

# **BT PENSION & PAY AGREEMENT**

## **The CWU Guide**



**CWU**  
*The communications union*

*April 2018*

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# Introduction

## Dear CWU Member

The Executive fully understands how important pensions are to everyone and the effect changes can have on your retirement plans. We have been working tirelessly to secure the best possible agreement with BT.

Following the ending of the pension consultation in January, the CWU has been in long and difficult negotiations with BT.

**The CWU Executive is now able to recommend a revised proposal which constitutes a legally binding Agreement between CWU and BT and also includes a two year pay agreement.**

I would like to place on record my thanks to all members and Branches who helped in rejecting BT's original pension proposals during the consultation; this has strengthened our position with the company.

During the consultation the CWU and members said clearly that we deserved better and BT could afford more. **We have secured a better deal; and BT will be paying more.**

The proposed Agreement secures a continued defined benefit pension option as part of a new hybrid pension for BT Pension Scheme members.

Until now the only way of maintaining defined benefit pensions in BT was via the BTPS. Due to the pressure from the CWU and the support of members we have secured an Agreement with BT to open a completely new pension for BTPS members which includes defined benefits.

So while the BTPS will close for future service, defined benefit pensions will still be available. This vital breakthrough combined with further improvements gained in the BTRSS means the Executive no longer believes it is necessary to ballot for industrial action.

**The proposed Hybrid Scheme would cost BT over 30% more than current BTPS future service costs, while BTRSS costs would rise around 20%. This is a substantial achievement.**

This booklet summarises the proposed Agreement and should be read in conjunction with BT's documentation and assistance via the BT helpdesk.

The arrangements set out in this booklet will not change pension or pay arrangements for anyone who has joined BT on a TUPE transfer. The only exception to this is the proposed redundancy arrangements. If TUPE arrangements do not include any contractual redundancy terms then the terms of the Agreement will apply.

The Agreement would be legally binding on BT and covers BTplc, BT Fleet Ltd and Openreach Ltd.

**The Executive is recommending that the proposed Agreement should be supported in the forthcoming ballot for the following reasons.**

- Secures a continued defined benefit pension option as part of new Hybrid pension for BT Pension Scheme members.
- Provides transitional payments for BTPS/Hybrid members for up to 10 years.
- Improves the BT Retirement Saving Scheme – 70% of BTRSS members will get a 25% rise in BT payments.
- Ensures key allowances in the BTRSS and Hybrid are pensionable.
- Provides a single redundancy agreement for all Team Members for the first time.
- Includes a 2 year pay deal worth at least 6%.
- BT will pay over 30% more than current BTPS future service costs, while their BTRSS costs would rise by around 20%.
- Legally binding on BT.

**The Executive unanimously recommends that you vote yes for the Agreement.**

Yours sincerely



**Andy Kerr**  
**Deputy General Secretary (T&FS)**

**A new hybrid pension, an improved  
BTRSS, a 6% pay rise – vote yes**

## BT Pension Scheme

The negotiations have taken place against a difficult backdrop, with a BTPS deficit that was last measured at nearly £14 billion in 2016, and with future service costs likely to more than double.

The talks also took into account the feedback received from the consultation exercise where it was clear that members did not want to pay significantly more to receive considerably less. The amendments to the BTPS proposed by BT would have included many members paying 3% more from April to get a pension building up at a rate equal to 120<sup>th</sup> of salary with no guaranteed lump sum and a cap on pensionable pay increases.

In the proposed Agreement BT will set up a new Hybrid pension including defined benefit and defined contribution sections. **This would secure guaranteed defined benefit pensions for the future while reducing the investment risk for members.**

The proposed Hybrid secures an important element of defined pension benefits for the future. This is a significant achievement – set against the company's preferred option to do away with defined pensions altogether.

The Hybrid Scheme needs to be established. The aim is to do this by Sept/Oct 2018 and by no later than 1 April 2019. In the interim BTPS members will be auto-enrolled into the improved BTRSS.

Once it is set up BTPS members will have the choice of moving into the Hybrid pension or staying in BTRSS.

### The arrangements proposed for the BTPS are as follows.

- Sections B/C of BT Pension Scheme will close for future service accrual from 30th June 2018. Section A will remain open.
- Section B/C members will become deferred members of the BTPS.
- All benefits accrued at 30th June will increase by CPI inflation while deferred in line with existing BTPS rules.
- Deferred BTPS members who take their pension after the age of 60 will benefit from a late retirement factor. This applies to service built up prior to 1st April 2009 and increases BTPS benefits. Late retirement factors do not apply to anyone who became a deferred member before 1 April 2009.
- The National Insurance rebate currently received by BTPS members will cease from 31st May 2018. (The rebate was introduced to offset higher National Insurance payments for opting into the State Second Pension which the Government ceased in 2016).
- Members will be able to continue contributing to BTPS Additional Voluntary Contributions (AVCs) until September 2019.

BTPS members who are auto enrolled into the BTRSS with the following contribution rates which taken into account the end of the National Insurance rebates. The following will apply to members irrespective of whether members pay basic or higher rate tax.

Section	Current BTPS member contribution *	Current National Insurance rebate	Default BTRSS contribution
Section B	7%	1%	6%
Section C	6%	1%	5%

\* For standard rate tax payers in the BTPS.

Members can vary their BTRSS contributions once they are in the BTRSS, though the minimum is 5%.

## Hybrid Pension

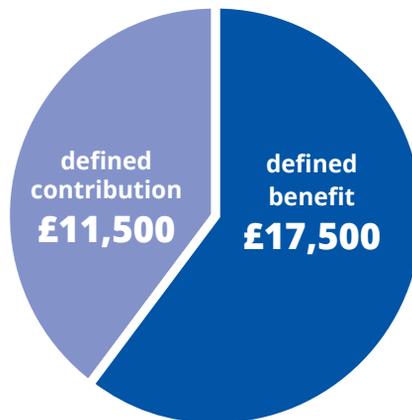
The CWU pushed BT to retain a defined benefit pension and the outcome of negotiations was the new Hybrid Scheme.

### The Hybrid Scheme secures a continued defined benefit pension option for BTPS members

The Agreement commits BT to establish the new “hybrid” pension. This will include defined benefit pension (like the BTPS) and defined contribution benefits (like the BTRSS).

The Hybrid Scheme has the advantage of helping to reduce the investment risk to scheme members. The hybrid is not unique in the UK, but it is unusual. BT would not be proposing to introduce this if it was not for the pressure from the CWU and members.

### Hybrid Example: B2 Salary 29,000



**The key details of the Hybrid proposal are as follows:**

**Member contributions in the Hybrid Scheme will be 6.25%.**

All basic salary will be pensionable.

Key allowances will be pensionable. The same as in the BTRSS. See later in the booklet.

**Accrual Rate** - the rate at which benefits grow - would be 105th of pensionable salary each year with an additional 3/105th lump sum.

This is broadly the same as current BTPS accrual after allowing for the removal of the State Pension Offset.

It will be a Career Average pension as the BTPS. Benefits are built up each year and revalued by CPI inflation.

**Defined benefit pension up to a Salary Threshold of £17,500** (pro rata for part-timers).

Salary Threshold will increase by CPI inflation.

This formula can be varied after 3 years only with agreement of the CWU in the event of future significant increases in pension costs. The Threshold cannot be reduced.

10% of the salary above the Salary Threshold will be paid into the Defined Contribution element of the Scheme.

In addition, BT will also pay for the death in service costs.

Defined Benefit Pensions in payment/pensions in deferment to rise by CPI inflation capped at 3.5%.

**Normal Pension age for defined benefit section will be 65.**

**Death in Service would be:**

- 10 x pensionable salary plus value of DC pot plus
- 10 x value of accrued DB pension and 1 x value of accrued lump sum.

In addition, members would benefit from death in deferment BTPS benefits which is broadly 50% of deferred pension plus a lump sum.

Death in deferment and death in retirement arrangements will be agreed separately by BT/CWU.

**Medical Retirement will be same as in the BTRSS.**

A payment into the Defined Contribution section of 15% or 20% of total pensionable salary for each year up to 65.

The lower figure is for those unable to do their own job, the higher for those unable to work again.

In addition members will be able to access deferred BTPS benefits early with no reduction for early payment.

The Hybrid Scheme will be established under Trust law and would be legally separate from BT.

Members who join the Hybrid Scheme will be able to subsequently join the BTRSS. However, if they do this then they will not be able to re-join the Hybrid.

Members will be able to pay more than 6.25% if they so wish. Any additional payments would go into the Defined Contribution section and would not result in higher BT payments.

Members will be able to draw their benefits when they are 55 or older, taking benefits from the two sections at different times if they wish.

The defined benefit section of the Hybrid Scheme will be underpinned by the Pension Protection Fund as with most other similar pensions in the UK. The Pension Protection Fund would apply in the event of employer insolvency.

The Crown Guarantee will continue to protect the BT Pension Scheme, and again this only applies in the event of employer insolvency.

## Transition Payments

We have also negotiated transition payments for members moving to the BTRSS from the BTPS and for those moving to the Hybrid Scheme.

These are designed to benefit those furthest from retirement as there would be more impact on younger members.

Transition Payments for Moving to BTRSS or Defined Contribution Element of Hybrid Scheme		
Age April 2018	Duration	Total % of transition payment
Under 40	2% for 10 years	20%
40-44	2% for 8 years	16%
45-49	2% for 7 years	14%
50-54	2% for 5 years	10%
55-59	2% for 3 years	6%
60 plus	2% for 2 years	4%

Note: The 2% payments shown are a percentage of pensionable pay. In the Hybrid this applies to the salary above the Salary Threshold of £17,500.

BT has also agreed that for those members who are moving across from the BTPS to the BTRSS can get an 11% BT contribution if they make an individual contribution of 8%. This option will remain in place for up to 5 years depending on age, and would be in addition to the payments above. This would result in a BT contribution of 13%. This option will not be available in the Hybrid Scheme.

## Bridging Pension Option

The negotiations were complicated as BT argued that in certain circumstances members might be financially better off if they joined the BTRSS, compared to what they would have received had they been able to remain in the BTPS.

The suggestion was that members would be able to use their BTRSS benefits as a 'bridging pension' for the first few years after they retire and, thereby, enable them to defer receipt of their BTPS pension up to age 65. This will give them the benefit of the late retirement increases on their BTPS pension that accrued prior to April 2009.

This result was due to a set of specific circumstances.

- BTPS rules apply increases to pension accrued prior to April 2009, if members defer taking their pension past age 60. It should be noted, however, that the late retirement factors used to calculate the increases are set by the BTPS Trustee and are liable to be varied from time to time.
- Most BTPS members have a relatively long pre-2009 service in the Scheme and, hence, stand to gain from the application of the late retirement factors.
- Under the "freedom and choice" arrangements brought in by the Government, members of defined contribution pension arrangements, like the BTRSS, no longer have to buy an annuity (pension for life) to provide an income on retirement. This means that not only can you take 25% of your pot as tax free cash; you can also draw down cash whenever you like to provide an income over the period up to when you take your BTPS benefits. However, note that this has to be managed carefully, as it has the potential to exhaust your fund while you are still in need of an income.

The CWU's actuary has been able to replicate the calculations behind BT's arguments, using the assumptions about such matters as future investment returns and inflation that have been set by BT.

This approach might be attractive to some members, in terms of what total benefits might be paid. However, it is important to understand that it does involve transferring material investment risk to the member in the BTRSS. Also, when compared to the Hybrid option, any gain is relatively limited, particularly for members who are under 50.

This option is illustrated further in the next section. It is important to stress that the CWU is not able to provide individual financial advice on the choice between joining the BTRSS or the Hybrid scheme.

## Member Examples

We have discussed with BT the implications of the proposed changes for members' benefits.

For the purposes of illustration, the table below summarises the potential outcome for the example members used in the material that was circulated to members in the original BT consultation – BT has also published a more detailed analysis.

The table compares the amount of pension income and lump sums they could expect to receive up to age 85 in three sets of circumstances:

- No change in current arrangements
- Moving to the BTRSS and taking BTRSS benefits before drawing the BTPS benefits
- Moving the Hybrid and taking defined contribution benefits before BTPS benefits.

The 'no change' figures are shown simply for the purposes of comparison. If the deal is accepted, members will be able to choose between the other two options.

It will be noted that the Hybrid examples show an improvement on the 'no change' option and, at the same time the defined benefit proportion of a members' income was still at 90% or more of the total. It is important to stress, however, that each case will be different, and that the outcome depends on what happens in practice, including the investment return that is achieved and how long members are in receipt of their pension. It also depends on the degree of investment risk that is acceptable to the member.

The examples do suggest that in certain circumstances and given the assumptions set by BT, it might be beneficial for members to stay in the BTRSS. However, this is balanced by the fact that a greater proportion of income would depend on investments in the BTRSS.

The decision about which option to take when the Hybrid is established will be down to individual members. BT will be offering support during this process including a modeller and one to one telephone consultation with a third party organisation. The CWU cannot provide financial advice.

It must be stressed that these examples are for illustration purposes only and are based on certain assumptions. The figures are certainly not guaranteed. The figures have been drawn up by actuaries working for BT. The CWU's actuary has been able to broadly replicate the figures, using BT's assumptions, and believes those assumptions to be reasonable to provide an illustration of the potential impact on members' benefits. However, they are only one out of the range of potential outcomes and should not replace individual advice.

## Member Examples: Pension Income to Age 85

	<b>Rick Section B Age 52 Grade: B2 Pensionable Salary: £28,000 Service at April 18: 35 years</b>	<b>Hetal Section B Age 57 Grade: C3 Pensionable Salary: £36,000 Service at April 18: 39 years</b>	<b>Jim Section C Age 46 Grade B2 Pensionable Salary: £28,000 Service at April 18: 20 years</b>
<b>No change</b>	<b>£344,900</b> All benefits drawn at 62 <b>100% payments DB</b>	<b>£443,600</b> All benefits drawn at 62 <b>100% payments DB</b>	<b>£267,600</b> All benefits drawn at 62 <b>100% payments DB</b>
<b>BTPS Closure (using BTRSS flexibility/ bridging pension)</b>	<b>£363,600</b> BTRSS benefits at 62 BTPS benefits at 65 <b>85% payments DB</b>	<b>£479,100</b> BTRSS benefits at 62 BTPS benefits at 64 <b>93% payments DB</b>	<b>£259,900</b> BTRSS benefits at 62 BTPS benefits at 65 <b>67% payments DB</b>
<b>Hybrid</b>	<b>£359,600</b> DC benefits at 62 DB benefits at 63 <b>95% payments DB</b>	£468,600 All benefits drawn at 62 <b>97% payments DB</b>	<b>£259,000</b> DC benefits at 62 DB benefits at 64 <b>90% payments DB</b>

Source: BT /LCP / KPMG estimates. Examples shown are illustrative only (based on KPMG and LCP analysis) and are not designed to show an individual's circumstances or to be used for financial or other retirement planning purposes.

**The assumptions that these figures are based on are shown on page 21.**

## Retirement Flexibilities

The Agreement would include flexibility options for those with defined benefit pensions.

BT will consult and where appropriate negotiate with CWU on the resourcing implications of staff leaving under the 1<sup>st</sup> and 3<sup>rd</sup> of these options.

### 1. Working for BT and drawing a pension

The option to take your BTPS or Hybrid defined benefit pension while continuing to work for BT from age 55 for a period of up to 2 years.

### 2. Early Retirement Factors

These factors are the amount by which a pension is reduced for early payment. There will be lower factors available for at least a year.

The factors apply each year as follows

- Service up to April 2009 – each year before age 60
- Service from April 2009 – each year before age 65.

### 3. Splitting BTPS Benefits

An option will be introduced to allow BTPS members to take your pre 2009 benefits (for which the normal pension age is 60) before taking the post 2009 benefits (for which the normal pension age is 65). This option can be used in conjunction with option 1 above and is expected to be available during 2019.

### 4. Retirement in the Interests of Efficiency (RITIE)

Access to BTPS benefits under RITIE would still be available to BTPS members in the BTRSS or in Hybrid. This is a valuable benefit that is currently open to cases that do not qualify for medical retirement.

Relevant cases would be reviewed by BT and if RITIE is appropriate then the company will ensure that BTPS benefits are paid early with no reduction for early payment.

## BT Retirement Saving Scheme

Over half of all CWU members are in the BTRSS and the CWU has pushed hard to get improvements for our members.

In the consultation it was clear that BTRSS members agreed that the original BT offer was not good enough and we now have negotiated an improved offer.

**BTRSS proposed changes represent major improvements in current arrangements.**

### BT Contributions

The CWU has secured improvements to BT's contribution rate into the BTRSS from 1st June 2018. These improvements should make a significant impact to pension pots at retirement.

This is especially important in pensions like the BTRSS as the level of benefits that can be expected at retirement are strongly linked to the level of contributions made over time.

The Agreement provides for the following.

Member Contribution %	BT Current Contribution %	Previous BT Offer %	New BT Offer %	Increase in BT Contributions % rise in what BT pays
5 (default)	8	9	10	25
6	8.5	9.5	10	18
7 or more	9	10	10	11

Figures shown are percentages of pensionable pay unless otherwise stated.

Most CWU members contribute to the BTRSS at the default figure of 5%. BT has doubled the offer for those paying 5%.

**70% of our BTRSS members will receive a 25% increase in BT contributions.**

## Member Example

BT has issued examples that demonstrate the impact of the increased contribution rates based on a number of assumptions by BT's actuaries.

One of the examples is shown below and shows an increase in the value of the BTRSS pension overall of 15% assuming that the minimum 5% amount is paid and 30% if member contributions rise to 7%.

It should be stressed that the example is indicative only. The benefits in the BTRSS are not guaranteed and depend on investment returns, and these figures should not be used as the basis of financial planning. They are only one out of the range of potential outcomes and should not replace individual advice.

<b>Ellie</b> Age 25, Paid £25,000, Joins BT June 2018	<b>Current Default</b> Ellie pays 5 % BT pays 8 %	<b>Revised Default</b> Ellie pays 5% BT pays 10%	<b>Option</b> Ellie pays 7% BT pays 10%
Estimated Value of BTRSS at age 65	£216,000	£249,000	£282,000

### The example is based on the following assumptions:

- Figures are expressed in today's prices, allowing a better comparison of benefits for members of different ages and periods to retirement.
- Salary growth is assumed to be in line with inflation at 2.5%.
- Members are assumed to invest in the BTRSS 'low involvement option', and to receive investment returns of 5% each year until retirement. Because the projections allow for inflation of 2.5% a year, the effective investment growth rate is 2.5% a year above inflation. Standard Life make a similar assumption in their retirement modeller. This is in line with rules set out by the Financial Conduct Authority.
- Members are assumed to remain active members until age 65.
- Members are assumed to participate in Smart pensions.

## Minimum BT Contribution

The CWU have also ensured that BT will increase their minimum payment to your pension.

Currently this is £1,500 per annum. This will rise by 33%, to £2,000, on 1st June provided members are paying in at least 5%. The figures are pro-rated for part time staff.

This increase will benefit our lowest paid members, by boosting BT's payments to those who earn less than £20,000 (pro-rated for part timers).

In future the BT minimum figure will increase in future every year in future by CPI inflation.

## Other BTRSS Changes

- Currently if a member dies in service there is a payment of three times pensionable salary; a dependents pension of 30% of pensionable salary; and the value of the members' BTRSS pot. From June this will change and there will be a payment of ten times pensionable salary plus the value of the members' BTRSS pot.
- For the first time those who have opted out of the BT Pension Scheme (BTPS) but not drawn their BTPS pension will be allowed to join the BTRSS. BT will retain discretion to allow those who have opted out of the BTRSS to re-join.

Please note the changes set out above do not alter legacy arrangements that are already in place or other special arrangements linked to TUPE transfers into BT.

More information on the BTRSS can be found at [www.btretirementsavingscheme.com](http://www.btretirementsavingscheme.com)

## Allowances – BTRSS and Hybrid

We have long argued that other allowances should be pensionable in the BTRSS. Until now only the Pay & Pension Protection Supplement has counted for pensions in the BTRSS.

**We have now ensured that more pay will count towards the BTRSS pension.**

London Weighting will become fully pensionable in the BTRSS for the first time from June with BT and members both contributing. This will represent a significant increase in pensionable income for those claiming the allowance.

The following allowance will also become pensionable but with no member contributions from 1st April 2019: Shift, Night Duty, Outside broadcast, Sunday in conditioned hours.

The Hybrid Scheme will have the same arrangements for allowances as the BTRSS.

Some allowances that are currently pensionable in the BTPS will cease to count for pension purposes for BTPS members. In recognition BT will make a payment into the BTRSS of 10% of the annual value of those pensionable allowances that individuals currently receive.

## Redundancy Terms

The fact that this issue is included in the Agreement is not a sign that there is about to be a wave of job losses. It is only part of the Agreement as the current policy is linked to the BTPS.

The current arrangements date back to the 1980s and include pension enhancements via the BT Pension Scheme. These will not be available when the BTPS closes to future accrual and the policy needs to be updated.

Moreover, existing arrangements only cover BTPS members. At the moment non BTPS members are only entitled to statutory minimum terms. These provide a maximum of £14,670 at 20 years, and are not paid for anyone with less than two years service.

The proposed Agreement confirms that BT will work with the CWU to avoid any need for compulsory redundancies. The CWU will continue to oppose any such move by BT - there has never been a compulsory redundancy in BT.

In the Agreement BT also reconfirms its support for the redeployment process and Pay & Pension Protection contained in the NewGRID Agreement.

For the first time the new Agreement would provide redundancy arrangements for Team members irrespective of pension membership. This would provide payments of up to 104 weeks pensionable pay at 27 years service, with a minimum of 12 weeks paid. There will be no service qualifying period.

A two year maximum payment is among the best in the UK, especially in the private sector.

The formula will be as follows and will include pensionable allowances.

- A payment equivalent to the BT contractual notice period plus
- 3 weeks pay for each full year of the first 15 years of service plus
- 4 weeks pay for each full year of service after 15 years of service

Please note, these terms do **not** apply to voluntary leaver payments - they would only apply in the unlikely event of a formal redundancy situation.

Existing arrangements for BTPS Section A members would also continue to apply.

## Pay 2018 – 2019

The Agreement also includes the pay offer for 2018 and 2019. This would be a two year deal as follows.

**Pay will rise by 3% in April 2018 and 3% in April 2019.  
This will be fully consolidated and pensionable.**

**Those on Workforce 20/20 contracts will receive an additional fully consolidated and pensionable increase each year of £150 pa (pro-rated for part-timers).**

The Executive believes that the pay part of the Agreement should be supported because:-

- Over the two years everyone will get a consolidated and pensionable increase of at least 6.1%.
- The proposed Agreement would secure pay rises for CWU members in the top 25% of current UK settlements.
- The increases would lock in pay rises as the economy enters an uncertain period with the approach of Brexit.
- The deal would further narrow the gap between those on Workforce 20/20 contracts and others.
- The pay increases flow through to on target bonus payments for Workforce 20/20 contracts as the bonus is fixed at 10%, 20% or 30% of pay depending on grade.

Examples of selected pay increases are shown below.

	January	April	April
GRADE	2017	2018	2019
	Current Max	3% increase	3% increase
D1	£41,689	£42,940	£44,228
C3	£37,638	£38,767	£39,930
C2	£35,179	£36,234	£37,321
C1	£31,782	£32,736	£33,718
B2	£29,357	£30,237	£31,144
B1	£26,015	£26,796	£27,600
B1CC	£25,571	£26,338	£27,129
A2	£22,749	£23,432	£24,135
A2CC	£21,121	£21,755	£22,408

Please note this is the CWU assessment of the changes and they are subject to BT's confirmation.

Grade	Role Title	2017	2018	2019
		Current	3% + £150 increase	3% + £150 increase
<b>TMNE3</b>	Civils Supervisor	£31,481	£32,575	£33,702
<b>TMBS3</b>	Fleet Technician In Charge (Wholesale & Ventures)	£30,737	£31,809	£32,913
<b>TMBS2</b>	Fleet Technician (Wholesale & Ventures)	£28,746	£29,759	£30,802
<b>TMNE2</b>	Customer Service Engineer - Underground & Skilled (Openreach)	£26,562	£27,509	£28,484
<b>TMNE2</b>	Service Delivery Broadband CAL/ OMI Engineer	£23,650	£24,509	£25,394
	Customer Service Engineer (Openreach)			
<b>TMBS2</b>	Customer Billing Advisor (Group)	£21,317	£22,107	£22,920
<b>TMSV2</b>	Customer Service Advisor (Consumer)	£20,976	£21,755	£22,558
<b>TMSA2</b>	Inbound Sales Advisor (Consumer)	£20,620	£21,389	£22,181
<b>TMBS1</b>	Warehouse Operative Level 2 (Wholesale & Ventures)	£18,362	£19,063	£19,785
<b>TMSV1</b>	Customer Service Agent (Wholesale & Ventures)	£18,362	£19,063	£19,785
<b>TMSA1</b>	BT Flex Sales Advisor	£17,060	£17,722	£18,403
<b>TMNEA</b>	Openreach Trainee	£20,000	£20,750	£21,523

Source: CWU – pay rates subject to confirmation by BT

## Next Steps

Taken together, with a pay rise in excess of 6% over two years, the Executive firmly believes that the company's full and final offer is the very best that could be secured by negotiation for both BTPS and BTRSS members.

The Agreement will be subject to a consultative electronic ballot which will be conducted on the following basis.

**Everyone will get a vote on pay.**

**Active BTPS members will vote on BTPS/Hybrid.**

**Active BTRSS members will vote on BTRSS changes.**

**There needs to be a yes for all three elements for the agreement to be endorsed.**

The CWU have secured an agreement, which comes as a package and acts to protect future pension provision and pay for everybody.

If one or more parts of the Agreement are rejected then the whole deal will fall. Given that we have exhausted the negotiations, rejection would almost inevitably result in an industrial action ballot especially as BT would probably move ahead with its plans.

Due to the legal restrictions on industrial action ballots it is also highly likely that we would need to ballot all CWU members in BT and BT Fleet.

**The Executive is recommending that you vote "yes" in all categories to secure the legally binding Agreement.**

The arrangements for the consultative ballot will be issued shortly – please look out for details.

If members have questions about the proposed Agreement then please contact your local CWU Branch in the first instance, or email [btpensions@cwu.org](mailto:bt pensions@cwu.org).

Please note that the CWU cannot give financial advice.

A copy of the full Agreement will be available from your Branch or [www.cwu.org](http://www.cwu.org)

# VOTE YES FOR THE AGREEMENT

## Glossary

**Active member:** This is a member of a pension scheme that is not either drawing a pension or a deferred member. Active members will normally be contributing to a pension every month unless they are on unpaid leave.

**Accrual rate:** This is the rate at which benefits build up in a defined benefit pension.

**BT Pension Scheme (BTPS):** The BTPS is a defined benefit pension scheme. All benefits are set out in the BTPS Rules.

**BT Retirement Saving Scheme (BTRSS):** The BTRSS is a defined contribution pension scheme where the contributions are defined, but the level of benefits is not guaranteed.

**Deferred member:** This is a member of a pension scheme that is no longer contributing to that pension and has not yet drawn any benefits.

**Defined benefit (DB):** This is a pension where the level of benefits for members are set out in the rules of the scheme.

**Defined contribution (DC):** A defined contribution pension scheme is where members and employers pay contributions based on a percentage of the member's salary. Contributions are defined, but the level of benefits is not guaranteed.

**Hybrid Scheme:** The Hybrid Scheme referred to in this booklet is a pension that includes both defined benefit and defined contribution sections.

**Money Purchase Pension:** This is another name for a defined contribution pension, such as the BTRSS.

## Modelling assumptions

**The member examples in relation to the BTRSS and Hybrid figures proved by BT are based on the following assumptions:**

- Members remain employed by BT to their chosen retirement age and remain in pensionable service.
- Members draw all their BTPS benefits (built up both before and after 1 April 2009) from the same age.
- Members receive transition payments in the BTRSS and DC element of the Hybrid Plan.
- On joining the Hybrid Plan members transfer their BTRSS plan into the DC section of the Hybrid Plan.
- Member contributions into the BTRSS remain at the level at which they were defaulted into the BTRSS (i.e. the rate closest to what they currently pay).
- The Hybrid Plan is assumed to be implemented from 1 April 2019.
- Members will draw down their DC benefits as regular income over the period shown. The amount taken increases each year in line with inflation. The member's BTRSS plan remains invested after they start taking it and grows in line with inflation in retirement.
- Salary growth is in line with inflation at 2.5% per year. For illustration purposes Pensionable Salary in the BTPS, BTRSS and Hybrid Plan are assumed to be the same amount. In practice there are some differences between the BTPS and BTRSS in terms of what is included in these definitions (see the Glossary in the consultation booklet for more details).
- Deferred increases to the BTPS pension are in line with inflation at 2.5% per year. No allowance is made for Guaranteed Minimum Pensions.
- State Pension Offset will increase each year in line with inflation at 2.5% per year before State Pension Age.
- State Pension Age is in line with current legislation.
- Examples allow for illustrative early retirement and late retirement factors that will be confirmed by the Trustees in due course. The BTPS Trustees review these factors from time to time.
- Examples allow for the commutation factors that currently apply in the BTPS (commutation is the rate that pension is exchanged for tax-free cash). The BTPS Trustees review these factors from time to time.
- The same early retirement, late retirement and commutation factors that are assumed to apply in the BTPS will also apply in the Hybrid Plan. In practice the new Plan will have different factors.
- Members invest in the BTRSS 'low involvement option', and receive investment returns of 5% each year until retirement. Because the projections allow for inflation of 2.5% a year, the effective growth rate is 2.5% a year above inflation. Standard Life makes a similar assumption in its retirement modeller. This is in line with rules set out by the Financial Conduct Authority (FCA). Unlike BTPS benefits, BTRSS benefits are not guaranteed.
- Members participate in Smart pensions.

## Other important notes

- Figures are expressed in today's prices, allowing a better comparison of benefits for members of different ages and periods to retirement.
- These illustrations cover the members retirement benefits - and assume these continue to age 85 - and do not allow for other elements of the benefits including spouse's benefits.
- Examples shown are illustrative only (based on KPMG/LCP analysis) and are not designed to show an individual's circumstances or to be used for financial or other retirement planning purposes.



***A new Hybrid Pension – with a DB element; an improved BTRSS; a pay rise of at least 6 per cent. Three reasons to support the Agreement.***





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05578/18 *Published by The Communication Workers Union April 2018*

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