BTPS

Your Pension Guide

for members with additional voluntary contributions (AVCs)

btps.co.uk

Welcome

Taking your pension is a one-time decision. You might be planning on retiring, continuing to work or starting something new. Whatever your plans, your pension choices can affect your income for the rest of your life. That's why it's important you understand all your options.

This guide helps explain your pension options so you can feel confident about choosing the right one for you.

Register for our online member portal and use our Pension Calculator to run your own pension quotes for different retirement dates. You can also see how changing your potential tax-free lump sum can affect the annual pension you'd get. As well as seeing what your BTPS pension could provide in retirement, you can also view your AVC investments and update your personal details and your beneficiaries online.

You can commit to your pension option up to 12 months before your chosen pension start date. You can make your choice, complete and submit your application online. Register and log in to the member portal at **btps.co.uk**. Go to My Account, My documents then Saved Quotes and click 'Choose to retire with this quote' for your chosen option. You can also verify your ID online too - so no need to post us a copy of your passport or paper application forms. You will need a mobile phone or tablet with a camera, as well as a valid passport or driving licence to complete your online ID verification as part of your application. You will need to tell us at least a month before you want to take your pension.

You can take your BT Pension Scheme (BTPS) pension in a number of ways. There are also different things you can do with your Additional Voluntary Contributions (AVCs).

We hope this guide and the information on your pension quotes answer any questions you have. However, you can find more information on the member portal and on our website at **btps.co.uk**

You can register for the member portal and log in via the homepage at **btps.co.uk**

This document only summarises certain BTPS benefits.

Your benefits are always subject to the BTPS Rules and relevant legislation. If there's any difference between the information provided in this guide and the BTPS Rules or legislation, the BTPS Rules and legislation will take precedence.

In this guide

Explore your BTPS pension options

BTPS is a defined benefit (DB) pension scheme. That means it pays you an income for life, based on a formula that takes into account your salary and the length of time you've been a member of the Scheme. Unlike defined contribution (DC) pension schemes, such pensions aren't directly affected by the ups and downs of the stock market.

The Additional Voluntary Contribution (AVC) fund you have within BTPS is different. This fund is classed as a defined contribution scheme, so you have more choice about how you use it. The money you save into your AVC fund is invested to give it a chance to grow. You can currently use your AVCs to increase your tax-free lump sum, buy a lifetime annuity or transfer them into another pension scheme. Because your AVCs are invested, their value can go down as well as up. We explain more about using your AVCs on page 13.

When you're ready to take your BTPS pension, you have a number of options.

Most revolve around different combinations of annual pension and lump sum. Some are already worked out for you, while others you can customise for yourself. Choosing the one that's right for you depends on things like:

- How much money you'll need right away. You might want some extra cash to pay off a mortgage perhaps, or to take a long, well-earned trip.
- How much income you'll have from other pensions and retirement savings.
- What your long-term retirement plans are. For instance, do you want the security of a higher income for the rest of your life?
- Whether you need your pension to keep pace with the cost of living.
- How much income you want your loved ones to have from your pension when you die.

Your core options

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Option 1: Standard Scheme benefits

The Standard Scheme benefits you built up in the Scheme are:

- An annual pension for life, that rises each year broadly in line with inflation
- Depending on when you left the Scheme and which Section you were in, a potential lump sum, which for most people is currently paid tax-free
- When you die, a pension for your surviving spouse / civil partner that rises each year broadly in line with inflation
- Your AVC fund

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Option 2: Max tax-free lump sum

HMRC rules allow you to convert some of your annual pension to get a higher tax-free lump sum. The maximum tax-free lump sum is normally up to 25% of the total value of your BTPS benefits, including your AVCs. This 25% figure is provided you have sufficient remaining Lump Sum Allowance (LSA) and Lump Sum and Death Benefit Allowance (LSDBA). We explain more about these lump sum allowances on page 16 and in your quote document.

There is a risk of high tax charges if you use any part of your BTPS tax free lump sum (also known as a pension commencement lump sum) as a contribution to another registered pension scheme, as this could be classed as recycling a pension commencement lump sum. For more information go to **gov.uk** and search under pension recycling.

If you have AVCs, under this option, we use some, or all, of your AVCs to fund your Max tax-free lump sum. If your Standard lump sum (from Option 1) plus your AVCs are enough to fully fund your Max tax-free lump sum, your annual pension won't need to be reduced. If your Standard lump sum plus your total AVC fund is less than the Max tax-free lump sum amount, your annual pension amount will be reduced to make up the difference.

Your annual pension, and the pension your spouse or civil partner gets when you die, will rise each year broadly in line with inflation.

Read the 'Using your AVCs' section in this guide to find out what you can do with any AVCs you might have left over if we haven't needed to put them towards your lump sum.

Add Pension Increase Exchange to Option 1 or Option 2

If you built up any of your BTPS pension before 6 April 1997, you may be able to combine the Standard Scheme benefits or Max tax-free lump sum options with Pension Increase Exchange (PIE). Read the 'What is Pension Increase Exchange' section in this guide to find out more.

Your customised options

Customised lump sum

Here you choose your own lump sum. You can choose an amount between the Standard and Max lump sums offered in the core options 1 and 2.

Choose a higher lump sum and your annual pension will be lower. If you haven't done so already, log in to the portal at **btps.co.uk** and head to the Pension Calculator. You can try different combinations for yourself.

The pension your surviving spouse/civil partner gets when you die may be higher or lower depending on the lump sum amount you specify.

If you customise your own lump sum, we'll use your AVCs first to make up any extra needed over the standard lump sum under option 1. You'll only need to convert your annual pension if you select a lump sum which is more than your standard lump sum under option 1 plus your AVCs.

Read the 'Using your AVCs' section in this guide to find out what you can do with any AVCs you may have left over.

Customised lump sum + Pension Increase Exchange (PIE)

If you built up any of your BTPS pension before 6 April 1997, you can combine the Customised lump sum option with Pension Increase Exchange (PIE). Read the 'What is Pension Increase Exchange' section in this guide to find out more. Log in to the portal at **btps.co.uk** and use the Pension Calculator to see the impact that PIE and varying your lump sum can have on your annual pension.

Get expert help

From an independent financial adviser who specialises in retirement advice
This is an important decision, so you should think about talking to a financial adviser who's authorised and regulated by the Financial Conduct Authority (FCA). Money Helper can help you to find a retirement adviser with their retirement advisor directory at **moneyhelper.org.uk**

From MoneyHelper (which includes Pension Wise)
In June 2021, the Money and Pensions Service brought its three consumer services together under the new name, MoneyHelper. So, the Money Advice Service, The Pensions Advisory Service (TPAS) and Pension Wise now all come under the MoneyHelper brand.

MoneyHelper is here to make your money and pension choices clearer. It provides impartial help, backed by government and is free to use. Whatever your circumstances or plans, online or over the phone, you'll get clear money and pensions guidance, and pointers to trusted services if you need more support. We recommend you use MoneyHelper and consider taking financial advice to help you understand which pension option is most suitable to you.

If you have additional voluntary contributions (AVCs) or other defined contribution (or money purchase) pensions elsewhere, Pension Wise offers free, impartial guidance about your options in relation to your AVCs. It can be accessed online, by phone or face to face. If you are over 50, you can call Pension Wise from MoneyHelper on 0800 138 3944 Monday to Friday or visit the website to book an appointment. If you're outside the UK call +44 (0) 203 733 3495. Visit **moneyhelper.org.uk** for more information.

BT's retirement advice arrangement
BT has negotiated preferential rates with two firms of financial advisers, both regulated by the Financial Conduct Authority to provide retirement advice. If you would like to find out more, information is available on the 'Where to go for financial advice' page of our website. Visit btps.co.uk and go to 'Preparing for retirement'. Of course, the decision to take financial advice, and who you choose to help you, is a personal decision, and there is no obligation to use these two firms of financial advisers. The BTPS Trustee has not been involved in the selection or appointment of these firms. This statement is not a recommendation of the capability of, or the services available from the two financial adviser firms, but is merely to inform you of the availability of their services.

Your Normal Pension Age

BTPS Rules don't allow for late retirement, so you should take your pension at or before your BTPS Normal Pension Age. The exception to this is if you are still working for BT. Depending on when you worked for BT, your Normal Pension Age will be age 60 or age 65. Check your Normal Pension Age on the portal at **btps.co.uk**. Go to 'My account' and click on Membership details.

If you don't take your pension until you are past your Normal Pension Age there may be tax implications for you. Unless you continue to be employed by BT, we pay pensions with effect from the date you reach your Normal Pension Age, so we would pay the backdated amount in one lump sum and no interest is payable.

Getting a potentially large lump sum in one tax year as a result of back payments could mean you have to pay extra tax, so be sure to contact us in good time. If we do have to pay you a backdated amount, and you want to make sure you don't have to pay extra tax, you'll need to contact HMRC and ask it to match each year's payments to the relevant tax year. We can't speak to HMRC for you.

Taking your pension and working for BT Group

If you are still working for BT we can't start paying your pension without BT's agreement and their confirmation of the date you're leaving BT. If you are over 55 and want to take your pension while carrying on working for BT, you can apply to BT for Flexible Retirement. There are several different Flexible Retirement options, one of which involves agreeing a leaving date that is within two years of taking your BTPS pension. If you are applying to BT for this option, we will need confirmation from BT of your last day of service before we can pay your pension. Please see the Flexible Retirement pages on BT's intranet for more information and details on how to apply. Ideally, you need to tell us at least a month before you want your pension to start, so factor this in when agreeing your leaving date with BT. Run a quote on our Pension Calculator and download the full quote document and the page entitled 'Taking your pension and working for BT' will outline the choices that may be available to you. Don't forget to register for a portal account with a personal email address to ensure you can access the portal once you leave BT.

Early and late retirement factors

As well as taking your Standard Scheme benefits, you have other options to take your pension in different ways, for example, by retiring early (before your normal pension age) or by giving up (commuting) some of your annual pension for a higher lump sum. In these instances, actuarial factors are used to calculate and adjust the benefits of scheme members under these different scenarios. The Trustee, with advice from the scheme actuary, regularly reviews how the factors are calculated, to reflect changes in financial conditions. The Trustee takes into account external influences, such as movements in financial markets, changes to life expectancy and changes to inflation. Factors may go up or down. This means figures provided in any retirement quotes may change between the date of your quote and when you take your pension. This is why we say quoted figures are an estimate and not guaranteed.

If you have both pre and post 1 April 2009 service with BT, the benefits you built up working for BT before 1 April 2009 become payable at age 60. However, BTPS Rules changed with effect from 1 April 2009. Any benefits from that date onwards were built up on the basis they would become payable at age 65.

Members with service both before and after 1 April 2009 have BTPS benefits in two tranches. If this applies to you, it doesn't mean you can take your pension in two separate tranches – but it does mean the age you decide to take your pension at will determine whether early or late retirement factors will apply.

If you decide to take your pension before your 60th birthday, then the total amount you get will be reduced by what we call early retirement factors. This reflects the fact we'd be paying your pension for longer. In limited circumstances, such as ill health early retirement, this reduction may be waived.

If you decide to take your pension between your 60th and 65th birthday, only the part of your pension built up after 31 March 2009 will be reduced for early retirement. The part built up before 1 April 2009 will be increased for late retirement. The amount of the reduction and increases will be calculated using what we call early and late retirement factors.

Your alternative options

If you don't want to take your full BTPS benefits and AVCs as your BTPS pension, you have other choices. If you're interested in one of the following alternative options you can find out more by logging on to the portal at **btps.co.uk**

Transfer all of your BTPS benefits to another scheme

You can give up all your benefits in BTPS, including your AVCs, for a cash value that's then transferred to another scheme. Transferring out of BTPS is a big decision which you won't be able to reverse. You need to be sure that any new scheme is able to match the valuable, lifelong benefits you've built up with BTPS. You also need to be certain that you can avoid scammers and transfer your benefits safely.

Log in to the portal at **btps.co.uk** and go to the **Transfer Out Quote** section to find out more and see what the transfer value of your benefits could be. If you're still thinking seriously about transferring, you should get a transfer out quote for the cash value of all your BTPS benefits. This is known as a Cash Equivalent Transfer Value (CETV). You can get a quote on the portal – either just an illustrative figure or a transfer value that's guaranteed for three months. There may be a charge that applies for a guaranteed quote – go to the portal for more detail.

The CETV gives you an estimate of how much you might be able to transfer. If your CETV is more than £30,000, the law says you must talk to an independent financial adviser (IFA) authorised and regulated by the Financial Conduct Authority (FCA) before you transfer any benefits. This is to protect your interests and we have to check that you've done it. If you don't already have an IFA, see the 'Get expert help' section on page 5.

Make a partial transfer of some of your BTPS benefits to another scheme

If you built up benefits with BTPS after 31 March 2009, you also have the option of transferring out just the part of your BTPS pension built up after that date. This is known as a Partial Transfer. To see what impact this would have on your remaining BTPS pension benefits, go to the **Transfer Out Quote** section on the portal at **btps.co.uk**

You still need to be sure that any new scheme is able to meet your needs as effectively as the valuable, lifelong benefits you've built up with BTPS.

If your partial transfer value is more than £30,000 you must speak to an IFA.

Transfer just your AVCs to another scheme

You can transfer some, or all, of your AVCs to another pension scheme and leave your main benefits in BTPS. Transferring your AVCs into a defined contribution scheme, like a Self-Invested Personal Pension (SIPP) for instance, may give you the flexibility to take an income as and when you need it – known as drawdown.

But transferring your AVCs out of BTPS would affect your pension benefits. You wouldn't be able to put them towards a possible tax-free lump sum, which will mean your annual pension might be lower.

Apart from Standard Scheme benefit options, all the options in your pension quote will factor your AVCs in the BTPS pension and lump sum figures. So, if you decide to choose an option other than a Standard Scheme option, and you want to transfer out **more** of your AVCs than the remaining amount shown in your quote, you need to tell us **before** you make your choice.

If you choose to transfer just a portion of your AVC fund rather than all of it, you will only be able to do this once. Any further AVC transfer must be for the full remaining balance of your AVCs.

Beware of pension scams

Falling foul of a scam could mean you lose some or all of your money. If anyone approaches you directly to offer transfer advice, be on your guard. The government has banned cold calling for pensions, so if anyone calls you out of the blue about yours, just hang up – it could be a scam. Visit the ScamSmart website at **fca.org.uk/scamsmart** to check the firm you are dealing with is regulated and to see whether what you're being offered is a known scam or has the signs of a scam. You can also find guidance on avoiding scams at **moneyhelper.org.uk** Scammers particularly target members living overseas so be alert to the dangers.

What is Pension Increase Exchange?

Pension Increase Exchange (PIE) gives you a higher initial pension in exchange for some of your future annual pension increases. It's available to most members who built up benefits in BTPS **before** 6 April 1997. If you're one of these members, your Pension Quote will include options with PIE.

What will PIE mean to you?

PIE gives you a higher initial pension in exchange for giving up some of your future annual pension increases. So, although you'll get a higher annual pension straight away, part of it won't increase with inflation, so eventually it will fall below the annual pension you'd have if you'd taken it without PIE. How far in the future that point will be depends on a range of variables, including the age you start taking your pension and future rates of inflation.

If you choose a PIE option, be aware that if you die, any pension your surviving spouse or civil partner gets will work the same way, so will not keep pace with inflation.

How does PIE work?

Most members can't give up increases on all elements of their pension as, legally, some must increase each year in line with inflation. This means there will normally be two parts to your pension. The first part – known as your annual increasing pension – will largely rise with inflation. The second part – called your annual non-increasing pension – won't rise at all, irrespective of how much inflation rises.

The second, non-increasing part of your BTPS pension is formed from the benefits that you built up before 6 April 1997, minus the benefits that make up your Guaranteed Minimum Pension (GMP). You get GMP benefits to ensure you did not lose out when BTPS contracted out of the State Earnings-Related Pension Scheme (SERPS). Everyone's level of GMP is different, so we'll calculate the amount that you can exchange for a higher annual income. Your GMP will be included in your annual increasing pension. For more information about how increases work, please see the 'Pension Increases' section on pages 20 and 21. Please note that some GMP benefits may not receive increases.

If your Pension Quote does not offer an option with PIE – it doesn't apply to you.

Section C members and PIE

If you are a member of Section C, your pension increases each year with reference to RPI and the rate at which your pension increases is expected to change in 2030. This is because of a government decision to effectively replace the Retail Prices Index (RPI) with the Consumer Prices Index including owner occupiers' housing costs (CPIH) as a measure of inflation. As CPIH is typically lower than RPI, this means Section C members may see their pension benefits increasing more slowly after 2030. The Pension Increase Exchange conversion factors we use to calculate your pension quote take account of the government's decision and will assume lower pension increases from 2030.

Where to find out more

You can find out more about PIE in the **Pension Increase Exchange (PIE) factsheet** in the Pension Calculator and at **btps.co.uk**

How to decide if PIE is right for you

A pension with PIE may or may not suit your commitments, lifestyle and retirement ambitions. There are pros and cons to the decision, and you'll need to weigh up certain factors – some of which we've outlined on the next page. Everyone's personal circumstances are different, so some of these factors may be more relevant to you than others. We recommend you get financial advice from an IFA before making your decision.

PIE factors

Factor	Why you may decide to choose PIE	Why you may decide against choosing PIE
Your lifestyle Your lifestyle may mean you'd prefer a higher pension now.	You want a higher initial pension while you're more able to enjoy things like travel and other activities, or because you have greater financial commitments, like a mortgage.	You'd prefer a higher pension later in retirement as you're concerned about the effects of inflation and the future cost of living.
Effect of inflation The rising cost of living may erode the value of your pension if it doesn't increase to keep pace.	You think that a higher initial pension is enough protection against the effects of inflation, or that inflation will be low during your retirement.	You believe that pension increases will help protect the spending power of your money. If inflation turns out to be high and you've taken an option with PIE, you may not be able to keep up your current standard of living.
Other income Depending on how the pension you're exchanging compares to your other sources of income, PIE may have a higher or lower impact on your finances.	You feel the part of your pension that you can exchange is small compared to other income you get that's inflation linked e.g. your State Pension or other pension benefits. If your other income increases in line with inflation, it may protect you against high inflation.	The part of your pension you can exchange forms a large part of your income. You might want this income to increase each year in line with inflation so your standard of living is more protected. If you choose PIE, you won't have as much protection against high inflation.
How long you might live We pay you a pension for life. So the longer you live, the longer we'll continue to pay your pension.	You don't think you'll live until the total pension payments you'd get with PIE equal the total payments you would have had without PIE.	You think you may live beyond the point at which the total pension under both options is expected to be equal.
What your loved ones will get when you die If you have a dependant who'll get a pension when you die, part of their pension won't increase under PIE.	Your dependant has other sources of income if you die and so won't need to rely solely on your BTPS pension to protect their standard of living against inflation.	Your dependant will probably rely on your BTPS pension if you die and would need it to protect their standard of living against long-term inflation.
State benefits A higher pension under PIE will affect the calculation of means-tested benefits.	You don't get means-tested benefits.	You do get means-tested benefits, and an initial higher pension under PIE may reduce your entitlement to these.
The tax you pay Choosing a higher initial pension may mean you have to pay more tax.	Your tax situation will not change if you get a higher initial pension.	A higher initial pension may change your overall tax situation. For instance, it may push you into a higher tax bracket.

Why your pension may reduce when you reach State Pension age

If you were an active member of Section B or Section C of BTPS from 6 April 2009, the State Pension Offset will reduce your BTPS pension once you reach your State Pension age.

What is the State Pension Offset?

The State Pension Offset deduction is a permanent reduction to your annual BTPS pension when you reach State Pension age, irrespective of whether you claim the State Pension or not. It's important to look at the figure we provide in your Pension Quote, or on your portal quote, for your State Pension Offset amount. The figure will rise broadly in line with National Average Earnings (known as Section 148 Orders) each year, so it will be higher when you reach State Pension age. When you die, the pension your spouse or civil partner gets may be reduced by up to 50% of your State Pension Offset amount. You may be taking your BTPS pension several years before you reach State Pension age, so it's important to factor in this future reduction when making your pension choices.

Why do we apply it to your pension?

Before 6 April 2009, BTPS was contracted out of the State Second Pension (also known as the Additional State Pension). This meant that you and BT paid less in National Insurance contributions, as you weren't building up a State Second Pension. As part of this arrangement, the Scheme agreed to provide members with a guaranteed minimum level of pension benefits that, in most cases, were similar to the State Second Pension they'd given up.

From 6 April 2009, Section B and Section C of BTPS stopped contracting out and contracted back into the State Second Pension. This meant that, from this date, these members paid higher National Insurance contributions and started to build up an entitlement to a State Second Pension to top up their basic State Pension. BT also compensated members for the additional National Insurance contributions that they had to pay. If you were one of these members, you'll have seen this on your BT payslip as an allowance.

The State Pension Offset was designed at the time to be broadly equivalent to the State Second Pension members had begun to build up. The intention was to make members' overall State and BTPS pensions as near as practicable to what they would have had if BTPS had continued to contract out. To calculate the State Pension Offset, we use a fixed formula that's been prescribed in BTPS Rules since April 2009.

In April 2016 the State Second Pension and Basic State Pensions were replaced by the New State Pension.

There are significant differences in how the New State Pension is calculated compared to the previous two-tier arrangement.

The State Pension Offset, when added into the Scheme Rules in April 2009, did not directly track the State Second Pension or any subsequent changes to it. So, although since April 2016 BTPS continued to apply the State Pension Offset using the same fixed formula prescribed in the Scheme Rules since 2009 (and, similarly, BT continued to pay the National Insurance allowance as it has always done since 2009), there was no longer a direct link between how the State Pension Offset in BTPS was calculated and how the State Pension was calculated.

Where to find out more

You can find out more about the State Pension Offset in the **State Pension Offset factsheet** on **btps.co.uk**

Temporary Supplementary Pension

If you are a member of Section C and left service between 1 April 1986 and 31 August 1993, you may receive a temporary supplementary pension up to your State Pension age. If you take your BTPS pension before State Pension age, it will top up your income until you can start taking your State Pension. The Temporary Supplementary Pension rises each year in line with inflation (subject to a cap). Once you reach State Pension age, the payments stop and your BTPS pension will reduce accordingly – whether or not you start claiming your State Pension. Your Pension Quote will include an estimate of your temporary supplementary pension if you are entitled to one.

Using your AVCs

This section covers:

- Your remaining AVCs
- Taking your remaining AVCs as a cash lump sum
- Transferring your remaining AVCs
- Help with your AVC decisions
- Your AVCs and tax

We'll usually disinvest your AVCs up to six weeks before your chosen pension start date. The cash they raise is the final value we'll use in your pension calculations. As they're still invested in your selected investment fund until then, their value could go up or down between now and when we disinvest them.

Your remaining AVCs

Your Pension Quote will show whether, based on your current AVC fund value, you're likely to have remaining AVCs. Although most members won't have remaining AVCs, below we explain how you can use any AVCs that remain after you've chosen your pension option.

Think carefully about what's right for you. Do you want a larger lump sum? Or the security of a regular income? Be clear how your decision might affect things like your lifestyle, your loved ones and the tax you pay.

1 Take your remaining AVCs as a cash lump sum

You can only do this if you've chosen a Max tax-free lump sum option.

When you take a Max tax-free lump sum option, we use your AVCs to fund your tax-free lump sum. If there are any AVCs left over, you can take these remaining AVCs as a cash lump sum. This is called an Uncrystallised Funds Pension Lump Sum (UFPLS). Up to 25% of this sum would normally be tax-free and the rest taxed as income.

If you choose an UFPLS, the tax-free element will count towards your Lump Sum Allowance and Lump Sum and Death Benefit Allowance. If you do not have sufficient available Lump Sum Allowance or Lump Sum and Death Benefit Allowance available, you will be taxed on the excess over that limit. Tax will be charged at the marginal rate.

Taking this option will reduce the amount you can contribute to other pension schemes and still earn tax relief

If you choose this option, it will be classed as flexibly accessing your pension benefits and so will trigger the Money Purchase Annual Allowance. This means that if you (or anyone else on your behalf) make contributions to any defined contribution pension schemes, under the current tax rules, you won't be able to pay in more than £10,000 in any tax year without having to pay an extra tax charge. This choice will also affect the Annual Allowance that applies to any defined benefit schemes you're a member of. The Annual Allowance is the maximum you can contribute to a pension scheme in one tax year without having to pay an extra tax charge.

Find out more about the Money Purchase Annual Allowance and access impartial government guidance regarding AVCs through Pension Wise by visiting **moneyhelper.org.uk**

2 Transfer out your remaining AVCs

There are two ways you can transfer or secure your remaining AVCs:

1. Arrange your own transfer into another pension scheme – for example, a personal pension scheme or a pension you have through another employer.

Depending on the amount you have and the provider you choose, you could take cash through drawdown or buy a lifetime annuity.

The Trustee does not offer drawdown within the Scheme. If you want to take your AVC fund as income drawdown, the only way to do it is to transfer your AVC fund to an alternative pension provider that offers that.

If you choose this option, we'll send you the forms to complete so that we can arrange your transfer.

Other pension schemes will have different features, different rates of payment and charges and different tax implications. You need to look carefully at the pros and cons before you transfer. Speak to an IFA if in doubt.

2. Buy a lifetime annuity on the open market.

If you choose this option, we'll send you the forms to complete so that we can arrange to pay your fund to your chosen annuity provider.

If you're thinking of buying a lifetime annuity, here are a few things to consider:

a. Your health – if you're in poor health, smoke or are overweight, you may be able to buy an enhanced annuity which will give you a higher income.

b. Your loved ones – you can buy a 'single' annuity just for you, or a 'joint life' annuity to provide for your partner or adult dependants.

c. The cost of living – inflation means that a non-increasing annuity will be worth less over time.

You can find out more about annuities at moneyhelper.org.uk.

If you decide to transfer or buy a lifetime annuity with your remaining AVCs, the provider you transfer to will need to know if your funds are 'crystallised' or 'uncrystallised'. You should tell them they are 'uncrystallised'. This usually means you can take 25% of your money tax-free. However, you should confirm this with your pension scheme.

Next steps if you want to transfer your AVCs

We'll usually disinvest all of your AVCs up to six weeks before your chosen pension start date and they'll then remain in our bank account until they are paid. Once they're disinvested, you will not earn any investment returns on the funds, so make sure you return the transfer forms you're sent plus any requested documents to us as soon as possible.

Help with your AVC decisions

When you're making your AVC choices, you can call on different sources of expert help:

- Read the MoneyHelper leaflet: *Your pension: your choices*. You won't be able to take every option it outlines, but you'll gain a better idea of which one's right for you. It is important that you read this document and, in particular the information about the different options you may have in relation to your AVCs and the different features and risks of those options.
- It is also important that you consider seeking information from MoneyHelper (which includes Pension Wise) or from an independent financial adviser (IFA) authorised and regulated by the FCA. MoneyHelper is here to make your money and pension choices clearer. It provides impartial help, backed by government and is free to use. Whatever your circumstances or plans, online or over the phone, you'll get clear money and pensions guidance, and pointers to trusted services if you need more support. We recommend you use MoneyHelper and consider taking financial advice to help you understand which pension option is most suitable to you. Money Helper can also help you to find an IFA with their retirement advisor directory.
- If you have additional voluntary contributions (AVCs) or other defined contribution (or money purchase) pensions elsewhere, Pension Wise offers free, impartial guidance about your options in relation to your AVCs. It can be accessed online, by phone or face to face. If you are over 50, you can call Pension Wise from MoneyHelper on **0800 138 3944** Monday to Friday or visit the website to book an appointment. If you're outside the UK call **+44 (0) 203 733 3495**. Visit **moneyhelper.org.uk** for more information.
- There is now a legal requirement for you to confirm whether you have attended a Pension Wise appointment in the last 12 months and received guidance in respect of using your AVCs. Whether you receive guidance from Pension Wise or choose to opt-out of having a Pension Wise appointment, you must confirm your decision to us as part of your application.

There are other things to bear in mind too:

- On average, people aged 55 today will live to their mid-to-late 80s. It's important not to underestimate your own life expectancy. If you're considering taking your funds as a cash lump sum, think how you can use the money to give yourself an income throughout your retirement.
- If you take your entire AVC fund as cash in one go, you may have to pay extra tax. This depends on your personal circumstances. Usually you can take 25% of the amount tax-free. However, you should consider the impact that taking a taxable lump sum might have on the tax you pay – including the possibility that you may have to pay a higher rate of tax than normal. Some providers and schemes may charge for taking a pension pot as cash, so check this before committing. And, if you plan to take the cash to invest somewhere else, check what the charges are before you transfer your pension.
- Taking cash withdrawals may also have implications for any debts you have, or any means tested-benefits you're entitled to. If you're concerned about this, contact Citizens Advice or MoneyHelper.

Your AVCs and tax

Being well-informed about AVCs is important because your AVC choices can affect the tax you pay. All your income from pensions savings is taxable. The tax you pay will depend on the amount of pension income you get and how much income you get from elsewhere. An IFA or tax adviser will help you understand how much tax you'll pay with each of your AVC choices.

Tax-free allowances and lump sums

The government introduced two new tax-free allowances from 6 April 2024; the Lump Sum Allowance (LSA) and the Lump Sum and Death Benefit Allowance (LSDBA). These allowances limit the amount of tax-free lump sums which an individual can take from their pension arrangements and replaced the Lifetime Allowance (LTA). Although the pension benefits for the majority of members are unlikely to breach either of these tax-free thresholds, it's important you understand what they are and that you have checked how they affect you.

The maximum tax-free lump sum is usually up to 25% of your total BTPS benefits. This is provided you have sufficient remaining Lump Sum Allowance (LSA) and Lump Sum and Death Benefit Allowance (LSDBA).

The default starting Lump Sum Allowance is currently £268,275 and the Lump Sum and Death Benefit Allowance is currently £1,073,100. However, these allowances are reduced if you became entitled to benefits from other pension arrangements before 6 April 2024.

If you choose a tax-free lump sum, the monetary amount will be deducted from your available Lump Sum Allowance and Lump Sum and Death Benefit Allowance.

The rules surrounding these new allowances are quite complex, so we have described them in more detail in a 'Tax-free allowances and pension lump sums' factsheet which you can find on our website at **btps.co.uk/FormsAndGuides**

You can also find out more on the allowances at **moneyhelper.org.uk**

In the past you may have applied to HMRC to protect your Lifetime Allowance. There are different types of protection, each with different conditions attached. Individuals with a protected right to take a higher amount of tax-free cash will continue to be able to do so. You can find out more about the different protections at **gov.uk/tax-on-your-private-pension** and get guidance from the government's impartial pensions service, MoneyHelper, by visiting **moneyhelper.org.uk** or by phone on **0800 011 3797**.

If you hold a protection certificate, formerly known as a Lifetime Allowance Protection Certificate, from HMRC and not told us, please give us a call on 0800 731 1919 and tell us your protection certificate number.

Providing for your loved ones

This section covers:

- Providing for your loved ones – lump sums, spouse/partner/dependant pensions
- What happens to your pension when you die
- Children's pensions

Here's how your BTPS pension could help provide for your loved ones after you die:

By giving your spouse or civil partner a pension for the rest of their life

Your Pension Quote will show you an estimate of the pension your surviving spouse or civil partner could get. It is usually half your annual pension. It may be less if, for example, you haven't made contributions to increase benefits built up before 1 June 1972.

If the State Pension Offset applies to your pension (see page 11) and if your spouse/civil partner is 45 or over when you die, we'll deduct up to 50% of your State Pension Offset to their pension. The State Pension Offset we will apply will have increased broadly in line with inflation between State Pension age and your date of death. This means their BTPS pension will reduce when they reach State Pension age.

By paying a lump sum

If you are in Section B and die within five years of your pension starting, the Trustee will usually pay a lump sum death benefit. If you are in Section C and die within 5 years of your pension starting, in limited circumstances the Trustee may have discretion to pay a lump sum death benefit. In both these cases, you must be under age 75 at the date of death. The Trustee has absolute discretion when deciding who receives any lump sum but can take account of any wishes you've set out in your Expression of Wish Form. Keep your Expression of Wish up to date on the member portal at **btps.co.uk** then go to 'My pension' and 'If I die'.

As any lump sum is paid at the Trustee's discretion, Inheritance Tax is generally not payable.

By paying a pension to an adult dependant

If you're not married or in a civil partnership, you may nominate another adult who is wholly or partly financially dependent on you, and who is likely to remain so. This 'adult dependant' can be considered to receive the pension benefits that would have been payable to a surviving spouse or civil partner. Payment is at the discretion of the BTPS Trustee. To nominate an adult dependant, log on to the portal at **btps.co.uk** and make your nomination online. Remember to keep your nomination up to date if your circumstances change.

You may be eligible for a family benefit refund

If you were a member of BTPS before 5 April 1978, and you don't have a spouse, civil partner, adult dependant or dependent children, we may be able to refund some of your family benefit contributions. If you think you might qualify for a refund, please call us on **0800 731 1919** before you complete a pension application.

Children's pensions

Your dependent children may also get a pension if they were conceived, adopted or became your step-children before you stopped working for BT. They include your children and those of your spouse or civil partner (whether legitimate or illegitimate), adopted children and step-children and, in certain circumstances, children for whom you're acting as a parent.

They'll also need to be:

- Under 17, or
- Between 17 and 23 (25 in some circumstances) and in at least two years' full-time education or training and earning below a set level, or
- Over 17, and physically or mentally unable to support themselves.

How much is a dependent child's pension?

This will depend on how many children are entitled to one, and whether you leave a spouse, civil partner or adult dependant.

Number of dependent children	Pension paid to a spouse, civil partner or adult dependant?	Size of child's pension if you're a Section B member	Size of child's pension if you're a Section C member
One	Yes	A quarter of your pension	Half of the pension payable to a spouse, civil partner or adult dependant
Two or more	Yes	Half of your pension, split as the Trustee decides	Equal to the pension payable to a spouse, civil partner or adult dependant, split as the Trustee decides
One or more	No	A third of your pension for one child Two thirds of your pension for two or more children, split as the Trustee decides	Double the above pensions

Checklist for pages 17 & 18:

- Keep your Expression of Wish nomination up to date
- If you're not married or in a civil partnership, but have another adult who is wholly or partly financially dependent on you, tell us by completing a nomination form. Log in at **btps.co.uk** and go to 'My pension' then 'If I die'.
- Tell us if your marriage/civil partnership status changes

Your State Pension

This section covers:

- What will my State Pension be?
- When will I get it?
- How can I claim it?
- Guaranteed Minimum Pension

As well as your BTPS pension, you'll get a State Pension. You need to claim this – it doesn't get paid to you automatically. You should get a letter four months before you reach State Pension age telling you how to do this. Remember, pension income is subject to income tax and this includes the State Pension.

What will my State Pension be?

For a forecast of your State Pension benefits, visit **gov.uk/check-state-pension**

When will I get it?

You can find out your State Pension age at **gov.uk/state-pension-age**

How to claim

- Visit **gov.uk/new-state-pension/how-to-claim**
- Call **0800 731 7898**

More about the State Pension

Go to **gov.uk/new-state-pension** if you want to find out about:

- Working in retirement
- Delaying taking your State Pension
- Taking your pension if you live abroad

Guaranteed Minimum Pension (GMP)

If you built up your pension before 6 April 1997, it will probably include an element of Guaranteed Minimum Pension (GMP). This is the minimum amount of pension we must pay you after contracting out of the State Earnings-Related Pension Scheme (SERPS). Currently men get their GMP at 65 and women at 60.

Checklist:

- Make sure you claim your State Pension
- If it's relevant, investigate working in retirement and delaying taking your State Pension

Receiving your BTPS pension

This section covers:

- Your first pension payment
- Payment dates and payslips
- Pension increases
- Income Tax
- Keeping your details up to date

Your first pension payment

When applying to take your pension, you will need to tell us your chosen 'pension start date'. This is the date your pension is effective from – but is usually different from the date you receive your first pension payment or any tax-free lump sum.

Your pension is paid in arrears on the last working day of the month (we pay early in December). This means your first payment is likely to be a part payment (or pro-rata) and will cover the period from your pension start date until the last day in that month, rather than being a whole month's pension. So, for example, if you want a full month's pension as your first payment (like a salary), you would need to choose a pension start date of the 1st of the month. Make sure you take that into account in your planning. First pension payments are usually taxed on an emergency tax code, so it can take a month or two for HMRC to align your tax code and for things to settle down to your regular monthly pension amount.

Payment dates and payslips

We publish a table listing our monthly pension payment dates for the current tax year on our website at **btps.co.uk/Payments**

Payments to overseas accounts may arrive up to 5 working days after the payment date. Factor in this timing when setting up any direct debits for household expenses.

Once your pension starts, and you become a pensioner within the Scheme, you will be able to log on to our member portal and view and download your pension payslips online, as well as your annual pension P60s.

Pension increases

If the pension you choose is eligible for an annual inflationary increase, this takes effect from 1 April each year. Section B increases use the Consumer Prices Index (CPI) to measure the rate of inflation, and Section C increases currently use the Retail Prices Index (RPI). We explain more about how pension increases work in the Payslip Guide you can find on our website at **btps.co.uk/Payments**. If you've been taking your pension for less than 12 months by April, you'll get a proportionate increase.

Here's how increases work for any pension above GMP

If you're in Section B

Your pension is currently increased in line with the rise in the Consumer Prices Index (CPI) over the previous 12 months to September. The Scheme Rules and current legislation determine that your pension increases in the same way as public sector schemes.

If you're in Section C

Your pension is currently increased in line with the rise in the Retail Prices Index (RPI) over the previous 12 months to December, up to a maximum of 5%.

It should be noted that the government has announced that, in 2030, it intends to effectively replace the Retail Prices Index (RPI) with the Consumer Prices Index including owner occupiers' housing costs (CPIH) as a measure of inflation. Further information on this is available on the website.

Guaranteed Minimum Pension (GMP)

Here's a summary of how increases work for your Guaranteed Minimum Pension (GMP)

The increases on the GMP element of your pension depend on the date you reach State Pension age. If Pension Increase Exchange (PIE) applies to part of your pension, this part won't increase (see page 8 for more on PIE).

If you're in Section B

Date you reached State Pension age	GMP pension increases we meet	GMP pension increases the Government meets
Before 6 April 2016	Pre-'88 GMP: 6 April 1978 – 5 April 1988 No increases Post-'88 GMP: 6 April 1988 – 5 April 1997 Inflation increases in line with the CPI, up to a maximum of 3%	The Government will pay the difference between full CPI inflation increases and the GMP increases paid by us/BTPS. This will be paid through your State Pension
6 April 2016 onwards	Full CPI inflation increases	N/A

If you're in Section C

Date you reached State Pension age	GMP pension increases we meet	GMP pension increases the Government meets
Before 6 April 2016	Pre-'88 GMP: 6 April 1978 – 5 April 1988 No increases	Your State Pension is calculated assuming full inflation increases
After 6 April 2016	Post-'88 GMP: 6 April 1988 – 5 April 1997 inflation increases, up to a maximum of 3%	The new single-tier State Pension has replaced GMP pension increases

Income Tax

You may have to pay Income Tax on your pension. We'll tax your first pension payment using an emergency tax code. HMRC will then adjust your tax code if necessary. That means your following payments may be different from your first. You will be able to view and download your monthly pension payments and tax paid on your pension payslips on the member portal. You'll need to contact HMRC direct with any tax questions you have, as they aren't allowed to talk to anyone else about your pension. We can only change your tax code if HMRC tells us to. You can learn more about tax on pensions at **gov.uk/tax-on-pension**

When to contact HMRC

Some life changes may affect your tax position. It's important to tell HMRC if you:

- Start taking unemployment benefit or the State Pension
- Begin a new job – or gain a new source of untaxed investment income
- Your spouse or partner dies – or you separate

How to contact HMRC

Write: **PAYE, HMRC, BX9 1AS, UK**
Call: **0300 200 3300**

Quote:

- The BTPS PAYE reference number 914/1
- Your National Insurance number
- Your BTPS membership number

Your P45

When you retire from work, your P45 will be sent to HMRC to make sure your pension is taxed at the right level. If you start a job after taking your BTPS pension, let your new employer know you don't have a P45 as you already have a taxable income. HMRC should then ask you to fill in a 'Starter checklist' form.

State benefits

Your pension may affect the calculation of any means-tested benefits you may receive from the government.

Keeping your details up to date

Your address

It's vital that we always have the correct contact information for you. If you move house, or there's a change in your personal circumstances, please let us know so we can ensure our records are up to date. Once you start receiving your pension, we are required to make periodic checks with you and, if we don't have your correct contact details, there is a risk your pension may be suspended. You can change your contact details on the portal at **btps.co.uk** or call us on **0800 731 1919**.

Your bank/building society details

We'll pay your pension directly into your bank account. If you change bank details, it's vital you let us know in plenty of time. You can do this by logging in to the portal at **btps.co.uk**. If you wish to have your pension paid into an overseas bank account, you can download an international payment form from our website or portal, specifying the relevant country. Make sure you tell us which currency you want your pension paid into and remember, payments to overseas accounts may arrive up to 5 working days after the payment date.

Payment to a different account name

We can only pay your pension into an account in your name. If you become unable to look after your own finances, we'll pay your pension into a different account if we're authorised through a Power of Attorney.

Checklist:

Log in to **btps.co.uk** to tell us:

- If you change address
- If you change your bank or building society details
- Or contact us on **0800 731 1919** to register any Power of Attorney you've granted

Don’t lose your pension to a scammer

Pension scams are on the rise. Scammers can be polite, professional and highly articulate. They might have glossy brochures and websites that look legitimate. They may tempt you with promises of one-off investments, pension loans and upfront cash. What’s more, members of defined benefit schemes – like you – are prime targets.

Here are some dos and don’ts that will help keep your pension benefits safe.

DON’T

- Accept offers from anyone who contacts you about your pension out of the blue. These could include a ‘free pension review’, a home visit or hand-delivered paperwork
- Believe anyone who says they’re authorised by the FCA. Check for yourself that they’re on the FCA’s approved register. Visit **fca.org.uk**
- Be lured into overseas investment deals. Well-known scams include unregulated investments in things like hotels and vineyards, where your money is also more at risk because it’s hard to access and in one place
- Fall for ‘guaranteed’ returns. There’s no such thing
- Be rushed into a decision because of a ‘time-limited’ offer

DO

- Speak to an authorised independent financial adviser before making a decision that could affect the rest of your life
- Ask MoneyHelper for help if you have doubts Money Helper can also help you to find a retirement adviser with their retirement advisor directory at **moneyhelper.org.uk**
- Call Action Fraud on **0300 123 2040** if you think you’ve been scammed, and be sure to let us know too. It may not be too late to stop a transfer if it hasn’t gone through
- Find out more and check the FCA’s list of known scammers at **fca.org.uk/scamsmart**

Glossary

The pensions industry is full of jargon and language that can often be confusing. Here we demystify the terms you're most likely to encounter.

A

Accrual Rate

This is the rate that your pension built up each year.

Before 1 April 2009 the rate was 1/80th of Section B members' Final Pensionable Salary and 1/60th of Section C members' Final Pensionable Salary. We multiply this by their Pensionable Service up to 1 April 2009. Section B members also built up a lump sum on top. This is three times their annual pension, based on the pension they built up before 1 April 2009.

BTPS changed from a Final Salary pension scheme to a Career Average Revalued Earnings (CARE) scheme on 1 April 2009. From then on, for each year of Pensionable Service, both Section B and Section C members built up a block of pension equal to 1/80th or 1/90th of their Pensionable Salary. They also built up a lump sum on top. For each year of Pensionable Service, this is 3/80ths or 3/90ths of their Pensionable Salary, based on the pension they built up from 1 April 2009.

Additional State Pension

The Additional State Pension – also known as the State Earnings-Related Pension Scheme (SERPS) and the State Second Pension – is money that the Government pays you on top of your Basic State Pension if you reached State Pension Age before 6 April 2016. It's automatically paid with your Basic State Pension if you're entitled to it.

If you reached State Pension Age on or after 6 April 2016, you'll get the New State Pension instead.

Additional Voluntary Contributions

An Additional Voluntary Contribution (AVC) fund is a way to build up extra money for your retirement. It's a type of defined contribution pension. If you saved money into a BTPS AVC fund, this money is invested to give it a chance to grow. You can currently use your AVC fund to increase your tax-free lump sum or buy a lifetime annuity or you can transfer it into another pension scheme. Because your AVCs are invested, their value can go down as well as up.

Adult dependant

This is an adult who you've nominated to benefit from your pension when you die. They must, in the Trustee's opinion, be wholly or partly financially dependent on you. You can only nominate an adult dependant if you're not married or in a civil partnership.

This term also describes an adult who wasn't nominated by you, but who was, in the Trustee's opinion, wholly or partly financially dependent on you at the time you died.

Annual Allowance

The Annual Allowance is the maximum amount of money you can put into a defined contribution (DC) scheme, or the total amount of benefits you can build up in a defined benefit (DB) scheme in a tax year, before you may have to pay tax. From 6 April 2024 it is £60,000 for most people.

The amount could be less if you've already taken money out of any of your pension schemes or if you're a high earner. All the money that goes into all your pension schemes counts towards your Annual Allowance: it's not a 'per scheme' maximum.

If you go over your available Annual Allowance in a year, you won't get tax relief on anything over the maximum, and you'll have to pay HMRC an annual allowance tax charge.

You can find out more at **gov.uk/tax-on-your-private-pension/annual-allowance**

Annuity

A regular, guaranteed income for life. The level of income that different annuities offer depends on the provider, the type of annuity and the features you choose. For instance, you could choose a single or joint-life annuity, or one that pays a fixed income or an income that increases each year. Once you've chosen an annuity, you normally can't change your mind. If you have BTPS AVCs, you can use them to buy a lifetime annuity on the open market.

B

Basic State Pension

If you reached State Pension age before 6 April 2016 you get the Basic State Pension. To get the full amount, you must have 30 qualifying years of National Insurance contributions or credits. The New State Pension replaced the Basic State Pension for people who reach State Pension age on or after 6 April 2016.

BT

British Telecommunications plc. BT Group also includes any subsidiary or associated company that employs members of BTPS. BTPS is a separate legal entity that operates independently of BT Group.

BTPS

The BT Pension Scheme.

C

Career Average Revalued Earnings (CARE)

On 1 April 2009, Section B and C of the BTPS changed from a Final Salary pension scheme to a CARE scheme.

In a CARE scheme, you build up a block of benefits each year, based on your Pensionable Salary (or Shadow Salary) for that year. Each block increases each year in line with the change in the Retail Prices Index (RPI) or with your Pensionable Salary, whichever is lower. Then we add all the blocks together to give your total CARE pension and CARE lump sum.

Each block of pension is equal to 1/80th or 1/90th of your Pensionable Salary (or Shadow Salary). Your lump sum is 3/80ths or 3/90ths of your Pensionable Salary for each year you're in BTPS.

Cash Equivalent Transfer Value (CETV)

A cash amount that broadly reflects the total value of all your BTPS benefits if you were to transfer them to another pension scheme. To work it out we look at how much it is likely to cost to provide your benefits under the Scheme, including:

- The annual pension you're entitled to under BTPS Rules, and
- Benefits that we might pay in the future – like a spouse's or dependant's pension

We also factor in other things like your age and current market conditions. That means your transfer value (CETV) could change over time and might go down as well as up.

If you decide to transfer out of BTPS, we'll pay your transfer value directly into another pension scheme you've specified. Once we've made the transfer, it can't be reversed, and you'd no longer be entitled to any benefits from BTPS.

If you have an AVC fund, you can also transfer this into another pension scheme, either separately before you take your main BTPS pension, or along with your CETV.

Civil Partner

A partner of the same or opposite sex who, under the Civil Partnerships Act 2004, has entered into a legal partnership with you.

Consumer Prices Index (CPI)

The CPI measures the average change in prices over time that consumers pay for a range of goods and services. These goods and services can include everything from cinema tickets to food, but exclude housing costs and mortgage payments. The Government uses the CPI as a measure of inflation.

Consumer Prices Index Housing (CPIH)

CPIH is a measure of Consumer Price Inflation with Housing, which relates to owner occupiers' housing costs (OOH). CPIH measures the average change in prices over time that consumers pay for a range of goods and services, with the addition of housing costs and mortgage payments. The government uses CPIH as its lead measure of inflation.

Contracting in/Contracting out

Before April 2009 BTPS was contracted out of the State Second Pension. From April 2009 until April 2016 it was contracted in. When BTPS was contracted in, members paid more in National Insurance contributions and built up a State Second Pension. When it was contracted out, they didn't. In return for paying less in National Insurance, members gave up their entitlement to a State Second Pension. Instead, BT promised to pay them a certain amount of pension in place of the extra State Pension they were giving up.

In April 2016, the Government abolished contracting in or out along with the two-tier pension system.

D

Defined benefit scheme

This is a pension scheme that, like BTPS, pays you an income for life based on a formula that uses your Final Pensionable Salary (or CARE) and Pensionable Service. Unlike with defined contribution pension schemes, your main pension is not directly affected by the ups and downs of the financial markets.

Defined contribution scheme

A pension scheme that's based on the amount of money you save – or contribute – into it. Your money is then invested to give it a chance to grow, but your fund is affected by the ups and downs of the financial markets. Although the main BTPS is a defined benefit scheme, any AVC fund within it is a defined contribution scheme.

Dependent child/children

These are dependent children who you conceived, adopted or became a step-parent to before you stopped working for BT and who are:

- Under 17, or
- Between 17 and 23 (25 in some circumstances) and in at least two years' full-time education/training and earning below a set level, or
- Over 17 and physically or mentally unable to support themselves

They include your children and those of your spouse or civil partner (whether legitimate or illegitimate), adopted children and step-children. In certain circumstances they may also include children for whom you're acting as a parent.

E

Earnings Cap

A cap on the amount of earnings that we can use to calculate your pension under BTPS.

F

Final Pensionable Salary

For Section B members, this is the salary we use to calculate what you get from the Final Salary part of your pension. That's the pension you built up before 1 April 2009. We use either:

- Your highest Pensionable Salary (or Shadow Salary) during any one of your last three years of Pensionable Service

OR

- The best average Pensionable Salary (or Shadow Salary) you earned over three consecutive tax years in your last 10 years of Pensionable Service

We use whichever is higher.

For Section C members, this is your highest level of Pensionable Salary (or Shadow Salary) over any continuous 12 month period in your last three years of Pensionable Service. It can't be higher than the maximum Pensionable Salary allowed under the Earnings Cap.

Flexible Retirement

This is where you take your BTPS pension and carry on working for BT at the same time, as long as you meet certain conditions. You need to fill in a Flexible Retirement Application Form on BT's intranet and BT must agree to your application.

G

Guaranteed Minimum Pension (GMP)

The Guaranteed Minimum Pension (GMP) applies to you if you were a member of the Scheme between April 1978 and April 1997. It protected the pension rights of members in defined benefit pension schemes that, like BTPS, were contracted out of the State Earnings-Related Pension Scheme (SERPS).

The GMP is the minimum level of pension you're entitled to from the BTPS. It's based on the amount you would have had if you'd been contracted in to SERPS. You will normally get your GMP at 60, if you're a woman, and 65 if you're a man, regardless of your State Pension age.

H

HMRC

Her Majesty's Revenue & Customs – the people who collect our taxes to pay for the UK's public services.

I

Inflation

The everyday prices you pay for goods and services increase over time. The rate of this increase is known as inflation. To measure the rate of inflation we apply to pension increases, we use both the Consumer Prices Index and the Retail Prices Index. The index we use depends on which Section of BTPS you're in.

L

Lifetime Allowance (LTA)

Previously, this was the limit on the total value of pension savings you could build up through your lifetime without triggering an extra tax charge of up to 55% (known as the lifetime allowance charge). For the 2023/24 tax year, the standard Lifetime Allowance was £1,073,100.

The government removed the Lifetime Allowance with effect from 6 April 2024. There is now a Lump Sum Allowance, Lump Sum and Death Benefit Allowance and an Overseas Transfer Allowance.

You can find out more on the new tax-free allowances in this glossary and at **moneyhelper.org.uk**

Lifetime Allowance protections

Because the Lifetime Allowance changed over the years, people who had benefits that were over the Lifetime Allowance were able to protect the value of their benefits from future tax charges. This remains relevant even though the Lifetime Allowance itself has now been abolished.

There are different types of protection, each with different conditions attached. To check the latest government information about the different protections go to **gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance**

Individuals have until 5 April 2025 to apply for Fixed Protection 2016 and Individual Protection 2016.

To check the latest government information about the different protections at **gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance**

If you've previously protected your Lifetime Allowance through HMRC, please give us a call on **0800 731 1919** to let us know.

Lump Sum Allowance (LSA)

This is the maximum amount of tax-free lump sums which a member can take across all of their pensions combined. The standard Lump Sum Allowance is £268,275. However, this limit also takes account of tax-free lump sums taken before 6 April 2024, so may be adjusted down if you were paid benefits from your other pension arrangements before 6 April 2024.

Individuals with a protected right to take a higher amount of tax-free cash will continue to be able to do so.

Each time you take a tax-free lump sum (i.e. either a Pension Commencement Lump Sum, tax-free element of an Uncrystallised Funds Pension Lump Sum or a stand-alone lump sum) after 6 April 2024, the amount of your available Lump Sum Allowance is reduced until it reaches zero (after which any further lump sums which can be paid would be taxed at your marginal rate).

Please also refer to the Lump Sum and Death Benefit Allowance.

The rules surrounding this new allowance are quite complex, so we have described them in a 'Tax-free allowances and pension lump sums' factsheet on our website to help you understand your position. Go to **btps.co.uk/FormsAndGuides**

If you are not sure how this affects you, please contact the government's free, impartial pensions guidance service, MoneyHelper at **moneyhelper.org.uk** or speak to an independent financial adviser.

Lump Sum and Death Benefit Allowance (LSDBA)

Introduced on 6 April 2024, the Lump Sum and Death Benefit Allowance sets a limit on the tax-free parts of lump sums which can be paid to a member, and in respect of the member on death. It includes Pension Commencement Lump Sums (PCLS), the tax-free element of any Uncrystallised Funds Pension Lump Sums (UFPLS), serious ill-health lump sums, standalone lump sums and certain tax-free lumps sum death benefits.

The LSDBA is £1,073,100. However, this limit also takes account of tax-free lump sums taken before 6 April 2024, so this figure may be adjusted down if you became entitled to benefits from your pension arrangements before 6 April 2024 (and for some people with historic protections under the tax rules, the starting maximum could be higher).

Each time you take one of these tax-free lump sums after 6 April 2024, the amount of your available Lump Sum and Death Benefit Allowance is reduced until it reaches zero, after which any further lump sums which can be paid would be taxed at your marginal rate.

The rules surrounding this new allowance are quite complex, so we have described them in a 'Tax-free allowances and pension lump sums' factsheet on our website to help you understand your position. Go to **btps.co.uk/FormsAndGuides**

For more information, visit the government's free, impartial pensions guidance service, MoneyHelper at **moneyhelper.org.uk** or speak to an independent financial adviser.

Please also refer to the Lump Sum Allowance if you are receiving a Pension Commencement Lump Sums (PCLS) or an Uncrystallised Funds Pension Lump Sum (UFPLS).

N

New State Pension

If you reached or reach State Pension age on or after 6 April 2016, the New State Pension applies to you. The New State Pension is a single-tier pension (unlike the Old State Pension which was made up of two tiers: the Basic State Pension and the Additional State Pension). To get the New State Pension, you'll need at least ten qualifying years on your National Insurance record. These are years when you've been either paying National Insurance or receiving National Insurance credits.

Normal Pension Age

This is the age that your BTPS pension benefits become payable. It's currently your 65th birthday. You can take your pension earlier than this but, if you do, it will normally be lower. This is because we'll have to pay it for longer.

The current Normal Pension Age applies to benefits built up from 1 April 2009. For benefits built up before 1 April 2009, the Normal Pension Age is your 60th birthday. You must take the benefits you built up before 1 April 2009 at the same time as you take the benefits you built up from 1 April 2009. You can't take them at different times.

If you don't take your pension until you are past your Normal Pension Age there may be tax implications for you. Unless you continue to be employed by BT, we pay pensions with effect from the date you reach your Normal Pension Age, so we would pay the backdated amount in one lump sum and no interest is payable.

Getting a potentially large lump sum in one tax year as a result of back payments could mean you have to pay extra tax.

O

Old State Pension

This is a pension from the Government that most people can claim if they reached State Pension Age before 6 April 2016. It's based on your National Insurance contributions. There are two tiers to the pension: the Basic State Pension and the Additional State Pension – previously known as the State Earnings-Related Pension Scheme (SERPS) and the State Second Pension. The New State Pension replaced the Old State Pension on 6 April 2016.

P

Partial transfer

A transfer out of the Scheme of the benefits you built up after 31 March 2009. The remaining benefits you built up before 1 April 2009 would remain within BTPS.

Pension Commencement Lump Sum (PCLS)

This is a tax-free lump sum that is paid to a member of a registered pension scheme when they start accessing their pension benefit e.g. at retirement. It is often known as "tax free cash" or a "tax free lump sum".

The maximum Pension Commencement Lump Sum is usually 25% of the pension benefits being accessed. This 25% figure will generally apply as long as it's not more than your remaining available Lump Sum Allowance and Lump Sum and Death Benefit Allowance when you become entitled to the lump sum. If you have Lifetime Allowance Protections, you may have a protected right to take a higher Pension Commencement Lump Sum.

A Pension Commencement Lump Sum can only be paid if a member has Lump Sum Allowance and Lump Sum and Death Benefit Allowance available.

There is a risk of high tax charges if you use any part of your PCLS as a contribution to another registered pension scheme as this could be classed as recycling a pension commencement lump sum. For more information visit **gov.uk** and search under pension recycling.

Pension Increase Exchange (PIE)

PIE gives you a higher initial pension in exchange for giving up some of your annual pension increases.

You get a higher initial annual pension than you would have otherwise. However, your annual pension increases will be lower than they would have been without PIE. So, while an annual pension with PIE will start higher, eventually it will fall below the same annual pension without PIE.

You can only use PIE for pension that you built up before 6 April 1997. Find out more in our Pension Increase Exchange factsheet available on the member portal at **btps.co.uk**

Pensionable Service (also known as Reckonable Service)

This is the amount of time you've worked for BT Group and been in BTPS, or the pension schemes that came before it. You might also have 'bought' additional service by transferring another pension into BTPS. And, depending when you joined the Scheme, you could have 'bought' 'Added Years' as well.

It excludes any absences – or non-reckonable days – that don't count towards it.

R

Reckonable Service (or Pensionable Service)

This is your Pensionable Service within BTPS. It excludes any absences – or non-reckonable days – that don't count towards it.

Retail Prices Index (RPI)

The RPI measures the average change in prices over time that consumers pay for a range of goods and services. Unlike the Consumer Prices Index, it includes housing costs, such as council tax and mortgage interest repayments, as well as things like food, clothes and petrol.

Recycling

This is where a person takes a pension commencement lump sum and uses it to significantly increase contributions to another registered pension scheme. There are HMRC rules that apply to recycling, which are designed to prevent people exploiting tax relief rules.

When the recycling rule applies all of the pension commencement lump sum is treated as an unauthorised member payment for tax purposes.

S

Spouse

Someone of the same or opposite sex who is legally married to you.

State Earnings-Related Pension Scheme (SERPS)

The Additional State Pension has had various titles over the years. One of these titles is the State Earnings-Related Pension (SERPS).

SERPS operated between April 1978 and April 2002. If you paid full Class 1 National Insurance contributions on a certain level of earnings during any of those years, you earned an additional pension on top of your Basic State Pension. SERPS was replaced by the State Second Pension, which ran until 2016.

State Pension

This is either the Old State Pension (which includes the Basic State Pension and the Additional State Pension) or the New State Pension, depending on when you were born. If you reached State Pension age before 6 April 2016, you get the Old State Pension. If you reach or reached it after 6 April 2016, you get the New State Pension.

State Pension age

This the earliest age you can claim your State Pension. It used to be 60 for women and 65 for men. But it's been gradually rising. Between 2010 and 2018 it rose to 65 for women. It's currently 66 for both men and women and will rise to 67 and 68 in future. The Government reviews State Pension age regularly. You can check your State Pension age at **gov.uk/state-pension-age**

State Pension Offset

This is a permanent reduction to your annual BTPS pension when you reach State Pension age. It applies if you were an active member of Section B or Section C of BTPS from 6 April 2009.

You can find out more about the State Pension Offset in this Guide and in the State Pension Offset factsheet at **btps.co.uk**

State Second Pension (S2P)

Previously known as the State Earnings-Related Pension (SERPS), this is part of the Old State Pension. It's paid on top of the Basic State Pension. The amount you get is based on the National Insurance contributions you paid from April 2002 until April 2016.

T

Transitional Tax-Free Amount Certificate

From 6 April 2024, you can request a Transitional Tax-Free Amount Certificate from any of your pension schemes. The application can only be made before the first 'Relevant Benefit Crystallisation Event' (RBCE) since 6 April 2024 – which means the first time, after that date, that you **start** taking money from any of your pensions.

If you would like to request a Transitional Tax-Free Amount Certificate from BTPS, then please submit your request to **member@btps.co.uk** writing 'Transitional Tax-Free Amount Certificate request' in the subject line. An application must be accompanied by complete evidence of any tax-free lump sums paid to you by registered pension schemes before 6 April 2024. BTPS has three months to issue the certificate or notify the applicant that the application has been refused.

You may wish to discuss this option with an independent financial adviser before making an application.

If you already have a Transitional Tax-Free Amount Certificate from another pension scheme, then you will need to provide us with this certificate when you apply to take your pension.

If you would like to apply for a Transitional Tax-free Amount Certificate (TTFAC), HMRC intend to publish guidance to assist members considering whether to apply for the TTFAC. Please refer to **gov.uk** for more information.

Temporary Supplementary Pension (TSP)

You get this if you're a Section C member who left the Scheme between 1 April 1986 and 31 August 1993 and meet certain conditions. If you're eligible, you'll get the TSP from your Normal Pension Age until your State Pension age. Once you reach State Pension age, the payments stop, irrespective of whether you claim your State Pension or not.

Trustee

The Trustee of the BT Pension Scheme (BTPS) acts separately from BT plc. It makes sure the Scheme is run according to the Trust Deed and Rules. The Trustee also holds, manages and invests the Scheme's assets for the benefit of Scheme members and their beneficiaries.

U

Uncrystallised Funds Pension Lump Sum (UFPLS)

If you choose a Max tax-free lump sum pension option, the Scheme Rules allow you to take any remaining AVCs as a cash lump sum. This is called an Uncrystallised Funds Pension Lump Sum (UFPLS). Up to 25% of this sum is usually tax-free and the rest is taxed as income.

Whatever your plans, your pension choices can affect your income for the rest of your life. That's why it's important you understand all your options.

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BTPS Pension Guide for members with AVCs January 2025
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