The HSBC Bank (UK) Pension Scheme (the Scheme)

GMP Equalisation

Frequently Asked Questions (FAQs)

These FAQs answer common questions about GMP equalisation ("GMPe"). Please read them carefully, as they explain why your pension is changing and what steps you may need to take to check if you owe (or are due back) any extra tax.

1. What is a Guaranteed Minimum Pension (or GMP)?

A GMP is the minimum pension that the Scheme must pay to members of the Scheme who built up benefits between April 1978 and April 1997. This was one of the conditions of "contracting- out" of the State Earnings Related Pension Scheme ("SERPS").

When a pension scheme "contracted-out" of SERPS, members paid lower National Insurance contributions. Instead of getting SERPS benefits, their workplace pension scheme had to provide them with a Guaranteed Minimum Pension ("GMP").

2. Why is the Trustee reviewing GMP records and equalising member benefits?

In the past, many UK workplace pension schemes had different retirement ages for men and women. This changed from May 1990 when schemes had to make retirement ages the same. However, GMPs still had different payment ages, 65 for men and 60 for women – because they followed the old State Pension ages.

This meant men and women built up GMPs at different rates. Men and women in the same scheme for the same time could receive different pension amounts.

On 26 October 2018, the High Court ruled that UK pension schemes must review GMPs and equalise benefits earned during the period from May 1990 until GMPs ended in April 1997. Since the High Court ruling, pension schemes across the UK have been checking their GMP records and working to equalise benefits. This has taken time because the process is complex.

3. How did the Scheme Trustee review my benefits?

The Trustee and its advisers have checked the benefits of members who earned a GMP between May 1990 and April 1997. As part of this, we worked out what each member would have built up if they were the opposite sex, taking account of the differences in the way GMP is calculated for men and women.

Where a member who is already receiving their pension from the Scheme would have received a higher pension in the past if they were the opposite sex, they will get a lump sum in October 2025, with interest, to make up for the underpayment.

If a member would now be receiving a higher pension from the Scheme if they were the opposite sex, their pension will receive an uplift from October 2025 to reflect this.

4. Haven't you written to me about GMPs before?

Before the GMP equalisation exercise the Trustee completed a project to check the Trustee's GMP records matched those held by HMRC. This was called "GMP reconciliation". We needed to update GMPs for some members because of that project and we wrote to those members in 2024 to tell them about the changes.

GMP equalisation is a separate project, but we have used the updated records from the reconciliation to work out the changes for members affected by GMP equalisation.

5. Will this affect the annual increases I receive each year on my pension?

Any uplift which you receive as a result of GMP equalisation will be taken into account when calculating your pension increase each year.

6. I am making repayments as part of a Scheme repayment plan, what do I need to do?

You do not need to do anything; your repayment plan will not be affected by these changes to your pension.

7. Will my State Pension be affected?

No, this won't affect your State Pension.

8. I have a Pension Sharing Order, will this be affected?

If your pension in payment has previously been affected by a Pension Sharing Order, then this will be allowed for in our calculations.

9. What are the tax implications of this increase?

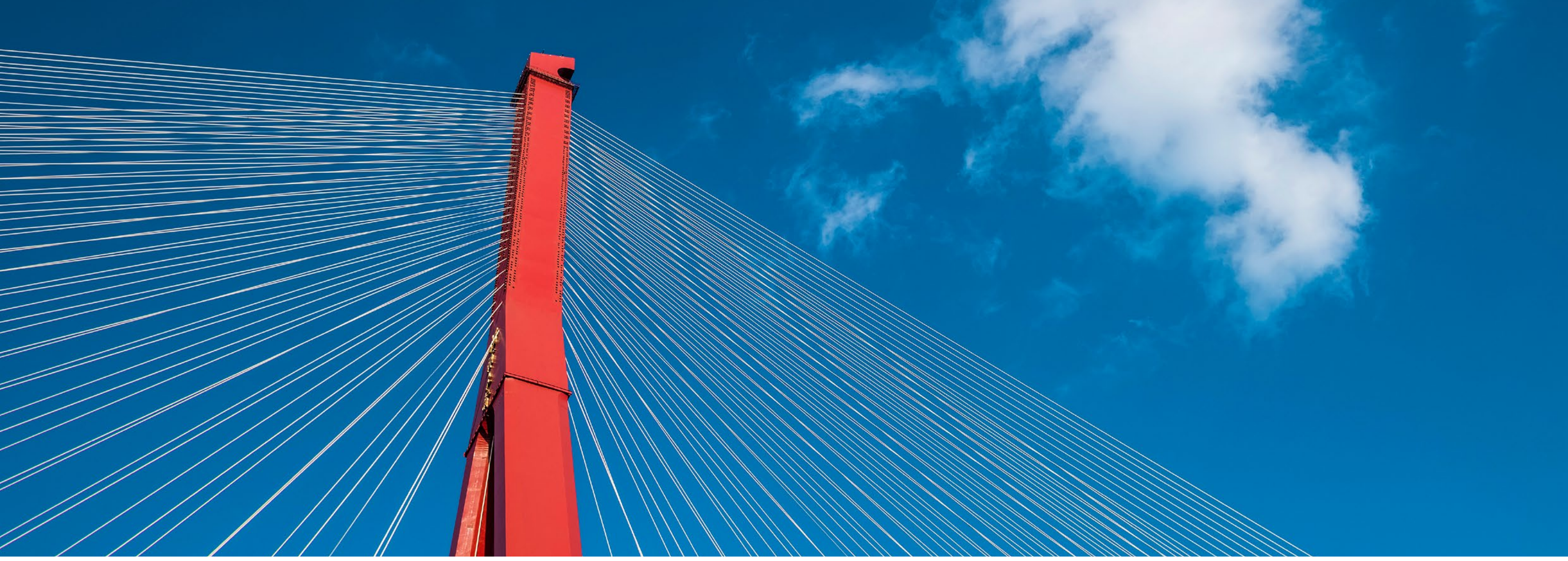
Your pension, any one-off payment and any interest that is paid to you may be subject to income tax (where applicable).

As with your normal pension payments, we will deduct any income tax due under the PAYE system on any one-off lump sum payment before it is paid to you. We will not deduct tax from the interest element unless our records show that you live abroad (but see question 10 as you may need to declare the interest paid to you on your tax return).

You might also need to check whether a tax charge is due in respect of the Lifetime Allowance (see questions 12 to 17 below) or if your scope to take a tax-free lump sum on drawing other pension benefits may be affected (see question 18 below).

10. Why isn't tax deducted from interest on any past underpayments?

HM Revenue & Customs (HMRC) set rules on when we must deduct tax. Whilst income tax can be due on interest, we will only deduct any tax due on the interest paid to you if you normally live outside the UK.



If you live in the UK, you should work out whether you need to pay income tax on any interest you receive. You need to look at both your 'Personal Allowance' and 'Personal Savings Allowance.' If you do owe tax to HMRC then you need to report this to HMRC. For more information, please see HMRC's website at **www.gov.uk/apply-tax-free-interest-on-savings**.

11. What about my income tax band?

If the one-off payment means that you are pushed into a higher income tax band for the 2025/26 tax year, you can write to HMRC and ask for the arrears for past underpayments to be assessed for tax in the tax year(s) that they originally fell due for payment. If you do this, you will need to provide HMRC with a breakdown showing the relevant tax year(s) to which the arrears relate. We have included this with your letter.

12. Will I have to pay a Lifetime Allowance (LTA) tax charge?

Most members will not have to pay an LTA charge because of the changes to their benefits. However, if you have paid an LTA charge before or have large pension savings (see question 13 below) you might still need to.

The LTA is used to set a limit on the pension benefits and savings you could build up across all your pension schemes without incurring a special extra tax charge called the LTA charge. The standard LTA for the 2023/24 tax year was £1.073 million.

The Government removed the LTA from 6 April 2024 for benefits drawn on or after that date. However, the LTA charge may still arise for pensions that started before 6 April 2024. If your pension started between 6 April 2006 and 5 April 2024 and is now increasing due to equalisation, this may change the amount of LTA you used in the Scheme when your pension first started. If this applies to you, we have included a statement with your updated LTA usage.

If the uplift means you went over your LTA when your pension in the Scheme started (or exceeded, it by a greater extent) an LTA charge will be due. This is because the extra pension now being added means your tax at retirement needs to be rechecked. If you think this applies to you, you should contact the Scheme Administration Team at Equiniti (see question 24 below).

If you took benefits from another pension scheme between 6 April 2006 and 5 April 2024 the increase in your pension from the Scheme might mean an LTA charge is due on those other benefits. If you think this applies to you, you should contact those other schemes and let them know your LTA usage has increased due to GMP equalisation.

In general, you would only face an LTA charge if you had large pension savings and took benefits before 6 April 2024.

13. Is there a quick way to know whether I have exceeded my LTA?

It depends on your personal situation. However, as a rough guide, you probably have not exceeded the standard LTA if:

- Your pension benefits are simple (e.g. you haven't chosen "drawdown"), and
- your current annual pension income from all sources (ignoring State pensions and any pensions you may be receiving following the death of someone else) is below £30,000 per year.

14. How has my LTA usage been calculated to date?

Between 6 April 2006 and 5 April 2024, every time you took pension benefits, the pension provider had to check if they exceeded your available LTA. They used information you gave them about any LTA you had already used. Each scheme should have given you a statement showing how much LTA was used.

If the total amount of LTA that you had used up across all your pension schemes went over 100% then you would normally have to pay an LTA tax charge.

15. I took my benefits from the Scheme before the LTA was introduced in 2006. Will I still be affected?

If you started to take benefits from the Scheme (or any other pension scheme) before 6 April 2006, those benefits will not have been checked against the LTA when you took them and you did not have to pay an LTA tax charge. However, if you received any other pensions between 6 April 2006 and 5 April 2024, those schemes had to take your earlier pension into account. This means working out if an LTA charge applies can be more complicated. In general, your available LTA on and from 6 April 2006 should have been reduced because you started receiving benefits before that date. The reduction would have been based on the amount of pension you were receiving from the Scheme (and any other pension scheme) when you first took other benefits on and from 6 April 2006.

16. I have a protected LTA limit. Will this be affected?

This depends on what type of protection you have. If you haven't had any LTA protection this question does not apply to you.

If you have Primary Protection, Individual Protection 2014 or Individual Protection 2016 and your pension increases due to GMP equalisation, it could mean the amount protected may also increase. If you think this is the case you need to notify HMRC within a reasonable time. You will need to contact HMRC in writing as the Trustee cannot do this for you.

If you have Fixed Protection, Fixed Protection 2014, or Fixed Protection 2016, you won't lose your protection due to GMP equalisation.

If you have Enhanced Protection, you will need to let the Scheme Administration Team at Equiniti know (see question 24 below), so they can undertake a check to see if this protection is potentially lost due to GMP equalisation. Following this check, if it is found that this protection may be lost, Equiniti will contact you to outline any options you may have.

If you have never applied for an LTA protection, you don't need to worry about this.

17. What do I need to do if I think I have now gone over the LTA or if I have LTA protection?

If you think the increase in your LTA usage means that you had used more than 100% of your remaining LTA or if you need more information to increase the value of your benefits eligible for LTA protection, please contact the Scheme Administration Team at Equiniti (see question 24 below) to discuss this further.

18. Will this change how much of my pension I can take tax-free?

When the Government removed the LTA from 6 April 2024, they set up a new system for calculating how much of any pension benefits not yet in payment could be taken as a tax-free lump sum. This is based on your individual Lump Sum Allowance (LSA), which for most people is currently £268,275.

If you started to draw any of your pension benefits before 6 April 2024, your LSA will usually be reduced by 25% of the LTA those benefits used up, unless you hold a transitional tax-free amount certificate – see below.
If your past LTA usage in the Scheme, as shown on your personal statement, has now increased as a result of GMP equalisation, you may have less of your LSA remaining. This could also reduce the tax-free lump sum you can take from any remaining pensions. However, this will only affect you if you have a high level of pension savings.

If you think this may impact you, there is another way to calculate your remaining LSA. Instead of using the default method, you may be able to apply for a transitional tax-free amount certificate, which is based on the actual tax-free lump sums you received between 6 April 2006 and 6 April 2024, as well as any pensions you may have been in receipt of prior to 6 April 2006. This would mean your remaining LSA would not usually be affected by any changes to your benefits as a result of GMP equalisation. Any application for a certificate must be made before you receive a relevant tax-free lump sum from any of your pension schemes on or after 6 April 2024.

Whether you would benefit from (or be adversely affected by) applying for such a certificate will depend on your personal circumstances. If you are considering applying for a transitional tax-free amount certificate we recommend you take appropriate independent advice (see question 19 below).

Also, if you started to receive or have drawn down any of your pensions since 6 April 2024 and received part of the payment as a tax-free lump sum, you should let those scheme(s) know if the amount of the LTA that you used up under the Scheme (or Scheme pension, where this started before 6 April 2006) has increased.

19. Do I need to take financial advice?

We understand that this is all quite complex, and that you may need help. You should consider taking financial advice if you are unsure about how this affects you. Neither Equiniti nor the Scheme Trustee can give you any financial advice and this FAQ sheet is not tax advice.

To find a financial adviser, you can use the online retirement adviser directory provided by the MoneyHelper service which is available at **https://www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/find-a-retirement-adviser**.

20. My letter says that my pension will be reviewed regularly to check it is correct. What does this mean?

We will review your pension and your GMP record regularly throughout the period your pension is being paid to ensure that it continues to meet the requirement for the Scheme to equalise pensions, where necessary, for the effect of GMPs.

21. I have other workplace pensions and they have not contacted me about GMP equalisation. Does this letter apply to those benefits as well?

This letter only applies to the GMP equalisation changes for benefits in the HSBC Bank (UK) Pension Scheme. If you have questions relating to any other pensions that you have you will need to contact the relevant employer or pension scheme.

22. Can you help if I am struggling financially?

The HSBC Support Fund helps Bank employees past and present, pensioners and their families in financial need. The Fund is there if you find yourself needing financial support, perhaps due to a change in circumstances. You can find more information about the HSBC Support Fund page on futurefocus **https://futurefocus.staff.hsbc.co.uk/**. Select the tab 'The Scheme' and select the dropdown "HSBC Support Fund".

If you're struggling financially and would like to find out if you're eligible for a grant, you can also call the Bank Workers Charity free and confidential Helpline on 0800 0234 834. They're open 9am - 5pm, Monday to Friday (except bank holidays), or visit the website to find out more: **bwcharity.org.uk**

23. My details are wrong on the letter I've received.

If you need to correct any of your details, then please tell us as soon as possible using the contact details below.

24. I have a question or need further assistance. How can I contact the Scheme Administrators, Equiniti?

To contact Equiniti, you can:

Write to:

The HSBC Bank (UK) Pension Scheme, PO Box 5227, Lancing, BN99 9FN

If you are a Hybrid member, use the following details:

Phone: 0371 384 2631

Email: HSBCHybridPensions@equiniti.com

If you are a Deferred DB or DB Pensioner member, use the following details:

Phone: 0371 384 2620

Email: HSBCDBPensions@equiniti.com

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