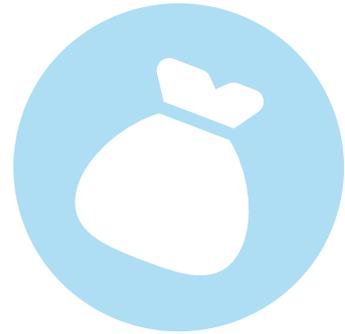




PENSION
FUND



1967 Section Your Guaranteed Minimum Pension

May 2019

Your Guaranteed Minimum Pension

Contracting out of the State Pension

If you were a member of the Fund at any time between 6 April 1978 and 5 April 1997, your pension will include a Guaranteed Minimum Pension (GMP). Any pensions that have been transferred in may also include GMP.

This leaflet explains more about what this means for you, how your pension from the Fund interacts with State Pension benefits, and includes information about your Guaranteed Minimum Pension from the Fund and how this differs from any pension from the Fund over and above this guaranteed minimum level.

You can find out more about State Pensions on the Government's website www.gov.uk. More information on your Fund benefits and pension-specific terms used in this document can be found in your Fund handbook and jargon buster, which you can download from www.icipensionfund.org.uk.

This leaflet is based on the information available, the laws in force at the time it was produced and our understanding of the Rules of the Fund.

Benefits are paid as set out in the Fund's Trust Deed and Rules and, if there is any difference between benefits summarised in this leaflet and the Trust Deed and Rules, then the Trust Deed and Rules will apply. Any mistake or simplification in this leaflet will not entitle you to different benefits.

If you wish to seek financial advice about any aspect of your pension, you may find www.moneyadviceservice.org.uk a useful place to find an adviser. Make sure your adviser is registered with the Financial Conduct Authority – go to www.fca.org.uk to be sure. You should always check whether an independent financial adviser will charge you for any services they offer, and that you agree any fees with them beforehand.

How do I know if I have a Guaranteed Minimum Pension?

You will have Guaranteed Minimum Pension (GMP) benefits if you were an Active Member of the Fund at some time between 6 April 1978 and 5 April 1997 or if you earned benefits during this time in another contracted out pension scheme which have been transferred into the Fund*.

GMPs may also be paid as part of a spouse's pension, which will be a proportion of the Member's pension. However, only widows of a male member (not widowers, civil partners or same-sex spouses) will have a GMP for service between 6 April 1978 and 5 April 1988.

What is a GMP?

Your GMP is part of your overall pension from the Fund and is not paid on top of your pension from the Fund. However, while it is part of your overall pension, it is sometimes treated differently. For example, the inflationary increases applied to the GMP part of your pension may differ from those applied to the rest of your pension from the Fund. There will also be restrictions applied to when and how you can take your GMP. For example, if you have the option to become a Special Category Member and swap benefits payable on your death for a higher level of pension, you will not be able to swap death benefits payable from your GMP.

* Until April 1977, women could opt to pay reduced rates of National Insurance and receive reduced State benefits, and may still be paying reduced rates. These members will not be entitled to GMP for the period in which they paid reduced rates.

Why do I have a GMP?

You have a GMP because of the way in which the Fund interacts with the State Pension.

Before 6 April 2016, the State Pension was made up of two parts – the Basic State Pension and the Additional State Pension**. The Government allowed pension schemes that met certain quality tests to contract out of the Additional State Pension. Contracting out allowed employers and employees to pay lower National Insurance contributions. In return, the employees did not build up Additional State Pension, but their employer's pension scheme had to provide a benefit that broadly matched it.

The ICI Pension Fund was contracted out of the Additional State Pension. As a result:

- For pensionable service between 6 April 1978 and 5 April 1997, your pension from the Fund must be at least broadly equivalent to the Additional State Pension you would have earned. This is known as the 'Guaranteed Minimum Pension' or GMP.
- For service from 6 April 1997, the overall level of benefits being provided by the Fund was evaluated and approved to ensure they met a minimum level, in place of individual guarantees for each member, so no GMP is calculated in relation to service from that date.

Contracting out ended on 5 April 2016.

** The Additional State Pension is an earnings-related top-up to the Basic State Pension, also known as the State Second Pension, S2P, State Earnings Related Pension Scheme or SERPS.

What happened to contracting out on 5 April 2016?

Contracting out finished on 5 April 2016, as the Basic State Pension and Additional State Pension were both abolished for pensioners reaching State Pension Age on or after 6 April 2016 and were replaced with a single State Pension.

If you reached State Pension Age before 6 April 2016, you will still receive the Basic State Pension and Additional State Pension (although you will receive a reduced Additional State Pension for periods when you were in a contracted out pension scheme).

If you reach(ed) your State Pension Age on or after 6 April 2016, the amount of new State Pension you're paid may be reduced if you were paying lower National Insurance contributions as a member of a contracted out pension scheme, like the Fund.

What annual increases are applied to my GMP?

Until you reach GMP age (currently age 65 for men and age 60 for women) any increases to your GMP are normally calculated and applied in the same way as increases to the rest of your pension in the Fund (whether you are a deferred member or a pensioner).**

Once you reach GMP Age, increases are applied to your GMP, when your pension comes into payment, in line with statutory requirements. Currently those increases are as follows (but may change if the Government changes the statutory requirements):

- Any GMP built up from 6 April 1988 to 5 April 1997 is increased by the Fund in line with the annual increase in the Consumer Prices Index (CPI) up to a maximum of 3% p.a.
- The Fund will not pay increases to any GMP earned before 6 April 1988. However, if you reached State Pension Age before 6 April 2016, your State Pension will currently be increased by an additional amount to reflect increases due to GMP earned before 6 April 1988 and any rise in CPI in excess of 3% for GMP earned between 6 April 1988 and 5 April 1997.
- Any increase to GMP normally takes place in April each year. If you have yet to start taking your pension from the Fund, the amount of any increases between GMP age and the date you start taking your benefits will be calculated and applied when you start taking your benefits.

*** Please note that, depending on when you joined and left the Fund, there are different minimum increases required to different parts of your pension by legislation. We expect that, in most cases, the overall increase to your Fund pension will be at least as great as the increases that would result from applying statutory minimum increases. To ensure this is the case, we will carry out a check when you retire, and if the statutory minimum increases would have given you a higher pension, your pension will be increased accordingly.*

GMP checks

If you retire on or after your Normal Retirement Age

At GMP age, checks are carried out to ensure that your pension is at least equal to the amount of any GMP plus any statutory GMP increases that the Fund is required to apply by law at your GMP age.

If you left the Fund on or after 1 January 1985, a second check (known as the 'anti-franking' check) is carried out to ensure that any pension in excess of the GMP has not been used to provide these statutory GMP increases. These checks may result in a further increase being made to your pension from GMP age.

If you retire before your Normal Retirement Age, legislation differs.

If you haven't yet reached your GMP Age (currently 65 for a man and 60 for a woman), GMP checks are carried out differently, immediately on retirement. As a result, instead of receiving a step up in income at GMP age, your GMP is increased immediately by a lesser amount.

As an unintended consequence of this difference, some male members may actually get a higher initial pension income and/or lump sum on retirement should they retire early close to their Normal Retirement Age.

Because of the complexity of early retirement, if you are approaching your Normal Retirement Age, you may wish to request an early retirement illustration as well as an illustration of benefits payable at your Normal Retirement Age.



GMP and equalisation of benefits paid to men and women

If GMPs replaced State benefits, which differed for men and women, are there differences in the GMPs paid to men and women?

Yes. GMPs, like the Additional State Pensions they replaced, are calculated differently for men and women in that:

- Women built up GMP at a faster rate than men; and
- GMP age (the age at which GMP is treated as becoming payable) is 60 for women and 65 for men. At GMP age:
 - the inflationary increases applied to GMPs change (as outlined previously); and
 - before 6 April 1997 (the date from which no additional GMP could be built up) members stopped building up further GMP entitlement.

While legislation has been introduced to equalise State Pension Ages, with women's State Pension Age increasing gradually, no legislative changes were made to GMP age.

A difference also applies to the pensions payable to spouses and civil partners following the death of a member, where only widows of a male member (not widowers, civil partners or same-sex spouses) have a GMP in relation to service before 6 April 1988 (as mentioned above).

What is the impact of these differences?

The differences in GMP outlined above could impact your benefits in a number of ways. For example:

- The differences, combined with the effect of any increases applied to non-GMP benefits, mean that two people with identical birth dates, Pensionable Service and earnings could receive a different pension from the Fund simply because one is a man and the other is a woman. Sometimes a man would receive a greater benefit and at other times a woman is better off, and this position can change over time.

- In addition, as a GMP cannot be exchanged for tax-free cash at retirement and men and women may have different levels of GMP, the amount of tax-free cash that can be taken by a member may also be affected by whether they are male or female.
- Spouses' and dependants' pensions will also be affected because they are a proportion of the member's pension. And there will be an additional impact on spouses' pensions where there is pre-88 GMP, reflecting whether the recipient is a female spouse of a male member (in which case they will receive a GMP in respect of the member's pre-88 service), or a male spouse, civil partner or same-sex spouse (in which case they will only receive a GMP in respect of the member's post-88 service).

Doesn't the Fund have to provide equal benefits to members regardless of whether they are male or female?

In May 1990 the European Court ruled that private sector pension schemes had to provide the same rights and benefits to both men and women in respect of pensionable service from 17 May 1990. This ruling did not apply to State Pensions which had different retirement ages for men and women in many EU countries, including the UK. As a result, schemes 'equalised' their retirement ages and adjusted their benefits accordingly. However, as GMPs are related to State Pension benefits and the rules governing GMPs are set out under legislation, there was some doubt as to whether GMPs had to be taken into account when equalising benefits.

A legal ruling in October 2018 confirmed that GMPs must also be equalised, and outlined a number of methods of doing so. The Fund Trustee is currently working with its legal advisers and the Fund actuary to understand the implications of this ruling and how it may need to be applied to the benefits earned by Fund members.

Jargon buster

In our pension documents and communications, we try to avoid jargon. However, there are various pension-specific words or phrases that we have had to use, which you may not be familiar with and so we have set out their explanations below.

Active member	You are an Active member if you are currently employed by a Sponsoring employer and are building up pension benefits in the Fund.
Actuary	A qualified professional who advises the Trustee on calculating benefits and the level of ongoing funding required.
Civil Partner	Your partner with whom you have a registered civil partnership under the Civil Partnerships Act 2004.
Deferred member	A member who has left the Fund but not yet started drawing their Fund pension.
National Insurance	This is a tax levied on both employers and employees to fund various State benefits.
Normal Retirement Age	<p>This is when your benefits are normally paid under the Fund and when you can take your benefits in full. Currently this is age 62 unless:</p> <p>(a) you transferred to the Fund from the Workers' Pension Fund and you joined the Workers' Pension Fund before 1 January 1998, in which case your Normal Retirement Age is 65 unless you elect before reaching 62, 63 or 64 that it shall be age 62, 63 or 64 as appropriate (If you do not make an election, the Trustee may make one on your behalf if it believes it is in your best interests to do so.); or</p> <p>(b) you have been informed by your Employer that you have a different Normal Retirement Age.</p> <p>The Fund has introduced provisions to deal with sex equalisation which mean that some members may be able to take some or all of their benefits from age 60 without reduction.</p>
Pensioner	A former Active member who is receiving a pension from the Fund. This does not include someone receiving a pension following the death of a member.
Consumer Prices Index	A measure of inflation set by the Government.
Same-Sex Spouse	Someone you're married to under the Marriage (Same Sex Couples) Act 2013.
Spouse	Someone of the opposite sex to whom you are married. When we refer to Spouse in this handbook we are also referring to Same-Sex Spouse or Civil Partner unless explicitly stated otherwise. Likewise, when we refer to marriage, we are also referring to same-sex marriage and civil partnership, unless explicitly stated otherwise.
State Pension	The regular pension you will receive from the Government when you reach your State Pension Age.
Trustee	The Trustee is a company – ICI Pensions Trustee Limited. The Trustee is responsible for administering the Fund in accordance with the Trust Deed and Rules and Government legislation.



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Any questions?

If you have any questions that aren't answered in this document, please contact the Fund Administrator. You can contact the Fund Administrator in the following ways:



Email

You can email the Fund Administrator at:
ici@willistowerswatson.com



Telephone

0800 916 8021 – you can speak with the Fund Administrator between 9am and 5pm, Monday to Friday (excluding Bank Holidays).

If you are calling from outside the United Kingdom, the number to ring is: **+ 44(0)1737 227521**.



Write

You can write to the Fund Administrator at:
**ICI Pension Fund, Willis Towers Watson
PO Box 545, Redhill, Surrey RH1 1YX**

If you wish to seek financial advice about any aspect of your pension, you may find **www.moneyadvice.org.uk** a useful place to find an adviser.

Make sure your adviser is registered with the Financial Conduct Authority – go to **www.fca.org.uk** to be sure.

You should always check whether an independent financial adviser will charge you for any services they offer, and that you agree any fees with them beforehand.

From 6 April 2019, The Pensions Advisory Service, Pension Wise and the Money Advice Service have been merged into the new "Money and Pensions Service". The new body will provide guidance on pensions, debt and other personal money matters. At the time of writing, the website address set out above for the Money Advice Service remains correct; however we will update you in due course if this is altered.