



Your Trustee Newsletter

FOR PENSIONER MEMBERS 2016

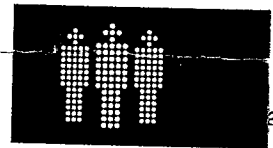
Welcome

From the Chairman



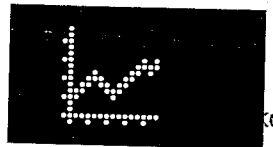
Your Trustee Directors

The people who look after the Scheme



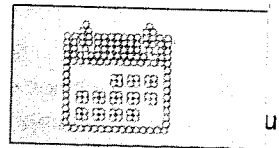
Financial summary

A look at the Scheme's accounts



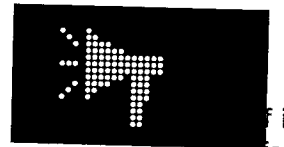
Remember to stay up to date

Keep us up to date and key dates to remember



News round up

Updates on topical pension issues,
including upcoming State Pension reform



Answering your pension questions

Answers to frequently asked questions



Keep in touch

Through the website, by email and by phone



Welcome



**Paul Spencer CBE,
Chairman***

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

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

Welcome to the 2016 edition of your Trustee Newsletter, in which we bring you the latest news from the BT Pension Scheme (the Scheme).

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 in between. The last full valuation was completed as at 30 June 2014, and the Trustee is currently carrying out an interim assessment as at 30 June 2015. The results of the latest interim assessment will be in the Summary Funding Statement that will be provided to members when 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 interest rates.

You can read about how the Scheme's assets are invested and how they have performed during the year to 30 June 2015 on pages 4 and 5.

Managing your pension

To help make it easier to manage your pension, we have included some of the more frequently asked questions we've received from pensioners and their answers. Letting us know if your circumstances or personal details change is an important part of managing your pension; find out how to keep this information up to date on page 6.

Scheme news

I am pleased to announce that in May 2015, Catherine Claydon was appointed as Deputy Chair to the Trustee Board. Catherine has been a Trustee Director since January 2013. We've asked Catherine a few questions about her role on the Trustee Board; you can find out more about her on page 3.

In other news

As outlined in our last newsletter, from age 55, pension savers with Defined Contribution (DC) savings (including AVCs) now have more freedom over how they access their retirement savings. As a pensioner member, these changes won't affect your BT pension, but if you're saving into a DC pension arrangement they could affect you. Find out more on page 8.

Also, if you haven't already taken your State Pension, you might be interested to know about the big changes coming from April 2016 – see page 9.

Sponsor update

We regularly engage with BT and other relevant stakeholders on initiatives and other market or industry developments. Of particular note are Ofcom's Strategic Review of Digital Communications and BT's planned acquisition of EE. We are liaising with BT and regulators on both matters and will continue to monitor progress.

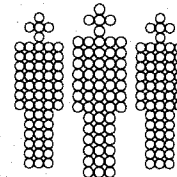
We hope you enjoy reading your 2016 newsletter and that it helps you stay up to date with your pension and the Scheme. If there are any items that you would like to see covered in future issues, please let us know.

Paul Spencer CBE

Chairman

February 2016

Your Trustee Directors



The assets of the Scheme are held in trust for the benefit of members and are managed by the Trustee, BT Pension Scheme Trustees Limited. In addition to the Chairman, Paul Spencer, there are eight Trustee Directors.



Catherine Claydon

Deputy Chair and Employer-nominated Trustee Director (independent Trustee) appointed since 2013



Billy McClory

Member-nominated Trustee Director appointed since 1997 selected by the recognised trade unions and NFOP



Adrian Askew

Member-nominated Trustee Director appointed since 2011 selected by the recognised trade unions and NFOP



Jim McNally

Employer-nominated Trustee Director appointed since 2012



David Felder

Employer-nominated Trustee Director representing Law Debenture Pension Trust Corporation plc appointed since 2011



Beryl Shepherd

Member-nominated Trustee Director appointed since 2009 selected by the recognised trade unions and NFOP



Donald MacDonald

Member-nominated Trustee Director appointed since 1998 selected by the recognised trade unions and NFOP



John Wroe

Employer-nominated Trustee Director appointed since 2007

Q&A with Employer-nominated Trustee, Catherine Claydon

Catherine has been a Trustee Director since January 2013 and in May 2015 she was appointed as Deputy Chair to the Trustee Board. Catherine has around 30 years of experience in the City. She was a managing director at Goldman Sachs and Lehman Brothers in their pension advisory groups. She is currently a non-executive director of Witan Investment Trust plc and Dunedin Income Growth Investment Trust Limited. Catherine is also an independent member of the board of the Barclays UK Retirement Fund and an independent member of the investment committee of the Unilever UK Pension Fund.

What made you want to be a Trustee Director?

Most of my previous career involved pensions – particularly during my time in the Pension Advisory Group at Goldman Sachs where I worked with some of Europe's largest pension schemes in Holland. I developed a keen interest in the field and wanted to find a way to apply the investment expertise and risk management skills that I had developed over the past 30 years to help pension funds and their members more directly. The BT Pension Scheme is respected across the world as a market leading, forward-thinking pension fund and I was delighted when I was invited to join the Board.

What's the most rewarding part of your role?

As a Trustee Director you are ultimately responsible for all aspects of the fund. It is particularly rewarding to see projects initiated that should generate significant benefits to members.

In addition to managing the fund on a 'business as usual' basis, the executive team does an excellent job at identifying the key areas where the fund can be improved and developing the smartest and most cost-efficient ways to do so. This ranges from more efficient investment strategies through to longer-term plans to improve our administration and online member experience.

What's the most challenging part of your role?

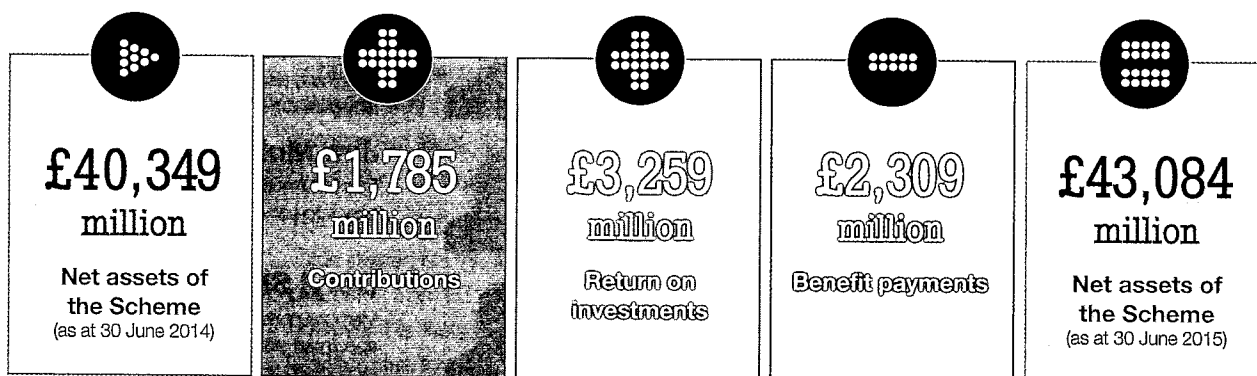
For me, the most challenging aspect of being a director of a pension fund is the requirement to make long-term strategic decisions when there is considerable uncertainty about future outcomes in a number of areas – investments, regulations and technology, to name a few. We need to establish a strategy that makes sense for what we expect should happen, but always maintain the flexibility to adapt to changing circumstances and monitor and manage the risk we are taking along the way.

What's one piece of guidance you'd give someone about their pension?

Make sure you fill out and keep up to date your Expression of Wish (EoW) and Nomination form. The EoW indicates who should receive any lump sum payments due and the Nomination form indicates who your pension should go to. You may think the decision on who should be your dependants/beneficiaries should be obvious, but it can get more complicated and delayed, particularly in those circumstances where your form has not been updated recently.

Financial summary

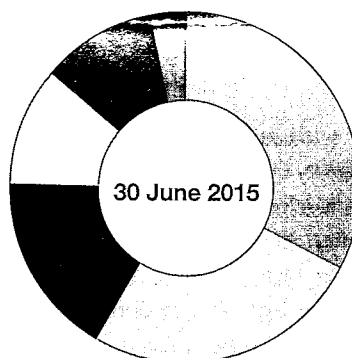
Below is a summary of the money coming in (contributions and investment returns) and going out (benefit payments) of the Scheme over the year to 30 June 2015 and the impact this has had on the net assets held by the Scheme.



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 2015, 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

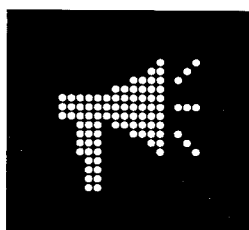
The Scheme's asset allocation is monitored regularly and is an integral part of the Trustee's investment policy. Targets are set to reflect the Trustee's current views on the appropriate **balance** between seeking higher **returns** and incurring **risk**, and on the extent to which the Scheme's assets should be distributed to match its **liabilities**. The distribution of assets at 30 June 2015 is illustrated on the right hand side.



● Equities	32.6%
● Inflation-linked	25.9%
● Fixed interest	16.9%
● Alternatives	10.8%
● Property	10.5%
● Cash	3.3%

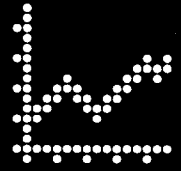
Contributions

The contributions paid into the Scheme are made up of 'ongoing' contributions by BT and contributing 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.



WANT TO KNOW MORE?

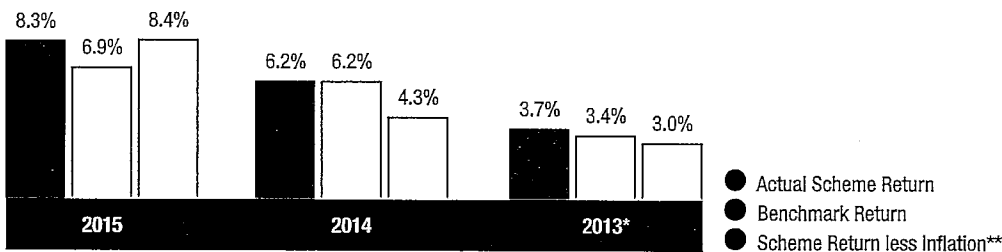
In addition to the Summary Funding Statement, you can find more information about the figures on these pages in the Scheme's Report and Accounts, which can be found by visiting www.btpensions.net and selecting the 'Information' tab.



Over the year to 30 June 2015, the global economy continued to show positive signs of underlying growth, with the UK labour market showing strength. However, geopolitical concerns created periods of volatility, making it more difficult to assess investment risk.

Return on investments

The chart below shows the investment performance of the Scheme over the last two and a half years*:



*Investment return for the six months to 30 June

**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 which represent the asset classes in which the Scheme invests.

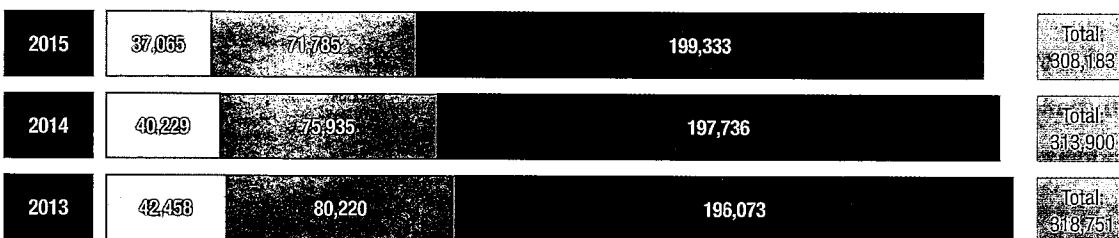
The information in this newsletter gives a breakdown of how the assets of the Scheme have changed over the year ending 30 June 2015. In order to assess the funding position of the Scheme, these assets must be compared with the estimated value of all future payments the Scheme is expected to make (the Scheme's 'liabilities'). Information on how the liabilities of the Scheme have changed over the year to 30 June 2015 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.

Benefit Payments

During the twelve months to 30 June 2015, benefits of £2,309 million have been paid out of the Scheme. These benefits include pension payments, retirement lump sums and transfer value payments. A further breakdown is available in the Scheme's Reports and Accounts. The level of payments paid out by the Scheme is influenced by the membership profile of the Scheme (see chart below).

Our membership at 30 June 2015

The chart below shows how the membership has changed from 30 June 2013 to 30 June 2015.



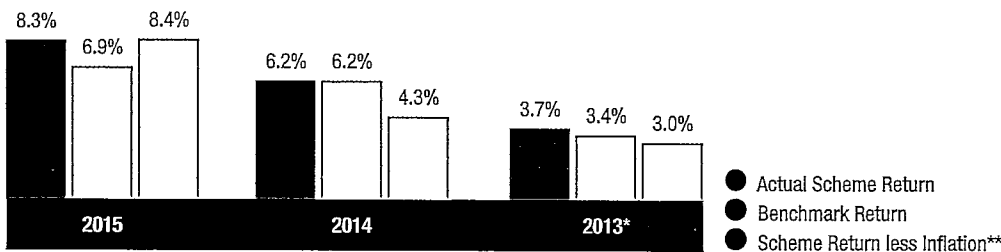
- Contributing Members
- Deferred Members
- Pensioners



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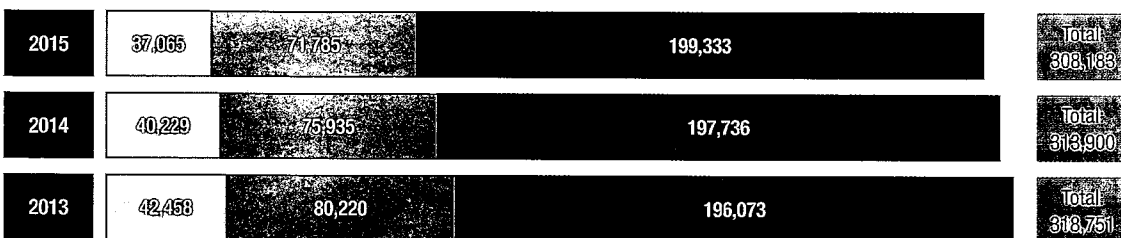
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Our membership at 30 June 2015

The chart below shows how the membership has changed from 30 June 2013 to 30 June 2015.



- Contributing Members
- Deferred Members
- Pensioners

Remember to stay up to date

An important part of managing your Scheme pension is to let us know if your circumstances or personal details change. If you don't, you risk missing out on important information about the Scheme and there is also the possibility that your Scheme benefits may not be paid according to your current wishes.

The good news is, staying up to date is simple. Here are the main things to remember:

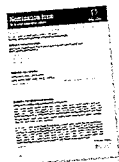
Make sure your details are correct

Remember to get in touch if you:

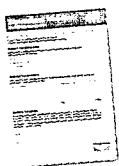
- **change your address** – if you don't tell us you've moved, your pension information will go to your old address. To let us know you have moved, please contact Peopleline and provide your name, previous address and new address along with either your date of birth, National Insurance number or Pension Reference number.
- **change your bank details** – if you don't tell us your new bank details, we can't pay your pension. For security reasons, please tell us in writing using the 'Change of Bank Form' or write us a letter.

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

If you are a pensioner member rather than a dependant, it's important to tell us if you have any changes in your life that might affect who you'd like to receive any benefits due from the Scheme on your death. You can tell us about changes by completing:



- **A Nomination form** (previously known as an adult dependant's pension form) if you don't have a spouse or civil partner and you want to let us know about an adult dependant who you'd like the Trustee to consider for a pension on your death. In the event of your death, your nominated dependant will need to be able to prove their financial dependence on you.



- **An Expression of Wish form** to let us know who you'd like to receive any lump sum that might be payable on your death (for example, if you die within five years of retirement).

Plus, keep in mind...

Occasionally, we may need to get in touch with you to ask for additional information when looking into something you have contacted us about. If we call or email you, we will always explain who we are and why we are contacting you and, before discussing your enquiry on the telephone, we may ask you to confirm the following security information:

- **Date of birth/National Insurance number**
- **Full home address**

We will only ask for this information if we're required to confirm personal information about your pension. Please be careful of telephone scams. If you're at all unsure of who is contacting you, please hang up and call us (using the details on page 11) from a different land line or mobile phone to ensure the call is genuine. However you choose to get in touch, make sure you have the information in the box on the right to hand, or include it in your correspondence.

Take action:

- fill in a form on our website,
- write to us,
- send us an email,
- call **Peopleline**. You'll find the details on the final page.

Take action:

Both forms can be found on our website **www.btpensions.net** If you don't have internet access, you can contact **Peopleline** for a form. The forms should be completed, signed and returned using the address shown on the forms.

Information you'll need:

- Your National Insurance number, Employee ID Number or Pension Number
- Full name
- Date of birth
- Contact telephone number
- Address details



It's helpful to know when to expect to receive communications from the BTPS. So you're aware of what to expect and when, please find some key dates for member communications below.

What will I receive and when will I receive it?



P60 – this document will confirm the amount of tax that you have paid on your Scheme pension in the tax year 2015/16. 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 2016.

APRIL						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30



BTPS Payslip Guide – this supplementary leaflet aims to answer some frequently asked questions around pension payments and increases.

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



BTPS Payslip – this will provide you with details of your gross pension, tax deducted, voluntary deductions, net additions and overall net pension for the relevant period.

BTPS 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 Payslip is sent to all pensioner members of the Scheme at the end of April.

Pension Increases

Where applicable, increases for pensions in payment in the BTPS are applied in April each year.

Pension Payment dates

Throughout 2016/17 monthly pension payments will be paid into your account on the last working day of the month of payment, with the exception of December where payments are typically made shortly before Christmas Day.

News round up



Pension flexibilities now available

In April 2015, the Government introduced new pensions flexibilities, giving more control to pension savers when accessing their Defined Contribution (DC) savings. As you are already receiving your Scheme pension, these flexibilities will not affect your Scheme benefits. If you have other pension savings outside of the Scheme and would like to find out more about the options available to you, please see www.gov.uk/government/publications/pension-flexibility-new-options-from-6-april-2015/pension-flexibility-new-options-from-6-april-2015 for more information.



Pension Wise

The Government has also 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, 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 **0300 330 1001** to arrange an appointment.



Pension tax changes

The UK Government has announced important changes to tax relief on pension savings effective from April 2016:

- The amount you can save tax efficiently in a pension arrangement each year – called the Annual Allowance (AA), will be determined by reference to your earnings.
- The maximum value of pension benefits you can build up over your life without incurring a tax charge – called the Lifetime Allowance – will be reducing.

These changes could affect you if you're still contributing to a pension arrangement separate to your Scheme DB pension. For more information on pension tax allowances and tax limits visit

www.gov.uk/tax-on-your-private-pension



Recently retired? Have you kept track of your savings?

If you've lost track of your pension from another pension scheme, use the Pension Tracing Service to track it down. Contact them on **0345 600 2537** or visit www.gov.uk/find-lost-pension

The service is free and has access to over 200,000 schemes in the UK.



Crown Guarantee: a reminder

Members will be aware, on privatisation of BT in 1984, the Government provided a guarantee to the BT Pension Scheme. The Court of Appeal Decision given on 14 July 2014 clarified that the 'Crown Guarantee' (as it has come to be known) is only relevant on a winding up of BT plc and, in such circumstances, would cover BT plc's obligations under the Trust Deed to ensure the Scheme has sufficient funds to pay the accrued benefits (other than some exclusions in relation to certain aspects of the Scheme's liabilities). It is important to stress that the Crown Guarantee does not cover the liabilities of the Scheme itself and/or the benefits of individual members. Rather it relates only to the obligations of BT plc to the Scheme as a whole and consequently, the Crown Guarantee only remains in place for as long as, and to the extent that, BT plc itself continues to have the obligation to support the Scheme. The Crown Guarantee is, without doubt, a significant protection for members of the Scheme in the event of the winding up of BT plc, and the clarity provided in the Court of Appeal judgement is helpful in understanding the scope, effectiveness and applicability of the Guarantee. You can also find information about the Crown Guarantee at www.btpensions.net



Scottish Rate of Income Tax due to start in April 2016

If you currently live and work in Scotland, you may be affected by the upcoming introduction of the Scottish Rate of Income Tax (SRIT). The introduction of the SRIT will mean the Scottish Parliament has the power to set a rate of income tax for Scotland, which may be different to the rest of the UK.

The SRIT is due to be announced in April 2016. Depending on the rate that's set, this could mean that the amount you pay on any taxable income, such as your wages and pension may change. Once the SRIT is confirmed, HMRC will contact potential Scottish taxpayers to let them know if they will be affected.

State Pension reform: Changes are coming

You may have already started claiming your State Pension, and if so these changes will not affect you. However, if you haven't, it's important to understand how upcoming changes might affect you.

State Pension: What is changing?

If you reach State Pension Age on or after 6 April 2016, then you'll receive the new single-tier State Pension. If you reach State Pension Age before this date, you will not be affected by the changes.

The current State Pension is made up of two elements – the Basic State Pension and the Additional State Pension (known as the State Second Pension or 'S2P'). The Government is making changes to simplify this and introduce a single-tier structure.

In addition, as part of the Government's changes to State Pensions, from April 2016 it will no longer be possible for DB schemes to contract out of the S2P.

State Pension: How much will I get?

Much like the current two-tier state pension, the amount of single-tier pension you will receive will depend on the level of your National Insurance (NI) contributions. You can request a State Pension statement from the Government which will confirm how many qualifying years you have and how much State Pension you are likely to receive. To request a statement please see www.gov.uk/check-national-insurance-record

From 12 October 2015 to 5 April 2017, anyone **over State Pension Age by April 2016** will be able to apply to make a 'Class 3A voluntary contribution' to top up their State Pension. Find out more at www.gov.uk/state-pension-topup

State Pension: When is it paid?

Your State Pension is paid from your State Pension Age (SPA). SPA is currently age 65 for men. For women the SPA has been increasing in steps so that it will be age 65 by 2018. From then the SPA for everyone will increase to age 66 by October 2020. There will be more increases, which will raise the SPA from 66 to 67 between 2026 and 2028, then after this it will be reviewed every five years and will take into account any changes in life expectancy.

Your SPA depends on when you were born:

**Born between 6 December 1953
and 6 October 1954**

Your SPA will be between age 65 and 66.

**Born between 6 October 1954
and 5 April 1960**

Your SPA will be age 66.

**Born between 6 April 1960
and 5 April 1977**

Your SPA will be between age 66 and 67.

Please note: the ages above could increase due to the five yearly reviews.

End of Contracting Out

Contracting out is the system which allows members to build up a comparable additional pension in their private scheme rather than an additional State Pension fund. Sections B and C of the Scheme were contracted out until 5 April 2009 and Section A remains contracted out until 6 April 2016.

*S2P provides a pension (on top of the Basic State Pension) based on a proportion of your earnings during your working life from April 2002 to April 2016. The Basic State Pension is a flat amount paid to everyone with a sufficient NI contribution record.

To get an estimate of your State Pension, visit

www.gov.uk/calculate-state-pension

Answering your pension questions



Over the past year, we've received a number of questions from members. Here are answers to the most frequently asked ones. We hope you will find them useful.

Why is my first pension payment less than what I expect?

When you receive your first pension payment, the amount will be based on the number of days you have been receiving your pension for that specific month. For example, if your pension commenced on 5 January, you will receive a payment for 26 days as your pension commenced part way through January. Going forward, you will receive a full month's pension payment on the last working day of every month.

My pension has reduced. Can you tell me why?

If your pension has gone down, you will receive a payslip letting you know the possible reasons for the change. There are a number of reasons why your net pension amount may have reduced, e.g. as a result of a tax code change, meaning that you will be paying more tax. Another reason may be if you are paying a voluntary deduction from your pension and there has been a subscription fee increase.

What voluntary deductions am I paying from my Scheme pension?

If you are unsure what voluntary deductions are being taken from your Scheme pension, we can send you a statement which will provide a breakdown of the societies you are contributing to and how much you are paying. Please contact **Peopleline** to request a statement.

How do I change/cancel my voluntary deductions that I pay to a society from my Scheme pension?

If you want to change the amount you are paying, you need to contact the relevant society and they will let us know of the revised voluntary deduction amount. You can also let us know directly if you want to cancel a voluntary deduction using the contact details on the final page. Remember, you need to let us know before the next payroll cut-off to ensure the changes can be made in time for the next payment.

When/How often do I receive my payslip? Can you send me a recent payslip?

You will receive an initial payslip with your first pension payment. After that, you will only receive a payslip when your net pension changes by £1.00 or more, and in April each year with your pension increase information.

It is important that you keep your payslips, as you may need them as proof of your Scheme pension for benefit claims. If you need a copy of your payslip, please contact **Peopleline** using the contact details on the page 11 to request a duplicate payslip.

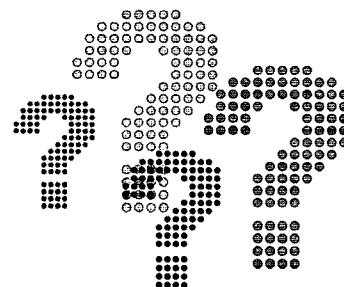
Can you send me a copy of my P60?

If you have mislaid or lost your latest P60, we can arrange to have the information sent to you. We will process and send you a copy within 5 working days. Please contact **Peopleline** using the contact details on the page 11 to request a duplicate P60.

Why have you sent this attestation letter and what do I need to do?

In line with industry practice, we regularly write to members to check that we are contacting the right person and to ensure our records are up to date. Keeping your personal information up to date helps us to make sure your pension is being paid correctly and helps to protect the Scheme's funds.

If you have received a letter from us about this, don't worry. All you need to do is complete the form provided and return it to us as soon as you can. The form must be completed in the presence of someone who is of a professional standing within the community (other than a relative). If you need more time to complete the form or have any questions when you receive an attestation letter, please get in touch.



Keep in touch



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

Contact details



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

Website

Fill in a form on www.btpensions.net

Email

peopleline.pensions@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*

Pensioner Services, Accenture

Venture House

Venture Way

Chesterfield

S41 8NR

*Please include your name, date of birth and Pension Number (or NI number) in your letter.

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, make sure you make the most of this service. You can contact Pension Wise from age 50 onwards (previously age 55).

Visit www.pensionwise.gov.uk or call 0300 330 1001 to arrange an appointment.

Need financial advice?

The contents of this newsletter do not constitute financial advice. If you require financial advice you can visit

www.moneyadvice.org.uk/en/categories/financial-help-and-advice or call 0300 500 5000 for more information.

The Money Advice Service

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

The Pensions Advisory Service

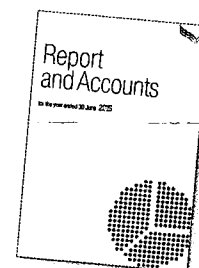
For free and impartial guidance on pensions, visit www.pensionsadvisoryservice.org.uk

Tax advice

The Trustee, BT and Peopleline aren't 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 300 3300.

Report and Accounts for the 12 months to 30 June 2015

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



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.

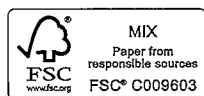
Statement of funding principles

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.

BT Pension Scheme



Issued by:
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Please note:

This newsletter aims to provide general information about your Scheme benefits and other more general information. It does not constitute financial advice and is not intended to be a comprehensive guide and none of the information contained in this newsletter alters any member's benefits under the Scheme's Rules. The benefits you are entitled to are set out in the Scheme Rules and it is the Scheme Rules that govern your benefits under the Scheme. In the event of any conflict between this newsletter and the Rules, the Rules take priority.