



Frequently asked questions about Guaranteed Minimum Pension (GMP) equalisation and conversion

For members of the AXA UK Group Pension Scheme (the Scheme)

Let's start with the big questions:

WHAT is GMP equalisation and conversion?

GMP equalisation is the process of reviewing and, if necessary, adjusting benefits earned in the period between 17 May 1990 and 5 April 1997 to correct for sex-based inequalities resulting from GMP.

GMP conversion is a process, set out in legislation, through which GMP within a scheme is converted into different types of benefits.

Go to > 1. What is GMP?

WHO is affected?

You can only be affected by GMP equalisation if you have GMP benefits built up between 17 May 1990 and 5 April 1997 (inclusive).

The process of GMP conversion is not restricted to GMP equalisation and could be used in respect of members who have GMP, but are not affected by GMP equalisation.

Go to > 2. Who is affected?

WHY now?

On 17 May 1990, the European Court of Justice held that pension schemes should provide equal benefits for males and females. A 2018 High Court judgment held that schemes are required to adjust benefits to remove inequalities in benefits resulting from GMP built up after 17 May 1990.

Go to > 3. Why now?

HOW could I be affected?

Some members may see no change to their pension benefits due to GMP equalisation and conversion. For most people who do see a change, the impact is likely to be small in proportion to their total pension. If you've started receiving a pension from the Scheme, the level of your pension income will not decrease following GMP equalisation and conversion.

Go to > 4. How could you be affected?

WHEN will changes take effect?

It's going to take time to work out if and how members are affected as the calculations involved are complicated. We'll update you as we progress.

Go to > 5. Do I need to do anything?

WHERE can I get help and more information?

Contact the Administrator of the Scheme, Capita, on **0370 1234 701** or at AXA-pensions@capita.com for more information.

Go to > 6. Where can I get help and information?

Section 1: What is GMP?

What does GMP stand for?

GMP is short for Guaranteed Minimum Pension. This is a minimum level of pension that some workplace pension schemes must provide to some of their members. This section includes more information to help you understand GMP and the processes of GMP equalisation and conversion.

What is GMP?

There used to be two state pensions – the basic state pension and a second earnings related state pension, which was called either:

- State Earnings-Related Pension Scheme, or ‘SERPS’
- State Second Pension, or ‘S2P’

State pensions are paid for by taxes and National Insurance contributions. For more information on the state pension, visit gov.uk/browse/working/state-pension

In the past, people who belonged to a workplace pension scheme could be ‘contracted out’ of the second earnings related state pension. Contracting out meant paying lower National Insurance contributions, but it also meant building up less additional state pension. Instead, their workplace pension scheme had to meet certain requirements. For employment between 6 April 1978 and 5 April 1997, the requirement was that the workplace scheme would pay at least a certain level of pension income, known as a Guaranteed Minimum Pension (GMP).

What is a workplace pension scheme?

This is a pension scheme provided by an employer to its employees. These are usually called either defined benefit (‘DB’) or defined contribution (‘DC’) schemes. Workplace pension schemes are not private pension schemes that individuals may have set up for themselves or their family members.

What is the issue with GMP?

Because GMPs were intended to substitute part of the additional state pension, they reflected the fact that the state pension was, at that time, calculated differently and payable from different ages for males and females. Most benefits in workplace pension schemes were made equal for both sexes following the European Court of Justice judgment on 17 May 1990, however it was unclear whether the judgment applied to the inequalities caused by GMPs. A court case in October 2018 (known as ‘the Lloyds judgment’) ruled that it did, therefore, pension schemes must now address the inequalities caused by GMPs built up from 17 May 1990.

What is GMP equalisation?

It is the process of reviewing the benefits that people built up when they were ‘contracted out’ between 17 May 1990 and 5 April 1997 (when it was no longer possible to build up GMP) and adjusting these benefits (by removing inequalities caused by GMP) where necessary, so that both sexes are treated the same.

We’ll look at our records to see if you built up any GMP in the Scheme between 1990 and 1997. If so, we’ll work out how your benefits in the Scheme would’ve been calculated if you were the opposite sex for this period. If it works out that you would have a different amount of benefits, we may need to make some changes to your pension to address this.

What is GMP conversion?

It involves us making a one-off adjustment, which will convert any GMP benefits you had in the Scheme into non-GMP benefits. It’s one way of adjusting your pension to achieve GMP equalisation.

Does this affect all types of pension schemes?

Typically, it’s DB pension schemes, like the Scheme, that have GMP. In a DB pension scheme, the amount of pension you receive generally depends on how long you’ve been a member and your salary at the point that you left the Scheme. You might also be affected if you’re in a DC pension scheme where there’s an optional minimum level of benefit (known as an ‘underpin’) that’s linked to GMP.

Does GMP equalisation only affect women?

No. GMP equalisation is all focused on complying with the recent High Court judgment to ensure that affected pensions are treated the same for male and female members. Both male and female members may have the value of their benefits adjusted as a result of GMP equalisation.

Section 2: Who is affected?

Who is affected?

You'll only be affected by GMP equalisation if you built up GMP benefits between 17 May 1990 and 5 April 1997. You'll be affected by GMP conversion if you have built up any GMP benefits in the Scheme. The equalisation and conversion processes will apply whether you've started to receive a pension income or not.

How can I check if I have GMP?

If you have GMP, you should have received details of this in communications from the Scheme, such as a deferred member statement or a pension increase letter.

Am I affected if I'm already receiving a pension?

You might be. We'll review your benefits and let you know if you're affected. If you've started receiving a pension from the Scheme, the level of your pension income will not decrease following GMP equalisation and conversion.

I receive a spouse/civil partner or dependant's pension, could I be affected?

Yes, if the original member's pension included GMP, you could be affected. We'll review your pension as part of this exercise and let you know if you're affected.

What if I haven't yet taken my benefits?

We'll review your benefits, make any adjustments needed and send you confirmation when this has been completed and how you're affected. At the point you retire, the benefits you receive will reflect that GMP equalisation and conversion has been completed.

I recently received a calculation of my benefits from the Scheme, will this change?

Any previous calculations of the value of your benefits will not have included adjustments for GMP equalisation or conversion and may need to be revised if your pension includes GMP. Please contact Capita using the details at the end of this document if you have any questions about this.

Will only women benefit from equalisation?

No, both male and female members may have their benefits adjusted as a result of GMP equalisation.

Is this about gender or sex?

You may find in online articles and the news that the terms 'gender' and 'sex' are used inter-changeably when it comes to talking about GMP equalisation. GMP equalisation compares the pension you have received to the pension you would have received had you been the opposite sex, using the biologically defined terms: male and female. It's not an issue of the gender with which you may identify.



Section 3: Why now?

Why now?

A 2018 High Court judgment requires schemes to adjust benefits to remove sex-based inequalities in benefits resulting from GMP built up after 17 May 1990.

Why is it only GMP that you are looking to equalise?

Following the ruling by the European Court of Justice on 17 May 1990, pension schemes (like ours) have been required to provide equal benefits for males and females from the ruling date onwards. However, it was unclear as to whether schemes were required to remove sex-based inequalities resulting from GMP.

This was clarified in 2018 with another legal ruling; this time through the High Court, involving the Lloyds Banking Group pension schemes. Now schemes like ours must adjust or equalise for the effects of the GMP part of members' benefits built up between 17 May 1990 and 5 April 1997 (when GMP ended).

Section 4: How you could be affected?

How much will my pension change?

In most cases, we are expecting GMP equalisation and conversion to have a small impact on a member's total pension. If you're affected, we'll send you a personalised statement to confirm any changes to your pension benefits.

Will I get a back payment for higher pension I should have received in previous years?

If, as part of the GMP equalisation exercise, we work out that you would've received a higher pension income in previous years if you were the opposite sex, you'll receive a back payment to address this.

Will there be any tax implications?

We expect that HMRC will treat the lump sum payment as taxable in the tax year it is paid, even if the payment relates to pension instalments that should have been paid in previous tax years. It is possible, therefore, that you might end up paying more tax than you would have paid if you had received payments over a number of tax years.

However, we understand that HMRC will allow individuals to make applications to HMRC to have such payments 're-spread' for tax purposes over certain previous tax years, and to request a refund of any overpaid tax.

It is your responsibility to approach HMRC to ensure you pay the correct amount of tax. Neither the Trustee nor Capita will be involved in that dialogue. However, if a lump sum is payable to you, you will be able to request a year-on-year breakdown from Capita for the purpose of an individual application to HMRC.

If you have any questions about your personal tax situation, you may wish to speak with an impartial financial adviser. You can find an adviser online at moneyhelper.org.uk or you can call MoneyHelper on 0800 011 3797.

More about how pension back payments are taxed can be found here: gov.uk/hmrc-internal-manuals/employment-income-manual/eim75020

Can my pension decrease?

If you haven't started to receive a pension income from the Scheme, it's unlikely that the expected starting amount of your pension would reduce at the point of GMP conversion.

If you've started receiving a pension income from the Scheme the level of your pension income will not decrease as a result of GMP equalisation and conversion.

Will GMP conversion change how much my pension increases each year?

Yes. Once GMP conversion has been completed, any GMP benefits you had in the Scheme will be converted into non-GMP benefits so they're treated and increase in the same way as other parts of your pension. This means that parts of your pension may increase differently in the future. If you're affected by GMP conversion, we'll send you a statement that shows you how the different parts of your pension have been adjusted and how they'll increase in the future compared to how they increased before GMP conversion.

Will my spouse's/civil partner's or dependant's pension change?

Usually, the pension your spouse and/or dependants receive will be based on your pension. If GMP equalisation changes your pension, it will change theirs too.

How will you equalise my benefits?

We've started a long process of reviewing data and running complex calculations to work out if, and by how much, your pension might change.

Could this affect my Lifetime allowance (LTA)?

LTA is the maximum amount of pension savings that an individual can benefit from over the course of their lifetime (across all registered pension arrangements), before a tax charge known as the lifetime allowance charge (LTA charge) applies. Most individuals are subject to the standard LTA. However, when the LTA was introduced, and each time it has been reduced, protections have been offered to safeguard individuals who had already built-up significant pension savings on the expectation of a certain level of LTA. LTA protections can be lost in certain circumstances.

At the March 2023 Budget, the Chancellor announced that LTA tax charges will be abolished from 6 April 2023 (and therefore LTA charges are not currently expected to arise in relation to this tax year or future tax years); however, we are taking the opportunity to request that you inform us of any LTA protections you may have so that if action does need to be taken to avoid causing a loss of LTA protection for any members, the Scheme is informed as to which members have such protections. LTA protection is something you would have requested from HMRC 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)

Following GMP equalisation, in rare cases, an increase to a member's starting pension could result in a new or increased LTA charge (in respect of a previous tax year). We will not know which members are affected by this until after the calculations have been carried out, but we will inform you if you are affected. We are not expecting this to affect a large number of members.

Section 5: Do I need to do anything?

Do I need to do anything?

You don't need to do anything in relation to GMP equalisation and conversion. We'll keep you updated as the process progresses. If you have lifetime allowance protection, you must share details of your protection with the Scheme Administrator, Capita, as soon as possible.

When will changes take effect?

It's going to take time to work out if and how members are affected – the calculations are very technical and we're working through with our advisors what needs to be done. We will consider any feedback regarding our proposals before we proceed.

Could GMP equalisation and conversion not proceed as planned?

We would let you know if we do not proceed with our proposed plans for GMP equalisation and conversion.

Could this affect my annual allowance (AA)?

Ordinarily, scheme administrators calculate the increase in the value of an active member's pension each year (a 'pension input amount') and test this against a member's annual allowance (AA). For certain deferred members, legislation deems the pension input amount to be zero, meaning no calculation is required and no AA tax charge can arise. However, due to a legislation technicality, GMP conversion is likely to mean that the pension input amount is no longer deemed to be zero in the year of conversion, therefore the Scheme Administrator will have to carry out the calculation and test it against your AA. In some cases (expected to be rare) the pension input amount may mean that the AA is exceeded, which may result in the member incurring a tax charge. We will not know which members are affected by this until after the calculations have been carried out, but we will inform you of any pension input amount if you are affected by GMP equalisation.

What happens if I die before you've worked out any adjustments to my pension benefits?

Assuming the GMP conversion process is implemented as planned, any spouse/civil partner or dependants' pension will be based on the pension you would have received following GMP equalisation and conversion. If you would have been due a back payment as a result of the GMP equalisation exercise, the back payment will be due to your estate.

Section 6: Where can I get help and information?

When will I find out more?

Once the consultation in relation to GMP conversion has concluded, we will write to inform you of the outcome. The process of GMP equalisation (and any GMP conversion exercise) may take some time due to the complex nature of the calculations. If you're affected, we'll write to you.

Where can I find out more?

Look out for updates in the Trustee newsletter and if you have any particular questions get in touch with Capita using the details below.

Who can I talk to if I have any questions about this or my Scheme pension in general?

If you have a question about your Scheme benefits, please contact Capita by phone, or email. Please make sure you have your National Insurance number to hand for security identification purposes.



0370 1234 701



AXA-pensions@capita.com

For general pension support and resources

MoneyHelper provides free, general pension information and details on how to access pension guidance through Pension Wise.



moneyhelper.org.uk



0800 011 3797

If you need advice

You can find a regulated financial adviser in your area by visiting moneyhelper.org.uk and searching for 'retirement adviser'. Or you can call them on: **0800 011 3797**.