

BASF UK Group Pension Scheme

Non pensioners (deferred members) Consultation guide

A guide to our proposal for GMP equalisation and conversion

For deferred members of the
BASF UK Group Pension Scheme

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Why we are making changes

This Consultation Guide is for members of the Scheme with a defined benefit pension that is not yet in payment – known as a deferred member of the Scheme.

Since 17 May 1990, following a European Court of Justice ruling, UK pension schemes must provide equal benefits for males and females built up from that date. At the time, there was uncertainty over whether the judgment applied to that part of the Scheme's benefits known as Guaranteed Minimum Pension (GMP), (which is a part of your benefits replacing a portion of the state earnings related pension), the calculation of which is set out in legislation and is different for males and females. In 2018 the position was clarified when the UK High Court ruled (in a judgment known as the Lloyds case) that schemes like ours must take action to address any sex-based inequality arising from any GMP earned between 17 May 1990 and 5 April 1997 (when GMP ended). The Scheme's benefits were already equalised in all areas except for GMP earned in the period stated above.

The process we need to follow to address this inequality is known as GMP equalisation, and we are going to carry this out for your pension benefits in the Scheme.

As a result of going through GMP equalisation, we (the Trustee and BASF Plc (the Company)) have the opportunity to simplify benefits in the Scheme through a process called GMP conversion, which is explained in more detail below. We also need to ensure our records of the GMP element of your pension agree with the records held by HM Revenue and Customs (HMRC). If they differ, we may need to recalculate the amount of your GMP pension, known as GMP recalculation. We are planning to carry these activities out at the same time as GMP equalisation for your benefits.

Consulting with you

Before we proceed with GMP conversion, legally we must consult with all potentially affected members about our proposals. If you're affected we've written to you. You don't have to give feedback on our plans, and you won't need to take any action for the planned changes to go ahead, unless you need to provide us with information about any pension tax protections you have, as requested on page 5.

This guide explains what we're proposing, how you may be affected and how you can share your questions and feedback with us during the consultation period.

How the changes will work

Before the Trustee and the Company start the process of equalising and converting GMP, we need to ensure our records of the GMP element of your pension agree with the records held by HM Revenue and Customs (HMRC). If they differ, we'll need to recalculate the value of your GMP pension, known as GMP recalculation.

Remember: If you are impacted by this exercise, your retirement pension will not reduce.

Then we'll start to equalise and convert GMP in three steps:

<p>Step 1 Equalising past inequality in the pension you built up in the Scheme</p>	<p>We'll check if you have GMP between 17 May 1990 and 5 April 1997. If you do, we'll work out what your deferred pension would've been for this period if you were the opposite sex. If this shows that you would've been better off, we'll adjust your pension to address this.</p>
<p>Step 2 Equalising the future and conversion</p>	<p>We then plan to convert GMP benefits you had in the Scheme into non-GMP pension so they're treated and receive the same increases as other parts of your pension. GMP conversion applies to all your GMP, not just the part earned between 1990 and 1997.</p> <p>When we do this, if you've got GMP between 1990 and 1997, we'll check if you would be expected to receive a greater pension in future if you were the opposite sex. If this is the case, it will be allowed for in the conversion. This means there won't be any future sex-based inequality in your pension benefits due to GMP once you retire.</p>
<p>Step 3 The outcome</p>	<p>We'll send you confirmation of how and when you'll be affected in a personalised statement to confirm your future pension. This will include any corrections to your pension as part of Step 1 or 2.</p>

In the future, when you decide to take your pension or transfer your benefits out of the Scheme, it will include any adjustments to the way your pension is made up as a result of the equalisation and conversion process above.

GMP equalisation and conversion explained

What's GMP?

GMP is the Guaranteed Minimum Pension the Scheme provided members between 6 April 1978 and 5 April 1997. GMP is calculated differently for males and females and is payable from a set age (60 for females and 65 for males).

During this period, members were contracted out of the earnings-related element of the State pension, meaning they built up little to no entitlement to this part of the State pension. At the same time both members and their employer paid lower National Insurance contributions. In return, the Scheme provided GMP for members, which was intended to be broadly equivalent to the earnings-related State pension they would have received had they not been contracted out for this period. As the State pension was unequal between males and females, GMP was also unequal.

GMP forms part of the Scheme pension and differences in GMP between males and females can therefore lead to unequal overall pensions for members.

Visit the Pension Website to see more FAQs on GMP equalisation.

There will be no reduction to your expected retirement pension

The pension we expect you'll be entitled to at Normal Pension Age will not reduce as a result of GMP equalisation and conversion, but it could increase. The proposals may affect the way your pre-1997 pension increases in the future, both before and after you retire. Other benefits, such as your post 5 April 1997 pension and the proportion of your pension that gets paid to your dependant when you die, won't change.

The way we work out future increases to your pension may change

Many pensions from the Scheme increase each year to help them keep pace with inflation (the increase in the cost of living). Different parts of your pension will increase in slightly different ways, and some parts may not increase at all.

Conversion means that the GMP parts of your pension will be split between increasing and non-increasing parts of pension from the Scheme – broadly in line with the way they would increase if conversion was not completed. The balance between increasing and non-increasing pension may change slightly to ensure the expected future value of your pension after conversion is at least equal to the value before conversion.

The impact on your post-conversion pension will be set out in your personalised statement. We expect any impact to be minimal. Statements will be issued in 2024 for most members.

Why we're proposing this approach

GMP conversion is a way of achieving GMP equalisation. The Company and Trustee believe converting GMP into non-GMP pension will be simpler, easier to administer in the future and result in benefits that are also easier for members to understand. If we don't convert members' GMP, we'd need to maintain at least two records for every member in retirement with GMP between 17 May 1990 and 5 April 1997. We'd have to keep a record for the member, and a record showing their 1990-1997 pension for the opposite sex. We'd then need to maintain and check both records to ensure members receive the same pension irrespective of their sex. This would make administration more complex and costly.

What happens next?

<p>November 2023 to January 2024</p>	<p>Read this guide to learn about our proposals for GMP equalisation and conversion and send us any comments or questions by 30 January 2024. Comments shared after this date will not be included in the next stage of the process.</p> <p>You can find details of how to share your feedback and questions at the end of this guide.</p>
<p>February 2024</p>	<p>We'll consider any comments and questions on our proposal to proceed with GMP conversion.</p> <p>We'll add a notice to the Pension Website to share the outcome of the consultation.</p>
<p>From April 2024 onwards</p>	<p>We plan to prepare personalised statements to confirm your new pension, once the consultation process is complete. Due to the number and complexity of the calculations, this will take a while so please be patient.</p> <p>If you retire before we've implemented conversion, your pension will, subject to the outcome of this consultation, be GMP equalised and converted once it is in payment. The principles followed would be the same as outlined in this guide.</p>

Do you have Lifetime Allowance (LTA) protection?

If so, you MUST share details of your protection with the Trustee.

If you currently have any form of LTA protection from HMRC, please let the Trustee know using the form on the Pension Website.

LTA protection is something you would have requested from HMRC yourself, or via your financial adviser. HMRC would have provided you with a certificate. If you're not sure if you have it, you can check via your online HMRC account or contact HMRC. There's more information on the Government website: [gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance](https://www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance)

Most members will not have applied for or received any LTA protection; broadly, the protections work to protect members with total pension savings across all schemes of at least £1 million (equivalent to a total pension of around £50,000 per year), but the consequences of losing the protection can be significant.

It is your responsibility to tell us about any protections. If you have an LTA protection and don't let us know, you could face an extra tax charge or lose your protection.

Please let the Trustee know as soon as possible and this information will be added to your record.

Note: In the March 2023 Budget, the Chancellor announced that LTA tax charges will be abolished from 6 April 2023, with benefits over the LTA taxed as pension going forward (and therefore LTA charges are not currently expected to arise in relation to tax years after this date). However, LTA protections have other consequences and tax is a complex area so, just to be sure, we are still requesting that you inform us of any LTA protections you may have.

Learn more

There's a dedicated area of our Pension Website which includes:

- **This Consultation Guide** – more details about what we plan to do and when.
- [FAQs](#) – about GMP equalisation and our plans. We'll keep these updated throughout the consultation period, based on any feedback we receive.
- [Video](#) – 2-minute explanation of what GMP equalisation is and why we have to do it.
- [Feedback form](#) – use this if you have anything you want the Trustee to consider or have a question about our plans.
- [LTA form](#) – use this to tell us if you have Lifetime Allowance protection from HMRC.



Scan the QR code opposite with the camera on your smart phone or visit www.ukpensions.basf.co.uk and navigate to 'GMP Equalisation' from the menu.

Any questions?

Please use the Feedback form on the Pension Website if you have a question about our plans. We won't be able to respond to members individually but will update the FAQs on the Pension Website with any common questions.

If you have a question about your Scheme benefits please contact Buck, the Administrator of the BASF UK Group Pension Scheme by phone or email. Please make sure you have your National Insurance number to hand for security identification purposes.

Tel: 0330 123 0647

Email: BASF@buck.com

You can find free, general pension information online at moneyhelper.org.uk

This guide outlines the main features of the Scheme and the proposals for GMP equalisation and conversion. It's intended for consultation only and is not legally binding. The benefits detailed in this guide are subject to HM Revenue & Customs' rules. The full rules governing the Scheme are set out in the Trust Deed and Rules which will always override this guide.

Neither the Trustee of the BASF UK Group Pension Scheme nor BASF Plc nor any of their advisers are legally able to provide you with financial advice specific to your personal circumstances. Nothing in this document or accompanying materials is intended to be or should be considered financial advice.