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Pensions Policy
HM Revenue & Customs

By email to policypensions@hmrc.gov.uk

13 July 2026

Dear HMRC

Guaranteed minimum pension conversion provisions: draft regulations

I am writing on behalf of the Association of Consulting Actuaries (**ACA**) in response to the consultation on draft secondary legislation amending Finance Act 2004 for calculating pension input amounts for annual allowance purposes following guaranteed minimum pension (**GMP**) conversion[1].

The ACA welcomes the opportunity to provide input. We are responding in the capacity of a representative body for professional advisors who provide advice to a range of occupational pension schemes.

Policy intent

The ACA welcomes the policy intent of ensuring that GMP conversion does not lead to the loss of the Deferred Member Carve Out (**DMCO**) for the majority of deferred members. This would remove an existing barrier to GMP conversion projects (in particular bulk conversion projects for deferred members) making a one-off GMP conversion project more practical and achievable for pension schemes.

Scope of our review

We have not directly commented on whether the legislation, as drafted, fully satisfies the policy intent and works in all situations. There are other parties, in particular pensions lawyers, who will be better placed to comment on this.

However, we are keen to ensure that the supporting guidance is sufficient to eliminate any confusion and ensure uncertainty does not remain a barrier to GMP conversion projects. In this letter we suggest some areas in which we would like to see an expansion of previously issued guidance from HMRC.

Forms of conversion

As HMRC will appreciate, there are many different types of GMP conversion project, with variations including:

- Converting GMP in a bulk exercise for all members, or converting each member at their retirement date (potentially before or after retirement).
- Converting GMP into pension with different pension increases (for example increases could be similar to existing GMP increases or in line with those for other scheme benefits).

[1] https://www.gov.uk/government/consultations/guaranteed-minimum-pension-conversion-provisions

- Converting GMP into pension with different revaluation to that it had as GMP (for example increases could be in line with those for other scheme benefits).
- Making other amendments which the trustees think are "necessary or desirable as a consequence of, or to facilitate, the GMP conversion" under Pension Schemes Act 1993 Section 24G(3) such as smoothing the benefit to remove anti-franking step-ups at GMP payment age.
- Converting members subject to GMP equalisation only (those with service between May 1990 and April 1997) or converting GMP for all members, including those who may have pre May 1990 GMP only.

Further details of the range of designs considered are set out in Section 4.2 of PASA's conversion guidance[2].

We would want the statements in the guidance to clearly apply to all forms of conversion design, without the need for case-by-case consideration by trustees and advisors, so long as the general principles of anti-avoidance and broad actuarial equivalence apply.

Areas covered by guidance to date

HMRC have already published helpful statements on GMP equalisation and GMP conversion through their Pension Schemes Newsletters of February 2020[3] and April 2022[4]. The April 2022 newsletter stated:

"In this newsletter, we assume trustees are using the GMP conversion method on the basis that the value of adjustment made to a member's benefit is on an actuarial equivalence basis only. This means, the post conversion benefits have the same or virtually the same actuarial value as the pre conversion benefits.

We assume that where the conversion for a member is to achieve the required removal of inequalities arising from GMPs, the conversion is on the basis of seeking to achieve both equality of present value on the conversion date and equality of benefit payments thereafter between men and women for benefits earned from 17 May 1990."

The guidance then makes simple and clear statements of where GMP conversion would not lead to an assessment against the annual allowance, for example:

- Pensions in payment beyond the tax year of retirement.
- Pensions in payment in the year of retirement (where they are converted after retirement).
- Deferred members that left pensionable service before 6 April 2006 (and otherwise remained outside of the annual allowance).

Our understanding is that the existing guidance has worked well and is well understood – supported by industry guidance[5] from the Pensions Administration Standards Association (which was issued between the two newsletters referenced above).

Our ask: expand the existing guidance to cover the new legislation

Our ask is that the existing guidance is expanded, using similar language to past HMRC Pension Scheme Newsletters. We would suggest that the content on GMP conversion and the annual allowance from the April 2022 Newsletter is either referenced, or repeated, and expanded to cover the following areas:

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[2] https://www.pasa-uk.com/wp-content/uploads/2021/09/GMPE-Conversion-Examples-FINAL.pdf

[3] https://webarchive.nationalarchives.gov.uk/ukgwa/20240115223633/https://www.gov.uk/government/publications/guaranteed-minimum-pension-gmp-equalisation-newsletter-february-2020

[4] https://webarchive.nationalarchives.gov.uk/ukgwa/20240115224205/https://www.gov.uk/government/publications/guaranteed-minimum-pension-gmp-equalisation-newsletter-april-2022

[5] https://www.pasa-uk.com/wp-content/uploads/2021/02/Final-Draft-GMPEWG-Tax-Guidance-12-Feb-2021.pdf

1. **A statement that all members that would otherwise have been subject to the DMCO remain covered by it following GMP conversion**

Language similar to the February 2020 Pensions Scheme Newsletter could be used, for example:

> ***"Deferred members otherwise covered by the 'deferred member carve-out'***
> *An individual who is otherwise within the annual allowance deferred member carve out (DMCO) in relation to an arrangement should remain within the DMCO for that arrangement."*

2. **A statement that GMP conversion would not be considered accrual, causing a member to cease becoming a deferred member for the purpose of the annual allowance legislation**

Whilst we do not envisage a situation where GMP conversion would, in of itself, result in a member ceasing to be a deferred member for the purposes of the annual allowance, we think it would eliminate confusion if this were explicitly stated.

For example:

> ***"Remaining a deferred member***
> *GMP conversion is not considered benefit accrual and would not lead to a member becoming an active member for the purposes of the annual allowance legislation."*

3. **A statement that the guidance and legislation apply to all GMP conversions, not just those in relation to GMP equalisation**

For example:

> ***"GMP conversion for pre and post May 1990 GMP***
> *The statements in this guidance apply to all GMP conversions, including both GMP subject to equalisation and GMP not subject to equalisation (i.e. GMP accrued before 17 May 1990)"*

4. **Providing non-exhaustive examples of the forms of GMP conversion**

We appreciate that in guidance you will likely want to refer to the anti-avoidance provisions, and the statements made in the April 2022 Newsletter around how conversion is achieved for the guidance to apply (in particular the references to the meaning of actuarial equivalence).

As noted under "Forms of conversion" above, there are a range of approaches that can be taken to GMP conversion. It would be helpful if HMRC could provide a non-exhaustive list of examples of benefit redesigns which would be considered to fall within "GMP conversion". In particular, GMP conversion may involve a change to the in-payment pension increases. Given that *PTM054000 states "A PIE offered to a member who currently qualifies for the deferred member carve-out is likely to mean that the carve-out will no longer apply",* we specifically ask that guidance is clear that a change to pension increases as part of GMP conversion does not lead to loss of DMCO.

5. **Including guidance within the Pensions Tax Manual**

Although we expect that any further guidance on GMP conversion will initially be published via a Pension Schemes or other newsletter, it would be very helpful if, in time, it and the previous GMP equalisation guidance could be included in the Pensions Tax Manual, for ease of reference.

Next steps

The ACA view is that these draft regulations are helpful and so we would like HMRC to press ahead and finalise them, subject to taking on board any comments from pension lawyers and expanding the guidance as outlined above.

However, they do not cover all scenarios and we ask that in parallel HMRC continues the conversation with the industry to see whether more could be done. Specifically, we note that GMP conversion might still lead to an increase in pension input where a member does not qualify for the DMCO although they look very similar to their colleagues who would be covered by the DMCO, such as:

- Post-A-day deferreds who accept a PIE on retirement in the tax year of GMP conversion which results in them losing the DMCO.
- Actives who become deferreds in the tax year of GMP conversion.

There are also no easements for members who continue to accrue benefits throughout the tax year of conversion.

We would be happy to discuss this response further and would welcome the opportunity to review any draft guidance, if that would be helpful. Please contact Kirsty Cotton on 01737 274496 or Kirsty.cotton@wtwco.com or Paul Butfield on 07590 227 418 or paul_butfield@ajg.com.

Yours sincerely

Kirsty Cotton FIA C.Act
Chair of the Pensions Taxation Committee
On behalf of the Association of Consulting Actuaries Limited

About the Association of Consulting Actuaries

Members of the ACA are all qualified actuaries – mainly Fellows of the Institute and Faculty of Actuaries. All actuarial advice given by our members is subject to the Actuaries' Code. Advice given to clients is independent and impartial. Members provide advice to thousands of private sector, local government and public sector employers. The associated pension schemes provide defined benefit (**DB**), defined contribution (**DC**), cash balance (**CB**) and collective defined contribution (**CDC**) rights, with total assets of DB private sector schemes alone exceeding £1 trillion. ACA members include the scheme actuaries to schemes covering the majority of members of private sector defined benefit pension schemes including most of the country's largest schemes. Members also advise thousands of smaller pension arrangements and individuals (many in self-employment) as well as advising life and general insurers.