BT Pension Scheme

Thank you for your letter of 19 October about various issues relating to the BT Pension Scheme (BTPS) and to the Crown guarantee given to the BTPS when BT was privatised in 1984.

As I am sure you know, I am responsible for the contingent liability represented by this guarantee, which would be triggered in the very unlikely circumstance of BT plc entering insolvent winding up. However, DCMS has no role in pensions legislation, nor in the operation of the Pensions Protection Fund (PPF).

With regard to your observations on the scope of the guarantee, in which you refer to the reply from Paul Spencer, Chair of the BTPS trustee company, my understanding is that they are accurate and accord with the 2010 High Court judgment and the subsequent appeal.

With regard to your specific points (1) and (2), DCMS does not take a view on the indexation of private sector pensions, since this is a matter for the sponsoring employer, provided the requirements of pensions legislation are met. It is worth noting that, as Mr Spencer describes, there are three sections to the BTPS: Section A for members who joined before 1971, Section B for members between 1971 and 1986 and Section C for those joining between 1986 to 2001 (when the scheme closed to new members). Members of sections A & B already have their benefits uprated by CPI so this case only affects Section C.
On your point (3), the Crown guarantee does not cover specific benefits. It covers the liabilities of BT plc to the pension scheme, at the point the company enters insolvent winding up. What those liabilities are is defined by the rules of the pension scheme, as interpreted by the courts, where this applies. I cannot comment on how the PPF might become involved in this scenario, but I note that the Court judgment established that there are just a few members who are not covered by the guarantee.

The BTPS is currently subject to its triennial actuarial valuation, as at the date of 30 June 2017. The results of this, together with plan for abolishing any deficit, agreed with BT plc, are unlikely to be available until around the New Year.

I can confirm that the intention of the Government is that the benefit of the Crown guarantee will be maintained for BTPS members who transfer from BT plc to Openreach Limited. After taking a power in the Digital Economy Act, DCMS is now drafting a statutory instrument (SI) to put this into effect. DCMS will shortly circulate the draft SI to BT, the BT Pension Scheme Trustee and the Pensions Regulator for consultation.

Rt Hon Karen Bradley MP
Secretary of State for Digital, Culture, Media and Sport