

The National Grid Electricity Group of the Electricity Supply Pension Scheme

Questions Answers



The Group Trustee is consulting with all affected active and deferred members about the proposed method for addressing the historical Guaranteed Minimum Pension (GMP) inequality referred to in the cover letter. The letter also includes details of the consultation process.

March 2026

The questions and answers in this document help to explain our proposal. This document is also on the Group website at <https://ngeg.pensions.nationalgrid.com/>.



1. Why might my Group pension change?

The Group Trustee is legally required to address a historical inequality relating to some GMP benefits in the Group. The inequality arises because of the different way that GMP benefits are calculated and paid for men and women.

The requirement to address this inequality follows the outcome of a High Court case which affects members of salary-related (or 'defined benefit') pension schemes across the UK that were 'contracted-out' of the State Earnings-Related Pension Scheme (SERPS, which later became the State Second Pension) between 17 May 1990 and 5 April 1997, including the Group.

As a result of addressing the historical inequality, your expected pension at your normal pension age will not go down. Depending on your circumstances, it may increase slightly or not change at all.

If you are an active member, the proposed changes will not affect the way you build up benefits in the Group in future or the contributions that you pay.

If our proposal goes ahead, we will provide you with further detail on your new pension in early 2027. This will also confirm if you are due an increase in your expected pension at your normal pension age as a result of equalising GMPs.

2. What is Guaranteed Minimum Pension?

Your Group pension is made up of different parts, based on when you built up your pension. If you were building up pension between 6 April 1978 and 5 April 1997, one part of your Group pension is likely to be Guaranteed Minimum Pension (GMP).

GMP is linked to when there were two parts to the State Pension arrangement – the Basic State Pension and SERPS.

Workplace pension schemes had the option to 'contract out' of SERPS. This resulted in National Insurance savings for the employer and its members, and most employers, including National Grid, decided to contract out.

In exchange, the Group was required to pay members broadly at least as much pension as they would have received from SERPS. This is the part of your Group pension that is known as GMP.

The amount of GMP, and the way it must be increased in payment, is set out in legislation.

GMPs are different for most men and women because the State Pension Age used to be different for men and women. As a result, men and women built up GMPs at different rates and GMPs are payable at different dates. This led to the historical inequality which the Group Trustee is now seeking to address.

3. What is the legal ruling?

Pension benefits have generally had to be equal for men and women since 17 May 1990 following a legal ruling by the European Court of Justice. However, GMPs remain unequal because they have to be calculated and paid in line with legislation which has not changed.

The issue of GMPs within pension benefits has only been addressed recently, following a separate High Court ruling.

The case related to members of the Lloyds Banking Group's pension schemes who claimed discrimination on the basis that their GMPs were not equal to the GMPs of members of the opposite sex.

The High Court ruled in the members' favour in October 2018 and held that trustees of pension schemes with GMPs are under a legal duty to adjust benefits to address the historical inequality between men and women arising from unequal GMPs.

The result of this ruling is that all affected pension schemes, including the Group, are legally required to address this inequality.



4. What is GMP equalisation?

Pensions earned between 1990 and 1997 must be equalised for the effect of unequal GMPs. This is commonly known in the pensions industry as 'GMP equalisation'. The Group Trustee has raised awareness of this previously and you may have read about GMP equalisation in the news.

You may be affected by GMP equalisation even if you don't have any GMP elements to your pension.

GMPs earned before 1990 are not covered by the court ruling and do not need to be equalised.

The proposed change will enable the Group to resolve the issue of unequal GMPs – which is a legal requirement.

5. What is GMP conversion?

GMP conversion is one way of fulfilling the GMP equalisation requirement. It involves converting all GMP pension into a form of non-GMP pension. GMP conversion effectively removes the complex rules of GMP benefits, thereby simplifying pensions.

Trustees who propose to use GMP conversion as their method of addressing GMP equalisation, are required by law to consult with those members who would be affected. This is why we are consulting with you now. You don't need to respond if you're happy with the proposal.

You only need to respond to the consultation if you have any comments or views on the conversion proposal and wish to provide feedback for the Group Trustee to consider.

6. How will GMP equalisation and conversion work?

GMP equalisation

There are different ways of equalising pensions for the impact of unequal GMPs.

Having considered all available options carefully, and with expert guidance from our advisers, the Group Trustee is proposing to apply a one-off calculation to equalise for GMP earned between 17 May 1990 and 5 April 1997. As noted above, this involves converting the GMP into non-GMP benefits.

The process involves identifying whether, over your expected lifetime, the total value of your Group pension built up between 17 May 1990 and 5 April 1997 is less than the equivalent total value of pension that a member of the opposite sex in the same circumstances would be entitled to.

An uplift would be applied to any Group member whose benefits are lower in value than they would have been had they been of the opposite sex.

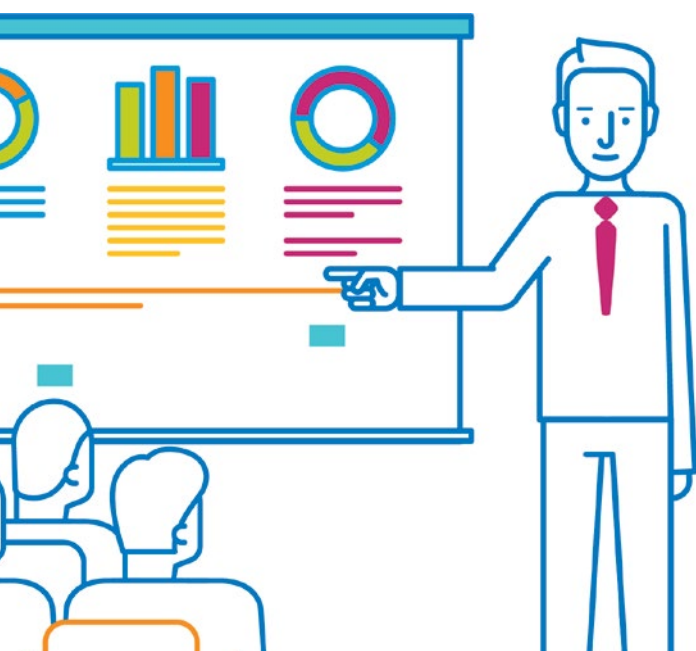
Note: Not everyone will be affected, so only some Group members will receive an uplift to their expected pension at their normal retirement. In most cases the Group Trustee would expect any uplift to be relatively small. No one will be worse off as a result of the changes.

To fulfil the equalisation requirement, and to simplify pensions, the Group Trustee is proposing to carry out a one-off calculation and convert all members' GMP into a different form of pension.

GMP conversion laws require that if a member is having their GMP converted, all their GMP (including any GMPs built up before 1990 that don't need to be equalised) must be converted.

The Group Trustee has also decided to convert GMPs for anyone who left the Group before 1990 and so are not subject to equalisation. If the Group Trustee did not do this, it would create a significant administrative burden for the Group.

Note: Only GMPs earned between 1990 and 1997 need to be equalised. If you did not earn GMP within this period, you will not be affected by GMP equalisation. However, your Group pension will still be simplified under our proposal for GMP conversion (see next page).



GMP conversion – more detail

In order to meet the equalisation requirement going forward and to simplify future administration of the Group, the Group Trustee is proposing to convert all GMP into a different form of pension.

Converting GMP into a different form of pension will:

- Remove gender-based inconsistencies arising from GMP between male and female pensions (for pension earned from 1990 onwards) – providing each member with the more valuable of the two.
- Simplify your Group pension and the future administration of the Group, as they will no longer be tied to complex GMP legislation.

Every active and deferred member with a GMP (whether or not their pension has been changed as a result of GMP equalisation) will have their GMP converted into a different form of pension.

See question 7 for details of how the Group Trustee is proposing to convert all GMP into a different form of pension.

Remember: Equalising and converting GMPs in the Group as proposed may result in a very small increase in your expected pension at your normal pension age (where an equalisation uplift is required). In all cases, your expected pension from your normal pension age and the expected overall value of your pension will not be reduced.

7. What is your proposed method for GMP conversion?

The GMP conversion laws set out a number of requirements that must be satisfied following conversion and the converted benefit must satisfy all of these.

The calculations required to carry out GMP conversion are complex and will take some time for the advisers to work through. The impact for each Group member will be specific to their individual circumstances. It is therefore not feasible to provide members with illustrations of the impact on their benefits as part of this consultation. Instead, a summary of the proposed GMP conversion approach is set out in the next column.

It is proposed to make as small a change to benefits as possible, subject to legal and practical constraints.

Our proposed approach involves converting:

- the way your GMP increases between when you left the Group (or now if you are still contributing) and when you retire; and
- the way your GMP increases in payment before your GMP age (age 65 for men and age 60 for women).

Pensions built up between 6 April 1978 and 5 April 1997 are currently made up of a combination of three pension elements. The pension increases on each pension element will be unchanged, but the split of GMP and Group pension built up alongside GMP may need to change to meet applicable legislation.

The tables below show how elements of your Group pension will increase before retirement and after retirement.

Increases before retirement

Whilst you are an active member, your accrued benefits will continue to grow in line with your pensionable salary, along with any future service that you build up.

Once a member has become a deferred member, the whole pension will increase every year in line with Retail Prices Index Inflation. This is identical to how deferred pensions increase in the Group at present.

Increases after retirement

Pension element	Pension increase
GMP built up before 6 April 1988	No annual increase
GMP built up from 6 April 1988 to 5 April 1997	Annual increase in line with Consumer Prices Index inflation up to 3%
Non-GMP built up before 5 April 1997	Annual increase in line with Retail Prices Index inflation

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There will be no changes to the way pension increases are applied as part of GMP conversion.

In summary:

- Your expected pension from your normal pension age will likely be unchanged but may increase marginally in some cases. **Your expected pension from your normal pension age will not be reduced.**
- The split between different elements of Group pension may be slightly different. This means that future increases to the total annual amount of Group pension in the future may be marginally different. **The expected value of benefits paid from the Group to you and to any dependants on your death would not be reduced.**

To ensure that the value of your benefit is protected, the Group Actuary is legally required to certify that any change will not reduce the expected value of your benefits (based on the financial assumptions used as part of the calculation process).

There will be no change to any pension you have built up in the Group after 1997.

8. What is the difference between non-converted GMP and converted GMP?

For most members, where there is a change, the change as a result of converting GMP benefits is expected to be small.

However, women currently under age 60 and men under age 65 may see a bigger change to how their Group pension increases between now and age 60 (for women) and 65 (for men). This is due to the complex way GMPs must be paid.

Note: Even if this applies to you, the expected value of your Group pension would not be reduced.

9. Why are you proposing to convert GMPs?

GMP equalisation is a complex and costly process, no matter which method is adopted. The Group Trustee decided on the proposed GMP conversion approach after much consideration and input from its advisers and National Grid.

The factors that influenced the decision include:

- the historical complexity in the Group;
- the opportunity to simplify the existing benefit structures;
- the reduced tax implications of converting GMPs following the abolition of the Lifetime Allowance from 6 April 2024; and
- alignment with how the Group is operated now and in the future.

The Group Trustee is satisfied that the proposal is in the interests of the Group and its members.

10. Can the Group Trustee make the proposed change?

Yes, pensions law does allow the Group Trustee to change the Group's benefits in this way with agreement from National Grid. However, certain steps need to be taken first, given that the change we are proposing affects benefits that have already been built up.

The Group Trustee has taken legal and actuarial advice and is following guidance from the Department for Work and Pensions.

We are consulting with all affected active and deferred members of the Group.

11. Could there be any tax implications if the proposal goes ahead?

The Group Trustee is legally required to carry out GMP equalisation.

If you receive an uplift to your annual Group pension or any back-payments, these would be taxed in the usual way.

The proposals for GMP conversion have been designed to minimise any negative tax implications. For more details on the potential tax implications, please see the GMP Q&As on the Group website.

However, there may be tax implications if:

- you are using all (or most of) your Annual Allowance in the 2026/27 tax year, or
- you applied for Fixed Lifetime Allowance Protection after 15 March 2023.

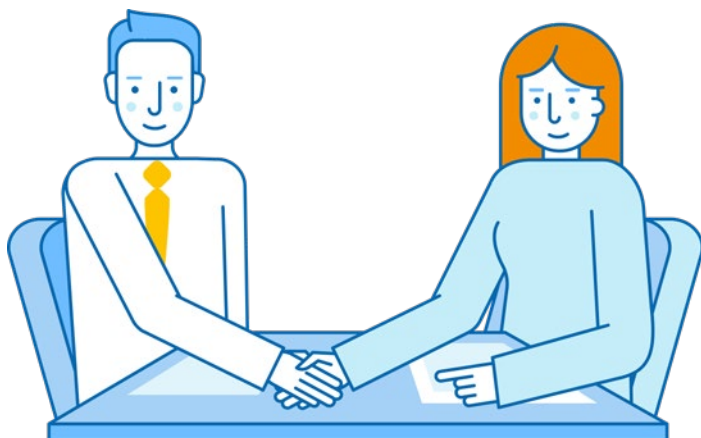
Annual Allowance

The Annual Allowance is the yearly limit on the amount of contributions paid into, or benefits built up in, all private pension schemes before the member has to pay tax. The Annual Allowance is £60,000 a year for most people. You can read more about this at www.gov.uk/tax-on-your-private-pension/annual-allowance.

If GMP is converted to a new form of pension before retirement, because of the way HMRC's tax rules work, members may use up some of their Annual Allowance in the tax year of conversion (if you left the Group after 5 April 2006). In most cases, we expect members to use up a small amount of their Annual Allowance following the proposed changes in the tax year of conversion, but this will be confirmed in the statement sent to you in early 2027.

If you believe you will be at or near the Annual Allowance or if you have a reduced ('tapered') Annual Allowance for the 2026/27 tax year, please get in touch with Broadstone using the contact details on the right.

Please note, if you are an active member or left the Group before 6 April 2006, you will not use up any additional Annual Allowance due to GMP conversion.



Lifetime Allowance

The Lifetime Allowance was a limit on the amount of pension benefit that an individual could receive from all pension schemes (whether lump sums or retirement income) without triggering an extra tax charge known as the Lifetime Allowance Charge. The Lifetime Allowance was abolished in 2024 but could still be relevant in very limited circumstances.

Our proposal to convert GMP may only impact your Lifetime Allowance if you applied for Fixed Protection after 15 March 2023. This is because you may have a higher protected Pension Commencement Lump Sum, which may be affected by our proposal to convert GMP.

If you applied for Fixed Protection after 15 March 2023, please get in touch with Broadstone using the contact details below.

Contact details

This Q&A has been designed to cover common questions impacted Group members may have on GMP conversion and GMP equalisation.

However, you may want to contact us if you wish to provide feedback on the consultation process by 30 April 2026 – please see the cover letter.

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If you have a general query about the Group or your benefits, please contact Broadstone in the usual way using the details above.