

Welcome



Paul Spencer CBE, Chairman*

Paul was appointed as independent Chairman of the Trustee Board in March 2011 and has been an independent Trustee Director since September 2009.

You can find out more about Paul on the next page.

*Appointed by BT with the agreement of the recognised trade unions.

Welcome to the 2015 edition of your Trustee Newsletter, in which we bring you the latest news from the BT Pension Scheme (the Scheme).

It has been a busy year for the Scheme, with the valuation of the Scheme taking place and a number of other developments that are summarised below.

Funding your benefits

A valuation must be carried out at least every three years to assess the financial health of the Scheme. I'm pleased to confirm that we have just agreed the 2014 valuation results with BT and you will find a summary enclosed.

The Scheme's funding is affected by the performance of its assets. During the latest Scheme year the investment return was 6.2%. This meant that the net increase in the value of the Scheme's assets, after contributions, benefits and investment returns are taken into account, was over £700 million. You can read about how the Scheme's assets are invested and how they have performed during the year to 30 June 2014 on pages 4 and 5.

Your questions

Over the past year, we've received many questions from members about their pension. On page 7 we have provided answers to some of the most frequently asked questions. We hope you will find these useful. If you have any further questions about the Scheme or need to get in touch, you'll find contact details on page 11.

Keeping you up-to-date

There have been a number of Scheme developments over the last year. This includes the Court of Appeal decision in relation to the Crown Guarantee. We have also recently renewed the Scheme's administration contract with Accenture. Further details on both can be found on pages 9 and 10.

In addition, in July 2014, the Trustee entered into insurance arrangements to provide long-term protection for the Scheme against costs associated with members living longer. In turn, this provides greater security for your benefits. Your pension won't be impacted by this but if you'd like further information turn to page 8.

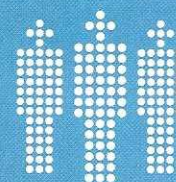
We hope you enjoy reading your 2015 newsletter and that it helps you stay up to date with your pension and the Scheme. If there are any items that you would like to see covered in future issues, please let us know.

Paul Spencer CBE

Chairman

February 2015

Your Trustee Directors



The assets of the Scheme are held in trust for the benefit of members and are managed by BT Pension Scheme Trustees Limited (the Trustee). In addition to the Chairman, Paul Spencer, there are eight Trustee Directors.



Adrian Askew

Member-nominated Trustee Director**
appointed in 2011



Billy McClory

Member-nominated Trustee Director**
appointed in 1997



Catherine Claydon

Employer-nominated Trustee Director
(independent) appointed in 2013



Jim McNally

Employer-nominated Trustee Director
appointed in 2012



David Felder

Employer-nominated Trustee Director
(independent) appointed in 2011



Beryl Shepherd

Member-nominated Trustee Director**
appointed in 2009



Donald MacDonald

Member-nominated Trustee Director**
appointed in 1998



John Wroe

Employer-nominated Trustee Director
appointed in 2007

** Selected by the recognised trade unions and the National Federation of Occupational Pensioners.

Q&A with a Trustee Director: Paul Spencer CBE, Chairman

What skills or experience do you think have helped you most in your role?

The breadth of experience throughout my career is what has helped me most in my role. I spent my early career in treasury (at Rolls Royce and then at Hanson), which is fundamentally about understanding and managing risk (particularly market risk); a key skill needed for running a pension scheme. My first significant involvement with managing a pension scheme came during my time at Rolls-Royce when, in 1982, I became treasurer of Rolls Royce and a company-appointed trustee of the pension fund. Following this I have sat on and chaired a number of company boards which has given me a good background for my role as Chairman.

I'm also involved in other pension trustee boards: as chairman of two British Airways pension schemes and chairman of the main Rolls-Royce pension fund. I am able to develop my experience through my involvement with these schemes.

How have you found your four years in the role as Chairman?

I was appointed as Chairman in early 2011, having been a Trustee Director since late 2009. It has been a busy and exciting time for the Scheme over the last four years with a number of significant developments having taken place, such as the recent introduction of longevity insurance.

I find chairing trustee boards different to my past experience of chairing company boards; you are working with people with different skill-sets from different backgrounds, whether it is from finance, the shop floor or a union. I thoroughly enjoy the role; particularly mentoring and helping the executives with their responsibilities.

What else keeps you busy apart from pensions?

I am involved in a number of non-pensions roles; including my role as a Governor of Motability. This is a national charity, founded in 1977, that aims to help disabled people with their personal mobility.

Outside of work my life is very much focused around family and friends; including learning to be a Grandpa! I also enjoy holidaying in the south of France, playing tennis and have recently started learning to play golf.

Financial summary

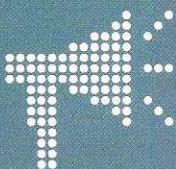
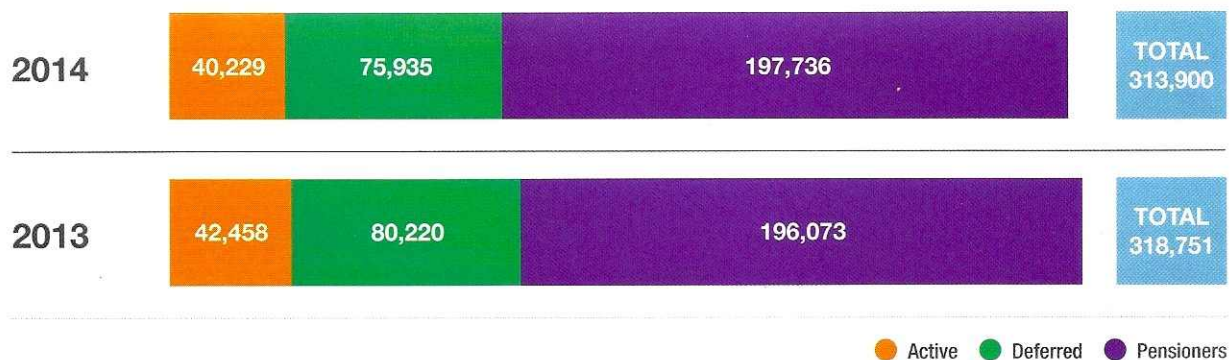
On these pages you will find information about money coming into and going out of the Scheme over the year to 30 June 2014. We have also included information about how the Scheme's assets have performed over the past three years, showing steady growth since 2011.

	£ million
Net assets as at 1 July 2013	39,634
+ Contributions (both deficit and for ongoing benefit accrual)	583
+ Net return on investments	2,357
- Benefits	(2,225)
Net assets as at 30 June 2014	40,349

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 2014, and that contributions were paid to the Scheme as set out in the schedule of contributions in force during the period.

Our membership at 30 June 2014

The chart below shows how the membership has changed during the year to 30 June 2014.



WANT TO KNOW MORE?

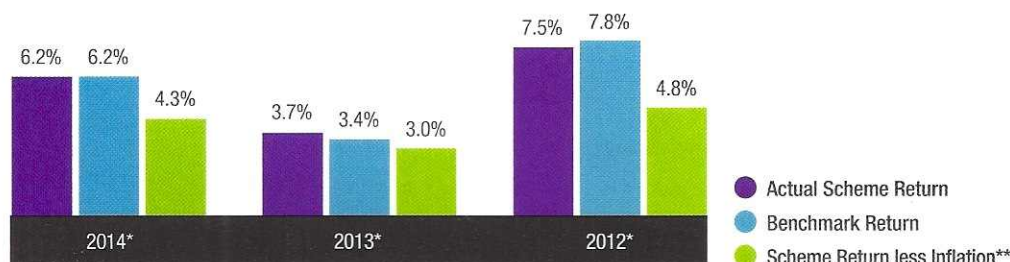
More information about the figures on these pages can be found in the Scheme's Report and Accounts. This is available at www.btpensions.net on the 'Information' tab.



Investment performance

Investment returns

The chart below shows the investment performance of the Scheme over the last two and a half years*:



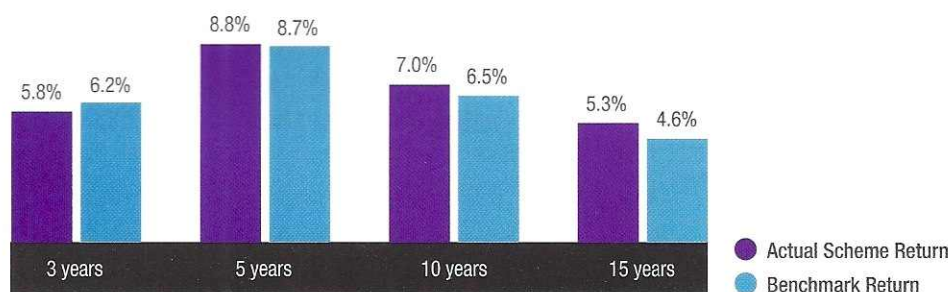
* 2012 returns are for the 12 months to 31 December 2012; 2013 returns are for the 6 months to 30 June 2013 (following a change in the Scheme's year-end); and 2014 returns are for the 12 months to 30 June 2014.

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

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 which represent the asset classes in which the Scheme invests.

Long-term performance

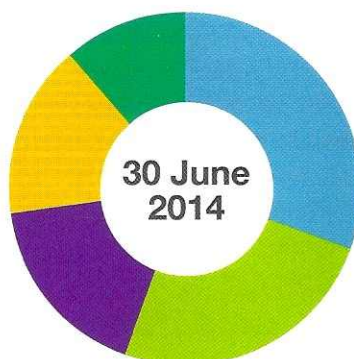
The investment of the Scheme's assets is a long-term business. The average yearly returns of the Scheme over the past 3, 5, 10 and 15 years to 30 June 2014 are shown here against the benchmark for that period.



Over the longer term, the Scheme has **outperformed** the benchmark. Over the last 3 years the Scheme has underperformed, due to a period of underperformance between 30 June 2011 and 31 December 2012. More recently, performance compared to the benchmark has improved.

Distribution of investments

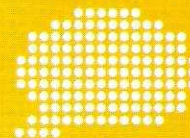
How the Scheme's assets are invested is key to how the Scheme performs each year. The Scheme's asset allocation is monitored regularly and is an integral part of the Trustee's investment policy. The asset allocation reflects the Trustee's views on an appropriate balance between seeking higher returns and managing risk by investing to match the Scheme's liabilities. The distribution of assets at 30 June 2014 is shown on the right.



Equities	30.6%
Inflation-linked	25.0%
Fixed interest and cash	17.4%
Alternatives*	15.8%
Property	11.2%

* Alternatives include investment allocations in absolute return, commodities, credit opportunities and emerging market debt.

Keep us informed



By keeping in touch with us you'll receive up-to-date information on the Scheme and have a channel for asking questions about your pension. Below we've set out how you can get in touch and highlighted when it's important for you to send us an update on your circumstances.

We send you information such as pension payslips and information about changes that may have an impact on your pension. If we don't have up-to-date contact details for you, this important information could go astray. So, remember to get in touch if you:

- **Change your address** – if you don't tell us you've moved, your pension information **will go to your old address**.
- **Change your bank details** – if you don't tell us your new bank details, **we can't pay your pension**.



How to change your details

You can fill in a form on our website (by selecting 'Change of Address' on the 'Contact Form' under 'Contact Us'; or by downloading the 'Change of Bank Form' under Information > Forms). Alternatively you can send us an email, write to us or call Peopleline. You'll find the details on page 11. For changes to your bank details, for security reasons, we require you to notify us in writing.



Make sure we know who you would like your death benefits to be paid to

It's also important to tell us if you have any changes in your life that might affect who you'd like to receive any benefits due from the Scheme on your death. You can tell us about changes by completing:

- **A Nomination form** (previously known as an adult dependant's pension form) if you don't have a spouse or civil partner and you want to let us know about an adult dependant who you'd like the Trustee to consider for a pension on your death. In the event of your death, your nominated dependant will need to be able to prove their financial dependence on you.
- **An Expression of Wish form** to let us know who you'd like to receive any lump sum that might be payable on your death (for example, if you die within five years of retirement).

Both forms can be found on our website **www.btpensions.net**. If you don't have internet access, you can contact Peopleline for a form. The forms should be completed, signed and returned using the address shown on the forms.



How we contact you

Occasionally, we may need to get in touch with you to ask for additional information when looking into something you have contacted us about. If we call or email you, we will always explain who we are and why we are contacting you and, before discussing your enquiry on the telephone, we may ask you to confirm the following security information:

- **Date of birth/National Insurance number**
- **Full home address**

We will only ask for this information if we're required to confirm personal information about your pension. Please be careful of telephone scams. If you're at all unsure of who is contacting you, please hang up and call us (using the details on page 11) from a different land line or mobile phone to ensure the call is genuine. However you choose to get in touch, make sure you have the following information to hand, or include it in your correspondence:

- **Your Pension Number or National Insurance number**
- **Full name**
- **Date of birth**
- **Contact telephone number**

TRACK IT DOWN

If you've lost track of your pension from another pension scheme, use the Pension Tracing Service to track it down. Contact them on **0845 600 2537** or visit **www.gov.uk/find-lost-pension**

The service is free and has access to over 200,000 schemes in the UK.



Answering your pension questions



Over the past year, we've received a number of questions from pensioners. Here are answers to the most frequently asked questions. We hope you will find these useful.

How do I inform you about my new bank details?

If your bank details change, for security reasons, please tell us in writing using the 'Change of Bank Form' available on our website, www.btpensions.net.

Alternatively, you can write a letter to us. Your request must include your:

- Full name and address
- Date of birth or National Insurance number
- New bank account details
- Pension Number
- Contact telephone number
- Your signature

If you change your bank details, please tell us before the next payroll cut-off to ensure the changes can be made in time for your next pension payment, otherwise your pension payment may go to your old bank account. If the account has been closed, we will have to wait for the bank to return the amount before we can re-credit your new bank account.

Each April you are issued with a BTPS Payslip Guide which details each monthly payroll cut-off date for the next year in order to assist with any planning or changes you wish to make. This information is also available on our website.

Have you received my new tax code?

Once we receive your new tax code from HMRC, we will apply the new code from the next available pay period. If your pension changes by £1 or more, we will send you a payslip confirming your new tax code and pension amount.

If your new code is received after the payroll cut-off it may not be used until the next available payroll.

If we haven't received your code, you'll need to speak to HMRC for further guidance.

Can you send me a copy of my P60?

If you have mislaid or lost your latest P60, we can arrange to have the information sent to you. We will process and send you a copy within 5 working days. Please contact Peopleline using the contact details on the back cover to request a duplicate P60.

I make contributions to Benenden Healthcare and I've recently received a letter; what do I need to do?

We are aware that Benenden Healthcare contacted some members during 2014 about the payment method of membership contributions.

You do not need to take any action and you are still able to continue paying your membership contributions from your BT pension.

If you decide to move to direct debit, Benenden will let us know to stop taking your membership contributions when your direct debit starts.

What voluntary deductions am I paying from my Scheme pension?

If you are unsure what voluntary deductions are being taken from your Scheme pension, we can send you a statement which will provide a breakdown of the societies you are contributing to and how much you are paying. Please contact Peopleline to request a statement.

How do I change/cancel my voluntary deductions that I pay to a society from my Scheme pension?

If you want to change the amount you are paying, you need to contact the relevant society and they will let us know of the revised voluntary deduction amount.

You can also let us know directly if you want to cancel a voluntary deduction using the contact details on page 11.

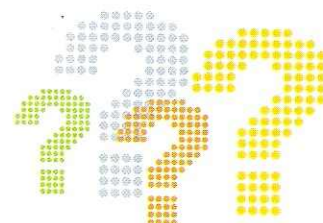
Remember, you need to let us know before the next payroll cut-off to ensure the changes can be made in time for the next payment.

Do I need to nominate my spouse on my Nomination Form for a pension payable on death?

No, if you are legally married or in a civil partnership your spouse or civil partner would automatically be entitled to a pension on your death.

If I am not legally married or in a civil partnership, can I nominate someone else for a pension payable on death?

If you don't have a spouse or civil partner and want to nominate a dependant, you can complete a Nomination form (previously known as an adult dependant's pension form). The Nomination form includes information on who can qualify. Completing a Nomination form does not guarantee a pension will be payable to your nominated dependant. On your death, they will still have to apply for a pension and prove that they were financially dependent on you.



News round up

Protecting you and your data

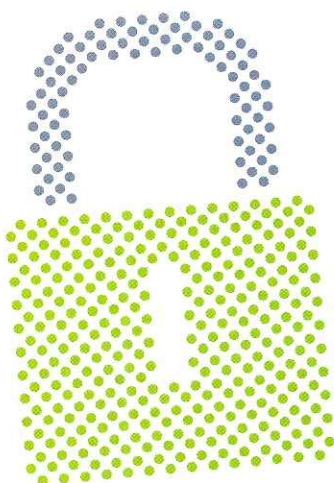
Keeping your personal information up to date helps us to make sure your pension is being paid correctly.

We regularly write to members to check that we are contacting the right person and ensure our records are up to date. If you receive a letter from us about this, don't worry. All you need to do is complete the form provided and return it to us as soon as you can.

The form must be completed in the presence of someone who is of a professional standing within the community (other than a relative), e.g. Teacher, Postmaster, Bank Manager, Doctor, Pharmacist, Librarian, Faith Leader, Justice of the Peace, Care Home Manager, Job Centre Manager or Police Officer.

You may receive a letter up to once a year, so even if you have recently completed a form you should still complete and return any later forms we send you.

Please remember that if you do not respond within the timescales stated on the letter, this may lead to your pension being suspended.



Longevity insurance and reinsurance – extra security for members

In July, the Trustee announced that it had taken an important step to provide enhanced security for members. We entered into insurance arrangements to provide long-term protection for the Scheme against costs associated with members living longer.

Whilst improvement in life expectancy is good news for us all, this has cost implications for the Scheme. When members live longer than anticipated, this means that their pensions are paid for longer than expected and may cost more to provide than has already been set aside. To protect the Scheme against this potential extra cost and provide enhanced security for members, the Trustee has entered into an insurance policy known as longevity insurance. This policy will provide extra income to the Scheme in the event that members live longer than currently expected.

In order to facilitate the transaction and achieve the best value for the Scheme, the Trustee set up a new insurance company that is wholly owned by the Scheme. The Scheme transferred its longevity risk to this insurer, who has in turn reinsured this longevity risk with The Prudential Insurance Company of America, a U.S. based life insurance company. This policy covers around 25% of the risk that the Scheme is exposed to in the event of increased life expectancy.

Your benefits have not been changed by this arrangement and you will continue to receive your pension from the Scheme each month as normal. You don't need to take any action and the investment does not change the Scheme's relationship with BT, who will continue to support the Scheme.



Crown Guarantee update

Members will be aware from articles in previous newsletters, that on privatisation of BT in 1984, the Government provided a form of guarantee of BT's obligations to the Scheme. This has come to be known as the 'Crown Guarantee'. In recent years, the Trustee, with the support of BT, took action through the Courts to better understand the scope and extent of the Crown Guarantee, which is only relevant in the unlikely event that BT was to become insolvent.

In last year's newsletter we let you know that the Government was appealing the High Court's decisions made in 2010 and 2011 on the extent of the Crown Guarantee.

The outcome of this appeal was announced in July 2014. The Court of Appeal upheld the High Court's decision that the Crown Guarantee covers BT's obligations in relation to Scheme members who joined both before and after privatisation. This is subject to two exceptions:

1. It does not cover payments for benefits earned by a member while employed by a BT group company other than BT plc.
2. It does not cover payments for benefits which have been increased by BT plc beyond those to which members are otherwise entitled under the Rules of the Scheme.

In addition, the Court of Appeal decided that BT's obligation to which the Crown Guarantee relates isn't measured with reference to the cost of buying out all the benefits with an insurance company, but instead by reference to BT's continuing obligation to pay deficit contributions under the Rules of the Scheme.

The decisions of the High Court and the Court of Appeal have met the Trustee's original intention of enabling it to better understand the extent of the Crown Guarantee. As none of the parties to the litigation have sought permission to appeal the decision of the Court of Appeal, this litigation is now at an end. It is important to remember that the Crown Guarantee is only relevant in the unlikely event that BT becomes insolvent. Your benefits are not affected and the decision does not impact day-to-day management of the Scheme.

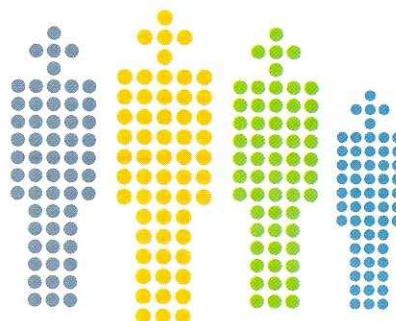
New pension flexibility

As a result of the 2014 Budget announcement, the Government will soon be making a number of significant changes to the way pension savers can take their benefit at retirement. As you're already receiving your BT pension, these changes won't impact you. If, however, you have pension savings elsewhere that you're yet to draw, you may wish to be aware of the following changes:

1. From April 2015, individuals with defined contribution pension savings will no longer be required to buy an annuity from an insurer with their pension pot. Instead individuals could take all their pension savings as a lump sum, draw them down over time, or buy an annuity.
2. At retirement, everyone with defined contribution savings will have access to free impartial guidance to talk through their options. This new service will be called 'Pension Wise'.
3. Individuals with defined benefit pension savings (that have not yet been drawn) can access this flexibility by transferring out to an appropriate defined contribution provider. For transfer values over £30,000, from 6 April 2015 it will be a legal requirement for the individual to take advice from an authorised and impartial financial adviser. Please note that as your BT pension is already in payment, you would not be able to transfer it to another arrangement.

If you are affected by these changes, please be aware that the right decision for you will depend on your own circumstances and needs, your future plans and appetite for future investment risk. Consider your choice carefully and make sure you take financial advice from a reputable and appropriately qualified adviser.

More information about the greater choice in pensions can be found by searching for 'new rules for pensions' at www.moneyadvice.service.org.uk.



News round up



Data fair processing notice

The Trustee of the BT Pension Scheme is the 'data controller' of your personal data for the purpose of the UK Data Protection Act 1998. Please note that the Trustee may use personal information about you and your dependants for reasons connected to its administration of the Scheme (including, for example, the calculation and payment of benefits) and the putting in place of appropriate insurance to provide long-term protection and income to the Scheme.

The Trustee may disclose personal information about you and your dependants to members of its group of companies, professional advisers (such as Towers Watson and the Scheme Actuary) who in certain circumstances will also be 'data controllers', service providers, administrators (such as BT Pensions Scheme Management Limited and Accenture), BT plc (as the sponsoring employer of the Scheme) and members of its group of companies, and insurance companies (such as Prudential Insurance Company of America), as may be necessary or desirable to administer the Scheme and put in place the appropriate insurance. This may require the personal information to be sent to, and stored or processed at, a country outside of the European Economic Area. Where the country to which the personal information is transferred may not offer an equivalent level of protection for personal information to the laws of the UK, we will take reasonable steps to ensure that the personal information is treated securely.



SCHEME ADMINISTRATION SERVICES

In November 2014, following a detailed review of the market, the Trustee reappointed Accenture as the Scheme's pension administrator for a further eight years on new contractual terms.

This new contract between Accenture, the Trustee and BT provides for further investment in the administration function to continue to enhance the service provided to members. It secures a stable administration platform for the Scheme and will enable the Trustee to work in partnership with Accenture to meet the ongoing needs of the Scheme.



Keep in touch



If you have a question about the Scheme or your benefits in particular, you may find that the information you need is on our website, www.btpensions.net. If you can't find what you're looking for, please get in touch using the details below.



Remember to have your Pension Number or NI number to hand when you get in touch.

Email

peopleline.pensions@accenture.com

Website

Fill in a form on www.btpensions.net

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*

BT Pension Scheme

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

State Pension information

www.gov.uk/browse/working/state-pension

Need financial advice?

Visit www.moneyadvice.service.org.uk/en/categories/financial-help-and-advice or call **0300 500 5000** for more information.

The Money Advice Service

You can find independent information on personal finance, including pensions at www.moneyadvice.service.org.uk

The Pensions Advisory Service

For free and impartial guidance on pensions, visit www.pensionsadvisoryservice.org.uk or call **0300 123 1047**.

Tax advice

The Trustee, BT and Peopleline aren't 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 2014

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

There are a number of documents available about the Scheme, copies of which are available via Peopleline.

Formal actuarial report

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.