



Your 2023 Summary Funding Statement

BT (CDL) Section of the Pensions Master Plan

November 2023

Welcome to your annual “Summary Funding Statement” for the BT (CDL) Section of the Pensions Master Plan (the “Section”).

This statement has been prepared by the Trustee of the Section and is designed to update you on the funding position of the Section. You do not need to do anything as a result of this statement. It is for your information only.

Your Summary Funding Statement

This statement has been prepared by the Trustee of the Section to provide members with information about the funding position of the Section.

The Trustee obtains regular valuations of the Section’s assets and liabilities in order to monitor the funding position. At the same time, they receive advice about required future contributions to correct any under-funding and to allow the Section to continue to meet its liabilities as they fall due.

A copy of this statement will also be available online at <https://members.pensionpal.co.uk/BTCDLMasterPlan>

The Trustee of the Section and the Section’s advisers

A professional independent trustee firm, PAN Trustees UK LLP (“PAN” or the “Trustee”), is responsible for your benefits in the Section.

Isio Group Limited (“Isio”) are the Section’s administrators. Please note the change of name of the administrators following the sale of Deloitte’s UK pensions advisory business in May 2023. For any queries in relation to your benefits in the Section please contact Isio in the first instance. The administrator’s details can be found on the last page of this Summary Funding Statement.

The Section's Funding Position

How is the Section's funding position measured?

To check the Section's funding position, the Trustee compares the value of the Section's liabilities to its assets.

The assets comprise the contributions paid into the Section, the assets transferred in and the investment returns achieved on those assets.

The value of the liabilities represents the amount that is estimated to be needed to provide all of the Section benefits earned to date by:

- those members who have left employment with British Telecommunications plc ("BT") or a previous employer, but have not yet started to receive their benefits from the Section; and
- the Section's existing pensioners.

The assets are held in a communal fund, not in separate funds for each individual. If the value of the Section's assets are less than the value of its liabilities, it is said to have a "shortfall". If the value of the assets is more than the value of the liabilities there is said to be a "surplus".

The Trustee carries out an in-depth look at the Section's finances at least every three years. This is called an actuarial valuation. An actuarial valuation compares the value of the Section's actual assets with the amount required to provide for the benefits accrued at that date. This amount is referred to as the 'Technical Provisions' and assumes that the Section will continue to operate on the current basis.

The Trustee is assisted in this process by a qualified, independent professional known as an Actuary. The Actuary does the necessary calculations and provides advice to the Trustee. The Trustee also reviews the financial security of the Section more regularly, including on an annual basis on the anniversary of the valuation date.

What is the Section's funding position?

The most recent actuarial valuation of the Section had an effective date of 31 March 2021. This valuation disclosed a funding level of 106%, i.e. the value of the assets represents 106% of the

value of the liabilities and there was a surplus in the Section of £860,000.

At the valuation date of 31 March 2021, the funding position was as follows:

Actuarial valuation	31 March 2021
Section Liabilities:	£15,198,000
Section Assets:	£16,058,000
Funding position: surplus / (shortfall)	£860,000
Funding level: ratio of assets to liabilities	106%

How much money is paid into the Section each year?

As the Section was in surplus at the 31 March 2021 valuation (i.e. it held sufficient assets to cover its liabilities), no additional contributions were required to be paid into the Section from BT. In addition, administration expenses are to be paid by the Section and an appropriate allowance was made for this in the actuarial valuation.

The contribution schedule will next be reviewed as part of the 31 March 2024 actuarial valuation of the Section. If there is a shortfall at that actuarial valuation, the Trustee will work with BT to agree a financial plan to remove the shortfall.

The Trustee is required to inform you whether a payment has been made to the employer (e.g. a return of surplus when the Section is funded to a particular level), as permitted under the Pensions Act 1995, since the Trustee last sent you a summary funding statement. The Trustee can confirm that no such payment has been made from the Section.

Does the Trustee have more recent information on the Section’s funding position?

In each year where a formal actuarial valuation is not completed, the Trustee will obtain an actuarial report which sets out the Actuary’s review of the funding position of the Section on an approximate basis.

The latest annual review had an effective date of 31 March 2023. The results of this annual review, and that of 31 March 2022, are as follows:

Actuarial valuation	31 March 2023	31 March 2022
Section Liabilities:	£11,683,000	£14,369,000
Section Assets:	£11,949,000	£15,831,000
Funding position surplus / (shortfall)	£266,000	£1,462,000
Funding level (ratio of assets to liabilities)	102%	110%

The slight reduction in the surplus position over the period from 31 March 2022 to 31 March 2023 was largely a result of:

- lower than expected returns on the Section’s investments over the period;
- higher expectations of future inflation (placing a higher value on the Section’s liabilities); and
- an additional reserve being included in the liabilities for the costs of running the Section

Some of the impact of the above was offset by favourable changes in financial conditions, as a result of increases in bond yields, which have decreased the value the Actuary places on the liabilities.

It is natural for the Section’s funding level to fluctuate over time, reflecting changes in the financial markets. Financial conditions have been especially challenging since the Covid-19 pandemic.

The Trustee will continue to monitor the Section’s funding position and work with BT to maintain and improve the security of members’ benefits.

The next actuarial valuation is due at 31 March 2024, which could lead to additional contributions being requested from BT if the Section is not fully funded at that time.

How does the Trustee know what contributions should be paid into the Section?

Following each actuarial valuation, the Actuary advises on the funding position of the Section and this enables the Trustee to discuss the contribution level with BT. A level of contributions for the Section is then agreed with BT and recorded in a document called the Schedule of Contributions. The Trustee and BT review and update the Schedule of Contributions at least each time the Section has an actuarial valuation.

The valuation and Schedule of Contributions follow standards that have been set out in a Statement of Funding Principles (also typically reviewed and updated as part of each actuarial valuation). This document describes how the Trustee will manage the Section with the aim of being able to continue to pay members’ benefits.

The Trustee is required to tell you whether the Pensions Regulator has used its legal powers to make directions as to any of:

- the level of benefits available from the Section going forward;
- the method or assumptions used to calculate the liabilities or the length and structure of the recovery plan; or
- the contributions that should be paid under the Schedule of Contributions.

The Regulator has not used its powers in relation to the Section and therefore the Section is not subject to any directions from the Pensions Regulator.

What types of assets does the Section invest in?

On 13 March 2023, the Trustee transacted a 'buy-in' with Standard Life (the insurer). The 'buy-in' is an insurance policy that the Trustee has taken out to protect against most of the risks of providing the benefits of the Section. The Trustee paid an insurance premium to the insurer, and in return Standard Life will make payments to the Trustee, who will in turn pay the benefits to members. The Trustee still has ultimate liability to pay member benefits.

The buy-in policy is the Section's primary asset, and its value is very closely linked to the value of the Section's liabilities. The Trustee therefore considers the policy to be a very low-risk asset. Some cash is held to make benefit payments and meet the Section's operating expenses.

The importance of employer support

The Trustee's aim is for there to be enough money in the Section to pay pensions now and in the future. The purchase of the buy-in insurance policy goes a very long way to ensuring pensions will always be paid. However, the Section's continuation does in part depend on BT carrying on in business. If BT goes out of business or decides to stop being responsible for the Section, it is required to pay the Section enough money to top-up the buy-in insurance policy for any additional benefits that may become due to members. The Section would then be "wound-up". The comparison of the Section's assets to the cost of buying-out the benefits with an insurance company on winding-up is known as the "solvency position".

What happens if the Section is wound-up?

By law, at every three yearly valuation the Actuary must calculate the amount that might be needed to pay an insurance company so that they could pay the benefits due to members under the Section.

In the event of a wind-up, the buy-in insurance policy would be converted to a buy-out policy and members would be paid directly by the insurer rather than through the scheme. It may be the case that BT is unable to pay the full amount required by the insurance company for any top-up benefits, however this is not expected to be the case.

The Pension Protection Fund "PPF" was set up by the government to help protect members' pensions where a company becomes insolvent, although it does not guarantee to pay full benefits.

Because the buy-in policy already ensures payment of more than the level of compensation the PPF would pay to members, it would not be expected that the PPF would assume responsibility for the Section.

Further information and guidance is available on the PPF website at www.pensionprotectionfund.org.uk.

Or you can email the Pension Protection Fund at: information@ppf.co.uk.

Is there enough money in the Section to provide my full benefits if the Section was wound-up?

The actuarial valuation at 31 March 2021 showed that the Section's assets could not at that time have paid for the full benefits of all members to be provided by an insurance company if it had wound-up at that date.

However, following the purchase of the buy-in policy in March of this year, it is now expected that sufficient assets would be available to provide full benefits to members.

For completeness, the assessment at 31 March 2021 is shown below.

Actuarial valuation	31 March 2021
Liabilities if the Section was to be wound up:	£16,950,000
Section Assets:	£16,058,000
Funding position if the Section was to be wound up: surplus / (shortfall)	(£892,000)
Funding Level if the Section was to be wound up:	95%

Leaving the Section

Can I leave the Section before I am due to retire?

If you are not currently receiving a pension from the Section you can, if you wish, transfer your benefits to another pension arrangement prior to retirement.

If you are thinking of leaving the Section for any reason, you should consult a professional advisor, such as an independent financial advisor, before taking any action. To get in contact with an independent financial adviser please visit:

www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/find-a-retirement-adviser

www.fca.org.uk/consumers/finding-adviser.

The Trustee and Isio cannot provide you with financial advice. However, the Trustee would like to make all members – particularly those who are considering, or may consider, a transfer of their benefits in the future – aware of the legislation introduced by the Pensions Regulator which set out a number of steps we, as the Trustee of the Section, must take following a request by a member to proceed with a transfer of their benefits out of the Section and to another pension arrangement.

One of the main aims of these “Transfer Regulations” is to reduce the risk of pension scheme members being “scammed” – something which the Pensions Regulator is seeing a worrying rise in reported cases. Please see more information on the following page.

Accessing Your Pension Early

Pension scams

The Pensions Regulator (“TPR”) has recently issued warnings advising that certain third-party organisations have been contacting pension savers claiming that they can help them access their pension early. These warnings can be accessed using the below website:

www.thepensionsregulator.gov.uk/pension-scams.aspx

A summary of the warnings from TPR is also enclosed with this document.

Pension liberation, also known as, ‘pension loans’ or ‘pension scams’ is the transfer of a member’s pension savings to an arrangement that will allow them to access their funds before they are entitled to receive them. This activity can be fraudulent where members are not informed, or are misled, about the consequences of these schemes. On occasions, people targeted by these scams are often not informed of the significant negative tax consequences of accessing their pension early and can end up with significant tax bills and/or losing their pension altogether.

Pension scheme members in the UK are typically able to retire from age 55¹. Only in rare cases, such as terminal illness can members take a pension before age 55.

The Section administrators have processes in place to help to protect members from pension scams. All transfers out of the Section must be to a registered pension arrangement.

The “Transfer Regulations” came into effect on 30 November 2021 and apply to all transfer requests made on or after this date. These regulations include a requirement to check whether a transfer meets certain new conditions, along with a system of red and amber flags which give trustees the power to refuse transfers where they believe you are at risk of being scammed. The Section administrators have updated their processes to adhere with these regulations and will continue to refine these as more industry guidance is released. The new checks may mean that your transfer request takes a little longer to process than before and

we may require more information from you – however we hope members will appreciate why this may be the case and we will keep you informed during the process. Please note, however, that even with these protections in place, pension scams could still happen. If you have any queries or concerns about pension liberation, or wish to discuss the processes the administrators follow, please contact the administrators using the details provided in the ‘Contacting Us’ section of this newsletter.

Please note that transferring your benefits is a big decision. If you are thinking of transferring your benefits out of the Section for any reason, you should seek independent financial advice before you make any decision.

Further information on pension scams can be found at: www.fca.org.uk/scamsmart

Early Retirement

If you are over age 55, it may be possible to retire early under the rules of the Section and start

receiving your pension. Your pension benefits within the Section depend on a number of factors including when you accrued your pension, your pensionable salary and the category of your membership.

Members that joined the Control Data Limited 1991 Pension Plan before 1988 (and who were previously members of the Control Data UK Retirement and Dependents Benefits Plan) are able to take their pension accrued after 17 May 1990 at age 60 without a reduction for early payment. If you retire at any age before you are aged 60 your pension will be reduced for early payment. For all other members, you may be able to retire early, before your normal retirement date, but your pension would be reduced to reflect the fact that by retiring before your normal retirement date you would receive a pension for longer than if you retired at your normal retirement date.

If you would like to find out more information about the pension you would receive if you retire early within the Section, please contact the Section’s administrator.

¹ Minimum pension age will increase from the current 55 to 57 in 2028.

Keeping us updated

Personal details

Please keep Isio informed of any change in your circumstances such as:

- a change of name;
- a change of postal or email address;
- marital/civil partnership status; and
- a change in bank account details (if you are a pensioner).

This will allow the administrator to keep your records up to date and send any letters or correspondence using your latest details.

The easiest way of doing this is to contact us using one of the methods provided in the administrator details at the end of this statement.

Expression of Wish Form

Please remember that it is important to keep your Expression of Wish Form up to date. This form will assist the Trustee in reaching a decision regarding the payment of any lump sum benefits that your dependants / beneficiaries may be eligible for under the Rules of the Section in the event of your death. The Trustee is not bound by your wishes but needs to consider all of the information available before making a decision.

Please contact us if you would like an Expression of Wish form. If you have previously completed an Expression of Wish form, you do not need to submit this form again. However, if you have never completed this form, or if you would like to update this form due to a change in circumstances, please contact us so we can provide you with a blank form.

Data protection

Your data

Isio and the Trustee are “data controllers in common” of personal data that is held to administer the Section.

As a data controller, the Trustee holds personal data about you, as a Section member, and possibly the personal data of your dependants. The Trustee holds and process this data to properly administer the Section, to comply with the law and to ensure you receive your Section benefits.

The type of personal data the Trustee may hold will include (for example): date of birth, national insurance number and postal address.

The Trustee has prepared a Privacy Notice so that members can understand how it collects and processes your data. To view this Privacy Notice, which is updated periodically, please visit:

<https://members.pensionpal.co.uk/BTCDLMasterPlan>

Isio will handle and protect your personal information with the utmost consideration for its confidentiality and your privacy. For more information, please visit:

<https://www.isio.com/privacy/>

Complaints

Internal Disputes Procedure

Trustees of all occupational pension schemes are required to establish and operate a procedure to try to resolve any complaint or dispute which may arise.

Complaints or disputes concerning the Section are rare and will often be resolved informally by the Section’s administrator.

In the unlikely event that your complaint has not been dealt with to your satisfaction, you may use the Section’s internal dispute resolution procedure (the “IDRP”).

A copy of the IDRP is available on request.

The Section’s IDRP will ensure that the matter is considered by the proper person and, if necessary, is also considered by the Trustee.

Finding out more

Additional formal documents available on request from the Section's administrators:

Trust Deed and Rules

The legal guidelines that determine how the Section must be run.

The Statement of Funding Principles

This explains how the Section is funded to be able to provide members with the benefits they have built up in the Section.

The Statement of Investment Principles

This explains how the money is invested in the Section, and is also available at

<https://members.pensionpal.co.uk/BTCDLMasterPlan>

A statement is also available on how the Trustee has complied with the principles set out in the Statement of Investment Principles.

The Schedule of Contributions and Recovery Plan

This shows how much money is being paid into the Section.

The Section's latest Annual Report and Accounts

This shows the Section's income and expenditure.

The latest full Actuarial Valuation Report

This contains the details of the Actuary's check of the Section's financial situation as at the effective date of the most recent actuarial valuation.

Where can I get further information?

The Section is administered by Isio. The contact details are:



0333 016 5301
(+44(0)333 016 5301 if you are overseas)



btcdl@isio.com

Phonelines are open 9am to 5pm on weekdays, except during Northern Ireland bank holidays.

You can also write to Isio at: The BT (CDL) Section of the Pensions Master Plan, Isio c/o SPS, PO Box 4916, Interface Business Park, SN4 4RX