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Dear member,

An update from the AXA UK Group Pension Scheme (the Scheme): GMP equalisation and conversion

I'm writing to you in my capacity as Head of Pension Administration & Trustee Services on behalf of the Trustees of the Scheme. From our last Trustee Newsletter, or in the press more generally, you may have picked up on the subject of Guaranteed Minimum Pension (GMP) equalisation. This letter is intended to provide you with more information about what this means and what the Scheme will be doing.

GMP equalisation: Top things to know

1. What does it mean?

If you have benefits that were built up before 5 April 1997, they might include a GMP.

The amount of a member's GMP, and how it is to be increased, is set out in legislation.

GMPs are different for men and women (they are built up at different rates, and they are payable from different ages). Differences in GMPs can therefore result in differences to a member's total pension.

Following a recent High Court ruling, most UK schemes like ours must recalculate benefits to address the unequal effects of GMPs built up between 17 May 1990 and 5 April 1997.

2. Don't expect a big change to your pension

Some members will see no change to their pensions. For those that do, GMP equalisation will usually only result in a small uplift to the total pension.

3. Both male and female members may be affected

The outcome will depend on things like when you earned your benefits, how much you earned, and when you retired or retire.

4. It's going to take time

Before any changes can be implemented, we need to review lots of historical data and run and check calculations with our advisers. This process is ongoing, but it will take time.

This letter provides an overview of what's going on. **You don't need to do anything right now.**

Why do we need to do something?

Since 17 May 1990, UK pension schemes have been required by law to provide equal benefits for males and females built up from this date (subject to certain exceptions).

Until recently, there was uncertainty over whether this obligation covered inequalities in a scheme's benefits which resulted from differences in GMP (the calculation of which is set out in legislation and is different for males and females).

In 2018, the UK High Court ruled that schemes like ours must take action to address any sex-based differences arising from any GMP earned between 17 May 1990 and 5 April 1997 (when it was no longer possible to build up GMP). The process we need to follow to address this is known as GMP equalisation.

How do we intend to achieve GMP equalisation?

In respect of past benefit payments, an exercise will be undertaken to correct underpayments where necessary. This may result in a one-off lump sum arrears payment being made to a member. In most cases, this arrears payment will be small.

In respect of future benefit payments, we are proposing to apply a one-off calculation to address and equalise for any sex-based differences arising from any GMP earned between 17 May 1990 and 5 April 1997. This calculation would identify whether, over a member's expected lifetime, the total value of pension built up between 17 May 1990 and 5 April 1997 is less than the equivalent total value that a member of the opposite sex would be entitled to. If so, an uplift would be applied to the value of the member's benefits to address this inequality. While doing this, we are proposing to simplify benefits in the Scheme through a process called GMP conversion.

The process of GMP conversion would involve converting all of the member's GMP (including any GMP built up before 17 May 1990) into a different form of pension.

Using GMP conversion to achieve GMP equalisation is expected to simplify a member's Scheme pension (and the future administration of the Scheme) and would remove the obligation to comply with complex legislation which applies to GMPs.

Even if you are not affected by GMP equalisation, if you built up any GMP in the Scheme (including before 17 May 1990), we may be proposing that certain changes are made to your pension as part of a GMP conversion process.

How you could be affected by GMP equalisation

If you haven't started to receive a pension income from the Scheme, the amount you're due to receive when you retire may increase as a result of GMP equalisation. It's unlikely that the amount you receive when you retire would decrease, and this is only a possibility if you have lifetime allowance protection. Please see the box on the right for more information on lifetime allowance protection.

If you've started receiving a pension you could see an increase to your income. You might also receive a one-off payment to make up for past pension payments that would've been higher if you were the opposite sex.

How you could be affected by GMP conversion

As part of the planned process to simplify benefits in the Scheme (through GMP conversion), you may see some of your pension reclassified to ensure greater clarity and consistency in how your benefits are treated and increase in the future. The overall value of your post-conversion benefits will not be any lower than your pre-conversion benefits at the point of conversion.

What's next?

We won't know exactly how you're affected until we've completed the review of our data and run the required calculations, which will take some time and will run throughout 2023 and 2024. However, as noted above, the value of your pension at the point of conversion won't be reduced.

If your benefits are affected by GMP equalisation or if it is proposed that your benefits are included in a GMP conversion process, we will send you a further communication to let you know and provide you with details.

What you need to do

You don't need to do anything now. We'll contact you in the future to let you know if you're affected and how.

Do you have lifetime allowance (LTA) protection?

Very few members in the Scheme will have LTA protection (e.g. enhanced protection or fixed protection). If you currently have or are planning to apply for LTA protection from HMRC, please let us know using the contact details for Capita below. It's important you provide this information so we can ensure your benefits are correctly calculated and provided.

LTA protection is something you would have requested to be set up yourself. You can check if you have LTA protection and find out how to apply online at [gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance](https://www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance)

Learn more

Visit the Library section on the Scheme website (pensions.axa-employeebenefits.co.uk/defined-benefit-section) where we've got more general information about GMP equalisation and how you could be affected. This includes an animated video and some FAQs.

Any questions?

If you can't find what you're looking for online or have a question about the content of this letter please contact the Administrator, Capita, on **0370 1234 701** or at AXA-pensions@capita.com. Capita will aim to respond to you within 10 working days of receiving your enquiry.

Yours sincerely,



John Manuel
Head of Pension Administration & Trustee Services
On behalf of the Trustees of the AXA UK Group Pension Scheme