

**P&P Briefing 3/2018**

**20<sup>th</sup> March 2018**

**TO ALL CWU MEMBERS OF THE BT PENSION SCHEME**

Dear Colleague,

**BT PENSION SCHEME: PENSION & PAY DEAL RECOMMENDED**

Following the consultation period in January on pensions, the CWU has been in negotiations with BT and those talks have now concluded.

**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 said that we deserved better and BT could afford more. We have secured a better deal, and BT will be paying more.

This briefing focuses on the changes for members of the BT Pension Scheme. Other briefings will focus on BT Retirement Saving Scheme changes and provide more details on pay.

**BT Pension Scheme**

The negotiations have taken place against a difficult backdrop, with a spiralling BTPS deficit that was last measured at nearly £14 billion, 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 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.

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 aim is to implement the Hybrid scheme by Sept/Oct 2018 and by no later than 1 April 2019. In the interim BTPS members will be 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 from 31<sup>st</sup> May 2018.
- All BTPS members will become deferred members of the BTPS. All benefits accrued at 31<sup>st</sup> May will increase by CPI inflation while deferred in line with 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 1<sup>st</sup> April 2009 and increases BTPS benefits. Late retirement factors cannot apply to anyone who became a deferred member before 1 April 2009.
- The National Insurance rebate currently paid to BTPS members will cease from 31<sup>st</sup> May 2018.
- Members will be able to continue contributing to BTPS Additional Voluntary Contributions (AVCs) until September 2019.

### New Hybrid Pension

The key details of the Hybrid proposal are as follows:

Member contribution in the Hybrid will be 6.25%.	Pensions in payment to rise by CPI capped at 3.5%.
All basic salary will be pensionable.	BT will pay 10% of salary on that salary above the Salary Threshold for the Defined Contribution element of the scheme.
Defined benefit pension up to a Salary Threshold of £17,500 (pro rata for part-timers).	The agreement also secures medical retirement, Retirement in the interests of Efficiency, and Death in Service benefits.
Accrual Rate of 105ths with a 3/105 <sup>th</sup> lump sum. (This is the same as current BTPS accrual once State Pension Offset is removed).  It will be a Career Average pension with benefits built up each year revalued by CPI	Salary Threshold to increase by CPI.  This formula can be varied after 3 years only with agreement of the CWU in the event of future significant increases in pension costs.
Normal Pension age for defined benefit section will be 65.	Key allowances will be pensionable. The same as in the BTRSS – see below

### Transition payments

We have also negotiated additional transition payments for members moving to the BTRSS from the BTPS and for those moving to the Hybrid. These are designed to benefit those furthest from retirement.

Transition Payments for Moving to BTRSS or Defined Contribution Element of Hybrid			
Under 40	4%	2% for 10 years	20%
40-44	11%	2% for 8 years	16%
45-49	19%	2% for 7 years	14%
50-54	34%	2% for 5 years	10%
55-59	28%	2% for 3 years	6%
Over 60	4%	2% for 2 years	4%

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 5 years 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.

## BT Retirement Saving Scheme

The CWU has secured an improved BT contribution rate into the BTRSS. 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 new offer is as follows:

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

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 they 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%

\* Arrangements shown are for standard rate tax payers in the BTPS.

Members can vary their BTRSS contributions once they are in the BTRSS.

### Allowances

London Weighting will become fully pensionable in the BTRSS for the first time from June, The Pay and Pension Supplement will remain pensionable. Both BT and members will make contributions on these allowances.

Shift, night and outside broadcast allowances will become pensionable but with no member contributions. This is planned to happen in September/October 2018 but no later than 1 April 2019.

The position of the Sunday attendance in conditioned hours allowance, remains under review.

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

### Other BTRSS Changes

- From June, death in service payments 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.

## **New Retirement Flexibilities**

The proposed agreement includes new retirement flexibilities which will be available to BTPS members and to members of the Hybrid. These are:-

- 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.
- The option to retire from BT early with lower early retirement factors than are currently available.
- The option 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 is unlikely to be available before 2019.

## **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 proposed agreement would secure pay rises for CWU members in the top 25% of current UK settlements.

## **Redundancy Terms**

The proposed agreement confirms that BT will work with the CWU to avoid any need for compulsory redundancies; and the CWU will continue to oppose any such move by BT.

For the first time the agreement provides redundancy arrangements for Team members irrespective of pension membership, and will provide payments of up to 104 weeks pensionable pay. Please note, these terms would not apply to voluntary leaver payments.

## **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 ballot and members will receive a home mailing in advance of the ballot providing full details of the agreement.

There will be further information issued shortly and a series of meetings around the UK to discuss the agreement. Look out for further details.

Members should contact their local Branch if they have questions about the proposed agreement in the first instance, or email [bt pensions@cwu.org](mailto:bt pensions@cwu.org)

Yours sincerely

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