

Your membership number

Our reference

AVC Changes March 2022

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March 2022

Dear BTPS Member,

## We're changing how your AVC funds are invested

In May this year, we are introducing a new expanded range of additional voluntary contribution (AVC) funds. The new range will offer a broader investment choice and follow improved sustainable investing practices. The funds are managed by either Legal and General Investment Management (LGIM) or by HSBC but will be administered by BTPS. This means we can provide more up to date fund values and performance information for you to manage your AVCs online using our member portal. A summary of the new funds and answers to questions you may have is enclosed with this letter, and you can view the new fund factsheets on our website at [btps.co.uk](http://btps.co.uk).

**As a result of these changes, we will be moving your current AVC investments out of your existing funds and investing them in the funds from the new range that most closely match the investment profiles of your current fund choices.**

The new funds we'll be moving your investments into will have lower fund charges than you currently pay. Once the move is complete, you can choose to switch your investments to any of the other funds offered as part of the expanded range, being introduced in mid-May.

Our current AVC fund range will then be discontinued, with one exception – if you are currently invested in the Standard Life With-Profits fund, this fund will remain and your investment in this fund will be unchanged.

This letter explains what's happening and when.

## What do I need to do?

All members should:



1. Read this letter and understand which new funds your current AVC investments will be moving to in May 2022.



2. View information for all the new funds on our website at [btps.co.uk/YourAVCs](https://btps.co.uk/YourAVCs).



3. Register for the BTPS portal to enable you to manage your AVCs online. Go to [btps.co.uk](https://btps.co.uk)



4. Review your investments to ensure they remain suitable for your retirement plans. Consider taking independent financial advice.

## Which fund will my existing AVCs be moved to in May 2022?

The table below shows which new fund your existing AVC investment will automatically move to in May 2022. If you are not sure which AVC funds you are currently invested in, you can check on our member portal, just register or log-in at [btps.co.uk](https://btps.co.uk) and head to the My AVCs page.

Your existing fund (discontinued from May 2022 exc. Standard Life With-Profits fund)	Charge you pay (% pa)	Your new fund (from May 2022) managed by LGIM	Charge you pay <sup>1</sup> (% pa)
BlackRock Global Equity Fund	0.71%	Sustainable Global Equity Index Fund	0.27%
Legal & General Global Equity Fund	0.42%		
Standard Life Vanguard Global Stock Index	0.32%		
BlackRock UK Equity Fund	0.42%	Sustainable UK Equity Index Fund	0.21%
Legal & General UK Equity Fund	0.41%		
Standard Life Vanguard FTSE UK All Share	0.31%		
Standard Life Passive Plus III Fund	0.32%	Sustainable Multi Asset Fund	0.31%
Utmost Managed Pension (formerly Equitable Life)	0.75%		
Standard Life Deposit and Treasury Fund	0.26%	Cash Fund	0.24% <sup>2</sup>
Standard Life With-Profits Fund	No explicit charge as Standard Life allow for this when calculating with-profits payouts.	Unchanged	Unchanged

<sup>1</sup> The charge you pay includes investment and administration expenses. Charges are not fixed and can go up or down over time.

<sup>2</sup> Additional variable expenses apply to the Cash Fund. These are currently 0.013% and are incorporated in the above charge, but can go up or down over time. Please see the fund factsheet available on [btps.co.uk](https://btps.co.uk) for further details.

We are also introducing several other new funds, which we have listed on the fund summary enclosed. Once the changes are completed in mid-May, you will be free to switch to any of the other available funds.

## **Where to get further advice or guidance?**

As your AVCs are classed as 'defined contribution' (DC) benefits, you have more choice about how you invest and use them compared to your main BTPS pension. You should consider taking appropriate independent financial advice before making changes to your fund choices. Free sources of information that you may also wish to consider using include Pension Wise from MoneyHelper. Find out more at [moneyhelper.org.uk](https://www.moneyhelper.org.uk).

Be aware that the type of investments you may want to hold depends upon your personal circumstances. Past performance is not a guarantee of future performance and the value of investments can go up or down.

## **We're here to help**

If you have any questions not answered in this document or online, please get in touch quoting 'AVC changes'. You can find your membership number as well as our contact details at the top of this letter. Our phone lines are open Monday to Friday between 8:30am and 5:00pm (excluding Bank Holidays). Alternatively, you can write to us at BTPS, Sunderland, SR43 4AD.

Yours sincerely,

### **Member Services**

**For and on behalf of the BTPS Trustee**

## New AVC funds – from May 2022

This table provides a high-level outline of the full range of new AVC funds we are introducing in May. We are unable to provide you with investment advice or guidance about what choices are appropriate for your individual circumstances. Before making any investment decisions you should read the detailed fund factsheets, which include details of each fund's aims, charges and what it invests in. These documents include a link to the underlying fund factsheet, where applicable, which will show you past performance of the underlying fund. You can view the factsheets on our website at [btps.co.uk/YourAVCs](https://btps.co.uk/YourAVCs). If there is any difference between the high-level information provided in this table and the detailed fund factsheets, the fund factsheets will take precedence.

The value of your investments can go up or down and you may not get back the amount originally invested.

Fund name	About the fund	Charge you pay (% pa) <sup>1</sup>
<b>Cash Fund</b>	<p>This fund aims to provide stability in the value of your investment but by doing so it has lower potential for growth.</p> <p>The fund invests in short-term, sterling based assets which are issued by governments, high quality banks and companies.</p> <p>The interest earned on this fund may not keep up with inflation or the fund's charges so you may end up with less than you initially invested. This fund may be suitable if you want a lower risk investment or if you're close to retiring.</p> <p>This fund is managed by LGIM.</p>	<b>0.24%<sup>2</sup></b>
<b>Shariah Global Equity Index Fund</b>	<p>This fund aims to track as closely as possible the performance of the Dow Jones Islamic Market Titans 100 Index. The Index is comprised of shares of companies in emerging and developed markets globally.</p> <p>The fund will only invest in shares of companies that meet Shariah compliance principles as interpreted or approved by HSBC's Shariah Committee.</p> <p>As this fund tracks a share index, its value can change a lot in a short space of time. For this reason, it may not be a suitable choice if you'd like a more stable fund or if you're close to retiring.</p> <p>This fund is provided by LGIM and managed by HSBC.</p>	<b>0.48%</b>
<b>Short Dated GBP Corporate Bond Index Fund</b>	<p>This fund aims to provide a combination of growth and income by tracking the performance of the Markit iBoxx GBP Corporates 1-5 Index.</p> <p>This fund invests in short-dated company bonds with less than 5 years to maturity, which tend to be less sensitive to changes in interest rates than longer-dated bonds.</p> <p>This may be a relevant consideration if you are approaching retirement.</p> <p>This fund is managed by LGIM.</p>	<b>0.27%</b>

<sup>1</sup> The charge you pay includes investment and administration expenses. Charges are not fixed and can go up or down over time.

<sup>2</sup> Additional variable expenses apply to the Cash Fund. These are currently 0.013%, and are incorporated in the above charge but can go up or down over time. Please see the fund factsheet available on our website at [btps.co.uk](https://btps.co.uk) for further details.

Fund name	What it invests in	Charge you pay (% pa) <sup>1</sup>
<b>Sustainable Global Equity Index Fund</b>	<p>The fund aims to track the performance of the Solactive L&amp;G ESG Global Markets Index, which aims to provide exposure to shares of companies in developed and emerging markets while reflecting significant environmental, social and corporate governance (ESG) issues.</p> <p>As this fund tracks a share index, its value can change a lot in a short space of time. For this reason, it may not be a suitable choice if you'd like a more stable fund or if you're close to retiring.</p> <p>This fund is managed by LGIM.</p>	<b>0.27%</b>
<b>Sustainable Multi Asset Fund</b>	<p>This fund invests in a range of assets which may include (developed and emerging markets) equities, government and corporate bonds and cash.</p> <p>As it is invested in a mixture of assets including shares, its value can change a lot in a short space of time. For this reason, it may not be a suitable choice if you would like a more stable fund or if you're close to retiring.</p> <p>This fund is managed by LGIM.</p>	<b>0.31%</b>
<b>Sustainable UK Equity Index Fund</b>	<p>The fund aims to track the performance of the Solactive L&amp;G ESG UK Index which aims to provide exposure to the UK equity market while reflecting significant environmental, social and corporate governance (ESG) issues.</p> <p>As this fund tracks a share index, its value can change a lot in a short space of time. For this reason, it may not be a suitable choice if you'd like a more stable fund or if you're close to retiring.</p> <p>This fund is managed by LGIM.</p>	<b>0.21%</b>
<b>Target Date Funds:</b> <b>2020 – 2025 Retirement</b> <b>2025 – 2030 Retirement</b> <b>2030 – 2035 Retirement</b> <b>2035 – 2040 Retirement</b> <b>2040 – 2045 Retirement</b> <b>2045 – 2050 Retirement</b>	<p>Each Target Date Fund invests in a wide range of assets such as equities, government and corporate bonds, property and infrastructure.</p> <p>The mix of investments changes over time as you get closer to retirement. For instance, if you're a long way from your target retirement date, the fund will invest more of your pension savings in higher risk investments, such as company shares. Although they are more likely to go up and down in value in the short term, this type of investment is also more likely to grow your pension savings over the longer term.</p> <p>If you're closer to retirement, the fund will invest more of your pension savings in lower-risk investments, such as bonds and cash. Although they may not grow by as much, your savings are less likely to fall in value, enabling you to plan for your retirement with more confidence.</p> <p>These funds are managed by LGIM.</p> <p>There are six Target Date Funds, each with a five year target retirement age. Further information on Target Date Funds is provided in this letter.</p>	<b>0.40%<sup>3</sup></b>

<sup>1</sup> The charge you pay includes investment and administration expenses. Charges are not fixed and can go up or down over time.

<sup>3</sup> Additional variable expenses will be applied on the Target Date Funds. These are currently 0.019% for 2020-2025 Retirement, 0.006% for 2025-2030 Retirement and 0% for the other Target Date funds but can go up or down over time. These expenses are not incorporated in the above charge. Please see the fund factsheet available on our website at [btps.co.uk](https://www.btps.co.uk) for further details.

## Frequently asked questions

### Why are you changing your AVC fund range?

Our members have asked us for more investment choice, so we have introduced a wider range of funds and negotiated lower fund management charges for BTPS members. Members will also benefit from more timely updates to valuation information online on the member portal, and faster transaction times because BTPS is bringing the administration of the new funds in-house. We believe that moving to the new funds is in the interests of members and have taken investment advice in making this decision.

Our new range of AVC funds includes:



Funds with a greater focus on **sustainable investment**



A range of 'Target Date Funds' which will automatically adjust your investments to **reduce exposure to investment risk as you approach retirement**



A fund that complies with **Shariah principles**

In addition to four funds matching our current fund types, we are introducing eight other new funds in May: a Shariah Global Equity Index Fund; a Short Dated GBP Corporate Bond Index Fund and a range of six Target Date Funds. We have included a summary table of the new funds in this letter and you should also read the detailed fund factsheets on our website at [btps.co.uk/YourAVCs](https://btps.co.uk/YourAVCs).

Once the move to the new funds is complete you will be able to switch your AVCs if you choose. You can do this online on the member portal at [btps.co.uk](https://btps.co.uk).

### When is this happening?

Your current funds will be moved across to the new funds during May. While this happens, our AVC portal pages will be unavailable. We're sorry for any inconvenience this may cause.

Once the move to the new funds is complete, you'll be able to log onto the AVC portal pages and see your new funds.

### Will I be able to access my AVCs during this change?

It won't be possible to make switches between the existing AVC funds from 11 April 2022 and you won't be able to switch into one of the new funds until they are introduced in mid-May.

There will also be a short time when we may be unable to disinvest your AVCs. If you are planning to retire or transfer your pension during this time and haven't let us know yet, please factor this into your plans to avoid any inconvenience or delay. We normally ask that you give us at least three months' notice before your chosen pension start date but if you are planning to retire during May and haven't already informed us, please submit your application as soon as you can.

## Why are you offering 'sustainable' funds?

BTPS has a long history of being a responsible investor and our own investment strategy has sustainability at its core. This is why being able to offer AVC funds that take account of environmental, social and corporate governance (ESG) factors is important to us. ESG issues can take many forms and cover a wide range of topics. Some examples include:

- 1. Environmental:** climate change, biodiversity, waste & pollution
- 2. Social:** human rights, modern slavery, working conditions, child labour
- 3. Governance:** bribery & corruption, diversity, board structure

We believe that well-governed companies that manage all stakeholders, including the environment and society, are more likely to deliver sustainable long-term returns.

In addition to incorporating ESG factors into the investment process, the new fund range benefits from either LGIM or HSBC's stewardship activities. Stewardship involves exercising votes and engaging with the portfolio companies in order to hold the management accountable. It also involves working collaboratively with regulators, policy makers and peers to tackle issues such as climate change. The individual fund factsheets tell you more about how LGIM integrates ESG considerations within each of the new funds offered.

You can find out more on BTPS's approach to responsible investing on our website at [btps.co.uk/SustainableInvestment](https://btps.co.uk/SustainableInvestment).

## Can I switch out of the funds you are moving me in to?

Yes. We will be moving your existing funds and investing them in the funds from the new range that most closely match the investment profile of your current fund choices. You will be free to choose to switch your investments to any of the other new funds once they are introduced in May. You can split your investment between as many or as few funds as you like.

## Will there be a cost to me?

We have a duty to regularly review the range and performance of investment funds available to members, and may withdraw and replace funds as we determine to be appropriate in members' interests.

There will be a cost associated with buying and selling investments to make these changes. These costs will be reflected in the value of your funds over the period that the changes take place, and will vary depending on which fund you are currently invested in as well as market conditions. Because of this, we do not know precisely what they'll be in advance. We have taken the impact of these costs into consideration as part of the change in your AVC funds and have concluded that these are reasonable and proportionate. In particular, we believe the change is in members' collective best interests.

In addition, we plan to minimise any time that members' funds are 'out of market' due to this transition i.e. disinvested from the existing fund, but not yet invested in the new fund by 'pre-funding' the purchase of the new investments.

### **What funds are my AVCs currently invested in?**

If you are unsure where your AVCs are invested, you can log in to the member portal to view your AVCs online at [btps.co.uk](https://btps.co.uk).

### **What if I'm invested in the Standard Life With-Profits Fund?**

The Standard Life With-Profits Fund will be unaffected by these changes. You can switch out some or all of your investment from this fund if you choose to but you're not able to switch any funds into it, as it is closed to new and existing investors. You can find out more about this fund on our portal.

If you switch from the Standard Life With-Profits Fund, you may be giving up valuable guarantees and your fund may be subject to a reduction in value. Please read the guide to Standard Life's with-profits funds before you take any action in respect of this fund at [www.standardlife.co.uk/investments/funds/with-profits-information](https://www.standardlife.co.uk/investments/funds/with-profits-information). You should consider taking appropriate independent financial advice before making changes to your fund choices.

Read the detailed fund factsheets on our website at [btps.co.uk/YourAVCs](https://btps.co.uk/YourAVCs).



## Introducing the new Target Date Funds

A range of six Target Date Funds, managed by LGIM, are being introduced in May 2022, as part of BTPS’s new AVC fund range. The idea of a Target Date Fund is that you save in a single fund along with people who have a similar target retirement date in mind. You can read more about the individual fund options in the fund factsheets which are available on our website. These will also be on the AVC pages of the member portal from May 2022.

### What is a Target Date Fund?

A Target Date Fund allows you to match your investment strategy to a range of ‘target dates’. This will normally be the date at which you currently plan to retire. Please note that within BTPS your AVCs are disinvested in full when you take your pension.

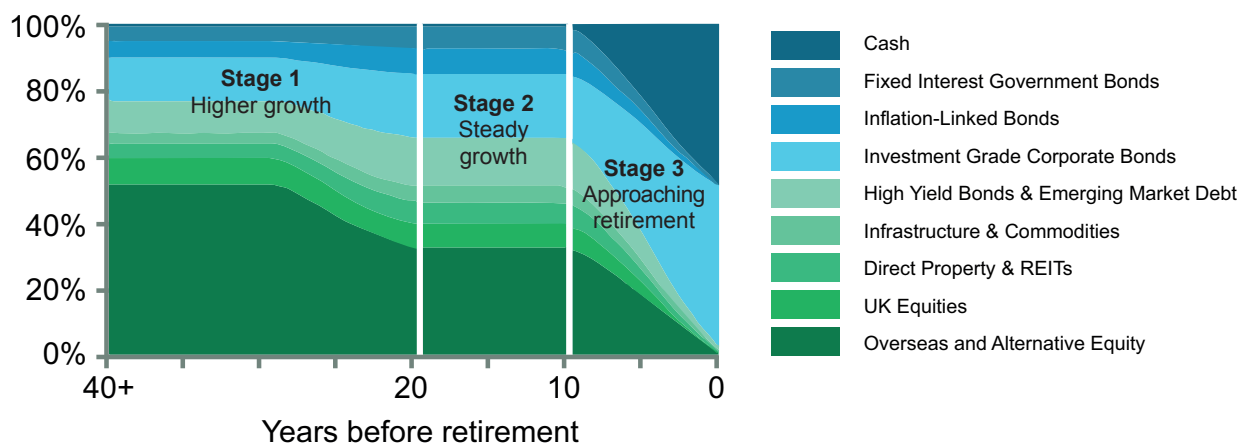
The Target Date Funds each target a different five year ‘target range’ and you can switch to a different Target Date Fund at any time should your retirement plans change.

### How does a Target Date Fund work?

Each Target Date Fund invests in a wide range of assets such as equities, government and corporate bonds, property and infrastructure. As you get closer to your chosen retirement date, or ‘target date’, the mix of investments is adjusted.

The further away the fund is from the target date range, more of the fund will be in higher risk assets, such as shares of companies. As the fund draws closer to its target date range, it will invest in more lower risk assets such as bonds and cash.

The illustration below shows how the fund allocation changes over time.



## Choosing the right target date

Your BTPS pension benefits become payable at your Normal Pension Age, unless you are still working for BT, in which case you can delay taking your pension past your Normal Pension Age and carry on working. For most BTPS members the earliest you can retire is aged 50 – this is known as your Minimum Pension Age. You can check your Minimum Pension Age and Normal Pension Age by accessing the Pension Calculator on the portal at [btps.co.uk](https://btps.co.uk).

When choosing a target date, it's good to have a retirement date, or year, in mind. The six funds are:

**Target Date Fund:** 2020 – 2025 Retirement

**Target Date Fund:** 2025 – 2030 Retirement

**Target Date Fund:** 2030 – 2035 Retirement

**Target Date Fund:** 2035 – 2040 Retirement

**Target Date Fund:** 2040 – 2045 Retirement

**Target Date Fund:** 2045 – 2050 Retirement

So, for example, if you are expecting to retire in 2037, you may wish to invest in the Target Date Fund for 2035-2040. The target range for each of these funds begins and ends at the start of July. This means, for example, that if your target retirement date is in 2035, you may need to consider whether the 2030-2035 or the 2035-2040 range is more appropriate. You can invest in both if you choose.

## Where can I get more information on Target Date Funds?

For more information on Target Date Funds, LGIM has produced a Target Date Fund Member Guide which you can find on their website at [legalandgeneral.com/employer/workplace-pensions/investments/standard-investment-range/target-date-funds](https://legalandgeneral.com/employer/workplace-pensions/investments/standard-investment-range/target-date-funds). When reading this guide, please be aware it covers a broad range of defined contribution (DC) examples, some of which may not apply to BTPS members. For instance, it gives examples of money remaining in a Target Date Fund past a target date. However, within BTPS your AVCs are disinvested in full when you take your pension, so a graph showing an investment at 'Stage 4' may not apply.

You should read the factsheets for the Target Date Funds on our website at [btps.co.uk/YourAVCs](https://btps.co.uk/YourAVCs).

## Can I invest in more than one Target Date Fund?

Yes. If you are unsure about exactly when you plan to retire, or have a year in mind that spans two target date ranges, you can invest in more than one dated fund.

## What if I change my retirement plans and my target date changes?

If your personal circumstances change and your planned retirement date changes as a result, you can change to a different Target Date Fund at any point.



You can find the detailed fund factsheets for each of the Target Date Funds on our website at [btps.co.uk/YourAVCs](https://btps.co.uk/YourAVCs).