

Guaranteed Minimum Pension (GMP)

From 6 April 1978 the State retirement pension was made up of two parts:

- the basic pension – often referred to as the “old age pension”;
- the State Second Pension – previously known as the State Earnings Related Pension Scheme or SERPS.

The basic pension is based on the member’s record of National Insurance (NI) contributions and is paid by the Department of Work and Pensions (DWP).

The State Second Pension (S2P) is based on the record of NI contributions together with the level of earnings as an employee. It may also be paid by DWP but public service pension schemes like the HSC Pension Scheme contract their membership out of the S2P and take on the responsibility for paying that pension. In return the member pays NI contributions at a lower rate than would normally apply.

As a contracted-out scheme HSC Pensions must ensure that for most scheme members, the occupational pension paid is at least the amount that would otherwise have been paid under the S2P for employment between 6 April 1978 and 5 April 1997. This minimum level of pension is called the Guaranteed Minimum Pension (GMP).

The GMP usually comes into force when the State pension comes into payment. It is part of the HSC Pension, it is not an extra pension. In the vast majority of cases the value of the scheme pension is far greater than the GMP.

The scheme also guarantees that if a member dies and leaves a surviving spouse or civil partner, their HSC pension will be at least half the GMP for the membership up to 5 April 1997.

Although the GMP ceased to accumulate from 6 April 1997, it continues to be re-valued on an annual basis. HSC Pensions must ensure that the pension we pay in respect of contracted-out employment before that date is at least equivalent to the re-valued GMP.

If a member does have a Guaranteed Minimum Pension up to 5 April 1997 the DWP will write to the member at State Pension Age to confirm how much it is. The member can check if their HSC Pension is at least as much as the GMP.