

Dear Member

Scottish Hydro-Electric Pension Scheme 2026 Annual Pension Increase

On behalf of the Trustees of the Scottish-Hydro Electric Pension Scheme, I wanted to let you know the increase that will be applied to pensions in payment with effect from 1 April 2026

Pensions in payment are increased on 1 April each year in line with inflation as measured by the Retail Prices Index (RPI) as at the previous September or within the parameters set out in the Scheme Rules.

Most members will have an element of their pension which is called 'Guaranteed Minimum Pension' (GMP) which increases each year as directed by the government. GMPs from before 1988 don't increase in payment, and GMPs earned after 1988 will increase at 3% this year. The FAQs in the appendix tells you more about GMP and the different elements that make up your pension.

The majority of most members' pension is known as 'Excess' pension – which is, in effect, anything that's been built up in the Scheme that's not GMP.

The pension increases that will apply to scheme pension from 1 April 2026 are as follows:

Excess Scheme pension	Percentage increase
Class 1 (joined the Scheme prior to 1 January 1996):	4.5%
Class 2 (joined the Scheme between 1 January 1996 & 31 March 2006):	4.5%
Class 3 (joined the Scheme from 1 April 2006):	3.0%*

* This is the maximum required by the Rules for this group of members.

Pensioners are paid on the second to last banking day each month. The April 2026 pension will be paid 29th April 2026.

A P60 end of year certificate will be posted to your home address before 31 May showing the tax you've paid on your pension in the previous tax year.

Yours faithfully

Gavin Brydon
Chair of Trustees

Appendix

Guaranteed Minimum Pension (GMP)

Frequently Asked Questions

What is a Guaranteed Minimum Pension?

You might have a Guaranteed Minimum Pension (GMP) if you were a member of a defined benefit (final salary) pension scheme between 1978 and 1997. Your GMP is the minimum amount of income that this workplace pension must provide you in retirement. It forms part of your overall pension, and there are specific rules about how it needs to increase before and after retirement, and the age it is paid from, which will be slightly different to your overall pension. GMP is payable from age 65 for males and 60 for females.

Why do I have a GMP?

Members of the Pension Scheme who were building up benefits between 1978 and 1997 were automatically removed from part of the State Pension, known as the State Earnings Related Pension Scheme (SERPS). This was called being 'contracted out of SERPS.' It meant the members, and the employer, paid lower National Insurance contributions, because their benefit was being provided through the employer's pension scheme. To ensure that these members did not lose out as a result, government introduced rules on GMPs, so that members would never receive less from the Scheme than they would have if they had remained in SERPS. In April 2002, SERPS accrual ended and was replaced by the State Second Pension. From April 2016 the old Basic State Pension plus Additional State Pension (SERPS/State Second Pension) were replaced by the New State Pension.

How are the different elements of my Scheme pension worked out?

When you leave the Scheme, either to retire or if you changed employers, we will work out what your overall pension entitlement is under the Scheme Rules. We then split this into a 'GMP' element and an 'excess' element. For most people, the GMP element will be much smaller than their excess element. The increases that are applied to GMP after this are set out in legislation, and the Scheme Rules will govern what happens to your excess element. This can mean differences in rates of increase and payment dates. For example, increases in retirement for GMP elements are lower than the increases on the overall pension.

How is GMP calculated?

Your GMP is worked out based on your level of National Insurance contributions for each year you were building up benefits in the Scheme. The rules changed in 1988, so there is a difference between 'pre-88 GMP' and 'post-88 GMP' which you will see on your individual letter. If you left active membership, then later retired, your GMP increases in a specific way – usually faster than your excess element would increase.