

Frequently asked questions on GMP equalisation and conversion for the Santander (UK) Group Pension Scheme (the Scheme) – September 2021

Thank you for all your questions and feedback. We've received many questions and comments on similar topics so we've grouped them into common themes and set out our responses below.

As this is a consultation, we'll review and consider all member comments before deciding whether to proceed with the GMP conversion.

Q. Do I need to do anything?

For most members the answer is no.

You only need to do something if you:

- need to provide us with details of any LTA tax protection or AA tax issues (explained below), or
- want to let us know that you would like to be contacted by post rather than being updated via the new Scheme website, or
- have any views on the GMP conversion consultation.

Tax issues - Lifetime Allowance and Annual Allowance

The Trustee and Santander do not have the full picture of your tax and financial position and you have the responsibility to manage your own tax. This is why we're asking you to give us this information before any proposals go ahead. Your pension tax liability depends on any other retirement savings you have which the Scheme is not aware of.

Often you would only need to consider your pension tax liability if you have larger retirement savings or are continuing to save for retirement.

Q. What is the pensions Lifetime Allowance (LTA)?

The amount of pension you can build up over your lifetime in any UK registered pension scheme without paying additional pensions tax. LTA protection allows you to have a higher LTA.

It is important that you tell us if you have LTA protection to ensure we calculate your equalised pension correctly and you avoid any unnecessary additional pensions tax.

Q. How do I know if I have LTA protection?

You would have had to apply to HMRC for protection against any tax charges for exceeding the LTA. Or potentially through an independent financial adviser or accountant if you have one and instructed them to do so.

We do not expect many members to have it, and it's a formal process which you should have on record. If you're being paid a dependant's pension (as a result of being a widow, widower or bereaved partner of a Scheme member who has died), it is any protection you've applied for that matters here, not any protection your late partner may have had.

LTA protection has been called a number of things since the LTA was introduced, so if you successfully applied for any of the following, then you have protection in place:

- | | |
|-------------------------|-------------------------------|
| • Enhanced protection | • Primary protection |
| • Fixed protection | • Individual protection 2014 |
| • Fixed protection 2014 | • Individual protection 2016. |
| • Fixed protection 2016 | |

If you have protection, you would have received a letter from HMRC telling you the type of protection you have with a protection reference number. These are what you need to send to Mercer if you have them. If you don't have LTA protection you don't need to do anything.

You can check your existing protection on the Government Gateway, to register or sign in go to: [gov.uk/log-in-register-hmrc-online-services](https://www.gov.uk/log-in-register-hmrc-online-services)

You need a Government Gateway user ID and password. If you do not have a user ID, you can create one on the above website.

Q. What is the pensions Annual Allowance (AA)?

This is a limit on how much pension you can build up in a tax year without paying additional pensions tax. It is not how much pension you are getting paid.

Like the LTA it is only an issue for a small number of members. In particular, if you are receiving a dependant's pension, or retired and drew your Santander pension before 6 April 2021, the AA does not apply to your Scheme pension and you don't need to take any action. This means you will not have any AA issue and you don't need to contact us.

For the 2021/22 tax year, the AA is £40,000, but it can be lower if you have 'income' over £200,000 in a tax year, or have taken cash from a 'money purchase' pension pot. More detail on these rules is available at the Government website linked below.

We are able to calculate how much pension you have built up in a tax year in the Scheme, but we don't know if you have been building up pension in another scheme. This could mean you are using up some of your AA elsewhere and you have less to use in the Scheme.

To explain how this works in broad terms, for AA purposes, the amount of pension you build up in a:

- 'defined contribution' scheme is the contributions you and anyone else (an employer) pay into the scheme, i.e. contributions of £10,000 would use up £10,000 of AA.
- 'defined benefit' scheme is based on the change in pension over a tax year – very broadly an increase in pension of £1,000 might use up around £15,000 of AA (note that this is only likely to apply if you are building up pension in another scheme, not if you have left pensionable service and retired or waiting to retire – if in doubt your other scheme will be able to confirm if you are likely to use up in AA this tax year).

You are not able to apply for protection against the AA. However, there are a number of things you can do to avoid an AA charge, like using unused allowance from previous years. You can read more about this and any charges for going over the AA on this Government web page: gov.uk/tax-on-your-private-pension/annual-allowance

Q. How do I know if my AA is less than £20,000?

If you are receiving a dependant's pension, or retired and drew your Santander pension before 6 April 2021, the AA does not apply to your Scheme pension and you don't need to take any action.

For other members, if you think any of the points in the previous question (i.e. 'income' over £200,000, taken cash from a 'money purchase' pot, or are building up a large pension in another scheme) apply to you, which would result in your available AA for this tax year being below £20,000, please let us know. This is to ensure we calculate your equalised pension correctly and you avoid any unnecessary additional pensions tax.

We don't know about any of your benefits or retirement savings outside of this Scheme, so you need to tell us your position. We can't determine if you may be liable to a tax charge if you do not inform us of your current situation. You may want to consider contacting an independent financial adviser if you are in any doubt.

Q. How do I inform you about my LTA and AA situation?

Please contact Mercer at:

Email: santandergmp@mercer.com

If you haven't got access to email, you can write to:

MERCER Limited
Post Handling Centre
St James's Tower
7 Charlotte Street
Manchester M1 4DZ

GMP equalisation and conversion

The proposals are being made to ensure benefits between sexes are equal and that the Scheme is more straightforward to manage in future.

Q. Are you reducing my pension today or in the future?

If you're a pensioner, your current pension won't reduce, but it may increase.

The increases that apply on different blocks of your pension in future will change, but the increase on your overall pension is expected to be the same. In practice, inflation as measured by the Retail Price Index (RPI) and Consumer Price Index (CPI), determine many of the increases on different blocks of pension before and after the proposed conversion. These will vary in future and this could result in you receiving a slightly higher or lower pension over time, but we expect these differences to be small for most members.

For pensions not already in payment, we are aiming to provide you with at least the same pension at retirement and thereafter. As for pensioners, given the increases before and after retirement are changing, you may end up with a slightly higher or lower pension in future, but we expect these differences to be small for most members.

The statements above also apply whether you have, or intend to, retire early or late.

The impact for you will be set out in your personalised statement.

Q. I haven't taken my pension yet. I was expecting to receive higher increases on my GMP pension up to retirement than what you propose on my new pension following conversion, does this mean my pension will be lower at retirement?

No. In this case you would receive a higher pension today to compensate for the lower increases following the change, so your expected pension at retirement is the same.

Q. I am a pensioner. You are planning to change my 'post 88 GMP' pension from increasing in line with CPI (up to 3%) to a mix of increases with RPI inflation (with various limits) and no increases. Does this not make me worse off in future?

No, it won't make you worse off – this is because CPI inflation increases aren't expected to be as high as RPI inflation increases in future. So we need to provide you with a mix of RPI increasing (with various limits) and level (i.e. non-increasing) pension so that your total pension increases in the similar way as it currently does. Consider this simple example:

You currently have:

- £100 of 'post 88 GMP' pension which receives an increase of say 2%, so £2.

This would be broadly converted into:

- £67 of RPI (with various limits) increasing pension which receives an increase of say 3%, so £2, and
- £33 of level pension which doesn't receive an increase.

In this example the total increase in pension before and after conversion of £2 is the same.

Q. How will my 'pre 88 GMP' increase in future following retirement?

Once this part of your pension comes into payment it does not increase. This would be the same following conversion where it essentially becomes non-GMP level (i.e. non-increasing) pension.

Q. Following retirement, the guide says non-GMP increasing pension will increase with RPI inflation with various limits, what does this mean?

Different Sections of the Scheme provide different maximum increases each year on pension, in line with the rules of the former employer schemes when you built up that pension.

Following conversion, the same maximum increases (i.e. limits) would remain as when you built up your pension.

Q. Will future or past transfer value payments be equalised?

Transfer values will be equalised once GMP pensions are converted. This is expected to be from April 2022 for most members who haven't retired yet and are able to transfer their benefits elsewhere (note that some members with complicated benefits might take a bit longer to equalise and convert).

We are in the process of investigating transfer values which have already been paid from the Scheme with our advisers and will provide an update in due course.

Are the non-GMP elements of my pension equalised?

Yes, this was a requirement in 1990.

These Q&As are set out in straightforward language to aid understanding and are not legally binding. The benefits detailed in this document 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 these Q&As.

for a **future**
worth having



Santander UK plc. Registered Office: 2 Triton Square, Regent's Place, London, NW1 3AN, United Kingdom. Registered Number 2294747.

Registered in England. www.santander.co.uk. Telephone 0870 607 6000. Calls may be recorded or monitored. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, except in respect of its consumer credit products for which Santander UK plc is licensed and regulated by the Office of Fair Trading. Our Financial Services Register number is 106054. Santander UK plc is also licensed by the Financial Supervision Commission of the Isle of Man for its branch in the Isle of Man. Deposits held with the Isle of Man branch are covered by the Isle of Man Depositors' Compensation Scheme as set out in the Isle of Man Depositors' Compensation Scheme Regulations 2010. In the Isle of Man, Santander UK plc's principal place of business is at 19/21 Prospect Hill, Douglas, Isle of Man, IM1 1ET. Santander and the flame logo are registered trademarks.

You can check this on the Financial Services Register by visiting the FCA's website www.fsa.gov.uk/register/home.do or by contacting the FCA on 0800 111 6768.

September 2021