

Applying your annual pension increase

The method and timing for applying annual pension increases are set out in the Scheme Rules, which our Trustee is obliged to follow. Here we explain the process in a bit more detail.

Sections A&B

If you are a member of Section A or B, the Rules for Section A or B of the Scheme apply to your benefits. The Scheme Rules determine that Section A and B members' pensions are increased in the same way as public sector pensions, specifically, the Principal Civil Service Pension Scheme 1974.

If you are interested in the legal basis for this, it is that the Scheme Rules state that pensions in payment, in excess of Guaranteed Minimum Pension (GMP), will be increased in accordance with: i) the Pensions (Increase) Act 1971; and ii) Sections 59 and 59A of the Social Security Pensions Act 1975, as if the pension was payable under the Principal Civil Service Pension Scheme 1974 (and any amendment or replacement of that scheme).

A government Order determines the inflation index used

Each year, the Secretary of State publishes an Order to increase all public sector pensions in payment, if they believe there has been a general increase in prices over the previous year (i.e. inflation). Although the legislation does not specify what measure of inflation to use, the Secretary of State currently links the pension increase Order to the Consumer Prices Index (CPI) and the reference period is the year to September. The Trustee is obliged by the Scheme Rules to increase all pensions in payment for Section A members by the relevant figure in the annual Order.

There is clearly a 'time lag' between the September CPI figure and the pension increase being applied from 1 April the following year, but this is the reference period used in the Secretary of State's Order. Sometimes using the September inflation figure will be more beneficial to pensioners, sometimes less. However, this is the same for all public sector schemes and many private sector schemes, rather than being unique to BTPS.

The Trustee's fundamental duty is to administer the Scheme in line with the Scheme's Rules and legislation. This means that the Trustee can only pay members the benefits they are entitled to under the Scheme's Rules and legislation.

This year's pension increase

The increase in the Consumer Prices Index in the 12 months from September 2023 to September 2024 was 1.7%. This figure is expected to be the one that will be applied to Section A and B increasing pensions, in excess of GMP, from April 2025. We can only confirm this percentage increase once the Secretary of State has published the Pensions Increase (Review) Order, which is yet to be laid before Parliament. This usually happens in late March.

Your pension is made up of different components and different percentage increases apply to these different components. Which rate of increase applies to which component of your pension is determined by a range of factors, including the dates you were a contributing member, whether you chose a Pension Increase Exchange option when you retired (which would mean part of your pension never increases), and whether you've reached GMP age. We explain more in our Payslip Guide which you can read online at btps.co.uk/Payments. This explanation applies to your increasing pension in excess of your GMP.

Communicating pension increases

We aim to communicate pension increases in a timely manner. We publish the generic percentage increase for each Section and new payment dates on our website by the beginning of April. We also issue an annual payslip, to show members the exact impact on their individual pension payment. This involves completing a series of calculations for our 210,000+ pensioner members, as part of our April payroll run.

For members registered on the member portal, your online payslip showing April's revised payment will be available to produce, view and download from 15 April 2024. **Log on** and go to 'My account' then 'My documents' and click on 'My Payslips'. You can also access past payslips and your pension P60s.

For members who do not use our online services, individual payslips will be printed and distributed by post and should reach members before the April payment date, which this year is Tuesday 30 April 2025.