

MNRPF AND THE STATE PENSION

Whilst you were a contributing member of the Fund you may have been contracted out of the State Earnings Related Pension Scheme (SERPS), and paid lower National Insurance Contributions as a result (members that were contracted out, were done so by reference to their employer and most participating employers in the Fund were contracted out).

For members who were contracted out of SERPS before 6 April 1997, the Fund is required to provide a pension to you that is broadly equivalent to the pension you would have earned for the same period if you had remained in SERPS – referred to as Guaranteed Minimum Pension (GMP).

GMP is the minimum pension which must be provided to a contracted out member from their GMP Age, currently being 60 for females and 65 for males.

From your GMP Age, part of your pension in payment will be referred to as GMP and increase differently:

- GMP earned before April 1988: No increases
- GMP earned after April 1988: Increases in line with inflation to a maximum of 3% pa

As the Fund is required to provide you with a pension of at least your GMP at GMP Age, this may restrict the benefits you can choose at retirement:

- You may not be able to retire early, or as early as you would like, if after reduction for early payment the amount of your pension is not enough to cover your GMP once you reach GMP age
- Or
- The amount of tax free cash may need to be restricted to make sure the amount of your pension is enough to cover your GMP once you reach GMP age

MNRPF AND THE STATE PENSION

High Court ruling on GMP equalisation

On 26 October 2018, the High Court ruled that defined benefit schemes like the MNRPF must equalise GMPs for men and women, and update their rules as a result.

The background to this is that in 1990 the Courts had ruled that occupational pension schemes must equalise the normal retirement ages for men and women (for example, a scheme which had a normal retirement age of 60 for women and 65 for men might have opted to equalise the retirement ages to 65 for women as well as men).

However, GMPs were not required to be equalised in this way and can result in inequality because:

- GMPs are payable at age 60 for women and 65 for men
- GMPs attract different increases before and after retirement
- GMP increases can be lower than scheme increases on non-GMP elements

Like many other occupational pension schemes around the UK, the MNRPF is now working with its advisers to decide how it will carry out GMP equalisation. The process is complicated and may be affected by future developments – such as further court proceedings, or guidance or legislation from the Government.

At present it is not possible to say definitively what impact the High Court ruling will have, or what the next steps will be. We will give you an update when we know more.

