

Headline News

Equalisation of Guaranteed Minimum Pensions



There has been recent press coverage of a High Court ruling in the Lloyds Banking Group Pensions Trustees Ltd v Lloyds Bank plc and others last week, concluding that Guaranteed Minimum Pension benefits (GMPs) need to be equalised between men and women. This note has been prepared to provide you with more background about this development and to explain what to expect in the future.

What are GMPs?

From 6 April 1978, individuals generally earned an entitlement to an earnings-related addition to their basic state pension, called the State Earnings Related Pension Scheme (SERPS). An employer could contract its pension scheme out of SERPS if it was designed to provide a pension at least as good as a statutory minimum, known as the GMP. The Rolls-Royce UK Pension Fund (RRUKPF) was contracted out and if you were a member between 6 April 1978 and 5 April 1997 you will probably have a GMP, which is part of your overall RRUKPF pension.

What does this High Court judgement mean?

The Trustee and the Company are working with their legal advisors to understand how this ruling affects our members. This judgment is complex, and deals with almost thirty years' worth of uncertainty and we want to get this right. There is also the possibility of an appeal, and the Government has said it intends to publish further guidance. Taken together the whole process will take many months, if not years.

Once we know more, we will contact affected members with details. However, we are conscious that there has been lots of coverage in the national press, not all of it accurate. Therefore we've answered some frequently asked questions below:

Does this ruling affect me?

The judgment only applies to GMPs built up between 17 May 1990 and 5 April 1997. Only members or their dependents with pensions built up over this period could be affected. The ruling affects men and women and it affects both pensioners and members who have yet to draw their pension.

How much money am I going to get?

Contrary to much of the press coverage, we expect most individuals to see little or no increase in the value of benefits, and there are a few reasons for this: GMPs often only make up a small part of an individual's pension and so the amounts involved in addressing any inequality are likely to be small.

Many members will receive no increase as they have not been disadvantaged by the way their benefits have been treated relative to someone of the opposite sex.

Members who do not have benefits built up within the scheme between 17 May 1990 and 5 April 1997 will not be affected at all.

Will I need to pay any of my pension back?

No. You will not have to pay back any pensions that you have already received because of this judgement.

Equalisation requires an improvement to the benefits of members who have been disadvantaged – not the other way around.

Why hasn't this already been dealt with?

The way that GMP works is set out in legislation and is very complicated. GMPs were always intended to replace State pension benefits which themselves have not been equalised between men and women for this period of history. Also, the potential adjustments required to pensions are generally expected to be very small but the process of calculating any adjustment is very complex. Until this recent High Court judgment it wasn't clear whether any action was required or whether the wide variety of possible solutions would work from either a practical or legal perspective. This court case confirms action is required and gives some clarity on what schemes can do to put things right going forwards. Although we are still awaiting further guidance.

Do I need to do anything to claim my benefits?

No.

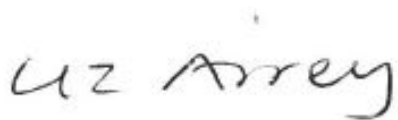
We are working with our advisors to work out who is affected and once we know more we will contact members of the scheme with more information. It is the Trustee's job to make sure you get the benefits you are entitled to and we will work to make sure that this happens.

Who do I contact if I have any questions on this issue?

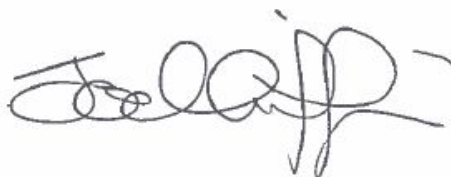
If you need further information on this issue please contact the pension department on:

Telephone 01332 333335

Email pensions.web@rolls-royce.com



Liz Airey
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