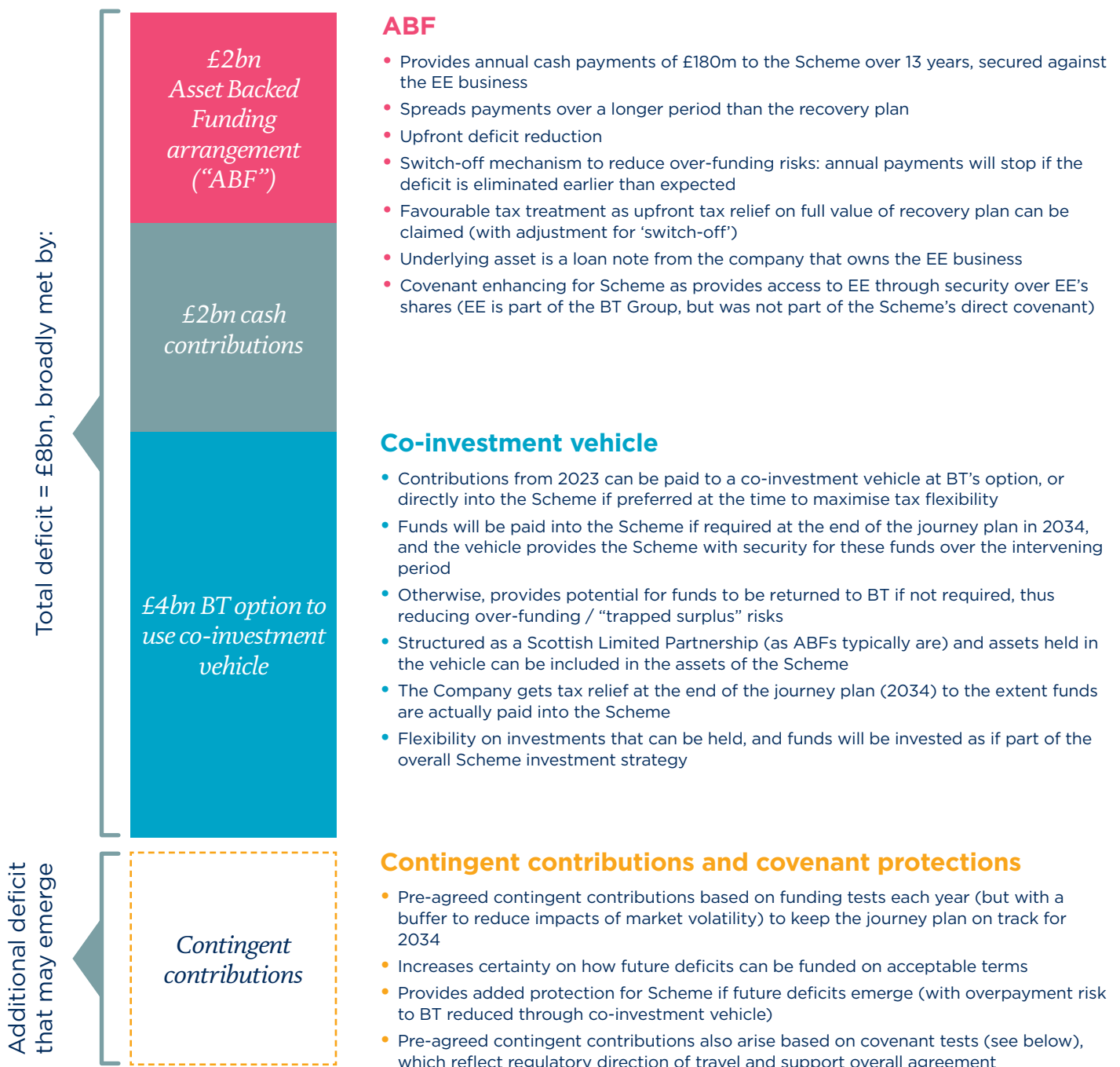


BT: combining contingent funding solutions to provide an attractive outcome for all stakeholders

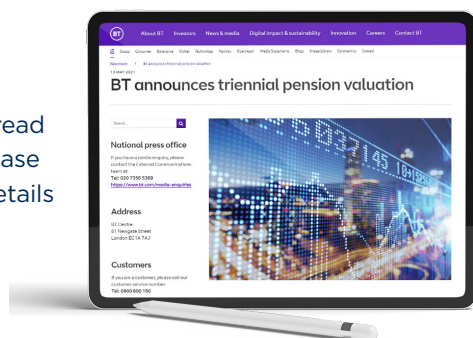
The BT Pension Scheme is one of the UK's largest defined benefit pension schemes with assets of £57bn at its most recent actuarial valuation. LCP has recently supported BT in connection with the Scheme's 2020 valuation in which a suite of contingent funding mechanisms have been put in place. These mechanisms provide benefits for both the Scheme and the Company. For the Scheme there is significant value provided over the next three years, and increased security as it progresses towards full funding and a low risk long term investment strategy. For the Company, it is able to spread some cash payments over a longer term than the recovery plan by providing security, which helps to free up resources so that it can invest in its business. There is also some protection against the risk of over-funding the Scheme.



Also in place are a number of covenant-based contingent funding mechanisms similar to those agreed as part of previous valuation discussions:

- There is a dividend link in place whereby additional contributions are paid to the Scheme if dividend growth exceeds a 10% annual threshold and the Company has also committed to consulting with the Trustee before any special dividends are paid
- Extra contributions to the Scheme are triggered if business disposal proceeds net of acquisitions are above a certain threshold, and BT has committed to consulting with the Trustee in connection with material acquisitions or any other corporate event that could have a material impact on the covenant
- BT has also committed to a negative pledge that it will not provide other creditors with security that would sit ahead of the Scheme. There's a £0.5bn threshold for this to trigger and business as usual financing arrangements are exempt from the commitment

[Click here](#) to read BT's press release with further details



[Click here](#) to read our contingent funding handbook



Whilst the BT Pension Scheme is much larger than most, similar approaches to contingent funding can be easily put in place regardless of scheme size. For example, LCP's [Streamlined Escrow](#) can achieve similar economics to the co-investment vehicle and we regularly advise trustees and employers of all scheme sizes as to appropriate contingent contribution and covenant protection frameworks.

Want to find out more?

If you would like further information, please visit our [contingent funding handbook](#) or contact your usual LCP adviser or one of the people below.



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At LCP, our experts provide clear, concise advice focused on your needs. We use innovative technology to give you real time insight & control. Our experts work in pensions, investment, insurance, energy and financial wellbeing.

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