

Factsheet



peninsula
pensions

Looking forward to your retirement

GMP

Guaranteed Minimum Pension



Photo taken in Devon by Roy Riley

lgps
Local Government Pension Scheme



Devon
County Council

Guaranteed Minimum Pension

How it affects your pension

This factsheet explains what a Guaranteed Minimum Pension (GMP) is and how it affects your pension.

What is a Guaranteed Minimum Pension?

The State Second Pension (formerly known as the State Earnings Related Pension Scheme or SERPS) is a top-up to the basic State Pension which is based on the level of National Insurance contributions you have paid since 1978 (when SERPS was introduced).

While you were a member of the Local Government Pension Scheme (LGPS), Police Pension Scheme (PPS) or Fire Pension Scheme (FPS), you were contracted out of the State Second Pension. This means that you paid a reduced rate of National Insurance, so you did not earn any State Second Pension for the time you were a member of the Local Government, Police, or Fire pension schemes.

The LGPS/PPS/FPS must therefore guarantee to pay a pension at least as good as that which you would have received as State Second Pension, and the amount we must pay you is called a Guaranteed Minimum Pension. The GMP is part of Local Government, Fire or Police pension (**not paid in addition to it**), and is equivalent to the Contracted-out Deduction that you will see on your State Pension statements.

The Guaranteed Minimum Pension is split into two parts

GMP earned between 6 April 1978 to 5 April 1988 (pre-88 GMP)

GMP earned between 6 April 1988 to 5 April 1997 (post-88 GMP)

When does a Guaranteed Minimum Pension apply?

A GMP will apply to you if you have service in the Local Government, Police or Fire pension schemes between 6 April 1978 and 5 April 1997, and if you have reached State Pension Age. If you have a GMP on your pension record, it will affect the amount of pensions increase (PI) that you receive from the Local Government, Police or Fire pension schemes.

What is Pensions Increase (PI)?

Public Sector Pensions increase each year in line with the Consumer Prices Index (CPI). The increase applies from the first Monday on or after 6 April and is based on CPI at the previous 30 September. If you are under State Pension Age or do not have a GMP then we will pay the full increase to your LGPS/PPS/FPS benefits (as long as you are over 55 or receiving an ill-health pension). If you have a GMP, then some of the annual increase is paid by the Department of Work and Pensions (DWP) together with your State Pension.

What Pensions Increase (PI) does the Local Government, Police or Fire pension pay?

Your Local Government, Police or Fire pension will pay the full increase on your pension benefits minus the GMP. They will then pay increases up to 3% on the post-88 GMP element. The rest of the increase due will then be paid with your State Pension.

Example:

1. Local Government, Police or Fire pension is £100 per month (£20 of which is pre-88 GMP and £20 is post-88 GMP).
2. The Pensions Increase (PI) is 5%, so in all there should be a £5 increase.
3. Local Government, Police or Fire pension will pay the 5% increase on £60 (the total pension less the total GMP).
4. Local Government, Police or Fire pension will pay 3% of the 5% increase on the post-88 GMP.
5. The DWP will pay the 5% increase on the pre-88 GMP plus the additional 2% increase on the post-88 GMP.
6. The total increase due of £5 (5% of £100) is paid but from two different sources.

How is this shown on my pension payslip?

If your pension is paid to you by Somerset County Council, your pension will be on your payslip as follows:

Basic/Medical Pension -the value of your pension less the GMP but before PI

Pension Pre GMP – the part of your pension that is pre-1988 GMP

Pension Post GMP – the part of your pension that is post-1988 GMP

Pensions Increase – the increase payable on your basic pension

PI on GMP – the increase payable on the post-88 GMP

If your pension is paid to you by Devon County Council, your payslip does not show the GMP but it will be held in the system to ensure pensions increase is calculated correctly.

What happens if I do not receive State Pension or it does not increase because I have moved abroad?

You will need to contact the Department of Work and Pensions and ask them to notify us of your circumstances. We will then amend your payroll record to pay full PI on your Local Government, Police or Fire pension. If you have decided to defer taking your State Pension please notify Peninsula Pensions as soon as possible.

For more information, please get in touch using the [Contact Us](#) page on our website.