Welcome
From the Chairman
6 things to know
And how to find out if you don’t
Your Trustee Directors
A look at the Trustee Directors and the Scheme structure
Financial summary
Understand the Scheme’s accounts
Retirement planning
Helpful tips to plan for your future
News round-up
Updates on topical pension issues
New Scheme website
A look at our new BT Pension Scheme website
Useful information
Find our contact details and other helpful resources
Welcome to the 2017 edition of your Trustee Newsletter, in which we bring you the latest news from the BT Pension Scheme (the Scheme).

I am one of nine Trustee Directors who make up the Board of Trustees. It is the Trustee’s responsibility to manage and administer the Scheme on behalf of you, our members. You can find out more about the roles of the Trustee Directors and how they fulfil their duties on pages 4 and 5.

**Funding your benefits**

A valuation must be carried out at least every three years to assess the financial health of the Scheme, with actuarial interim assessments taking place in the years between. The last full valuation was completed as at 30 June 2014, with the next full valuation expected to be completed as at 30 June 2017. The Trustee is currently carrying out an interim assessment as at 30 June 2016, the results of which will be communicated in a Summary Funding Statement that will be provided to members once finalised.

The Scheme’s funding is affected by both the performance of the Scheme’s assets and by the value placed on the future pension payments from the Scheme (the ‘liabilities’). Substantial payments from BT and investment returns have resulted in a growth in the Scheme’s assets. However, it is likely that this will have been more than offset by an increase in the Scheme’s liabilities due to the continuing downward trend of low, long-term interest rates.

You can read about how the Scheme’s assets are invested and how they have performed during the year to 30 June 2016 on pages 6 and 7.

**Importance of planning for retirement**

As the pensions landscape has changed significantly in the last few years, keeping informed about the latest developments will help you plan effectively for your retirement. It’s important to understand whether the level of benefits you have already built up, and are likely to build up in the future, will provide the lifestyle you want to maintain in retirement. Read pages 8 and 9 for some useful tips on how to plan effectively for retirement.

**Sponsor update**

The Trustee continues to monitor the progress of BT and market and industry developments. Of particular note over the last year has been Ofcom’s ongoing Strategic Review of Digital Communications. The Trustee continues to engage with Ofcom on this matter to ensure that it is provided with all relevant information on the Scheme.

**New Scheme website**

We’re launching a new and improved Scheme website in early 2017. The new website is designed to help you access the information that’s most relevant to you, depending on what type of member you are. Go to page 11 to find out more.

We hope you enjoy reading your 2017 Trustee Newsletter and that it helps you stay up to date with your pension and the Scheme. If there are any items that you would like to see covered in future issues, please let us know using the contact details on the back page.

**Paul Spencer CBE**

Chairman

February 2017
Keeping up to date makes it easier to plan for the future you want. Here are 6 things to know, which will help you plan and manage your retirement savings effectively.

1. **Your potential Scheme retirement income**
   - Check your annual benefit statement to find out how much pension you might be able to build up by the time you retire, based on your current choices. Ask yourself, is this income enough to provide for the lifestyle you want? If not, there are things you can do now which may make a difference (see page 8).

2. **Your State Pension and when you can claim it**
   - When planning for retirement, it helps to know what your different sources of retirement income will be. Find out what the State will provide at [www.gov.uk/check-state-pension](http://www.gov.uk/check-state-pension)
   - Note: unless you were born before 6 October 1954, your State Pension won’t be paid until you’re at least 66.
   - More information about the State Pension is on page 10.

3. **Keeping track of your pensions**
   - If you’ve built up pension savings with a previous employer, make sure you keep in touch with them so they can pay your pension when it’s due. If you’ve lost track of previous pensions, the Pensions Tracing Service can help. Visit [www.gov.uk/find-pension-contact-details](http://www.gov.uk/find-pension-contact-details)

4. **Who will receive benefits when you die?**
   - The Scheme may pay a lump sum to your beneficiaries when you die. The Trustee has discretion over which beneficiaries will receive a lump sum and how much each beneficiary will receive.
   - You can help the Trustee decide who your beneficiaries should be by completing an Expression of Wish Form. You can find a new form on our website or by calling Peopleline (contact details on the back page).

5. **What other benefits are payable to your dependants?**
   - When you die, your spouse or financial dependants may be entitled to a pension based on the value of your own pension. Eligible dependent children are also entitled to a pension following your death. You can find more information about this in your annual benefit statement or at [www.btpensions.net](http://www.btpensions.net)
   - (choose your Section and then select the subsection ‘What happens if you die?’).
Your Trustee Directors

Who’s looking after your benefits?

Managing the Scheme is a big undertaking with over 300,000 members to look after. The assets of the Scheme are held in trust for the benefit of members and the Scheme is managed and administered by the Trustee, BT Pension Scheme Trustees Limited, in accordance with the Scheme Rules and relevant legislation.

The Trustee Board consists of nine Trustee Directors. Four Trustee Directors are nominated by members and four are appointed by BT (‘the Company’). The Chairman of the Scheme is appointed by the Company with the agreement of the recognised trade unions.

Scheme governance

One of the keys to good governance is ensuring adequate Trustee knowledge, training and performance evaluation. All of the Trustee Directors have the relevant skills and knowledge necessary to carry out their roles effectively. Some of the Trustee Directors have experience of working at other schemes and bring specialist knowledge to the Trustee Board. The overall result is a balanced and diverse Board with the right mix of skills and experience.

The Chairman of the Trustee Board carries out an annual appraisal of the performance of individual Trustee Directors which includes an assessment of their role as Trustee Director, their views on how well the Board is working and the need for any specific training. The Board reviews the performance of the Chairman.

The Trustee Board and Committees

The Trustee Board has ultimate authority for all aspects of the management and strategy of the Scheme. The Board discharges its responsibilities through an annual programme of meetings.

The Trustee Board has delegated some powers and responsibility for certain matters to five Board Committees: Audit Committee, Investment Committee, Administration and Communications Committee, AVC (Additional Voluntary Contribution) Committee and the Responsible Investment Oversight Committee. You can see below which Trustee Directors sit on each Committee.

More details on the governance of the Scheme can be found in the Scheme Report and Accounts available on the Scheme’s website at www.btpensions.net

2016 Trustee Directors

Catherine Claydon stepped down on 31 December 2016. Her replacement will be communicated on the Scheme’s website once appointed.
Donald MacDonald stepped down on 10 January 2017. Ben Marshall has been appointed as his replacement.

Donald MacDonald
Appointment: Nominated by members in 1998
Committees: • Responsible Investment Oversight Committee (chair) • Investment Committee

Billy McClory
Appointment: Nominated by members in 1997
Committees: • Audit Committee

Jim McInally
Appointment: Appointed by the Company in 2012
Committees: • Administration and Communications Committee • Responsible Investment Oversight Committee • AVC Committee

Beryl Shepherd
Appointment: Nominated by members in 2009
Committees: • AVC Committee (chair) • Administration and Communications Committee

John Wroe
Appointment: Appointed by the Company in 2007
Committees: • Audit Committee (chair) • Investment Committee • Responsible Investment Oversight Committee
Financial summary

Below is a summary of the money coming in (contributions and investment returns) and going out (benefit payments) of the Scheme over the year to 30 June 2016 and the impact this has had on the net assets held by the Scheme.

The accounts have been audited by Deloitte LLP, who confirmed that the accounts show a true and fair view of the financial transactions during the 12 months to 30 June 2016, and that contributions were paid to the Scheme as set out in the Schedule of Contributions in force during the period.

Assets of the Scheme

The Scheme’s asset allocation is monitored regularly and is an integral part of the Trustee’s investment policy. Targets are set to reflect the Trustee’s views on the appropriate balance between seeking higher returns and incurring risk, and on the extent to which the Scheme’s assets should be distributed to match its liabilities. The distribution of assets at 30 June 2016 is illustrated on the right.

Contributions

The contributions paid into the Scheme are made up of ‘ongoing’ contributions by BT and by active members in respect of benefits built up over the year, as well as deficit funding contributions paid by BT as agreed. Further details will be included in the Summary Funding Statement that will be provided to members when finalised.

This section of the newsletter gives information on the assets of the Scheme and how they have changed over the year ending 30 June 2016. In order to assess the funding position of the Scheme, these assets must be compared with the estimated value of all future payments the Scheme is expected to make (the Scheme’s ‘liabilities’). Information on how the liabilities of the Scheme have changed over the year to 30 June 2016, and how this compares with the Scheme’s assets will be included in the Summary Funding Statement that will be provided to members when finalised.
Return on investments

The chart below shows the annualised investment performance of the Scheme over the last three years:

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Scheme Return</th>
<th>2014</th>
<th>Benchmark Return</th>
<th>2015</th>
<th>Scheme Return less inflation*</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>11.9%</td>
<td>10.9%</td>
<td>11.5%</td>
<td>8.3%</td>
<td>6.9%</td>
<td>4.3%</td>
</tr>
</tbody>
</table>

*Adjusted returns show Scheme returns less CPI (Consumer Prices Index) inflation.

Benefits payments

During the 12 months to 30 June 2016, benefits of £2,359 million have been paid out of the Scheme. These benefits include pension payments, retirement lump sums and transfer value payments. The level of payments paid out by the Scheme is influenced by the membership profile of the Scheme (see chart below).

Our membership

The chart below shows how the membership has changed from 30 June 2014 to 30 June 2016.

<table>
<thead>
<tr>
<th>Year</th>
<th>Contributing Members</th>
<th>Deferred Members</th>
<th>Pensioners</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>40,229</td>
<td>75,935</td>
<td>197,736</td>
<td>313,900</td>
</tr>
<tr>
<td>2015</td>
<td>37,065</td>
<td>71,785</td>
<td>199,333</td>
<td>308,183</td>
</tr>
<tr>
<td>2016</td>
<td>33,871</td>
<td>67,766</td>
<td>201,261</td>
<td>302,898</td>
</tr>
</tbody>
</table>

The benchmark is the base against which the Trustee measures the Scheme’s investment performance. It is created using a mix of financial market indices, peer groups and customised benchmarks that are representative of the Scheme’s investment strategy. The Trustee is considering the use of alternative benchmarks based on the development of the Scheme’s liabilities to better reflect the Trustee’s investment objectives.

Want to know more?

You can find more information about the figures in these pages in the Scheme Report and Accounts, which can be found by visiting www.btpensions.net and selecting the ‘Information’ tab.
Retirement planning

It’s never too early to start thinking about how you’re going to fund your retirement, and whether you will have enough to support the lifestyle you want. You can use the two questions below to help you get planning and determine how your retirement savings are shaping up.

1. What will your sources of income be?

Think about where all your sources of income will come from. You can find out how much your Scheme pension is likely to be when you retire by checking your annual benefit statement.

Other sources of income which may be available to you:

- **Other pension savings**: you may have savings with a previous employer or a private pension.
- **State Pension**: the amount you’ll receive from the Government depends on a number of factors, including when you were born and the amount of National Insurance you have built up. Find out more on page 10.
- **Personal savings**: you may have other savings, such as ISAs, investments or rental income, which you plan to use in retirement.

2. Do you need to save more to meet your retirement goals?

Once you have worked out your sources of income, and estimated how much you’re likely to have, consider how much you’ll need to afford the lifestyle you’d like in retirement. Use the Retirement Planner on the Pensions Portal to help understand how much income you will have. If your income doesn’t match up with the lifestyle you want, here are a few ways you could influence your savings:

**Additional Voluntary Contributions (AVCs):** start or increase your AVCs within the Scheme to potentially boost the overall value of your Scheme pension account.

**ISAs and other saving vehicles:** as well as saving through the Scheme, you can save into an ISA or open up a private pension. If you are under 40, you might want to consider the Government’s new savings vehicle, the Lifetime ISA (LISA).

**Deciding when to retire:** you could think about working for longer, which would give you more time to reach your savings goals.

---

**Boost your savings with AVCs**

In addition to your main Scheme pension, you have the option of making AVCs. The Scheme AVC facility could be a tax-efficient way to improve your retirement savings. You can pay extra contributions into the Scheme, which are invested within a fund and then adjusted for investment returns, before being applied at retirement to potentially provide additional pension and/or lump sum benefits. More information can be found at [www.btpensions.net](http://www.btpensions.net)

**Planning on retiring early?**

You may be able to take your pension from the Scheme earlier or later than your Normal Pension Age (NPA), but not before age 50 or before age 55 if you continue in employment with BT, or last joined the Scheme after 5 April 2006. Consent from BT may be required if you wish to receive your pension and remain in employment. Your NPA is dependent on which Section you are in. The NPA for Section A members is 60. The NPA for Section B and C members is 65.

**Moving to part-time?**

Your benefits will build up in proportion to the number of hours that you work – if you decide to go part-time in the future, your full-time equivalent salary would be used to calculate your pension benefits. This means that any benefits built up before you go part-time will not be reduced as a result of going part-time. Any death-in-service lump sum will be calculated on your part-time salary.
If you pay AVCs into the Scheme:

- you benefit from tax relief on your contributions (within HMRC limits), see page 10 for more information;
- 25% of your overall Scheme benefits, including AVCs, may be taken as a tax-free lump sum (capped at 25% of the Lifetime Allowance); and
- funds are free from capital gains tax.

Contributing AVCs to your Scheme account

- You can start, stop or change your AVCs through the Pensions Portal.
- If your main Scheme contributions are paid through SMART (salary sacrifice), then any regular AVCs will also be paid through SMART. One-off lump sum AVCs will not be paid through SMART.
- You can pay a one-off lump sum to your AVCs via the Pensions Portal or by downloading and completing the ‘Lump Sum AVC Contribution Form’ from the Pensions Portal library and returning it to us.

Defined Contributions (DC) flexibilities at retirement

In April 2015, the Government introduced increased flexibility for DC savers, including those making AVCs. This means you now have much more freedom and choice in how you access your Scheme AVCs. At your retirement date, you have the option of taking your AVCs in a number of ways including the following:

<table>
<thead>
<tr>
<th>Cash only</th>
<th>Annuity</th>
<th>Transfer out</th>
</tr>
</thead>
<tbody>
<tr>
<td>Put them towards your tax-free cash lump sum at retirement.</td>
<td>Regular, guaranteed income throughout retirement. You can choose your annuity provider but you must provide us with details at the same time you take your main Scheme benefits.</td>
<td>You can transfer out your AVCs to another pension provider. Many providers will allow you to take your pension through flexible drawdown.</td>
</tr>
<tr>
<td>If you have more AVCs than the maximum tax-free cash lump sum you are allowed to take, then any leftover AVCs can be taken as cash taxed at your marginal rate or used to purchase an annuity.</td>
<td></td>
<td>If you choose this option, you must provide us with details of the transfer prior to taking your main Scheme benefits.</td>
</tr>
</tbody>
</table>

How do increased DC flexibilities relate to my Defined Benefit (DB) pension?

As your Scheme pension is a DB pension, there is no change to your main Scheme benefits as a result of these changes. However, you can access the new pension freedoms if you transfer your benefits out of the Scheme. The new freedoms are particularly relevant if you have, or are planning to make, AVCs. A transfer of your benefits out of the Scheme could have enduring financial consequences for you and is a choice that should be considered carefully. Please be aware that some members who have transferred their benefits out of the Scheme have been targeted by scammers. See page 10 for more information on pension scams and how you can keep your pension safe.

Here are some useful points to note around taking a transfer value from the Scheme:

- If you’re transferring to a DC scheme, and the value of your DB benefits is over £30,000, it is a legal requirement for you to take advice from an authorised and impartial financial adviser. As part of processing your transfer, the administrator of the Scheme will ask you to provide evidence of this. The Government wants to help ensure members do not make decisions they may regret later.
- The process involved in taking a transfer value can often take several months. We recommend that members plan in advance to allow for these timescales.
- As you are still an active member of the Scheme, any transfer value quoted to you will be for illustrative purposes and will not be guaranteed. In order to receive a guaranteed transfer quote, you will need to have opted out of the Scheme. Any transfer value requested thereafter will then be guaranteed for three months. However, please be aware that if you opt out of the Scheme, you will lose the opportunity to build up further benefits.
News round-up

An update on the State Pension

• Changes to State Pension Age: the current State Pension Age for men is age 65, and will increase incrementally to 65 for women by 2018. Following this, State Pension Age will rise to 66 for both men and women by October 2020. More increases are planned, which will raise State Pension Age from 66 to 67 between 2026 and 2028. Reviews will take place every five years thereafter, accounting for any changes in life expectancy. Find out your State Pension Age at www.gov.uk/state-pension-age

• Your State Pension: from 6 April 2016, the Government changed the way in which State Pensions are calculated. The changes apply to men born on or after 6 April 1951, and women born on or after 6 April 1953. Previously made up of the Basic State Pension and the Additional State Pension, the Government simplified the State Pension by introducing a single-tier structure.

As of 6 April 2016, DB pension schemes (such as the BT Pension Scheme) are unable to contract out the Additional State Pension. Therefore, Section A of the Scheme ceased to contract out from 6 April 2016 – Sections B and C had already stopped this practice on 6 April 2009. Contracting out was a system which allowed members to build up a comparable additional pension in their private scheme rather than an additional State Pension fund. To get an estimate of the amount of State Pension you are likely to receive, visit www.gov.uk/check-state-pension

Until 5 April 2017, anyone over State Pension Age at April 2016 will be able to apply to make a ‘Class 3A voluntary contribution’ to top up their State Pension. Find out more about the State Pension and how these changes may affect you at www.gov.uk/yourstatepension

Pension scams

Since the introduction of the new pensions flexibilities for savings like AVCs (see page 9), it has been reported that pension scams have been on the rise. Scammers are approaching pension savers like you, promising one-off investments, pension loans or upfront cash in exchange for your pension. Whilst these offers may sound tempting, they typically involve high tax charges and penalties, and you risk losing a significant amount of your pension savings. Look out for cold calls, texts or emails that you were not expecting and thoroughly investigate any product that might be recommended to you.

In the 2016 Autumn Statement, the Government announced that it will be consulting on whether to ban cold calling in relation to pensions. The consultation ended on 13 February 2017. Until the proposals are announced, it will not be clear what measures will be implemented. The Trustee encourages you to stay abreast of updates on this consultation to stay aware of your pension rights.

To help you identify potential scams, please read the Pension Scams booklet ‘Scammed out of his retirement’, which you can find by visiting www.thepensionsregulator.gov.uk/pension-scams and clicking on ‘Individuals’. If you think you are being scammed, contact the Action Fraud helpline on 0300 123 2040.

New limits to pension savings in place

Lifetime Allowance (LTA) – limit reduced

The LTA is the total value of pension benefits that you can build up tax efficiently during your lifetime. The LTA for the 2016/17 and 2017/18 tax years is £1 million, reduced from £1.25 million in 2015/16.

From April 2018, this allowance will increase annually in line with the Consumer Prices Index (CPI). The percentage of pension value that may be taken as a tax-free lump sum will remain at 25% of the value of your pension savings up to the LTA.

To find out more about the protections offered for individuals at risk of exceeding the LTA, go to www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance

Annual Allowance (AA) – new structure in place

The AA is the amount of pension benefits that you can build up in a year tax efficiently. As of April 2016, the standard £40,000 AA now reduces on a sliding scale (the Tapered Annual Allowance) for members with taxable income over £110,000 (excluding any pension savings).

With the Tapered AA, for every £2 of Adjusted Income over £150,000, the AA reduces by £1 down to a minimum of £10,000. Adjusted Income is the total taxable income from all sources, plus the value of UK pension contributions made by you, and on your behalf by your employer, in a tax year.

For more information, visit www.gov.uk/tax-on-your-private-pension/annual-allowance
New Scheme website

We’re launching a new and improved BT Pension Scheme website to ensure that the information you need is always just a click away.

Visit www.btpensions.net to see the new website when it launches.

The new look website has been specifically designed to improve the experiences of those who use it – you, the members. The information will be tailored to you – based on which Section of the Scheme you are in and what type of member you are. It will be accessible from computers, tablets and smart phones.

The Trustee is always looking at ways to improve how they communicate with members. Once launched, take some time to familiarise yourself with the website and everything it has to offer. Please feel free to feedback your views on the improvements we have made.

Explore the website to find out about the information available and what you can do online to help you manage your pension. Here are just some examples of what the website will offer:

What’s on there?

- A new ‘Member map’ which will take you effortlessly to key areas of the site.
- The latest Scheme and pension news in a format that is easy to understand and free from pension jargon.
- There will be a new section devoted to dependant members, such as spouses or children.

What can I do?

- Access the site from your computer, tablet or smartphone.
- Send an enquiry direct to the administration team.
- See frequently asked questions tailored to your status and updated regularly.
Useful information

If you have a question about the Scheme or your benefits in particular, take a look on our website, or on the BT Pensions Portal to see if you can find the answer. Alternatively, contact Peopleline using the details below.

Contact details
Remember to have your Pension Number or National Insurance number to hand when you get in touch.

Website
www.btpensions.net

Email
btpensions@accenture.com

Phone
Calling from the UK 0800 731 1919
Calling from outside the UK +44 (0)203 023 3420
Available Monday to Friday, 8.30am to 5pm

Write to*
Pension Services, Accenture
Venture House
Venture Way
Chesterfield
S41 8NR

*Please include your name, date of birth and Pension Number in your letter.

Other help with your pension

Pensions Portal
Access through the Pensions pages on the BT intranet or the ‘Information’ page on www.btpensions.net

State Pension information
www.gov.uk/browse/working/state-pension

Pension Wise access from age 50
The Government has set up a free guidance service called Pension Wise for all DC Scheme members wishing to access face-to-face or phone guidance about their options at retirement. If you have DC savings from another pension arrangement or Scheme AVCs, make sure you make the most of this service. You can contact Pension Wise from age 50 onwards.

Visit www.pensionwise.gov.uk or call 0800 138 3944 to arrange an appointment.

Need financial advice?

The Money Advice Service
You can find independent information on personal finance, including pensions here: www.moneyadvicecentre.org.uk

The Pensions Advisory Service
For free and impartial guidance on pensions, visit www.pensionsadvisoryservice.org.uk

Tax advice
The Trustee, BT and Peopleline are not able to provide you with tax advice. If you need further tax information, please contact HMRC by visiting www.hmrc.gov.uk or calling 0300 200 3300.

Report and Accounts for the 12 months to 30 June 2016
This shows the Scheme’s income and expenditure over the 12-month period and is available on the Scheme’s website at www.btpensions.net

Scheme documents
If you would like to find out more about the Scheme, there are a number of documents which you can access on our website or via Peopleline.

Formal actuarial reports
This sets out the funding position of the Scheme at the latest completed valuation date or in any subsequent actuarial update obtained by the Trustee.

Recovery plan
This sets out the plan for eliminating the past service deficit in the latest valuation.

Schedule of Contributions
This shows how much money is being paid into the Scheme by BT and by active members.

Statement of Funding Principles
This sets out the policy of the Trustee in relation to Scheme funding and other related matters.

Statement of Investment Principles
This explains how the Trustee invests the Scheme’s assets.

Scheme Rules
These are the formal legal documents governing the Scheme.

Issued by:
BT Pension Scheme
Trustees Limited
Lloyds Chambers
1 Portsoken Street
London
E1 8HZ