

Closure of the GSK UK Defined Benefit (DB) pension arrangements

Your questions answered: 31 March 2021

Important legal note: The documentation provided to you in connection with the closure of the GSK DB pension arrangements (including this FAQ document) is for information purposes only and does not guarantee or change your benefits. Benefits under the GSK DB Plans, Top-up Plans and the GSKPP are always subject to their respective rules in force from time to time.

When will the £10,000 lump sum contribution be paid into my GSKPP account?

Active DB Plan members who join the GSKPP on 1 April 2022 will be eligible to receive this contribution.

You will be auto-enrolled into the GSKPP on 1 April 2022 and a one-off £10,000 lump sum contribution will be paid into your GSKPP retirement account by GSK through the April 2022 payroll, alongside your first normal monthly contribution to the GSKPP. This payment will be received and invested by 30 April 2022 in line with your normal monthly contribution and will be treated as being made in the 2022/2023 tax year for Annual Allowance purposes.

As a Top-Up plan member, when will I receive the taxable £10,000 non-pensionable lump sum?

Active Top-Up Plan members at the time of closure, who remain employed by GSK on 1 April 2022, will be eligible to receive this payment.

You will receive a taxable one-off £10,000 non-pensionable lump sum, paid to you on 20 April 2022 via the April 2022 payroll. This payment will be treated as being made in the 2022/2023 tax year. If, for any reason, you decide to join the GSKPP rather than receive a salary supplement, you can elect to have this £10,000 paid into your GSKPP account. Please ensure you take appropriate financial guidance before deciding on this course of action (including in relation to the taxation impact of this).

Could the £10,000 lump sum contribution into my GSKPP account (or taxable £10,000 non-pensionable lump sum) be paid any earlier?

The payments will be made via the first available cash payroll run after closure of the DB arrangements on 31 March 2022 and after active DB Plan members are auto-enrolled into the GSKPP on 1 April 2022. This will be the regular payroll run on 20 April 2022. Processing pension contributions and other pension related payments through the regular payroll is best practice, as the controls and governance are all in place to ensure the payments are processed accurately and reported correctly.

How will increases in Pensionable Pay be taken into account between now and 31 March 2022 – and then how will my deferred DB pension increase from 1 April 2022 onwards?

With effect from the end of 31 March 2022, you will become a deferred member of your DB Plan and will join the GSKPP for the future build-up of Defined Contribution (DC) benefits with effect from 1 April 2022.

The 2% cap on increases in DB Pensionable Pay (above £30,000) was introduced with effect from 1 April 2013 and since that date, increases in DB members' Pensionable Pay has been capped at 2% per year. When you become a deferred member of your DB Plan at the end of 31 March 2022, your deferred pension will be calculated based on the 12 month average of your capped DB Pensionable Pay from 1 April 2021 to 31 March 2022 (with some protections applying to certain members who have had a pay reduction following a change of role over the previous 5 years).

Closure of the GSK UK Defined Benefit (DB) pension arrangements

Your questions answered: 31 March 2021

Between closure and your retirement date (i.e. during the period of deferment), different rates of revaluation apply depending on the DB Plan you're a member of. The main provisions are set out below. However, this is only a summary for information purposes – for full details please ask to see the relevant Plan rules as it's those alone which give rise to benefit entitlements.

Glaxo Wellcome Pension Plan

All pensions in deferment increase each year between the closure date and your retirement date broadly in line with RPI inflation (up to a ceiling of 12% each year).

SmithKline Beecham Pension Plan

Pensions in deferment increase at different rates:

- Guaranteed Minimum Pensions (GMPs) in deferment are increased in accordance with fixed rate statutory revaluations. These are currently 3.5% for each complete year between the closure date and the date your GMP starts, but can change
- Pensions built up in excess of GMPs are increased in deferment in accordance with statutory revaluation. Currently, this works as follows:
 - Pensions built up before 6 April 2009 increase broadly in line with CPI inflation up to a ceiling of 5% per annum over the period of deferment
 - Pensions built up from 6 April 2009 increase broadly in line with CPI inflation up to a ceiling of 2.5% per annum over the period of deferment

Note that some members may also be entitled to additional enhancements due to Plan specific (and/or regulatory) underpins and/or late retirement additions.

What's the impact of the closure on GSK's discretionary Redundancy Policy?

The closure of the DB Plans from the end of 31 March 2022 does not involve a change in the current discretionary Redundancy Policy, which will (subject of course to the ongoing ability of the Company to exercise its discretion in any individual case and to amend the policy) apply to both your DB pension accrued to the end of 31 March 2022 and DC pension accumulated from 1 April 2022.

Below is a table giving examples of the redundancy pension enhancements for a termination date of 31 March 2023 assuming application of the current discretionary policy:

Illustrative Pension Enhancements on Redundancy - Employed pre-1 April 2005								
Date of redundancy		31-Mar-23						
Age at redundancy	DB Pension at 31/03/22	DB Pension at 31/03/23*	DC Fund at 31/03/23	DB Enhanced pension	DC Fund Enhanced	Transition payment	DB Early retirement	Enhancement excludes
47	£20,000 pa	£20,500 pa	£5,000	£24,600 pa	£6,000	n/a	4% pa early retirement reduction from 55-60	Transfer-ins, AVCs and L&G SIPP
52	£20,000 pa	£20,500 pa	£5,000	n/a	£7,000	£61,500	Unreduced pension from age 55	
57	£20,000 pa	£20,500 pa	£5,000	n/a	£5,750	n/a	Immediate unreduced pension	

* One year of deferred inflationary increase of 2.5% is assumed for the DB pension.

Notes

1. The figures shown above are for illustration only and reflect the current version of the GSK Redundancy Policy at March 2021.
2. The redundancy policy is entirely discretionary and GSK reserves the right to amend or withdraw it at any time, either generally or in any particular case. Clearly, if the policy should be changed or withdrawn, or if GSK should choose not to apply it in any particular case or circumstance, the figures shown above will be invalid.

Closure of the GSK UK Defined Benefit (DB) pension arrangements

Your questions answered: 31 March 2021

What's the impact of the closure on GSK's early retirement policy?

The closure of the DB Plans from the end of 31 March 2022 does not involve a change in the current discretionary early retirement policy, and under the current policy (which is discretionary and so subject to amendment or withdrawal at any time), anyone retiring from GSK employment (that is to say, employees who stop working for GSK and draw their DB Plan pension at the same time) can, if the Company agrees, draw their DB Plan pension from age 60 with no reduction.

GSK have committed to retaining the current terms for retiring early from GSK employment from age 60 for a minimum of three years post-closure – for all employees who are active members of the DB or Top-Up Plans as at 31 March 2022.

Under this discretionary policy, if you retire from GSK employment before age 60, then – providing the Company agrees – your DB Plan pension would be reduced by 4% for each year that you are younger than age 60 at the time of retirement (rather than being reduced to reflect the full extra cost of drawing your pension before age 65, which is how things would work without the special Company discretion).

Below is a table giving examples of early retirement on 31 March 2023 assuming application of the current discretionary policy:

Illustrative Early Retirement example, assuming Company discretion is exercised							
Date of early retirement		31-Mar-23					
Age at early retirement	DB Pension at 31/03/22	DB Pension at 31/03/23*	DC Fund at 31/03/23	DB early retirement	DB early retirement factor	Early retirement DB Pension	Early retirement DC Fund
55	£20,000 pa	£20,500 pa	£5,000	4% pa early retirement reduction from 55-60	5 years before age 60: 20% reduction	£16,400 pa	£5,000
57	£20,000 pa	£20,500 pa	£5,000		3 years before age 60: 12% reduction	£18,040 pa	£5,000
60	£20,000 pa	£20,500 pa	£5,000		Unreduced from age 60	£20,500 pa	£5,000
* One year of deferred inflationary increase of 2.5% is assumed for the DB pension.							
Notes							
1. The figures shown above shown for illustration only and reflect the current version of the GSK Discretionary Early Retirement Policy at March 2021.							
2. The early retirement policy is entirely discretionary and GSK reserves the right to amend or withdraw it at any time, either generally or in any particular case. Clearly, if the policy should be changed or withdrawn, or if GSK should choose not to apply it in any particular case or circumstance, the figures shown will be invalid.							
3. Employees may apply to receive their pension at any time before Normal Retirement Age (subject to HMRC minimum pension age of 55). The pension Trustee and GSK must agree to the application before a pension can be paid.							

Closure of the GSK UK Defined Benefit (DB) pension arrangements

Your questions answered: 31 March 2021

What's the impact of the closure on GSK's flexible retirement policy?

The closure of the DB Plans from the end of 31 March 2022 does not involve removing the ability for you to request flexible retirement, which essentially allows you (subject to Company agreement), to take early retirement and draw your DB pension benefits but to continue in employment with GSK.

However, following closure on 31 March 2022, approved applications for flexible retirement will be processed on the basis of pensions being reduced for early retirement where they start before age 65, rather than age 60 as currently applies.

Please note that (as with the other discretionary policies described in these FAQs), the ability to retire flexibly continues not to be a right. It applies only where the Company has agreed to it in the individual circumstances of the case.

Important legal note: The documentation provided to you in connection with the closure of the GSK DB pension arrangements (including this FAQ document) is for information purposes only and does not guarantee or change your benefits. Benefits under the GSK DB Plans, Top-up Plans and the GSKPP are always subject to their respective rules in force from time to time.