

Pensions Increase and GMP Effect

BTPS pensions in payment are increased each year from the start of the first full pay period commencing on or after 1 April and are increased as set out in the BTPS Trust Deed and Rules.

You may have chosen for some of your pension to be non-increasing, so the comments below only apply to the part of your pension eligible for increases.

Your increasing pension (above your Guaranteed Minimum Pension) currently increases every April. The increase in the Consumer Price Index (CPI) is measured from September to September and the increase is applied on the following 1 April. This provides for an increase this year of 2.2%.

Your actual increase will be affected by the Guaranteed Minimum Pension if:

- you left BT employment after 5 April 1978 and are over Guaranteed Minimum Pension (GMP) payment age; or
- you are the widow or widower of a former BT employee who was an active member of the Scheme after 5 April 1978.

What is a GMP?

Your GMP (Guaranteed Minimum Pension) is the part of your pension that broadly equates to the Additional State Pension you would have received if the BTPS had not been contracted out. It is payable from GMP payment age, which is age 60 for women and age 65 for men.

The amount of any GMP is notified to you by HM Revenue & Customs (HMRC) National Insurance Contributions Office shortly before you reach GMP payment age. It may be referred to in their literature as a Contracted Out Deduction (COD).

How does the GMP affect my pensions increase?

If you have GMP in payment, both the amount and the source of your pension increase will be affected. Increases to the GMP are calculated separately to the rest of your pension and some of the increases are paid with your State Pension, as required by the contracting out regulations.

GMP that relates to BT employment before 6 April 1988 is excluded when calculating BTPS increases because all of the increases on it are paid with your State Pension.

GMP that relates to BT employment after 5 April 1988 is increased by the BTPS, but only up to 3% each year; the balance of any increase is paid with your State Pension. This year the increase is 2.2% so it will be fully provided through the BTPS.

Would BTPS ever pay the full increase?

BTPS is responsible for paying the full increase if:

- all of your pension is increasing pension; and
- you have no GMP or you have not reached GMP payment age; or
- you are resident abroad and do not receive an increase on your State Pension.

If you believe that you fall into any of the above categories and you have not received the full increase, please telephone the BT helpline, Peopleline 0800 731 1919 quoting your BTPS pensioner reference number and giving details whether you are eligible for the full increase on your BTPS pension.

If you want to know which country is applicable, in the point above, please get in touch direct with the HMRC. For UK enquiries ring the HMRC Helpline on 0191 218 2828 or if you are phoning from outside the UK dial the International code then 44 191 2182828.

EXAMPLE:

We're providing this example to help you understand how the BTPS pensions increase is applied if you have a GMP in payment:-

Current Gross Annual Pension

Included in this:

Non increasing pension

GMP for employment before 6 April 1988 GMP for employment after 5 April 1988

The new pension would be calculated as follows: -

Increasing pension (£20,585 - £2,700) LESS Total GMP (£2,970 + £1,408) Increasing pension in excess of GMP

Increase of 2.2% to increasing pension in excess of GMP Increase of 2.2% to GMP for employment after 5 April 1988

New Annual Pension Payable = (a) + (b) + (c) + (d)
£ 20,585

2,700 (a) 2,970 1,408

17,885 (b) 4,378 13,506

297 (c) 31 (d)

20,913

Note:

Example for guidance only taken from the BT Pensions Scheme notification for Schemes A & B April 2013. Individuals should cheque any calculations they perform with the BT Pensions Scheme. The example does not show the amount of GMP increase paid with the State Pension.