



Department
for Work &
Pensions

GUY OPPERMAN MP
Minister for Pensions

Sir Stephen Timms (Chair)
Work and Pensions Select Committee
House of Commons
London
SW1A 0AA

DATE 29th June 2022

Dear Stephen,

Thank you for your letter of 11 May.

The way the GMP changes were communicated has already been investigated by the Parliamentary and Health Service Ombudsman. The factsheet was produced by the Department as part of implementing the final Ombudsman's recommendations.

I know you have corresponded with the Permanent Secretary on the factsheet previously. I am confident our approach of providing tailored information is proportionate and appropriate. We continue to encourage anyone who is concerned to read the information on GOV.UK and contact us if they think they have been affected.

Review of GMP factsheet

Impact of the reforms

Before dealing with the issues you raise I would direct you to the correspondence we have received in response to the factsheet to date laid out in Annex A. The correspondence, from people coming up to retirement and already retired, shows how the aggregate impact of the complex transitional rules of the new State Pension produces a wide range of outcomes for people. Of the 16 people who have contacted us, we have been able to deduce that none would have been significantly worse off.

In your letter you proposed a change in the text of the factsheet regarding potential losses that individuals could see. The factsheet currently notes that people could have "a notable loss over their whole retirement". I believe this provides a balanced and clear message compared to your alternative of a hypothetical lifetime amount to illustrate the impact of inflation. Regarding the other suggestions you made, the correspondence we have received thus far does not indicate that a person who had searched for the factsheet and read its contents would be deterred from making an enquiry because we had drawn particular attention to people reaching State Pension age in the first year of the new system.

Eligibility for compensation

You asked for further information about compensation. It may help if I describe the overall process associated with people who respond to the GMP factsheet. At the end of the factsheet people are asked to contact the Department.

“if you reached State Pension age after 5 April 2016 and after reading:

- how private or public sector pensions affect your GMP
- how indexation stopped on GMPs
- how you could build up more pension under new State Pension
- new State Pension adjustments for living costs

You would like advice about what difference these factors have made to your state pension.

Email ministers@dwp.gov.uk or you can write to:

Department for Work and Pensions

Caxton House

Tothill Street

London

SW1H 9NA”

Correspondence arising from the factsheet is referred to a specialist in the State Pensions policy team who examines what the individual’s position would have been under the rules of the old system and compares this to their position in the new system. This information forms the basis of a letter to the correspondent which provides background to the contracting out position, with a focus on the period 1978/89 and 1996/97 when GMPs were accrued. It then provides a full account of how they have been affected by the introduction of the new State Pension.

If after receiving the account of their own circumstances the person asks for their case to be considered for compensation we would firstly provide them with the Ombudsman’s description of the nature of the injustice they found in their investigation (Annex B to this letter) and ask the person for their observations on whether they felt they had suffered a similar injustice.

On receipt of their observations, they would be referred to the National Special Payments Team to consider whether, on the basis of the evidence submitted, redress is required. In the event that compensation is to be awarded, the team would make arrangements to record and finalise the case with a payment and an apology.

We do not believe it necessary to revise the factsheet to provide an explanation of the circumstances in which someone would be eligible for compensation. The evidence from the correspondence we have dealt with so far is that this could mislead people into believing they had been left at a disadvantage because of the introduction of the new State Pension when this will not always be the case.

Effectiveness of the factsheet in reaching the target group

The factsheet is suitably accessible, with an online search for “GMP factsheet” featuring the GOV.UK page as the top search result. By way of an update unique pageviews of the GMP factsheet have grown steadily, increasing by 50% since its introduction in August 2021. In addition, GOV.UK pages give users the opportunity to select if the page is useful. 89% of users who chose to answer this question selected ‘yes’ to ‘Is this page useful?’.

I have, nonetheless, asked officials to look at the factsheet’s placing on the webpage on GOV.UK and on how best to remind occupational pension schemes of the importance of providing accurate information regarding people’s GMPs.

In light of the analysis of the correspondence received to date and the complexity of the policies operating in this area, we continue to believe the most appropriate and helpful way to provide detailed information to individuals is, as we are doing, on a case by case basis.

The factsheet was the final step in the Department meeting the Ombudsman’s recommendations on this issue, and we have kept them up to date with our approach as we developed the product.

Baseline for the Review

You asked about the review of the factsheet, and in particular a note of comments made on content grouped by themes. We have had only one comment on the factsheet to date; given this lack of comments, a thematic analysis is not possible. On targeting, all of the people who contacted us after reading the factsheet had a GMP and the majority of those will have received additional insight into how their State Pension is or will be calculated. We will review this when more information is available.

Conclusion

As mentioned above we will look at the GOV.UK positioning of the factsheet and at contacting schemes to remind them of the post 2016 position on indexation and will return to this issue as part of normal review processes.



Guy Opperman MP
Minister for Pensions and Financial Inclusion

ANNEX A

GMP Factsheet: Summary of correspondence received

For the period 12 August 2021 when the factsheet was first published, until 15 June 2022 we have received representations from 16 individuals.

Of these, five were from people who had public sector pensions. They are unaffected by these changes as public sector schemes now index GMPs directly.

Others benefitted from the new State Pension transitional arrangements. These arrangements are particularly beneficial for people who had been contracted out because an amount representing the GMP is deducted from people's Starting Amount. For those who reached State Pension age prior to 6 April 2016 this deduction is not made until State Pension age. The overall impact is that some older workers can build up to the difference between the basic State Pension (£141.85 in 2022/23) and the new State Pension (£185.15 in 2022/23). This would not have been possible in the old scheme.

Because of this, as reported in my letter of 2 March, one person could build a new State Pension of £38.42 a week (21/22 terms). A second who had a GMP of £7.50 a week had built a further two Qualifying Years and had increased his new State Pension by £10.26 a week (21/22).

A third person, with a pre-1988 GMP of £42.85, did not reach State Pension age until the 2021/22 tax year and will be able to increase his new State Pension by £26.45 a week (in 2022/23 terms) if he adds Qualifying years over the period 2016/17 to 2020/21. We have provided him with information about Voluntary National Insurance contributions and National Insurance credits. This person also had a GMP of £28.37 for periods of employment from 1988/89 which will be price protected by his occupational pension scheme by inflation up to 3%.

Six people who responded to the factsheet would not have benefitted from GMP indexation in the old scheme and will not be at a disadvantage under the new Scheme for some time into their retirement.

All things being equal, when someone reaches State Pension age with a pre-1988 GMP, that amount would be broadly equivalent to the State Earnings Related Pension they had forgone with both the GMP and additional State Pension being revalued by earnings. After State Pension age price indexation is achieved by offsetting a frozen GMP amount from an uprated additional State Pension amount each year.

However, when someone leaves a private pension scheme before pensionable age that scheme can opt to revalue the GMP by a fixed rate amount. This rate has varied over the years, but it means that people can have significantly higher GMPs than the additional State Pension they would have built up if they were not contracted out.

In addition to the two cases the Permanent Secretary reported on in his letter of 2 March, four more cases have arisen where the fixed rate revaluation of their GMP means that at 2016 they would not have seen any price protection until annual uprating of their additional State Pension of (1) £36.23 exceeded their GMP of £73.52 (2) their additional State Pension of £61.57 exceeded their GMP of £151.07 (3) their additional State Pension of £64.24 exceeded their GMP of £98.27 (4) their additional State Pension of £28.12 exceeded their GMP of £69.11.

One correspondent had a pre-1988 GMP of £27.53 and had also built up the full rate of new State Pension. Our response explained to him that although his GMP would no

longer be uprated by prices he would receive at least earnings uprating on the £43.30 a week band of earnings between the basic State Pension (£141.85) and the new State Pension (£185.15).

Lastly, a correspondent had a post 88 GMP of £3.29 derived from a Defined Contribution pension. Under the old scheme rules this pension would only be price protected through the additional State Pension on inflation over 3%. However, this person was in fact £2.44 a week better off because their new State Pension Starting Amount was based on the new scheme calculation rather than the pre-2016 rules (new State Pension Starting Amounts are based on the better of a person's National Insurance record calculated under the old scheme rules or the new scheme rules).

ANNEX B

Ombudsman's findings on injustice

Further, we appreciate that there is a broader injustice to members of the public who were not aware of the possible negative impacts of the removal of the second state pension and its relationship with GMP that was brought about by pension reforms in 2014. Whilst we recognise the DWP's point that over time members of the public who were contracted out of the second state pension will be able to make-up any possible shortfall in their state pension by adding qualifying years to the new State Pension, we note that they told us that up to two million people were due to reach State Pension Age between 2016 and 2021.

From the evidence we have seen, whilst the DWP have made efforts to make people aware of what their pensionable amounts will be at State Pension Age, these individuals will not have been made aware through the DWP's literature that the 2014 pension reforms could impact negatively on them over time. To be clear, the DWP has not fully acknowledged there could be negative consequences to the pension reforms over the long term following the end of indexation on the second state pension/GMP.

Further, whilst the DWP acknowledged notional losses for some individuals, the DWP's literature has focused on reassuring people that notional losses will be offset and they will not lose out as a result of the pension changes. This may not be true for all individuals. The DWP's actions, therefore, may have given false reassurance and reduced the incentive for these people to find out about their future pension situation. This is an injustice for those who wished to plan for the future and might have been negatively affected by the reforms



Work and Pensions Committee

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Guy Opperman MP
Minister for Pensions
Department for Work and Pensions

11 May 2022

Dear Guy

Review of GMP factsheet

I am writing in response to the Department's review of its factsheet, [Guaranteed Minimum Pensions \(GMPs\) and the effect of the new State Pension](#) (updated August 2021). The outcome of the review – sent to the Committee in March 2022 - concludes that there is no evidence at this time that a further iteration of the factsheet is required and there is no trigger for further research.¹ However, a steady stream of feedback from members of the public suggests to the Committee that a revised factsheet is needed to better explain: the potential impact on individuals over retirement, particularly as inflation rises; and that some individuals may be eligible for compensation and how they can apply.

Impact of the reforms

DWP produced the factsheet on the recommendation by [Parliamentary and Health Service Ombudsman](#) (PHSO), following its investigation into complaints that DWP had failed to communicate that the introduction of the new State Pension could “negatively affect people with long periods of contracting out who were due to reach State Pension Age shortly after the new State Pension was introduced.”² The PHSO recommended that the Department should explicitly tell people to check their circumstances and should provide details to the public about how they can do this.”³

The Committee has been contacted by members of the public concerned that the factsheet is insufficiently clear about the potential impact and that people may be eligible for compensation. The reason may be that in user-testing, the department ensured participants did not have a high level of pre-existing knowledge.⁴ However, this is a complex area and those with knowledge may have been able to comment, not just on readability, but also on the kind of information people affected would need. The PHSO said the factsheet should be tested on “a relevant group of those affected/those that have knowledge of GMPs.”⁵

For example, to illustrate how the new State Pension could negatively affect someone with GMP entitlement, the factsheet quotes a small weekly loss of 70 pence per week (based on someone with a weekly GMP of £35 in 2015 and inflation of 2%), before going on to say that the loss can build up overtime and that “somebody with a large GMP reaching State Pension age from April 2016 to March

¹ [Letter from DWP Permanent Secretary to Chair, 2 March 2022](#)

² PHSO, [Communication of changes to inflation of State Pensions](#), 30 August 2019

³ PHSO, [Communication of changes to inflation of State Pensions](#), 30 August 2019

⁴ [Letter from DWP Permanent Secretary to Chair, 18 January 2021](#)

⁵ Letter from Chair to DWP Permanent Secretary, [15 December 2021](#)

2017 could have a notable loss over their whole retirement.”⁶ We are concerned that this is insufficient to alert people to the potential scale of the loss, given that complainants to the PHSO “anticipated losing out on payment of many thousands of pounds.”⁷

In addition, the factsheet refers to someone reaching State Pension age in 2016-17 potentially losing out when, according to the Department, the target group for it reached State Pension age between 2016 and 2021.⁸ Furthermore, the example is from a time when inflation was low, and inflation being above 3% is a factor which can contribute to people being comparatively worse off.⁹

A revised version of the factsheet should be produced, including a figure to illustrate the potential loss to individuals over retirement and show the impact of inflation and that it is not just people reaching State Pension age in 2016-17 who may be affected.

Eligibility for compensation

The PHSO recommended limited amounts of compensation (£500 and £700) for the two complaints it investigated, based on their individual circumstances. One had recognised that DWP used flawed arguments and therefore had not been prevented from planning for their financial future but “dealing with DWP’s inadequate responses to their concerns caused frustration.” The other had retired before 2010, so even if DWP had communicated properly it was unlikely they could have taken steps to make a substantive difference to their finances.¹⁰

The implication is that an individual with different circumstances – for example, someone who could have taken steps to make a substantive difference to their finances but had been prevented from doing so by DWP’s actions – may be eligible for more compensation. However, the factsheet only tells people to contact the Department if they would like “advice about what difference the factors have made to their State Pension.” It does not explain that people might be eligible for compensation, or in what circumstances, and what the route would be for getting it.

Feedback to the Committee from members of the public is that more explicit information on this point is needed. One person said they had applied to the Department for compensation but had not had a response and had had to escalate matters to the Independent Case Examiner. Another asked how they could apply for compensation, saying that although they had seen this mentioned in my speech in Parliament¹¹, they had not been able to find “any link or advice from the DWP where members could apply for the compensation or an explanation to why they are now worse off following the introduction of the Single Tier State Pension.”

The Committee would be grateful for an explanation of the circumstances in which an individual in the target group for the factsheet may be eligible for compensation and what steps should they take to get it. This should be included in a revised version of the factsheet.

⁶ Ibid

⁷ PHSO, [Communication of changes to inflation of State Pensions](#), 30 August 2019

⁸ [Letter from DWP Permanent Secretary to Chair, August 2021](#)

⁹ NAO, [The Impact of State Pension Reforms on People with Guaranteed Minimum Pensions](#), March 2016, para 3.17

¹⁰ PHSO, [Communication of changes to inflation of State Pensions](#), 30 August 2019

¹¹ [HC Deb 7 February 2022 c728](#)

Effectiveness of the factsheet in reaching the target group

The review suggests that the factsheet had limited success in reaching its target group. In a letter to the Committee of 18 January 2022, DWP Permanent Secretary, Peter Schofield said nobody had so far applied for compensation. The Department had received four letters in response to the factsheet, none apparently from people who might be eligible for compensation.¹² The analytic review of the factsheet sent to the Committee on 2 March 2022 said, the factsheet had had 6,922 ‘unique page views’, which seems low number given that the Department estimated that 50,000 people would be worse off in 2017-18 alone.¹³ Only 19 people had used the on-page search function, which is ‘very low’.¹⁴

Feedback from members to the public to this Committee suggests some possible reasons for this. One person pointed out that the factsheet has been placed on Gov.UK in the section on ‘[public service pensions](#)’, when it is not in fact relevant to members of such schemes as they have full inflation protection.¹⁵ Another told us that they only became aware of it after looking through the correspondence between the Committee and DWP on the Committee’s website. They said “how anyone affected was expected to know it was there I will never know. There was no press release or other publicity to encourage the large numbers of people affected to look at the gov.uk site factsheet.” Yet another person pointed out that some pension schemes were unaware of the factsheet. One referred on its website to GMP indexation being partly delivered through ‘increases each year added to your State Pension’, without distinguishing between people who reach State Pension age before and after 6 April 2016.¹⁶

Additional factors may have been:

- **The delay in producing the factsheet.** This was not published until August 2021, despite having been warned by both the National Audit Office and a predecessor Work and Pensions Select Committee in 2016, and by the PHSO in 2019.¹⁷ This is of concern given that the Department itself said that the target group was people likely to have reached State Pension age between 2016 and 2021, who did not gain from building new State Pension qualifying years after 2016.¹⁸
- **Reliance on people finding the information for themselves on Gov.UK.** This was despite the previous Work and Pensions Committee recommending that the Department should “not rely on general awareness campaigns or happen chance in promoting that understanding. It should focus on identifying the individuals affected, assessing their potential losses, and communicating with them.”¹⁹

The Committee is concerned that placing information on Gov.UK and hoping people find it is a wholly inadequate strategy for getting important information to people who need it, in this instance, to understand the potential impact on them of State Pension reforms. We would be grateful for an explanation of what the Department is doing to improve its ability to identify individuals affected by State Pension changes and to provide them with full, clear and relevant

¹² [Letter from DWP Permanent Secretary to Chair, 18 January 2021](#)

¹³ NAO, [The Impact of State Pension Reforms on People with Guaranteed Minimum Pensions](#), HC 907, March 2016, para 3.14

¹⁴ [Letter from DWP Permanent Secretary to Chair, 2 March 2022](#)

¹⁵ See House of Commons Library Briefing Paper [CBP 5434](#), October 2021

¹⁶ [HC Deb 7 February 2022 c728](#)

¹⁷ NAO, [The Impact of State Pension Reforms on People with Guaranteed Minimum Pensions](#), HC 907, March 2016, para 4.8; Work and Pensions Select Committee, [Communication of the new State Pension](#), HC 926, 27 March 2016, para 47-8; PHSO, [Communication of changes to inflation of State Pensions](#), 30 August 2019

¹⁸ [Letter from DWP Permanent Secretary to Chair, August 2021](#)

¹⁹ Work and Pensions Select Committee, [Communication of the new State Pension](#), HC 926, 27 March 2016, para 47-8

information. We would also be grateful of an explanation of the steps DWP now intends to take to promote a revised version of this factsheet to both individuals and occupational pension schemes.

Baseline for the review

When the factsheet was published on 12 August 2021, DWP Permanent Secretary, Peter Schofield, said it would be reviewed after a period of six months. The review would include:

- An analytics review to establish usage of the GMP factsheet page, including mapping the routing in and from the factsheet;
- A thematic feedback review on feedback received though Gov.UK feedex;
- A review of the contacts triggered by the factsheet to establish if people contacting are those that have been targeted from the policy intent.²⁰

However, when the review was provided to the Committee in February, it did not include the promised thematic review of feedback or the review of contacts to see if they were from people in the target group.

We would be grateful for sight of the full conclusions of the review – including the review of thematic feedback and contacts.

Conclusion

To conclude, the Committee is concerned that, now six years on from the NAO report, it is still the case that some people with GMPs negatively affected by the new State Pension reforms “have not been able to find the information they need.”²¹ In light of this, will the Department revisit its decision not to review the factsheet and commit to improving its content so that it better meets the needs of those affected and promoting it better? This Committee would be grateful for sight of a suitably revised version of this factsheet before it is published.

I would be grateful for a response by 8 June 2022.

Kind regards



Rt Hon Stephen Timms MP

Chair, Work and Pensions Committee

²⁰ [Letter from DWP Permanent Secretary to Chair, August 2021](#)

²¹ NAO, [The Impact of State Pension Reforms on People with Guaranteed Minimum Pensions](#). HC 907, March 2016, para 4.8