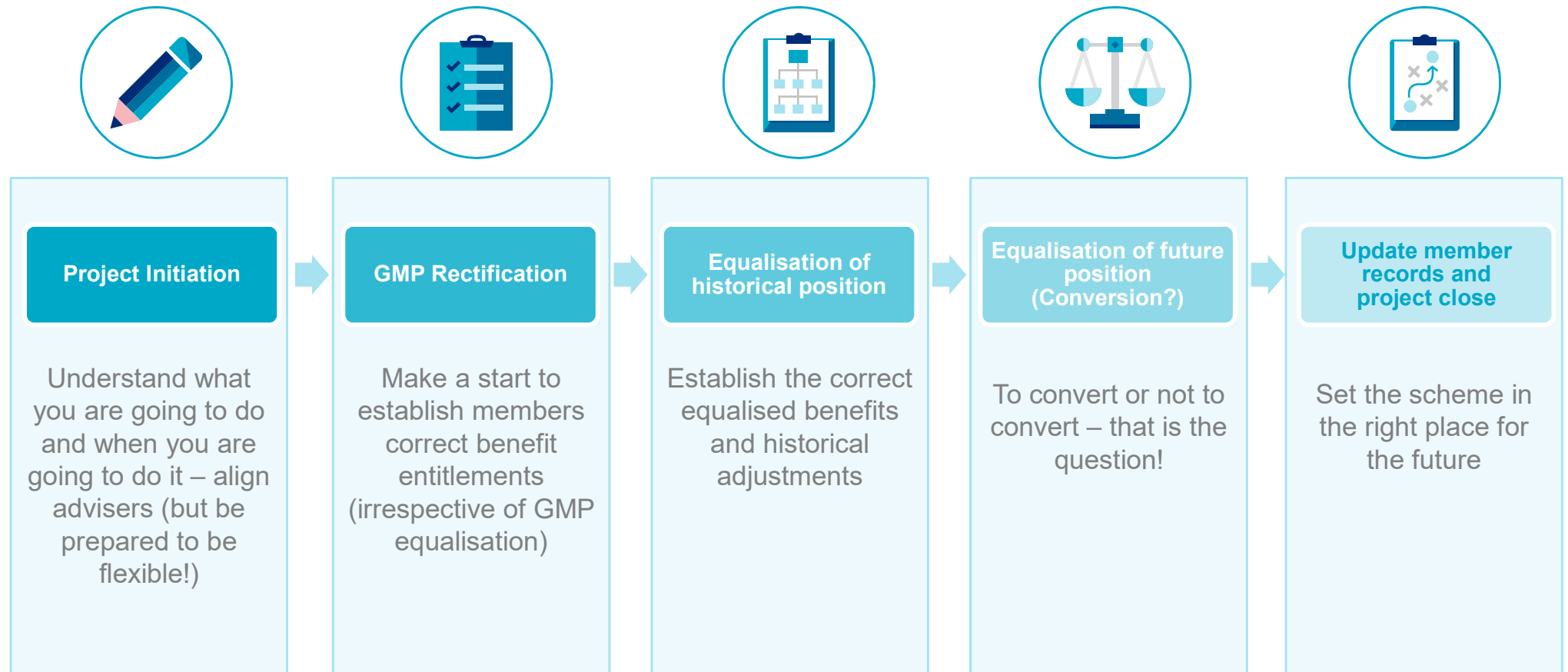
AGENDA

- The Project Lifecycle
- A step by step practical guide
- Q&A



BREAKING THE TASK INTO PIECES

THE PROJECT LIFECYCLE



Member Communications – Strategy Determined As Part Of Project Initiation

PHASE 1: PROJECT INITIALISATION OVERCOMING INERTIA



PHASE 1: PROJECT INITIALISATION GETTING THE FOUNDATIONS IN PLACE

Members are not currently receiving their correct benefits

Key Objectives

Establish ownership of project, consider project stages and set project delivery timescales

Identify areas to progress and consciously defer decisions where further input is needed



Key Stakeholders

Trustees

Employer

Scheme Actuary

Administrator

Legal advisor



Key Output from Phase 1

Establish project group and common understanding or work required

Initial project planning based on project lifecycle

Obtain initial data extract; perform data gap analysis and agree approach on data gaps

Benefit audit identifying key aspects of benefit structure that will have implications on future equalisation strategy

Identify early decisions needed (or what information is needed to make the decisions e.g. equalisation method)

PHASE 1: AGREEING A COMMUNICATION STRATEGY

Clear member communication is important – timing and content are key

- Areas for consideration
 - What education is needed?
 - When to communicate GMP rectification changes; at the same time or sequentially with GMP equalisation / conversion
 - Conversion consultation requirements and any Pension Increase Exchange exercise considerations
 - How to deal with member queries through the communication process (administration helpline)
- Key stakeholders: Trustees, Employer, Scheme Actuary, Administrator, Legal advisor



PHASE 2: GMP RECTIFICATION

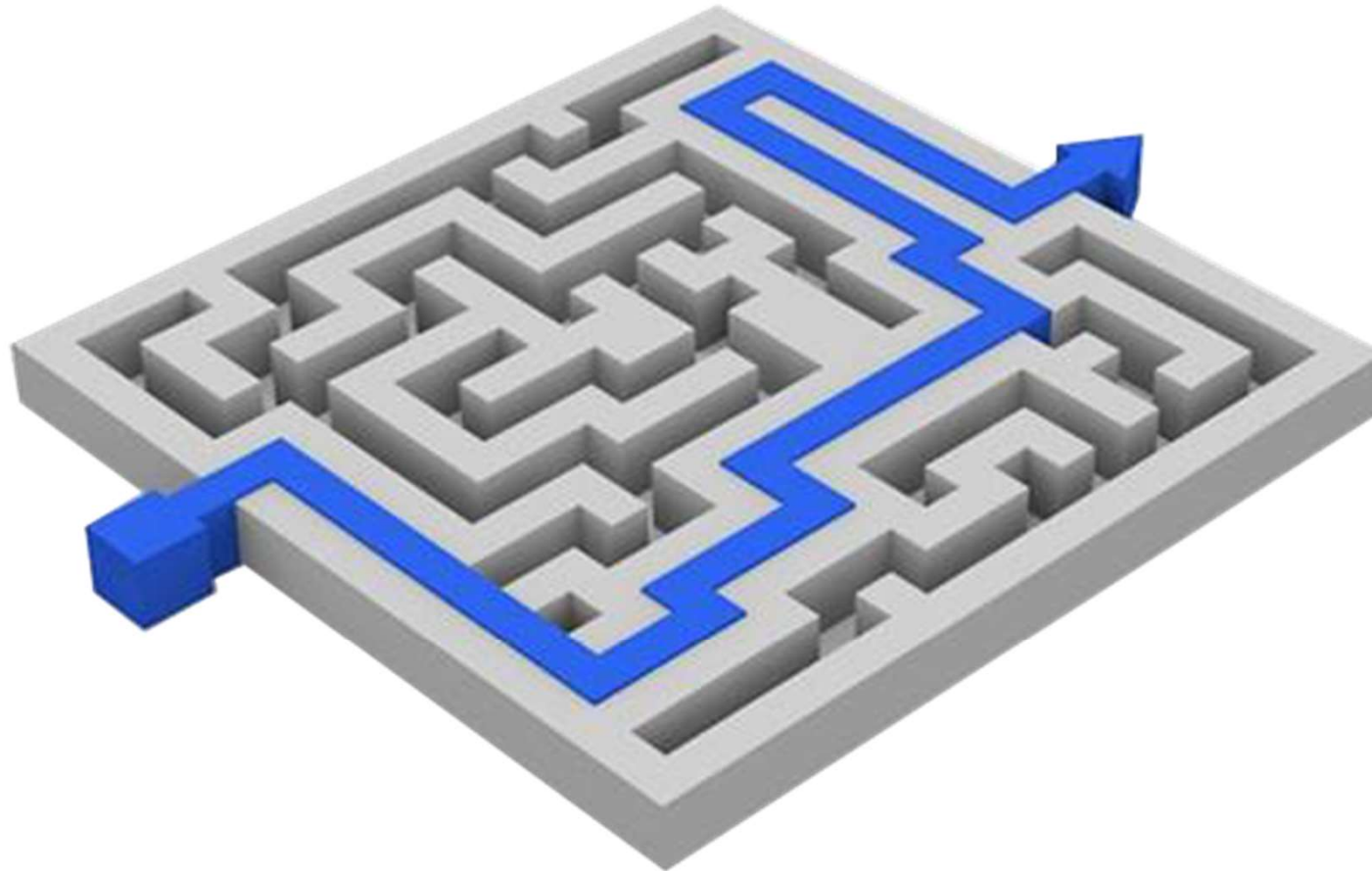


PHASE 2: GMP RECTIFICATION

Rectification of GMP's does not result in tax / HMRC issues

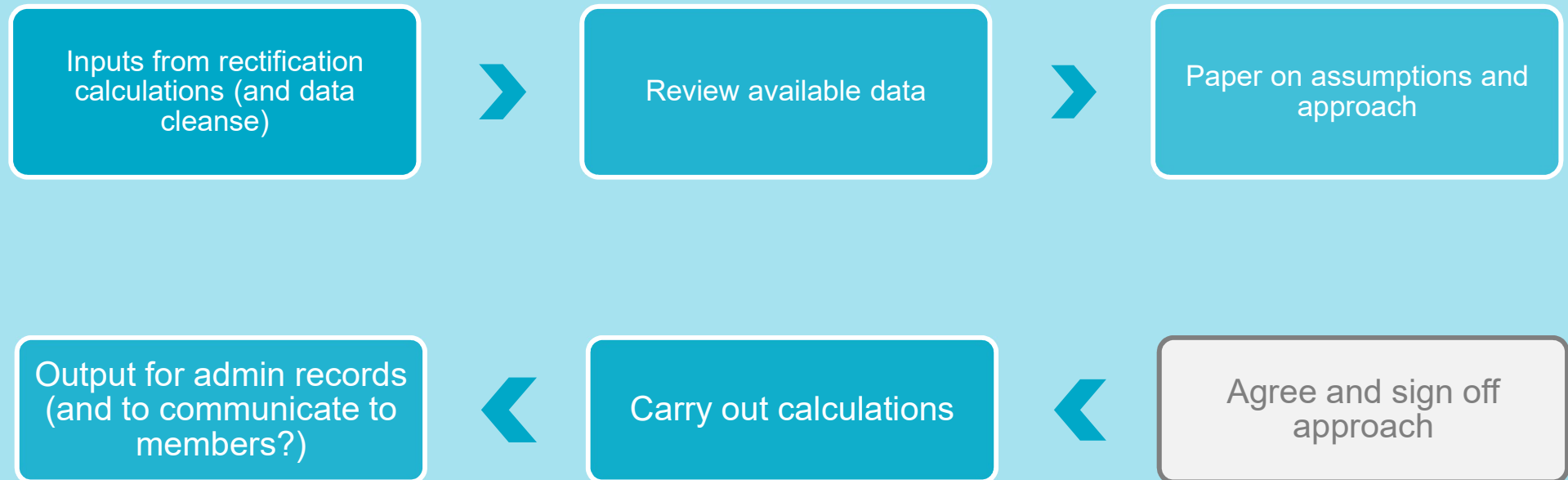


PHASE 3: EQUALISATION OF HISTORICAL POSITION CHOOSING YOUR PATH

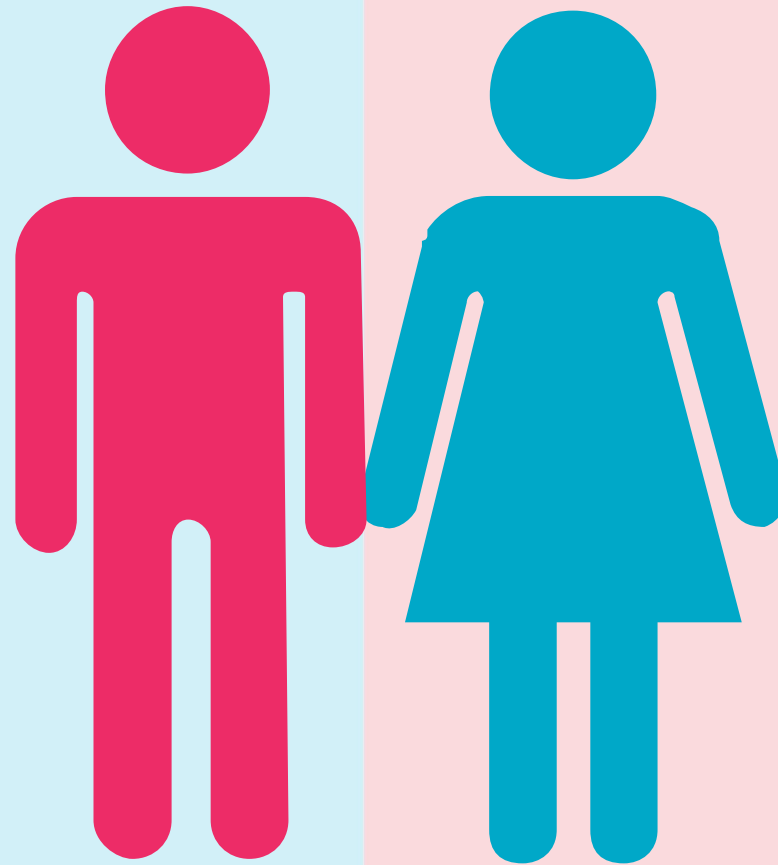


PHASE 3: GMP EQUALISATION – HISTORICAL TURNING THE HANDLE

Correcting for the past; consistency of approach between phases 2 and 3 is key.



PHASE 4: EQUALISATION OF FUTURE POSITION



GENDER=EQUALITY

PHASE 4: GMP EQUALISATION/CONVERSION - FUTURE

Consider conversion to remove complexity – work with the sponsor



Key Objectives – to decide between

- Completing the necessary steps and calculations to equalise future benefit payments and administer them within the scheme – often referred to as C2 (although other methods are available)
- Conversion (method D2) of GMP into another form of scheme benefit, making a decision on which benefits are converted and into what new shape e.g. increasing / non-increasing

Item	Administering C2	Conversion D2
Member understanding	Difficult for members to understand	Simpler benefit structure that's easier to communicate
Tax issues (LTA and Annual Allowance)	Minimal possible impact as only doing what Trustees are required to do legally	Limit through shape of benefits and identify “at risk” members in advance
Winners and losers	No risk	Mitigate through choice of assumptions and unisex factors
Future proofing	More complex administration and potential challenges for risk transfer activity	Paves way for buyout and member options work, potentially reducing costs.
Costs	Upfront cost to update administration procedures and then an additional annual cost	One-off upfront cost only

PHASE 5: RECORD UPDATING AND PROJECT CLOSE



PHASE 5: RECORD UPDATING AND PROJECT CLOSE ACHIEVING YOUR OBJECTIVES

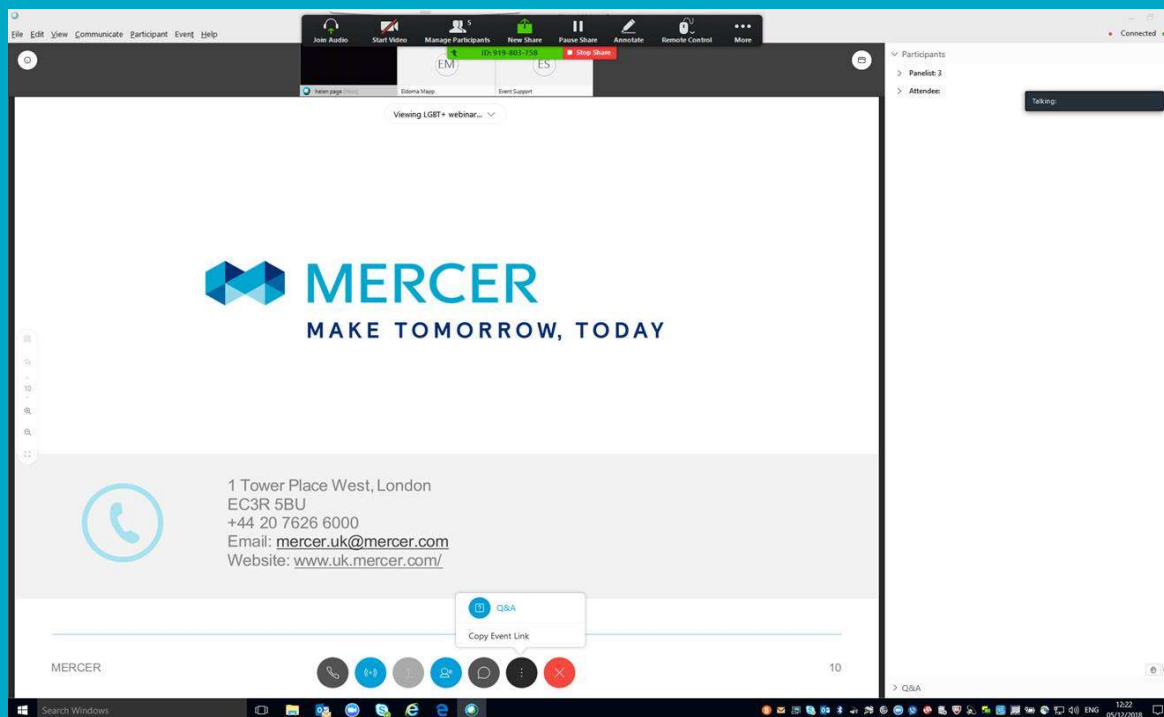
Fully rectified and equalised benefits allow a return to business as usual

- Administration systems updated
 - Member records updated
 - Configure annual process for future equalisation
 - Revise scheme tools for specific calculations
- Decision log, data changes, data cleanse process all retained for audit trail purposes (to be available as part of any future buy-in or buy-out)
- Any updates to Scheme Rules enacted and legal sign offs documented
- Confirmation of financial impact e.g. as part of next actuarial valuation
- Sign off meeting (as part of Trustee meeting)
- Celebrate!

QUESTIONS?

Please type your questions in the Q&A section of the toolbar and we will do our best to answer as many questions as we have time for.

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