

Select Committee Brief – BP Pensioner Group

Summary

- ❖ *The UK's Defined Benefit pension funds hold an estimated surplus of £222 billion¹ and yet millions of fund members are experiencing significant erosion in the value of their pensions due to both recent and past inflation.*
- ❖ *In 2024, a PLSA survey² indicated that during the recent period of exceptional inflation only 12% of UK pension funds made permanent discretionary increases to fully or partially protect the purchasing power of member pensions.*
- ❖ *Despite the BP Pension Fund holding a surplus approaching £4 billion, BP has repeatedly vetoed the recommendations of the Trustee preventing it from awarding relatively modest and affordable discretionary increases. As a consequence, 56,000 members have seen the purchasing power of their pensions fall by more than 11%.*
- ❖ *It is evident that the Government's policy objective to enable surplus to be shared with Fund members is likely to be thwarted by recalcitrant employers, unless the Pension Schemes Bill is strengthened.*
- ❖ *Measures to address this are set out in the BPPG submission to the Pensions Schemes Bill Scrutiny Committee (attached) and include:*
 - *Ensuring opportunities to - at least - partially restore the purchasing power of pensions impacted by inflation are made a pre-requisite of any surplus extraction proposal.*
 - *Retaining the existing legislative requirement that Trustees' execute their fiduciary duties in the 'best interests of the members'.*
 - *Adopting measures to strengthen the composition of Trustee boards to address potential conflicts of interest and to provide genuine challenge to employers in surplus extraction negotiations.*
 - *Securing a real voice for millions of pensioners by requiring proper communication and consultation prior to major changes to a Fund including Buy-In, Buy-Out and surplus extraction.*

¹ DWP Pensions Schemes Bill – Impact Assessment, June 2025 (£222bn Technical Provisions Basis)

² Pensions & Lifetime Savings Association, March 2024

1. The Pension Schemes Bill

BPPG has proposed a number of measures aimed at ensuring an appropriate balance of power and incentive between Trustee and Employer when undertaking surplus extraction – a balance that seeks to serve the interests of all beneficiaries.

We welcome the Pension Schemes Bill and the Government's aim that: *"The proposed legislation seeks to remove barriers preventing DB schemes from accessing surpluses, which can then be used productively across the UK economy and to the benefit of millions of members."*

The UK's Defined Benefit Funds hold an estimated surplus of £222 billion. Despite this record surplus, a PLSA survey³ indicated that during the recent period of exceptional inflation only 12% of UK pension funds made discretionary increases to protect the ongoing purchasing power of member pensions. At the 2023 Select Committee, the BPPG noted that as DB schemes close to employees, the employers' motivations switch to focus on how they might end their Covenant obligations while maximising opportunities to extract Fund surplus.

This sets up a different, much more challenging relationship between Trustee and Employer. Our submission to the Pensions Schemes Bill Committee stage (attached) proposes a number of measures that aim to strike an appropriate balance of power and incentive between Trustee and Employer. It is a balance that serves the interests of all the legitimate beneficiaries of a surplus extraction exercise and ensures the policy aims of the Government can be best achieved.

2. The BP Pension Fund

The BP Defined Benefit Fund is among the UK's largest private funds with assets of more than £18 billion, a Funding Ratio approaching 130% and a large surplus of assets over liabilities of £3.8 billion.

The Fund was closed to accrual in 2021, has Low-Dependency status, and pursues a low-risk investment strategy which hedges against unfavourable inflation and interest rate movements. In December 2024, the Fund actuary estimated that a surplus of £2.8 billion would be available for distribution if the Fund were wound-up and a full Buy-Out completed. In September 2025, the Trustee announced it had completed a Buy-In 'de-risking' exercise - transferring £1.6 billion of the Fund's assets to insurance group L&G to take on some of its liabilities.

3. The BP Pensioner Group (BPPG)

BP's leaders have disregarded a longstanding discretionary increase policy to protect the pension from inflation wherever possible.

The BPPG comprises more than 3,000 members of the BP Pension Fund. It was formed in 2023 following the decision of BP's current leadership to block the recommendation

³ Pensions & Lifetime Savings Association, March 2024

of the Trustee and Fund actuary to award a discretionary increase to member pensions in line with inflation. In doing so, BP's leaders disregarded a longstanding discretionary increase policy - published in Pension Guides and other documents in order to protect the pension from inflation "wherever possible" and subject to the Fund having "sufficient resources."

4. Impact on BP pensioners

With an average pension of £18,000 a year, BP's refusal to agree to affordable discretionary increases recommended by the Trustee, has led to BP's pensioners suffering a more than 11% fall in the value of their pensions.

BP has rejected the Trustee's actuary-approved discretionary increase recommendations made to it in 2022, 2023, 2024 and 2025. As a consequence, the real value of pensions paid to 56,000 UK pensioners has fallen by more than 11%. Fund members represent a wide span of socio-economic groups – many previously employed in BP's UK refineries, chemical plants, and oil and gas facilities as well as in office based administrative and professional roles. Many thousands are now in their 80s and 90s and a large number are widowed dependants receiving only partial pensions. The average pension is approximately £18,000 per year meaning, of course, that many pensions in payment are below this figure.

While blocking the recommendations of the Trustee, BP simultaneously announced it would award special 'cost of living' awards to all of its current staff globally in recognition of what it described as the "extraordinary economic circumstances" caused by inflation in 2022/23. After personal impact testimonials were submitted by UK pensioners to the BP Main Board, BP's leaders decided to make a company donation to a BP 'hardship' charity and invite pensioners to submit an application supported by financial documents for a household means-tested, one-off charity handout of £2,500. In practice, this maximum amount would barely restore a single year of lost pension purchasing power for the average pension. The MP for Orkney & Shetland subsequently criticised BP leaders in the House of Commons saying: "Pensions are not charitable hand-outs; this is money that people have earned in the course of their working life."

5. Impact on BP

BP appears to be putting a small, non-cash accounting impact ahead of the wellbeing of thousands of pensioners who built the company. Pensions are being eroded in service of maximising employer surplus extraction opportunities.

BP's leaders have offered myriad, changing reasons to justify their decisions to block the Trustee recommendations which have ranged from ensuring 'fairness' to BP staff, shareholders, customers and to pensioners in other countries through to what the CEO described as an unacceptable financial burden, at odds with his aim to "ensure that our company is strong."

In fact – and rather ironically - the Company's financial and accounting position, profits and cashflows were being transformed by the many £ billions of windfall profits it

received from the very same energy cost inflation that was eroding the purchasing power of the pension paid to its own pensioners. Such was the scale of this financial and accounting transformation, the CEO described BP as “a cash machine” and the CFO (now the current CEO) told investors that the company “had more cash than it knew what to do with it.” At the same time as this record profits ‘windfall’, BP’s leaders were being rewarded with substantial increases in their own remuneration and pension - well in excess of inflation - while announcing a £ multi-billion, multi-year share buyback programme to use the cash windfall to boost the share price.

The Trustee and its actuary advised BP that the proposed discretionary increase posed minimal risk to the Company having to make future contributions to the Fund, given that the Fund investment strategy is now well-hedged and operates on a Low Dependency basis. Employers such as BP no longer have any interest in a Fund they have closed to current employees other than in avoiding making any further contributions under its Covenant and ensuring opportunities for the Company to benefit from the Fund surplus are captured.

6. How decisions are taken e.g. role of employer and trustees

In this new world of DB Funds maturing while holding significant surpluses, there is a serious imbalance between Employer and Trustee powers and decision-making and the potential for significant conflicts of interest.

Decisions relating to Pension Increases

In deciding how the BP pension will increase each year, protection against RPI inflation up to 5% is guaranteed as set out in the Trust Deed. In addition, the Trustee shares a joint power with BP to make discretionary increases by such larger amounts that it considers appropriate. However, in practice, BP considers that it holds a simple veto power by its ability to withhold its consent.

In 1989, BP agreed a joint written policy with the Trustee providing guidance on how the Deed’s discretionary power should be exercised. This set out a clear intent to increase pensions in line with inflation above 5% subject to the Fund having “sufficient resources”. In practice, the Trustee assesses the case for a discretionary increase and makes a recommendation to BP. Up until 2022, whenever annual inflation increased above 5%, a discretionary increase was agreed and made matching the rate of RPI inflation.

Decisions relating to surplus release

As things stand today, the BP Pension Fund Trust Deed does not allow any withdrawal of surplus except in the event of the winding up of the Fund. On winding up, the Trustee may – after all benefits are secured via an insurance company annuity or other means – use any remaining surplus to increase or add to member benefits but only with the consent of BP. Otherwise the surplus passes to BP.

Composition of the Trustee Board

In BPPG’s oral testimony to the Committee in 2023, we noted how the composition of the BP Pension Fund Trustee Board had changed quite radically in recent years. Four

Company Nominated Directors (CNDs) had retired or stepped down who had brought a collective 39 years' experience as trustee directors and 95 years as Fund members. They were replaced by BP with four new directors all of whom were senior managers of the Company but with little if any experience of UK pension trusteeship, and none were members of the BP Pension Fund. Two had only recently joined the Company, while two others were US citizens.

7. How BP pension scheme members are consulted

The views of BP pension fund members on critical issues such as discretionary increases and plans to move pension assets to insurance companies are not sought. Former consultative forums have been closed down.

It is fair to say that in matters that might normally be considered to be of the utmost importance to pensioners, there is a complete absence of consultation and prior communication to aid and inform decision-making regarding the BP Pension Fund. Communication is always post-hoc with little or no attempt to engage with the membership. There are no effective formal or informal structures in place for Trustees – member nominated or otherwise – to take soundings from Fund members.

There is no evidence that BP or the Trustee undertook any consultation or communication with Fund members on the impact of exceptional inflation or their reasonable expectations before making decisions. Had this been the case, the Trustee and BP would have realised that the longstanding discretionary increase policy was still in place (but overlooked by Trustee and BP) and the reasonable expectations of the members were a highly relevant factor that should have been taken into account.

This absence of consultation and communication bodes ill for future decisions that have major implications for Fund members such as the proposed extraction of surplus via the provisions of the new Pensions Schemes Bill and regulations. For example, members were informed post-hoc of the recent decision to transfer £1.6 billion of the Fund assets to an insurance company. When members caught wind two years ago of plans to invite companies to bid to Buy-In, the Trustee and BP initially refused to confirm this to members and it was a Financial Times story that eventually forced an admission.

8. Avenues used to press the Fund member case and our experience of this.

BP leaders appear impervious to the concerns and criticism of UK pension fund members. The Trustee has refused to acknowledge the existence of the BP Pensioner Group and has rejected more than 1,000 letters from Fund and BPPG members requesting that it challenge BP's decisions.

Trustee

Despite repeated requests over the past two and half years, both the Fund Trustee and BP have refused to entertain a single conversation - let alone meet - with the BP Pensioner Group. The Trustee claims that the BPPG is not an "affiliated organisation" and refuses to even acknowledge and share existence of the group when referring to the

dispute in pension newsletters and other communications. It appears to be motivated by 'issue containment' rather than genuinely engage with the members that the Trust serves.

BP

BP's CEO declared the matter 'closed' within weeks of pensioners being informed of the decision to significantly reduce the value of their pensions. Widespread criticism of the Company appeared in the media, on social media and via hundreds of letters submitted to MPs by BP pensioner constituents who in turn wrote to BP's CEO but to no effect. Two Parliamentary debates were held sponsored by the MP for Orkney & Shetland. BPPG also provided oral testimony to the 2023 Work & Pensions Select Committee which shed light on how this was a broad issue with implications for millions of UK pensioners.

Legal

As a result of the bad publicity, BP staged a highly 'controlled' online webcast 'information session' for pensioners which for those who could actually deal with the technology was very badly received for its 'one-way only' broadcast. By fundraising, BPPG members obtained detailed legal advice. When more than 1,000 Fund members wrote to the Trustee earlier this year urging it to at the very least seek a direction from the Court on a number of key legal questions regarding BP's decision-making, the Trustee refused.

Pensions Ombudsman

Five members of the BP Pensioner Group have since made formal IDRPs complaints to both the Trustee and BP which were both rejected. A formal complaint to the Pensions Ombudsman is being prepared.

The Pensions Regulator

The BPPG also wrote to The Pensions Regulator expressing the belief that the BP dispute (and others) indicate that systemic issues of governance are emerging for UK Defined Pension Funds as they reach maturity that warrant close scrutiny by TPR. TPR responded to say that "we have not seen any evidence that would suggest that our statutory powers could be engaged."

13 October 2025