

## WRITTEN MINISTERIAL STATEMENT – 16 DECEMBER 2008

### Guaranteed Minimum Pension Calculations

1. The Minister for the Cabinet Office (Mr Liam Byrne): My right hon. friends the Secretary of State for Health, the Secretary of State for Children, Schools and Families, the Secretary of State for Defence, the Secretary of State for Justice and I wish to alert the House to new checks which have uncovered a problem with payments to an estimated 5% of public service pensioners paid, by successive administrations dating back as much as 30 years, by the NHS, Teachers, Armed Forces, Judicial and Civil Service pension schemes, as a result of the incorrect indexation of an element known as the Guaranteed Minimum Pension or GMP.
2. 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 those who were members of a contracted out scheme between 1978 and 1997 and who would otherwise have been entitled to SERPS.
3. 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.
4. 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. Our investigations have revealed that in 95% of cases this information is correctly recorded. But, 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.
5. The five schemes mentioned are administered by central government departments. Scheme administrators and HMRC have now checked more than 2 million pension records.
6. An estimated 95,000 people are currently affected across the five schemes. This represents around 5% of the total number of pensioners in those schemes. The total amount of overpayments made by successive administrations over the 30 years since 1978 to these pensioners is estimated at £126m. There are separate NHS and teachers schemes in Scotland and Northern Ireland and a separate civil service scheme in Northern Ireland. Separate statements are being made in respect of these schemes by the Scottish and Northern Ireland Executives today.
7. The advice of the Accounting Officers of the five schemes is that, it is

unlikely to be cost-effective to attempt recovery of these monies from individuals. Correct pension payments will be ordered immediately from April 2009. This means that some pensioners will have their payments reduced and others will see increases in their payments in 2009 which are less than the annual inflation uprating.

8. Scheme administrators for the five schemes mentioned have written to all those pensioners affected and will write again with full details in the new year. Helplines to respond to their questions and concerns have been set up and advice and guidance has been placed on scheme websites. Support will include advising people to enquire what additional state benefits they may be entitled to.
9. The causes of the overpayments have been investigated by the pension scheme administrators, HMRC and DWP. There is no single cause. I have asked the National Audit Office to carry out a review of the end-to-end process to pin-point accountabilities, and the House will be updated further.