Down to the Wire!

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On 28 April 2022, at 4:35 pm we issued legal advice to our client regarding the GMP conversion exercise for two schemes, along with final versions of the deed of amendment to bring into effect GMP conversion; the Conversion Date was set for 1 May 2022. At 4:43 pm, we get an e-mail from our professional support lawyer stating that the Pension Schemes (Conversion of Guaranteed Minimum Pensions) Bill, a private member’s bill proposing further changes to the GMP conversion legislation, has just received Royal Assent and is now the Pension Schemes (Conversion of Guaranteed Minimum Pensions) Act 2022; “all those currently advising on GMP conversion should take note!” Talk about bad timing! As the reader will be aware, GMP conversion projects require months of planning and negotiations between advisers, trustees, and employers. Would the changes introduced by the Act be in force on 1 May?! Would we have to update our legal advice? Could the deeds still be signed?! Would we have to send out new communications to members?
Some people in the pensions industry echoed our concerns, some indicated that provisions of the Act had immediately come into force, whilst others disagreed. To complicate matters further, although the Act received Royal Assent on 28 April 2022, the final version of the legislation was not yet published. We had to do some quick thinking but were able to advise our client on how to proceed. Phew!

The Act has now been published, but regulations are required to bring the changes to the GMP conversion legislation into effect. As far as we are aware, no such regulations (at the time of issuing this blog) have been published.

We will welcome the changes as they aim to simplify and clarify how GMP conversion legislation operates. In particular, once we have the accompanying regulations, the combined effect will be to:

1. explain that the conversion legislation applies to survivors as well as earners;
2. set out the conditions that must be met in relation to survivors’ benefits;
3. detail which employer must consent to the conversion; and
4. remove the requirement to notify HMRC.

The Act doesn’t cover the position of pension schemes already in a PPF assessment period, nor any of the tax issues related to the conversion of GMP. It is possible that separate legislation could eventually be passed to address some of the issues but, if it happens at all, it will take months to finalize. Until then it will be business as usual in dealing with the tax issues, in particular.

Nevertheless, the changes introduced should make the conversion process easier for trustees and their advisers and at the same time provide clarity for members. We just hope that when the regulations are published, everyone has adequate time to assess their impact and get ready to apply them and we are not down to the wire.

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