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GMPe roundtable

GMP equalisation: The what, when, why and how

Our panel of experts look at where we are with GMPe, ask what schemes should be doing now and how schemes can tailor their communications around this thorny topic

Challenges around GMPe

Chair: Just over a year has passed since the Lloyds judgment on GMP equalisation (GMPe), giving us some time to reflect and even start planning. A lot of hard work has been done and people have started to get their heads around what it means, not just for carrying out various projects but also what it's going to mean for ongoing administration, communications and so on.

The biggest challenges I foresee relate to the preparation of data and having to make changes to systems in respect of what's happening. I'm looking at the administration systems side of that, as well as the data that's needed to carry out the rectification projects.

What would you say your biggest challenge is around GMPe in relation to your field of expertise?

Kola: I am a pensions lawyer and, amongst lawyers, there's always a tendency to love the detail. But it's not our detail that we are dealing with when it comes to GMPe – it's the data and administration detail. What we as lawyers should do is stand back so the administration implications can be considered and then come in at the right time to help people formulate practical solutions that are right for them. Not everyone can do every option, so there's no point in talking to them about all the options – we need to narrow things down and then help trustees navigate what works for them.

Reeve: Cosan provides administration, consulting and governance services to help companies and trustees better deliver their pensions. From that point of view our interest in GMPe is to ensure pragmatism – there are some very clever people in the industry with some good thinking, but I'm not sure that's going to deliver what people really want or need – proportionality is needed.

Also, good governance is key – we need to make sure that not only do we do the right thing, but we are seen to be doing the right thing. There's going to be a lot of scrutiny of this in the future, so making sure that everyone documents what they're doing and why they're doing it is essential.

Morgan: GMPe is all about data. However, it is important to take a proportionate approach to data requirements for GMPe, as for many members the impact of GMPe will be tiny or non-existent. It's worth carrying out some initial analysis of the likely impact of GMPe so that you can prioritise your data cleanse to work around those members likely to be most materially affected.

Mayes: We have mentioned data and we have mentioned proportionality but there's also tax issues that need to be considered.

But the main concern, as I see it, is

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CHAIR

Maurice Titley, Director, ITM

Maurice has worked in financial services specialising in corporate pensions for the past 22 years, including roles at Watson Wyatt and most recently Punter Southall, where he was principal in charge of administration systems development. Maurice has 20 years' experience in software architecture and systems integration, and is also a Microsoft-certified professional. Maurice is the director responsible for pensions technical matters at ITM and is a regular speaker at pensions industry events.

PANEL

Simon Grover, Lead Writer, Quietroom

Part of Quietroom since 2007, Simon has worked on pensions-related projects for clients, including Kodak, B&CE, Invensys, Irish Life, JLT, Atkins, First Group, Lloyds bank, RBS, British Steel, BHS, Agility, Urenco and LV. He has written and produced a dozen pension animations for KPMG. His work with Whitbread on its pension scheme helped increase the rate of people joining by 17 times, earning Whitbread an award for DC Scheme of the Year. Simon is also an actor and a scriptwriter for children's TV.

Jane Kola, Partner, ARC Pensions Law

Jane is a partner at ARC Pensions Law. She has over 25 years' experience of advising trustees and employers on their workplace pension arrangements. Jane has helped many clients on the journey to buyout, developing a deep understanding of the way in which schemes operate in practice, the extent to which they are paying the correct legal entitlements to beneficiaries and the planning necessary to achieve a successful buyout. She started her career at Nicholson Graham & Jones, and later worked at Sackers LLP and Gowling WLG (UK) LLP.

Alasdair Mayes, Partner, LCP

Alasdair Mayes is a qualified actuary and has over 20 years of experience helping sponsors and trustees on pensions matters. He advises on funding, risk management and benefit design. He is a specialist in equalising for GMPs, pensions tax and financial reporting and likes to provide simple and pragmatic solutions to complex problems. He helped draft the *Equalisation Working Group Methodology* guidance that was published by Pasa in 2019. He is also helping a number of clients, large and small, equalise their benefits ahead of buyout or for ongoing administration.

Alex Mitchell, Head of Tracing & Data Solutions, Capita Employee Benefits

Alex is head of tracing and data solutions at Capita Employee Benefits, where he has worked for a number of years. He has over 15 years of financial services experience, including the pensions industry, having originally set up the tracing business for Capita Registrars back in 2004. Alex has a core understanding of the complexity of delivery operational efficiency within project parameters across the data industry.

Rebecca Morgan, Head of Technical Research, ITM

Rebecca is head of technical research at ITM. She is a qualified actuary with 20 years' experience in the pensions industry. Rebecca joined ITM in November 2016 as a senior technical consultant, responsible for ensuring her colleagues at ITM are aware of technical issues, including pensions legislation that impacts on their work and/or affect clients. Rebecca also provides high-level technical input to complex projects, to ensure technical accuracy and support where required.

John Reeve, Director, Cosan Consulting

John is a qualified actuary, focusing on advice to trustee boards and employers regarding the effective and efficient management of their employee benefit arrangements. He brings his business knowledge and experience, along with his strong technical knowledge of the pensions environment, to help clients design and manage their arrangements in the interests of their business and their employees. John prides himself on clear explanation of complex issues and on creating pragmatic solutions to the problems that clients face.

Peter Thompson, Client Director, CCTL

Peter joined Capital Cranfield in 2018, having previously worked for a leading actuarial consultancy and a professional trustee company. In his role as a professional trustee, Peter has dealt with a wide range of schemes including several with assets in excess of £1 billion. He has also handled a regulated apportionment arrangement, several buyouts, a company voluntary arrangement and many sets of employer negotiations and regulator interactions. Peter has also been chairman of the NAPF (today known as the PLSA).

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that people only want to have to do this once. We've seen many occasions where people did equalisations back in the 1990s and then found that they didn't actually equalise. One of the key things is making sure that people equalise in a robust way that means they can ensure the job is done and they can move on.

Mitchell: From my perspective and my team's perspective, being at the coalface, working through the data, there are challenges around the fact that when you get into the individual member details, a broad-brush approach won't work.

It's understanding how we navigate around that. It's going to draw out a lot of skeletons in the closets around the administration and records that are going to cause trustees headaches. It's how we manage those and the communication out to those members, which is important.

Thompson: I am a professional trustee and an actuary by background and, even for me, GMPe is an extraordinarily complicated area. I've been working in pensions for a long time and I'm just about getting to grips with it. The difficulty for lay trustees is understanding what is going on and what is meant by C2 and D2 and conversion and so on. It's quite challenging.

Grover: The main challenge around GMPe is creating a message for members that is meaningful and useful. You can say something broad and you can say something compliant, but it might not be something that people can get their heads around or that will help them to understand how much they might be looking at getting or not getting; or to understand who's involved or who's not involved and why it's all happening in the first place. Also, how much information do members really need? The answer is usually less than you think.

What GMPe means for schemes

Chair: Are pension schemes aware of what GMPe means for them? What do they need to know right now? What should they be starting to do right now? What can they start to do and are there valid reasons for waiting?

Mayes: Trustees and sponsors are broadly aware of what needs to happen and the quantum of liability that's involved. For many schemes that's much smaller than they feared, and it might be only 0.5 per cent of the total scheme's liabilities. That's reassuring.

The next step then is how many members might be affected and that can easily be more than half the total population. That suddenly means it is a much bigger issue that people are addressing.

Data is one area where people can be getting on and doing something now. It might be too early to be choosing which method they're going to use to go forward.

They need to know exactly how the tax treatment is going to work with conversion, for example, before they decide that's what they want to do. But there is a lot of work that people can be getting on with now.

Chair: So, we can be getting on with data-related activity. Anything else we can be getting on with now?

Thompson: We can be getting on with trying to educate trustees, explaining to them that this is out there, it's going to have to happen and why they, in most cases, probably shouldn't panic. They have already seen GMP reconciliation and then rectification, and now there's another one. So, we need to be educating and informing trustees, but not necessarily going to members just yet except for maybe a paragraph in a newsletter.

Grover: Yes, that is probably right for most schemes. With Lloyds it was different because it was in the news and the unions were involved. But certainly, mostly we've seen since then a paragraph in a newsletter saying something along the lines of: "You may have heard about this thing called GMPe and are wondering how it affects you. We are looking into it and will get back to you." That's pretty much all you need to put. Not silence but not reams of information either.

Chair: In terms of all the rules around GMPe, are there valid reasons for saying, "we're not there yet, we can't get started"?

Kola: Trustees should start by looking at the quality of their data – seeing what the data tells them about the people who are affected by this. Because there are several different methods in theory under the Lloyds judgment, and there's only one method that you can do on your own. Then there are others that might end up being more efficient or cheaper to do.

But until you know what your data

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possible so that when they go to market, they're in a more attractive position and are able to tick all the boxes to show they've done all the necessary exercises.

Reeve: I first stood up in front of an audience to talk about data and how we need to sort data out more than 20 years ago. Trustees are getting very bored with the topic. Many think they have fixed their data already and in a lot of cases they have done what they can.

So, we should be asking: "Is there any more data available?" not "what data do we need?" but "what data can we reasonably get?" We're never going to be able to find everything.

If we haven't got some salaries and we're never going to get them, then we need to draw a line and stop spending time and money trying to find out if there is an archive somewhere. We are never going to do GMPe exactly, so let's understand where we can get to with regards to data. A lot of schemes will have done as much as they can, and they've got what they've got. We need to agree an algorithm to fill the gaps as opposed to spending more years trying to find missing data items.

Thompson: Also, are there going to be any *de minimis* rules? Are we going to spend £1,000 for a 10p a week correction?

Also, what do we do about people who have transferred out; people who have died? You don't get any thanks for writing to relatives to let them know about £100 being added to the estate of someone who died 20 years ago.

Kola: Lloyds 2 will talk about transfers although it may be just about past transfers. We don't know what that will say, but there is a view that this might give us some clues about how far back to go. I would say, don't go back too far if you can manage it because when estates are closed it causes a headache for families and creates more data problems – do we have the data to be able to reconstruct the calculation, say, 25 years ago? If not, let's not waste time and money trying.

Reeve: As soon as you realise that point, that we are not going to be able to do this accurately in all cases, it puts a completely different light on this exercise.

looks like, you can't work out whether there is only one option for you or if there are others. You shouldn't spend a lot of time with lawyers talking about the different options. Why can't you narrow your options down from the data and then work from there to deliver something efficient and practical?

Also, once you've worked through the data, there is a need to look at the rules as well. Not all schemes adopted model GMP rules that were strictly the same as the ones issued by the authorities at the time. Some of them have some quite nasty traps in them, which may at some point inform the trustees' options for the long term. But for now, we should see what the data tells us.

Mitchell: Clients are keeping their options open and see it as moving towards a crossroads, doing that data work in the background. Even if they haven't decided C2, D2 or whatever the method is, they can still prepare as much as possible.

But that is easier for the schemes that have a bigger journey plan. They are looking ahead, beyond potentially the scope of what we are seeing. It might be to de-risk the scheme or to buyout. They're preparing things as much as

Proportionality

Chair: There's a very strong theme around the table that we should approach GMPe with proportionality. Is that message getting through to trustees?

Reeve: The trustees I have spoken to are massively frustrated about this and that's one reason they're kicking the can down the street. They know that, in many cases, it's not going to make a big difference to anybody.

The danger is that, as an industry, we're seen to be milking this and seeing it as an opportunity to earn fees, as opposed to action required to improve members' retirement. I see a lot of work going on already that is disproportionate.

Thompson: The admin costs across the industry are another concern.

Grover: There's a potential reputational risk for the whole industry here too – we have been told to do this 'good' thing that's going to give more money to some people, and we are correcting a wrong. But the potentially huge costs of it are going to come out of people's pension pots, ultimately. How is that a good thing?

Kola: But there are a small number of members who, relative to the size of their pensions, do have quite a big amount owing to them.

So, my view is that we should prioritise the people for whom this will make a meaningful difference, because those are the ones who need the money the most. They tend to be pensioners with small benefits, where the GMP is all or most of that. Surely, it must be possible to identify that small group.

There is a minimum that you must do, and for pensioners that's probably an underpin for all of them, so even if you decide to do other things later, you do at least have that. They're not likely to be impacted by tax concerns unless they've got very large benefits elsewhere. So why don't we focus on the people for whom it will make a meaningful difference given their low level of income, and let's not worry too much about everybody else.

For the people who've got LTA concerns, tax concerns – they should be at the back of the queue, because there's no point in touching them until HMRC has told us what the position is.

That's something I have encouraged my clients who want to get on with this but are worried about doing the wrong thing. I have asked them: "Who are your lowest value pensioners who are most affected?" If there are, say, 10 of them, you ought to be thinking about how you can make a difference to their lives now. It is no comfort to give their children a cheque when they're dead, you want to do it now and the rest can wait.

Mayes: I agree. There's no need to wait for the entire picture to become completely clear. You can get on with the bits that are already clear. Get on with those and come back to some of the more complex cases or some of the ones that might never even need to be addressed, later, but only if you must.

Chair: It's always helpful for trustees to see what the impact is and if you have 10, 20, 50 members that are really impacted then that helps frame what needs to happen next.

Reeve: We also need to be careful about how we present this information, not only in the industry but outside of it. To the earlier point about reputational risk, I've seen some figures suggesting that a pension might be 20 per cent different, but if you dig deeper, it's 20 per cent of the GMP of that period as opposed to 20 per cent of the whole benefit. In many cases the big percentages are of a very small pension. We must avoid sensationalising these figures. Educating the trustees and members is key.

Communication

Chair: Is communication around the topic sufficient? I am not just thinking about how it's going to be communicated to members when it finally happens, but the communication that's going around to trustees, the press coverage and so on.

Grover: 'Sufficient' is an interesting word. There's certainly enough of it. Whether it's the right sort of communication is the question. Here around the table, we're involved in the build-up of pensions rather than the receipt of pensions. We think of 'pensions' as being an industry but everyone else thinks of it as income you get when you're retired. We will typically start a communication with background, for example: "In 1974..." Why would anyone want to read that? That's the kind of communication that we see going out.

So, is it sufficient? No, in the sense that it's not thinking about what the member wants to read about.

Ideally, you segment your communications. You say something like: "Just to let you know, there's a thing going on called GMP equalisation and you're not affected, but some of your colleagues, or former colleagues, may be." Or: "Just to let you know, you might be affected, but it's unlikely to affect you very much, but we'll get back to you."

Something along those lines. That's all. They don't want to know the history.

Mayes: When we've looked at real-life cases, many people that are affected might only be looking at £500 over a lifetime; and many others won't be affected at all, so it's important to get things into perspective, whilst remembering for some the sums could be significant.

Grover: If the trustees or advisers can possibly come up with an approximate number, like you have just done there, that's really helpful as it makes it more tangible for members; makes it easier to get their heads around what this might mean in reality.

Mitchell: There's so much activity going on behind the scenes that members are completely oblivious to and they don't need to know about it either – they need a short version; they need to know what they need to do about it. We need to keep things very simple.

Getting the right parties involved

Chair: Which parties need to be involved and at what stage?

Kola: Lawyers do need to be involved earlier rather than later, but not so they can write long letters about the Lloyds judgment. The role we should play is to help refine what needs to be done and what doesn't. Those questions about proportionality. What about tax? How do we deal with that? And so on.

Some people also are working on conversion, but they can't easily do it under the current law, so let's not spend a lot of time thinking about it now. If the law, at the moment, will not let you convert easily, can we stop that process at this point and look at more practical

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solutions for the most affected members which can be done now and pick up conversion when it becomes easier to do legally?

Chair: Are administrators being involved in the process early enough?

Mitchell: They're being more reactive than proactive around it. It's the clients that are driving the conversations, because perhaps they've got plans or visions of where they want to take things, so it's about managing those clients.

There's still rectification going on as well and some clients want to do equalisation at the same time, to kill two birds with one stone and have one message going out to members – that's where we start to see individual paths developing for clients.

In terms of the administration systems, there will be multiple GMPe methods, therefore we've got to have systems that can manage multiple outputs. How that's going to be dealt with within the systems is still being worked on.

Reeve: I don't think enough trustee boards have a strategic relationship with their administrator. Having a discussion at a strategic level, as opposed to an operational level, can make all the difference. We have been saying for many years that you need a strategic relationship with your administrator.

Having said this, many administrators don't put people that can have that strategic relationship with trustees at the forefront of the relationship. They see client management as something done elsewhere within the business.

Mitchell: For the larger schemes, there are quite often individuals in the administration firms that act as guiding lights to help trustees, but the smaller and medium-sized schemes don't necessarily have access to those individuals, so they're wondering who to talk to. They don't have the buying power to have all the key parties in one room to help them, so they won't be having that joined-up conversation that is needed in all this, and that's where they'll struggle.

Mayes: It's also important for the trustees to work with the employer. Lots of people will be thinking that the absolute focus here must be one of minimising the benefit cost. The employer might have other objectives – maybe they are seeking to do a buyout, or they are concerned about the reputational risk associated with not doing the right thing here. That's something that people are very focused on and worried about.

Data requirements

Chair: What data do you need to carry out GMPe?

Morgan: GMPe places some very heavy demand on data, such as identifying the element of pension accrued between May 1990 and April 1997, along with the equivalent pension element were the member the opposite sex.

In order to calculate these data items it's likely that you'll need to roll back pensions in payment to date of leaving – the data you're going to need for that is going to be far more than the data you're using for the day-to-day admin of the scheme. Not only will you need detailed member data, like commuted pension and service dates, you're also going to need the scheme data like commutation factors, early and late retirement factors and understanding approaches to anti-franking. Because it was so long ago, lots of the data needed may well have been lost, particularly for pensioners and dependants. As we've already been saying, it's all about being proportionate.

If a member only has a couple of days of relevant service, it's not worth going down to the cellar and trawling through files to get details of their pension commutation.

The way that we've been thinking about it is by looking at the actual impact of GMPe; doing approximate calculations to understand how each member is likely to be financially affected. If you can tell they're not going to be significantly impacted, then you can take a proportionate approach and make assumptions that are reasonable. It's worth bearing in mind that if you know which equalisation method you're using, this can also affect the way you do things. For example, if you're doing conversion, the population may be different as you could convert all members with a GMP whereas for GMPe the population is restricted to members who have accrued benefits between May 1990 and April 1997.

Chair: Yes, the data requirements to support conversion are more significant because, if you are looking at converting

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benefits from one shape to another, to our mind you're reaching the same level of data quality you need to do a buyout, effectively.

Mayes: Indeed and if you're going down the conversion route, a lot of the work you need to do is very similar to what you need to do for a buyout, and so all you'll be doing is bringing forward that work, and with any luck that might also make buyout easier as well. That makes sense to me where buyout is part of your journey plan.

Reeve: Where does the GMP checker comes in?

Mayes: I think the GMP checker will have limited use – it depends on how your reconciliation has gone. If you have reconciled everything to the penny then it could be a useful tool for some members. But I think it's unlikely to be the case, and most people will have decided that there are certain things they just don't want to pursue when it comes to the reconciliation, and therefore you'd have the same issues with the GMP checker.

So, it probably makes more sense to use something more pragmatic and proportionate, taking the GMP that you're using and then making an adjustment to that.

Morgan: I think it's most useful when you've got members with service breaks or part-time service, but arguably it's still not very proportionate.

Costs of GMPe

Chair: How can cost concerns be addressed for employers, but also the trustees?

Thompson: The responses I've had so far have been along the lines of: "We've got to do this, so we'll take the costs associated on the chin. We might not like it, but we've got to get on with it."

In most cases we don't yet have accurate information about what the changes are going to cost or what the increase in ongoing fees is going to be, which is perhaps the bigger concern.

Reeve: Trustees don't feel comfortable paying a big fee to the consultants to tell them how to solve what quite frankly they don't see as being a big problem. So, again, it comes down to proportionality.

For example, if we are going to pay £100,000 in adviser fees for something that is going to mean an extra £500 in the pension pot across a member's lifetime, that doesn't feel like a good use of scheme money. You can only spend a pension pound once – this can either go to the consultants or to the pensioner. Where do the trustees want this to go?

This is particularly an issue if you've got a weak covenant and are under-funded. Small schemes might have a bigger problem too. They have got to incur the same costs as a big scheme – such as the legal costs – but often for a very small number of members.

Mayes: Most employers had to recognise a cost in the company accounts at the end of last year, so a lot of work was done at year end to make sure there was an estimate that could be put in. Most people in fact were pleasantly surprised that it wasn't as high a liability cost as they thought it might be.

So, there's been a small sigh of relief there, and it's now more a question of the long-term journey plan. Are there going to be ways in which this can be done more cost effectively to make sure that they can get to their ultimate destination, whether that's a self-sufficient plan or whether it's going towards buyout.

What the insurers wants

Mitchell: By making things simpler does it ultimately make the schemes more attractive to the insurers?

Chair: There are differing views as to whether conversion itself is what insurers want schemes to be trying to do right now or not. The tax situation has also thrown a spanner in the works. What are people's thoughts?

Kola: It depends on the insurer. I'm currently working with two insurers. One is adamant that conversion is all they will do, even with the uncertainty. Another is saying we want conversion long term, but we will accept C2 now.

Tax is the problem essentially for the higher earners, but you don't have to convert everyone's benefits. Conversion is an individual by individual approach.

But some schemes can't convert in a legally low-risk way because there's an issue about employer consents. Some lawyers feel they can stretch the meaning of the legislation to mean the current employers who sponsor the scheme. But that is a risk the employer is going to have to take, and a lot of them don't want to. They don't want to convert people's benefits then discover they got consent from the wrong people, and the insurers definitely don't want that risk.

However, for some schemes who had the same employer at the beginning as they do now, conversion is perfectly doable without the extra risks.

It depends on your circumstances, but conversion should be something that we can easily do that makes sense and simplifies benefits. Insurers would be delighted to have that, but we don't have a law that readily allows that at the moment. We have something that's been badly drafted, that's been cobbled together, and some lawyers are making more of it than others in terms of what can be done.

Reeve: It's a bit of a circular argument as well when it comes to what the insurers want because some say they will accept dual records but they clearly like converted GMPs and their premium

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reflects this.

But when you think about it, most of the insurers have TPAs running their book, and if the TPAs can manage the different bases for the rest of their clients they'll be able to do it for the insurer. How the insurer will price in the complexity and how they'll price the risk is a completely different question.

The big problem in the insurance market is the dearth of capacity. If they've got two options, one with converted GMPS and one with dual records, I know which one they'll go for.

Mayes: That does make this a real challenge. We're finding the same – some insurers are insisting you have to convert; that's the only thing they will accept. Others are willing to be flexible. Over time the market will evolve and the ability to do both will emerge, but it would be a great help if both HMRC and the DWP could make that process as streamlined and as straightforward as possible.

Chair: Once you have been through conversion, will the administration be more complicated or simpler?

Mayes: I think most people are looking at a form of conversion, which isn't a drastic change, but does result in simplification overall, so you're able to sweep away some of the complexities of GMPs and reduce the number of tranches, rather than increase them. There will be overall a benefit and a simpler benefit structure going forward.

Mitchell: As we highlighted earlier, you should identify the members that are most affected, but that means, in terms of administration, you've then got two different platforms. You're then having to manage a smaller population that you've dealt with and closed off and converted, whilst managing the rest of the individuals on the old platform.

So you're managing those two areas while being in that BAU state for potentially a longer period of time until finally everybody transitions over, which might be an elongated project plan in terms of that piece and the comms that would be going out to those members.

Kola: There are no simple solutions here. If the law was simpler and easier to deal with, many schemes would be quite a long way down the process of trying to simplify benefits. There are legal complications, and the DWP and HMRC should get together and sort it out.

Capacity concerns

Thompson: Something that is a concern for me is capacity – once we have all decided what we're going to do, how is the industry going to handle it?

Mitchell: It is a concern because that knowledge base at the top end seems to be very thin on the ground. We are lucky as we have people who are immensely knowledgeable, but it's about extracting that knowledge and turning it into a real operational process, which is a challenge – it's a massive piece of work. You then need to translate that across to the trustees.

You also need to make sure you get it right too, because you don't want to be 10 years down the line and realise there is a flaw in the calculation. Because those algorithms are going to be very complex.

Reeve: That capacity point is critical because it's not just this project that's going on. We are working on GMP equalisation, buyouts, dashboard etc – there are so many different things. Who knows what the next big thing is going to be because there will be something else.

Mayes: It's important to be practical and pragmatic – what we want to do is get to a situation where members are able to request benefits quickly and efficiently using online services; or make the scheme ready for buyout. That means that you need to be clear about what benefits you are going to provide and then get on with it.

Kola: I agree – it is about being practical and pragmatic. Often there is precious little in terms of law that dictates what you actually have to do. So, once you have done something, stick with it and document it rather than perpetually refining the position. The whole point of doing the exercise is to not have to bring it back up again.

Mitchell: On the upside, while there'll be a lot of data work going on, this should set the industry up to better manage the dashboards when they finally come on board. This data issue is going to have to be dealt with one way or the other and this just drives schemes to dealing with it now rather than having to panic when the dashboards come out.

Chair: Yes, there is a lot of positivity around this – this could be for the greater good in many ways.

Grover: Another potential positive area is around consolidation – if making all these changes would help towards buyout, it could also help on the road towards other forms of DB consolidation too.

Kola: I don't think it matters which destination you are going towards – you still need to have the right benefits for the right people at the right time. Buyout is what people are aiming for because they've been told that's the gold standard. But if you are not going to make it to buyout, consolidation may be your next step and there's no reason why a consolidator should be easier on a pension scheme than a buyout provider in terms of the benefits to be provided or the risks transferred.

But I just don't think it matters where you think you're going to end up. This is what you need to do. The question is, when are you going to do it?

Concluding thoughts

Chair: What is everyone's main takeaway from today?

Grover: When I first came across GMP, I called up an actuary and asked them to explain it. They said they couldn't because it was too complicated!

That was just GMP. In the GMP universe, GMPe is the death star. So, thank goodness for everybody in the industry who helps people like me decipher all this.

The challenge is having to get the detail right and then think, what does that actually mean for the member and how do we simplify that into a sentence or a paragraph in a newsletter for them to read? That's the challenging bit for me.

Thompson: Contracting out GMPs have been a very sorry journey since the start. They were a fundamentally flawed idea when they were first introduced, and nothing has changed that. In fact, everything that's happened subsequently has just reinforced that view. They were a rotten idea and they should never have been brought in.

I don't think it helps members of pension schemes one bit. The advisory industry has made a lot of money out of this. But that's just increased the whole frictional costs of running defined benefit pension schemes over the decades.

Mitchell: We will be focusing on devising a solution, but we need to remember that there is no silver bullet for this. We will be at the front end, developing solutions, taking those initial schemes through it, acknowledging and working with them to understand the risks and liabilities that go with it.

But it will take time – this is going to be a longer journey than rectification and reconciliation even.

Mayes: The important thing to remember in all of this is that the member should be at the heart of everything that we do. It's important to come up with practical, pragmatic solutions to make sure that this can be done in a reasonable timeframe and in an efficient way. That means having a good clear plan as to what your priorities are, what's important and then being able to get on with it.

Morgan: GMPe is challenging and there are still many unanswered questions, but you can start preparing your data now – this will likely be a substantial part of the GMPe project. Just remember to take a proportionate and pragmatic approach.

Reeve: We need to encourage the trustees to realise that this is a risk management, not a risk elimination task.

We have talked a lot today about the importance of proportionality however that's not what I'm seeing in the market. I'm seeing a far too pedantic approach. Perhaps that's because we are in the early stages, but it worries me.

This has got to be about pure risk management, which makes it a risk and reward discussion as to what's the right thing to do for our members overall, not just saying we've got to get the right pension, to the penny, to Mrs Smith's. It's not possible and it's not in everybody's interest.

Kola: I agree – it is a risk management exercise. Also, we've got ourselves into a mindset where there can never be a loser amongst the membership population. Even if it's only a fraction of a penny, they can't lose that. But you need to look at this in the round overall, because you might end up a few pennies worse off but your benefits will be more secure, which means you will lose no pounds.

Also, fortune favours the bold, so we need to be bold about sorting out this issue in a practical way that does have the members at the heart of it, but also manages the risk appropriately. Because otherwise we might give our members a few extra pennies, but we'll drive the sponsor to the wall, and that's not going to help anyone.

Chair: To conclude, there have been lots of interesting points raised today but the proportionality and practicality points are key; also we should focus on the fact that this whole undertaking, despite its frustrations, should leave us in a better place – better for buyout, consolidation, simplification and generally better for paying the right benefits at the right time.