

# BTPS

## An update on the **Scheme's financial health**

Welcome to this year's Summary Funding Statement. We'll give you an update on the financial health of the Scheme, based on an interim assessment as at 30 June 2021 and remind you of the results of the last full actuarial valuation.

### **Changes in the funding shortfall since the 2020 valuation**

Over the year to 30 June 2021, the financial health of the Scheme improved. The last full valuation was carried out as at 30 June 2020 and estimated that the Scheme was 88% funded against the target set as part of that valuation. The interim assessment carried out as at 30 June 2021 estimated that the Scheme's funding position had improved from 88% to 93%, representing a reduction in the funding shortfall (deficit) from £7,978 million to £4,050 million. The main reasons for the improvement are the deficit contributions paid by BT and a higher than assumed return on the Scheme's assets.

### **How are we making up the shortfall?**

The funding shortfall from the 2020 valuation is being addressed by a series of lump sum payments from BT to the Scheme (known as a "recovery plan"). Under the recovery plan BT pays additional contributions in the expectation of returning the Scheme to a fully funded position by 30 June 2030. Since the valuation date of 30 June 2020, BT has already made deficit

contributions totalling £2,560 million, with further contributions of £500 million due in March 2022 and June 2023, and £400 million due in June 2022 and March 2023. £10 million will also be paid each year on 31 March from 2024 to 2035 with a final payment of up to £4,696 million due by 31 December 2035. The formal recovery plan ends on 31 December 2035, but in practice the Scheme is expected to reach full funding as against its 2020 funding target by 30 June 2030 (and the final payment of £4,696 million reduced accordingly), as a result of the following:

- BT making payments earlier, of £600 million pa between 1 July 2023 to 30 June 2030, which BT can choose to pay either directly to the Scheme or to a new co-investment vehicle that will pass funds either to Scheme or back to BT depending on the Scheme's future funding position from 2034 to 2036.
- Pre-agreed additional payments of up to £200 million pa to the Scheme, if required, to meet any new deficit above £1bn that arises at a future annual review.

For more details see [www.btps.co.uk](http://www.btps.co.uk)

## When is the next update?

The next formal review is expected to be undertaken in the normal way at the 2023 valuation, with interim assessments carried out annually.

## What if the unthinkable happens – if BT stops trading?

In this scenario, we assume that the Trustee would continue to run the Scheme with a low-risk, closely-matched investment strategy including additional margins for risk. On this basis and assuming no further contribution from BT, it was estimated that at 30 June 2020 the assets of the Scheme would have met around 71% of the liabilities.

**Crown Guarantee:** On privatisation of BT in 1984, the Government provided the Scheme with a special protection in the form of an undertaking so that, in the unlikely event of a winding up of BT, those liabilities of BT to the Scheme which are covered by the undertaking would be met by the Government. Further information is available at [www.btps.co.uk](http://www.btps.co.uk).



### Our work on climate change

The Scheme has set a 2035 net zero target. More information on our net zero goal including the current carbon emissions from the portfolio can be found at [www.btps.co.uk/SustainableInvestment](http://www.btps.co.uk/SustainableInvestment).

We support the Task Force on Climate-Related Financial Disclosures (TCFD) Framework and our TCFD disclosure which reports on climate related risks and opportunities can be found within the BTPS report and accounts on our website [www.btps.co.uk/RegulatoryReporting](http://www.btps.co.uk/RegulatoryReporting). A hard copy of this report is available on request.

## Additional information we are required to provide

Since the last update, the Scheme has not made any payments to BT under Section 37 of the Pension Act 1995. We also confirm that The Pensions Regulator has not modified the Scheme, nor made any directions regarding the contributions or the calculation of the Scheme's funding position.

The Trustee reserves its position on the application of Part 3 of the Pensions Act 2004 to the Scheme.

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