



# BT PENSION SCHEME

## SECTION A

Explanatory booklet for **Section A** Members of the BT Pension Scheme  
(BT employees who joined the Post Office before **1 December 1971**)



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# Introduction

**The BT Pension Scheme (the Scheme) forms an important part of your benefits package, providing savings for your retirement and protection for your dependants on your death. Please read this booklet carefully as there are a number of options available to you which could affect the benefits you receive on retirement.**

## The Scheme

The Scheme has been set up under a Trust Deed and is governed by Rules, and for Section A members, also the provisions of the Principal Civil Service Pension Scheme (PCSPS), which determine how and when benefits are paid. This booklet summarises the main benefits available under Section A of the Scheme, but if there is a conflict between the Rules and this booklet, the Rules (as amended from time to time) will prevail.

## Overriding legislation

The Scheme is subject to overriding tax and other pension legislation in force from time to time. This booklet summarises legislation in force on 6 April 2017 which is relevant to your benefits. This summary is intended to assist you in understanding your benefit entitlements in the Scheme, but please be aware that the relevant legislation and the way in which it affects your benefits (including the tax payable on your benefits) might change in future and may depend on your personal tax position.

## The Trustee and Constitution

BT Pension Scheme Trustees Limited is the sole Trustee of the Scheme. Its board consists of nine directors appointed by BT:

- An Independent Chairman;
- Four Trustee Directors selected by BT; and
- Four Trustee Directors nominated by BT unions (after consultation with the National Federation of Occupational Pensioners).

Trustee Directors generally hold office for three years and are then eligible for re-election.

The Trustee Directors represent the interests of all beneficiaries, regardless of how they are appointed or nominated.

## State Second Pension (S2P)

As a result of the State Pension reforms, after 6 April 2016, your employment can no longer be contracted out of the State Second Pension (as the State Second Pension no longer exists) – see the “Other Information” section of this booklet.

## Accenture

Accenture has been appointed by the Trustee to administer the Scheme on a day to day basis. Accenture will be the first point of contact regarding your benefits in the Scheme.

## Her Majesty's Revenue & Customs (HMRC)

The Scheme is registered with Her Majesty's Revenue & Customs (HMRC).

## Lifetime Allowance

The Lifetime Allowance is the overall maximum capital amount of pension savings that any one individual can accumulate in all registered pension arrangements that benefit from tax reliefs. Any benefits paid above this amount will be subject to a tax charge on their excess benefits value, known as the Lifetime Allowance Charge. For the 2017/18 tax year the charge is 55% where the excess is taken as a lump sum and 25%

where the excess is taken as a pension. Where the excess is taken as a pension it is also subject to income tax resulting in the effective rate of tax of 55% for a 40% tax payer, and 58.75% for a 45% tax payer. The Lifetime Allowance for the tax year 2017/18 is £1 million, and is expected to be increased in line with CPI inflation from 2018/19 onwards.

Some members may have previously applied for Lifetime Allowance protection, meaning they have a Lifetime Allowance of greater than £1 million. If the value of your accrued pension benefits at 6 April 2017 was greater than £1 million, there are various protections you can apply for. For more information around the Lifetime Allowance and protections that may be available please see the government website: <https://www.gov.uk/tax-on-your-private-pension/lifetime-allowance>

## Amendments to the Scheme

The Scheme may be amended from time to time with the agreement of the Trustee and BT, subject to the terms of the Rules and the relevant legislation.

“ The Lifetime Allowance is the overall maximum capital amount of pension savings that any one individual can accumulate in all registered pension arrangements that benefit from tax reliefs. ”

# Membership



**The BT Pension Scheme (the Scheme) is closed to new members but continues for existing members. If you leave BT employment, or opt out of Scheme membership, you will not be able to re-join the Scheme at a later date.**

## Opting out

You can opt out of the Scheme without leaving BT employment by giving one month's notice. You can do this by completing an-opt out form and sending it to Accenture – see "Useful names and addresses" section of this booklet.

If you do opt out:

- You will no longer build up any further benefits under the Scheme;
- Your life cover under the Scheme will reduce to twice your Pensionable Salary; and
- The pension payable to your Spouse or Civil partner and any eligible children will be calculated as if you had left BT (see "Leaving BT" section of this booklet).

If you opt out of the Scheme, you might wish to join a pension scheme again at some time in the future. You will be able to ask to join a BT pension arrangement but you will not be allowed to re-join the Scheme. BT may offer a different scheme, which meets the minimum requirements under current legislation. Employers now have a duty to automatically enrol eligible employees every three years, so even if you don't ask to join a scheme, you may be automatically enrolled into a pension scheme at a later date.

**“ You can opt out of the Scheme without leaving BT employment by giving one month's notice.”**





# Contributions

## Member contributions

Your contributions of 6% of your Pensionable Salary will be deducted from your pay before tax is applied and so receive full tax relief at your marginal rate(s). For example, if your salary is taxed at the basic rate of 20%, each £1 you pay into the Scheme costs you 80p. In comparison, if your salary is taxed at 40%, each £1 you pay into the Scheme costs you 60p, and if taxed at 45% each £1 paid into the Scheme costs you 55p. However, see the section below on the restriction of tax relief.

For details of the tax relief available on Additional Voluntary Contributions (AVCs), see the separate AVC information available via the Pensions Portal. Tax relief on Added Years is subject to similar restrictions as AVCs.

## Annual Allowance - Restriction of tax relief on pension contributions

The Annual Allowance (the maximum amount of pension savings in all registered pension arrangements that can build up in a tax year and benefit from tax relief) is £40,000 for most members for the 2017/18 tax year, although members with taxable income of £110,000 or more, or members who have already accessed some of their pension savings, may have a lower Annual Allowance (please see the link later in this section to the government website for further details on this).

The value of your pension savings in a tax year depends on whether your savings are defined benefit (your main scheme benefits including Added Years), or defined contribution (DC) (e.g. AVCs or DC benefits you have outside the Scheme). Each component is valued and then added together to see if the value exceeds the Annual Allowance. The benefits are valued as follows:

### Defined benefit

This is the capital value of the increase in your pension and lump sum over the previous tax year. To arrive at the capital value your annual rate of pension will be multiplied by a factor of 16. The

increase is then added to your lump sum.

### Defined contribution

This is the amount of the contributions paid by you and BT to any AVCs or DC funds. This amount is then added to the capital value of your defined benefits as calculated above.

If the total increase in your capital value of your defined benefits plus your defined contributions in a tax year exceeds the Annual Allowance that applies to you, you may be liable to pay tax at your marginal rate on anything above that amount. To mitigate the effect of this, any unused allowance from up to three previous tax years can be carried forward to offset against contributions in excess of the Annual Allowance in a single year.

You will receive tax relief on your pension savings at 20%, 40% or 45% as appropriate, up to the Annual Allowance. This means that if you pay £100, the tax relief the government gives you on that is worth £20 (£40 if you are a higher rate tax payer and £45 if you are an additional rate tax payer), making your net contribution £80 (£60 if you are a higher rate tax payer and £55 if you are an additional rate tax payer). Any pension savings above the Annual Allowance will be taxed with the tax currently collected under self-assessment.

Alternatively, if the tax due in relation to your Scheme pension accrual in a year is more than £2,000, you may request the Trustee to pay the tax on your behalf and your Scheme benefits will be reduced accordingly. This is known as "Scheme pays". You must notify Accenture that you wish to use the Scheme pays option. The deadline for notifying Accenture is by 31 July in the year following the year to which the Annual Allowance charge relates has ended. For example, if you want the Scheme to pay your Annual Allowance charge for 2015/16 then you must tell Accenture no later than 31 July 2017.

You should be aware that if you elect to be subject to Section B terms, your retirement benefits will be calculated on 100% of your Final Pensionable Salary rather than 94% of Final Pensionable Salary if you were to remain a Section A member - see "Additional benefit flexibility option (Electing Section B terms)" section of

this booklet. The increase in your benefits by making this election will be taken into account in determining whether you have exceeded the Annual Allowance.

If you are likely to be impacted by the Annual Allowance you have the option to opt out of the Scheme and stop accruing further benefits. However, once you have opted out you will be treated as a deferred member, with benefits appropriate to a deferred member, and you will not be able to re-join the Scheme at a later date. If you are considering opting out of the Scheme you should seek independent financial advice.

If you are not sure how you may be affected by these restrictions, you may wish to speak to your tax adviser, or obtain independent financial advice.

Further information on the Annual Allowance is available from the government website:

<https://www.gov.uk/tax-on-your-private-pension/annual-allowance>

## Smart Pensions

Smart Pensions is a facility which provides an opportunity for you and BT to save some National Insurance contributions. If you are participating in Smart Pensions:

- You do not pay pension contributions directly;
- Instead, your contractual gross pay is reduced by the contributions you would normally pay and BT pays this amount to the Scheme. In addition, BT also pays its own contributions;
- Because your contractual gross pay is lower, you pay lower National Insurance contributions and so your take home pay will increase; and
- Participating in Smart Pensions does not affect any other benefits you receive from BT.

If you are paying contributions under Smart Pensions you will usually only be able to opt out of Smart Pensions or change your level of contributions in October of each year, or at any time if you have a specified lifestyle change.

Further information explaining how Smart Pensions works is available on the BT Intranet at

[https://intra.bt.com/bt/hr/reward/pensions/smart\\_pensions/Pages/index.aspx](https://intra.bt.com/bt/hr/reward/pensions/smart_pensions/Pages/index.aspx)

## Added Years

You may be able, subject to certain restrictions, to purchase additional years of Pensionable Service. These are called Added Years. Further information is available from Accenture – see “Useful names and addresses” section of this booklet.

## Additional Voluntary Contributions

You may pay Additional Voluntary Contributions (AVCs) into a defined contribution fund managed as part of the Scheme to increase your retirement benefits. Details are available on the Intranet where you can also apply to pay AVCs, increase your contributions and choose your investment funds.

## BT contributions

BT pays the balance of the cost necessary to provide the promised level of benefits under the Scheme.

## Transfers into the Scheme

Please note that Section A of the Scheme does not accept transfers in (whether under the Pension Schemes Act 1993 or otherwise).





# Absence from work

## Unpaid leave

Any period of unpaid leave will not count as Pensionable Service unless, when you return to work, you agree to pay the contributions which would have been due from you for that period as if you had continued to pay contributions normally. If you are participating in Smart Pensions, the contributions will be equal to your notional contributions.

You will need to apply to Accenture – see “Useful names and addresses” section of this booklet, and have this agreed within three months of your return to work.

## Unpaid absence

Any period of unpaid absence will not count as Pensionable Service unless, when you return to work, you agree to pay both your own contributions and those which would have been payable by BT but for the absence. If you are participating in Smart Pensions, the contributions will be equal to your notional contributions, including company contributions.

You will need to apply to Accenture – see “Useful names and addresses” section of this booklet, and have this agreed within three months of your return to work.

## Maternity/Paternity/Adoption leave

If you are on paid maternity, paternity or adoption leave, you will continue to pay contributions on the Pensionable Salary you are receiving and that period will count as Pensionable Service.

## Sabbatical

Any leave whilst you are on a Sabbatical will not count as Pensionable Service unless, when you return to work, you agree to pay the contributions which would have been due from you and the company for that period, as if you had continued to receive your normal pay. If you are participating in Smart Pensions, the contributions will be equal to your notional contributions, including company contributions.

You will need to apply to Accenture – see “Useful names and addresses” section of this booklet, and have this agreed within three months of your return to work.

# Retirement

## Normal Pension Age

Normal Pension Age (NPA) under the Scheme is age 60. You can retire before NPA or after NPA. You can also, subject to HMRC regulations, and BT agreeing, receive your pension whilst you are still working for BT at any time from age 55.

## Retirement at Normal Pension Age (60)

On retirement you will receive a pension payable for life plus a lump sum of three times your annual pension based on your Pensionable Service (expressed in years and days) and Final Pensionable Salary.

However, as a Section A member your Pensionable Salary will be reduced by 6% which flows through to your Final Pensionable Salary for benefit calculation purposes. You have the option to elect to be subject to Section B terms at any time up to three months before your Normal Pension Age or 6 months after you have left employment, whichever is the earlier, but not after your pension has started.

Your pension will be calculated using the following formula:

$$\frac{\text{PENSIONABLE SERVICE}}{80} \times \text{FINAL PENSIONABLE SALARY} = \text{ANNUAL PENSION}$$

The lump sum will be three times the annual pension and is currently tax free, provided it does not exceed one quarter of the standard Lifetime Allowance.

### Example:

Age at retirement: 60

$$\frac{40 \text{ YEARS}}{80} \times \text{£24,000} = \text{£12,000 p.a.}$$

### PLUS

Lump sum:

$$\text{PENSION £12,000} \times 3 = \text{LUMP SUM £36,000}$$

## Deduction from lump sum

Any outstanding contributions for Widow's, Widower's, Civil partner's and Nominated Dependant's pensions in respect of service before 1 June 1972 will be deducted from your lump sum, unless you have made alternative arrangements to pay that amount.





# Options on retirement (or drawing your pension if earlier)

## Surrender of pension for additional lump sum

You can choose to give up some of your pension for an additional lump sum when your pension is due to start. The total amount of lump sum you can receive from the Scheme is 25% of the total value of your Scheme retirement benefits, up to the limits which HMRC set, and provided your pension is not reduced below the Guaranteed Minimum Pension (GMP). You can obtain an illustration of the benefits provided by this option from the Retirement Planner available through the Pensions Portal or by contacting Accenture.

## Surrender of lump sum for additional pension

You can choose to give up some of your lump sum for an additional pension when your pension is due to start.

## Pension Increase Conversion

Before you retire, you can choose to give up future pension increases on the part of your pension built up before 6 April 1997 in exchange for a pension starting at a higher level but with no increases. You can obtain an illustration of the benefits provided by this option from the Retirement Planner available through the Pensions Portal or by contacting Accenture.

## Surrender of pension for additional pension for Spouse/Civil partner or Nominated Dependant

If you are in good health you may, within six months before your pension becomes payable, surrender part of your pension to provide extra pension for your Spouse/Civil partner or Nominated Dependant on your death.

## Nominated Dependant's pension

If you are not married or in a civil partnership, you may nominate an adult who is wholly or partly financially dependent on you, and who is likely to continue to be so, to be considered to receive pension benefits that would have been payable to your Spouse or Civil partner.

Such a nomination would remain in force unless you revoke it in writing, marry or enter into a civil partnership.

A Nominated Dependant's pension is payable at the absolute discretion of the Trustee. The Trustee is not legally bound by your nomination, but will bear it in mind when deciding how to exercise its discretion in paying a Nominated Dependant's pension.

You can nominate someone to be considered for a Nominated Dependant's pension through the Pensions Portal, using the form available on the BT Pension Scheme website or by contacting Accenture.

## Transfer your benefits out of the Scheme

Currently, you can choose to take a Cash Equivalent Transfer Value (CETV) and transfer your benefits to one or more different pension providers at retirement. You may take a transfer in respect of all of your benefits in the Scheme, or in respect of just one "type" of benefits (for example, AVCs). If you would like to request a CETV quotation please contact Accenture.

Please note, if your CETV (excluding AVCs) exceeds £30,000 and you are intending to transfer it to a scheme which provides "flexible benefits" (broadly, any scheme other than one which provides "final salary", "CARE" or other "defined benefits" pensions), we are required to check that you have received advice from an independent financial adviser in relation to the transfer before your transfer can be paid. This requirement was introduced on 6 April 2015 by the



government and you should be aware of the additional time it may take to get independent financial advice when considering what to do with your Scheme benefits. We will provide you with a full guide to the transfer process, including getting independent financial advice, with your CETV quotation.

Please also note that payment of CETVs in respect of “defined benefits” to members within one year of Normal Pension Age is offered at the Trustee’s discretion.

## Unmarried members at retirement

### Family benefit provision - refund of contributions for pre 6 April 1978 service.

If you are not married or have not entered into a civil partnership, at retirement you may be eligible to receive a refund of any family benefit contributions you paid before 6 April 1978, with interest. Alternatively, you can choose to leave them in the Scheme to provide a full Spouse’s, Civil partner’s or Nominated Dependant’s pension should your circumstances change in retirement. You will not be required to repay the refund if you do marry or enter a civil partnership.

## Additional Voluntary Contributions

If you have paid Additional Voluntary Contributions (AVCs) during your working lifetime, then there are a number of options with respect to how you take these when you come to retire. For more information on this please see the AVC Section of the website at <http://www.btpensions.net/avcs>. You can also call Peopleline to request further information about your AVCs and your options under the Scheme rules.

For further guidance which may help you decide what to do with your AVCs the government has launched a service called Pension Wise which offers free and impartial guidance on “defined contribution” benefits (e.g. AVCs). Please see the “Pension Wise” section

below for further details.

Please note that the value of your AVC fund will depend on a number of factors including the amount of the contributions paid, costs which may be payable on transferring your AVC fund (either between the funds made available by Scheme or outside the Scheme), the charges payable, the age at which you access your AVC fund, the performance of investments and any cost of converting your AVC fund into an annuity, should you choose to do so.

## Pension Wise

For members with defined contribution benefits (e.g. AVCs), Pension Wise is a government service that offers you:

- Tailored guidance (online, over the telephone or face to face) to explain what options you have and help you think about how to make the best use of your DC pension savings;
- Information about the tax implications of different options and other important things you should think about; and
- Tips on getting the best deal, including how to shop around.

You can access this free, impartial guidance from the government:

- Online by going to [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk);
- Over the phone by calling Pension Wise on **0800 138 3944** or the Pensions Advisory Service on **0300 123 1047**; or
- Face to face at your local Citizens Advice branch.

If you have DC benefits and are approaching retirement, we strongly recommend you access this pensions guidance and consider taking independent financial advice to help you decide which option is most suitable for you with regards to your DC benefits.

“ If you have paid Additional Voluntary Contributions (AVCs) during your working lifetime, then there are a number of options with respect to how you take these when you come to retire. ”



# Early retirement (before age 60)

**You can leave BT employment and ask for your pension to be paid at any time from age 50 onwards.**

Your pension will be calculated as under the section headed 'Retirement at Normal Pension Age (60)' except that your pension will be reduced because it is being paid earlier and therefore is expected to be paid longer than originally intended. The reduction depends on your age at the time your pension starts. The scale of the reduction is set by the Trustee and can vary from time to time.

## Deduction from lump sum

Any outstanding contributions for Spouse's/Civil partner's and Nominated Dependant's pensions in respect of service before 1 June 1972 will be deducted from your lump sum, unless you have made alternative arrangements to pay that amount.

## Options

You will also have the Options available to members who retire at their Normal Pension Age of 60 - please refer to the "Options on retirement" section of this booklet for more information.

# Drawing your pension before Normal Pension Age whilst still in BT employment

**At any time from age 55, you may begin to receive your pension and lump sum even though you are still employed by BT. BT agreement is currently not required, but this may change in the future.**

Other factors to consider:

- If you choose to draw your pension whilst still employed by BT you will not build up any further benefits in the Scheme;
- You might wish to join a pension scheme again at some time in the future. Up to age 75, you will be able to ask to join a BT pension arrangement but you will not be allowed to rejoin the Scheme. BT may offer a different scheme, which meets the minimum requirements under current legislation. Employers now have a duty to automatically enrol eligible employees every three years, so even if you don't ask to join a scheme, you may be automatically enrolled into a pension scheme at a later date;
- Your pension and lump sum will be calculated in the same way as for Early Retirement (before age 60), as shown in the "Early retirement" section of this booklet;
- You will no longer be covered for a death in service lump sum benefit, and any Spouse's, Civil partner's, Nominated Dependant's or Children's pensions will be paid as for death in retirement; and
- As you will no longer be in Pensionable Service, no enhancement would apply if you were to leave BT by reason of redundancy (or ill health if you have less than 5 years' Pensionable Service).

## Options

You will also have the Options available to members who retire at their Normal Pension Age of 60 - see "Options on retirement" section of this booklet.

# Ill health retirement

**If you are unable to continue to work due to serious ill health or disability, you may be eligible to receive an immediate pension from the Scheme.**

If you satisfy BT's medical retirement criteria you will receive an immediate ill health pension and lump sum, which will not be reduced on account of early payment. In addition, you will receive an enhancement to your Pensionable Service. The following illustrates how your pension and lump sum will be calculated:

Pension:

$$\frac{\text{PENSIONABLE SERVICE}}{80} \times \text{FINAL PENSIONABLE SALARY AT RETIREMENT} = \text{ANNUAL PENSION}$$

**PLUS**

Lump sum:

$$\text{ANNUAL PENSION} \times 3 = \text{LUMP SUM}$$

Your Pensionable Service will be increased by whichever gives the higher result:

- Adding 6<sup>2</sup>/<sub>3</sub> years; or
- Adding 75% of the additional Pensionable Service you would have had if you would have remained in Pensionable Service until Normal Pension Age (60).

The Pensionable Service on which benefits are based may not exceed the service that would have been pensionable by Normal Pension Age and is subject to your total Pensionable Service not exceeding 40 years.

## Deduction from lump sum

Any outstanding contributions for Spouse's/Civil partner's and Nominated Dependant's pensions in respect of service before 1 June 1972 will be deducted from your lump sum, unless you have made alternative arrangements to pay that amount.

## Options

You will also have the Options available to members who retire at their Normal Pension Age of 60 - see "Options on retirement" section of this booklet.

# Continuing in BT employment after age 60

**If you continue in BT employment after age 60, you may choose any one of the following options:**

- You may choose to continue contributing and build up more pension and lump sum benefit; or
- You may stop contributing (or participating in Smart Pensions) and defer drawing your pension and lump sum. You would then be treated as if you had opted out of Scheme membership – see the “Membership” section of this booklet.

The above options are available to you at any time between your Normal Pension Age and the date you actually leave BT.

You may also be eligible to draw your pension and lump sum, even though you are continuing in BT employment.

## Options

You will also have the Options available to members who retire at their Normal Pension Age of 60 - see “Options on retirement” section of this booklet.

“ You may also be eligible to draw your pension and lump sum, even though you are continuing in BT employment.”







# Death in retirement

## Within five years after retirement (or drawing your pension)

If you die within five years of your pension starting, the Trustee will pay a lump sum equal to the difference (if any) between five times your annual pension on the date you died and the total pension and lump sum payments you have already received. This is currently paid free of inheritance tax.

In addition, if you leave a Spouse/Civil partner, he or she will be entitled to a pension. Alternatively, the Trustee may, at its absolute discretion, pay a pension to your Nominated Dependant. A pension payable to a Spouse/Civil partner or Nominated Dependant is usually one half of your pension. It may be less if you have not made contributions to increase those benefits in respect of service before 1 June 1972. A Spouse's/Civil partner's or Nominated Dependant's pension will be payable for life.

## After five years of retirement (or drawing your pension)

If you die after five years of your pension starting, your Spouse/Civil partner or Nominated Dependant will, for the first 91 days, receive a pension equal to the pension paid to you immediately before your death. After that period, (which may be extended if you leave a Dependent Child or Children) the pension will reduce to one half of your pension for the majority of members. It may be less if you have not made contributions to increase those benefits in respect of service before 1 June 1972. A Spouse's/Civil partner's or Nominated Dependant's pension will be payable for life.

## Children's pensions

If you die whilst in receipt of a pension, and you leave a Dependent Child or Children (see definition), a pension will be payable for that child or those children. The amount of the pension will depend on the number of eligible children and whether there is a surviving Spouse/Civil partner or Nominated Dependant.

If there is only one Dependent Child, the Children's pension will be one quarter of the Member's pension. If there are two or more Dependent Children, the Children's total pension will be one half of the Member's pension.

If there is no Spouse or surviving Civil partner and no pension is paid to a Nominated Dependant, or if the Spouse/Civil partner or Nominated Dependant dies, the Children's pension will be one third of the Member's pension for one Dependent Child, and two thirds for two or more Dependent Children.

Children's pensions normally stop when the child reaches age 17, or 23 if in full time education.



# Death in Pensionable Service

If you die whilst still in Pensionable Service a lump sum will be payable together with a Spouse's/Civil partner's pension and Children's pensions. If you do not have a Spouse or Civil partner, a Nominated Dependant's pension may be paid at the discretion of the Trustee.

If this would provide a higher benefit, it will be assumed that you had elected to be subject to Section B terms, which means that your Final Pensionable Salary will not be reduced by 6%, and any Spouse's/Civil partner's or Nominated Dependant's pension will be based on your Final Pensionable Salary without taking account of the 6% reduction.

## Lump sum

If you die whilst in Pensionable Service a minimum lump sum of three times your Final Pensionable Salary (or, if greater, the lump sum which would have been paid if you had been retired on medical grounds at the date of your death) will be paid to your beneficiaries. The Trustee has discretion as to which of your beneficiaries they will pay and in what proportions, so it is important that you complete an Expression of Wish form (available through the Pensions Portal) to help the Trustee decide who will receive that benefit.

### Example

$$\begin{array}{c} \text{FINAL PENSIONABLE SALARY} \\ \text{£20,000} \end{array} \times 3 = \begin{array}{c} \text{LUMP SUM} \\ \text{£60,000} \end{array}$$

The contracts of employment for certain employees provide for a lump sum death in service benefit of up to four times Pensionable Salary. This also applies to some long service Members. You will have been advised if you benefit from this higher level of cover.

## Spouse/Civil partner or Nominated Dependant's pension

A pension for life will be paid to your Spouse/Civil partner equal to one half the pension you would have received had you retired on ill health - see "Ill-health retirement" section of this booklet. However, your Pensionable Service for this purpose will be based on your Pensionable Service since 1 June 1972, or from the date of joining the contributory part of the Scheme, if earlier. Alternatively, where there is no Spouse/Civil partner's pension payable the Trustee may, at its absolute discretion, pay a pension to your Nominated Dependant. A Nominated Dependant's pension would be payable for life.

# Death in Pensionable Service

## Children's pensions

If you die whilst in Pensionable Service and you leave a Dependent Child or Children (see definition in the glossary), a pension will be payable for that child or those children. The amount of the pension will depend on the number of eligible children and whether there is a surviving Spouse/Civil partner or Nominated Dependant.

If there is only one Dependent Child, the Children's pension will be one quarter of the Member's pension. If there are two or more Dependent Children, the Children's pension in total will be one half of the Member's pension.

If there is no Spouse or surviving Civil partner and no pension is paid to a Nominated Dependant, or if the Spouse/Civil partner or Nominated Dependant dies, the Children's pension will be one third of the Member's pension for one Dependent Child, and a total of two thirds for two or more Dependent Children.

Children's pensions normally stop when the child reaches age 17, or 23 if in full time education.

## Example

Your pension

**£12,000**  
per annum

## Spouse/Civil partner or Nominated Dependant's pension payable

### Yes

1 dependent child

**£3,000**

2 or more dependent children

**£6,000**

split between all eligible children

### No

1 dependent child

**£4,000**

2 or more dependent children

**£8,000**

split between all eligible children

# Leaving BT

If you leave BT before Normal Pension Age, you will be entitled to a deferred pension and lump sum payable at your Normal Pension Age. It will be calculated on the following basis:

$$\frac{\text{PENSIONABLE SERVICE}}{80} \times \text{FINAL PENSIONABLE SALARY} = \text{ANNUAL PENSION}$$

PLUS

$$\text{ANNUAL PENSION} \times 3 = \text{LUMP SUM}$$

These benefits will be held in the Scheme and increased in line with the pension increase arrangements set out in the "Payment of benefits" section of this booklet except for the GMP which will be increased as required by the contracting-out laws – these currently require the GMP to be increased in deferment broadly in line with the increase in national average earnings.

Alternatively you may apply to transfer the capital value of your benefits to your new employer's pension scheme, or to your own registered personal pension plan.

## Early payment of deferred pension and lump sum

You may apply for your deferred pension and lump sum to be paid before your Normal Pension Age, at any time after age 50. Your benefits will be calculated in the same way as for Early retirement – see "Early retirement" section of this booklet. The additional options set out in the "Options on retirement" section of this booklet would also be available.

## Early payment of deferred pension and lump sum on ill health

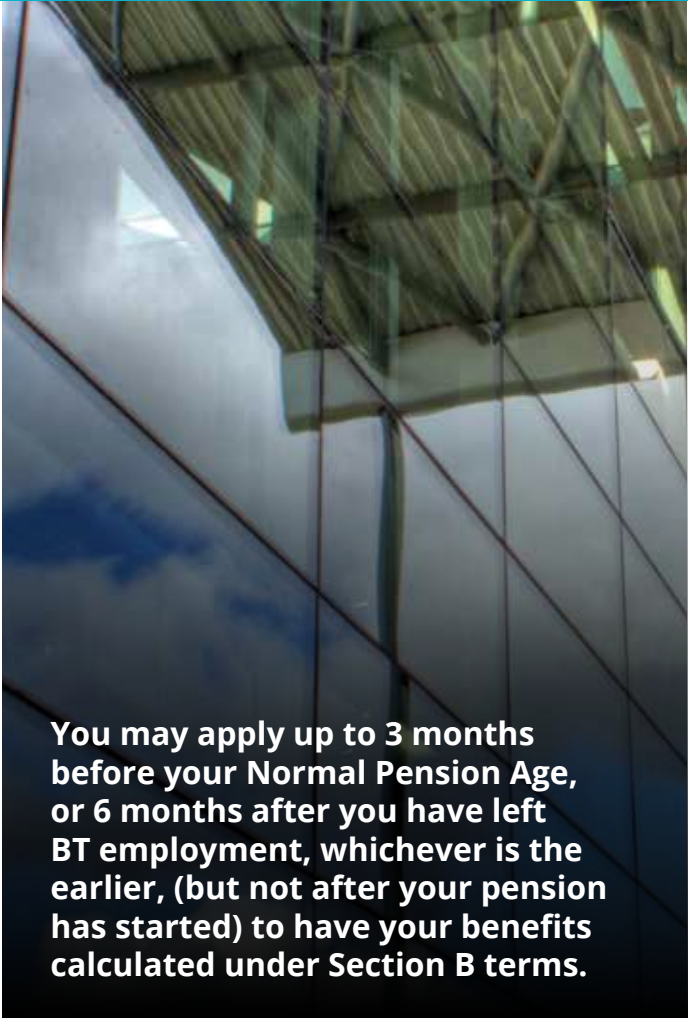
If you are entitled to a deferred pension, and subsequently suffer ill health which would have qualified you for an ill health pension under BT's medical retirement procedure had you remained in employment, you may be eligible to receive an immediate pension without an early retirement reduction.

## Death after leaving BT with deferred benefits

If you have a deferred pension and die before Normal Pension Age, your Spouse/Civil partner or Nominated Dependant and any eligible children will receive an amount equal to one year's pension at the rate that would have been payable if you had retired at the date of death, except that there will be no enhancement of Pensionable Service. In addition, a preserved lump sum death benefit would be payable, revalued since the date you left service. If there is no Spouse or Civil partner, a Nominated Dependant (see "Payment of benefits" section) may be considered for a pension at the discretion of the Trustee.

# Additional benefit flexibility options


## (Electing Section B terms)



**You may apply up to 3 months before your Normal Pension Age, or 6 months after you have left BT employment, whichever is the earlier, (but not after your pension has started) to have your benefits calculated under Section B terms.**

### If you elect to be subject to Section B terms:

- Your benefits will be calculated with reference to 100% of your Pensionable Salary in any year, as opposed to 94% if you had remained on Section A terms.
- Your benefits built up from 1 April 2009 will have a Normal Pension Age of 65.
- You will pay the new higher Section B contribution rate going forward. The amount of your contributions depends on whether you are an 80<sup>th</sup>



or a 90<sup>th</sup> member. Members are automatically 80<sup>th</sup> members although you may opt to be a 90<sup>th</sup> members. You can find out more information about this by contacting Accenture.

- Your benefits from 1 April 2009 will be recalculated on a Career Average Revalued Earnings (CARE) basis.
- Your Section B benefits will be backdated to 1 April 2009 and you will have underpaid contributions from that date. These, together with interest will be treated as a debt and deducted from your lump sum at retirement, unless alternative arrangements are made to clear the debt.
- You should read the Section B booklet which sets out the terms applicable to Section B members before you elect this option.
- Any S2P offset will only be based on service from the date you move to Section B terms.

If you wish to elect to be subject to Section B terms you should complete an application available from Accenture – see “Useful names and addresses” section of this booklet.





# Payment of benefits

## Your BT pension

Your pension and any Spouse, Civil partner, Nominated Dependant or Children's pension(s) will be paid in arrears at the end of each month. Pension payments are treated as earned income for tax purposes.

## Death benefit

A lump sum death benefit will normally be paid free of inheritance tax as the payment is made under a discretionary trust. The Trustee has discretion over who receives the payment and in what proportions. It takes into account your wishes but cannot be bound by them. You are advised to complete an Expression of Wish form available through the Pensions Portal or BT Pension Scheme website.

Your beneficiaries do not have to be financially dependent on you and can include any of the following:

- Widow, widower, Civil partner, children, relatives and dependants, or any other person you wish to nominate; or
- A charity, club or society whose name and details you have notified in writing to the Trustee.

## Nominated Dependant

If you are not married, and have not entered into a civil partnership, you may be able to nominate an adult who is wholly or partly financially dependent on you, and who is likely to continue to be so, to be considered to receive pension benefits that would have been payable to your Spouse or Civil partner.

Such a nomination would remain in force unless you revoke it in writing, marry or enter into a civil partnership.

The payment of a Nominated Dependant's pension is payable in the absolute discretion of the Trustee. The Trustee is not legally bound by the Nomination Form, but will bear in mind when deciding how to exercise its discretion.

A Nomination Form is available from the Pensions Portal or from the BT Pension Scheme website.

## Pension increases

The review period for pension increases is October to September in each year with the increase paid the following April. Pensions in excess of your Guaranteed Minimum Pension (GMP) that have been in payment for a full year at April will be increased in the same manner as public sector pensions (currently this is in line with the rise in the Consumer Prices Index (CPI) as at the previous September. Pensions that had been in payment for less than a full 12 months at April will receive a proportionate increase.

If you reached State Pension age before 6 April 2016, the government will pay the increases on your GMP built up before 6 April 1988. The Scheme will pay increases on the GMP element of your Scheme pension that was built up after 5 April 1988, in line with orders published by the government, up to 3% each year. Any increase above 3%, on the GMP you built up after 5 April 1988, will be paid by the government. Increases paid by the government will be paid along with your State Pension.

If your State Pension age is on or after 6 April 2016 and up to and including 5 December 2018, any increase due on the GMP element of your Scheme pension will be paid by the Scheme.

If you reach State Pension age after 5 December 2018 any increase on the GMP element of your Scheme pension will depend on the application of the Scheme rules and relevant legislation at the time. We are not able to be more precise at this time as the government has not yet decided what the requirements will be.



# Other information

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## State Pensions

### For those who reached State Pension Age before 6 April 2016

For those who reached State Pension Age before 6 April 2016, the State Pension is made up of two parts:

- 1. Basic State Pension (BSP)**  
a flat rate pension paid to everyone who has paid the required National Insurance (NI) contributions.
- 2. Additional State Pension**  
an earnings related pension, now known as the State Second Pension (S2P) but previously known as the State Earnings Related Pension Scheme (SERPS). This is calculated for each individual depending broadly on the amount of NI contributions the individual has paid during his or her working lifetime.

As a [Section A member](#), up to 6 April 2016 your employment was contracted out of the State Second Pension (S2P). This means that both you and BT effectively paid lower NI contributions and you did not build up any additional State Pension (except for a small top-up available to certain individuals since 2002).

### For those who reach State Pension Age on or after 6 April 2016

For those reaching State Pension Age on or after 6 April 2016, the State Pension will no longer be calculated

using the Basic State Pension and the Additional State Pension. These elements will be replaced by a new State Pension (the single-tier pension).

### For Pensionable Service built up before 6 April 1997

The Guaranteed Minimum Pension (GMP) is the minimum pension which must be provided to you by the Scheme. It is broadly equivalent to the pensions you would have earned from the State had you not been contracted out of the State Earnings Related Pension Scheme (SERPS) at any time between 6 April 1978 and 5 April 1997.

On your death, your Spouse/ Civil partner or Nominated Dependant will receive a pension at least equal to half your own GMP.

### For Pensionable Service built up between 6 April 1997 and 5 April 2016

During this period the Scheme's Actuary had to certify that the Scheme provided a certain minimum level of benefits. In practice, in almost all circumstances, the benefits provided by the Scheme will be significantly better than would otherwise have been expected had your employment not been contracted out of S2P between 6 April 1997 and 5 April 2016.



## State Pension statement

You can obtain a pensions forecast of your State Pension benefits by contacting The Pension Service at [www.thepensionsservice.gov.uk](http://www.thepensionsservice.gov.uk). Active members' BT Pension Scheme Annual Benefit Statement will also include a State Pension forecast, provided you have not opted out of this facility.

## Part-time employees

If you work part time, or have had any period of part time Pensionable Service, your part time Pensionable Service builds up as a proportion of the equivalent full time service, and is calculated on your equivalent full time Pensionable Salary.

Any lump sum death in service benefit will be calculated on your actual Final Pensionable Salary.

## Use of benefits as security

You cannot charge or assign your Scheme benefits (present or future) as security or collateral for any mortgage, loan or debt. Any attempt to do so could result in those benefits ceasing to be payable.

## Privacy notice

The Trustee of the BT Pension Scheme is the "data controller" of your personal data for the purpose of the UK Data Protection Act 1998. Please note that the Trustee may use personal information about you and your dependants for reasons connected to its administration of the Scheme (including, for example, the calculation and payment of benefits) and the putting in place of appropriate insurance to provide long term protection and income to the Scheme.

The Trustee may disclose personal information about you and your dependants to members of its group of companies, professional advisors (such as Willis Towers Watson and the Scheme Actuary) who in certain circumstances will also be 'data controllers', service providers, administrators (such as BT Pensions Scheme Management Limited and Accenture), BT plc (as the sponsoring employer of the Scheme) and members of its group of companies, and insurance companies (such as Prudential Insurance Company of America), as may be necessary or desirable to administer the Scheme and/or comply with contractual obligations relating to it. This may require the personal information to be sent to, and stored or processed at, a country outside of the European Economic Area. Where the country to which the personal information is transferred may not offer an equivalent level of protection for personal information to the laws of the UK, we will take reasonable steps to ensure that the personal information is treated securely.





# Help and advice

## Complaints procedure

The Trustee and Accenture aim to run the Scheme to the highest standards, but there may be times when you are unhappy about something concerning your benefits or the Scheme in general. Accenture can sort out most enquiries and should be your first port of call.

However, if you have a serious disagreement with the Trustee or the administrator of the Scheme which hasn't been resolved by Accenture, you may want to consider making a formal complaint through the internal dispute resolution procedure (IDRP). There are two stages to the procedure.

### 1 Referral to the Secretariat to the Trustee of the Scheme

Write to Accenture (see "Useful names and addresses" section of this booklet). You will need to include your full name, address, date of birth, pension reference number and why you are unhappy. You will normally receive a written response within four months.

### 2 Referral to the Trustee

If you want to take the matter further, you can appeal to the Trustee within six months of the date of your Stage 1 response by writing to the Trustee setting out why you are appealing and providing copies of any relevant correspondence so far. You will receive a written response within four months.

You can get a copy of the full procedure from Accenture or the BT Pension Scheme website.



## Independent Financial Advice

By law, the Trustee, BT and Accenture cannot give you financial advice. If you are uncertain about your options you may wish to seek independent financial advice. The Money Advice Service website contains a guide to choosing an independent financial advisor (IFA)

<https://www.moneyadvice.service.org.uk/en/articles/choosing-a-financial-adviser>



# Useful names and addresses

## Accenture

Accenture are the administrators to the BT Pension Scheme.

BT Pension Scheme  
Accenture  
Venture House  
Venture Way  
Chesterfield  
S41 8NR

### Phone Peopline:

from UK 0800 731 1919  
from outside UK +44 (0)203 023 3420

**e** [bt pensions@accenture.com](mailto:bt pensions@accenture.com)

**w** [www.btpensions.net](http://www.btpensions.net)

## The Money Advice Service

You can find independent information on personal finance, including pensions at [www.moneyadvice.service.org.uk](http://www.moneyadvice.service.org.uk)

## The Pensions Advisory Service (TPAS)

TPAS is able to offer free and impartial guidance on your pension including helping you if you have a problem with your pension.

The Pensions Advisory Service  
11 Belgrave Road  
London  
SW1V 1RB

**Helpline** 0300 123 1047

**e** [enquiries@pensionsadvisoryservice.org.uk](mailto:enquiries@pensionsadvisoryservice.org.uk)

**w** [pensionsadvisoryservice.org.uk](http://pensionsadvisoryservice.org.uk)

## The Pensions Ombudsman

The Pensions Ombudsman investigates and decides complaints and disputes of fact or law in relation to the way pension schemes are run. These can be between employers and trustees, or members' disputes that the scheme's own dispute procedure has been unable to resolve.

The Pensions Ombudsman  
11 Belgrave Road  
London  
SW1V 1RB

**t** 020 7834 9144

**e** [enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)

## The Pensions Regulator

The Pensions Regulator provides practical support for work based pension schemes and their trustees. It also has a range of powers to investigate schemes and take action if it believes there is a threat to a scheme or members' benefits. You can read more about the Pensions Regulator's work on its website.

The Pensions Regulator  
Napier House  
Trafalgar Place  
Brighton  
BN1 4DW

**t** 0870 606 3636

**w** [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

## Pension Tracing Service

If you lose contact with former pension schemes, a tracing service run by the Department for Work and Pensions may be able to help you locate your lost pensions and understand what you can do with them.

The service can be contacted at:

Pension Tracing Service  
The Pension Service  
Tyneview Park  
Whitley Road  
Newcastle upon Tyne  
NE98 1BA

**t** 0845 600 2537

**w** [www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk)

## Pension Wise

Pension Wise is a government service offering free, impartial guidance around the options you have with respect to your DC pension savings including AVCs, the implications of each option, and how to get the best deal. You can access this at:

**w** [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk)

**t** 0800 138 3944 (to book an appointment)

## The Trustee

BT Pension Scheme Trustees Ltd  
One America Square  
17 Crosswall  
London  
EC3N 2LB

# Additional booklets and forms

**The following booklets and forms are available through the Pensions Portal or the BT Pension Scheme website:**

- Additional Voluntary Contributions (AVCs) options at retirement guide;
- Adult Dependant Nomination form;
- Expression of Wish form for the payment of Lump Sum Death Benefits; and
- Form to elect to be subject to Section B terms.

You also have the right to request a copy of the Scheme's Rules and the BT Pension Scheme annual report. A copy of the latest Report and Accounts is on the BT Pension Scheme website. Alternatively, please contact Accenture if you would like a copy of this document.



“ A copy of the latest Report and Accounts is on the BT Pension Scheme website. ”

# Glossary

The following terms are used throughout the document and the meanings given below should be referred to wherever necessary.

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<b>Annual Allowance</b>	This is the maximum amount of pension savings that can build up in a tax year and benefit from tax relief. In the 2017/18 tax year the Annual Allowance is £40,000 for most members, although members with taxable income of £110,000 or more or members who have already accessed some of their pension savings may have a lower Annual Allowance. More information is available on the government's website.
<b>BT</b>	British Telecommunications plc. This term also includes any subsidiary or associated company whose employees are admitted to the Scheme.
<b>CETV</b>	<p>A Cash Equivalent Transfer Value (CETV) is a cash amount that is intended to reflect the total value of a member's pension benefits in a scheme.</p> <p>A member can opt to take a CETV in respect of all their benefits or just one category of benefits (for example, AVCs). If a member chooses to take a CETV, then the Scheme will pay the CETV directly to the member's chosen pension provider(s) and the Scheme will no longer hold any obligations to the member in respect of the benefits transferred.</p> <p>In order to work out the total value of your pension benefits in the Scheme, we take the annual pension you are entitled to under the Scheme's rules (and any other benefits which might be payable in future, for example, a spouse or dependant's pension) and make an actuarial calculation about how much all of these benefits will cost in total. If you have AVCs, the value of your fund at the time of transfer will also be included in the calculation. Broadly, the total of all of these benefits is your CETV.</p> <p>The actuarial calculation will take into account a number of factors including your age and current financial market conditions. This means that the CETV a member is entitled to will change over time, and could potentially go down as well as up.</p>
<b>Civil partner</b>	A partner of the same sex where the partnership has been legally registered under the provisions of the Civil partnership Act 2004.
<b>Dependent Child/Children</b>	<p>Any child who is dependent on the member and is under the age of 17 or under 23 if in at least 2 years' full-time education or training, or who is physically or mentally incapable of self support.</p> <p>Children include the member's children (whether legitimate or illegitimate), adopted children, step-children and, in certain circumstances, children for whom the member is acting in the position of a parent.</p>
<b>Final Pensionable Salary</b>	<p>Whichever is the greater of:</p> <ul style="list-style-type: none"><li>• Your highest level of Pensionable Salary over any one of your last 3 years of Pensionable Service; or</li><li>• The average of your Pensionable Salary over your best 3 consecutive tax years of Pensionable Service in your last 10 years of Pensionable Service.</li></ul>
<b>Guaranteed Minimum Pension</b>	The minimum pension that must be provided in respect of contracted out National Insurance contributions paid between April 1978 and April 1997.
<b>HMRC</b>	Her Majesty's Revenue and Customs.
<b>Lifetime Allowance</b>	The overall maximum capital amount of pension savings that any one individual can accumulate in all registered pension arrangements that can benefit from tax reliefs. This is £1 million for the tax year 2017/18, but is expected to be increased in line with CPI inflation from 2018/19.

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<b>Nominated Dependant</b>	An adult dependant who you have nominated to receive a pension on your death. Such a person must, in the Trustee's opinion, be wholly or partly financially dependent on you. You may only make a nomination if you are not married or in a civil partnership. This term is also used to describe an adult dependant who was not nominated but who was, in the Trustee's opinion, wholly or financially dependant on you and who the Trustee, in accordance with procedures agreed with BT, decide to treat as though they had been nominated.
<b>Normal Pension Age</b>	Age 60.
<b>Pensionable Salary</b>	<p>Your basic annual pay including any London Weighting and certain other allowances but excluding overtime.</p> <p>As a Section A member your Pensionable Salary in any year will be reduced by 6% for the purpose of calculating your benefits.</p>
<b>Pensionable Service</b>	<p>Most of your benefits are based on your Pensionable Service (also known as Reckonable Service) which normally comprises:</p> <ul style="list-style-type: none"> <li>• Your service whilst a member of the Scheme and any of its predecessors; plus</li> <li>• Any service purchased within the Scheme by payment of a transfer value from another scheme; plus</li> <li>• Any Added Years of service bought by you.</li> </ul> <p>Pensionable Service is calculated using completed years and days.</p>
<b>S2P</b>	State Second Pension (previously known as SERPS).
<b>Scheme</b>	BT Pension Scheme.
<b>Spouse</b>	Your legal wife or husband at the date of death (i.e. widow or widower).