



Department  
for Work &  
Pensions

Minister for Work and  
Pensions (Lords)  
4<sup>th</sup> Floor  
Caxton House  
Tothill Street  
LONDON  
SW1H 9DA

0207 340 4000

[www.gov.uk/dwp](http://www.gov.uk/dwp)

[ministers@dwp.gov.uk](mailto:ministers@dwp.gov.uk)

31<sup>st</sup> March 2022

Dear Baroness Drake,

It was good to see you supporting the Pension Schemes (Conversion of Guaranteed Minimum Pensions) Bill during its Second Reading in the House of Lords on Friday 25<sup>th</sup> March. I very much hope that we can finally get these measures passed into law.

During the debate, you asked about the implications for the Pension Protection Fund (PPF) arising from GMP equalisation in respect of scheme members who have entered the PPF; or who are in schemes in PPF assessment, or that might go into PPF assessment in the future, and where equalisation issues have been in play. I undertook to write to you on this matter.

In this context, the PPF's functions relate to schemes which are either in the PPF or in PPF assessment. The PPF must pay compensation which is on a basis which equalises for the unequal effect of GMPs. If a pension scheme enters into PPF assessment and has not yet equalised for the unequal effect of GMPs, the scheme must do so before it enters the PPF. Schemes will be provided with information on this when they enter assessment.

I hope this answer reassures you on this point.

A number of other issues and questions were raised during the debate which I believe it would be helpful to address in this letter.

Lord Davies of Brixton made an impassioned defence of GMPs, during which he raised concerns about members 'losing out' as a result of conversion and equalisation and asked how this Bill works 'with the underlying guidance and actuarial practice'. As I said in the debate, if this Bill becomes law, my Department will revisit the guidance on the use of the GMP conversion legislation that we published in 2019 and will update it to reflect recent developments.

I should also again emphasise that the purpose of this Bill is to amend the existing conversion legislation to clarify it and make it easier to use if schemes chose the conversion methodology as a way of meeting their existing duty to correct for the effects of the different impact on men and women of having a Guaranteed Minimum Pension accrued between May 1990 and April 1997. The Bill does not require schemes to do anything new. It is not concerned with the actuarial basis on which conversion is carried out. There already is, and will remain if this Bill becomes law, a requirement for post-conversion benefits to be

actuarially at least equivalent to pre-conversion benefits. There will also remain a requirement for survivor benefits to be provided when a member's GMP is converted. It is important to stress that pensions in payment cannot be reduced as a result of conversion.

I would also like to again emphasise that the trustees of a scheme are required to take all reasonable steps to consult, in advance, the people whose GMPs will be converted, if they decide to use GMP conversion as part of their method of equalisation. Trustees are also required to notify members and survivors affected by the conversion either before or as soon as reasonably practicable after the date that the conversion takes effect. The methodology in the Government's 2019 guidance includes consultation (stage 4) and communication (stage 10) stages. We also plan to use the consultation on the regulations coming out of this Bill to remind schemes of the need to communicate clearly with their members if and when they carry out a GMP conversion exercise.

Baroness Wheatcroft asked whether a deadline could be imposed on the equalisation process. Successive Governments have made it clear that they believe schemes must equalise for the effects of GMPs. But we do understand the considerable complexities involved in this process, and that trustees and sponsoring employers have had real concerns about legal risks and uncertainties. The role of Government in occupational pensions is to create an appropriate legislative framework. It is up to trustees to decide how best to proceed in the best interests of the beneficiaries. In this context, we think the role of Government is to work with stakeholders to address their various concerns, and to act to resolve the uncertainties in the legislation, to enable schemes to proceed with confidence. That is why the Government has chosen to support this Bill.

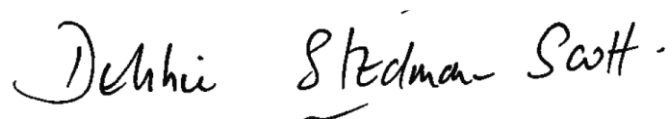
Finally, I mentioned during the debate that eight million people were found to be members of a contracted-out pension scheme at the final count in 2015. I should clarify here that the requirement for GMP equalisation can only affect members, and their survivors, of occupational pension schemes which were contracted-out from the Additional State Pension on a salary-related basis between 17 May 1990 and 5 April 1997. The number of people affected by GMP equalisation is therefore a subset of that eight million.

As I said, I am delighted by the widespread support this Bill has received on its journey through Parliament. As you will be aware, however, the time available to get the Bill through its final stages is now very limited. Regrettably, any amendments tabled to the Bill at this point would see the Bill run out of time to pass through all of its remaining stages before Parliament is prorogued. This includes probing amendments, even if subsequently withdrawn. I must therefore restate my words at the debate – that what it will take to get this Bill into legislation is for no amendments to be tabled.

I am aware that some Peers may still have questions and concerns they wish to raise – as I said during the debate, my door is open to any member of the House who wishes to discuss the Bill with me and my officials. I would be very happy to meet with any and all Peers to discuss the Bill, either individually or as a group.

I am copying this letter to Baroness Redfern, Baroness Sherlock, Baroness Merron, Baroness Wheatcroft and Lord Davies of Brixton. A copy will also be placed in the House Library.

Your Sincerely

A handwritten signature in black ink that reads "Debbie Stedman Scott". The signature is written in a cursive style with a small flourish under the name "Stedman".

**BARONESS STEDMAN-SCOTT  
MINISTER FOR WORK AND PENSIONS (LORDS)**