

Frequently asked questions about GMP equalisation and conversion

For members of the Eaton UK Pension Plan (the Plan)

Let's start with the big questions:

WHAT is GMP equalisation and conversion?

The process of reviewing and, if necessary, adjusting people's pension benefits due to certain elements that may have been calculated differently because of their sex. The part of people's benefits we are looking at is referred to as their Guaranteed Minimum Pension (GMP).

GMP conversion then converts people's GMP benefit into a non-GMP benefit.

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). All members with GMP benefits could be affected by GMP conversion.

We are consulting on these changes. If you have not received a letter, then we do not think you have any GMP. If you think you have GMP and have not received a letter, please contact us.

Go to> 2. Who is affected?

WHY now?

A 2018 High Court judgment requires that pension benefits built up between 17 May 1990 and 5 April 1997 need to be treated in a consistent way for male and female members. This includes GMP, which may have created inequality for some members' benefits.

Go to> 3. Why now?

HOW could I be affected?

Many 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.

Go to> 4. Member impact and the equalisation process

WHEN will changes take effect?

Equalisation and conversion only affect your benefits when you retire, or if you die before retiring. Most members who are already receiving a pension are expected to be equalised and converted in early 2025.

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WHERE can I get help and more information?

Contact us for more information.

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Section 1: What is GMP?

What does GMP stand for?

GMP is short for Guaranteed Minimum Pension. This is a minimum level of pension 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 main one and an additional one. You might see references to the additional one as:

- State Earnings-Related Pension Scheme, or 'SERPS'
- State Second Pension, or 'S2P'

State pensions are paid for by taxes and National Insurance contributions.

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

What is an occupational pension scheme?

This is a pension scheme provided by an employer to its employees. There are different types of occupational pension; the two most common types are called defined contribution (DC) and defined benefit (DB). Occupational 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 be a substitute for 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 occupational pension schemes were made equal for both sexes with effect from a court judgment on 17 May 1990. It was unclear whether the judgment applied to GMPs, but a court case in October 2018 (known as 'the Lloyds judgment') ruled that it did.

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 6 April 1997 and adjusting these benefits where necessary so that both sexes are treated the same.

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

What is GMP conversion?

It is one way of adjusting your pension to achieve GMP equalisation. It involves us making a one-off adjustment, which will convert any GMP benefits you had in the Plan into non-GMP pension (which will then be treated similarly to how it is currently). This means there will not be any future sex-based inequality in your pension benefits due to GMP.

Does this affect all types of pension schemes?

Typically, it is defined benefit (DB) pension schemes, like the Plan, which have GMP. In a DB pension scheme, the amount of pension a member might receive generally depends on how long they have been a member and their salary at the point they stopped earning benefits in the scheme. Those in a defined contribution (DC) pension scheme might also be affected where there is an optional minimum level of benefit (known as an underpin) that is linked to GMP.

Is this about discrimination against 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 will only be affected by GMP equalisation if you built up GMP benefits in the Plan between 17 May 1990 and 5 April 1997 (or transferred-in GMP benefits earned in this period). You will be affected by GMP conversion if you have any GMP. The equalisation and conversion processes will apply whether you have started to receive a pension income or not.

How can I check if I have GMP during this time?

If you have GMP, it may have been shown as a separate amount in a document from the Plan, such as a deferred member statement or a pension increase letter.

Am I affected if I am already receiving a pension?

You will be if you have GMP. We will review the relevant part of your pension and let you know if you are affected.

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

Yes, if the initial pension includes GMP, you will be affected. We will review your pension as part of this equalisation exercise and let you know if you are affected.

What if I have not yet taken my benefits?

We will review your benefits and make any adjustments needed at the point you retire.

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

Unless all your GMP in the Plan is in respect of the former Aeroquip Vickers DC Scheme, any recent calculations of your retirement benefits will not have included adjustments for GMP equalisation and may need to be revised if your pension includes GMP.

Will only women benefit from equalisation?

No, it will not be a case of all women benefiting or all men benefiting. The outcomes will be influenced by several factors including when you earned your benefits, when you retired (if you have), your age, as well as if you are male or female.

Section 3: Why now?

Why now?

A 2018 High Court ruling requires GMP benefits built up between 17 May 1990 and 5 April 1997 (inclusive) to be treated the same for male and female members. This is to bring it into line with other existing requirements for equality in workplace pension schemes.

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

From 17 May 1990, a European Court of Justice ruling made it compulsory for all occupational pension scheme benefits to be treated the same for male and female members and this was implemented in the Plan for non-GMP benefits. However, at the time it wasn't clear if that ruling applied to GMPs too.

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).

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

In some cases, there may be changes but these will typically be small and will be to reflect the higher income that you would have received if you were the opposite sex.

Will there be any more law changes?

Since that judgment in 2018, the Department for Work and Pensions, HMRC and an industry working group have been producing guidance on how GMP equalisation will work in practice. It is possible that there may be further legal developments. As a result, it is likely that the process of GMP equalisation will take some time.

Section 4: How could I be affected?

How much will my pension change?

In most cases, we are only looking at a relatively small part of members' pensions built up over a relatively short time period. This means that, for most members, any impact **is likely to be small in comparison** to their total pension. If you have a GMP, we will send you a personalised statement (following completion of the exercise if you are a pensioner, or at retirement if you have not yet retired) to confirm your pension benefits.

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

For those in receipt of a pension, if we work out that you would have received a higher pension income in previous years if you were the opposite sex, you will receive a back payment to address this. This is likely to be paid to you as a one-off lump sum amount and you may have to pay tax on it. You will be able to apply to HMRC to ensure this is not taxed as a lump sum at the time you receive the payment, but instead is assessed against the previous years when your pension was underpaid due to GMP. This could help you pay less tax. We will provide you with the information you need to provide HMRC to arrange this.

If you have any questions about your personal tax situation, you can 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.

Can my pension decrease?

No.

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

Generally, no. If GMP conversion is completed, any GMP benefits you had in the Plan will be converted into non-GMP pension, but these will have similar treatment to your current pension. If you are affected by GMP conversion, we will send you a statement that shows you how the different parts of your pension have been adjusted and how they will increase in the future.

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

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

If you are currently receiving a spouse's/civil partner's or dependant's pension, it may be affected if any adjustments are required to the initial member's benefits due to GMP equalisation.

How will you equalise my benefits?

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

Will there be any tax implications?

There could be some potential tax implications for you if the amount of pension you receive changes or if you receive a lump sum payment, both of which will be subject to income tax.

If you receive a lump sum payment, you will be able to apply to HMRC to ensure this is not taxed in one go at the time you receive the payment, but instead is assessed against the previous years when your pension was underpaid due to GMP. This could help you pay less tax. If you are affected, we will provide you with the information you need to provide HMRC to arrange this.

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:
<https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim75010>

Lifetime allowance (LTA)

From 6 April 2024 the LTA has been abolished. As a result, we do not expect any tax implications related to the LTA to arise as a result of GMP conversion, but if this changes in the future we will get in touch with you. There is further information on the former LTA protections online at www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance

Section 5: Do I need to do anything?

Do I need to do anything?

You do not need to do anything in relation to GMP equalisation and conversion.

When will changes take effect?

GMP equalisation and conversion is already being applied for members retiring with only Aeroquip Vickers DC GMP.

Most members currently receiving a pension are expected to be equalised and converted in early 2025. For some members with complicated benefits, equalisation and conversion will be applied at a later date, probably around the end of 2025.

If you have not yet retired, you (or your dependant(s) if you die before retiring) will receive confirmation of your pension (allowing for GMP equalisation and conversion) in a retirement pack just before it starts being paid.

If you retire before we have implemented GMP equalisation and conversion at retirement your pension will start to be paid under the current Plan rules. Subject to the outcome of this consultation, GMP equalisation and conversion will then be applied at a later date, probably around the end of 2025, this gap is to ensure we have captured all members who have missed conversion at the point of accessing their benefits, and we will implement in bulk for that group.

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.

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

If you die before we have implemented GMP equalisation and conversion, any spouse/civil partner or dependants' pension will be based on your current pension. Subject to the outcome of this consultation, GMP equalisation and conversion will then be applied at a later date, probably around the end of 2025. The principles followed would be the same as outlined in the guide. We will also pay any back payments to your estate.

Section 6: Where can I get help and information?

When will I find out more?

It is likely that the process of GMP equalisation will take some time due to the complex nature of the calculations. If you are affected, we will write to you.




Where can I find out more?


Look out for updates in our regular communications and if you have any particular questions get in touch with us using the details below.

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

Your Plan benefits (including your current GMP benefits) are governed by the Plan's trust deed and rules and the laws relating to the payment of GMPs and these will take precedence should there be any conflict with this document.



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

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For general pension support and resources

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

 www.moneyhelper.org.uk
 0800 011 3797

If you need advice

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