



## Consulting you on GMP equalisation

### Hello!

We're planning some changes to your pension as part of a process called GMP equalisation. This is something that all schemes like ours have to do.

Before we make any changes, we're consulting with all potentially affected members about our plans, which includes you. You don't have to give feedback on our plans and you won't need to take any action if the planned changes go ahead, unless you need to provide us with tax information as requested on page 12 or would like any consultation information sent to you by post.

This guide will explain what GMP equalisation is, why we need to do it, what we're proposing and how you may be affected. It also covers how you can share your questions and feedback with us until 14 October 2021 when the consultation period will end.

**From Santander (UK) Group Pension Scheme Trustees Limited**

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You can watch a short film about GMP equalisation on our new Scheme website at [www.mysantanderpension.co.uk](http://www.mysantanderpension.co.uk) as well as find more supporting information.

## Why do we need to make changes?

It hasn't always been compulsory to calculate pension equally for males and females. In fact, it's only been since 17 May 1990, following a European Court of Justice ruling, that UK pension schemes must provide equal benefits for males and females.

At the time, there was uncertainty whether the law covered Scheme benefits known as Guaranteed Minimum Pension or GMP, which built up differently based on someone's sex. In 2018 this changed when the UK High Court ruled that schemes like ours must take action to address any sex-based inequality as a result of any GMP earned between 17 May 1990 and 5 April 1997 (you couldn't build up any more GMP from this date).

*See page 13 for how to ask questions, make comments on our proposed approach and how to access our response to your feedback.*

The process we need to follow to address this inequality is known as GMP equalisation. We plan to do this for future pension payments via a procedure called GMP conversion. Additional information on GMP conversion is provided in this guide.

Earlier this year, the Plan's administrators also checked members' GMP (and National Insurance) records with HM Revenue & Customs (HMRC) to ensure all records accurately reflect members' benefits. Any corrections to your benefits as a result of this will take place at the same time as GMP equalisation and conversion.



**Any questions  
or comments  
welcome!**

## How the changes will work?

We're planning to correct and then convert all your GMP to non-GMP Scheme pension.



**STEP 1:**  
**Check our GMP records with HMRC**

We've already checked our GMP records with HMRC and will correct our records if necessary before equalisation and conversion takes place.



**STEP 2:**  
**Equalise the past**

We'll check if you have GMP between 1990 and 1997. If you do, we'll work out how your current pension would've been calculated if you were the opposite sex. If it works out that you would've been better off, we will adjust your pension to address this – this might also mean a lump sum will be paid for any past underpayments.



**STEP 3:**  
**Equalise the future and conversion**

We will then convert all GMP into non-GMP Scheme pension so that in future it increases like other parts of the non-GMP Scheme pension.

When we do this, if you've got GMP between 1990 and 1997, we'll check if you would be expected to receive a greater pension in future if you were the opposite sex. If this is the case, it will be allowed for in the conversion. This means there won't be any future sex-based inequality in your pension benefits due to this GMP.



**STEP 4:**  
**Outcome**

We'll send you a personalised statement to confirm your future pension. This will include any corrections to your pension as a result of all of the steps above.

## How would GMP conversion work (step 3)?

### The headlines

#### No reduction to your pension

GMP conversion would not reduce the current amount of your pension, but it may increase. The proposals only affect the way your pension increases in the future. This means that other benefits, such as the proportion of your pension that gets paid to your dependant, won't change.

#### The way we work out future increases will change

Pensions are currently increased each year to help them keep pace with inflation (the increase in the cost of living). Different blocks of your pension currently increase in slightly different ways, and some blocks may not increase at all. Each year we send you a pension increase letter showing how yours increases, please see your letter for details.

After GMP is converted, increases in the future will be worked out differently, but the result for you is expected to be very similar.

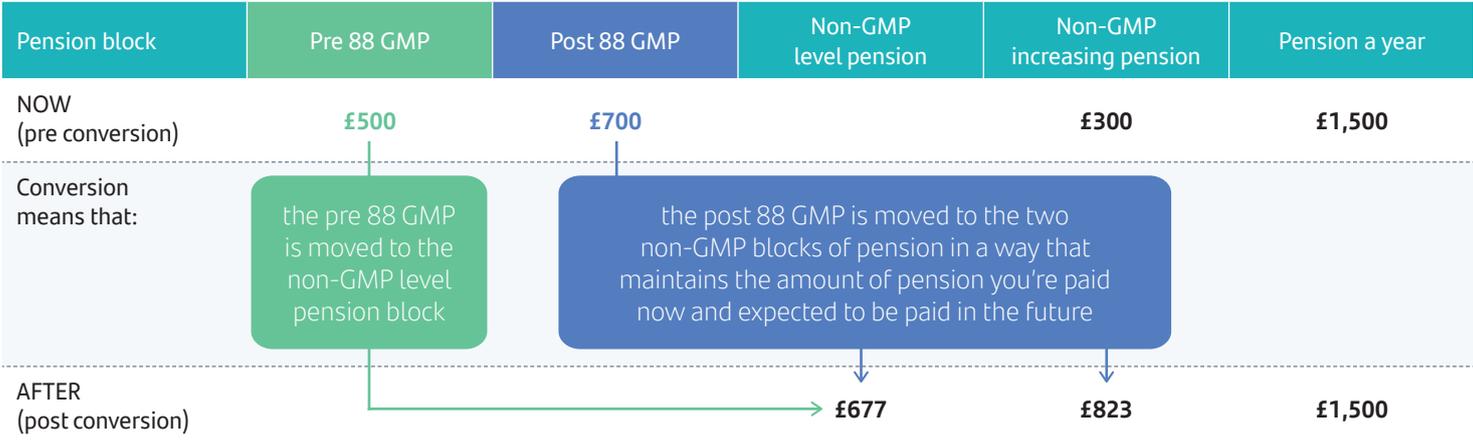
#### The key principles for conversion

Your blocks of GMP pension would be converted to non-GMP Scheme pension and increase each year as set out in the table on the right. Your non-GMP increasing pension would continue to increase in the same way as it did before.

Pension block	How it currently increases each year for most members	How it will increase each year after conversion
Pre 88 GMP	No increase	N/A
Post 88 GMP	Consumer Prices Index (CPI) inflation up to 3%	N/A
Non-GMP increasing pension	Retail Prices Index (RPI) with various limits applying	No change
Non-GMP level pension	N/A	Does not increase

This table shows the blocks for a typical pensioner, your blocks of pension may differ but the key principles remain the same. Your personalised statement will show your position if conversion goes ahead.

### What conversion would look like for a sample member



## What happens next?

### When

**From 1 September to 14 October**

### What's happening

Read this booklet to learn about our plans for GMP equalisation and conversion and send us any comments or questions. You can find details of how to share your feedback and questions on page 13. We will publish any responses to general themes of feedback on the new Scheme website at [www.mysantanderpension.co.uk](http://www.mysantanderpension.co.uk).

**By early November**

We'll consider any comments and questions members have made on our proposal to convert GMPs into non-GMP Scheme pension from 1 September. Shortly after the end of the consultation on 14 October we'll share the outcome on the new Scheme website at [www.mysantanderpension.co.uk](http://www.mysantanderpension.co.uk).

**From December**

We plan to prepare personalised statements to confirm your new pension, but this is subject to appropriate conclusion of the consultation. Due to the number and complexity of the required calculations, this will take a while, currently expected to be up to a year, to cover all affected members.



# Answering your questions

## The basics

### What's GMP?

GMP is the Guaranteed Minimum Pension the Scheme had to provide you with from a specific age (60 for women and 65 for men) for most Scheme membership between 6 April 1978 and 5 April 1997.

This is because most members of UK pension schemes didn't build up earnings related State Pension. Instead, you and your employer paid lower National Insurance. In return the Scheme had to provide GMP which was broadly equivalent to the reduction in State Pension arising from your period of membership in the Scheme. As the State scheme was unequal between men and women, GMP was also unequal.

### What's equalisation?

GMP equalisation is the work all pension schemes like ours have to do. It will equalise any inequality as a result of GMPs for men and women between 17 May 1990 and 5 April 1997 being different.

### What's conversion?

GMP conversion is when GMP is turned into non-GMP pension. It looks at what your current Scheme pension (including GMP) is expected to be in the future, allowing for any GMP equalisation required, and turns it into a new Scheme pension (excluding GMP) which is expected to be at least as valuable in the future.

This is how we plan to equalise future GMP payments for our members. The law requires that your new Scheme pension has at least the same actuarial value as your current Scheme pension. The Trustee receives advice from the Scheme Actuary on what assumptions should be used to work out whether the new Scheme pension has at least the same actuarial value.

### **Why convert GMPs?**

We believe converting GMP into non-GMP Scheme pension will be simpler for members to understand, less costly to administer in the future and deliver GMP equalisation for our members.

If we do not convert GMPs, we'd need at least two records for every member with a GMP between 17 May 1990 and 5 April 1997. They would have their own record, and a record showing their pension for the opposite sex, which we would have to maintain and check to ensure the greater pension is being paid every month.

This would make administration more complicated, increasing costs and the chance of errors.

### **Can the Scheme legally change benefits in this way?**

Yes, the Pension Schemes Act 1993 allows GMP conversion. The 2018 High Court ruling confirmed that achieving GMP equalisation as part of a GMP conversion exercise is lawful.

### **What is the Bank's view?**

To implement GMP equalisation via GMP conversion requires the Scheme sponsors (Santander UK Plc and other participating employers) to consent. The Bank has confirmed it supports the Trustee in converting GMP into non-GMP Scheme pension.

## Answering your questions (continued)

### **Will my pension change as a result of GMP equalisation and conversion?**

It will remain the same or possibly increase. If we find that you should have more pension, we'll write to you to let you know when your pension will increase and by how much (but this is expected to take up to around a year to cover all members). Any increase is likely to be small. We might also pay you a one-off amount to make up for any 'equalised' or corrected pension you missed out on previously.

We'll send you a personalised statement to confirm your new pension whether it changes or not.

### **Can you tell me how the pension I'm getting will be affected in pounds and pence?**

We don't yet know if or by how much your pension would change if you are affected by the GMP equalisation and conversion process. But we'll send you a personalised statement once we know. In the meantime, we've provided an example to show you how someone's pension might be affected on page 5.

### **Will this change how much my pension goes up by every year?**

As your blocks of GMP pension have different rates of increase depending on when they were earned, your pension increases would change. However, your total pension is expected to increase at a similar rate each year once in payment. The specific details for each member will be included in the personalised statements sent out from December 2021.

### **Who's affected**

#### **Are all members of the Scheme affected?**

No. Only members who have GMP are affected. Most members will see little or no overall change to their pension.

#### **What if I am receiving a widow's, widower's, civil partner's or dependant's pension?**

We will look to check your pension in the same way as for pensioners.

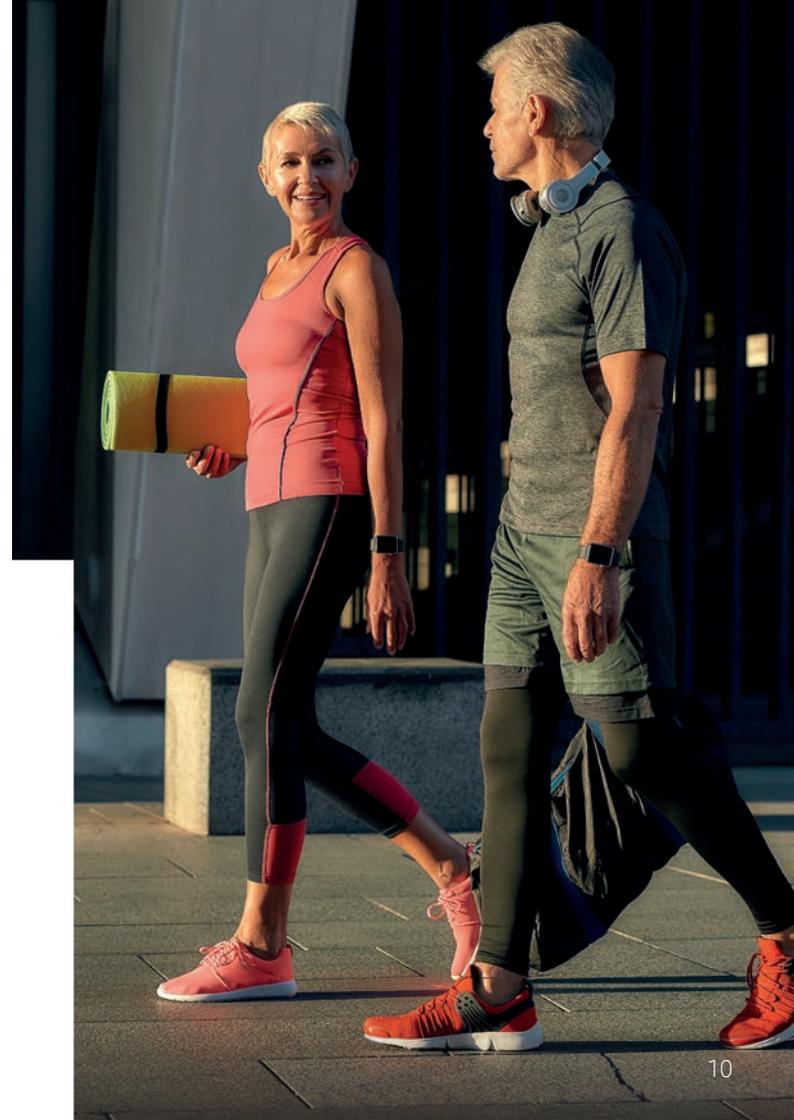
If any additional pension or one-off back payments are due, we'll send you a statement confirming this.

## Timing

### Why now?

Like most UK schemes with GMPs that need equalising, we've considered how best to equalise since 2018. We've also taken advice and carried out the checks on your GMP records with HMRC (see page 3) before starting the GMP equalisation process.

The process to review and adjust pension benefits is complex, with many factors involved. We wanted to be clear that our approach was right for the Scheme and its members. Now we have what we need, we're sharing our plan with members for their views before we start.



## Answering your questions (continued)

### Checking our GMP records with HMRC

#### **Why did the Scheme need to check GMP records with HMRC?**

GMPs are intended to cover part of the State Pension you would otherwise receive from the Government. Therefore, HMRC kept records of GMPs built up and pension schemes could check with them the GMP payable. Following changes to the State Pension, HMRC announced that it would no longer offer this checking service and that all public and private-sector pension schemes would need to check records to make sure they match the records held by HMRC.

#### **Why did we need to update Santander's GMP records?**

The GMP records go back to 1978. Differences may have developed between the two sets of data because the record of earnings that the Scheme has is different to those sent to HMRC at the end of each tax year. This could be due to adjustments for holiday pay or overtime etc; company changes may have led to missing data; or errors may have crept in.

GMP increases in a different way to any non-GMP Scheme pension. It's therefore important that these checks and any corrections to Scheme data are made before any equalisation or conversion of GMP.

#### **Is there any chance my pension will go down as result of checking GMP records with HMRC?**

If when we've checked your pension with HMRC and uncovered a difference, you could see your pension go up or down. This is not expected to impact many members in the Scheme.

Any changes will be set out in your personalised statement.

## Tax

If you don't inform us of your tax status on the two points described below, you may end up with an additional tax charge that you shouldn't have to pay.

In addition, there may be a small number of members in the Scheme with tax issues where we need to adopt an individual solution to avoid additional tax charges. Provided you tell us your tax status as described on this page, we will be able to assess this and contact you if this applies to you.

### **Do you have Lifetime Allowance (LTA) protection?**

If you currently have or are planning to apply for LTA protection from HMRC, please let us know using the contact details on page 13.

LTA protection is something you would have requested to set up yourself. We do not expect that many members will have it. You can check if you have 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).

### **Do you have an Annual Allowance (AA) below £20,000?**

If you expect that your available AA is below £20,000, please let us know using the contact details on page 13.

Your AA is the maximum amount of pension savings you can make each year with the benefit of tax relief and can be below £20,000 if you have flexibly accessed your pension pot or are a high earner. If you are accruing pension benefits elsewhere your available AA could also be less than £20,000. You can find out more information online at [gov.uk/tax-on-your-private-pension/annual-allowance](https://www.gov.uk/tax-on-your-private-pension/annual-allowance).

### **If I'm due a higher pension, how will it affect my income tax?**

It's likely there may be some potential effect on your tax bill. For example, if you receive an increase in pension, you'd pay income tax on it, in the same way you pay tax on the pension you receive now. You'd also probably need to pay tax on any back payments you receive. It may be possible to apply to HMRC to spread the payment over several tax years, if for example, an additional payment increases the rate or amount of tax you need to pay. We recommend you speak with your tax office for more information about your options.

Once you receive your personalised statement, please let us know if you need a breakdown showing the years of pension underpayment to share with HMRC. More information about how pension back payments are taxed can be found here: [gov.uk/hmrc-internal-manuals/employment-income-manual/eim74103](https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim74103).

## How to provide feedback on our plans

The deadline for feedback on our proposed plans is 14 October 2021.

If you have any comments or questions on our plans, please send your comments to the email or address below:

@ [santandergmp@mercer.com](mailto:santandergmp@mercer.com)

✉ **Mercer**  
**Post Handling Centre**  
**St James's Tower**  
**7 Charlotte Street**  
**Manchester M1 4DZ**



We'll answer any feedback  
and questions on the new  
Scheme website at  
[www.mysantanderpension.co.uk](http://www.mysantanderpension.co.uk)



## Need help?

### The Scheme's administrators

You may need help with your benefits rather than feeding back on our plans. If so you can go online as usual to see your benefits or update your details, you can do this online using Benpal:



<https://login.benpal.com/>

If you can't find the information you need on Benpal, please contact the Scheme's administrators at Mercer:



[SPU@Mercer.com](mailto:SPU@Mercer.com)



**01689 887500**

If you would rather write to Mercer or need to send them any paperwork, please write to:

**Mercer  
Post Handling Centre  
St James's Tower  
7 Charlotte Street  
Manchester M1 4DZ**

If you're being paid a pension from the Scheme and have a query about your payments, you should be able to find the information you need on Benpal. If you can't, please contact the Pensioner Payroll team at Mercer.

**Please always remember to put your full name and National Insurance number on any documents you send Mercer.**

For general pension information:

Visit MoneyHelper for free, general pension information.



[moneyhelper.org.uk](http://moneyhelper.org.uk)



**0800 011 3797**



This booklet outlines the main features of the Scheme and the proposals for equalisation and converting GMPs in straightforward language. It is intended for consultation only and is not legally binding. The benefits detailed in this booklet are subject to HM Revenue & Customs' rules. The full rules governing the Scheme are set out in the Trust Deed and Rules which will always override this guide.

September 2021 – for pensioners

for a **future**  
worth having

 **Santander**