

FYI[®]

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Planning communications about GMP equalisation

While many pension schemes are still some way from equalising their members' benefits for the impact of Guaranteed Minimum Pensions (GMPs), there is still a great deal of preparatory work that can be done.

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Following recent guidance on data planning, the GMP Equalisation Working Group has now prepared some guidance for trustees to consider as part of planning their communications strategy. This includes a reminder to keep their administrators in the loop, and pointers to help them communicate clearly with members.

The guidance has a practical focus and is a quick and relevant read. For this reason, this FYI doesn't try to repeat all the points made in the guidance.

Further communications guidance, focusing on the implementation stage of GMP equalisation, is expected to be issued in due course.

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What is in the guidance?

The guidance includes:

- Some broad principles to follow for planning member communications.
- A list of 'Dos and Don'ts' that help illustrate clear communication.
- Questions that members might ask with answers that can be used as a starting point for responses.
- A checklist of the range of communication materials that may need to be reviewed in light of GMP equalisation.
- A jargon buster to help avoid using terminology that might confuse members.

The broad principles

The danger of over complicating member communications is highlighted – if communications are overly long and detailed, the messages can be diluted and the chances of members not fully understanding what they are being told increases. (This is true of all member communications – not just in relation to GMP equalisation.)

Key to this will be understanding a scheme's membership demographics, as this should help to inform how messages are conveyed.

Reasons for communicating with members in advance of GMP equalisation getting underway or being implemented could include:

- giving the scheme's own perspective to members who have learnt about GMP equalisation from external sources (for example, via another scheme that they are a member of, or via press coverage);
- following up on an earlier newsletter item about the Lloyds judgment confirming the need for GMP equalisation back in 2018;
- telling members about the impact of GMP equalisation when dealing with transfer requests or retirement options.

However, if trustees haven't yet decided exactly how to implement GMP equalisation, it may not be appropriate for trustees to say anything to members at this point.

What should trustees be doing now?

Where trustees are communicating with members, they should seek to provide reassurance that GMP equalisation is likely to take some time to complete and it is an exercise that many other schemes are also going through.

The impact of any outstanding GMP reconciliation exercise should be considered, and trustees should take a consistent approach with any other projects.

Trustees need to ensure that their communications are neither overly complex or formal, nor riddled with jargon. Any attempt to quantify the likely impact on member's benefits post-equalisation should also be avoided at this stage, so that members are not given unrealistic expectations.

Other points to consider

Supporting administrators - Administrators are often the first port of call for members. Trustees should ensure that they have the resources, training and reference materials to respond to member queries.

Reviewing regular communications – The guidance includes a checklist of material to review to ensure that references to GMPs remain up to date.

Comment

Clear and concise member communications can play a big role in engaging members with their pension savings which can only benefit both trustees and members. Some of the messages

contained in the guidance may seem obvious, but tailoring communications to fit the profile of a scheme's membership and avoiding jargon and unnecessary detail are good messages endorsed by this guidance.

While member engagement is perhaps more of a pressing issue in the DC world, trustees of pension schemes providing GMPs are encouraged to take note of this latest guidance. GMP equalisation is complex but the messaging to members needn't be.

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