

A proposed change to your pension benefits

This leaflet explains a proposal, being made by the Trustee of the Scheme, to change some of the elements that make up your pension, whilst preserving the overall value of your pension benefits.

The change would affect you if you have what is called a **Guaranteed Minimum Pension (GMP)**. If you have an EPB-only pension, where your pension is paid annually, this proposal would not affect you. We explain all about GMPs and the different pension elements on the next page in Question 1.

If the proposal goes ahead, your pension will not go down, and in some cases it could increase.

As the Trustee of the Scheme, we are writing to all Scheme members about the proposal. We are required by law to consult with members whose benefits may be changed, so that you have the opportunity to give your feedback to the Trustee about the proposal. This process is known as a consultation.

Please read this leaflet carefully; it has all the information you need to consider the proposal. Supplementary details can also be found on our website, www.cadentgaspensions.com.

If you have no comments on the proposal, then there's no need for you to do anything.

If you would like to give any feedback, you can do this by email or by post; the deadline for responses is Friday 28 February 2025.

You will find more information on how to give feedback at the end of this leaflet.

What is the proposal about?

Your pension can consist of up to four different elements (as shown on page 2). Each element may increase in a different way each year to take account of inflation.

Some of these elements are treated differently for men and for women, and this has resulted in historic differences. This is specifically in relation to an element of the pension entitlements built up between 1990 and 1997. The law requires that pension schemes review whether they are treating men and women equally. This process is known as **GMP equalisation**, and we will explain what 'GMP' is on the next page.

What does this proposal mean for members?

The Trustee of the Cadent Gas Pension Scheme is responsible for making sure that GMP equalisation is carried out, and there are different ways that pension schemes can do this. The Trustee is proposing to do this by converting the current pension elements to elements that will be easier to understand and easier to administer from now on. This is known as **GMP conversion** and is the proposed change that the Trustee is consulting with you about.

Some important points to note

Your pension will not go down as a result of GMP conversion – and in some cases your pension could increase.

While the proposed changes would apply to many members in the Scheme, in some cases only the names of the different pension elements will change.

Elements of your pension might change over time, but the current overall value of your pension – before and after GMP conversion – would stay the same. This is quite a technical point which we will explain further a little later in this leaflet.

You will get personalised information explaining how you may be affected by the changes if they are implemented. If the proposal goes ahead, this is expected to be in around 9-18 months time, and we will keep you updated in the meantime.

There is no need for you to do anything if the proposal for GMP conversion goes ahead.

The proposal outlined in this leaflet considers three key questions:

- Which pension elements differ for men and women?
- How will the Scheme ensure that men and women receive equal treatment?
- And having done that, what is the Trustee proposing to do to make this simpler going forward?

1. Which pension elements differ for men and women?

Your pension can be made up of up to four elements, each of which increases in different ways

- The first is **Equivalent Pension Benefit ('EPB')**, a relatively small pension that resulted from Scheme membership in the 1960s and early 1970s.
- The second is **Guaranteed Minimum Pension ('GMP')**, arising from Scheme membership from 1978-1988 (**'pre-88 GMP'**).
- The third is **Guaranteed Minimum Pension**, arising from Scheme membership from 1988-1997 (**'post-88 GMP'**).
- The fourth element is the total pension less the three elements above, which is sometimes called **'excess pension'**.

Pre-88 GMP and post-88 GMP are based on part of the old State Pension, when State Pension Age was 60 for women and 65 for men, and this is where the unequal treatment of pensions stems from. In essence, GMP is a replacement for part of the State Pension, which is provided for within the Scheme rather than by the State.

Members whose pension includes an amount arising from Scheme membership between 6 April 1978 and 5 April 1997 may have GMP; but not in all cases - for example, if your earnings were below a minimum threshold. For the purposes of this consultation, there is no need to know if you have GMP or not.

2. How will the Scheme ensure that men and women receive equal treatment?

The Trustee must, by law, now review pension benefits for men and women to take account of the unequal effects of GMP within the pension entitlement. Broadly, the excess pension may be adjusted to take account of the unequal effects of any GMP. This exercise is called **GMP equalisation**.

Dependant pensions (in payment now or to become payable in the future when a member dies) will be treated the same way. Due to legal judgements that have been made, even though GMPs have built up between 1978 and 1997, only benefits from 1990 to 1997 need equalising.

There are a few methods by which the Trustee can carry out GMP equalisation, and these have been approved through the UK High Court. The calculations are extremely complex. But in short, a comparison is made of the pension payable if the member was a man, versus the pension payable if the same member was a woman.

The higher of these two pensions is then taken to equalise the member's pension.

For many members, there will be no change to the amount of pension in payment due to GMP equalisation. However, for some members, pensions may increase or decrease due to GMP equalisation.

Where a pension increases, the Trustee will make a one-off payment to reflect the higher pension that should have been payable in the past, since the pension started, as well as paying the higher pension in the future.

Where a pension would decrease, the Trustee's conversion proposal will be used, as far as possible, to maintain the amount of the pension being paid.

The Trustee is looking to make any back payments and to increase any future pensions in late 2025 and 2026.

3. What is the Trustee proposing to do to make this simpler going forward?

Once the Trustee has made any back payments and increases to future pensions to meet statutory GMP equalisation obligations for pensioner members, it then has a choice to make.

- It could carry on including the GMP elements within member pensions. This is difficult and expensive to administer, because the comparison of pension payable to a man versus pension payable to a woman would need to continue into the future. It is also very complicated to understand.
- Or, the Trustee could look to convert all the pension (not just the 1990-1997 part) to a pension of the same value. This converted pension would have no GMP elements. There would be a one-off amendment to a member's pension. It would make the pension simpler to administer and easier to understand. This exercise is called **GMP conversion** and has been approved by the UK High Court as an acceptable method to equalise a member's future pension benefits.

What does GMP conversion mean for pensions in payment?

- First of all, the pre-88 GMP, post-88 GMP, and 'excess pension' elements would be valued, using calculations carried out by the Scheme actuaries.
- Then these three elements may be adjusted, again using calculations carried out by the Scheme actuaries, retaining the same overall value of pension.
- And the elements are also renamed.

This is a one-off adjustment. The Scheme's actuary certifies that the value of your pension has not reduced. Dependant pensions (whether currently in payment or becoming payable upon a member's death) would be converted in the same way. Equivalent Pension Benefit would remain unaffected.

After careful consideration and having worked with our professional advisers, the Trustee is proposing, where a member's pension includes GMP:

- A.** To use GMP conversion for Scheme members in receipt of a pension, and
- B.** For the time being, to use GMP conversion at the point when deferred members commence payment of their pension.

This proposal is what the Trustee is consulting with you about.

When could this go ahead?

If the proposal to adopt GMP conversion goes ahead, the Trustee plans to carry out conversion for pensioners at the same time as GMP equalisation, starting in late 2025 and into 2026. Then GMP equalisation/conversion for deferred members who commence payment of their benefits would follow in due course.

A quick summary of some key points:

- The Trustee must, by law, undertake **GMP equalisation**. This equalises pension benefits for men and women to take account of the unequal effects of GMP within the pension entitlement. Some members may see an increase to their pension through this process. If so, they will also see a back payment, to reflect the higher pension that should have been payable in the past.
- The Trustee is making a proposal to undertake **GMP conversion**. This would replace the GMP elements of a pension while retaining the same overall value of pension. Some members could see an increase to their pension through this process. But in this case, the increase would be used to ensure that the overall value of the pension stays the same, so there would be no back payment payable.
- There is no need for you to do anything, unless you would like to give feedback on the proposal for GMP conversion.



Turn over to find out what happens next...

Getting more information

This leaflet includes all the information you might need to consider when reflecting on the proposal. Supplementary information about this consultation can be found on our website www.cadentgaspensions.com.

This includes examples to help illustrate what might happen as a result of GMP conversion.

Feedback on our proposed changes

As the Trustee of the Scheme, we are required by law to consult with members whose benefits will be affected by GMP conversion, before deciding whether to proceed with our plan for GMP conversion. In some cases, only the names of the different pension elements will change, but this a change nevertheless, and we are consulting with all members of the Scheme. We are working closely with Cadent Gas Limited, the sponsor of the Scheme, as we go through this process. We also want to be as transparent as possible about our intentions. This means clearly explaining all the relevant information about the proposed changes and giving you the opportunity to provide your feedback.

Providing your feedback

If you have no comments to make on the proposal, there is no need to do anything.

If you have any questions or any feedback, please get in touch with us by Friday 28 February 2025, when the consultation window closes. You can contact us in the following ways:

- Email: cgpstrustees@cadentgas.com
- Write: Pensions - Consultation, Cadent, Pilot Way, Ansty Park, Coventry, CV7 9JU

What happens next?

During the consultation period:

- We will put any common member questions and answers on a dedicated page on the Scheme website.

After the consultation period ends:

- We will carefully review all the feedback provided and reflect on the proposal.
- We will make a decision and confirm to all Scheme members whether the proposed changes are going ahead.

One last thing

A technical point which we expect will apply to very few members: if on or after 15 March 2023 you have applied for protection from changes to the lifetime allowance with HMRC and have not yet told us, it is important that you let us know using the contact details above.

Thank you for taking the time to read this leaflet.

The Trustee of the Cadent Gas Pension Scheme