



GMP corrections in 2025

Answers to some of the questions you may have

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Over 2025, we will be contacting you if you have a Guaranteed Minimum Pension (GMP) currently in payment and you are due a GMP correction.

This will be in two phases:

1. By early Summer for members who have more recently retired or have either left the Company/still work at Formica and have yet to take their pension, and
2. By the end of 2025 for all other members.

If you do not receive a communication about a correction and are receiving a pension, this means there is no change to your pension.

Not yet receiving a pension? Your benefits will be reflective of any legal clarification in relation to GMP when you retire.

Please read on if you would like to know more.

Section 1: About GMP and legal clarification on GMP

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Section 1: About GMP and legal clarification on GMP

What is GMP?

Before 2016, there were two state pensions – the main one and an additional one. You might see references to the additional one as:

- State Earnings-Related Pension Scheme, or 'SERPS'
- State Second Pension, or '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 the main 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 whether the judgment applied to GMPs, but a court case in October 2018 (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.

What else has happened in respect of GMPs?

Because GMPs were intended to substitute part of the additional state pension received (because of being contracted out and paying less National Insurance contributions), HMRC also hold records to ensure they pay the right level of state pension.

A second activity in relation to GMPs has been to ensure that the GMP element of your pension (for service between 6 April 1978 and 5 April 1997) agrees with the records held by HMRC. This process is called 'GMP rectification'.

Section 2: How the Scheme is addressing GMP corrections

We have been working with the Scheme's advisers to tackle the complex processes of GMP equalisation and rectification since this High Court judgment was issued.

We are pleased to confirm that this process is now nearly complete, and we will be communicating with **affected members individually** later in 2025.

As set out on page 1, this will be in two phases:

1. By early Summer for members who have more recently retired or have either left the Company/still work at Formica and have yet to take their pension, and
2. By the end of 2025 for all other members. This includes affected members who have previously transferred out of the Scheme.

What do the GMP corrections mean for the buy-in and buyout?

Since entering into the buy-in policies, it has been our priority to complete the data cleanse to ensure that members' records are correct ahead of the Scheme buyout. This means that detailed reviews have taken place to ensure that individual members' benefits correctly reflect Scheme Rules as well as legal clarification which may have subsequently changed them.

Section 3: Who is affected by GMP corrections, and how

Who is affected?

You'll only be affected by a GMP correction if you built up GMP benefits in the Scheme between 17 May 1990 and 5 April 1997.

If you have this part of pension, you will be due a GMP correction if:

- Your affected GMP pension would have been higher if you were the opposite sex and/or
- Records held by HMRC of your GMP are different to those held by the Scheme.

How do I know if I am affected?

If you are due a GMP correction and are currently receiving your pension, you will receive a communication by the end of 2025.

What if I haven't yet taken my benefits?

We have reviewed your benefits and will make any adjustments needed at the point you retire i.e. retirement quotes or options you receive at that point will account for the correct benefits.

If I am due a correction, what difference will it make to my pension?

It is not likely to have a big impact for most members. The impact, if any, won't make a big difference to your total pension. How much your pension might change would depend on factors such as when you earned your benefits, how much you earned, and when or if you've retired.

Some affected members will get a one-off payment to make up for underpayments in the past. This would be treated as income so could affect the tax you pay. Full details would be included in the communication, if applicable.

If I am due a correction, could my pension reduce?

Your income is unlikely to reduce. Members will likely see no difference or a small increase.

If I am due a correction, will I need to do anything?

No, any corrections will happen automatically.

I recently received a calculation of my benefits from the Scheme. Will this change?

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

Will only women benefit from GMP 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.

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 you are due a GMP correction, 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 initial member's benefits due to the above GMP issues.

Section 4: Where to find out more

If you have any questions about your Scheme pension or the GMP corrections, please continue contact the Scheme Administration team:

Telephone: 0191 259 3150

Email: formica.pensions@formica.com