The Society of Pension Professionals (SPP) response to the Draft Finance Act 2004 (Registered Pension Scheme and Annual Allowance Change) Order 2026

1. Executive summary

1.1. **The SPP is supportive of the policy intent here**.
However, the draft definition of GMP conversion is too narrow and would exclude most real-world GMP conversion exercises from the deferred member carve-out.

1.2. **The SPP recommends broadening the definition to cover all amendments made under section 24G of the Pension Schemes Act 1993.** The SPP has worked collaboratively with the GMPE Working Group on alternative wording, which we hope proves useful.

1.3. **Policymakers should consider extending the easement to active members.**
However, this should not delay the Order coming into force.

1.4. **The SPP suggests that the explanatory notes be amended to reflect how GMP conversion operates in practice.**
This is because the current wording incorrectly suggests the easement only applies where conversion rectifies sex discrimination.

1.5. **The SPP encourages HMRC to publish clear guidance, supported by a range of practical examples, to demonstrate how the legislation will apply in practice.**

2. Consultation response

Definition of GMP conversion

2.1. We understand that the purpose of the draft legislation is to enable individuals who would have been subject to the deferred member carve-out ("DMCO") for annual allowance purposes to remain within that carve-out where their benefits have been subject to GMP conversion. The SPP does not consider that the draft legislation achieves this purpose as the definition of "GMP conversion" is too narrow.

2.2. As drafted, "GMP conversion" means amendment of the scheme in relation to an earner so that it no longer contains the guaranteed minimum pension rules (being the rules specified in sections 13(1)(a) and (b) and 17(1) of the Pension Schemes Act 1993 ("PSA93")).

2.3. To comply with Condition 1 in section 24B(2) of PSA93, the post-conversion benefits must be actuarially at least equivalent to the pre-conversion benefits. This means that in addition to no longer complying with the guaranteed minimum pension rules, a GMP conversion exercise nearly always includes other benefit adjustments in order to satisfy this Condition.

2.4. These benefit adjustments might include, for example:

- an increase to the amount of a member's pension to reflect the fact that post-conversion they will only receive statutory revaluation under Chapter II of Part IV of PSA93, which is typically lower than the fixed rate revaluation they would have received on their GMP; or
- a new tranche of excess benefit that retains the fixed rate revaluation increases that would have applied had the member retained their GMP.

2.5. Such benefit adjustments are permitted under section 24G(3) of PSA 93, which allows trustees to include other amendments which they think are necessary or desirable as a consequence of, **or to facilitate, the GMP conversion** (emphasis added). As these amendments are made as a result of section 24G(3) as opposed to 24G(1) of PSA93, they would not fall within the definition of "GMP conversion" in the Order and so these amendments to benefits would cause individuals to fall outside of the DMCO.

2.6. We have significant concerns, therefore, that the Order will be of very limited use in practice as it will not apply to the vast majority of individuals who have been, or will be, subject to a GMP conversion exercise.

2.7. The SPP, GMPE Working Group and the APL are aligned in believing that the definition of "GMP conversion" should be amended to read as follows in order to resolve the issues raised above:

""*GMP conversion" means any amendment, modification or adjustment of a scheme as referred to in section 24G of the Pension Schemes Act 1993 or section 20G of the Pension Schemes (Northern Ireland) Act 1993 as applicable*."

2.8. In addition, we recommend that HMRC publishes clear guidance, supported by a range of practical examples, to demonstrate how the legislation will apply in practice. This would provide reassurance that the provisions accommodate the range of approaches adopted in GMP conversion exercises, including different conversion designs and methods of providing ongoing revaluation, while preserving eligibility for the deferred member carve-out.

Scope of the easements made by the Order

2.9. The Order does not apply to active members, members who move from active to deferred status, or active members who become pensioners during the pension input period (tax year) in which the GMP conversion occurs. Conceptually, we can see no reason why these members should not also have the benefit of any increase in the value of their rights being excluded where that increase relates to GMP conversion.

2.10. Specifically, we suggest extending the scope of the easement to cover:

- Active members generally;
- Active members who move to deferred status in the tax year the GMP conversion occurs; and
- Active members who become pensioners in the tax year the GMP conversion occurs.

2.11. That said, we would not want the addressing of this issue to delay the Order coming into force as we would not expect there to be significant numbers of active members who are affected by this issue.

Explanatory notes

2.12. The draft explanatory notes state that the increase in the value of an individual's pension rights as a result of GMP conversion is to be disregarded *"(insofar as the conversion rectifies sex discrimination in relation to those pension rights)*". This suggests that the provisions of the Order do not apply to that part of an individual's rights that have been subject to GMP conversion, but where the conversion did not rectify any inequality in respect of those rights. For example, where the conversion applied to GMP accrued before May 1990.

2.13. This does not reflect how GMP conversion operates in practice as the legislation requires all of a member's GMP to be converted into a non-GMP benefit. Consequently, the explanatory notes need to be amended.

3. About The Society of Pension Professionals

3.1. The SPP is the representative body for a wide range of providers of advice and services to pension schemes, trustees and employers. Our work harnesses the expertise of our membership, striving for a positive impact on pension scheme members, the pensions industry and its stakeholders.

3.2. The breadth of our members is a unique strength for the SPP. Our membership of 90 corporate organisations employs over 20,000 pension professionals including actuaries, lawyers, professional trustees, DC consultants, investment managers, providers, administrators, covenant assessors, and other pension specialists.

4. Further information

4.1. For more information about this consultation response please contact SPP Director of Policy & PR at: phil.hall@the-spp.co.uk or telephone the SPP on 0207 353 1688.

4.2. To find out more about the SPP please visit the SPP web site: https://the-spp.co.uk/

4.3. Connect with us on LinkedIn at: https://www.linkedin.com/company/the-society-of-pension-professionals/

4.4. Follow us on X (Twitter) at: https://twitter.com/thespp1

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