

Guaranteed Minimum Pension

We have been receiving calls recently about a comment that has been included on some pension pay advices to those old enough to be eligible to be in receipt of state pensions as well as their Fire Service Pension. The statement indicates as follows:

'This Pension Payment has, for those who qualify, been increased with effect from 9 April by 5.2% in line with the retail price index. Those who are in receipt of state pension this increase is shared by your two pensions'

This is not in any way a new situation but the explanation is complicated. In essence, the problem has to do with the Guaranteed Minimum Pension, its calculation, index linking and impact on the individual's Fire Service Pension index linking. Guaranteed Minimum Pensions were provided by public service pension schemes between 1978 and 1997 as outlined below. Since 6 April 1978, the State Retirement Pension has consisted of two parts, namely the basic State Pension and the State Second Pension (formerly SERPS). The State Second Pension is an additional amount based on the increased National Insurance contributions a person has paid since 6 April 1978. The benefits are a pension paid at State Pension age, with some cover for widows, widowers and civil partners. In April 1978, the Fire Service Pension Scheme contracted-out of SERPS on the basis of the Guaranteed Minimum Pension (GMP). The GMP applies only to service since 6 April 1978 and before 6 April 1997. It is the minimum pension that the fire service scheme undertook to provide in order to contract-out of SERPS. It is guaranteed to be at least as much as the pension you would have built up in SERPS during your service before 6 April 1997. In essence, at State Pension age, although the Fire Service Scheme remains responsible for updating the bulk of your fire service pension, in line with the relevant index, the State becomes liable to index link the much smaller Guaranteed Minimum Pension element of your fire service pension. Members may recall that a situation arose in 2008, where it was discovered that overpayment problem existed because both the fire service and the state had been updating elements of the pensions leading to an overpayment to some members over state retirement age. It should also be clear that the issue of GMP applies only to members who are at or older than state pension age and have some of their service between 1978 and 1997.