

# State Pension and increases

Pension increase when you attain State Pension Age

Both your State Retirement Pension and your Local Government Pension are increased in line with inflation each April in accordance with Pensions increase (Review Orders).

When you became a member of the Local Government Pension Scheme (LGPS) you were contracted out of the State 2nd Pension (S2P). If you had pensionable service between 6 April 1978 and 5 April 1997 your pension will include an amount known as the “Guaranteed Minimum Pension” (GMP). The GMP is the minimum pension amount required to be paid in respect of your contracted out service in the LGPS since 6 April 1978. The GMP becomes important when you reach state pension age as the way in which the pension increases are applied to your pension then changes.

From the April following reaching state pension age the pension increase is paid either with your Local Government pension or with your State pension:

- 1) Increases on your GMP built up to 5 April 1988 - paid by the Department of Work and Pensions (DWP), together with your State Pension;
- 2) Increases up to the first 3% on your GMP built up after 6 April 1988 paid by Highland Pension Fund;
- 3) Increases in excess of 3% on your GMP built up after 6 April 1988 as above (1) paid by DWP.

This means that the amount of pension, including GMP, is fully increased, but you will receive the GMP increases from two places, your Local Government Pension and DWP.

Hopefully the example below will explain this a little more clearly:

J Smith’s GMP is applied at State Pension Age so the pension is broken down into the following sections:

a) Basic Pension	= £500.00 per month
b) GMP up to 5 April 1988	= £200.00 per month
c) GMP from 6 April 1988	= £100.00 per month
<b>Total pension in payment</b>	<b>= £800.00 per month</b>

An example of total pension increase payable from April is 2.7%, so increases are applied to the above pension:

- |   |                     |
|---|---------------------|
| a) Basic Pension plus the full increase of 2.7%                   | = £513.50 per month |
| b) GMP up to 5 April 1988 with no increase (as 1 above)           | = £200.00 per month |
| c) GMP from 6 April 1988 plus increase limited to 3% (as 2 above) | = £102.70 per month |

**Total pension in payment = £816.20 per month**

Full increases on (b) and any additional % on (c) will be paid by DWP in your state pension.

For members who attain their State Pension age between 6 April 2016 and 5 December 2018, the scheme will pay the full increase due on the GMP element with their LGPS pension. In November 2016, the government launched a consultation in respect of members who attain their State Pension age on or after 6 December 2018. We are currently waiting for the government to respond to the consultation.