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2024/2025 Summary Funding Statement for members of the BT (Lynx) Section of the Pensions Master Plan

Hello and welcome to the 2024/2025 Summary Funding Statement, providing you with an update on the Section. In this Summary Funding Statement we will report on important financial information including the funding position of the BT (Lynx) Section of the Pensions Master Plan.

PAN
TRUSTEES



Andrew Firbank
Trustee



John Breedon
Trustee

We are the Trustee of BT (Lynx) Section of the Pensions Master Plan (referred to as the "Section"). We are a professional independent trustee from PAN Trustees UK LLP. As Trustee, we are responsible for making sure there is enough money in the Section to pay everyone's benefits.

This statement sets out the Section's financial position following the triennial actuarial valuation as at 31 March 2023 and the annual funding updates as at 31 March 2024 and 31 March 2025.

We hope you find this Summary Funding Statement informative. If you have any questions, contact details can be found on page 8.

Our investments

The money that has built up in the Section is known as its “assets” and the way that the assets are invested is an important part of keeping your benefits secure.

On 11 October 2024, the Trustee purchased a ‘buy-in’ policy 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.

Further details regarding the investment strategy are contained in our statement of investment principles, which you can view online here: www.members.pensionpal.co.uk/BTLynxMasterPlan



Summary Funding Statement

Every year the Trustee reports to you on how the Section is funded. As members, you have built up valuable benefits in the Section, so it is important for you to understand how the Section will pay for those benefits in the future.

Actuarial valuation and funding update

We have appointed a qualified, independent professional, known as an Actuary, to help us regularly review whether the Section has enough money and whether British Telecommunications plc ("BT") needs to pay more. This review is called an actuarial valuation and is carried out at least every three years. Our Actuary also reviews the financial position of the Section every year so that we can understand how changes in financial market conditions are affecting the Section.

The latest completed full triennial valuation of the Section was at 31 March 2023. To check the Section's financial security we look at its financial position and compare the value of its liabilities to its assets. 'Liabilities' are the estimated cost of providing the benefits you and other members have earned to date. If the Section has fewer assets than liabilities, it is said to have a "shortfall". If the assets are more than the liabilities, there is said to be a "surplus".

The value of the Section's liabilities reduced over the year to 2025 due to an increase in interest rates, used to assess the value of the liabilities. The Section's assets also reduced by a larger degree, due to the premium paid for the buy-in transaction being higher than the liabilities for the valuation.

The Trustee is comfortable that despite the small deficit, the purchase of the buy-in policy provides the Section a high level of certainty and risk reduction. Further, members' benefits will continue to be paid in full.

	31 March 2025	31 March 2024	31 March 2023
Results (£'000)	Funding Update	Funding Update	Formal Valuation
Section assets (A)	14,705	16,442	15,625
Value of Section benefits ('liabilities') (B)	14,844	15,849	17,016
Surplus/(Shortfall) in the assets (B-A)	(139)	593	(1,391)
Funding level (A ÷ B)	99%	104%	92%

Employer Contributions

Whilst there was a shortfall in the Section for the formal valuation as at 31 March 2023, positive experience following that resulted in the Section being in a surplus as at 29 February 2024. The Section is also closed to future build-up of benefits, therefore neither BT nor members are currently required to make any contributions to the Section. BT agreed to pay voluntary contributions of £100k per annum from 1 April 2024 until 31 March 2027.

BT made a contribution to the Section of £1.4m in October 2024 to support the purchase of the buy-in policy, which included some prepayment of the above voluntary contributions.

Ongoing Section expenses are being met from the Section's assets.

The next full actuarial valuation of the Section will be carried out as of 31 March 2026.

How secure is my pension?

As you can see, the funding position has varied over the past two years. At 31 March 2025 the Section is in a small deficit. You should be aware that the funding level can vary as a result of a number of different factors, particularly investment performance, interest rates and life expectancy. This means that the funding level can go up or down in the future. The Trustee and Scheme Actuary will regularly monitor the Section finances and take steps to improve the security of your benefits further where possible.

The Trustee has already taken a significant step with the purchase of the buy-in policy.

What would happen if the Section were to wind 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 likely be converted to a buy-out policy and members would be paid directly by the insurer rather than through the Section. If the Section were to wind up and BT was solvent, BT would be obliged to pay sufficient money into the Section to ensure that any members' benefits beyond those secured by the buy-in policy (if any) could be secured in full by the purchase of annuity policies

The actuarial valuation at 31 March 2023 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.

For completeness, at 31 March 2023 it was estimated that the Section would have needed an additional £3.6m on top of the Section's assets of £15.6m.

However, following the purchase of the buy-in policy in October last year, it is now expected that sufficient assets would be available to provide the vast majority of benefits to members.



The Pension Protection Fund

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.

Accessing your pension early

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 Lynx Technology Limited Pension & Life Assurance Scheme before 1992 or who are "Data Logic" members, are able to take their pension 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. The way the reduction is applied for "Vistec" members that joined the Lynx Technology Limited Pension & Life Assurance Scheme before 1992 means they may receive a significantly lower pension if they retire just before they are aged 60, compared with if they retire at age 60.

For all other members, you may be able to retire early 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.



Developments in pensions



Inflation and the cost of living crisis

Annual inflation was significantly higher in 2022 and 2023 compared to prior years, however, it has come back down to "normal" levels over 2024 and 2025. Most benefits provided in the Section offer some inflation protection. The increases that you receive in payment will depend upon when you built up benefits. The increases you receive prior to retirement between the date you left the Section and up to retirement, mostly increase in line with inflation subject to limits set out in legislation. The impact of the current levels of inflation will vary by member depending on when you choose to retire and when you built up your benefits in the Section.

As Trustee, we continue to be aware of the current cost of living crisis in the UK. If you have any questions around your benefits, please contact the Section's administrator using the contact details below. More widely, the Trustee encourages you to check you are claiming all the government support you are eligible for by checking this website:

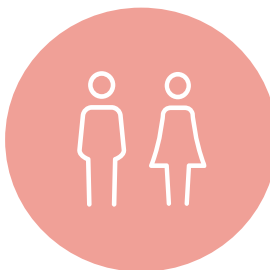
www.gov.uk/benefits-calculators.



Minimum retirement age

Normal Minimum Retirement Age (NMRA) is the minimum age at which the government will allow you to take your pension benefits (other than on ill health grounds), without incurring additional tax charges.

The NMRA is currently age 55. The government has confirmed that the NMRA will be increased from age 55 to age 57 on 6 April 2028. After this date you will have to wait until your 57th birthday to take your benefits.



GMP Equalisation

If you joined the Section before 6 April 1997, part of your overall pension benefit is known as Guaranteed Minimum Pension (GMP). Historic rules set by the UK government meant the terms on which GMPs have been paid are not equal for males and females.

Following a High Court ruling, we now need to adjust for any past differences and ensure equality going forward. This means that some members may see a small change to their overall pension in the future. The Trustee is progressing work with their advisers and will provide further updates and details to affected members in due course.



Changes to the lifetime allowance (LTA)

The government previously taxed some of your benefits differently if the value of your pensions was above the LTA (£1,073,100 in the 2023/24 tax year). The government have abolished the LTA for most purposes from 6 April 2024. If you have any questions on the impact on your Section benefits, please contact Isio using the details below.



Mid Life MOT

The Department of Work and Pensions (DWP) has launched an online mid-life MOT tool. It aims to help workers over age 45 take stock of their finances, skills and health.

Based on your answers to a short series of questions, the tool will provide you with a bespoke report outlining areas you could focus on and where to find further information and support to meet your needs. You won't need any documents or extra information to use the tool and it should take around 5 minutes. The tool is free and available at

www.moneyhelper.org.uk/en/everyday-money/midlife-mot



Expression of wish form

Have you completed an expression of wish form? This tells us who you would like to inherit your pension benefits should you die before retirement. There are some conditions on who can be nominated however the Trustee will take your wishes into consideration. The form can be updated at any time should your circumstances change. You can obtain a copy of the form by contacting the Section's administrators using the details on page 8.



Delegating control

Have you considered how you or your family would manage your financial affairs if you couldn't carry out everyday tasks for yourself? A power of attorney is a legal document that allows someone to make decisions for you, or to act on your behalf, if you're no longer able or no longer wish to manage your own affairs.

There are different types of power of attorney and you can set up more than one. However, you can only do this while you still have capacity, so you'll need to plan ahead. You can find out more at www.gov.uk/power-of-attorney or you can get advice from a solicitor.



Protecting yourself against pension scams

It is important to know the warning signs when it comes to pension scams. Often scammers will try to persuade pension savers to transfer their entire pension savings, or to release funds from your savings, by offering incentives such as higher returns or releasing cash before age 55.

What to look out for

- Calls, texts or emails from unknown numbers or email addresses
- Phrases such as "free pension review", "pension liberation", "loan", "cashback"
- Guarantees that they can get you better returns on your pension savings
- Help to release cash from a pension before the age of 55, with no mention of the tax implications
- Complicated or unusual, high-risk investments

Help and advice

The Government's Pension Wise service (provided by MoneyHelper) explains your options at retirement: www.moneyhelper.org.uk

Speak to an adviser authorised by the Financial Conduct Authority (FCA): <https://register.fca.org.uk>

Visit the Pensions Regulator website for more information on pension scams: www.thepensionsregulator.gov.uk

If you think you have been a victim of a scam, please report it to the FCA on 0800 111 6768 or email consumer.queries@fca.org.uk

Further information

Your benefits in the Section

You can find out more information about the Section on our website at www.members.pensionpal.co.uk/BTLynxMasterPlan

If you are considering leaving the Section by transferring your benefits to another pension arrangement, we recommend that you obtain advice from a financial adviser. You can find information about advisers local to you by contacting MoneyHelper at www.moneyhelper.org.uk.

You can contact MoneyHelper at any time for free and impartial guidance.



Your Section administrators - Isio



If you have changed your address or wish to change your nominated beneficiary, then please let us know by contacting us using the following contact details:

By phone: 0333 016 5302

By email: BTLynx@isio.com

By letter: Isio Group, PO Box 163, Blyth, NE24 9GS

As administrator for the Section, Isio holds and processes personal data about the Section's members and beneficiaries enabling them to carry out their duties in respect of the Section on behalf of the Trustee.

The Privacy Notice sets out details of the data which the Section collects and what this is used for. The Privacy Notice can be found at www.members.pensionpal.co.uk/BTLynxMasterPlan. You can also request a copy of this please contact us using the details above.

If you have any queries regarding your Section membership then please contact Isio, the Section's administrator, who will be able to assist with your queries. Isio will also be able to assist if you are dissatisfied or concerned about any matter relating to the Section and will be able to provide you with relevant details of the Section's internal dispute resolution procedure and external bodies that can also provide advice and assistance.

Other information

By law, we are required to confirm whether any payment has been made to BT out of the Section's assets since the last Section financial update. We must also tell you if the Section has been modified by the Pensions Regulator or whether the Pensions Regulator has made any directions regarding the Schedule of Contributions or how Section benefits are valued. We can confirm that none of these events has occurred.



Finally, there are a number of documents about the Section which are available for you to read. Please contact us if you would like to receive a copy of any of the following documents:

Annual Section Report and Accounts – this summarises the Section’s financial position over the financial year between 31 March 2023 and 31 March 2024

Actuarial Valuation Reports – this shows the Section’s latest financial position. The most recent valuation is as at 31 March 2023

Recovery Plan – this sets out how BT has agreed to pay contributions to the Section so that it has enough money to pay everyone’s benefits

Schedule of Contributions – this shows the total amount of money BT has agreed to pay into the Section

Statement of Funding Principles – this sets out how the Trustee and BT have agreed to assess the financial position of the Section

Statement of Investment Principles – this sets out our policy on investing the Section’s assets and is available online here:

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

Section Rules – These are the legal documents which set out how the Section is run

