AT&T ISTEL Pension Plan

Report to members
2024

Judith Horton
Chair of the Trustees

From the Chair

Welcome to the latest edition of our 'Report to members'.

I'm pleased to confirm that the Plan continues to be well run and is in good shape. Inside you can find our usual updates on the Plan's finances, membership and investment – alongside a host of other information.

Strong funding position

We were pleased to note from our actuary's latest update that the Plan's funding position has remained steady over the year to 31 March 2024. In fact, the funding level is almost identical to last time, at 111%.

This means that the Plan has more than enough funds to pay the benefits due to members, and cover its running costs.

Staying alert

We have expanded our focus on security in this issue, looking at the subject from two points of view. First, we outline some of the steps you can take to keep your information and benefits safe online. Then, for the benefit of any deferred members who might consider transferring out their Plan benefits, we go through the safety checks we carry out before allowing the transfer to go ahead.

Looking ahead

We also aim to bring you right up-to-date with our news section including the latest pensions tax changes.

I hope you find this edition useful and interesting.

Judith Horton
Chair of the Trustees

Inside

Funding update

Every three years, the Plan undergoes a financial 'healthcheck' called a valuation. This is a lengthy, complex exercise which measures how the Plan's assets compare to its funding target – that is, its outgoings in benefits and costs. The Plan's actuary then uses the results to recommend any changes we need to make as to how we fund the Plan.

In the years between valuations, we receive less formal updates from the actuary to help us keep track of the Plan's position. This 'summary funding statement' sets out the latest figures available, at 31 March 2024.

	31 March 2022 (latest valuation)	**31 March 2023** (previous update)	**31 March 2024** (latest update)
The value of the funding target was estimated as	£527.3 million	£392.2 million	£370.0 million
The value of the assets was	£593.8 million	£433.6 million	£410.1 million
The surplus was	£66.5 million	£41.4 million	£40.1 million
This is equal to a funding level of	113%	111%	111%

Changes since the 2023 update

In the table, you can see these figures alongside those from last year's update, and from the last formal valuation at 31 March 2022.

Since last year's update, both the Plan's assets and the funding target have fallen in value. However, the Plan has remained at the same, healthy funding level of 111% over the year to 31 March 2024, although the surplus has also fallen slightly in monetary terms.

The main reason for the fall in asset and liability values is due to an increase in long-term interest rates.

Company support

A funding level above 100% means that the Plan currently has a 'surplus' – that is, its estimated assets should be more than enough to cover its outgoings. While this is the case, the Company is not required to make any contributions, but does meet some of the Plan's running costs.

If in future the assets fall below the funding target – bringing the funding level below 100% - the Plan would have a 'shortfall'. We would then agree with the Company the rate of extra contributions needed to pay to bring the Plan back up to full funding.

(One legal point we need to include: the Plan has not made any payments to the Company in the last 12 months.)

Solvency funding level

The figures we have shown up to this point are worked out assuming the Plan will continue into the future. This is called the 'ongoing' approach.

However, we are also legally required to work out the 'solvency' position of the Plan – that is, its funding level if the Plan was 'wound up' on the date of the valuation.

The solvency funding level is usually lower than the ongoing figure. This is because, when a pension scheme winds up, an insurance company usually takes the assets on and pays members' benefits. However, the assets do not go as far, because the insurers must take a fee for their services, and invest in more cautious funds – with lower returns – than the scheme trustees would have.

At 31 March 2024, the solvency funding level was 85%, higher than it was at the valuation date (77%).

Please note – while we have to include the solvency funding level in this update, it does not mean the Company intends to wind-up the Plan.

The Guarantee – a change

We had previously agreed a Guarantee with AT&T Corp. in January 2024, the Trustees were informed of a proposal to restructure the AT&T group of companies. The Trustees subsequently agreed a new guarantee on materially the same basis as the old guarantee but provided by AT&T DW Holdings, Inc with effect from 1 May 2024. The Trustees received advice from its advisors that the change in Guarantor would not be to the detriment of the Plan.

As a reminder, the Guarantee gives the Plan some extra security. If the Plan did wind up without enough assets to pay all the benefits due to members at the time, the Company would have to top up its funds accordingly. The Guarantee also allows the following:

- We can call on the parent company AT&T DW Holdings to cover the cost of winding-up, if neither AT&T ISTEL nor AGNS UK could do so (plus an additional 10%);
- If AT&T DW Holdings' assets were to fall significantly, we can ask it to make up the shortfall in the Plan's funding (if any).
- We can also ask for similar help through the Guarantee in the unlikely event that the Company could not pay its ongoing contributions to the Plan.

Your benefits and keeping them safe

Transferring your benefits – a reminder and a warning

If you are a deferred member, you have the option of transferring the value of some or all of your benefits to another approved pension arrangement. In some cases, the options available following a transfer might be better suited to your particular circumstances (for example, depending on your marital status or health). These options fall into three main categories:

- You could buy a different kind of pension to that provided by the Plan, for example you could choose to have a much higher pension initially but with no further increases after retirement;
- You could invest the transfer value with the option to withdraw regular amounts from the fund each year (known as "drawdown");
- You could take your transfer value as a lump sum or a series of lump sums over time.

It will not be in everyone's interest to transfer their benefits out of the Plan. In some cases you could be significantly worse off by transferring out. If you are considering this option, an independent financial adviser can help you understand your options. In most cases, there is a legal requirement to take independent financial advice before you can transfer out of the Plan.

Scammers are also active in this area, which means you may receive fraudulent messages or offers encouraging you to make a transfer. Some of these may even be designed to look like a sender you know or trust – such as your bank, or even the Plan itself.

Certain features often crop up in scam messages that you can look out for yourself – for example: encouragement to make a quick decision, exaggerated language ("an offer you can't refuse", "once-in-a-lifetime opportunity"), a guarantee of 'no-risk' investing or an option to release your pension savings early.

However, when any member requests a transfer, we are also required to carry out checks to satisfy ourselves there is nothing suspicious about the offer or arrangement. The guidance sets out some danger signs to look out for, which it splits into 'red' and 'amber' flags.

Examples of red flags include pressure to act quickly, or the offer of an incentive to make the transfer. If there are any red flags, we must stop the transfer going ahead.

Amber flags, on the other hand, include several warning signs about investing – for example, the charges seem too high or the range of funds available is unclear or unusual in any way. If we note any amber flags, the member must have a guidance session with MoneyHelper (see page 7) before they can continue with the transfer.

Online security

In each issue, we make some space to stress the importance of staying alert for any attempts by scammers to get hold of your benefits or personal details.

It is particularly important to be vigilant online. Modern technology allows us to carry out so many financial tasks on the internet – from managing our bank accounts to ordering our shopping and paying our bills – and the time we spent in lockdown meant that this has become routine for more and more people.

While online fraud remains a constant issue, there are actions you can take to make your money and information as safe as possible. Here is a reminder of some of the guidance issued by the National Cyber Security Centre.

Use strong passwords.	Try to avoid passwords that obviously link to you, such as family names or important dates. The guidance suggests choosing a phrase of 'three random words' – that you will remember, but would be hard for others to guess. It is especially important to protect your emails in this way, as a scammer would use them to find lots of other information about your other online activity (banking or retail accounts, for example).
Store your passwords securely.	You should be able to keep your passwords in a protected area of your browser. This can help you keep them secure if you are worried about remembering them and writing them down or saving them elsewhere.
Use 'two-step (or two-factor).	You may already be familiar with this from logging on to websites or making certain transactions – it is when you prove your identity through receiving details on another device – such as keying in an extra code the website sends to your phone.
Update your devices when prompted.	Make sure you accept the updates that come round for your computer, phone or any other devices – they will usually include protection against the latest viruses.
Back up your information.	Use any back-up facility available to you – the cloud, for example – if possible: then, if a scammer damages or hacks into your device, you will not lose your details for good.

More guidance can be found on the Plan website: **https://www.att-istelpension.co.uk** and on the Cyber Aware website: **www.ncsc.gov.uk/cyberaware**

News round-up

Lump sum allowances

In last year's issue, we reported on the changes to the HM Revenue & Customs tax allowances following the 2023 Spring Budget.

You may recall that the lifetime allowance was the amount of overall pension benefits you could build up in total from all the schemes you belonged to (apart from the State) before paying an extra tax charge on any excess.

The Spring Budget abolished this extra charge from 6 April 2023. The lifetime allowance itself was discontinued from 6 April 2024 – but two new tax allowances apply in its place.

Lump sum allowance	This is the total amount of tax-free cash you can take when you retire and is currently £268,275. (In line with the rule already in place that tax-free cash was limited to 25% of the lifetime allowance, this figure is 25% of the final lifetime allowance value, £1,073,100.)
Lump sum and death benefit allowance	This is the total amount of tax-free cash payable from your Plan benefits, taking together any tax-free cash you receive when you retire, plus any lump sum benefits your beneficiaries you receive following your death. (This allowance is the same as the final lifetime allowance value of £1,073,100.)

There have been no changes to the annual allowance since our last issue. (As you can no longer build up benefits in the AT&T ISTEL Pension Plan, this is only relevant if you are building up benefits in another pension arrangement.)

Autumn Budget update

In the recent Budget, the Chancellor announced one key upcoming change affecting pensions. From 6 April 2027, inheritance tax will apply to certain pension benefits. We expect this will only apply to lump sums paid from AVC benefits, or if a member dies within 5 years of retirement. We do not expect it to affect pensions payable from the Plan following a member's death. (Pensions and lump sums payable from other arrangements following a member's death may become subject to inheritance tax.)

However, the Government is yet to provide full details. It will be carrying out a consultation on the change, and how it will work in practice, before going ahead.

New Regulator guidance

The Pensions Regulator – the 'watchdog' body that oversees company pension schemes in the UK – has recently issued new codes of practice for trustees to follow when managing their schemes. There are two sets of guidelines.

The General Code	This new guidance brings together in one place 10 existing codes of practice that were previously separate. The topics it covers include: • Pension knowledge and understanding; • Funding and investment; • Risk management; • Keeping members informed; and • Working with advisers The Code aims to provide a comprehensive source of information to support trustees in meeting the standards the Regulator expects in all areas of running a scheme. We have gone through the Code to make sure our approaches to all these areas are in line with the new guidelines.
The DB Funding Code	The Regulator has also issued extra guidance for trustees running 'defined benefit' schemes (like ours), with even more focus on planning and funding matters. For example, it looks at how 'mature' schemes can manage their investments to rely less on company contributions – something we have been able to do in recent years (see 'Funding update').

Guaranteed Minimum Pension update

In previous issues, we have been keeping you up-to-date on two reviews we have been carrying out involving GMPs.

GMP rectification was a check to make sure our GMP records agreed with those held by HM Revenue & Customs' (HMRC). This exercise is now complete – unless you have already received details from us, we do not need to adjust your benefits as a result of this check.

GMP equalisation involves looking at any pension you built up between 17 May 1990 (a date set by reference to a previous court ruling) and 5 April 1997 (when GMPs were discontinued) and comparing it with the amount a person of the opposite sex would have built up in the same circumstances. If that opposite sex pension is higher, then your pension would need to be increased to that level. Bear in mind that any increase is likely to be small (as GMP is not a large part of most members' benefits) however, no-one's benefits will go down as a result of this review. We are currently aiming to complete this exercise in 2025. We will contact those members whose benefits need to be increased as a result of the unequal GMP.

Facts and figures

Here are the headlines from the Plan's annual report and accounts for the year to 31 March 2024. If you would like to see a copy of the full document, please ask Capita – their contact details are at the back of this issue.

Accounts overview

This table gives a summary of the full accounts, which have been audited and approved by PricewaterhouseCoopers LLP.

	31 March 2023 £000	**31 March 2023 £000**
Outgoings		
Pensions	14,211	13,155
Cash sums on retirement	3,186	2,658
Lump sum death benefits	36	208
Income drawdown	14	-
Transfers out	198	549
Administrative fees and other expenses	160	1
Investment management fees	1,402	1,332
Total	**19,207**	**17,903**
Opening value of fund	**437,066**	**598,767**
Take away what went out	-19,207	-17,903
Change in the value of the Plan's investments	-4,868	-143,798
Closing value of fund	**412,991**	**437,066**

Plan profile

At 31 March 2024, the Plan had 1,738 members in total – as follows:

	31 March 2024	**31 March 2023**
Pensioners – those drawing a pension from the Plan (including the dependants of members who have died)	1,048	1,004
Deferred members – who may or may not still be working for the Company, and have benefits in the Plan to take at retirement	690	745
Total	**1,738**	**1,749**

As the Plan is now closed, there are no longer any 'active' members building up further benefits.

Investment

Asset spread

In last year's issue, we reported on our most recent investment strategy review. We decided to keep 'de-risking' the Plan – that is, to invest further in relatively stable funds that will 'protect' the value of the assets, rather than 'growth' funds which aim for high returns but carry significantly more risk of falling in value.

This approach makes sense for our scheme as it 'matures'. (A 'mature' scheme has higher outgoings than income, typically because it is paying out more in benefits than it receives from investment returns and, if appropriate, contributions.)

Transferring the assets is an ongoing activity so, like last year, the asset spread table captures a moment in time during this process. We have managed to carry out almost all of the changes we intended to make. However, we are still working to sell our remaining property investments: this can take some time (this is why you may have seen property described as an 'illiquid' investment).

Manager	Type of investment	Actual split at 31 March 2024
Insight	**Liability-driven investments** Investments that change in value in the same way as the benefits the Plan must pay.	62.0%
Insight	**Absolute return bond fund** Fund that uses a mixture of credit investments such as company bonds to target a particular level of growth.	5.6%
AIL	**Global unconstrained equities** Investments in company shares around the world. The manager has the freedom to invest wherever they think they will get good returns.	7.1%
Blackrock **Blackstone**	**Absolute return funds** Funds that use a mixture of investments to target a particular level of growth.	10.6%
Lendlease Retail **FRXL Co-Investment**	**UK and European property funds** Commercial property – shops, offices and warehouses – rather than homes.	0.1%
IRE	**Property debt** Investment in property loans with regular payments with interest.	6.8%
M&G	**Multi-asset credit**	7.8%
Not applicable	**Cash**	-

Investment returns

You may recall that last year, the Plan's performance figures reflected the economic turmoil of early 2023. The longer-term view – over the last three years – still shows the effect of that period, but returns over the last year – while negative – are far less severe.

It is also worth noting that the Plan has still consistently performed better than its benchmark returns. Benchmarks are based on the average performance of a particular market, which is why they are sometimes negative. So, they are not so much a 'target', as a measurement of how well a type of fund might be expected to perform in current market conditions.

	Over one year to 31 March 2024	Over three years to 31 March 2024
Investment return	-3.6%	-10.9% a year
Benchmark	-3.9%	-12.5% a year

Help and support

The Plan's normal retirement age is 60. If you are aged 60 or over and have not retired yet, further information on your benefits and your retirement options can be accessed on the member website:
https://portal.hartlinkonline.co.uk/atandtistel
or by contacting the Plan administrators (contact details on page 8).

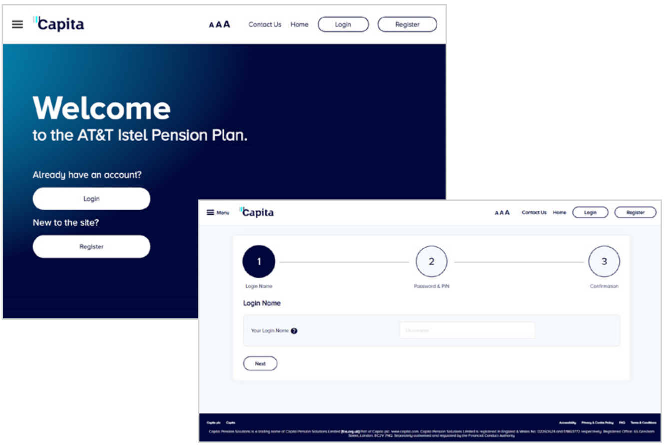
Member website

Remember that you can find information about your personal Plan benefits any time at your convenience on the member website.

Pensioners	You can view and download your monthly pension payslips and see your P60 history.
Deferred members	You can check the latest value of your pension.

You can also use the contact page if you want to get in touch with the Plan administrator.

https://portal.hartlinkonline.co.uk/atandtistel



Please note that if you only need general information about the Plan (rather than details personal to you), you can find these at The Pensions Directory:

https://www.att-istelpension.co.uk

MoneyHelper

The Government set up the Money and Pension Service, or 'MaPS', to bring together its separate financial support organisations into one central body. MaPS's consumer website is called MoneyHelper.

As well as guidance on pensions and planning for retirement, MoneyHelper also contains a wider range of financial information in areas including mortgages and loans, saving and budgeting, as well as insurance and debt management.

www.moneyhelper.org.uk

Government websites

The Government has set up a website called 'Your pension', which acts as a digest for its most useful guidance for pensions and retirement planning.

You can find:

- Links to more in-depth information and features on the main Government website;
- Helpful checklists and resources, such as the 'Midlife MOT', which highlights ways to plan for the future once you reach age 45 and beyond.

https://www.yourpension.gov.uk

If you want to find more information about the full range of State benefits available, explore the full Government website at

https://www.gov.uk

Retirement Living Standards

If you are still planning for retirement, it is important to identify if there is a 'savings gap' between the pension you are due to receive and the income you think you will need in retirement.

The 'Retirement Living Standards' website makes this easier, by matching example income levels to different retirement 'lifestyles', then breaking these amounts down into familiar everyday costs.

The lifestyles it illustrates are 'minimum', 'moderate' and 'comfortable'. For each of these, it suggests a total income, which it then splits into different expenses, such as an annual holiday, running your car, or the weekly shop. This allows you to see which of the lifestyle you might be currently heading for, and steps you could take to 'move up' to a higher level, if appropriate.

The research behind the figures is ongoing, and it is worth looking at the website regularly as it changes the income levels from time to time to reflect the cost of living.

https://www.retirementlivingstandards.org.uk

Running the Plan

Trustees and advisers

Last year's Trustee board remains in place, with no changes, at 31 March 2024:

Company-appointed	**Member-nominated**
Judith Horton (Chair)	Dave Lyons
Paul Brazier	Allan Macfarlane
Maurice Gale	Shirley Young
Roger Paul	
Gary Pugh	

As Trustees, we are responsible for having an overall knowledge and awareness of pension and investment matters, so that we can safeguard members' best interests and run the Plan effectively. We appoint specialist advisers to carry out certain tasks where particular expertise is needed. Our adviser line-up, on the right, has also remained the same since the last issue, apart from some investment manager changes reflecting our new strategy (see page 6).

Actuary	**John Sydenham, Aon**
Administrator	**Capita Pensions Solutions**
Auditors	**PricewaterhouseCoopers LLP**
AVC providers	**Utmost Life and Pensions** **Zurich Assurance Limited**
Bankers	**National Westminster Bank PLC**
Custodian	**Northern Trust**
Investment adviser	**Aon**
Invesco Real Estate (IRE)	**Aon Investments Limited** **BlackRock Alternative Advisers** **Blackstone Alternative Asset Management L.P.** **FRXL Co-Investment GP 2 Limited** **Invesco Real Estate (IRE)** **Insight Investment Management Limited** **Lendlease Retail LP (Jersey) Unit Trust** **M&G Investment Management Limited** **Robeco Institutional Asset Management**
Legal advisers	**Burges Salmon LLP**

Getting in touch

As well as contacting Capita, the Plan administrator, through the member website (**https://portal.hartlinkonline.co.uk/atandtistel**), you can reach them using any of the alternative ways below.

Telephone: **01227 774621**

Or, write to:

Capita Pensions Solutions
PO Box 555
Stead House
Darlington
DL1 9YT

Changes to your details

Please let Capita know if any of your personal details change. It is especially important for you to tell us if:

- You move house, or any of your other contact details change;
- Your marital status changes (that is, you marry, divorce, or start or end a civil partnership);
- You have a child;
- You lose a close member of your family (or anyone else you may have wanted to receive Plan benefits following your death).

Please also note that if any of the above apply to you, it may also mean you want or need to change the names on your 'expression of wish' form. (Despite the recent Budget announcement, we will still rely on these forms to help us decide who to pay any benefits.)

Remember that you need to complete a form for each AT&T pension scheme you are due benefits from (for example, the 2001 Plan). Please contact Capita to make any updates.

If you need this newsletter in a different format, the following versions are available:

- LARGE PRINT (in a number of different type sizes);
- Braille;
- Electronic (for use with screen readers).

Just ask Capita and they will arrange for you to receive your preferred version.

SB8959