



GMP corrections in 2025 – Part 2

Answers to some of the questions you may have

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These questions are only relevant if you have received a statement confirming that your pension is changing in 2025. More general GMP FAQs were published on the Scheme's website in April which all members may find useful www.formica.com/en-gb/formica-pension-schemes/formica-limited-1998-pension-scheme.

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 already be correct in relation to GMP when you retire.

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Section 1: Reminder about GMP and the legal clarification on GMP

What is GMP?

Before 2016, the state pension consisted of two tiers – 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).

For anyone who reached their State Pension Age after 5 April 2016, the main and additional state pensions were rolled into the new State Pension. But workplace schemes must still pay GMPs regardless of when members were born.

What is the 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 5 April 1997 and adjusting these benefits where necessary so that members from both sexes are treated equally.

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 to ensure they would not have been higher for the opposite sex.

What is GMP rectification?

Because GMPs were intended to substitute the additional state pension (which members had not received as they had been contracted out and had paid less NICs), 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) is consistent with the records held by HMRC, where applicable and then make any necessary corrections. The second part of this process is called 'GMP rectification'.

Section 2: How am I affected?

If you have received a communication from us in 2025 setting out that your pension is changing, this section confirms how.

Why am I affected?

You are affected by a GMP correction as:

- You built up GMP benefits during your employment from 17 May 1990 until 5 April 1997 (these were most likely originally earned in the BTR Pension Scheme and transferred to this Scheme when it started in 1998) and
- Your affected GMP pension would have been higher if you were the opposite sex and/or
- We have checked your GMP against HMRC's record and a change is needed.

My monthly pension is changing. What does this mean for my tax?

Your monthly pension amount will continue to be taxed as income in the same way as it is now.

I am receiving a back-payment. Why is this? And what do I need to do?

If we work out that you would have received a higher pension income in previous years if you were the opposite sex, you'll receive a back-payment to make up for this. The communication you received in 2025 will confirm if this applies to you.

As this back-payment is paid as a one-off lump sum amount, you will normally have to pay tax on it which means that you may move into a higher tax bracket. However, you will be able to make an application to HMRC to make sure this is not taxed as a lump sum at the time you receive the payment and instead is assessed against the

previous years when your pension was underpaid. This could help you pay less tax. The communication you received in 2025 includes full details.

Please note that if you complete an annual Self-Assessment Tax Return, it is not necessary to update returns from past years – HMRC will deal with it directly.

What do I need to do about the interest on the back-payment?

Unless you live overseas, no tax will be deducted from this amount automatically. Depending on the amount of interest and your other income/personal circumstances, this may be subject to tax. HMRC will consider this in relation to the 2025/26 tax year. Please declare this interest in your annual Self-Assessment Tax Return if you need to complete one, in the same way as you would declare interest on a bank or building society account.

What shall I do if I need help with my tax situation?

If you have any questions about your personal tax situation, you may wish to speak with an independent financial adviser. You can find an adviser online at moneyhelper.org.uk or you can call MoneyHelper on 0800 011 3797.

Could this affect my Lifetime allowance ('LTA')?

If you retired before 6 April 2023, receiving more pension could potentially impact the amount of LTA you used at retirement. If you have previously had an LTA charge deducted from your pension benefits, or if you are receiving pension from any other retirement arrangements, you may need to give new information to the other pension administrators. Please contact the Formica Administration team at the details on the next page if you would like more information or think that this may impact you.

I recently received a calculation of my benefits from the Scheme. What do I need to do?

Any previous calculations of the value of your benefits for LTA purposes before you received the 'correction' communication in 2025 will not have included adjustments for these and will need to be revised. Please contact us using the details at the end of this document if you have any questions.

My pension is changing. Will my spouse's/civil partner's or dependant's pension change?

The pension your spouse/civil partner and/or dependants receive after you die is based on your pension. If you are receiving a GMP correction, it will change their pension amount too.

If you are currently receiving a spouse's/civil partner's or dependant's pension, then you will have received a communication from the Scheme if it has been affected by any adjustments required to the initial member's benefits due to the above GMP issues.

Section 3: Where can I find out more?

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

Telephone: 0191 259 3150

Email: formica.pensions@formica.com

Where can I get general pension support and resources?

MoneyHelper provides free, general pension information and details on how to access pension guidance through Pension Wise at moneyhelper.org.uk.

What if I need advice?

You can find a regulated financial adviser in your area by visiting www.moneyhelper.org.uk and searching for 'retirement adviser'. Or you can call them on 0800 011 3797.