

## Guaranteed Minimum Pension (GMP) Factsheet

This factsheet is intended to provide members of the Mineworkers' Pension Scheme (MPS) with information about the part of their pension known as the Guaranteed Minimum Pension (GMP).

### What is a GMP?

Between April 1978 and April 2016, the State Scheme was a two-tier system. These two tiers were:

- The basic State pension – often referred to as the “old age pension”. This is a flat rate pension based on an individual’s National Insurance contributions record and is paid by the Department of Work and Pensions (DWP); and
- The additional State pension - State Earnings Related Pension Scheme (SERPS). SERPS was earnings-related and based on an individual’s record of National Insurance contributions, together with their level of earnings as an employee. Some pension schemes, like the MPS, contracted their members out of SERPS and took on the responsibility for paying that pension as part of the benefits of the MPS. SERPS was replaced by the Second State pension (S2P) from April 2002.

From April 2016, the State Scheme became a single-tier system for individuals reaching State Pension Age (SPA) after this date.

In return for ‘contracting-out’ of SERPS, members and their employers paid National Insurance contributions at a lower rate than they would if they were contracted-in to SERPS.

As a contracted-out scheme, the MPS must ensure that members’ MPS pensions are at least equal to the amount that would otherwise have been paid by the DWP under SERPS for their employment between 6 April 1978 (when SERPS began) and their date of leaving MPS eligible employment. This minimum level of pension is called the Guaranteed Minimum Pension (GMP), although the DWP may also refer to it as the Contracted-out Pension Equivalent (COPE) amount in its communications. The COPE amount will be the total of all periods of contracting-out, so will include any other contracted-out pension schemes you may have been a member of in addition to the MPS.

For the vast majority of members, the value of their MPS pension is far greater than their GMP, and the GMP forms a part of their overall entitlement. Payment of GMPs is governed by detailed legislation to which the MPS must adhere in its Scheme Rules.

### When is the GMP payable?

SERPS benefits are payable at the same time as your State pension – when you reach SPA. However, GMPs are payable from age 60 for women and age 65 for men (the changes to SPA have **not** been made to the **GMP pensionable age**). Because the GMP forms part of your MPS pension (it is **not** paid in addition), in effect it comes into payment at the same time as

your main MPS pension - in most cases this will be much earlier than your SPA and may be earlier than GMP pensionable age.

SPA used to be age 60 for women and age 65 for men. It is gradually increasing for both men and women to age 66 by 2020, to age 67 by 2028 and to age 68 between 2037 and 2039 (subject to review). If you are unsure of your State Pension Age, you can find out at: [www.gov.uk/calculate-state-pension](http://www.gov.uk/calculate-state-pension)

#### GMP Increases – in deferment

Before you retire, the GMP increases broadly in line with the rate of National Average Earnings.

#### GMP Increases – in payment

For the purposes of pension increases after GMP pensionable age, the rules governing GMPs separate this element of your pension into the GMP earned between 5 April 1978 and 5 April 1988 (known as pre '88 GMPs) and the GMP earned from 6 April 1988 (called post '88 GMPs).

So, if you were a MPS contributor between 5 April 1978 and 5 April 1988, from GMP pensionable age MPS will pay **no** increases on your pre '88 GMP arising from that period of service.

If you contributed to the MPS after 5 April 1988, from GMP pensionable age MPS will increase your post '88 GMP arising from this period of service, by the increase in the Consumer Price Index (CPI) up to a maximum of 3% each year.

This increase is applied each April in line with the increase in the CPI for the 12 months ended at the previous September.

#### Interaction between GMP increases and additional State pension increases

##### If you reached State Pension Age before April 2016:

- The State is responsible for any increase on GMP arising from contributing service between April 1978 and April 1988. Any increase payable is added to your State pension by the Benefits Agency when your State pension increases. These increases are effective from 6 April each year.
- For GMP arising from contributing service after April 1988 the MPS will pay the increase in the Consumer Price Index (CPI), up to a maximum of 3%. These increases are effective from 6 April each year. In any year that CPI has increased by more than 3% the State will make up the increase to the CPI level. These increases are also payable from April each year.

##### If you reached State Pension Age after April 2016:

- The GMP arising from contributing service between April 1978 and April 1988 will not be increased by the MPS or the State.
- For GMP arising from contributing service after April 1988 the MPS will pay the increase in the Consumer Price Index (CPI), up to a maximum of 3%, effective from 6 April each year.

### GMP payments on the death of a member

On the death of a Scheme member, the GMP element will be included within any widow's or widower's pension that may be payable.

### How can I find out the level of my GMP?

The Scheme holds details of your GMP from your date of leaving MPS employment. However, the DWP will provide you with estimated details of your GMP amount at the same time they provide you with notice of your State pension amount. They will also inform the MPS of your GMP entitlement at the same time and this is then checked against MPS records.

### GMP Reconciliation

MPS is undertaking an exercise to make sure that its GMP records completely match those held by HM Revenue and Customs (HMRC). This will ensure that members receive their correct MPS and State benefit entitlements.

### GMP Equalisation

Legislation requires benefits accrued in respect of service after 17 May 1990 not to be discriminatory between men and women. Typically pension schemes implemented this by 'equalising' their pension ages and benefits between men and women from 17 May 1990. However, GMP legislation was not changed, so GMPs continued to be paid on an 'unequal' basis (from age 60 for women and age 65 for men) which means that, amongst other things, the way in which men and women's GMPs accrue, and are increased, differ.

On 26 October 2018 the High Court ruled that GMPs had to be equalised from 17 May 1990.

### *What does this mean for the MPS?*

If you were in contributing service after 17 May 1990 we will need to make sure that your GMP is 'equalised'. At the time of writing we are awaiting DWP guidance about how this could be done. We expect some members will receive a small increase to their pension as a result of the exercise. Members affected will be notified individually.