

ACA comments on Latest HMRC GMP equalisation newsletter



PRESS RELEASE

ACA says pensions tax law changes could open the way for schemes to decide how to equalise benefits

11 April 2022: The Association of Consulting Actuaries (ACA) says it very much welcomes HMRC's recent publication of its [third tranche of guidance](#) on how pensions tax interacts with exercises to remove inequalities arising from GMPs ("GMP equalisation").

The guidance focussed on two important areas to help schemes take their projects forward. One is the use of GMP conversion to achieve GMP equalisation (rather than using the dual record approach on which it has already given guidance).

Commenting on the guidance, Karen Goldschmidt, Chair of the ACA Pensions Tax Committee said:

*"Conversion is an approach that might give schemes a real possibility of simplification, although it has to be approached carefully. Responses to our recent survey (see **below**) show that many sponsoring employers and trustees are still undecided on the approach to take. Typically, we think that decisions have mostly been made for schemes in the throes of wind-up, and that for the rest some of the delay is likely to have arisen from the uncertainties of potential tax pitfalls.*

Extract from 2021 ACA Pensions trends survey: In relation to the obligation to equalise GMPs following the Lloyds case, what method have you decided/do you think you are most likely to use (excludes totally undecided)?

	Have decided		Not decided, but current preference
A dual record type approach	18%		17%
Conversion	21%		27%
A mixture	1%		16%

(Source: ACA 2021 Pension trends survey, Table 15, page 29)

“HMRC guidance gives reassurances for most pensioners but some confirmation that pitfalls exist for non-pensioners - and for these there is an indication that HMRC is working on the possibility of law change to remove Annual Allowance anomalies. This is welcomed and we hope this will be soon in coming, it may be a key factor in decisions on approaches.”

The other area of the guidance relates to transfer values that have been underpaid in the past because of not allowing for the equalisation obligations – with transfer top-ups now due, often of tiny amounts. HMRC’s guidance in this area opens the door, in most cases, to some very practical approaches.

Copies of the [ACA Survey ‘Pensions: Key reforms still needed to avoid crisis’](#) including a statistical appendix are available free of charge on the ACA’s public website at www.aca.org.uk (Menu: Publications/Research and Surveys).

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About the Association of Consulting Actuaries (ACA)

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