

GMP INDEXATION CONSULTATION FOR THE PUBLIC SERVICE SCHEMES

Background and Summary of Consultation

HMT has published a consultation ([here](#)) on how the pensions of public service scheme members who have accrued Guaranteed Minimum Pension (GMP) should be indexed in payment once a member retires. In their view this would also satisfy GMP equalisation requirements between genders (with a few exceptions). The new State Pension introduced from April 2016 removed the mechanism that enabled full price inflation protection for public servants' GMP, and an interim solution to this problem requiring the LGPS to provide full indexation on all GMP is currently in place for members who reach State Pension Age up to 5 April 2021.

The government has put forward proposals for dealing with members who reach State Pension Age from 6 April 2021 onwards.

The consultation considers:

- Whether the government should discount conversion of GMP into non-GMP pension as a long-term policy solution and make the interim solution, of full indexation, permanent;
- If not, how long the government should extend full indexation for before reconsidering conversion or a feasible alternative solution in the future.

The consultation is focused on the options available to ensure that the government continues to meet past commitments made to public service employees regarding the full indexation of public service pensions, including any GMP element related to membership of a public service pension scheme.

The three options being proposed are:

- Option 1a: The extension of full indexation to cover those reaching SPA up to and including 5 April 2024.
- Option 1b: The extension of the interim solution to cover those reaching SPA beyond 5 April 2024.
- Option 2: Discount conversion as a long-term policy solution and make full GMP indexation the permanent solution for public service pension schemes.

In referencing the April 2024 date, the consultation recognises that LGPS funds are currently undertaking remedy work which is required in response to the McCloud case, the preparations for which are scheduled to last until April 2022 with implementation for the majority of cases continuing well beyond that date. In addition, schemes have to deliver their business as usual responsibilities and contend with the consequences of Covid-19, as well as responding to other legal challenges. With this in mind, schemes are unlikely to have the capacity to deliver GMP conversion until April 2024 at the earliest.

Section 1.14 of the consultation states that preferred policy is to make full indexation the permanent solution i.e. option 2. The consultation closes on 30 December 2020.