

# Freedom of Information request 3025/2013

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## Information request

*You state that occupational schemes continue to pay increases accrued after 1988 up to 3%.*

*A) If this is the case who pays it if it is above 3% and also if prior to 6 April 1988.*

*I for a fact know that the increases accrued prior to 6 April 1988 are paid by the DWP with my state additional pension as well as any increase above 3%.*

*B) Are you telling me that this does not happen.*

*I have been looking on the internet about public service schemes and see that they state that where it is not the responsibility of the pension scheme to pay GMP increases they say that state ,Government or DWP pay all or part increases on GMP.*

*C) Why do you state Government Departments do not pay any of the increases on GMP's when your own booklet NP46 page says it does as well as all public service pension schemes booklets and National Audit Report.*

*In December 2008 the Government announced that 5 public service schemes had identified payment errors from incorrect indexation of the pension known as Guaranteed Minimum Pension.*

*In the report by The National Audit Office printed 14 July 2009 page 5 it states that after state pension age responsibility for paying increases on GMP element is split between the pension scheme and the state. The report stated that some people received part of the uprating in their GMP twice-once correctly from the state as part of their state pension, and once incorrectly from the pension scheme. There were over 100,000 with incorrect increases on their GMP.*

*1) Can you please tell me if you have seen the National Audit report?*

*2) Do you agree that with their remark that some of the GMP increase was paid as part of their state pension.*

*3) If you state you don't agree with the National Audit Report please give me a note of the email address of the head of the DWP as I will complain that you are not giving me a complete and accurate answers to my questions.*

## **DWP response**

1) You suggest that increases on GMPs accrued prior to 6 April 1988 are paid by DWP with your State Additional Pension as well as any increases above 3%. As I stated in my previous response, the Department for Work and Pensions (DWP) is not responsible for paying increases on contracted-out scheme pensions. Legally DWP has no power to pay any part of occupational pension scheme benefits.

However, DWP does pay increases on the Additional State Pension (AP) and those increases are to take account of inflation, rather than in any way providing for additional increases to the member's Guaranteed Minimum Pension. It may help if I explain how contracting out is taken into account when calculating your State Pension.

When you first reached State Pension, your AP was calculated and from that amount a deduction was made equivalent to the GMP your pension scheme pays. This is to take account of the fact that you would have paid lower rates of national insurance whilst you were in contracted-out employment. Each year your AP is fully increased by the rate of the Consumer Price Index (CPI) and a new deduction is made which takes into account the amount your post 88 GMP has increased (CPI capped at 3%).

So whilst it may appear that DWP pays an increase on the pre 88 GMP, it has not. What has actually happened is that the AP has been fully increased and the GMP has received only a partial increase, and you receive an increase to the balance of AP payable. This arrangement, you may wish to note, is required by section 46 of the Pensions Scheme Act 1993.

Essentially, this is what the leaflet you refer to was trying to explain, albeit that it was an attempt to explain some complicated legislation in an easy to understand manner.

Turning to your question, who pays increases on pre 88 GMPs and increase on post 88 GMPs where CPI is 3%. Whilst there is no requirement for occupational pension schemes to pay increases on pre 88 GMPs or increases above 3% where CPI exceeds that figure, some schemes may decide to do this of their own volition. DWP does not keep records of which schemes adopt this approach.

2) Again as previously explained, the NP46 leaflet (2005) attempts to simplify what is a very complex process. The particular paragraph has been removed from subsequent versions of the leaflet.

3) We are aware of the National Audit Office (NAO) Report of July 2009. Whilst it is not for us to comment on the wording used in the NAO's report, we believe the terminology has been used in a similar way to the wording referred to in leaflet NP46. The NAO were simply seeking to explain why, in certain instances, GMPs had been overpaid.

4) We do not have any issues with the outcomes of the NAO report of July 2009.