

PRIVATE & CONFIDENTIAL

Lloyd's Register Superannuation Fund Association

April 2025

Dear member

A review of your pension benefits

We're writing to you about a review we're doing on your pension in the Lloyd's Register Superannuation Fund Association (the **LRSFA**). As well as a wider check on members' benefits, we have been looking at a part of the pension known as Guaranteed Minimum Pension (**GMP**).

What is GMP?

GMP is part of the pension built up by members of the LRSFA between 1978 and 1997. It replaces part of the State Pension in place at that time, and is designed to ensure that you are paid at least a certain level of pension when you come to retire. Please note that if you joined the LRSFA after 6 April 1997, you're unlikely to be affected by this part of the review.

Why GMP is being reviewed

Following a clarification of the law regarding how GMP was treated, all pension arrangements with GMP need to undergo a review to make sure that men and women are treated equally. At the same time, we are also checking our records match those held by His Majesty's Revenue and Customs (**HMRC**). More detail on this can be found in the Frequently Asked Questions enclosed with this letter.

GMP is being reviewed in two stages

Stage 1 – Checking our records

First, we need to check the LRSFA's GMP records against HMRC's records to make sure they match. If there are any differences, we will investigate and update our records as needed. This is known as **GMP reconciliation**.

Members' pensions could go up or down, or might not change at all, following this step. If you're not yet being paid your pension, any change will take effect when you retire.

Stage 2 – Checking how the GMP has been treated

We then need to check what your pension earned between 17 May 1990 and 5 April 1997 would have been if the GMP had been built up by a member of the opposite sex. If it hasn't been treated equally, we need to adjust the pension so that the better of the male or female pension is paid in total. This is known as **GMP equalisation**.

GMP built up before 17 May 1990 is outside the scope of this review. You can find out more in the enclosed Frequently Asked Questions.

- If you are already being paid a pension from the LRSFA, we will calculate what the pension you earned between 17 May 1990 and 5 April 1997 would have been if you were the opposite sex. We will then compare this with the pension you are actually receiving, and we will apply this comparison to the pension you have already been paid. If you have been underpaid in the past, a back payment will be paid to you with interest, and if your pension needs to be higher now it will increase.
- If you are being paid a dependant's pension, we will do this calculation taking into account the sex of the original member of the LRSFA.
- If you are not yet being paid your pension, we will do this calculation based on the benefits you have built up in the LRSFA. If a higher pension is needed it will be paid to you when you retire.

All members will be paid the higher total pension over their lifetime. However, because the second stage of this process looks at your total pension paid to date, while pensions are expected to go up or stay the same, it's possible in some circumstances for your yearly pension to go down slightly at this point.

GMP equalisation is an ongoing process and your pension (in relation to the benefits that you earned between 17 May 1990 and 5 April 1997) will be reviewed each year against what you would have received if you were the opposite sex. This will then be compared to the amount of pension you are being paid. If your annual pension payment increases following these yearly reviews, we will let you know. Your pension will not go down as a result of these yearly reviews.

There's more information about GMP in the enclosed Frequently Asked Questions.

Lifetime Allowance

We need you to let us know if you hold any protection against the **Lifetime Allowance**, as this may be affected by GMP equalisation. The Lifetime Allowance was the limit on the amount of pension benefits you could build up in your lifetime before you needed to pay an extra tax charge.

Most pension scheme members do not hold protection against the Lifetime Allowance, but if you do, it's important that you contact XPS Group at LRSFA@xpsgroup.com or **01245 673534** by 31 May 2025. If you have Lifetime Allowance protection, you should have received confirmation of this from HMRC. More information about the Lifetime Allowance and Lifetime Allowance protection can be found in the enclosed Frequently Asked Questions.

What you need to do next

- Please read the Frequently Asked Questions enclosed with this letter for more information on GMP, the Lifetime Allowance and the background to this review.
- Let us know if you have confirmation of Lifetime Allowance protection from HMRC by 31 May 2025. Please contact XPS Group at LRSFA@xpsgroup.com or **01245 673534**.
- If you do not have confirmation of Lifetime Allowance protection from HMRC then you don't need to take any action at this time.

If you have any questions that aren't covered in the FAQs, please contact XPS Group.

We will write to you again once the review is complete to confirm if there will be any changes to your pension. You can find copies of the information we've sent you on www.lrpensionport.co.uk/pensioners/documents

Yours sincerely



Laura Eggleton

For and on behalf of Lloyd's Register Superannuation Trustee Limited

Frequently Asked Questions

GMP - a background

Between 1978 and 1997, the LRSFA was contracted-out of the State Earnings Related Pension Scheme (**SERPS**), an extra benefit on top of the basic State Pension.

Contracting-out meant that members and the employer paid less National Insurance, so members did not receive the extra state benefit. This applied to members who joined the LRSFA before April 1997. In return for opting out of this extra benefit, those members' pensions include a GMP.

Why has GMP been reviewed?

In October 2018, there was a High Court ruling known as the Lloyds Judgment, because it concerned the Lloyds Banking Group Pension Scheme. This clarified how all pension schemes with GMP, like the LRSFA, need to review members' GMP and make sure that pension benefits built up between 17 May 1990 (the date from which pension benefits had to be equalised) and 5 April 1997 (the date GMP stopped building up) are paid on equal terms for men and women. This is known as **GMP equalisation**.

Any GMP built up in the LRSFA before 17 May 1990 is outside the scope of the ruling.

To make sure that the GMP records for all members are correct before we start GMP equalisation, the LRSFA is also checking the data we have against the data HMRC holds. This is known as **GMP reconciliation**.

Why can GMP be unequal?

GMPs can work out differently for men and women because how they are paid mirrors the different State Pension ages that men and women used to have. This can change the increases that are applied to their pension, before and after retirement. As a result, men and women with a GMP can receive different pension amounts.

All pension schemes with GMP used to work like this, but in October 2018, the High Court ruled that this was wrong. Following that judgment, pension schemes must now review how they pay benefits built up between 17 May 1990 (the date from which pension benefits had to be equalised) and 5 April 1997 (the date GMP stopped building up) and adjust the benefits paid if they have been paid unequally. This is known as GMP equalisation.

How is the Trustee equalising GMP in the LRSFA?

Following the Lloyds Judgment, the Trustee has worked with its advisers and examined several possible approaches to decide how to equalise GMP.

The approach the Trustee decided to take is to calculate the pension members would be paid if the GMP built up between 17 May 1990 and 5 April 1997 had been built up by a member of the opposite sex. This will be calculated for members with GMP who are currently being paid a pension from the LRSFA. For members with GMP being paid a dependant's pension that was built up by the original member of the LRSFA, the calculation will take their sex into account.

If you have GMP and you are not currently being paid a pension from the LRSFA, your pension at retirement will take this calculation into account.

If you have GMP and you would have received a higher pension had you been the opposite sex, this higher amount will be put into payment. If any pension has been underpaid in the past, you will receive a back payment. Each year we will check the pensions being paid again, and if we find any further inequality, we will adjust the pension to correct this.

What happens if I transfer my LRSFA benefits?

If you decide to transfer your LRSFA benefits to another pension arrangement rather than being paid a pension from the LRSFA, your transfer value calculation will include any uplift required for GMP equalisation.

Will members' pensions go down?

All members will be paid the higher total pension over their lifetime. Depending on what has been paid in the past, in some circumstances some members' pensions could go down during this initial review. If this happens, some of these members will also be due a back payment to cover the pension they should have been paid in the past.

Although we will be rechecking pensions every year, no members' pensions will go down again as a result of this annual rechecking process.

Why could there be differences between the GMP records held by the LRSFA and the GMP records held by HMRC?

There are many possible reasons for this. For example, the move from paper to digital records, transfers, or changes of employment or earnings can all result in differences between the LRSFA's records and HMRC's records that need to be resolved.

Why are you only equalising GMP built up after 17 May 1990?

On 17 May 1990 there was a European Court of Justice ruling that said occupational pension schemes had to provide equal benefits to men and women from that date onwards. This means that only GMP built up from 17 May 1990 is affected by the Lloyds Judgment ruling we mentioned in the letter.

About the Lifetime Allowance

What is the Lifetime Allowance?

The Lifetime Allowance was the limit on the amount of pension benefits that an individual could take from all pension schemes without triggering an extra tax charge. It was introduced by the UK Government with effect from 6 April 2006 and applied to all benefits built up in registered UK pension arrangements.

From 6 April 2024, the Government abolished the Lifetime Allowance. Please note that the removal of the Lifetime Allowance is not retrospective, so it still applies if you have already taken your benefits.

Previously, if your pension benefits exceeded the Lifetime Allowance at retirement, they were subject to an extra tax charge of 55% (if they were taken as a cash lump sum) or 25% (if they were taken as income, and then the remainder was subject to income tax at your highest rate). While there is no longer an extra tax charge for members who are taking benefits above their remaining Lifetime Allowance, these benefits will be taxed as income.

What is Lifetime Allowance protection?

Over time, various forms of protection against the Lifetime Allowance charge have been made available. One of these is Enhanced Protection, which was introduced on 6 April 2006 when a lot of pensions rules changed. Most pension scheme members do not hold protection against the Lifetime Allowance, but if you do, it's really important that you let us know, even with the recent changes to the Lifetime Allowance. If you have Lifetime Allowance protection, you should have received confirmation of this from HMRC.

Who do I contact about my Lifetime Allowance?

To find out more about Lifetime Allowance, or if you need to update us about your Lifetime Allowance protection, please contact LRSFA's administrator, XPS, at LRSFA@xpsgroup.com or **01245 673534**.