

No.162/2018

19th March 2018

To: All Branches with BT members

Dear Colleague,

BT Pension Review & Pay

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.

The key points of the proposed agreement are:

- BT will establish a new Hybrid pension that will include both defined benefit and defined contribution elements and share future risk. This will be available to all active members of the current BT Pension Scheme (BTPS) which will close for future service on 31st May 2018.
- The Hybrid pension is due to be set up later this year, and in the meantime current BTPS members will be opted into an improved BT Retirement Saving Scheme (BTRSS). When the Hybrid is established those members will be able to opt to join the new Scheme.
- Current BTPS members will become deferred BTPS members. All existing benefits accrued at that point will be protected.
- BT will increase company contributions to the defined contribution BTRSS including a standard 10% BT contribution with key allowances becoming pensionable for the first time.
- Members leaving the BTPS and joining either the BTRSS or the Hybrid will be entitled to transitional payments for up to ten years.
- Pay will rise by 3% in April 2018 and 3% in April 2019.
- Those on Workforce 20/20 contracts will receive an additional consolidated increase each year of £150 pa (pro-rated for part-timers).
- New redundancy terms will apply to all Team members.

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 120th of salary with no guaranteed lump sum and a cap on pensionable pay.

In the proposed agreement BT will set up a 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 aim is to implement the new Hybrid scheme by Sept/Oct 2018 and by no later than 1 April 2019. In the interim BTPS members will be enrolled into the BTRSS.

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

The key details of the Hybrid proposal are as follows:

Sections B/C of BT Pension Scheme will close for future service from 31 st May 2018. All members will become deferred members of the BTPS.	Normal Pension age for defined benefit section will be 65.
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). Salary Threshold to increase by CPI.	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 th lump sum. (This is the same as current BTPS accrual once State Pension Offset is removed). It will be a Career Average pension with CPI revaluation.	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 across to the BTRSS from the BTPS and also for those moving into the Hybrid. These are designed to

benefit those furthest from retirement. The transition payments for the Hybrid will be a percentage of pensionable pay in the DC section.

Transition Payments for Moving to BTRSS or Defined Contribution Element of Hybrid			
Age at 1 April 2018	Approximate percentage of members	Duration of transition payment	Agreed transition payment (total value)
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

This will provide 70 per cent of our BTRSS members with a 25 per cent increase in company contributions.

Allowances

London Weighting will become fully pensionable in the BTRSS for the first time from June, boosting the amount of money going into BTRSS accounts. 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 to 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.

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.

Further information on the pay proposal will be circulated shortly.

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.

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 BTRSS and BTPS 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.

Branches are asked to set up Branch Meetings as soon as possible so that we are able to communicate the agreement to members.

Further information is included in the attached BT communications.

Yours sincerely

Andy Kerr
Deputy General Secretary (T&FS)