Freedom of Information request 401/2013

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Information request

For information on GMP increments between the period 6 April 1978 and 5 April 2014.

DWP response

I understand that following a Date Protection request, similar to your FOI request, the Pension Service wrote to you on 29 January explaining that there had been no change in your State Pension since it was set at £292.78 from 16 April 2012. That letter further explained that “Money we pay you to protect any COD increments you get with an employer’s pension or a Personal Pension against inflation”, which relates to GMP increments, remains as nil and that the £9.17 was your extra State Pension.

The Guaranteed Minimum Pension (GMP) which accrued between April 1988 and March 1997 is increased each year by the member's workplace pension scheme, by either the percentage rise in prices or 3 per cent, whichever is the lower. A GMP which accrued before April 1988 is not subject to indexation by the occupational scheme.

Where individuals contracted-out of the additional State Pension between 1978 and 1997 and delay taking their contracted-out benefits, they earn increments on these benefits. These benefits are payable by their pension scheme but, as the increments are not fully indexed by that pension scheme, the Government currently adds small amounts to the scheme member’s underlying state additional pension.

An increase on account of the inflation proofing of GMP increments is referred to as Payable Uprated Contracted Out Deduction Increments (PUCODIs). Their value is protected against price rises in the following way:

- in respect of GMP increments earned for periods before 6 April 1988, there was no requirement for occupational pension schemes to provide for their inflation proofing. To maintain the value of GMP increments against price rises, their up rating and payment of the increase rested with the state scheme

- for GMP increments, and amounts treated as such, earned for period between 6 April 1988 and 5 April 1997, pension schemes are required to inflation proof the increments by up to three per cent and to pay the increase themselves. Any inflation proofing of the GMP increments that is required above three per cent rests with, and is paid by, the state scheme.

Information on GMP increments can be found in section 75681 on page 124 of The Decision Makers Guide which is published on the DWP website at http://www.dwp.gov.uk/docs/dmgch75.pdf

Section 15 of the Pension Schemes Act limits the circumstances in which GMPs may be increased on account of postponement to those provided in section 13(4) of that Act. The circumstances detailed in sections 13(4) (and 13(5)) require the member of the scheme to remain in employment.

Under section 13(5)(a) where the member remains in employment to which the scheme does not relate and the earner's consent is required in order for the scheme to postpone payment of the GMP, we would expect that consent to come in the usual form, i.e. in writing, or a method which was acceptable to the scheme.