

# Changes to actuarial factors: 1 October 2023

Following a factor review by the Trustee and Scheme actuary, the factors for early retirement, late retirement and commutation changed, with effect from 1 October 2023. Early retirement factors and commutation factors have both decreased, and late retirement factors have increased.

## What are actuarial 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.

## Why have factors changed?

We need to ensure we use fair values when we offer members the choice to give up some of their Standard Scheme Benefits by retiring early, or by giving up some of their annual pension to use towards a tax-free lump sum. Otherwise, it means members retiring today could do so at the expense of members retiring in future.

Due to recent changes in financial markets and inflation, in particular the significant increase in interest rates, the factors were reviewed by the Trustee, with advice from the Scheme actuary, and the necessary changes were made to how these factors were calculated.

## What's the impact?

Your Standard Scheme benefits as at your normal retirement age, are calculated using a set formula which is based on your salary and how long you worked at BT, whilst a member of the Scheme. Factor changes have no detrimental impact on members' Standard Scheme benefits as at normal retirement age.

However, retirement quotes run from 28 September, with a pension start date from 1 October 2023 onwards, will potentially show lower annual pensions or lump sums than those quotes run before that date - for early retirement quotes (pension start date before a member's normal retirement date) or where members have commuted some of their pension in exchange for a higher lump sum.

## How does this change affect me?

1. If you have already submitted your retirement application to us and have chosen early retirement or the commutation of part of your standard Scheme pension for a higher lump sum, we will process your retirement using the pre-1 October factors ("the old factors"), provided you have chosen a pension start date on or before 31 March 2024.

2. If you have already submitted your application but chosen a pension start date after 31 March 2024, we will contact you to let you know the factors have changed and provide you with the revised figures, based on the post-1 October factors (“new factors”).
3. If you had already decided to start taking your pension but have not yet completed your online application or submitted your option form, we will process your retirement using the old factors, subject to the following criteria:
  - a. you must have either a saved quote in your portal document library for your chosen option and pension start date, or have a paper quote and option form sent by the administration team, dated from 1 July to 30 September 2023 (inclusive), and
  - b. a chosen pension start date on or before 31 March 2024, and
  - c. submitted your completed, signed application so that we receive it and your ID documents before 31 December 2023.

## **How to complete your retirement application online**

Go to your portal document library and head to ‘My saved quotes’, then:

- go to the saved quote you want to apply for and click ‘Choose to retire with this quote’.
- you can click ‘Start’ and then either complete the application in one go, submit and then choose whether you are happy to print it off yourself then sign and return to us – or, if you do not have access to a printer, you can tick for us to send the form to you for you to sign and return. You’ll also need to send us the requested ID documents.
- if you don’t finish your application in one sitting, you can click ‘Save & close’ and return to it later. You need to complete the application within 90 days of clicking Save & close – but remember, it will need to be with us before 31 December 2023.

If you have a paper retirement pack, please complete your Pension Option Form, ensuring you have answered every question, sign it and return it to us, with your ID documents. We must be in receipt of your application by 31 December 2023.

If you have any questions, please contact us on 0800 731 1919.