LCP's response to HMRC consultation on Guaranteed Minimum Pension conversion provisions

Issued on 13 July 2026

This document sets out LCP's response to HMRC's consultation on Guaranteed Minimum Pension ("GMP") conversion provisions published on 8 June 2026 (the "consultation").

Who we are

LCP is a firm of financial, actuarial, and business consultants, specialising in pensions, investment, insurance, energy, health and business analytics. We have over 1,000 people in the UK, including over 180 partners.

The provision of actuarial, investment, covenant, governance, pensions administration, benefits advice, and directly related services, is our core business. About 80% of our work is advising trustees and employers on all aspects of their pension arrangements, including the application of the pensions tax regime to benefits. The remaining 20% relates to insurance consulting, energy, health and business analytics. LCP is regulated by the Financial Conduct Authority for some insurance mediation activities only and is licensed by the Institute and Faculty of Actuaries for a range of investment business activities.

Summary of our views

We welcome the opportunity to comment on the draft regulations relating to GMP conversion and annual allowance treatment and strongly support the stated policy intent – i.e. that "*members should not face a worse tax outcome simply because of the method chosen to equalise benefits*" – behind these changes. It is clearly sensible that members should not face a worse tax outcome simply because trustees choose GMP conversion rather than another recognised method of GMP equalisation.

However, we have some concerns over the regulations as currently drafted. These are summarised below:

1. Definition of GMP conversion

Our primary concern is that the current definition of GMP conversion is too narrow to achieve the intended outcome.

A GMP conversion exercise does not involve only the removal of GMP rules. In all cases that we have seen in the 8 years since the Lloyds Banking Group judgment on GMP equalisation, further benefit adjustments have also been needed so that members' post-conversion benefits are actuarially at least equivalent to the pre-conversion benefits and conversion can work as required by the Pension Schemes Act 1993. One example to illustrate this is that once the GMP rules are removed, all GMP benefits will essentially become "excess" benefits and thus typically subject to a lower rate of revaluation in deferment than when they were GMP. The post-conversion benefits therefore either need to be uplifted to compensate for this or to be subject to a GMP "style" revaluation rate following conversion in order to maintain actuarial value with the pre-conversion benefits. If the amending legislation only covers the narrow technical step of removing GMP status, but not any associated adjustments to benefits required to maintain actuarial value, conversion exercises will still give rise to annual allowance issues and your policy objective will not be achieved.

We therefore suggest that the provisions should apply to the **full GMP conversion exercise**, including any consequential benefit adjustments made as part of that exercise.

2. Scope of the provisions

We also think there is a strong case for extending the protection more broadly. As drafted, the provisions only apply to members to whom the deferred member carve-out ("DMCO") applies currently. However, GMP conversion will often be used for members outside that group, including for active members or at retirement. HMRC guidance confirms that there is no adverse impact for members from applying the other (dual record) equalisation methods for active members. Therefore, by restricting the application of the provisions only to those to whom the DMCO applies, the proposed regulations do not satisfy the policy intent (i.e. that members should not face a worse tax outcome simply because of the method chosen to equalise benefits).

3. Explanatory notes

We also suggest that the explanatory notes should be amended as they currently incorrectly suggest that the disregard in the increase of benefits for annual allowance purposes applies is limited to where "*the conversion rectifies sex discrimination in relation to those pension rights*". However, GMP conversion legislation requires all of a member's GMP to be converted into a non-GMP benefit and the explanatory notes should be amended to reflect this.

Next steps

We welcome the intention behind these proposals and support HMRC's efforts to remove unnecessary tax complications from GMP equalisation work. However, for the regulations to be effective in practice, it is essential that the definition of GMP conversion is broad enough to cover the full conversion exercise carried out by schemes. Ideally it should also be extended to cover members to whom the DMCO does not apply. If these points are addressed, the regulations will be much more likely to achieve their intended purpose and give trustees confidence that GMP conversion can be used without creating unintended annual allowance consequences.

We are happy for LCP to be named as a respondent to the consultation and happy for our response to be in the public domain. We are happy for you to reference our comments in any response.

Alasdair Mayes FIA
Partner

+44 (0)1962 872725
Alasdair.Mayes@lcp.com

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