

# BTPS

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

This Summary Funding Statement gives you an update on the financial health of the Scheme, based on an interim assessment as at 30 June 2022. The next formal review is expected to be undertaken in the normal way at the 2023 valuation.

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

The results of the 30 June 2020 full valuation, along with the results of the latest funding updates as at 30 June 2021 and 30 June 2022 are summarised in the following table.

30 June 2022 interim assessment			
Assets £46,900m	Liabilities £51,276m	Shortfall £4,376m	Funding level 91%
30 June 2021 interim assessment			
Assets £57,280m	Liabilities £61,330m	Shortfall £4,050m	Funding level 93%
30 June 2020 actuarial valuation			
Assets £57,493m	Liabilities £65,471m	Shortfall £7,978m	Funding level 88%

### Changes in the funding shortfall since the 2021 interim assessment

The last summary funding statement was issued in 2022 and explained the funding position at the 30 June 2021 interim assessment. Between 30 June 2021 and 30 June 2022, the funding shortfall increased from £4,050 million to £4,376 million. This increase was due to a rise in the level of inflation expectations over the period, as well as lower than assumed returns on the Scheme's assets. This was partially offset by a rise in interest rates and £900 million of deficit reduction contributions paid by BT.

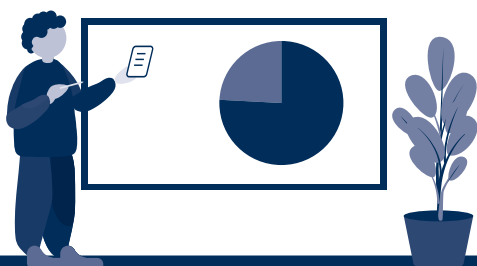
Since 30 June 2022, unprecedented gilt market volatility has resulted in a reduction in the value of the Scheme's assets and liabilities. However, the funding position remains broadly on track due to the Scheme's investment strategy having been set such that movements in the assets broadly match those of the liabilities.



## 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") with the expectation of returning the Scheme to a fully funded position by 30 June 2030. Under this recovery plan, BT made deficit contributions of £2,560 million in 2021, with a further £900 million paid in 2022. Further contributions of £400 million and £500 million are due in March 2023 and June 2023 respectively. £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 by 30 June 2030 (and the final payment of £4,696 million reduced accordingly), as a result of the following:

- Cash payments to the Scheme of £180 million pa over 13 years which are secured on an EE-based asset backed funding arrangement, meeting c.£2 billion of the funding shortfall.
- Payments of £600 million pa from 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 the 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 future increase in the shortfall above £1 billion that arises at a future annual review.
- For more details see the Report & Accounts at [www.btps.co.uk/RegulatoryReporting](http://www.btps.co.uk/RegulatoryReporting)



## 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 (the estimate at 30 June 2022 was 78%).

**Crown Guarantee:** On privatisation of BT in 1984, the Government provided the Scheme with a special protection in the form of a guarantee so that, in the unlikely event of a winding up of BT Plc, those liabilities of BT Plc to the Scheme which are covered by the guarantee would be met by the Government.

### Task Force on Climate-Related Financial Disclosures (TCFD Framework)

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 used any of its powers under section 231(2) of the Pensions Act 2004 in relation to the Scheme. In particular, they have 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.

#### Contact us

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