BTPS

GMP equalisation – what is it all about?

As a BTPS member, you have what's called a 'defined benefit' pension. This means, when you retire, this pension gives you an income for the rest of your life.

This kind of pension can be made up of different parts that you build up over your working life. The value of each part will depend on when you were employed and the pension rules at that time.

If you were a member of the Scheme between April 1978 and April 1997, one part of your pension is called '**Guaranteed Minimum Pension**', or **GMP** for short. In most cases, GMP is only a small part of someone's pension.

What is GMP?

GMP is a minimum level of pension built up between April 1978 and April 1997. It was introduced to protect the pension rights of members in defined benefit pension schemes that, like BTPS, were 'contracted out' of the Additional State Pension (also known as the State Earnings-Related Pension Scheme, or SERPS). GMP was only built up by members of pension schemes that contracted out.

If it applies to you, the GMP is the minimum level of pension you're entitled to from BTPS. It's based broadly on the amount of Additional State Pension you would have had if you'd been 'contracted in'. GMP normally applies at 60 if you're a woman, and 65 if you're a man, regardless of your State Pension age.

Why does GMP differ for men and women?

The rules for how GMP built up were based on the way the State Pension worked at that time, with different State Pension ages for men and women.

In the past, women got their State Pension earlier than men. As a result, men and women could build up different amounts of GMP, even if they worked for the same period of time on the same pay. Sometimes this could mean a man is better off, and sometimes it could mean a woman is better off.

What does 'GMP equalisation' mean?

As a result of a High Court ruling, like all pension schemes, we have had to check that men and women are being treated equally in our scheme. We completed these checks in 2023.

To do this, we worked out how much GMP you would have built up if you were the opposite sex. If this would have resulted in a higher overall pension, you could have been due a slightly higher pension. If it would have resulted in a lower overall pension, there was no change to your pension.

Did this affect everyone in the Scheme?

No. The legal change only applies to GMP built up between 17 May 1990 and 5 April 1997. If you don't have GMP, or you stopped building up GMP before 17 May 1990, you will not be affected.

In addition, only certain members in Section C of the Scheme are affected. If you are in Section A or Section B, you will already be receiving, or due to receive, benefits on an equalised basis, so your pension will remain unchanged.

If you are in Section C, we checked your benefits and made any amendments between August 2023 and February 2024. If you received either an uplift to your pension or any back-dated

payment greater than £1, you would have received a letter from us setting out what monies had been paid to you as a result of this exercise.

Why did this happen?

From 17 May 1990, pension schemes legally had to calculate workplace pensions the same way for men and women. However, this didn't apply to GMP.

In 2018 the High Court ruled that GMP should have been included in the 1990 changes. This is why these GMP checks only apply to people who built up GMP after 17 May 1990.

Checking GMP for all affected members of a scheme involved a great deal of work. That work included running through the scheme's historical data back to 1990, working with specialist advisers, recalculating benefits, and tracking down members who left the scheme.

As a result, it can take a few years for a scheme to finish this exercise. Members in the same scheme might get communications about GMP at different times. Also, different pension schemes are at different stages of this process. So, members in more than one scheme might hear from each scheme at different times. BTPS completed this exercise in February 2024 and affected members were contacted directly.

Could my BTPS pension have gone down as a result of this?

No. Your BTPS pension either went up or stayed the same. No one saw the overall value of their pension go down.

This only affected certain members in Section C. We worked out how much GMP you would have built up if you were the opposite sex. If this would have resulted in a higher overall pension, you may have been due a slightly higher pension, or a small one-off back payment. If it would have resulted in a lower overall pension, there was no change to your pension.

If you haven't started getting your pension yet, we will ensure your GMP amount is equalised when you come to retire. Pension quotes produced since September 2023 have been based on equalised GMP.

Does this affect spouse or civil partner pensions?

If you are receiving a spouse or civil partner's pension, it is based on the original member's pension. If they were in Section C and their pension included GMP, we worked out how much GMP they would have built up if they were the opposite sex. If this would have resulted in a higher overall pension for them, we increased your pension accordingly. If it would have resulted in a lower overall pension, there was no change to the pension you're getting.

An increased pension or one-off back payment could affect your tax or benefits

Although most payments will be minimal, there's a chance that an increase to your pension affects benefits you're getting, such as Pension Credit. Also, if your current pension puts you very close to a higher income tax band, an increase might push you into paying a higher rate of tax on the extra income.

If you received a one-off back payment for any extra pension you should have got in the past, this is treated as income and so you are likely to pay tax on it. If you have any questions or concerns about tax, you should contact HMRC or speak to a financial adviser. If you are due a payment, we'll provide details for HMRC when we write to you.

What if I transferred out of BTPS?

Communications to historic members who had transferred out of the Scheme began in December 2022, including a tracing exercise to find those the Scheme no longer held records for. If you were in Section C of the Scheme and transferred out prior to 2022, and have not already been contacted, please get in touch. Contact our member services team on 0800 731 1919 and say you are calling about ‘GMP equalisation in respect of a transferred out pension’. It would be useful to have your old BTPS membership number and National Insurance number to hand, as well as the date you transferred out of the Scheme.