



Department  
for Work &  
Pensions

**GUY OPPERMAN MP**  
**Minister for Pensions**

Matt Rodda MP  
Shadow Minister (Work and Pensions)  
House of Commons  
London  
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21 February 2022

Dear Matt,

It was good to see you supporting the Pension Schemes (Conversion of Guaranteed Minimum Pensions) Bill during its Committee stage. I agreed during the Committee debate that I would write to you answering some of the points you raised.

First, you asked about how the changes the Bill makes will be communicated to those affected.

The amendments made by the Bill itself clarify the GMP conversion legislation and make it easier to use. The Bill does not make any changes to the existing requirement that schemes must correct for differences in people's pension income caused by GMPs for service between 17 May 1990 and 5 April 1997, or that they can do this using the conversion methodology. The Bill makes technical changes to the rules around conversion.

Communication about a Guaranteed Minimum Pension (GMP) conversion exercise is a matter for the trustees of the pension schemes. When the trustees of a scheme decide to use GMP conversion to convert GMPs into ordinary scheme benefits, they are required to take all reasonable steps to consult, in advance with the people whose GMPs will be converted. They are also required to notify members and survivors who will be affected by the conversion either before or soon after the date that the conversion takes effect. It is for the trustees of schemes to decide how best they communicate GMP conversion in line with these communication requirements. We plan to use the consultation on the regulations coming out of the Bill to remind schemes of the need to communicate clearly with their members if and when they carry out a GMP conversion exercise.

You also asked about pension tax issues around GMP conversion. HMRC has already published guidance for schemes on the treatment of key pension tax areas where the reason for the adjustment is solely for the purpose of equalising to correct for the effects of the Guaranteed Minimum Pension rules. The tax position regarding the conversion method is potentially more complex as that method can change the form of

a member's benefits and therefore its effects may have wider impacts. We will work closely with HMRC on the wider issues associated with the conversion method.

On your point about the removal of the requirement that a scheme must notify HMRC if it converts GMP rights into other scheme benefits, HMRC themselves requested this change. This information is no longer required by HMRC and they have said to schemes they no longer require schemes to notify them if GMP conversion has been carried out. However, because this is still a requirement of the Pension Schemes Act 1993, schemes would normally still submit this information to HMRC despite HMRC having no use or need for it.

Because both employer and the scheme members were paying lower National Insurance contributions, HMRC used to need to keep records of all contracted-out schemes. However, when contracting out ended for all occupational pension schemes in April 2016 with the introduction of the New State Pension, employers and members no longer paid a lower level of National Insurance. Therefore, HMRC no longer needs to keep records of GMP equalisation or conversion. Responsibility for the accuracy of the conversion lies with the pension scheme's trustees, and they must take advice on certain matters from the scheme actuary.

Finally, you asked about the regulations coming out of this Bill, and whether the Government plans to consult before these regulations are introduced. As I said in the Committee, the Government will consult on the regulations concerning both survivor benefits and 'relevant persons'. Regulations will then be subject to Parliamentary scrutiny in the usual way.

I hope this answers your questions.

I am copying this letter to Margaret Ferrier, the Bill's sponsor in the House of Commons; to Clive Efford, the Chair of the Bill Committee; and to the members of the Bill Committee. I will also be placing a copy of this letter in the library.

A handwritten signature in blue ink, appearing to read 'Guy Opperman', with a large flourish underneath.

**Guy Opperman MP**  
**Minister for Pensions and Financial Inclusion**