



Member factsheet - Guaranteed Minimum Pension (GMP)

This factsheet is intended to provide members of the British Coal Staff Superannuation Scheme (BCSSS) with information about the part of their pension known as the Guaranteed Minimum Pension (GMP). It includes information based on the arrangements in place from April 1978 up to the date the Scheme closed in December 1994.

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. It may also be paid by the DWP but some pension schemes, like the BCSSS, contracted their members out of SERPS and took on the responsibility for paying that pension as part of the benefits of the BCSSS.

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

If you contributed to the BCSSS after 6 April 1978 you will have a GMP.

* Note: from April 2016 the State Scheme became a single-tier system for individuals reaching State Pension Age (**SPA**)*** after this date.

**SERPS was replaced by the Second State pension (S2P) from April 2002.

*** SPA used to be age 60 for women and age 65 for men. It increased to age 65 for women in 2018 and will then be further increased 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

When is the GMP payable?

SERPS benefits are payable at the same time as your State pension (at SPA). However, GMPs are payable from age 60 for women and age 65 for men (this is known as GMP pensionable age). The GMP forms part of your BCSSS pension (it is **not** paid in addition), so in effect it comes into payment at the same time as your main BCSSS pension - in most cases this will be much earlier than your SPA and may be earlier than GMP pensionable age.

GMP Increases – in deferment

Your GMP is increased up to GMP pensionable age (age 60 for women and age 65 for men) along with your main Scheme benefits in January each year in line with the increase in the Retail Prices Index (RPI) to the previous November.



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).

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

If you contributed to the BCSSS after 5 April 1988, from GMP pensionable age BCSSS 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 under the current system for members who reach SPA before 6 April 2016

There is a link between the GMP and the additional State pension (the SERPS pension) in that from your SPA, the annual pension increase is applied to the whole of your State pension, including the GMP. The total amount of GMP (including any increases to it provided by BCSSS) is then subtracted from the total amount of additional State pension built up between 1978 and 1994 and the State pays you the net amount after deduction of GMP. This calculation is performed by the State each year that the pension is payable.

The effect of these calculations is that, although BCSSS is not required to provide increases on the GMP accrued between 1978 and 1988 (or in excess of 3% each year on the GMP accrued between 1988 and 1994), the additional State pension built up during that period is subject to increases by the State. In this way an amount broadly equivalent to the GMP, but which is in fact additional State pension, is subject to an increase by the State each year from SPA.

However, now that SPA has been increased beyond GMP pensionable age (and will continue to do so going forward under current legislation), there is a period between these two ages when the State is not providing any increases - indeed, it is not providing a pension at all. This is a direct result of changes in the State pension system – there have been no changes in either the law relating to the payment of GMPs or the BCSSS Scheme Rules.

Interaction between GMP Increases and State pension increases under the new system for members who reach SPA on or after 6 April 2016

The single tier State pension applies to pensioners who reach SPA on or after 6 April 2016. Because there is no longer an additional State pension, the GMP will be deducted from the single-tier State pension to establish the starting level of the State pension (called the foundation amount)*. All future annual increases to the State pension will be made to this foundation amount. In effect, the State no longer provides any future pension increases on the additional State pension that correspond to the GMP element of your BCSSS pension. Again, this is a direct result of changes in the State pension system – there have been no changes in either the law relating to the payment of GMPs or the BCSSS Scheme Rules.

GMP payments on the death of a member

If a male member dies and leaves a surviving spouse or civil partner, their BCSSS pension will be at least half of the member's GMP for their membership from 6 April 1978 up to 31 December 1994.

If a female member dies and leaves a surviving spouse or civil partner, their BCSSS pension will be at least half of the member's GMP for their membership from 6 April 1988 up to 31 December 1994.

For most members the Scheme dependant's pension will be higher than the GMP entitlement.

How can I find out the level of my GMP?

The Scheme holds details of your GMP from your date of leaving BCSSS 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**.

* The full amount of single-tier State pension in 2018/19 is £164.35 a week for people with 35 qualifying years in their National Insurance record. If you would have received a higher amount of State pension on 6 April 2016 under the previous rules (basic plus additional State pension) this higher amount will be payable before the GMP is deducted to create the foundation amount.

** The DWP may refer to the GMP as the COPE amount. 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 BCSSS.

GMP Reconciliation

BCSSS has completed 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 BCSSS and State benefit entitlements.

GMP Equalisation

The law states that benefits earned in respect of service after 17 May 1990 can not be discriminatory between men and women. Typically pension schemes complied with this law by 'equalising' their pension ages and benefits between men and women from 17 May 1990. However, the law relating to GMPs 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 BCSSS?

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 may receive a small increase to their pension as a result of the exercise; any members affected will be notified individually.

How to get in touch with the BCSSS

For more information please see the Scheme's website: **www.bcsss-pension.org.uk**

Alternatively, you can contact the BCSSS administration office:

Telephone: 0333 222 0074

Email: BCSSS@capita.co.uk

Address:

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Please remember to quote your National Insurance / Scheme membership number.

