

Summary Funding Statement

Results of the interim funding assessment of the Scheme as at 30 June 2015

The Trustee is responsible for ensuring that the Scheme has sufficient funds to pay its liabilities (benefits to members). At least every three years the Scheme Actuary completes an Actuarial Valuation, with an interim assessment in the years between valuations. The last formal Actuarial Valuation was at 30 June 2014. The purpose of this statement is to provide you with a summary of the recent interim funding assessment of the Scheme as at 30 June 2015.

Reminder of the results of the 30 June 2014 Actuarial Valuation

The Actuarial Valuation of the Scheme on a 'going concern' basis showed that on 30 June 2014, using the assumptions agreed by the Trustee and BT, the funding position was as shown in the table on the right.

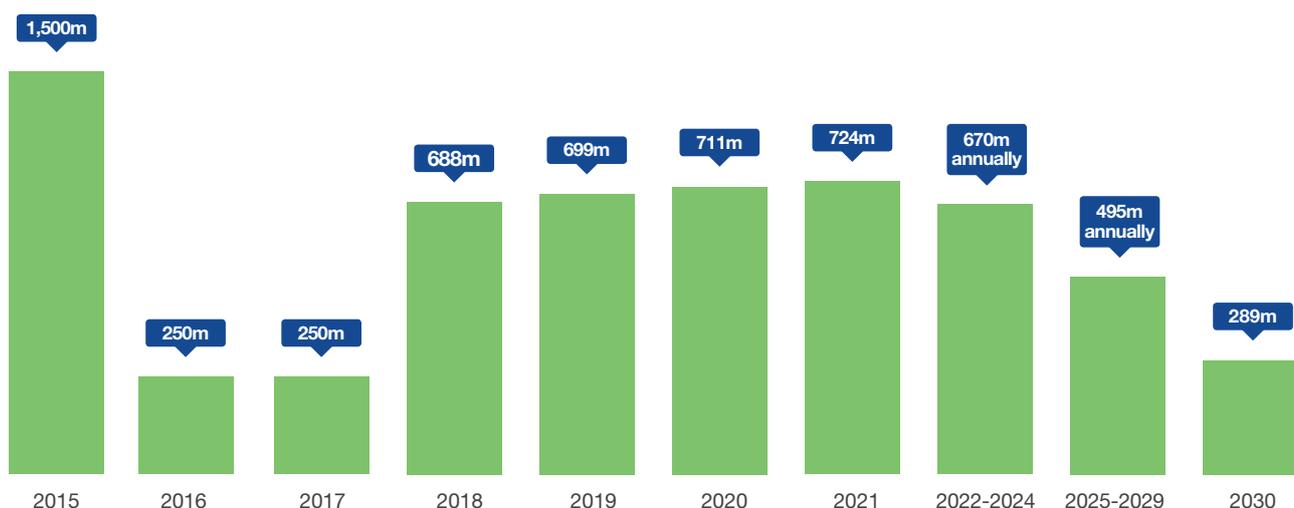
30 June 2014	£ million
Market value of assets	£40,349
Total value of accrued liabilities	£47,393
Funding shortfall (difference between the assets and the liabilities)	£7,044

This represented a funding level of 85%

BT and the Trustee agreed that the funding shortfall revealed at the 30 June 2014 valuation should be eliminated by a series of lump sum payments from BT to the Scheme (known as a 'recovery plan') over the period to 31 March 2030. The length of the recovery plan reflects BT's long term and sustainable cashflow generation and ensures a balance between repairing the funding deficit and enabling BT to invest in the sustainable growth of the business.

The chart below illustrates the agreed recovery plan. Payments amounting to £1.5 billion were paid by BT in March and April 2015 and £250 million was paid in March 2016. A further £250 million will be paid in March 2017 and from 2018 to 2024 BT will make payments in line with the 2011 agreement (being an average of £690 million per annum). After that BT will pay £495 million per annum through to 2029 with a final payment of £289 million in 2030.

Recovery plan contributions



At the 30 June 2014 valuation, the Trustee and BT also entered into new legally binding agreements on several other matters in order to improve the security of the Scheme for the benefit of members.

These agreements secure an updated funding plan for the Scheme supported by a range of enhanced protections. They ensure the Scheme's funding needs are met over a reasonable period whilst enabling BT to invest in the future of its business for the benefit of all its stakeholders.



30 June 2015 interim assessment

The Trustee has received an actuarial report from the Scheme Actuary on the funding position of the Scheme as at 30 June 2015. This is not a full triennial valuation and is not agreed between the Trustee and BT. It uses an approach that the Scheme Actuary regards as consistent with that adopted for the 2014 valuation of the Scheme, allowing for changes in investment market conditions.

Between 30 June 2014 and 30 June 2015 the funding shortfall increased from £7,044 million to £9,960 million.

	30 June 2014	30 June 2015
	£m	£m
Market value of assets	£40,349	£43,084
Total value of accrued liabilities	£47,393	£53,044
Funding shortfall	£7,044	£9,960

There have been positive investment returns of 8.3% and significant deficit payments made by BT during the 12 month period to 30 June 2015. However this has been more than offset by an increase in liabilities due to a fall in long-term interest rates which has led to the increase in the deficit. The Trustee continues to monitor the financial position of the Scheme closely. The Scheme Actuary will undertake a further interim assessment as at 30 June 2016 and a formal actuarial valuation will be carried out as at 30 June 2017 at the latest. BT's contributions to the Scheme are not affected by this update and will be reviewed as part of the next formal actuarial valuation.

Other information

The Pensions Act 2004 states that we must share the following information with you.



The Scheme Actuary's estimate of solvency

The intention is for there to be enough money in the Scheme to pay pensions now and in the future, but this partly depends on BT carrying on in business. This interim assessment therefore shows the funding position on a going concern basis. However, we are also required by law to provide members with the Scheme Actuary's statutory estimate of solvency, which considers the position in the event of the Scheme being discontinued.

The Scheme Actuary has assessed this solvency position on a closed fund basis assuming that a low-risk, closely-matched investment strategy is adopted and including additional margins for risk. On this basis and assuming no further contribution from BT, it is estimated that at 30 June 2014 the assets of the Scheme would have met around 63% of the liabilities assessed on this basis.

However, in the unlikely event that BT became insolvent, there are additional protections which should be available to members – the Crown Guarantee (a guarantee from the Government granted when BT was privatised in 1984) and protection from the Pension Protection Fund (PPF).

- **Crown Guarantee:** An update on this Guarantee was provided in the Trustee newsletter sent earlier this year, or you can find information at www.btpensions.net
- **Pension Protection Fund (PPF):** The PPF was set up by the Government to protect individuals' pension benefits where a company becomes insolvent. Should BT plc suffer an insolvency event, this would cause the Scheme to enter into a PPF assessment period. It is expected that any deficit in relation to the majority of Scheme liabilities would be met by the Crown Guarantee. Other liabilities would either be met by the PPF or, if the funding level was sufficient, by the Scheme. To the extent the PPF does apply, there are limits on the amounts paid by the PPF and for most members this would give lower benefits than those provided by the Scheme, particularly in terms of pension increases. Further information is available on the PPF website at www.pensionprotectionfund.org.uk, or by writing to: **Pension Protection Fund, Renaissance, 12 Dingwall Road, Croydon, Surrey CR0 2NA.**

Repayment to BT and modifications imposed by the Pensions Regulator

We are required to tell you if any payments have been made to BT from the Scheme since the last Summary Funding Statement was issued. We confirm that no such payment has been made to BT from the Scheme. We also confirm that the Pensions Regulator has not modified the Scheme, nor made any directions regarding the contributions or the calculation of the Scheme's funding position.

BT Pension Scheme



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Please note:
The Scheme Rules govern your benefits under the Scheme, and in the event of conflict between this newsletter and the Rules, the Rules take priority.