

AT&T Pension Scheme

The headlines

The DB Plans remain in good financial shape, with more than enough assets to cover the cost of the benefits that members have built up.

At our latest update – 31 December 2021 – the DB Plans had an estimated surplus of £27 million. This is equivalent to a funding level of 114%.

The strong funding position has allowed us to purchase a policy with Aviva to cover the pension benefits for all members of the DB plans.

Funding your benefits

Welcome to this latest update on the financial health of the defined benefit or 'DB' Plans (the C, I and N Plans).

Keeping you up to date

Every three years, there is a detailed check on the level of funding in place to support members' benefits. This check – called a valuation – is a complex process. It is carried out by an independent expert called an actuary and involves:

- working out a value for the benefits the DB Plans must pay (the 'funding target'); and
- comparing this to the money and investments in the DB Plans (the 'assets').

A lot can happen in three years so, to help us monitor developments between valuations, the actuary provides us with annual updates on the funding position. These updates are less detailed than a valuation. However, the results help us to stay alert to any issues that might warrant attention in the meantime.

Each time we have a valuation or update, we give you a 'summary funding statement', either as part of our Pensions Network newsletter or separately (like this one). These show the level of funding in the DB Plans.

The funding level

	Valuation 31 December 2019	Update 31 December 2020	Update 31 December 2021
Funding target	£186 million	£193 million	£188 million
Assets	£205 million	£216 million	£215 million
Surplus	£19 million	£23 million	£27 million

110%
Funding level

112%
Funding level

114%
Funding level

This document shows the results of the latest update at 31 December 2021.

It also includes a recap of the results of the latest valuation at 31 December 2019 and the update at 31 December 2020.

What's changed?

Over the period since the last valuation, the funding position has continued to improve due to strong investment returns on the Plans' growth assets.

The value of the assets fell slightly over the year to 31 December 2021, mainly due to the benefits the DB Plans paid to members during this period.

However the impact of this was more than offset by a fall in the funding target over the same period, causing the surplus to increase as a result.

From a different angle

The figures on the front page assume the DB Plans continue – the 'ongoing' basis.

However, as part of each valuation, we are required to look at the funding position if the DB Plans ended and had been wound up on the valuation date. This is known as the 'full solvency' basis and it assesses how much money would be needed to buy insurance policies to provide all members' guaranteed benefits at once.

As a rule, this tends to cost more than gradually providing benefits into the future. Insurance policies include administration costs and a profit margin (among other things). As a result, the full solvency funding level is generally lower than the ongoing funding level – which is the case in the DB Plans.

At the 2019 valuation, the DB Plans had a shortfall of £10 million on the full-solvency basis. This was equivalent to a funding level of 95%.

Just as the ongoing funding level had improved by the time of the 2021 update, so the full-solvency level had also improved. The results show that the shortfall had been eliminated entirely and the Scheme had an estimated surplus of £9.9 million on this basis at 31 December 2021 – equivalent to a funding level of 105%.

Our new policy with Aviva

As a result of this significant improvement in the full-solvency position, we have taken the opportunity to purchase a policy with Aviva to cover the pension benefits for all the DB members of the Scheme. Please see our letter dated January 2023 for more information on this and why it is good news for the security of your benefits.

The support the Company provides

Following the 2019 valuation, the Company agreed to continue paying contributions to support the future benefit build-up for a small number of I Plan members and reimbursing the Scheme for the cost of insuring these members' death-in-service benefits.

Given the strong funding position revealed by the valuation, the Trustee agreed that the DB Plans' administration expenses will be paid from the Scheme's surplus assets going forward. This will be reviewed on an annual basis and if the funding level on the ongoing basis falls below 105% at 30 September in any year, the Company will pay these expenses in the following year.

The Company's contributions will be reviewed more fully as part of the next valuation, which is due to take place at 31 December 2022.

The DB Plans have never paid any money to the Company.

The Pensions Regulator

The Pensions Regulator is the watchdog for the UK's workplace pension schemes. It has several powers that include:

- directing how a scheme's funding target is worked out;
- asking for a particular level of contributions to be paid; and
- changing the way future benefits build up.

The Regulator has never used any of these powers on the DB Plans.

Learn more about the Regulator online:

www.thepensionsregulator.gov.uk

Finding out more

If you want to know more about the DB Plans or your benefits, please check the member website first. The chances are that it will contain the details you are looking for.

www.myattpension.co.uk

If you cannot find the information you need on the website or would like to talk to someone about your benefits, please contact the Scheme administrators.

Email: attpensionscheme@capita.com

Phone: **0800 121 4704**

Or write to:

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