

ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC) GUIDE

BT Pension Scheme



Important Information

This document provides an overview of the Additional Voluntary Contribution (AVC) options available to active members of the BT Pension Scheme (the Scheme). The terms of the AVC facility are subject to the Rules of the Scheme and HM Revenue & Customs (HMRC) limits, both of which will prevail if there is any conflict with this document. Please note that the laws and regulations governing the ways in which AVCs can be used have changed over time and this document explains the options currently available under the Scheme rules if you have chosen to pay AVCs.

If you are unsure about any aspect of investing AVCs in the Scheme or how you can utilise an AVC fund when you retire, you should seek independent financial advice from an individual or company who is authorised by the Financial Conduct Authority (FCA) to provide advice on retirement benefits. We are unable to give you advice on your retirement benefits, including any decision to invest in AVCs.

For information about your Scheme benefits, you can view the Member Booklet for your Section of the Scheme on the Scheme website <http://www.btpensions.net/information/useful-documents> or contact BT Pension Scheme Member Support.

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Saving for your retirement

The Scheme AVC facility is designed to be a tax efficient way to improve your retirement savings. You can pay extra contributions into the Scheme which can be invested within a range of funds which can be used at retirement to provide additional pension and/or cash (some of which could be tax-free). If you pay AVCs into the Scheme you can benefit from:

- Tax relief on your contributions (within the prescribed HMRC limits).
- Any investment growth on AVCs is free of income tax and capital gains tax.
- 25% of your overall Scheme benefits, including AVCs, may be taken as a tax-free lump sum (capped at 25% of the Lifetime Allowance) so AVCs are, therefore, a way of enhancing your tax-free lump sum on retirement.

You should be aware that there are also other ways to increase your retirement savings:

- If you are a Section A member you may have been able, subject to certain restrictions, to increase your retirement benefits by purchasing Added Years of Pensionable Service. Please contact BTPS Member Support for further information.
- Free Standing AVC Schemes, Stakeholder Pension Schemes, Personal Pension Plans and Self Invested Personal Pension Plans (SIPPs) are all examples of registered pension arrangements which benefit from the same tax concessions as the Scheme and AVCs. They are normally offered by insurance companies and similar organisations. If you wish to contribute to one of these, you must make your own arrangements with the provider of those schemes and you may wish to seek financial advice to establish what arrangement would be most suitable for your needs.
- There are other types of investments you can consider boosting your retirement savings, but these are outside the scope of this guide.

It is for you to decide your preferred savings method. As for any savings, it is recommended that you seek independent financial advice. A local Independent Financial Adviser can be found at:

- Money Advice Service at <https://www.moneyadvice.service.org.uk/en/articles/when-and-where-to-get-pensions-help-and-advice>
- Citizens Advice Bureau:
 - **for England call 03444 111 444 or check contact details via our local Citizens Advice search option**
 - **for Wales call 03444 77 20 20**

A financial adviser may charge you a fee for advice so please ensure you are aware of the costs of obtaining advice beforehand as you will have to pay for your own financial advice.

Pension Wise

Pension Wise is a free Government service, if you are aged 50 or over, designed to help you understand your options in relation to what you may do with any Defined Contribution (DC) benefits, such as any AVCs within the Scheme. It can offer you:

- tailored guidance to explain what options you have and help you think about how to make the best use of your DC pension savings;
- information about the tax implications of different options and other important things you should think about; and
- tips on getting the best deal, including how to shop around.

Visit the Pension Wise website (www.pensionwise.gov.uk) for information to assist you with your choices. In addition, if you are aged 50 or over, you can access impartial guidance from the Government for free in the following ways:

- Over the phone calling 0800 138 3944 to book an appointment; or
- Face to face at branches of the Citizens Advice services.
Call 03444 111 444 to book an appointment.

The Pension Wise website includes a summary of the information you should get ready before an appointment to make it as useful as possible. For more information please visit www.pensionwise.gov.uk/appointments.

We strongly recommend you access this pensions guidance and consider taking independent financial advice to help you decide which option is most suitable for you with regards to your AVCs.

HMRC limits

Although AVCs are designed to be a tax efficient method of saving, HMRC places limits on the amount you can contribute to pension arrangements each year and receive tax relief on, as well as the overall benefits that can be provided without additional tax consequences. The operation of these limits can be complex and you should ensure that you understand how you may be affected by any taxation on your benefits if you invest in AVCs. Broadly speaking, under the rules of the Scheme, the contributions you make towards your main Scheme benefits plus any AVC contributions you make can be up to a total of 100% of your salary. However, you may face additional tax charges if your contributions to the Scheme mean that you exceed your Annual Allowance. The Annual Allowance section of this guide explains this in more detail.

Recycling of pension commencement lump sums

HMRC has introduced complex rules to prevent the systematic exploitation of the tax rules, that in brief, involve members withdrawing the tax-free lump sum at retirement (known as the pension commencement lump sum) and reinvesting it back into a registered pension scheme, automatically generating further tax relief on the amount invested (or other actions which have that effect). This in turn allows a further tax-free lump sum to be paid out and is commonly known as recycling. HMRC may treat payments paid into the pension scheme from another scheme or pension arrangement before retirement as an attempt to recycle the pension commencement lump sum.

Broadly, the tax payable on the amount that is deemed to have been recycled is up to 55% of that payment.

Concurrency

You can contribute to more than one registered pension scheme at the same time. This means that in addition to any contributions you pay to the Scheme, i.e. normal contributions, AVCs and/or Added Years (where applicable) you can also contribute to one or more external Freestanding AVC Schemes, Stakeholder Pension Schemes, Personal Pension Plans or Self Invested Personal Pension Schemes at the same time.

Contribution Limits

There is no statutory limit on the amount of contributions you can make or the number of pension schemes you can save in - although there are limits on the amount of tax relief on those contributions. There are also statutory limits on the amount of pension savings you can build up each year and over your lifetime without incurring additional tax charges. Please see the Annual Allowance and Lifetime Allowance sections of this guide for further details.

Tax Relief

The Government has changed the way pension savings are taxed on several occasions in the past. This guide is not intended to be a definitive explanation of tax relief on pension savings. If you have any queries as to how the changes will affect you, you should seek independent financial advice.

The next sections on Annual Allowance and Lifetime Allowance represent the Trustee's understanding of the tax treatment of AVC contributions paid as at the date of this document.

Annual Allowance

Introduced in 2006, the Annual Allowance is a limit on the total value of pension benefits you can build up across all pension arrangements in one year. This is calculated differently for Defined Benefit (DB) arrangements (such as your main Scheme pension) and Defined Contribution (DC) arrangements (such as AVCs and bonus sacrifice payments).

For the DB element, the Annual Allowance is determined as the capital value of the increase in your pension and lump sum over a given tax year. To arrive at the capital value, the pension and lump sum are calculated both at the beginning and end of the period to give an opening and closing value of your benefits. Both pension figures have a factor of 16 applied and any lump sum entitlement is added on. The opening value is increased in line with the annual increase (if any) in the Consumer Price Index (CPI) factor to the September before the start of the period.

For more information, HMRC have some worked examples of how Annual Allowance is calculated for DB arrangements which may be useful: <https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm053320>.

To determine the capital value of DC benefits in a given tax year, this is simply the total value of the contributions paid which qualify for tax relief (not including any investment growth) by you into your AVC fund (or paid by BT into your AVC fund if you make Smart Pension contributions). This also includes bonus sacrifice payments.

Annual Allowance rules from 2016/17

From the 2016/17 tax year, the maximum annual pension savings (Annual Allowance) of £40,000 will remain, but a Tapered Annual Allowance has also been introduced. This means that, for anyone with taxable income over £200,000 (£110,000 prior to April 2020, this figure does not include pension savings), their Annual Allowance will be reduced by £1 for every £2 of taxable income (including the value of pension savings) they have over £240,000 (£150,000 prior to April 2020) with a maximum reduction of £30,000. You can read more detail about this and how it may affect you at: <https://www.gov.uk/tax-on-your-private-pension/annual-allowance>. From 6 April 2016, the period in which pension savings is measured (the Pension Input Period) runs from 6 April to the following 5 April for all pension schemes.

Example calculation for 2019/20

At 6 April 2019 Sandra had a pensionable salary of £40,000 and had built up 30 years of pensionable service in Section A. She has no other pension benefits outside of the Scheme, is not

buying Added Years, but she pays a regular monthly AVC payment of £1,000 each month into the Scheme. Sandra received a pay increase in the year, so her pensionable salary was £45,000 by 5 April 2020.

This table shows the calculation of the capital value of her DB benefits across the combined pension input period (and excludes her AVCs which will be added in the following table):

	Pension	Lump sum	Total
Benefits at start of year	£15,000	£45,000	
Opening Value of benefits (A) ¹			£287,850
Benefits at end of year ²	£17,437.50	£52,312.50	
Closing Value of benefits (B)			£331,312.50
Value of the increase in benefits ³ (B-A)			£43,462.50

Notes

1 Assumes an inflation allowance (CPI) of 1.0% as instructed by HMRC.

2 Assumes the member has an additional year of service and using increased salary figure.

3 The value of the pension is calculated using a factor of 16.

The above example excludes the State Pension Offset.

How these figures would appear on a Pension Savings Statement:

Your 2019/20 savings – (6th April 2019 – 5th April 2020)

2019/20 Annual Allowance (AA)	£40,000.00
DB Pension Input Amount	£43,462.50
DC Pension Input Amount (AVCs)	£12,000.00
Total Pension Input Amount	£55,462.50
Pension savings in excess of the AA	£15,462.50

Sandra's total benefits within the Scheme have increased by £55,462.50 in the 2019/20 tax year which is above the Annual Allowance of £40,000 so she may have to pay an Annual Allowance tax charge depending on whether she has any Carry Forward Unused Allowance from the previous 3 tax years which would cover the excess amount.

Annual Allowance tax charge

If the total increase in your retirement benefits in a given tax year exceeds the Annual Allowance for that year, you may be liable to pay tax at your marginal rate on anything above the Annual Allowance. If you exceed the Annual Allowance, currently you will be required to inform HM Revenue & Customs via your self-assessment tax return and pay the tax by the 31 January following the end of the relevant tax year.

Legislation currently permits pension benefits in a scheme to be reduced to meet an Annual Allowance tax charge. This is known as “Scheme Pays”. Normally, if you have an Annual Allowance tax charge from the Scheme and the tax charge from the Scheme is greater than £2,000, you can ask the Scheme to settle this tax liability on your behalf and reduce your pension benefits from the Scheme accordingly. Please contact us for further information if you would like to elect for Scheme Pays. Please note that for the 2018/19 tax year any Scheme Pays elections must be made by 31 July 2020 and for the 2019/20 tax year elections must be made by 31 July 2021.

The carry forward rule

Generally, in any tax year, if you have not ‘used’ all your Annual Allowance in any of the previous 3 tax years, you can carry the unused balance forward to increase your available Annual Allowance for that tax year. This may be useful if, for example, you receive a significant pay rise taking you above the Annual Allowance in a tax year.

Lifetime Allowance

The Lifetime Allowance is the total value of pension benefits that you can receive in your lifetime without incurring an additional tax charge. The standard amount of the Lifetime Allowance is £1.073 million for the 2020/21 tax year and is due to increase each year in line with CPI. In certain circumstances individuals may have a higher "protected" Lifetime Allowance (or may be able to apply for the protection of a higher Lifetime Allowance). Normally, the value of your pension benefits from all sources will be compared to the Lifetime Allowance when put into payment and any excess will be subject to additional tax (although your benefits may be compared against the Lifetime Allowance at other times).

For members of the Scheme, the value of pension benefits will normally be:

- 20 times the initial pension on retirement; plus
- The lump sum paid on retirement, plus
- The fund value at retirement of any AVCs (if not included in the lump sum paid)

If you have other pension benefits which are in payment or due to come into payment at the same time as your Scheme benefits, you will need to inform us when you come to retire as these will need to be included in the calculation for the Lifetime Allowance.

For more information on the Lifetime Allowance or guidance on how you may wish to apply to HMRC to protect your Lifetime Allowance, please visit the HMRC website:

<https://www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance>

There is technically no HMRC limit on the amount of retirement benefits (i.e. pension and lump sum) you can build up during your working life. However, if the total value of your retirement benefits from all sources (i.e. the Scheme, AVCs, Freestanding AVCs, past employers' registered pension schemes or personal pension arrangements) exceeds the Lifetime Allowance, you will be required to pay a Lifetime Allowance Charge on the excess above the Lifetime Allowance. The tax charge depends on whether the excess benefit is taken as a cash lump sum or paid as a pension and the rates levied are currently 55% and 25% respectively.

Using your AVC funds at retirement

There are various ways in which you will be able to use your AVC fund to provide extra retirement benefits when your Scheme benefits become payable.

The Scheme Trustee considered all the options available to members with AVCs following the introduction of Pension freedoms in April 2015. However, the Trustee has decided not to offer drawdown of AVCs within the Scheme.

Therefore, the Scheme offers three main options for accessing your AVC fund:

1. Put your AVCs towards your tax-free lump sum;

You are normally allowed to take up to 25% of the capital value of your total Scheme benefits, including AVCs, as a tax-free cash sum (capped at 25% of the Lifetime Allowance). You can use your AVCs to help provide your tax-free cash lump sum. If you have sufficient AVCs in your fund to meet the full tax-free cash available to you under the Scheme, your pension would not be affected as you would not need to convert any pension to cash to provide the maximum permissible tax-free cash lump sum.

If you wish to take your maximum tax-free lump sum and would have some AVCs left over, you can choose to take the AVCs that would be left over as a lump sum, taxed at your marginal rate. This would be done by taking part of your AVC funds as an Uncrystallised Funds Pension Lump Sum (UFPLS) (and the rest of your AVC fund as part of your normal tax-free lump sum). An UFPLS is paid as a lump sum, of which 25% is currently payable tax-free and the remainder is taxed as pension income at your marginal rate of tax. This would mean that on retirement your AVCs would be used to provide you with the maximum tax-free cash available to you and the rest of your AVC fund would be paid to you taxed at your marginal rate (as part of your UFPLS) – leaving no residual AVCs. Please note that if you want to do this, you must inform us before your benefits are put into payment. This is because HMRC and legislation generally doesn't permit a taxable lump sum to be paid once you've already taken part of your AVC fund as a tax-free lump sum.

Things to think about when considering this option:

- If you wish to take an UFPLS this option must be chosen when completing section 4 of your Pension Option Form, this option cannot be chosen at a later date. If you do not choose this option and you have AVCs left over after being paid your maximum tax-free lump sum, you will not be able to take the remaining AVCs as a taxed lump sum (you will only be able to take them as a lifetime annuity or a top up to your Scheme pension);
- Taking an UFPLS may have tax implications, including the possibility that you may have to pay a higher rate of tax than normal. This will depend on your personal circumstances;
- People aged 55 today are likely to live well into their eighties, so it's important not to underestimate how long you'll live for. You should think about how to use your AVC fund, along with your main Scheme benefits, to provide an income throughout retirement; and
- Taking a cash lump sum may have implications for people with debt or who may be entitled to means-tested benefits. If you're concerned about this, contact an independent financial adviser. You can find one local to you at the Money Advice Service www.moneyadviceservice.org.uk or by contacting the Citizens Advice www.citizensadvice.org.uk.

2. Purchase a lifetime annuity (or additional Scheme pension) within 6 months of receiving your tax-free lump sum from the Scheme;

You may use your AVC fund to purchase a lifetime annuity from an insurance company. If you take your maximum tax-free lump sum, your remaining AVC fund must be paid within 6 months of your tax-free lump sum being paid (see note below if you wish to take a tax-free lump sum which is less than the maximum available to you) otherwise the Trustee may exercise its right to purchase a lifetime annuity on your behalf. The Scheme's annuity broker is Hargreaves Lansdown and in the first instance we will generate lifetime annuity quotations for you using their annuity service. However, you are also permitted to purchase your own lifetime annuity (referred to as the Open Market Option) and you may wish to contact an independent financial adviser, authorised by the Financial Conduct Authority (FCA) through www.moneyadvice.service.org.uk to help you with this option.

Please note that if you choose to take a tax-free lump sum which is less than the maximum tax-free lump sum available, any part of your AVC fund which is included in the calculation of the specific amount of tax free lump sum that you choose, but which is not paid as part of that tax-free lump sum, will also need to be paid as a lifetime annuity within 6 months of your tax free lump sum being paid.

If you choose to take a tax-free lump sum and your remaining AVC fund is less than £5,000, you are permitted to purchase additional pension within the Scheme at a conversion rate set by the Trustee that will reflect market conditions at the time of conversion. If your AVC fund is greater than £5,000 and you have chosen to take your maximum tax-free lump sum (or your AVC fund was included in the calculation of a lower tax-free lump sum) you cannot purchase additional pension within the Scheme and you will be required to purchase a lifetime annuity either through Hargreaves Lansdown or by exercising an Open Market Option.

Things to think about when considering this option:

- When purchasing a lifetime annuity, you may want to consider opting into health and lifestyle questions depending on your circumstances – it's important to answer these questions honestly;
- You should think about whether to provide an income for your dependants when you die and therefore, whether to purchase a 'single life' or 'joint life' annuity. It's always a good idea to compare what the Scheme offers to a Spouse, Civil Partner or Adult Dependant with what's offered by another scheme or provider;
- An annuity that doesn't increase every year will provide a higher pension to start with than one that increases, but the payments will then stay the same for life. This means that an annual non-increasing annuity will be worth less over time, as inflation increases the price of the things that you buy with it; and
- Other annuity providers might offer a higher pension than the lifetime annuity that you can buy from Hargreaves Lansdown, so it's important to shop around. Remember that a lifetime annuity is a long-term commitment, so it's a good idea to take the time to make a well-informed decision.

3 Transferring your AVCs to an alternative pension provider.

If your Scheme benefits have not come into payment (or in certain limited circumstances after your Scheme benefits come into payment) you can normally transfer your AVCs to an alternative pension provider which may offer flexibilities which the Scheme does not offer. The Trustee does

not permit partial AVC transfers so if you wish to transfer your AVC fund out of the Scheme, you will have to transfer the entire AVC fund value.

Please note that if you have chosen to take your maximum tax-free lump sum and have AVCs remaining in the Scheme (or if your AVC fund was included in the calculation of a lower tax-free lump sum) then you will not be able to transfer those remaining AVCs out of the Scheme.

If you're taking a cash lump sum from your pension to invest somewhere else or you're thinking about transferring your AVCs, be aware that you may be a target for pension scammers. We will provide you with further information if this is an option you would like to explore.

Getting help on your options

Please note that:

- There may be tax implications associated with the way you choose to take your AVC benefits;
- Income from any pension savings is usually taxable; and
- The tax rate on pension income depends on the amount of income and also what income you receive from other sources.

In deciding how to use your AVC fund, we recommend you use the Government's Pension Wise service (see earlier in this guide for details) and consider contacting an independent financial advisor for example through the Money Advice Service at www.moneyadviceservice.org.uk.

Where can I invest my AVCs within the Scheme?

The following four funds are currently available for AVC investments within the Scheme:

- Standard Life Vanguard FTSE UK All Share Index Fund
- Standard Life Vanguard Global Stock Index Fund
- Standard Life Passive Plus III Fund
- Standard Life Deposit and Treasury Fund

The Trustee regularly monitors and reviews the performance of these funds and as a result the investment managers and funds available may change from time to time.

The following funds are closed to all new contributions (whether new or existing contributors) and closed to switches into the fund from other Scheme AVC funds

- BlackRock Global Equity Fund
- BlackRock UK Equity Index Fund
- Legal & General Global Equity Fixed Weights (50:50) Index Fund
- Legal & General UK Equity Index Fund
- Standard Life With-Profits Fund
- Utmost Managed Fund (formerly Equitable Life Managed Fund)
- Utmost Secure Cash Investment (formerly Equitable Life With-Profits Fund)

Choosing where to invest your AVCs may seem daunting. If you are not sure about making your investment choices, you could contact an independent financial adviser for help. They may charge a fee. A local Independent Financial Adviser can be found at:

- <https://www.moneyadvice.service.org.uk/en/articles/when-and-where-to-get-pensions-help-and-advice>
- Citizens Advice Bureau by calling **03444 111 444**

You should note that we are unable to give you advice on what funds are best for you.

The funds in more detail

The following information gives a brief summary of the funds currently available. The performance of the fund values is not guaranteed and fund values can go down as well as up.

Standard Life Vanguard FTSE UK All Share Index Fund

This fund aims to achieve capital growth for investors over the long-term by tracking closely the performance of the FTSE All Share Index, a market capitalisation weighted index of common stocks of companies listed in the UK.

It is a Passive UK Equities (Shares) Fund that invests in the shares of UK listed companies. You can find the Standard Life fund factsheet

at: http://factsheets.financialexpress.net/SLEFL/010V_BFCK.pdf

Standard Life Vanguard Global Stock Index Fund

This fund aims to achieve capital growth for investors over the long-term by tracking closely the performance of the MSCI World Index, a market capitalisation weighted index of common stocks of companies listed in developed countries.

It is a Passive Global Equities (Shares) Fund that invests in the shares of companies listed in developed markets. You can find the Standard Life fund factsheet at:

<http://webfund6.financialexpress.net/clients/standardlife/fundFactsheet.aspx?code=QL4Q>

Standard Life Passive Plus III Fund

The aim of the Fund is to seek to achieve capital growth by investing in a broad range of asset classes. This provides a greater degree of diversification and allows the Fund to be less reliant on a single source of return when seeking long-term capital growth.

It is a Diversified Growth Fund that invests in a wide range of predominantly passive funds which invest in shares of companies, bonds, property, and money markets. The Fund may invest in shares or debt securities of companies from developed or emerging markets. You can find the Standard Life fund factsheet

at: https://uk.standardlifeinvestments.com/SL_P_Passive_Plus_III.pdf

Standard Life Deposit and Treasury Fund

The aim of the Fund is to seek to provide investors with stability of capital and income, before charges, comparable to sterling denominated short-term money market interest rate.

The Fund invests in short-term money market instruments such as, but not limited to, bank deposits and treasury bills. The fund price is not guaranteed by Standard Life and there could be circumstances where the fund price may fall. A fall might happen if, there is an adverse market movement in the value of some of the money market instruments held or if fund income falls so low as to be less than the charges applied to the fund.

You can find the Standard Life fund factsheet at:

https://uk.standardlifeinvestments.com/SL_P_Managed_Cash.pdf

Discounted fund charges

The table below shows the standard total annual charge for each of the funds. These are the figures you will see quoted on Standard Life's website and fund factsheets. However, the Trustee has negotiated discounts on your behalf, which reduces the charges paid by BTPS members. The discount and the total annual charge BTPS members will pay is set out below.

AVC Fund name	Total Annual Charge (% pa)	Your Discount (%)	What you pay (% pa)
SL Vanguard FTSE UK All Share Index Pension Fund	1.02	0.70	0.32
SL Vanguard Global Stock Index Pension Fund	1.01	0.70	0.31
Standard Life Passive Plus III Fund	1.02	0.70	0.32
Standard Life Deposit and Treasury Fund	1.01	0.75	0.26

The total annual charge is applied to all funds and is a measure of the costs associated with managing and operating an investment fund. These costs consist primarily of an annual management charge (AMC) and variable expenses such as trading, legal and auditor fees and other operational expenses. Standard Life's charges are not fixed and can go up or down over time.

How to switch your existing funds within the Scheme?

You can choose one or more of the AVC funds to invest in, and you can move your investments from one fund to another. For example, you may wish to consider moving your entire AVC to safer funds when you are near retirement if you think the unit price is less likely to fluctuate and therefore the total AVC fund value will not move significantly

If you wish to switch some or all of your existing AVC funds to other funds within the AVC facility, you can do this online through the Pensions Portal. Alternatively, you can print and complete Form C (AVC Switch Form) which you'll find on page 22.

Contributions

How to start or increase your AVCs?

If you are an active member, you can apply to begin AVC payments online through the Your Rewards site. From within the BT Network, head to [Your Rewards](#) (available under Essentials or from the Pensions pages on HR Home). If you're at home or using a personal device, go to www.your-rewards.co.uk to log in with your UIN and password (the first time you log in, select 'I've forgotten my sign in details' and follow the prompts).

Once logged into Your Rewards, click on 'Explore your pension' and select 'BTPS Regular AVC' to start or change monthly AVCs. Select 'BTPS Lump Sum AVCs' to pay a single contribution through payroll or **Form B** (download from page 19) can be completed if you wish to pay a single contribution by cheque or by BACS payment. Please note that single contribution AVCs cannot be made through Smart Pensions.

Please note:

- Any AVC amounts given must be in whole pounds.
- Deductions will take effect from the month after you confirm your change through Your Rewards.

When completing the online form on Your Rewards, you are asked to choose between the four AVC funds invested with Standard Life. You can pay your contributions to one or more of these funds.

Think it over carefully before you make any decision.

The value of the benefit at retirement from your AVC fund will depend on several factors including the amount of the contributions paid, costs which may be payable on transferring your AVC fund (either between the funds made available by Scheme or outside the Scheme), the charges payable (see the earlier section of the guide looking at the available funds in more detail), the age at which you access your AVC fund, the performance of investments and any cost of converting your AVC fund into a lifetime annuity, should you choose to do so.

How to direct your future AVC contributions to a different AVC fund?

You may wish to keep your existing funds invested where they are, but direct future contributions to one or more different funds.

If you wish to direct future contributions to a different fund or funds, you can download the AVC Contributions Application Form (Form D) from the Your Rewards site. When completed, scan or photograph your application form and return it to the BTPS email address provided.

How to stop your AVC contributions?

You can action this online through the Your Rewards site by clicking on 'Explore your benefits/' and then 'BTPS Regular AVC' and selecting 'Stop this benefit'. You can stop your AVCs from the 1st of the month following the date you confirm your changes.

Frequently asked questions

Q **How do I transfer my existing funds out of the Scheme?**

A If you stop contributing to your AVC fund, you can leave your AVC fund in the Scheme or you can transfer your AVCs out of the Scheme to one or more different pension providers (if your Scheme benefits have not come into payment). Different pension providers offer different options in relation to what you may do with your AVCs (which may include the option to select an annuity). Different options have different features, different rates of payment, different charges and different tax implications.

Please contact Member Support to request a transfer quote and for further information about the options available to you. If you are over age 50, you will be able to access the Government's Pension Wise service to help you understand your options. Further details are given on the Pension Wise section of this guide. If you would like more information about transferring your AVC funds, please contact Member Support or see the website at www.btpensions.net. Please note if you transfer your AVCs out of the Scheme you will not be eligible to contribute to AVCs in the Scheme in the future.

Q **Are there any income tax concessions on AVC contributions?**

A Yes. This is one of the features of an AVC facility. As with your standard pension contributions, AVCs are paid before any tax is deducted from your pay meaning that you receive relief at your highest rate of income tax, subject to limits set out in legislation which include your contributions to all pension schemes not exceeding your Annual Allowance. For example, if you pay tax at the basic rate of 20% (2019/20 tax year), an investment of £100 in the AVC facility will cost you just £80.

Your accumulated funds grow free of certain taxes.

The rules around tax relief are quite complex and you may wish to seek independent financial advice if you think your pension savings tax relief may be restricted.

Q **How do I keep track of my AVC account?**

A You will receive detailed statements of your AVC funds each year from the AVC providers. You will also be able to see updated values of your AVCs through the Pensions Portal.

Q **How do I pay?**

A Your monthly contributions can be paid through Smart Pensions if you make your ordinary Scheme contributions using Smart Pensions. You can choose how much of your AVC is paid using Smart Pensions on the Your Rewards site. Alternatively, if you don't participate in Smart Pensions for your ordinary Scheme contributions, your monthly AVCs will be deducted from your pay.

Lump sum AVCs made through payroll will be deducted from your pre-tax pay.

Q **What happens if I leave BT before taking my pension for any reason?**

A You will stop paying AVCs when you leave BT. You will then have the option to leave your AVC fund in the Scheme and it will continue to remain invested on your behalf. Alternatively, you may choose to transfer your AVC funds to one or more alternative registered pension arrangements if you wish.

Q **If I start investing can I stop my contributions at a later date?**

A You can stop your monthly AVCs through the Your Rewards site by clicking on 'Explore your benefits/' and then 'BTPS Regular AVC' and selecting 'Stop this benefit'.

Please note the following if you are using Smart Pensions: Because Smart Pensions is an agreement between you and BT about how payments are made, if you want to increase or decrease the regular percentage of your pensionable pay you want to make to your pension then BT needs to know in advance, so your terms and conditions can be agreed and updated.

Changes can only be made from the 1st of the month after BT receives your request via Your Rewards. Please refer to BT's [Smart Pensions Q&A](#) for full details of how Smart Pensions operates.

Q What happens if I die before retiring?

A The total value of your AVC fund will be paid to one or more of your beneficiaries at the discretion of the Trustee, normally free of tax. This will be in addition to any other death benefits which may be payable from the Scheme.

Q Can I make a substantial AVC contribution into the Scheme before I retire?

A There are special HMRC rules to avoid members paying substantial AVC contributions into the Scheme shortly before they retire and you may need to seek independent financial advice as to whether the proposed payment is likely to be regarded as recycling.

Further Questions?

The Q&As on the Scheme website will be expanded over time to reflect the questions asked. Therefore, you may wish to visit this site periodically to see what is new www.btpensions.net.

If the answer you require cannot be found on the intranet pages or on www.btpensions.net, please contact Member Support on member@btps.co.uk or **0800 731 1919**.

The General Data Protection Regulation (EU) 2016/679

The General Data Protection Regulation (EU) 2016/679 imposes various obligations on organisations that process personal data relating to you. One of these obligations is to let you know the purpose(s) for which the data is being processed. The Trustee of the Scheme will hold and process personal data relating to you, if you are a member, in order to administer the Scheme. In doing so, the Trustee is the “data controller” under the Act i.e. it determines the purpose for which, and the manner in which; the data is to be processed. The Trustee may disclose this data to professional advisers and others who assist them in administration.

Please see www.btpensions.net for our privacy notice.

FORM A

BT Pension Scheme (the Scheme) ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC) MONTHLY CONTRIBUTIONS APPLICATION FORM

This form is no longer in use.

You can apply to begin AVC payments online through the Your Rewards site. From within the BT Network, head to [Your Rewards](#) (available under Essentials or from the Pensions pages on HR Home). If you're at home or using a personal device, go to www.your-rewards.co.uk to log in with your UIN and password.

You will also need to let us know which of the four Standard Life AVC Funds you wish your contributions to be invested in. To do this, please download the AVC Contributions Application Form (Form D) from [Your Rewards](#). When completed, scan or photograph your application form and return it to the BTPS email address provided.

FORM B

**BT Pension Scheme (the Scheme)
ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)
LUMP SUM APPLICATION FORM**

Please complete all the relevant boxes using capital letters. If paying by BACS, please email the form to member@btps.co.uk. If sending a cheque, please return the completed form to: BT Pension Scheme, Sunderland, SR43 4AD.

First name	Surname.....
EIN.....	Email
UPRN.....	Daytime Tel. No.

To the Scheme Trustee

I authorise a Single Additional Voluntary Contribution to be applied as follows (please tick box):
I have paid by a single BACS payment to the Scheme's account:

Beneficiary name: **The Trustees of the BT Pension Scheme**
Bank: **RBS**
Sort code: **83-06-08**
Account number: **00123180**

And enclose this form, signed, in an email to the Administrator at member@btps.co.uk

Or

I enclose a cheque made payable to "the Trustees of the BT Pension Scheme"

Please show a monetary amount for any one or a selection of the Investment Funds as shown below (you can now pay the maximum of your Schedule "E" earnings). **Single contributions cannot participate in Smart Pensions.**

Once your form has been received by the administrator, you will be sent a tax certificate to claim tax relief, where applicable, for the AVC payment from the Tax Office.

Investment Fund	Lump Sum Amount £ (Whole £'s only)
Standard Life Vanguard FTSE UK All Share Index Fund	
Standard Life Vanguard Global Stock Index Fund	
Standard Life Passive Plus III Fund	
Standard Life Deposit and Treasury Pension Fund	

Data Protection:

The Trustee of the BT Pension Scheme holds and processes personal data relating to you in order to administer the Scheme. In doing so, the Trustee is the “data controller” in that it determines the purposes for which and the means by which data is processed.

The Trustee may disclose this data to professional advisers and others who assist them in the administration of your pension. However, BT Pension Scheme Administration has been nominated by the Trustee as their representative for administering the fund for the purposes of the Data Protection Act 2018. BT Pension Scheme Administration will process personal data provided by you on behalf of the Trustee of the BT Pension Scheme in order to carry out your instructions as set out by you in this form. BT Pension Scheme Administration on behalf of the Trustee will share your personal data with third parties including the relevant investment funds as set out above. This will not involve any transfer of your personal data outside of the European Economic Area.

By signing the above, you have confirmed that you have understood and consented to BT Pension Scheme Administration using your personal data as set out in this data protection notice.

Further information regarding our Data Protection rules can be found in our Privacy Notice which can be found here : <https://www.btpensions.net/privacy-policy>

Signature **Date**

Additional Voluntary Contributions (AVC) Switch Form



Please complete all the relevant boxes writing in block capitals using black ink and return the completed form to: BT Pension Scheme, Sunderland, SR43 4AD.

First Name _____

Surname _____

Unique Pension Reference Number _____

Email Address _____

Daytime Telephone Number _____

Please complete the switch table below ensuring that the total percentage of funds in the 'Into' column adds up to 100%.

If you wish to switch more than one existing fund you must complete a separate form for each fund you wish to switch.

To the BTPS Trustee

Please transfer the percentage amounts shown below out of my existing fund and into the fund(s) indicated:

Investment Fund	Out of %	Into %
BlackRock Global Equity Fund		N/A
BlackRock UK Equity Index Fund		N/A
Utmost Managed Fund (formerly Equitable Life Managed (Unit Linked) Fund)		N/A
Utmost Secure Cash Investment (formerly Equitable Life with Profits Fund)		N/A
Legal & General Global Equity Fixed Weights (50% UK: 50% overseas) Index Fund (Tracker)		N/A
Legal & General UK Equity Index Fund (Tracker)		N/A
Standard Life With-Profits Fund		N/A
Standard Life Deposit & Treasury Pension Fund		
Standard Life Vanguard FTSE UK All Share Index Fund		
Standard Life Vanguard Global Stock Index Fund		
Standard Life Passive Plus III Fund		

*If you switch from the Standard Life With-Profits Fund, you may be giving up valuable guarantees. Please note that investment funds available to you may change from time to time.

Signature _____ Date _____

Following receipt of this request, we estimate that your switch instruction will be processed within 18 working days. Timescales are estimated and for guidance only.. Standard Life will write to you once the switch has been completed.

Please note that in exceptional circumstances switches may not be possible. If this is the case, you will be informed.

Investment market volatility and switching AVCs

Please be aware that a request to switch your AVC is not an instant transaction and the transfer of funds can take up to 18 days to complete.

There is a risk that market volatility could affect the value of your fund between the date of your switch request and the date it is disinvested by your existing provider. The value can go down, as well as up during this period.

Between your funds being disinvested and the time they're invested in your new choice of fund, there may be a short period when they are not invested at all. This is known as being 'out of market'. While your funds are 'out of market', they will not benefit from market gains nor be reduced by market losses.

If you are unsure about how market volatility may affect the value of your AVC, please consult an independent financial advisor before requesting a switch.

Data Protection: The Trustee of the BT Pension Scheme holds and processes personal data relating to you in order to administer the Scheme. In doing so, the Trustee is the "data controller" in that it determines the purposes for which and the means by which data is processed.

The Trustee may disclose this data to professional advisers and others who assist them in the administration of your pension. However, BT Pension Scheme Administration has been nominated by the Trustee as their representative for administering the fund for the purposes of the Data Protection Act 2018. BT Pension Scheme Administration will process personal data provided by you on behalf of the Trustee of the BT Pension Scheme in order to carry out your instructions as set out by you in this form. BT Pension Scheme Administration on behalf of the Trustee will share your personal data with third parties including the relevant investment funds as set out above. This will not involve any transfer of your personal data outside of the European Economic Area.

By signing the above, you have confirmed that you have understood and consented to BT Pension Scheme Administration using your personal data as set out in this data protection notice. Further information regarding our Data Protection rules can be found in our Privacy Notice which can be found here : <https://www.btpensions.net/privacy-policy>

FORM D

BT Pension Scheme (the Scheme) ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC) REDIRECTION OF FUTURE CONTRIBUTIONS

If you wish to direct future contributions to a different fund or funds, you can download the 'AVC Contributions Application Form' (Form D) from [Your Rewards](#).

When completed, scan or photograph your application form and return it to the BTPS email address provided. Changes will take place from the following month

FORM E

BT Pension Scheme (the Scheme) ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC) APPLICATION TO STOP AVC CONTRIBUTIONS

This form is no longer in use.

If you want to stop your AVCs you can action this online through the [Your Rewards](#) site by clicking on 'Explore your benefits' and then 'BTPS Regular AVC' and selecting 'Stop this benefit'. You can stop your AVCs from the 1st of the month following the date you confirm your changes.