Frequently Asked Questions

This information is specifically for those who were already receiving a pension before 1 December 2025 and who have received a letter regarding GMP equalisation.

1. Why is this change happening?

Part of your pension is called Guaranteed Minimum Pension (GMP). The law requires that GMPs are calculated differently for men and women. The law also requires that employers should pay men and women equally for the same work, and from 17 May 1990, this includes paying the same pensions.

The UK High Court has clarified that pension schemes should check there are no inequalities in the way overall benefits are calculated for men and women due to the effect of GMP built up between 17 May 1990 and 5 April 1997 (when GMPs stopped being built up). The result of this ruling is that all affected pension schemes, including the National Grid UK Pension Scheme (NGUKPS or the Scheme), are legally required to address this inequality.

The Trustees have reviewed your pension and written to you setting out the results of the review. The Trustees will continue to make checks in future to ensure you receive the greater of the pension payable to a man and a woman calculated on a cumulative basis since retirement, including interest.

2. What is 'Guaranteed Minimum Pension'?

In addition to the Basic State Pension (with which you may be familiar), the government introduced an earnings-related top up in 1978 called the State Earnings Related Pension Scheme (SERPS). However, many employers already offered pension schemes that were more generous than SERPS. These employers could choose to "contract out" their employees from SERPS, which meant that:

- Members did not build up pension benefits in SERPS
- Both the member and employer paid lower National Insurance contributions

In return, the employer's pension scheme had to provide a minimum level of pension, known as the Guaranteed Minimum Pension (GMP).

GMP is payable from age 60 for females and age 65 for males, and the amount payable is calculated in accordance with legislation. GMPs increase at different rates compared to the rest of your pension, both before and after retirement. As a result of the different ways that GMPs are calculated, male and female members with identical service histories could be entitled to different levels of pension when they come to retire – it's this that has led to inequalities which pension schemes are now working to address.

3. How is the Trustee implementing GMP equalisation?

The UK High Court ruling set out various methods to equalise benefits. After analysing the methods available, the Trustee and the Company have agreed to adopt the core approach under the UK High Court ruling. GMP equalisation was implemented for new retirements from 1 December 2025.

If you retired before this date, a phased approach is being adopted due to the large number of members involved. The first phase for pensioners will be applied from 15 November 2026. For the remaining pensioners and dependants affected, we currently expect to make any necessary GMP equalisation updates during 2026 and 2027, although timescales may change.

4. Why haven't I received one of these letters?

GMP equalisation is being carried out in phases. We currently expect all updates to be completed by the end of 2027, although the timetable may change. In addition, each pension is different and this review only affects certain members.

5. How will I know if I'm affected?

If you built up GMP after 17 May 1990, GMP equalisation applies to you and your pension may be affected.

If you have not yet received a letter, this is because:

- GMP equalisation has had no impact on your NGUKPS benefits (you are already receiving the more beneficial benefit)
- You are affected by GMP equalisation, but will be included in a later phase of the exercise
- You are not affected by GMP equalisation.

We'll continue to keep you updated as the exercise progresses via the Scheme newsletter and website.

6. Will everyone be affected in the same way?

- Not necessarily. The effect of this exercise will vary from member to member, depending on their pension benefits and personal circumstances. In general, members will fall into one of three categories: No change to your pension nor one-off lump sum payable
- An uplift to your current pension in payment and a one-off lump sum paid
- A reduction to your current pension in payment and a one-off lump sum paid.

Whether this exercise affects you and how, will depend on how the benefits you've received so far compare with the benefits you would have received after equalisation.

For members whose pension is reducing upon implementation, additional FAQs are available here.

7. If my pension will continue to be monitored, is it likely to be adjusted on a regular basis going forwards?

Your pension could increase as a result of the monthly checks. If and when an uplift is required will depend on future inflation, interest rates and how much of your pension is comprised of GMP.

8. What rate of interest has been applied?

If you are due a one-off lump sum and new pension amount, both have been calculated using an interest rate of Bank of England base rate plus 1% per annum, applied on a simple basis. We expect this rate of interest will continue to be used in future adjustments when comparing the total value of benefits under the male basis and the female basis.

Generally, any interest is paid without tax deducted and is covered by the Personal Savings Allowance. If you live outside the United Kingdom, tax may be deducted from interest at source at the basic rate. You are responsible for accounting to HMRC for any tax due. Whether you need to pay tax, and how much, will depend on your personal circumstances.

There's more information on the government website www.gov.uk/apply-tax-free-interest-on-savings.

If you live overseas, you may also find HMRC's Savings and Investment Manual helpful www.gov.uk/apply-tax-free-interest-on-savings. The Trustees are unable to provide you with financial or tax advice.

9. How could my income tax have been affected?

Income tax applies at different rates depending on any allowances you may have and the overall level of your income relative to certain tax rate thresholds. You may have separate allowances for pension income and interest and different tax rates may apply to pension and interest. Income tax is calculated separately each tax year.

Any one-off lump sum paid as a result of this exercise (excluding interest) is actually pension income that was due in previous tax years. However, as the payment is being made in the current tax year, it will be taxed in the same way as your pension is now - through PAYE - as if it was due this year. As a result you might not be taxed correctly. If, for example, as a result of receiving the one-off lump sum, you are pushed into a higher income tax band for the tax year in which you receive it, you may have paid too much tax.

10. What should I do if my income tax is affected?

You can write to HMRC to ask for your income tax to be recalculated based on the correct historical pattern of payments, so the arrears are assessed in the tax year(s) they were originally due for payment.

If you wish to write to HMRC to request this, you will need to send them the 'Schedule of payments by tax year' enclosed with your letter. Their address is:

Pay As You Earn and Self-Assessment, HM Revenue and Customs, BX9 1AS, United Kingdom

Please note, you could end up owing HMRC more tax if:

- You had a higher marginal tax rate in any of the tax years HMRC use to recalculate, or
- You received any age-related income tax allowances in those tax years.

The Trustees don't hold any information about your personal tax position and are unable to help you with any personal tax queries you might have. You might want to speak to a regulated financial adviser for tax advice before making any decisions; you can find one at MoneyHelper www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/find-a-retirement-adviser

11. What is the Lifetime Allowance?

The Lifetime Allowance was introduced on 6 April 2006. It set a limit on the pension savings you could build up and put in place across all your pension schemes without incurring a special extra tax charge called the Lifetime Allowance charge. For the 2023/24 tax year, the Lifetime Allowance charge was removed, and the Lifetime Allowance abolished for new events from 6 April 2024. Lifetime Allowance could be used up in a variety of ways. The most common was when (between 6 April 2006 and 5 April 2024) you started to draw a pension or took a retirement lump sum. State pensions, and any pensions you may be receiving following the death of someone else, do not use up your Lifetime Allowance.

If you retired from the Scheme before 6 April 2006, your benefits would not have been tested against the Lifetime Allowance at the time they were taken. However, if you later took benefits from another pension arrangement (between 6 April 2006 and 5 April 2024), your benefits from the NGUKPS will have been taken into account when checking your available Lifetime Allowance..

12. Is the Lifetime Allowance likely to affect me?

The letter you've been sent includes information on the Lifetime Allowance. Whether you are affected will depend on when you retired from the Scheme, when you drew benefits from any other pensions arrangements you have, the level of your benefits after equalisation (including benefits from other pension arrangements), and your personal Lifetime Allowance.

13. You've told me my Lifetime Allowance usage is higher – why is that?

This FAQ is relevant only if you retired from the NGUKPS on or after 6 April 2006. If you retired before this date, please read the Lifetime Allowance information enclosed with your letter.

For Lifetime Allowance purposes, the value of pensions from schemes such as ours is primarily based on the starting amount of your pension when you retired, if you retired on or after 6 April 2006. It can also be affected by one-off increases to pensions that might apply at age 60 or 65.

Because your pension at retirement would have been higher had you been the opposite sex, and/or because one-off increases would have applied to your equalised pension at age 60 or 65, the value of your Scheme pension has been revised upwards. As a result, your Lifetime Allowance usage has been revised upwards.

The Lifetime Allowance information sent to you sets out your old and revised Lifetime Allowance usage in the Scheme and instructions on what to do if you believe your benefits have now used up more than your available Lifetime Allowance.

14. What's the impact on the benefits payable to my spouse on my death?

The pension payable to your spouse will be no less than it would have been before. Any lump sum payable on your death within five years of commencement of your pension is based on the pension that is in payment to you on the date of your death. This lump sum will therefore change in line with the change in your pension.