



Your Trustee Newsletter

FOR PENSIONER MEMBERS

2017

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From the Chairman

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And how to find out if you don't

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Welcome

Welcome to the 2017 edition of your Trustee Newsletter, in which we bring you the latest news from the BT Pension Scheme (the Scheme).

I am one of nine Trustee Directors who make up the Board of Trustees. It is the Trustee's responsibility to manage and administer the Scheme on behalf of you, our members. You can find out more about the roles of the Trustee Directors and how they fulfil their duties on pages 4 and 5.

Funding your benefits

A valuation must be carried out at least every three years to assess the financial health of the Scheme, with actuarial interim assessments taking place in the years between. The last full valuation was completed as at 30 June 2014, with the next full valuation expected to be completed as at 30 June 2017. The Trustee is currently carrying out an interim assessment as at 30 June 2016, the results of which will be communicated in a Summary Funding Statement that will be provided to members once finalised.

The Scheme's funding is affected by both the performance of the Scheme's assets and by the value placed on the future pension payments from the Scheme ('the liabilities'). Substantial payments from BT and investment returns have resulted in a growth in the Scheme's assets. However, it is likely that this will have been more than offset by an increase in the Scheme's liabilities due to the continuing downward trend of low, long-term interest rates.

You can read about how the Scheme's assets are invested and how they have performed during the year to 30 June 2016 on pages 6 and 7.

Managing your pension

Although you have started to receive your Scheme pension, it's still important to keep up to date with the latest pension news and Scheme information. Throughout the year, we send you information on your Scheme pension, such as your Scheme payslip and pension increase figures. As we still send out communications to you, it's also important that we have your most up-to-date contact details. Read pages 8 and 9 for more information.

Sponsor update

The Trustee continues to monitor the progress of BT and market and industry developments. Of particular note over the last year has been Ofcom's ongoing Strategic Review of Digital Communications. The Trustee continues to engage with Ofcom on this matter to ensure that it is provided with all relevant information on the Scheme.

New Scheme website

We're launching a new and improved Scheme website in early 2017. The new website is designed to help you access the information that's most relevant to you, depending on what type of member you are. Go to page 11 to find out more.

We hope you enjoy reading your 2017 Trustee Newsletter and that it helps you stay up to date with your pension and the Scheme. If there are any items that you would like to see covered in future issues, please let us know using the contact details on the back page.

Paul Spencer CBE

Chairman

February 2017



**Paul Spencer CBE,
Chairman***

Paul was appointed as Chairman of the Trustee Board in March 2011 and has been a Trustee Director since September 2009.

*Appointed by BT with the agreement of the recognised trade unions.

6 things to know

(and how to find out if you don't)

Keeping up to date makes it easier to stay on top of your pension. Here are 6 things to know, which will help you plan and manage your retirement savings effectively.

1 Your Scheme retirement income

Now that your pension is in payment, check your Scheme Payslip to understand how much income you will receive from your Scheme pension over the next year, including any pension increase. Information about your pension increase is sent in April alongside your Scheme Payslip Guide and P60. Find out more about these communications on page 9.

2 Your State Pension and when you can claim it

Although you have started receiving your Scheme pension, you might not have reached State Pension Age yet. If not, make sure you check what your different sources of income will be. Find out what the State will provide at www.gov.uk/check-state-pension

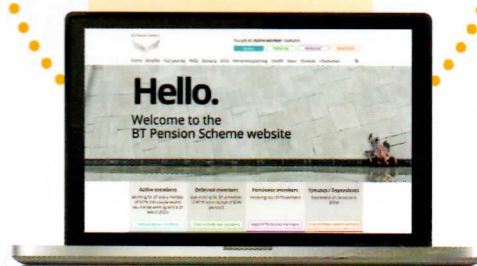
Note: unless you were born before 6 October 1954, your State Pension won't be paid until you're at least 66. More information about the State Pension is on page 10.

3 Keeping track of your pensions

If you've built up pension savings with another employer, make sure you keep in touch with them so they can pay your pension when it's due. If you've lost track of previous pensions, the Pensions Tracing Service can help. Visit www.gov.uk/find-pension-contact-details

Keep up to date at www.btpensions.net

Find the latest pension news and Scheme information online. Find out more on page 11.



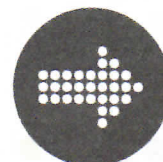
Who will receive benefits when you die?

The Scheme may pay a lump sum to your beneficiaries when you die. The Trustee has discretion over which beneficiaries will receive a lump sum and how much each beneficiary will receive.

You can help the Trustee decide who your beneficiaries should be by completing an Expression of Wish Form. You can find a new form on our website or by calling Peopleline (contact details on the back page).

6 What other benefits are payable to your dependants?

When you die, your spouse or financial dependants may be entitled to a pension based on the value of your own pension. Eligible dependent children are also entitled to a pension following your death. You can find more information about this at www.btpensions.net (choose your Section and then select the subsection 'What happens if you die?').



Your Trustee Directors

Who's looking after your benefits?

Managing the Scheme is a big undertaking with over 300,000 members to look after. The assets of the Scheme are held in trust for the benefit of members and the Scheme is managed and administered by the Trustee, BT Pension Scheme Trustees Limited, in accordance with the Scheme Rules and relevant legislation.

The Trustee Board consists of nine Trustee Directors. Four Trustee Directors are nominated by members and four are appointed by BT ('the Company'). The Chairman of the Scheme is appointed by the Company with the agreement of the recognised trade unions.

Scheme governance

One of the keys to good governance is ensuring adequate Trustee knowledge, training and performance evaluation. All of the Trustee Directors have the relevant skills and knowledge necessary to carry out their roles effectively. Some of the Trustee Directors have experience of working at other schemes and bring specialist knowledge to the Trustee Board. The overall result is a balanced and diverse Board with the right mix of skills and experience.

The Chairman of the Trustee Board carries out an annual appraisal of the performance of individual Trustee Directors which includes an assessment of their role as Trustee Director, their views on how well the Board is working and the need for any specific training. The Board reviews the performance of the Chairman.

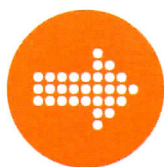
The Trustee Board and Committees

The Trustee Board has ultimate authority for all aspects of the management and strategy of the Scheme. The Board discharges its responsibilities through an annual programme of meetings.

The Trustee Board has delegated some powers and responsibility for certain matters to five Board Committees; Audit Committee, Investment Committee, Administration and Communications Committee, AVC (Additional Voluntary Contribution) Committee and the Responsible Investment Oversight Committee. You can see below which Trustee Directors sit on each Committee.

More details on the governance of the Scheme can be found in the Scheme Report and Accounts available on the Scheme's website at www.btpensions.net

2016 Trustee Directors



Paul Spencer CBE
Chairman

Appointment:
Appointed by the Company in 2011

Committees:

- Investment Committee (chair)
- Audit Committee



Catherine Claydon
Deputy Chair

Appointment:
Appointed by the Company in 2013

Committees:

- Administration and Communications Committee
- Investment Committee



Adrian Askew

Appointment:
Nominated by members in 2011

Committees:

- Administration and Communications Committee (chair)



David Felder
Professional Trustee

Appointment:
Appointed by the Company in 2011

Committees:

- Investment Committee
- Responsible Investment Oversight Committee
- AVC Committee

Catherine Claydon stepped down on 31 December 2016. Her replacement will be communicated on the Scheme's website once appointed.



Donald MacDonald

Appointment:

Nominated by members in 1998

Committees:

- Responsible Investment Oversight Committee (chair)
- Investment Committee



Billy McClory

Appointment:

Nominated by members in 1997

Committees:

- Audit Committee



Jim McNally

Appointment:

Appointed by the Company in 2012

Committees:

- Administration and Communications Committee
- Responsible Investment Oversight Committee
- AVC Committee



Beryl Shepherd

Appointment:

Nominated by members in 2009

Committees:

- AVC Committee (chair)
- Administration and Communications Committee



John Wroe

Appointment:

Appointed by the Company in 2007

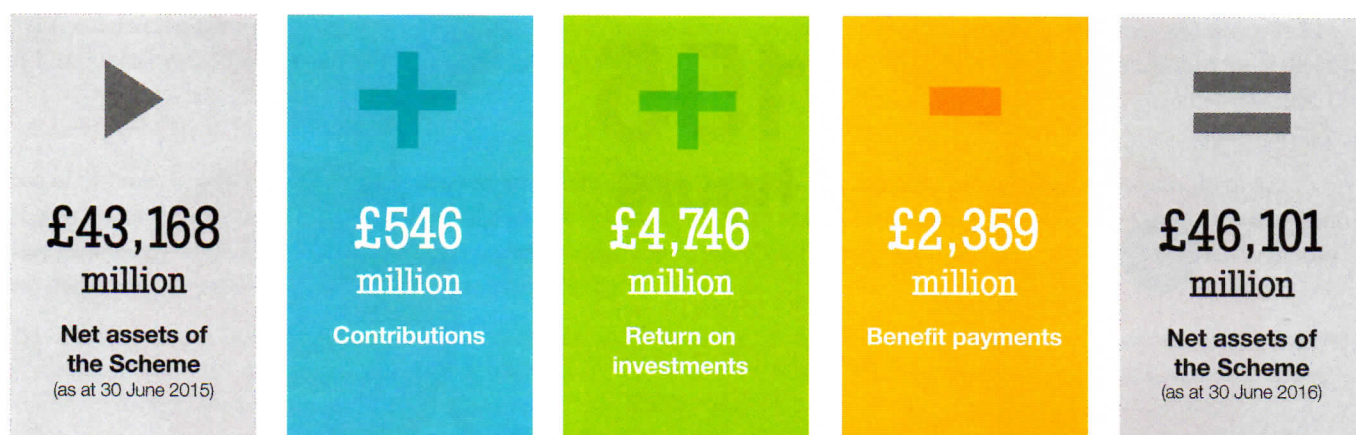
Committees:

- Audit Committee (chair)
- Investment Committee
- Responsible Investment Oversight Committee

Donald MacDonald stepped down on 10 January 2017. Ben Marshall has been appointed as his replacement.

Financial summary

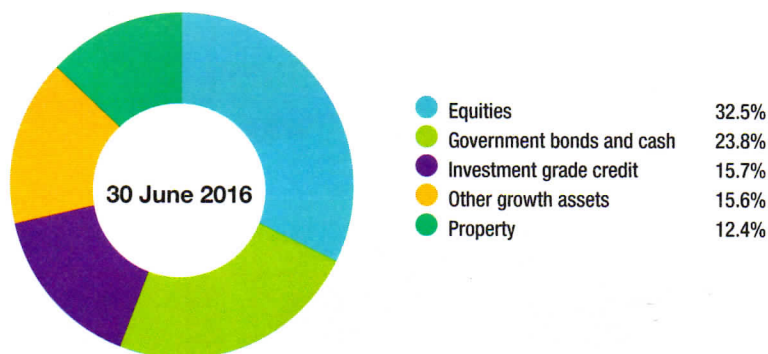
Below is a summary of the money coming in (contributions and investment returns) and going out (benefit payments) of the Scheme over the year to 30 June 2016 and the impact this has had on the net assets held by the Scheme.



The accounts have been audited by Deloitte LLP, who confirmed that the accounts show a true and fair view of the financial transactions during the 12 months to 30 June 2016, and that contributions were paid to the Scheme as set out in the Schedule of Contributions in force during the period.

Assets of the Scheme

The Scheme's asset allocation is monitored regularly and is an integral part of the Trustee's investment policy. Targets are set to reflect the Trustee's views on the appropriate balance between seeking higher returns and incurring risk, and on the extent to which the Scheme's assets should be distributed to match its liabilities. The distribution of assets at 30 June 2016 is illustrated on the right.



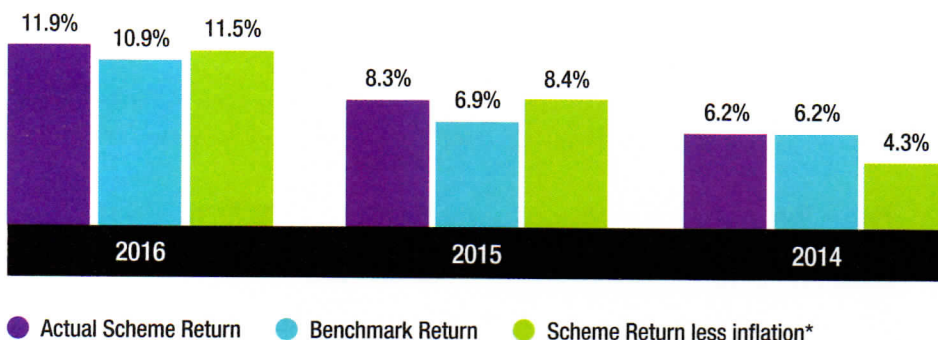
Contributions

The contributions paid into the Scheme are made up of 'ongoing' contributions by BT and by active members in respect of benefits built up over the year, as well as deficit funding contributions paid by BT as agreed. Further details will be included in the Summary Funding Statement that will be provided to members when finalised.

This section of the newsletter gives information on the assets of the Scheme and how they have changed over the year ending 30 June 2016. In order to assess the funding position of the Scheme, these assets must be compared with the estimated value of all future payments the Scheme is expected to make (the Scheme's 'liabilities'). Information on how the liabilities of the Scheme have changed over the year to 30 June 2016, and how this compares with the Scheme's assets will be included in the Summary Funding Statement that will be provided to members when finalised.

Return on investments

The chart below shows the annualised investment performance of the Scheme over the last three years:



*Adjusted returns show Scheme returns less CPI (Consumer Prices Index) inflation.

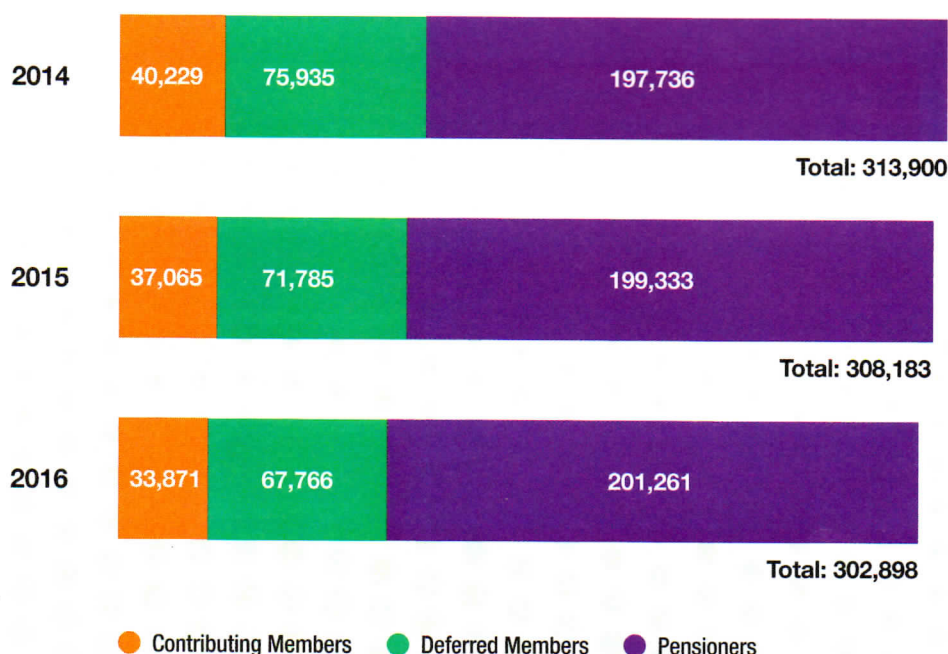
The benchmark is the base against which the Trustee measures the Scheme's investment performance. It is created using a mix of financial market indices, peer groups and customised benchmarks that are representative of the Scheme's investment strategy. The Trustee is considering the use of alternative benchmarks based on the development of the Scheme's liabilities to better reflect the Trustee's investment objectives.

Benefits payments

During the 12 months to 30 June 2016, benefits of £2,359 million have been paid out of the Scheme. These benefits include pension payments, retirement lump sums and transfer value payments. The level of payments paid out by the Scheme is influenced by the membership profile of the Scheme (see chart below).

Our membership

The chart below shows how the membership has changed from 30 June 2014 to 30 June 2016.



Want to know more?

You can find more information about the figures in these pages in the Scheme Report and Accounts, which can be found by visiting www.btpensions.net and selecting the 'Information' tab.

Managing your pension

We know it can be difficult to stay on top of updating your information, but by keeping us up to date when your personal details or circumstances change, we can make sure you won't miss out on important information about your pension. Below, we've broken down why we need certain pieces of information about you, how we use it, and how you can update it.

Why you need to keep your personal details up to date

To ensure you receive your pension

If your bank details are out of date, we won't be able to pay your pension. If you need to change your bank details, please tell us as soon as possible to ensure the changes can be made in time for your next pension payment.

So the Trustee can send you important information about your Scheme pension

Throughout the year, we send you important pension information, like this newsletter or your pension payslip, and it may not reach you if we don't have your correct address.

To make sure we know who you would like your death benefits to be paid to

If your personal circumstances change, you may want to update your wishes for who will receive any benefits due from the Scheme when you die.

To update your bank details, we will need written confirmation for security reasons. You can tell us in writing by completing the 'Change of Bank Form'. This is available by calling, emailing or writing to Peopleline (contact details on the back page). If writing to Peopleline, please include your:

- Full name and address
- Pension Number
- Date of birth or National Insurance number
- Contact telephone number
- New bank account details
- Signature

Alternatively, you can find a 'Change of Bank Form' at www.btpensions.net

To update your address, complete the 'Change of Address Form' available through Peopleline (contact details on the back page) or by visiting the 'Contact Us' section at www.btpensions.net

You can let us know by completing one of two forms, a Nomination of Beneficiary Form or an Expression of Wish Form, both available through Peopleline (contact details on the back page) or by visiting the 'Information' section at www.btpensions.net

How to get in touch



Fill in a form on our website



Write to us



Send us an email



Call Peopleline

You can find these contact details on the back page.



When contacting us, make sure you have the following information to hand:



1: Your National Insurance number or Pension Number



2: Full name



3: Date of birth



4: Contact telephone number



5: Address details

How we contact you

Sometimes we may need to contact you to find out some additional information. We will always explain who we are and why we are contacting you.

We may ask you to confirm security information, such as your date of birth, National Insurance number or full home address before discussing the enquiry. We will only ask for this information if we're required to confirm personal information about your pension.

As you'll see in the article about pension scams on page 10, it's important to be cautious if you are contacted about your pension details. If you're unsure about the identity of the person contacting you, please end the call and call us from a different land line or mobile phone to ensure the call is genuine.

What will I receive and when will I receive it?

To help you know when you can expect to receive important communications from the Scheme, we have outlined some key dates on the calendar below. If you don't receive these communications, please contact Peopleline using the details on the back cover.



- P60**
This document will confirm the amount of tax that you have paid on your Scheme pension in the tax year 2016/17. You will need this document if you are required to complete a tax return, make a claim for tax credits or to renew your claim. Members will receive this in early April 2017.

Pension Increases

State Pension

The Government has placed the State Pension in a triple lock system until 2020. This means that State Pension will increase by the highest amount of inflation, earnings growth or 2.5%. In April 2017, State Pension will increase by 2.5%. This is in line with earnings growth and is the minimum amount that State Pension must increase by.

BT Pension

Your BT pension is increased annually in line with inflation. The increases take effect in April 2017. Please see below to find out how your Section is affected. For more information, see your Payslip Guide which can be found at www.btpensions.net and will be sent to you at the end of April.

Sections A & B

Your BT pension is increased in line with the Consumer Prices Index (CPI) as at September 2016.

Sections C

Your BT pension is increased at a rate of 5% or, if less, in line with the Retail Prices Index (RPI) as at December 2016.

Scheme Payslip

This will provide you with details of your gross pension, tax deductions, voluntary deductions, net additions and overall net pension for the relevant period.

Scheme Payslips are sent to any members for whom the net pension received changes by £1 or more from the previous period. Following the annual pension increase in April, a Scheme Payslip is sent to all pensioner members of the Scheme at the end of April.

Scheme Payslip Guide

This supplementary leaflet aims to answer some frequently asked questions around pension payments and increases.

This will be sent alongside your Scheme Payslip at the end of April.

News round-up

It's important to stay up to date with the latest developments in the pension world. Don't just wait for this newsletter though – check the news and look online for the latest information.

An update on the State Pension

If you're still to claim your State Pension, please read the below updates on State Pension Age and the amount you may be due to receive.

- **Changes to State Pension Age:** the current State Pension Age for men is age 65, and will increase incrementally to 65 for women by 2018. Following this, State Pension Age will rise to 66 for both men and women by October 2020. More increases are planned, which will raise State Pension Age from 66 to 67 between 2026 and 2028. Reviews will take place every five years thereafter, accounting for any changes in life expectancy. Find out your State Pension Age at www.gov.uk/state-pension-age
- **Your State Pension:** from 6 April 2016, the Government changed the way in which State Pensions are calculated. The changes apply to men born on or after 6 April 1951, and women born on or after 6 April 1953. Previously made up of the Basic State Pension and the Additional State Pension, the Government simplified the State Pension by introducing a single-tier structure.

As of 6 April 2016, DB pension schemes (such as the BT Pension Scheme) are unable to contract out the Additional State Pension. Therefore, Section A of the Scheme ceased to contract out from 6 April 2016 – Sections B and C had already stopped this practice on 6 April 2009. Contracting out was a system which allowed members to build up a comparable additional pension in their private scheme rather than an additional State Pension fund. To get an estimate of the amount of State Pension you are likely to receive, visit www.gov.uk/check-state-pension

Until 5 April 2017, anyone over State Pension Age at April 2016 will be able to apply to make a 'Class 3A voluntary contribution' to top up their State Pension. Find out more about the State Pension and how these changes may affect you at www.gov.uk/yourstatepension

Pension scams

Over the last year, pension scams have been on the increase. Scammers are approaching pension savers who are still working, as well as pensioners already drawing their pensions, like you. Typically, scammers are targeting those with Defined Contribution (DC) savings and AVCs, and promising one-off investments, pension loans or upfront cash in exchange for your pension. Whilst these offers may sound tempting, they typically involve high tax charges and penalties, and you risk losing a significant amount of your pension savings. Look out for cold calls, texts or emails that you were not expecting and thoroughly investigate any product that might be recommended to you.

In the 2016 Autumn Statement, the Government announced that it will be consulting on whether to ban cold calling in relation to pensions. The consultation ended on 13 February 2017. Until the proposals are announced, it will not be clear what measures will be implemented. The Trustee encourages you to stay abreast of updates on this consultation to stay aware of your pension rights.

To help you identify potential scams, please read the Pension Scams booklet 'Scammed out of his retirement', which you can find by visiting www.thepensionsregulator.gov.uk/pension-scams and clicking on 'Individuals'. If you think you are being scammed, contact the Action Fraud helpline on **0300 123 2040**.



New Scheme website

We're launching a new and improved BT Pension Scheme website to ensure that the information you need is always just a click away.

Visit **www.btpensions.net** to see the new website when it launches.

The new look website has been specifically designed to improve the experiences of those who use it – you, the members. The information will be tailored to you – based on which Section of the Scheme you are in and what type of member you are. It will be accessible from computers, tablets and smart phones.

The Trustee is always looking at ways to improve how they communicate with members. Once launched, take some time to familiarise yourself with the website and everything it has to offer. Please feel free to feedback your views on the improvements we have made.



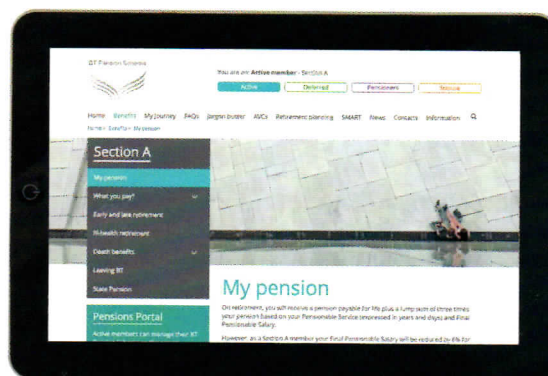
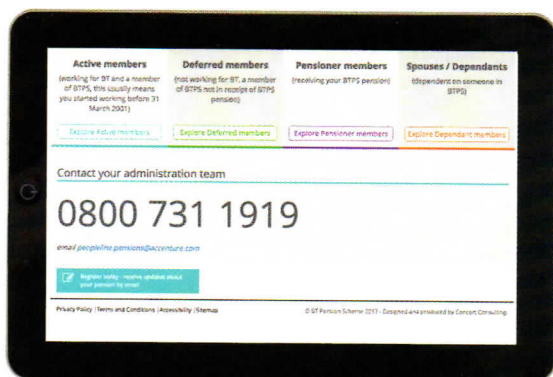
Explore the website to find out about the information available and what you can do online to help you manage your pensions. Here are just some examples of what the website will offer:

What's on there?

- A new 'Member map' which will take you effortlessly to key areas of the site.
- The latest Scheme and pension news in a format that is easy to understand and free from pension jargon.
- There will be a new section devoted to dependant members, such as spouses or children.

What can I do?

- Access the site from your computer, tablet or smartphone.
- Send an enquiry direct to the administration team.
- See frequently asked questions tailored to your status and updated regularly.



Useful information

If you have a question about the Scheme or your benefits in particular, take a look on our website to see if you can find the answer. Alternatively, contact Peopleline using the details below.

Contact details

Remember to have your Pension Number or National Insurance number to hand when you get in touch.

Website

www.btpensions.net

Email

btpensions@accenture.com

Phone

Calling from the UK **0800 731 1919**

Calling from outside the UK **+44 (0)203 023 3420**

Available Monday to Friday, 8.30am to 5pm

Write to*

Pension Services, Accenture
Venture House
Venture Way
Chesterfield
S41 8NR

*Please include your name, date of birth and Pension Number in your letter.

Need financial advice?

Visit www.moneyadvice.service.org.uk/en/categories/financial-help-and-advice or call **0800 138 7777** for more information.

The Money Advice Service

You can find independent information on personal finance, including pensions here: www.moneyadvice.service.org.uk

The Pensions Advisory Service

For free and impartial guidance on pensions, visit www.pensionsadvisoryservice.org.uk

Tax advice

The Trustee, BT and Peopleline are not able to provide you with tax advice. If you need further tax information, please contact HMRC by visiting www.hmrc.gov.uk or calling **0300 200 3300**.

Report and Accounts for the 12 months to 30 June 2016

This shows the Scheme's income and expenditure over the 12-month period and is available on the Scheme's website at www.btpensions.net

Other help with your pension

State Pension information

www.gov.uk/browse/working/state-pension

Pension Wise access from age 50

The Government has set up a free guidance service called Pension Wise for all DC Scheme members wishing to access face-to-face or phone guidance about their options at retirement. If you have DC savings from another pension arrangement or Scheme AVCs, make sure you make the most of this service. You can contact Pension Wise from age 50 onwards.

Visit www.pensionwise.gov.uk or call **0800 138 3944** to arrange an appointment.



Scheme documents

If you would like to find out more about the Scheme, there are a number of documents which you can access on our website or via Peopleline.

Formal actuarial reports

This sets out the funding position of the Scheme at the latest completed valuation date or in any subsequent actuarial update obtained by the Trustee.

Recovery plan

This sets out the plan for eliminating the past service deficit in the latest valuation.

Schedule of Contributions

This shows how much money is being paid into the Scheme by BT and by active members.

Statement of Funding Principles

This sets out the policy of the Trustee in relation to Scheme funding and other related matters.

Statement of Investment Principles

This explains how the Trustee invests the Scheme's assets.

Scheme Rules

These are the formal legal documents governing the Scheme.

BT Pension Scheme



Issued by:

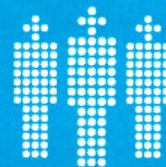
BT Pension Scheme
Trustees Limited
Lloyds Chambers
1 Portoken Street
London
E1 8HZ

Please note:

The Scheme Rules govern your benefits under the Scheme, and in the event of conflict between this newsletter and the Rules, the Rules take priority.

Expression of Wish form

for payment of lump sum benefits



Please read the important notes on the reverse of this form before sending it back.

You must complete **ALL THREE sections** of the form, and return it to:

Accenture, Venture House, Venture Way, Chesterfield, Derbyshire S41 8NR

Section 1: Your personal details

Please provide your personal details so the Trustee can store this information with your member record.

(Please complete in BLOCK CAPITALS)

Full name:

National Insurance number:

Pension number:

Date of birth:

Section 2: Your nomination(s)

In the event of my death, I would like the Trustee to consider the following person(s) or organisation(s) for a lump sum benefit. (Please complete in BLOCK CAPITALS)

Name and address

Relationship (if any)

Share of benefit %

Total

= 100%

Section 3: Your signature

I would like the person(s) and/or organisation(s) named above to be considered for any lump sum benefits, under the Rules of the BT Pension Scheme, in the event of my death. I understand that the Trustee has complete discretion over the payment of the lump sum benefit and, although the Trustee will consider my wishes, my request is not binding on the Trustee.

This Expression of Wish form supersedes any previous requests signed by me and I reserve the right to revise my request by submitting a new form at any time.

Signature:

Date:

BT Pension Scheme



Important notes

Under the Rules of the BT Pension Scheme (the Scheme), a lump sum benefit may be payable upon the death of:

- an active member;
- a deferred member of Section A or B, and in respect of those Section C members who left service on or after 1 April 2009 (if you die before taking your pension);
- a pensioner, if you die within the first five years of taking your pension;

in all cases, before age 75.

This form allows you to let us know who you wish the Trustee to consider to receive any lump sum benefits that may be payable when you die.

Why do I need to complete an Expression of wish form?

Under the Rules, the Trustee has complete discretion when deciding who receives any lump sum from the Scheme.

This form allows you to tell the Trustee your wishes with regard to whom or where you would like your lump sum benefits to be paid. The Trustee can consider a range of persons as beneficiaries, including:

1. Your widow(er) or civil partner, children, grandchildren, parents, grandparents and their descendants.
2. Anyone you were helping to support financially prior to your death.
3. The executors or administrators of your estate or any beneficiaries from your will or, if you leave no will, any beneficiaries under the rules relating to intestate estates.
4. Any individual(s) – or charities registered with the Charity Commission, or any society or club – nominated by you on this form during your lifetime.

How do I know the Trustee will give the money to the right people?

The Trustee has complete discretion when selecting beneficiaries for lump sum benefits and in what proportions the benefit should be paid if paying more than one beneficiary. The Trustee may pay a lump sum direct to the beneficiaries or apply it on their behalf (for example, paying it to a relative or a trust in the case of a minor).

Whilst the Trustee will take your Expression of Wish form into account, sometimes it may be appropriate to pay benefits in a different manner. For example, if the Trustee was aware of a change in your circumstances since you last completed an Expression of Wish form (including where you have married, registered a civil partnership or have divorced), it may use its discretion to depart from your Expression of Wish form. The Trustee might have to take into account any will you have written since submitting the form or any Court Orders that might affect death benefit payments.

Since the Trustee has complete discretion regarding payment, this normally means that the lump sum paid is not considered part of your estate and is therefore free of inheritance tax.

If I have completed an Expression of Wish form, do I need to make a will?

It is always recommended to make a will. This form only covers your lump sum benefit, which is not considered part of your estate. If you don't have a will, your estate will be disposed of by the laws of intestacy and possibly not how you might have wished.

For full details of lump sum benefit payments, please refer to the latest Rules of the Scheme (available on the Trustee's website at www.btpensions.net). In the event that the information in this form conflicts with the Rules, the Rules prevail.