

Member Update - GMP Equalisation

Varelco Section

You will shortly receive or have already received a letter explaining a review of benefits the Trustees have carried out in relation to Guaranteed Minimum Pension also referred to as GMP.

You may have already read about GMP and the legal ruling which requires many schemes like ours to review these member benefits. We appreciate that these issues can be complicated and hard for members to understand so we have set out below some information to explain the background to this and what has happened.

The review we have carried out is because of a High Court judgment. This judgement affects all UK pension schemes which were contracted out of SERPS or the additional State Pension, which the Varelco section of the scheme was.

It means that the Trustees must review members' benefits if they have built up a Guaranteed Minimum Pension (GMP) between 17 May 1990 and 5 April 1997. For this period, we must check if men and women have been treated equally for the effects of the GMP and, if not, we need to adjust members' benefits. This is known as "GMP equalisation".

The rules for how GMP built up were based on the way the State Pension worked at that time, which was different for men and women. As a result, men and women could build up different amounts of GMP, even if they worked for the same period of time on the same pay. Sometimes this could mean a man's pension is higher, and sometimes it could mean a woman's pension is higher.

For every member affected by the legal ruling, we'll work out how much GMP they would have built up if they were the opposite sex. If this results in a higher overall pension being due, we'll increase the pension to the higher amount. Because GMP is normally a small part of someone's pension, the outcome is a relatively small change to member pensions.

We have also been working with HMRC to check that the Scheme holds correct information in relation to your GMP. For most members, this information is correct. For some members, however, there are some changes to update member records which could result in changes in pension amounts.

We've completed the review for GMP for the majority of members affected and the corrected pension benefit has been calculated. You don't have to do anything these adjustments and payments are automatic. If these adjustments result in an increase to your pension, you might also be due a one-off back payment (with interest added) for any extra pension you should have received in the past.

If your pension is in payment, we'll be writing out to members to explain how it is affected with individual details. If you're not receiving your pension yet, your future retirement calculations will take any changes to your pension calculation into account.

To complete the review, we have worked with our legal advisors, and Pension Consultants to recalculate benefits, our administrator Aptia and our Scheme Actuary.

You will receive your individual information in January with details of any changes to your pension and any backpay due. We have also provided a Question-and-Answer document to help with questions you may have, which you will receive with your information in January. If you have any questions not answered or any other queries about your own information, you will be able to contact a helpline and email address to help you with these.

The Trustees appreciate that these areas of Pensions can be complicated, and hopefully this information will help.