

# BT Pension Deficit now up to £3.4bn

UK telecoms group BT have one of the UK's biggest pension schemes which has suffered from an ever-growing deficit since 2002. A recent three-year actuarial review of the scheme indicated that the pensions shortfall for the group has grown to £3.4bn.



Earlier this year BT said it was closing its 'defined benefit' pension scheme to new workers. The scheme gave workers a guaranteed pension based on their final salary, but many firms are now closing such schemes over concerns that they will simply cost too much to fund.

Now workers joining BT can only join a defined contribution scheme whereby retirees receive a cash sum with which to buy an annuity, but are not guaranteed a set level of income as before.

In September 2006, BT claimed a pension deficit of £2.8bn under the IAS19 accounting standard. However, the three-year actuarial review is regarded as the more definitive valuation.

The company has reached agreement with scheme trustees regarding a 10-year package of top-up payments into the pension fund. The extra money is needed because of the recent falls in equity markets and increased liabilities due to people generally living longer.

The first three years' payments will be made immediately, with the remainder spread across 7 payments through to 2015. However, if the investment fund does not perform as expected, they may need to make additional contributions. The standard employee contribution stays the same as before.