

16th December 2008

Members of the Firefighters' Pension
Committee

Dear Member

FIREFIGHTERS' PENSION SCHEME AND GUARANTEED MINIMUM PENSION (GMP)

1. Ministers are making a statement today bringing to Parliament's attention a problem that has occurred in five public service pensions schemes which are paid from Parliamentary votes: the NHS Pension Scheme, the Principal Civil Service Pension Scheme, the Teachers Pensions Scheme, the Armed Forces Pension Scheme and the Judicial Pension Scheme.
2. A small proportion of retired public service employees in these schemes have been overpaid. This has arisen as a result of the incorrect indexation of an element known as the Guaranteed Minimum Pension or GMP.
3. The problem dates back to 1978 when public service occupational pension schemes contracted out of the State Earnings Related Pensions Scheme (SERPS). As a condition of contracting-out members had a guarantee of a minimum amount of occupational pension. This GMP applied to everyone who was a member of a contracted out scheme between 1978 and 1997 and who would otherwise have been entitled to SERPS.
4. Public service pensions are uprated in April each year in line with the Retail Price Index. The occupational pension scheme pays for all the uprating before state pension is claimed, but thereafter part of the uprating is paid with the state pension, depending on the GMP entitlement.
5. To enable the correct pension increases to be applied, pension scheme administrators need accurate GMP information derived from the individual's National Insurance contribution record. Investigations into the five schemes referred to above have revealed that although in the vast majority of cases this information is correctly recorded, in some cases it is not. In those cases schemes have paid the annual increase on the full pension each year instead of on an amount adjusted to reflect the GMP entitlement.
6. From enquiries we have made, we are satisfied that a problem of a similar scale

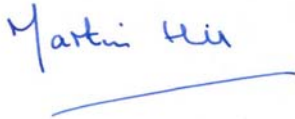
Martin Hill
WPP Division
Department for Communities and Local Government
5F/6 Eland House
Bressenden Place
London SW1E 5DU

Tel 020 7944 8641
Fax 020 7944 2572
Email martin.hill@communities.gsi.gov.uk

has not occurred with the payment of Firefighters' Pension Scheme pensions and that systems are in place to ensure that appropriate checks are made at the point a person claims the state pension and any adjustments are then made to the pension coming into or already in payment.

7. I attach a copy of the Ministerial Written Statement, together with a briefing note explaining GMPs and the way that they are updated each year.
8. Copies of this letter are being sent to Chief Fire Officers and pension administrators, who are being asked to satisfy themselves that appropriate systems are in place for ensuring that GMPs are correctly paid and that these systems are working effectively. They will also need to consider what action needs to be taken to reassure pensioners if this issue will not affect them.

Yours sincerely



Martin Hill