




Accenture
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Derbyshire
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United Kingdom

Peopleline contact number
0800 731 1919

Our reference


13 May 2016



Dear 

BT Pension Scheme (the Scheme)

Further to your letter to Susan Welch dated 17 April 2016. Your query has been referred to BT Pension Scheme Management Limited, the Secretariat to the Scheme Trustee (the **Secretariat**). We have been asked by the Secretariat to send this response to you as all correspondence between the Secretariat and members is sent via Accenture, to ensure that all correspondence is recorded in one place and a full member case file is retained for the Scheme's records.

You have asked the Secretariat how the Scheme intends to deal with the changes to the annual indexing of Guaranteed Minimum Pensions (**GMP**). As you know, GMP is the minimum pension which the Scheme must provide as one of the conditions of contracting out of the State Earnings Related Pension Scheme (**SERPS**) while you were a member of the Scheme. The GMP is a substitute for and broadly equivalent to the Additional State Pension which Scheme members would have been paid if they had not been contracted out.

Background

As you are aware, your service in the Scheme was between   As the Scheme was contracted-out of SERPS in this period you are entitled to a GMP and this forms part of your pension from the Scheme.

For people reaching State Pension Age before 6 April 2016, the increases on GMPs in payment which were earned before 6 April 1988 were paid by the State along with the State Pension. However, under the new single-tier state pension system introduced from 6 April 2016, the Government will no longer fund increases on GMPs accrued pre-1988 (**pre-1988 GMP**). This means that members of most pension schemes will no longer have increases applied to their pre-1988 GMP.



Current position

As you note in your letter, the Government has announced in a Ministerial Direction dated 6 April 2016 that public sector pension schemes such as the Principal Civil Service Pension Scheme (**PCSPS**) will be required to provide increases on GMPs earned before 6 April 1988. However, the Ministerial Direction states that this only applies to individuals who reach State Pension Age between 6 April 2016 and 5 December 2018.

You are currently a member of Section B of the Scheme. The Scheme Rules for Section B require pensions to be increased in accordance with pension increase legislation, as if the pension was payable under the PCSPS. The PCSPS is required by the Ministerial Direction dated 6 April 2016 to fully price protect the GMP element of individuals who reach State Pension age between 6 April 2016 and 5 December 2018. The Scheme is therefore required to similarly price protect the GMP element of such individuals.

Position for members reaching State Pension age after 5 December 2018

We note that you will not reach State Pension age until [REDACTED]. The Government has not confirmed what will happen for members of public sector schemes reaching State Pension age after 5 December 2018. The Government has announced its plan to consult on how best to address the joint issues of indexation and ensuring equal payment for public service pension scheme members who reach State Pension age on or after 6 December 2018. The Government expects to launch this consultation in summer 2016.

Therefore we cannot confirm whether the Scheme will continue to pay increases on GMPs accrued pre-1988 for members who reach State Pension Age after 5 December 2018, this will depend on the Government consultation and the Scheme Rules at the time. When the position is clarified by the Government further information will be provided to members.

Should you have any further queries please call Peopleline, Accenture pensions helpdesk, on 0800 7311919 (or +44 (0) 203 023 3420 if dialling from overseas) or write to us at the above address. If you contact us, please quote our reference, as shown above.

Yours sincerely



Selina Staniforth
For and on behalf of the BT Pension Scheme Trustees Limited