Public Service Pensioners' Council

c/o Civil Service Pensioners' Alliance, Grosvenor House, 125 High Street, Croydon, CR0 9XP
Telephone: 020 8688 8418 Fax: 020 8760 9806
www.publicservicepensioners.org.uk

December 2020

PSPC Submission to HM Treasury Consultation on proposal to extend Indexation of GMP

The Public Service Pensioners' Council (PSPC) is an umbrella organisation which represents the interests of retired public servants. We welcome the opportunity to respond to the latest HM Treasury Consultation on the proposal to extend Indexation of GMP in Public Service Pension Schemes.

PSPC brings together the various organisations for retired public servants and the retired members' sections of public sector unions, providing a united voice on issues of concern to government and the public.

PSPC members are not just concerned about protecting existing pensioners. From the vantage point of retirement, we recognise the importance of pensions for current and future public sector workers alike.

Our response to the Consultation questions are set out below:

PSPC responses to consultation questions:

Question 1: *Do you consider an extension of full indexation until April 2024 to be appropriate to ensure that the government can meet its existing commitments, re-evaluate conversion as a long-term solution and resolve the handling of those cases where conversion could not be undertaken on a £1:£1 basis?*

Yes. We also consider that full indexation of the Guaranteed Minimum Pension (GMP) element of public service pensions should continue beyond 2024, and in all cases until State Pension age (Spa) is reached (see answer to Question 2 below). We consider that the Government has enough serious policy and administration issues to deal with given the McCloud and Goodwin Court judgements to take on GMP conversion as well. As acknowledged in paragraph 1.11 of the Consultation Document "*Currently, scheme administrators are undertaking a large volume of work, including work that is required to meet the pensions remedy work in response to the McCloud judgment, as well as other court rulings. This high volume and intensity of work will continue for some time".* In that context full indexation should continue if necessary, beyond 2024.

Question 2: *Should the government consider an extension of full indexation to cover those reaching SPa beyond 5 April 2024? If so, how long should the government extend full indexation for, and why?*

Yes, it is acknowledged that there is a diminishing number of members yet to reach SPa with GMPs. Full indexation appears to be working satisfactorily, and is easy to understand for the members affected and should continue beyond 2024, and was a clear Government commitment to public service pensioners between 1978 and 1997.

Question 3: *Should the government consider making full GMP indexation the permanent solution for all members due to reach SPa after 5 April 2021? If so, why do you think this is the most appropriate solution?*

Yes, see the answer to Q2. Furthermore, by adopting this as a permanent solution, it will presumably save a considerable amount of work for scheme administrators. It will also allow for a focus on a solution those members who do <u>not</u> benefit from a £1:£1 solution

Question 4: Do you consider full GMP indexation to be an appropriate method in most cases to avoid unequal pension payments to men and women?

Yes, it is the most straightforward method and is currently in place.

Question 5: How could the delivery of any of the policies outlined in this consultation, by way of a direction made under s. 59A of the SSPA 1975, impact on wider public sector or private sector schemes which are not providing ‘official pensions’ under the PIA 1971?

Several pension schemes that are similar to most public service schemes, such as in BT and Royal Mail, will be affected. An option that involves the least complexity to save on administrative complexities would be preferable.

Question 6: If wider public sector or private sector schemes which are not providing ‘official pensions’ are impacted by any of the policy options set out in this consultation, why were their pensions originally designed to mirror official pensions?

For Royal Mail and BT it was because they were originally part of a central Government Department when the pension scheme for the Post Office was established.

Question 7: Should the government take action to avoid any read across, from its decision following this consultation in respect of public service schemes, to any wider public sector or private sector schemes that are not delivering ‘official pensions’ under the PIA 1971?

These businesses were previously publicly owned, and so their pensions developed along the same lines and at the time of privatisation assurances were given to the staff concerned that the pension schemes would replicate or be “broadly comparable” to the original public sector scheme arrangements. To renege on those assurances would doubtless start complex and time-consuming legal action at significant cost to the taxpayer.

Question 8: What considerations should the government take into account when deciding whether to take such action? In particular, why should government act so that the members of these schemes do not receive the benefits which they would otherwise receive under the scheme rules?

Changes should only be made which do not diminish or remove existing pension benefits. They should affect only future accruals or be beneficial for the member if past-service accrued benefits are changed.

Question 9: Are there actions the government could lawfully take to avoid any read-across, from its decision following this consultation in respect of public service schemes, to any wider public sector or private sector schemes that are not delivering 'official pensions' under the PIA 1971?

See response to Question 7 above.

Question 10: Are there wider issues relating to the GMP that are not mentioned here and which should be considered when the government decides its policy?

The complexities of GMP calculations has led to an estimated cost of £20M to the Exchequer in pension overpayments. The system of indexation and equalisation should be kept simple and clear and not subject to change after a few years.

Submitted on behalf of the Public Service Pensioners` Council (PSPC)
December 2020