



PENSION
FUND



Increases to your Fund Pension

November 2020

This leaflet is only relevant to pensioners of the SAI, 1967, 1949
and Supplementary Fund sections of the Fund.

Welcome

Most pensioners of the Fund will find part or all of their pension is increased every year to help it keep pace with inflation. If you receive increases to your Fund pension, different increases may apply to different parts of your pension and may be applied at different times of the year, depending on when you joined the Fund.

(Please note that if you were an active member until you started taking your pension, or you were a deferred member but not deferred for long enough to receive a deferred pension increase, your first pension increase will be pro-rata reflecting the time since your retirement/leaving date.)

How is my pension increased?

If you joined the Fund on or after 6 April 1997

Your pension, including any Supplementary Pension earned for Pensionable Service on or after 6 April 1997, will be increased in November each year in line with increases to the Retail Prices Index, subject to a maximum annual increase of 5%. This year the rate of increase is 1.6%.

If you joined the Fund before 6 April 1997

How and when your pension is increased will depend on your sex and age as outlined below:

If you are a female under the age of 60 or a male under the age of 65

Your pension, including any Supplementary Pension earned for Pensionable Service on or after 6 April 1997 (but excluding any Supplementary Pension earned for Pensionable Service before 6 April 1997) will be increased in November each year in line with increases to the Retail Prices Index, subject to a maximum annual increase of 5%.

If you are a female over the age of 60 or a male and over the age 65

If you earned benefits in the Fund before 6 April 1997 different increases will be applied to different parts of your pension at different times, as follows:

- a. Part of your pension, relating to service up to 5 April 1997, will be a Guaranteed Minimum Pension (GMP). Once you have reached GMP age (currently age 60 if you are a woman or 65 if you are a man), different increases are applied to this part of your pension, as determined by legislation. These statutory increases to GMP normally take place in April each year. So this part of your pension will not be increased in November.*
- b. The balance of your pension, including any Supplementary Pension earned for Pensionable Service on or after 6 April 1997, will be increased in November each year in line with increases to the Retail Prices Index, subject to a maximum annual increase of 5%. This year the rate of increase is 1.6%. If your pension came into payment before 6 April 2006, and you exchanged some of your pension for cash when you retired, the increase will be calculated using the pension you would be receiving had you not taken a cash sum. However, if your pension came into payment on or after 6 April 2006, the increase is based on the pension you are actually receiving.
- c. If you are receiving a Supplementary Pension, no increases are paid on any part of your Supplementary Pension relating to service before April 1997.

* More information on GMP is included on the next page. GMP increases are explained further in the leaflet "Pensioner Frequently Asked Questions", which is available in the literature and forms section of the Fund website www.icipensionfund.org.uk.

What is GMP – a quick reminder?

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.

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.

** 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.

How do I know if I have GMP?

You will have 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 male members (not widowers, civil partners or same-sex spouses) will have a GMP for service between 6 April 1978 and 5 April 1988.

Please note that GMPs, like the state pensions they replaced, are calculated differently for men and women. A legal ruling in October 2018 confirmed that GMPs must 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.

For more details on GMP, see the leaflet "1967 Section Your Guaranteed Minimum Pension" which you can find in the leaflets and forms section of the Fund website www.icipensionfund.org.uk.



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Contact details

If you have any questions that aren't answered in this document, please contact the Fund Administrator, Willis Towers Watson. Please email them at ici@willistowerswatson.com, and include your month of birth, post code and the last four characters of your National Insurance number in your email.

If you can't send Willis Towers Watson an email, please call on 0800 916 8021 or +44 (0)1737 227 521 if outside the UK (between 9am & 5pm, Monday to Friday).

Please bear in mind waiting times may be significantly longer than normal.