AT&T ISTEL Pension Plan

Report to members

2022

From the Chair

Welcome to the new issue of our 'Report to members'.

In spite of ongoing world events – and their impact on the economy, our lives and the way we work – I am pleased to say that the Trustee board, along with the administrators and all the Plan's advisers, have stayed in 'business as usual' mode over the past year. We are keenly aware of increases in the cost of living, that COVID-19 has not gone away, and that the conflict in Ukraine has only added to the uncertain economic conditions.

Judith Horton
Chair of the Trustees

Latest position

Fortunately, we can report that the conflict should have very little direct impact on the Plan, with less than 0.1% of our total investments in Russia or Ukraine. In terms of the overall Plan funding position – we are currently working on the latest valuation of the Plan. As you may recall, this is the full 'health check' of the Plan that takes place every three years (with less formal updates in between).

This means there is no summary funding statement in this issue. However, initial information shows that the Plan is still in surplus. We will confirm exact figures once the valuation is complete.

Recent events

We cannot, of course, ignore the effects of the 'mini-budget', announced by the government in September 2022 with the impact on pension schemes making the front pages. The announcement temporarily led to gilts – one of the most stable assets used by pension schemes – becoming volatile, to the extent that the Bank of England intervened. Most schemes, like ours, were able to take steps quickly to re-balance their assets. But as Trustees we plan for the long-term all the time. We constantly review, and if necessary, change our approaches to funding and investment if need be. We will continue to do the same here.

Also in this edition...

We take a look at the impact high inflation may have on you, especially if you are close to the HM Revenue & Customs tax allowances. We maintain our focus on guarding against pension scams, with some tips this year from the Cyber Aware website about protecting your online information.

We are also pleased to announce the new Plan website set up by Capita, which lets you view the latest information about your benefits, and contains an easy-to-use facility to send any queries.

You can also find more news, alongside our usual round-up of Plan facts and figures.

I hope you find the report interesting and enjoyable.

Judith Horton
Chair of the Trustees

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Member website

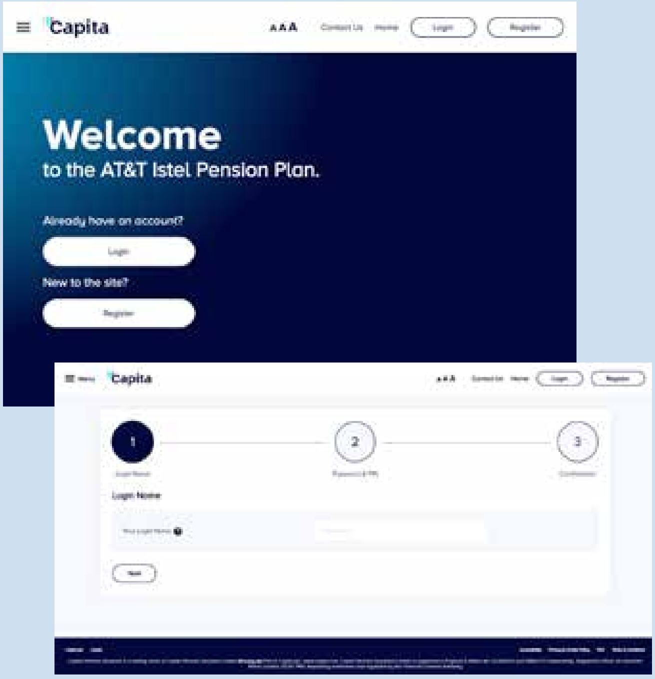
The Plan's administrator, Capita, has developed an online portal which aims to ensure you can understand, appreciate and take control of your pension in the easiest ways possible.

- **For pensioners:** monthly payslips and P60s are available to view and download.
- **For deferred members:** you can view your deferred pension.

You can use the 'contact us' page to send Capita any queries – and they will reply to you on the site so you can track the whole conversation.

Your details are fully protected by the site's online-banking-style security features.

Please register as soon as possible, then explore the site at **https://portal.hartlinkonline.co.uk/atandtistel**.



News bulletin

High inflation

While this newsletter mostly focuses on the year under review, to 31 March 2022, there are of course occasions when we need to make reference to more recent events. As we prepare this issue, inflation is currently higher than it has been for some time, as the media focuses on the increasing cost of living.

We hope you are all managing in the current climate and would urge you to explore MoneyHelper (see page 7) if you have any questions or need guidance about your finances – it isn't just for pensions.

But as Trustees, our focus is on your pension benefits. There are a few points linked to high inflation we think it is worth drawing to your attention.

Increases to benefits

The Plan rules and UK pension law provide for your pension to increase over time to help protect its value against inflation. However, these increases do not provide an exact match against inflation.

Each member's pension is made up of different elements which increase in different ways. This is a common approach in UK workplace pension schemes like ours. For example:

- Different rates of increases apply before and after retirement.
- Some elements of pension increase at a fixed rate each year.
- Some elements increase in line with inflation, and are often subject to a maximum limit and/or a minimum increase each year. Different measures of inflation may also be used.
- Some elements do not increase at all.

While inflation is very high, pensioners in particular are likely to receive increases each year in line with the Plan's maximum limits (for example 3% or 5%) on most elements of their pension, which will be less than the actual level of inflation.

As Trustees, the Plan rules require us to review the level of pension increases granted to pensioners each year. In certain circumstances we (after discussion with the Company) may be able to grant an additional "discretionary" increase over any increase that is required to be given under the Rules. The Trustees (and Company) consider this discretion carefully each year in light of the circumstances at the time and with the benefit of professional advice from the Plan's advisers. The level of inflation is one factor that would be considered, but it is important to note that high inflation would not automatically result in a discretionary increase, and if an increase is granted it would not necessarily be in line with a particular inflation measure. The decision to give a discretionary increase in a particular year does not mean that a similar decision will be made in another year. If you are a pensioner, you will receive confirmation of your pension increase in March 2023.

Historically, inflation has risen and fallen over time. The Bank of England's current estimates are that the very high levels of inflation we are seeing now will be temporary and that inflation will return to more recently typical levels in the future. However, no one knows what levels of inflation there will be in the future.

Annual and lifetime allowances

HM Revenue & Customs has two allowances that apply to the retirement benefits you can build up before paying tax charges on them: the lifetime allowance (for your benefits over your whole working life) and the annual allowance (for the increase in your benefits in each tax year). They apply to all your retirement benefits from all sources apart from the State pension – not just those from our Plan.

While the allowances are generally aimed at high earners, there are certain situations which may cause more people than usual to be 'caught' – and currently, high inflation could be one of them.

In particular, the lifetime allowance is currently frozen at £1,073,100 until at least 2026. However, your deferred pension receives increases every year that are linked to inflation (up to a limit). So, if you were managing your benefits to be close to, but still under, the lifetime allowance, you might find you are starting to reach or exceed this allowance.

If you are currently paying into the AT&T 2001 Plan, another employer's scheme or personal pension elsewhere, your contributions are likely to be a percentage of your earnings. If you have received salary increases to give your pay some protection against inflation, this may mean your pension contributions have increased as well. This could impact your position against the annual, as well as the lifetime allowance.

Tax for pensioners

The personal allowance – the amount where you start paying income tax – is also currently frozen at £12,570. This could have an impact on pensioners in particular: if you are under, but close to, the personal allowance at the moment, a relatively high pension increase (including on state pensions) could push you into the basic tax band and you would start paying 20% tax on the part of your pension over the personal allowance.

Please take financial advice if you think the allowances might affect you and you need guidance on what actions you can take.

Stay safe online

In our last article about pension scams, we started looking at 'cyber-crime' – in particular, the warning signs you can look out for to see if an offer you've received, especially by email, is in fact a scam.

This time, we want to draw your attention to some steps you can take to protect your information. Even before the pandemic, we were able to carry out so many day-to-day activities online – from the weekly shop to managing our bank accounts, from watching the latest films to keeping in touch with families and friends. Lockdown only increased that activity, and with it the efforts of scammers, looking for ways to access people's details, and – ultimately – their money.

The 'Cyber Aware' website, set up by the Government's National Cyber Security Centre, recommends six steps that will help increase your online security. Here is a brief summary of those steps:

- **Create a strong, unique password for your emails.** Strong passwords are a good idea for all your online accounts, but it is important to make sure your email one is different from all others. If scammers get into your emails, it often means they can get further into your online information by using the 'forgotten password' option.
- **Choose three unconnected words for your password.** If the words are random, rather than a phrase, they are much harder to guess or work out.
- **Store your passwords in your browser (for example, Chrome or Edge).** This is a secure way to get access to them quickly.
- **Use two-factor authentication ('2FA').** This adds an extra step asking for more details before accessing your account (for example, sending a code in a text to your phone).
- **Keep your software systems up to date.** Those alerts for updating your phone or tablet can be irritating, but the update will often contain the latest protection against viruses or hackers, so always download it when you can.
- **Back-up your information.** Use another device, or the Cloud if your provider offers it, so that you can get your details back even if you are scammed.

Find more details at **www.ncsc.gov.uk/cyberaware**.

Don't forget – if you think you have been a victim of a pension scam, it may not be too late to take action. Call the administrators (see page 8) in case they can stop any fund transfer, and report the scam to Action Fraud at **www.actionfraud.police,uk**.

New trustee powers

On the subject of pension scams, recent rule changes have given trustees of pension schemes new powers to help protect members who might fall victim to fraud when transferring out benefits.

The new rules feature a series of amber and red flags – in other words, a list of warning signs – that we must check for before approving a transfer request. If we find anything suspicious, we can either:

- put the transfer on hold and ask you to seek guidance – free of charge – from MoneyHelper first (see page 7).
- block the transfer altogether.

If you request a transfer quotation, the information pack we send you will include more details about these powers.

Responsible investing: new reporting rules

In last year's issue, we mentioned the increasing importance of responsible investing, and how we take 'ESG' issues into account when considering our investment approach.

To re-cap – '**ESG**' stands for:

- **Environmental:** the impact companies we invest in – and the way they do business – have on the environment, and in turn, the effect climate change has on business.
- **Social:** how these organisations treat their employees, serve their customers and benefit their local communities and regions (or not).
- **Governance:** how well the companies and their assets are managed.

The Government has now introduced more formal requirements for schemes to report on this, focusing in particular on how schemes address the risks and opportunities linked to climate change. Among the risks are those you might expect, such as the dangers of extreme weather to people, communities and businesses, while the opportunities include investing in companies that support sustainable operations – for example, clean power.

The new reporting rules are part of a global campaign to raise climate change awareness among investors in general. They are drawn from recommendations by the Task Force on Climate-Related Financial Disclosures ('TCFD') – a joint body uniting 31 countries which aims to improve the information available about how climate change affects the financial world. The Plan is not large enough to be required to report against these requirements, but they are expected to be extended to smaller schemes in future.

Find out more about the TCFD at **www.fsb-tcfd.org**.

Minimum pension age

As a reminder – the Government has announced that the minimum pension age will go up from 55 to 57 from April 2028. This is the earliest age that you can normally draw retirement benefits in good health (the minimum age does not apply if you need to stop work through illness).

The Government is currently aiming to keep the minimum retirement age about 10 years below the State pension age (when your State pension becomes payable) – accordingly, this is increasing to 67 by 2028.

Please remember to take the new minimum age into account if you are planning on retiring early in the next few years. Please take financial advice if you need help with any retirement decisions (see page 7).

Guaranteed Minimum Pension update

In last year's issue, we explained that we are currently carrying out two reviews involving GMPs.

GMP rectification is a process of checking our GMP records against those held by HM Revenue & Customs' (HMRC) to make sure they agree. We hope to complete this exercise in early 2023 and will contact any members whose benefits need adjusting.

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. At this stage, we can't say when this exercise will be completed, but if we need to increase your benefits as a result of the unequal GMP, we will let you know.

Plan snapshot

In the accounts

The information in this section is based on headline figures from the Plan's formal Report and Accounts for the year to 31 March 2022. This document includes the full Plan accounts, audited by PricewaterhouseCoopers LLP – contact Capita using the details at the back, if you want to see a copy.

	31 March 2022 £000	31 March 2021 £000
Outgoings		
Pensions	12,236	11,577
Cash sums on retirement	1,956	3,576
Lump sum death benefits	1	-
Transfers out	5,159	4,442
Administrative fees and other expenses	15	340
Investment management fees	1,937	2,585
Total	**21,304**	**22,520**
Opening value of fund	**622,567**	**629,209**
Take away what went out	-21,304	-22,520
Change in the value of the Plan's investments	-2,496	+15,878
Closing value of fund	**598,767**	**622,567**

Membership

At 31 March 2022, the Plan had **1,761** members in total. This figure includes:

- pensioners - drawing a pension from the Plan (including the dependants of members who have died), and
- deferred members – who may or may not still be working for the Company, and have benefits in the Plan to take at retirement.

	31 March 2022	31 March 2021
Pensioners	949	911
Deferred members	812	868
Total	**1,761**	**1,779**

Investment update

Our investment strategy remains broadly the same as last year. As the Plan no longer has members actively building up more benefits – everyone is a deferred member or a pensioner – we must invest increasingly to protect the Plan's assets than grow them further. This is why just over half the Fund was in 'liability-driven investments' at 31 March 2022, with the rest in a wide range of funds. Spreading the Fund in this way ('diversification') helps to manage risk – if one type of fund (or region, or manager) performs poorly, it need not affect the remainder.

This table shows the full asset spread at 31 March 2022. (Please note – the buy-in with Canada Life is in addition to these investments.)

Manager	Type of investment	Actual split at 31 March 2022
Insight	**Liability-driven investments** Investments that change in value in the same way as the benefits the Plan must pay.	51.4%
Insight	**Absolute return bond fund** Fund that uses a mixture of credit investments such as company bonds to target a particular level of growth.	5.4%
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.	17.6%
Blackrock **Blackstone**	**Absolute return funds** Funds that use a mixture of investments to target a particular level of growth.	11.9%
Blackrock **Ruffer**	**Diversified growth funds** Funds that use a mixture of investments to target a similar level of growth to shares, but at a lower risk of short-term falls in value.	7.8%
CBREGI	**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.	5.8%

Performance

This table shows the Fund returns over the previous year, alongside a longer-term measure showing the average return over the past three years. The 'benchmark' figures are like targets, but linked to average market performance – so depending on economic conditions, they might be low (or sometimes negative) to give a realistic picture.

	Over one year to 31 March 2022	Over three years to 31 March 2022
Investment return	0.2%	3.8% a year
Benchmark	1.1%	4.1% a year

Keep us in the loop

It is important you contact Capita if any of your personal details change. If our records go out of date, it may cause a problem later on when we need to get in touch with you, or it's time to start paying your benefits. Please tell us if you:

- marry or divorce (an opposite or same sex partner), or start or end a civil partnership;
- become a parent;
- change your address; or
- suffer a loss.

Some of the above changes may also affect who you name on your 'expression of wish' form. As you may recall, this is the form you use to tell us who you would like to receive the benefits payable from the Plan after your death.

Please check the nominees on your form regularly, to make sure it is still in line with your actual wishes.

If you need a new form, please contact Capita. Please remember that if you have benefits in any other AT&T pension scheme (like the 2001 Plan), you need a separate form.

If you want to know more about the steps we take to protect your details, you can find our privacy notice on the Plan website, together with the Plan's other official documents. These include the latest versions of the Chair's statement and the Implementation statement. The website is:

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

Available to all

If you need to read this newsletter in a different way, we offer the following versions:

- 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.

Help online

MoneyHelper

MoneyHelper is the consumer website set up by the Money and Pension Service (or 'MaPS').

MaPS was originally created to bring together three separate organisations: the Pension Advisory Service, Pension Wise and the Money Advice Service. As a result, MoneyHelper acts as a 'one-stop' portal featuring guidance and support in all areas of finance: you can read about saving and budgeting, clearing debt, mortgages and loans, insurance alongside pensions and retirement planning.

The key 'Pension Wise' service – making a free session available to over-50s, to discuss their retirement options with an expert – is still available through MoneyHelper.

www.moneyhelper.org.uk

Retirement Living Standards

This website aims to make it easier for you to understand the level of income you might want or need when you retire. In turn, you can check that you are building up enough pension and decide whether or not you need to save more.

Based on research, the website looks at three levels of income – Minimum, Moderate and Comfortable – and breaks them down into goods and services that you use and consume routinely in 'real life'. For example, the section for each income level outlines what kind of holiday you could have each year, or the size of weekly shop you could afford.

The figures on the website update from time to time, so take a look, and check back occasionally to see which lifestyle you are on track for in retirement.

https://www.retirementlivingstandards.org.uk

Retirement planning

This is a Government mini-website (which used to be called 'Get to Know Your Pension') that takes you through some key points about retirement benefits and the information you need to gather along the way.

It is a more manageable size than the full Government benefits website (GOV.UK), but provides links there, as well as to MoneyHelper, where useful. It also contains some interesting features, like the 'midlife MOT', which aim to help with your mid-to-late-career planning.

https://www.yourpension.gov.uk

Behind the scenes

Trustee board

There have been no changes since our last issue, so the board at 31 March 2022 remains the same:

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

As Trustees, we need to have a broad enough understanding of pensions and investment, so that we can manage the Plan correctly and efficiently, in the best interests of its members. We top up this knowledge with training when necessary so that we keep abreast of any developments which might affect our funding and investment approaches.

However, in areas where specialist expertise is needed, we appoint the following professional advisers to support us.

Advisers

Actuary	John Sydenham, Aon
Auditors	PricewaterhouseCoopers LLP
AVC providers	Utmost Life and Pensions Zurich Assurance Limited
Bankers	National Westminster Bank PLC
Custodian	Northern Trust
Investment adviser	Aon
Investment managers	Aon Investments Limited BlackRock Alternative Advisers BlackRock Investment Management (UK) Limited Blackstone Partners Offshore Sterling Fund Limited CBRE Global Investors Limited Invesco Real Estate (IRE) (formerly GAM International Management Limited) Insight Investment Management Ruffer LLP
Legal advisers	Burges Salmon LLP

Administrators

Here are the contact details for Capita, our Plan administrators:

Email: **ATTISTELPension@capita.co.uk**

Telephone: **01227 774621**

Or, write to:
Capita Pension Solutions
PO Box 555
Stead House
Darlington
DL1 9YT

Please get in touch if:

- you need to update any of your personal details (see 'Keep us in the loop' on page 7); or
- you have a query about something in this issue, the Plan, or your benefits.

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