

Frequently asked questions about GMP equalisation

For members of the RWE Group of the Electricity Supply Pension Scheme

Let's start with the big questions:

1. What is GMP equalisation?

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're looking at is referred to as their Guaranteed Minimum Pension (GMP).

Go to Section 1. What is GMP?

2. 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).

Go to Section 2. Who is affected?

3. Why now?

A 2018 High Court judgment requires that schemes with GMP built up between 17 May 1990 and 5 April 1997 need to be treated in a consistent way for male and female members.

Go to Section 3. Why now?

4. How could I be affected?

Many members may see no change to their pension benefits due to GMP equalisation. For most people who do see a change, the impact is likely to be small in proportion to their total pension and no members' pensions will decrease.

Go to Section 4. Member impact and the equalisation process

5. 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 Section 5. Timings of changes and contact

6. Where can I get help and more information?

Contact the administrator of the RWE Group of the Electricity Supply Pension Scheme for more information.

Go to Section 6. Contacts and websites

You can find more detailed answers in the sections on the following pages.





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.

What is GMP?

There used to be two state pensions – the main one (often known as the basic state pension) and an additional one. You might see references to the additional one as either:

- State Earnings-Related Pension Scheme ('SERPS') or
- State Second Pension ('S2P')

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

In the past, people who belonged to a workplace 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 workplace pension scheme had to meet certain requirements. For employment before 6 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. There are different types of workplace pension; the two most common types are called defined contribution (DC) and (as is the case with the RWE Group) defined benefit (DB). Workplace pension schemes are not personal 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 with effect from a court judgment on 17 May 1990. It was unclear in the pensions industry whether the judgment applied to GMPs, but a court case in October 2018 brought by the Lloyds Bank pension schemes (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.

GMP equalisation involves a continual ongoing assessment of pensions each year to ensure that no further inequality arises as a result of GMP benefits and how they increase each year. Ongoing adjustments will be made to members' pension benefits as required in the future.

Does this affect all types of pension schemes?

Typically, it's defined benefit (DB) pension schemes, like the RWE Group, that have GMP. In a DB pension scheme, the amount of pension a member might receive generally depends on how long they've been a member and their salary at the point they stopped earning benefits in the scheme.

Is this about discrimination against women?

No. GMP equalisation is 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 in the RWE Group between 17 May 1990 and 5 April 1997. The equalisation process applies whether you've 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 RWE Group, 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 the relevant part of your pension and let you know if you're affected. Rest assured your pension will not decrease due to GMP equalisation.

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

Yes, if the original pension from the RWE Group member on whom your own pension is based includes GMP, you could be affected. We'll review your pension as part of this equalisation exercise and let you know if you're affected. Rest assured your pension will not decrease due to GMP equalisation.

What if I haven't yet taken my benefits?

We'll review your benefits and make any adjustments needed at the point you retire. Rest assured your pension will not decrease due to GMP equalisation, either before or after you start to receive your pension.

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

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

Will only women benefit from equalisation?

No, it won't be a case of all women benefiting or all men benefitting. The outcomes will be influenced by 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 schemes with GMP benefits built up between 17 May 1990 and 5 April 1997 (inclusive) to treat those benefits 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 workplace pension scheme benefits to be treated the same for male and female members. However, following that judgment it wasn't clear to the pensions industry 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 (after when schemes could no longer operate on a GMP basis).

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's possible that there may be further legal developments. This is a complex and technical area and it's likely that the process of GMP equalisation will take some time.

Section 4: How could you be affected

How much could my pension change?

In most cases, we're 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.



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

If 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. 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'll 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.

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**.

Can my pension decrease as a result of GMP equalisation?

No members' pensions in payment will decrease due to GMP equalisation.

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

GMP equalisation is an ongoing process and we will continue to monitor your affected GMP benefits.

After we've completed this initial GMP equalisation exercise, we'll need to review the adjustment required to make sure you receive the right total GMP-equalised payments. Over time the additional pension arising from GMP-equalisation could increase, reduce or stop and others may become eligible for additional pension. If we need to make changes, these will be taken into account when your pension increase is worked out.

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're currently receiving a spouse's/civil partner's or dependant's pension, it may be affected if any adjustments are required to the original pension of the RWE Group member (on whom your pension is based) due to GMP equalisation.

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.

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'll 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 lower due to it not having been adjusted for GMP equalisation. This could help you pay less tax. If you're affected, we'll 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/eim74103>.

Could this affect my Lifetime allowance (LTA)?

The LTA used to be the maximum amount of pension savings that an individual could 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) applied. Most individuals were subject to the standard LTA. However, when the LTA was introduced, and in certain years when it was reduced, protections were offered to safeguard individuals who had already built-up significant pension savings on the expectation of a certain level of LTA.

LTA tax charges were abolished with effect from 6 April 2023 and the LTA was abolished in full on 6 April 2024. From 6 April 2023 benefits over the LTA are taxed as normal pension income. However, in assessing the effect of any changes to your benefits it's the tax rules in force at your retirement date that apply and, therefore, we are still requesting that you inform us of any LTA protections you may have.

LTA protection is something you would have requested from HMRC yourself. You can check if you have protection and find out how to apply for certain LTA protections online at gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance.

The abolition of LTA tax charges has not changed the rules applicable for assessing tax that might be due for events that took place in tax years before 6 April 2023. 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 won't 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 your pension benefits. We'll keep you updated as the process progresses.

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 are working through with our advisors what needs to be done.

What happens if I die before you've worked out any adjustment?

Any spouse/civil partner or dependants' pension will be based on the equalised pension you would have received. We'll also pay any back payments to your estate.



Section 6: Where can I get help and information?

When will I find out more?

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

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

If you have a question about your RWE Group benefits, please contact the Administrator of the RWE Group of the Electricity Supply Pension Scheme by phone, or email. Please make sure you have your National Insurance number to hand for security identification purposes.

 **01737 227 558** (Monday-Friday 9am-5pm). Please make sure you have your National Insurance number available as this will be used to help confirm your identity.

 **rwe@wtwco.com**

 **<https://epa.towerswatson.com/accounts/rwh/>**

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 **www.moneyhelper.org.uk** and searching for 'retirement adviser'. Or you can call them on: **0800 011 3797**

