



# RS Group Pension Scheme

## Guaranteed Minimum Pension Equalisation (GMPE) Q&A

### Does GMPE apply to me?

GMPE is a technical pensions matter. If you are affected by it, we will write to you. It can only apply to you if you built up GMP in a contracted-out scheme before 5 April 1997. Even if that is you, you may not be affected.

### What is GMP?

Guaranteed Minimum Pension (GMP) is the minimum guaranteed level of pension, which a pension scheme had to provide to members if they were contracted out of the State Earnings-Related Pension Scheme, or 'SERPS', between 6 April 1978 and 5 April 1997. It forms part of your pension from the RS Group Pension Scheme (the Scheme) and receives different increases to the rest of your pension.

### What is GMPE?

Because GMPs were intended to substitute part of the Additional State Pension (ASP), they reflected the fact that the State Pension was historically calculated differently for men and women and paid from different ages. Most benefits in workplace pensions were made equal for men and women with effect from a court judgement on 17 May 1990. It was unclear whether that judgement applied to GMPs, but a court case in October 2018 (the Lloyds judgement) confirmed that it did.

'GMP Equalisation' is the name given to the process of reviewing the benefits people built up in workplace pensions when they were contracted out between 17 May 1990 and 6 April 1997, and correcting these benefits where necessary so that men and women are treated the same.

State Pensions will not be affected by GMPE.

### Do I need to do anything?

**No.** You won't need to do anything. You will be notified if you are entitled to any top up benefits, once these have been calculated.

### What does it mean for me?

If you are currently receiving a pension, or close to taking it, your benefits will be reviewed but this may take a while. We will contact you to let you know how you are affected. For the majority of members, any adjustments to your RS pension are expected to be relatively minor.

If you are not planning on taking your pension for a while yet, it is likely the pension you receive in future will take account of GMPE – in which case we won't need to make future adjustments.

### Will my spouse's/civil partner's pension change?

In the event of your death, your spouse/civil partner will be entitled to a pension based on the correct amount of your pension following equalisation of your GMP. So, yes, if your pension changes, their pension will change.

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

If you are owed something, you will be paid arrears. These arrears are likely to be taxed through pay as you earn (PAYE), although HM Revenue & Customs (HMRC) have not yet confirmed how tax will be applied.

## Can my pension go down?

Your pension cannot be reduced as a result of GMPe. GMPe is only about increasing someone's pension if the pension for an identical member of the opposite gender would be higher. However at the same time as equalising GMPs, we are validating the Scheme's records for GMPs with those held by HMRC, and if there are differences in the data the Trustee may need to reduce your pension. There are only expected to be a very small number of cases like this.

## What happens if I want to transfer out?

If you transfer out, you give up all future benefits from the Scheme in return for a lump sum – a 'transfer value' – which we transfer to the new pension arrangement you have chosen. With effect from January 2019, transfer values are now calculated on an equalised basis.

## Will there be any tax implications?

There are some potential tax implications. For example, in the same way as you pay PAYE on the pension you receive now, you may also need to pay PAYE on any additional sums. Once HMRC have clarified some details we will be able to let you know more.

## Why can GMP differ for men and women?

Put simply, a woman could earn the same GMP as a man in a shorter time. There was a logic to that: because a woman's working life up to State Pension Age was historically shorter (ending at age 60 instead of 65), she needed to be able to accrue her GMP faster in order to get the same overall benefit. The problem is then compounded by the fact that the woman's GMP is not only earned faster, it becomes payable five years earlier, at age 60, whereas a man's GMP payment age is age 65. Again, this reflects the old State Pension Age.

## What happens if I die before you have worked out any adjustment?

We may pay any back payments due to your estate.

## Glossary of Terms

**Contracted/contracting out** - If you were contracted out, it means you built up some of your benefits in a workplace pension scheme rather than a State Pension scheme. Contracting out meant paying lower National Insurance contributions, but it also meant building up less Additional State Pension. Instead, the workplace pension had to pay at least a certain level of pension income, known as a Guaranteed Minimum Pension (GMP).

**GMP** - Guaranteed Minimum Pension, or GMP, is the name given to the minimum level of pension income that workplace pension schemes had to provide to employees that had been contracted out.

**GMP Equalisation** - 'GMP Equalisation' is the name given to the process of reviewing the benefits people built up when they were contracted out between 17 May 1990 and 6 April 1997 and correcting these benefits where necessary so men and women are treated the same.

**State Pension** - There used to be two elements to State Pensions – the Basic State Pension and an Additional State Pension. You might see references to the Additional State Pension as: State Earnings-Related Pension Scheme (SERPS), or State Second Pension (S2P). State Pensions are paid for by taxes and National Insurance contributions.

