

This factsheet is designed to assist Dorset County Pension Fund (DCPF) pensioners, who reached State Pension Age prior to April 2016.

## What is GMP?

The GMP is the Guaranteed Minimum Pension, this is the minimum amount of pension payable as a result of having contracted out of the State 2<sup>nd</sup> Pension Scheme, or SERPS (State Earnings Related Pension Scheme).

Before April 2016 the state pension was two tier, a basic amount, plus the 'top up' amount which was related to National Insurance (NI) contributions. In order to qualify for this top up amount, full rate NI contributions would need to have been paid. There are several different NI contribution rates. The normal full rate was 'A' rate. However, for anyone in a 'Contracted Out' pension scheme, such as the LGPS or Firefighters Pension Schemes, a reduced rate of NI (usually 'D' rate) was paid both by the member and the employer.

Paying this lower rate of NI meant that no contributions were made to the state second pension / SERPS scheme, instead an occupational pension scheme was accrued through a Contracted Out pension scheme.

For any scheme that was Contracted Out, there was an undertaking that a pension would be provided and this is where this guaranteed minimum amount comes in. This amount must be coded separately on the pension payroll system, although it is not an additional amount of pension. It is coded separately because the payment of pensions increases it attracts is treated differently on these amounts. If a member retired early and had a large reduction to their pension DCPF would have to pay the minimum amount, i.e. the level of the GMP. Of course most pensions are much higher than this.

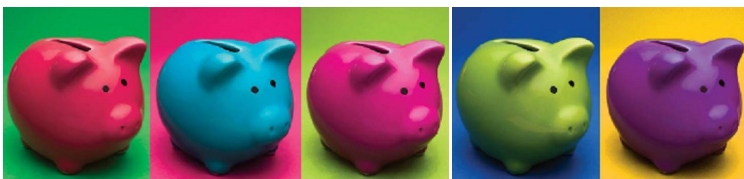


## Pension Increases

Pension Increases (PI) are added to DCPF pensions in payment annually on the second Monday of April. This amount is added to represent the cost of living increases, so pensions do not lose real life value.

However pension Increases (PI) are not payable by DCPF on the GMP amount in the same way as the remaining pension. This is why the different amount must be coded separately. So when April's increases are applied, full PI is applied to non GMP amounts, no PI is applied to GMP accrued before April 1988, and a 3% maximum amount of PI is applied to GMPs accrued after April 1998.

However, you would not lose out on these additional increases, the PI due on these amounts is instead paid as an additional amount in with the state pension, this would be shown as AC (Additional Component) on a state pension statement.



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**Dorset County Council 01305 224334**

Pay Date 31.03.2017  
N.I. Number

Period End 31.03.2017  
N.I. Rate X

Tax Code 384L Tax Basis 0

Perno	Position	Grade	Hours	Pay %	Ann Salary	Department	Pen %
	Integration: default pos	OFFSCALE	0.00	100.00			0.00

Payments	Hours	Rate	Amount	Month/Week Ending Date	Deductions
Pension T				31.03.2017	Income Tax
Pension PI T				31.03.2017	
Pens-Not Attract Incrs				31.03.2017	
GMP where Pens Inc Due				31.03.2017	
GMP PI T				31.03.2017	
<b>Total Payments</b>					<b>Total Deductions</b>

Monthly Figures		
Taxable Pay		
N.I.able Pay	0.00	
Pensionable Pay	0.00	

Year to Date			
Gross Pay		EE's NI(X)	0.00
Taxable Pay		ER's NI	0.00
Tax Paid		EE's Pension	0.00 ( )
ER's Pension	0.00		

## Some common Pensioner Payslip Codes

**Pension T** - is taxable pension.

**Pension PIT** – pensions increases that have accrued, this is taxable.

**Pens-Not Attract Increase T** – pre 88 GMP amounts applicable to you, this is taxable and does not attract pensions increases.

**GMP where Pens Inc Due** - GMP post 88 amounts applicable to you, this is taxable.

**GMP PI T** - Pensions Increases on post 88 GMP, this is taxable.