Part 1

THE EE PENSION SCHEME OUTLINED

WELCOME

Information on the EE Pension Scheme has been divided into two parts. This is part one of two and is an overview of the valuable benefits the pension scheme provides.

Read this part first, then part two (**page 19**), which looks at choices for investing your savings.

We've tried to make pensions easy for everyone to understand, but there are some technical terms that you may find unfamiliar. A **glossary** can be found at the end of part two.

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WHAT IS A PENSION?

Pensions help provide security in your retirement and are well worth considering as part of your financial plans.

However long you have until you retire you should act now to save and plan for your retirement – this will help ensure you have a regular income for what will probably be the longest holiday of your life!

There are lots of rules and regulations around pensions but the basic principles are easy. This booklet covers the basic information you need about the EE Pension Scheme. More information can be found on the pensions site on the intranet.

Key points to consider:

Start saving early even if your payments are relatively small. Your savings will have longer to grow and this can make a big difference.

Save as much as you can afford by paying Additional Voluntary Contributions which can increase the amount of money you will receive when you retire.

Careful investment of your savings gives your pension account the best opportunity to grow over the years to retirement.

HOW YOUR PENSION WORKS

You'll automatically be enrolled into the Scheme from the date you join the Company if you're aged 22 or over and paid through the Company payroll.

Joining

Membership of the Scheme is automatic if you're aged 22 or over. You'll be automatically enrolled into the Scheme from the date you join the Company or the first of the month following your 22nd birthday if later. (NB: If you joined the Company before 1 June 2013 and were not already an existing EE Pension scheme member on this date you will have been auto-enrolled into the Scheme from 1 June 2013 if you were 22 or over.) If you're aged under 22 you can join the Scheme voluntarily at any time through the Your Rewards site. You'll be enrolled into the Scheme on the minimum contribution rates. After the first month in the Scheme, you can change this through Your Rewards.

On joining you'll automatically be entered into the default investment option 'Do it for me' – Drawdown. After joining you can change investment options – **page 28** outlines the options available.

Leaving the Scheme

Once you've been entered into the Scheme, you'll be sent a welcome letter by the Scheme administrator confirming your logins to the Scottish Widows online member website. If you want to leave the pension Scheme, you can do this through the Your Rewards site. Your opt out will be effective from the 1st of the month following receipt of your instruction. See **page 12** for your leaving options.

Start date

Deductions are made from your pay in the month you join the Scheme and monthly thereafter.

How your pension works

1. You and the Company make payments into your account in the EE Pension Scheme.
2. The payments are invested into your chosen investment funds.
3. Your account should grow in value.*
4. On retirement, you can choose how to take your benefit.

* The value of your account can go down as well as up.

PAYING IN

When you join the EE Pension Scheme, money is paid into your account in two ways: from your pre-tax pay and from the Company. The money paid in by the Company makes your savings grow even faster.

Pensionable salary

The amount of money that comes from your pay and from the Company is based on a percentage of your pensionable salary. Your pensionable salary is your basic pay. Shift allowances, overtime and bonuses are not included. All the contributions paid to the Scheme are credited to your account set up for you by the EE Pension Scheme administrator. The administrator generally invests the money six days after receiving it from the Company. The Company currently sends the money on or around the 1st of the month following its deduction from your pay.

NICe payments

Once you've contributed to the Scheme for 30 days you will, from the 1st of the month following this, be eligible to be included in the NICe payment (National Insurance Exempt) pension option which is a salary sacrifice arrangement.

You'll be put into this arrangement automatically and it works by:

- you stop making your regular pension contributions into your pension account;
- the Company will increase its contribution by the exact amount you would normally have made;
- your contractual salary will be reduced by this amount. This will increase your take home pay each month because you will be paying less NICs;
- your salary before the NICe payments reduction will become your reference salary. Your reference salary will be used to calculate other salary related benefits such as salary increases, bonuses, any overtime etc.

You can opt out of NICe payments at any point through Your Rewards (which doesn't impact your pension scheme membership).

Further information on this can be found in the Salary Sacrifice Guide on Your Rewards.

Money from your pay

This table sets out the level of member contributions you can elect to pay and the additional contribution the Company will make at that level of contribution. From the 1st April 2019 when you first join the Scheme you'll be entered in on the minimum rates of 4% from your pensionable and 6% from the company. After this, you can choose how much you want to pay and the Company will pay a corresponding amount as shown in the table below. You can also pay AVCs but the Company will not match any AVCs you make. You can make any of these changes via the Your Rewards site.

Money from your pay	Pay from the Company
4%	6%
5%	7%
6%	8%
7%	9%

Tax benefits

Where contributions are not paid by NICe and are deducted from your pay, you receive full income tax relief up to the Annual Allowance (see **page 8** for more details).

Contributions paid by the Company via NICe result in a reduction to your taxable salary and therefore reduce the amount of your salary which is subject to income tax. However, you can't claim income tax relief based on these contributions as they are made by the Company and not by you.

Here is an example of how it works:

Jane is 30 years old and has pensionable pay of £15,000 per annum. Jane's payment rate into the Scheme is 4% of her pensionable pay.

Jane's pension account receives £125 per month, £75 from the Company and £50 from Jane, but Jane's take home pay is only reduced by £40 not the full £50, for a basic rate tax payer. This is because of the tax relief on Jane's own payments. The saving would be even greater for higher rate tax payers.

PAYING IN MORE

If you would like to pay more into your account, you can make Additional Voluntary Contributions.

Additional Voluntary Contributions (AVCs)

If you wish to save more than is shown in the table on **page 7**, you can make monthly or one off AVCs. AVCs are flexible and can be started and stopped at any time to suit your personal circumstances, through Your Rewards.

Increasing the amount you pay may be important if you are considering early retirement or if you started paying into a pension scheme later in your career and want to make up lost ground. You may also just wish to increase the amount of money in your account ready for when you retire.

Waiver arrangements

If you participate in one of the Company bonus schemes (excluding commissions), as an alternative to receiving any payment in the form of cash, the Company will allow you to waive some or all of any bonus payment which may be made so that it is paid directly into your pension account as an employer contribution. By waiving your right to receive a payment, the employer contribution made in lieu to the EE Pension Scheme is free from tax and National Insurance. This can be selected via the Your Rewards site.

Annual Allowance

The Annual Allowance varies between £4,000 and £40,000 and is personal to you. You can find out more about the Annual Allowance at the government's website.

You are allowed to make pension payments that attract tax relief of up to 100% of your gross taxable pay in each tax year. However, if the total value of the pension rights you build up in any tax year is more than the Annual Allowance, then the amount in excess of the Annual Allowance will be subject to income tax.

The amount of pension rights you build up in a tax year includes your own payments and the Company payments to our Scheme and any other Defined Contribution Scheme, plus any increase in the value of any final salary pension you may have. It does however exclude any investment returns earned on any Defined Contribution pension arrangement (e.g. your EE pension account). HM Revenue and Customs require an 'input period' to be declared over which contributions for your Annual Allowance are based. For the Scheme this will be in tax years and will be shown on your annual benefit statement each year.

You can make a maximum payment of 80% of total taxable pay via the payroll to the Scheme in any tax year (subject to this not exceeding the overall limits referred to above). If you wish to pay in excess of 80% you should contact the pensions team to discuss what special arrangements may be made. Any payments made over and above your regular payments will be treated as AVCs. If you exceed the set Annual Allowance in any tax year the amount in excess should be declared on your Self Assessment Tax Return and will be subject to income tax. Please note it is your responsibility to monitor your contributions against the Annual Allowance.

How do I make AVCs?

You can start, stop or change your AVCs through Your Rewards.

Tax relief on AVCs

AVCs are deducted from your pay and qualify for income tax relief in the same way as your regular pension payments. Should you leave the Scheme before retirement, your AVCs will be treated in the same way as your regular savings in your account.

Paying into other pension arrangements

You can pay into as many pension schemes as you like subject to the limits set in the Annual Allowance. However, the Company will only make payments to the EE Pension Scheme. If you wish to consider paying into other pension arrangements, you should take independent financial advice.

LIFE EVENTS

Maternity/Additional Paternity leave

If you are on company paid Maternity /Additional Paternity leave, your own pension payments will be paid at your normal % rate but based on your actual pay. Company payments continue to be paid into your account at the normal level, based on your pensionable pay before you went on leave.

The Company will make up any shortfall in your own pension payments to the normal level, again based on your pensionable pay before you went on Maternity/Additional Paternity leave.

If you do not receive company Maternity/Additional Paternity pay, the Company will make up payments to the normal level only for the period that you receive Statutory Maternity/Paternity Allowance.

If you decide not to return to work, your benefits under the Scheme will be dealt with as if you had left the Scheme permanently on the date your Maternity/Additional Paternity leave ended.

Ordinary Paternity leave

The payments made to your account will remain unchanged during paternity leave. If you elect to take the second week of Paternity leave your pension payments will be based on Statutory Paternity Pay only, but the Company will make payments and also make up any shortfall in your own pension payments, based on your pensionable pay before you went on Paternity leave.

Adoption leave

If you are on company paid adoption leave, your own pension payments will be based on your actual pay. Company payments continue to be paid into your account at the normal level, based on your pensionable pay before you went on adoption leave.

The Company will make up any shortfall in your own pension payments to the normal level, again based on your pensionable pay before you went on Adoption leave.

If you do not receive company adoption pay, the Company will make up payments to the normal level only for the first 13 weeks of your Adoption leave.

If you decide not to return to work, your benefits under the Scheme will be dealt with as if you had left the Scheme permanently on the date your Adoption leave ended. Your HR team will be able to advise which adoption scheme applies to you.

Full details of the Company's maternity, paternity and adoption leave policies can be found on the HR site on the intranet.

Pension sharing on divorce or dissolution of a civil partnership

As part of a financial settlement on divorce, or following the dissolution of a civil partnership, a court can split your pension account between you and your former partner, who will then need to transfer their account to another pension provider.

Illness or injury

If you are absent from work because of illness or injury, both you and the Company continue to pay into your account as long as you are being paid.

Death in service

Life Assurance

While you are an employee of the Company, one of your employment benefits (in addition to the pension) is life assurance of four times your basic pay at the date of death. This benefit is administered by the Trustees, which enables the cash sum to be paid tax free and without legal delays.

The Trustees will pay this benefit to your beneficiaries in such shares as they decide. In doing so, they will consider your wishes if known. You should keep your expression of wish form up to date. You can do this through Your Rewards.

Pension Account

If you die before retiring, the money in your account will be paid by the Trustees as a cash sum to your beneficiaries (as with the life assurance) in such shares as they decide, subject to limits. In doing so, they will consider your wishes if known. In certain instances, the money in your account may be used to buy an annuity (a pension) for your beneficiaries instead of payment in cash.

LEAVING

The length of time you were a member of the Scheme determines what pension options you have when you leave.

Leaving the Scheme

You may leave the Scheme at any time by opting out online through the Your Rewards site, this will be processed on the first of the month following your request. A decision to leave the Scheme is an important one and should not be made without careful consideration of your circumstances and those of your family. If you leave the Scheme, you can rejoin at any time through Your Rewards. If you don't rejoin voluntarily you'll be automatically re-enrolled into the Scheme after 3 years or such earlier period as the Company may reasonably determine.

Leaving the Company or opting out of the Scheme

Leaving the Scheme with less than thirty days pensionable service

You will automatically be given a refund of the value of your pension payments* less tax. The Company's payments will not be included. Your account is closed and you are not entitled to any further benefits from the Scheme.

Leaving the Scheme with more than thirty days pensionable service

You keep the money invested in your account made up of money from your payments (if you paid any), the Company payments and any investment returns. It cannot be removed for personal use before you reach retirement age. You become a deferred member.

You can transfer the value of your fund to another approved pension arrangement.

Full details will be included in the leaving letter send to you by the Scheme administrator.

* Any investment return on your payments will be paid gross and you will be responsible for declaring this to HM Revenue and Customs for income tax purposes.

Deferred members

Your account remains with the EE Pension Scheme until retirement unless you transfer your savings to a new pension provider when your account is then closed.

Once your account is closed, neither you nor the Company can make further payments to your account unless you rejoin the Scheme at a later date. Your account will be affected by investment returns for as long as it's invested. You will continue to receive annual benefit statements.

The normal retirement age is 65.

You can change your investment options at any time. If you selected the 'Do it for me' option, your savings will be switched in the period before retirement in the same way as if you had not become a deferred member.

Transferring your account

As a deferred member you may transfer your account to:

– a new employer's scheme if the Trustees of that scheme agree; or

– a personal pension plan that you have taken out with a building society, insurance company or other financial organisation; or

– an individual insurance policy known as a buy out policy; or

– a stakeholder pension; or

– an overseas pension arrangement providing that certain criteria are met. Please refer to the HM Revenue and Customs website for further information.

Please contact Scottish Widows if you'd like a transfer value. If you wish to go ahead with the transfer, this will be based on the value of your account at the date of the transfer. If you transfer your account you are not entitled to any further benefits from the EE Pension Scheme.

RETIRING

When you retire, there are a number of things to think about.

Retirement age
The Scheme's normal retirement age is 65.

Early retirement
You can choose to retire early from age 55.
Note: The government is currently consulting on raising the minimum retirement age from April 2028 to age 57.
If you are suffering from serious ill health you may be able to retire before age 55, but to do so you would need the agreement of the Trustees of the Scheme. If you retire early (for whatever reason), your pension benefits will be smaller than the benefits you could receive if you continued working until you reached your normal retirement age because:

– fewer payments will have been made into your account;

– the payments you and the Company will have made will earn investment returns for a shorter period;

– the younger you are when you retire the more expensive it is likely to be to buy a pension.

Late retirement
It is possible to delay taking your benefit until after your normal retirement age.

Flexible Retirement
You can, once you reach age 55, draw some or all of your pension. If you're still employed by the Company you can continue as an active member as long as you have funds remaining in your pension account, then both you and the Company would continue to pay contributions. There may be restrictions on how much you can take from your pension account at each retirement event depending on how you would plan to take your benefit now and in the future.

Lifetime Allowance
The Lifetime Allowance places a maximum value on all pension rights you have built up, ie. it takes into account the total value of your EE savings and any pension benefits you accrue (or have accrued) from other UK pension arrangements.

The value of any pension rights you have in excess of the Lifetime Allowance when you retire will be subject to a tax charge. It is an individual's responsibility to check whether the Lifetime Allowance will affect them and whether to seek independent financial advice about its effect. You should check the total of the pension benefits you have accrued from the EE Pension Scheme and all other employers and through personal pension arrangements. Details of the current lifetime allowance can be found at the government's website.

When thinking about your retirement
There are many questions to ask yourself, including:

How much money will I need?

What expenses will I have after retiring?

Will my mortgage be paid off and will I have credit cards or loans to repay?

What sources of income will I have and what will the Government provide?

What investments, assets or savings will I have and how long can I expect to be retired?

What type of tax will I have to pay on my savings and income?

This is not a definitive list of questions. It may be that you need to take independent financial advice. **Pension Wise** is a Government service that will provide free and impartial advice.

You can choose to take your benefit in one of the following ways at retirement.

Secure Income – Annuity
The money in your account can be used to buy an annuity from an insurance company. The annuity will provide you with a pension payable for life. The pension will normally be paid monthly in advance and be taxed as earned income.

You can choose an annuity which matches your personal circumstances. Examples you could choose:

– an annuity which does not increase at all and payable for your lifetime only;

– an annuity which increases in line with the Retail Price Index and a 50% spouse's pension payable on your death.

The EE Pension Scheme administrator can arrange to provide you with a range of annuity quotes from insurance companies based on your annuity choices. A charge is made for the quotes obtained. Details will be given at the time of retirement and the charge is deducted from your account before an annuity is bought. As an alternative you could have an 'open market option' which allows you to find and secure your own annuity through an insurance company.

Flexible Income – Drawdown
The money in your account can be transferred to a Drawdown product with an insurance company. You can then take your pension savings in cash instalments at specified intervals, e.g monthly or annually, whilst leaving the remainder invested. Each instalment is taxed as earned income.

A charge may be made by the insurer for the set up of a Drawdown policy.

Some insurers may impose a restriction on minimum fund value to be able to take up the Drawdown option.

Cash Lump Sum
You could take your whole pension pot as a one off cash lump sum directly from the Scheme. The first 25% would be tax free, the remainder would be taxed as earned income.

Tax free cash sum
Whichever retirement option you take, you may take part of your account as a tax free cash sum. The maximum tax free cash sum from the Scheme will be 25% of the total value of your account, including AVCs, at retirement. Any amount up to 25% can be taken.

For example:
If the total value of your account at retirement is £30,000, your maximum tax free cash sum would be 25% x £30,000 = £7,500.

TRANSFERRING IN OTHER PENSIONS

If you have a pension with a previous employer, you may be able to transfer the value of your benefits to the Scheme, with the agreement of the Trustees. The transfer value would then be added to your account.

The Trustee recommends that you seek guidance or advice before transferring. You may be required to prove that you have received advice if you are planning to transfer benefits from a Defined Benefit scheme. Neither the Company nor the Trustees are able to provide any advice as to whether you should join the Scheme or whether you should transfer benefits to or from the Scheme.

REVIEWING YOUR PENSION

Your pension is a long term investment. You should review your savings regularly to ensure they are achieving your investment aims.

What to review

You need to be prepared to change your investment choices as your personal circumstances, your proximity to retirement and your attitude towards investment risk change. You will receive a summary of the annual Trustees' Report, including information on investment performance which may help you to review your investment choice.

If you have chosen the 'Leave me to it' option you may also want to review your fund choices if there are changes in market or economic conditions that may affect returns on your investment funds. In addition as you near retirement you should reassess your attitude to investment risk as you may want to consider protecting your savings while still achieving some growth.

Have I saved enough for retirement?

Ask yourself the following questions:

– What is my target retirement income?

– How would I like to take my pension savings in retirement, i.e annuity, Drawdown or Cash?

– Do I need to pay more?

Regular statements

Reviewing your pension account is essential to ensure that it is on track to provide the level of income you are expecting in retirement. You will receive an annual benefit statement from the Trustees detailing:

– what your account is worth;

– what payments were made during the year;

– what pension (annuity) you might get at retirement.

While the account value will be accurate as at the date of the statement, it is impossible to predict exactly what your pension may be worth when you retire – so please remember that pension estimates you are given have to make certain assumptions (detailed on your statement) and should only be used as a guide.

You should also check your State Pension entitlement. You can do this by contacting the Department for Work and Pensions.

More information online

You can access all EE Pension Scheme information online, via the pensions site on the Intranet , or on Your Rewards.

Your pension account online

The The EE Pension Scheme administrator provides online access to your EE Pension Scheme account. You can view your current balance, payments made to your account and your investment choices. Please refer to the Contacts section for details of how to access your online facilities.

CONTACTS

If you have questions about the EE Pension Scheme.

Phone the EE Pension Scheme administrator helpline at Scottish Widows
0800 389 9160

Email the EE Pension Scheme administrator at Scottish Widows
workplacesavings@scottishwidows.co.uk

Or write to the EE Pension Scheme administrator at the Scottish Widows Support Centre

EE Service Team
PO Box 1611
The Grange
Cheltenham
Gloucestershire
GL50 9RX

Your Rewards
www.your-rewards.co.uk

Scottish Widows Member Site
'www.scottishwidows.co.uk/save/ee

More information
Now continue reading part two, your guide to investing in the EE Pension Scheme.

THE EE PENSION SCHEME EXPLAINED

WELCOME

Information about the EE Pension Scheme has been divided into two parts. This is part two of two. You should read **part one** first which outlines the benefits of joining the pension scheme.

Part two covers the basics of investing your savings and explains the options and range of investment funds available to you.

You decide how to invest the money in your pension account. When making investment decisions, you should choose the level of risk that best suits your financial needs and that you are comfortable with.

CONTENTS

THE BASICS OF INVESTING

Your timescale to retirement and your attitude to investment risk are the two most important factors when determining how to invest your money.

Building your savings.

Equities are more likely to be a good investment if you are starting out in your career and have a relatively long time before retirement. This is because their long term growth tends to be linked to growth in the economy, and you will have time to recover from short term declines in value. Bonds and property may also be worth considering, depending on your attitude to investment risk.

Cash would probably be a poor choice for someone in their early years, because of the relatively low returns that cash funds have achieved over long periods.

Protecting your savings.

There is no single point when the plan to build your retirement savings becomes a plan to protect them. Your individual needs and circumstances will be very different from someone else's.

As a guide, however, five to ten years from your planned retirement is a good time to think about stabilising your investments. The aim is to continue to grow your funds but at least partially protect them from the risk of a fall in value. At this time, you may have saved the majority of what you need to live comfortably in retirement. If so, it might be sensible to consider transferring your money into investments that are less volatile than equities. This is because there can be short term falls in equity prices that will reduce the value of your savings, perhaps at the very time when you need to buy your pension. Therefore, a greater proportion of bonds and cash may be desirable at this stage.

YOUR ATTITUDE TO INVESTMENT RISK

At different times in your life, you have different attitudes to investment risk. 'Risk' in this booklet simply means the investment can fall (as well as rise) in value and can significantly affect your savings. This helps you determine how to invest your money.

Some people opt for a safer investment that carries less risk, preferring to know they are less likely to suffer a fall in the value of their account. The downside is that their account could have less potential for gaining higher long term rewards and may not keep up with inflation.

Others are willing to live with the risk of losses in the short term (which may span several years) in order to increase the potential of getting higher long term returns.

When making investment decisions, you should choose the level of risk that best suits your financial needs and that you are comfortable with. You need to consider which investment funds you should choose, as not all investment funds are suitable for you at all times.

Your personal circumstances play a very large part in determining your attitude to risk.

For example:
When considering savings for your retirement:

- If you are young and have many years until retirement, you might be prepared to take larger risks with your pension savings in order to try to achieve higher long term returns.
- If you are about to retire, you might not be prepared to risk any sudden fluctuation in the value of your account as you may not have enough time to build your savings up again, if its value falls.

INVESTING IN EQUITIES, PROPERTY, BONDS AND CASH

The risks and performance of each investment.

Equities (shares)

Rather than investing directly in particular companies, the Scheme offers members the opportunity to invest in equity funds. Equity funds are run by investment managers; in these funds, money from a large number of investors is pooled together and invested collectively in a number of different equities.

What are equities?

Equities provide a share of ownership in a company. They are also known as shares or stocks. The return from equities comes both from dividends (a share in the profits made by a company) and an increase in value of the share price of a company (the share price can also decrease).

How risky are equities?

The price of shares and, therefore, their returns tends to fluctuate in the short term. These fluctuations, known as volatility, can occur for a number of reasons, including:

– changes in general or industry economic conditions;

– changes in factors that are specific to the company concerned;

– attitudes of investors to the market, the company or the sector of the economy in which the company operates.

All these factors can have a direct bearing on a company's prospects and therefore, on the value of its shares.

Property funds

Rather than investing directly in property, the Scheme offers members the opportunity to invest in a property fund.

What is a property fund?

A property fund invests in a range of commercial properties such as offices, warehouses and retail units. The fund is a collective investment, which means the money from a number of investors is pooled together for the fund manager to invest. The manager then allocates units to the fund's investors. The fund manager varies the 'mix' between types of property and geographic areas, depending on where they believe rents and values are most likely to increase.

Performance of the property market is similar to equities in some ways. Commercial property investment depends in part on how well the companies renting them are faring, which in turn depends on the health of the economy.

How risky are property funds?

Property funds are seen as a medium risk investment. Traditionally, the major drawback is that it can be difficult to buy and sell property quickly (unlike equities). However, buying and selling units in a collective investment, rather than buying and selling individual properties, reduces this risk.

Diversified Growth funds

A Diversified Growth Fund is run by an investment manager. Instead of investing directly in specific investments, money from a large number of investors is pooled together and invested collectively in a number of different investments.

What is a Diversified Growth Fund?

A Diversified Growth Fund invests in a wide range of traditional and alternative investments, including, but not limited to, UK and overseas equities, property, hedge funds, high yield and Emerging Markets bonds, private equity and commodities.

How risky are Diversified Growth Funds?

Diversified Growth Funds aim to produce similar returns to that expected from equities over the long term. Just like equities though, the price of the investments held within a Diversified Growth Fund, and, therefore their returns can fluctuate in the short term. However, because there are a wide range of different types of investment held within a Diversified Growth Fund (the prices of which are not expected to all move together over a period of time) the expectation is that some of the volatility that can occur with equities in the short term will be reduced in a Diversified Growth Fund.

Bonds

Rather than investing directly in particular bonds, the Scheme offers members the opportunity to invest in bond funds.

What are bonds?

Like equities, bonds are issued by companies and governments to raise money. But whereas equities don't guarantee what dividend they'll pay, bonds tend to pay a fixed income each year, and typically repay a set amount on a set date. That's why they're often called fixed-interest or fixed-income securities. As a result, their price tends to be more stable (although prices can still fall).

For example:

If prevailing interest rates rise to, say 5%, the value of a bond that pays interest at a rate of 4% will fall because investors can obtain better returns elsewhere. If interest rates drop to 3% however, the value of a 7% bond will increase.

How risky are bonds?

Different kinds of bonds involve different levels of risk. For example bonds issued by the UK Government (known as Gilts) are likely to be less risky than bonds issued by a small company, simply because companies can go out of business but governments rarely do.

Although the value of bonds does fluctuate, and there are instances of bond issuers defaulting on their obligations, the promise of regular interest payments and repayment on a specified date in the future makes them relatively predictable and easy to value. This typically reduces the amount of risk compared to the risk of investing in equities.

Annuity providers invest in bonds to meet their annuity obligations. Adopting this same approach will therefore provide some protection against changes in annuity prices as you get near to your retirement date.

Cash funds

What are cash funds? Investment managers offer cash funds that try to get the best rates of interest from a number of different banks.

How risky are cash funds?

Many people believe that bank or building society deposits are the safest place for savings. Most of us expect to receive a competitive rate of interest without any risk of a fall in the capital value of our savings. Cash deposits are good for saving money over short periods of time, with little risk of loss in value. However, investing in cash is not necessarily the best strategy for longer term savings. This is because returns on cash deposits have been relatively low compared with inflation, and so savings are unlikely to grow at a rate that would provide enough money for retirement.

Whilst cash may not lose its capital value, you should remember that the cost of buying an annuity may increase and the return on cash deposits may be less than the increased annuity cost. A proportion of your savings invested in cash is likely to be a good investment if you are close to retirement and want to take part of your savings as a tax free cash sum.

ACTIVE AND PASSIVE MANAGEMENT

Investment managers either manage their funds actively or passively.

Active investment management.

Selecting stocks (equities).
Active fund managers dedicate substantial resources to researching economies and companies, to identify investment opportunities across all markets.

Measuring performance.
They seek to give investors better returns, over the longer term, than those of a specific benchmark. This benchmark may be either an index, reflecting the performance of a particular stock (equity) market (for example the London Stock Exchange's 100 largest companies), or the average return of similar funds.

The attraction of active management is the potential for achieving investment returns that exceed the fund's benchmark and if this is achieved consistently over time, they can significantly increase the value of your account. However, an active fund manager will generally take more risks than a passive fund manager (in the expectation of obtaining a higher return).

Passive investment management.

Selecting stocks (equities).
Passively managed funds replicate their chosen benchmarks. The manager does not research stocks (equities). Passive management is often known as index tracking, as the benchmark followed is typically an index.

Measuring performance.
This should mirror the performance of the particular benchmark, for example the FTSE All Share Index, because the stocks in the funds and the buying/selling activities mirror the chosen benchmark.

The attractions of passively managed funds are that the charges tend to be lower than those for actively managed funds and investment returns broadly reflect those of the market.

INVESTMENT FUNDS

These are the funds available to EE Pension Scheme members.

If you choose to invest in the 'Do it for me' option your savings will be invested in the Growth Fund up until 8 years tfrom retirement before entering Target Drawdown, with both funds highlighted in aqua, in accordance. This is explained fully on **page 28**. Each fund has an annual management charge, details of which can be found on the fund factsheets available on the library pages of the Scottish Widows website.

These charges are deducted by either reducing the number of units you hold or through the unit price of the fund. All the funds deal daily and are single priced: they do not have a different bid (buy) and offer (sale) price See **pages 29–30** for more information including information on changing between funds.

Investment Fund Name	Current Manager*
Cash and Money Market 1 Fund	Mercer/BlackRock
Defensive 1 Fund	Mercer
Diversified Growth 1 Fund	Mercer
Diversified Retirement 1 Fund	Mercer
Emerging Markets Equity 1 Fund	Mercer/Irish Life
Ethical 1 Fund	BMO
European ex-UK Equity 1 Fund	BlackRock
Fixed Interest Gilt 1 Fund	Mercer/BlackRock
Global Equity (60:40) 1 Fund	BlackRock
Growth 1 Fund	Mercer
High Growth 1 Fund	Mercer
Index Linked Gilt 1 Fund	Mercer/BlackRock
Japanese Equity 1 Fund	BlackRock
Moderate Growth 1 Fund	Mercer
Overseas Equity 1 Fund	Mercer/BlackRock
Asia Pacific (ex-Japan) Equity 1 Fund	BlackRock
Property 1 Fund	Legal & General
Pre-Retirement 1 Fund	Mercer/Legal & General
Retirement Fund – various options**	Mercer/BlackRock
Shariah 1 Fund	HSBC
Target Retirement (Date) Fund – various options**	Mercer
UK Corporate Bond 1 Fund	Mercer/BlackRock
UK Equity 1 Fund	Mercer/BlackRock
US Equity 1 Fund	BlackRock

* The Trustee, in conjunction with its investment adviser Mercer, reserves the right to change the managers of these funds and where appropriate the underlying asset allocation in line with their latest views, market opportunities and market trends.

** Please see **page 28** of this booklet for information on the pre-retirement phase of the 'Do it for me' strategy and the options you have.

YOUR INVESTMENT OPTIONS

Your money, your choice.

There are two investment options: ‘Do it for me’ or ‘Leave me to it’.

You can choose different options for your regular contributions, including any AVCs.

If you do not indicate an investment choice, your regular payments and Additional Voluntary Contributions will automatically be invested in the ‘Do it for me’ – Drawdown option. You should consider whether this suits your personal circumstances. The ‘Do it for me’ – Drawdown option is determined by the Trustees and is not tailored to any particular member’s circumstances. Your investment decisions should be based on your investment goals, your age and your view of risk. You may change between investment options at any time (**see pages 29–30**).

1. ‘Do it for me’ option

Who would this suit?

Those members who don’t feel comfortable or don’t have time to make their own investment decisions and want to follow an investment strategy designed by the Trustee and their investment advisers, Mercer.

How does it work?

This strategy is split into two phases: the Growth Phase and the Pre-retirement Phase.

The Growth Phase

During this phase, savings are invested in the Growth Fund which is made up of a range of asset types (Diversified Growth, UK Equity and Overseas Equity) which aim to deliver long-term growth but may move up and down in value in the short-term.

The Diversified Growth Fund element combines alternative investments such as property and commodities with more traditional investments such as specialist equities, bonds and cash. It’s this diversification from traditional equities that aims to reduce the volatility of the Growth Fund’s returns.

Whilst the Growth Fund is designed to reflect current best ideas, the asset allocation will gradually evolve as ideas and markets change, to give peace of mind that what is fit for purpose today will remain so in the future.

In order to maximise growth for members during this phase, the Annual Charge of the Growth Fund has also been minimised by using a passive investment approach for all assets. The elements that are actively managed, are the asset allocations between the three components in the Growth Fund and the asset allocation within the Diversified Growth Fund.

The Pre-retirement Phase

You can draw your pension at any time from age 55 and this phase will start from 1 January immediately before you reach eight years from your intended retirement date. At this point, your savings would automatically be switched from the funds in the Growth Phase above, to a Target Retirement Fund. The Target Retirement Funds are made up of a range of assets and are designed specifically for people intending to retire in the same year as you. When you retire you can choose to take your benefit as an annuity, Drawdown or Cash. You can choose a Target Retirement Fund, that will invest in assets best matching your intended retirement option.

NB: As a default your savings will be switched into the Target Retirement Fund targeting Drawdown unless you tell us differently.

2. ‘Leave me to it’ option

Who would this suit?

Those members who are confident about making investment decisions and want access to a wide choice of funds across different asset classes.

How does it work?

The investment decisions are left to you right up until your retirement date. You can choose from any combination of the funds shown in the table on **page 27**.

ANNUAL MANAGEMENT CHARGES AND CHANGING YOUR INVESTMENT CHOICES

The Scheme is flexible. Should your investment goals change, you can alter how the money in your account is invested.

Annual Management Charges

The Annual Management Charge represents the fees charged by the investment manager to manage the fund and also the administration services provided by Scottish Widows. The Annual Management Charge represents the majority of the Total Expense Ratio (the total cost to members of being invested in a fund). The Total Expense Ratio, which is the amount that you pay as a member either through the unit price or through a periodic adjustment to your unit holding, consists of the annual management charge plus additional expenses such as legal and custodian fees. These additional expenses can vary over time. The Total Expense Ratio, which will also vary as a result of the variable additional expenses, is shown on the fund factsheets available on the library pages of the Scottish Widows website. The factsheets are updated on a quarterly basis to take account of the variable nature of the additional expenses and more accurately reflect total costs that will be incurred by members of being invested in a fund. Fund factsheets are available on the Scottish Widows website from 6 weeks following the end of each quarter year. Please note the Total Expense Ratio does not include the transaction costs of buying or selling units in a fund.

The Annual Management Charges shown for the Target Retirement Funds are based on the mix of component investments at the start of each year. The underlying investments for these funds gradually change as retirement approaches, reflecting the longer term aims of reducing risk and preparing the pension account for buying an annuity (pension). The Annual Management Charges will change as the investments gradually change. The fund factsheets, which show the Total Expense Ratio of investing in these funds (annual management charge and additional expenses), are updated on a quarterly basis to reflect any change in composition of the funds and any change in annual management charge.

Changing investment options

You can switch between investment options at any time, for example from ‘Do it for me’ to ‘Leave me to it’.

You should regularly review your investment choices including the funds you have chosen if you are in the ‘Leave me to it’ option.

Changing between funds

During the course of each calendar year, you may make as many switches as you wish, free of any administrative charges. You will, however, incur transaction costs when switching between funds reflecting the costs of buying and selling the underlying assets. These costs are in addition to the annual management charges and additional expenses which apply to all of the funds in which members can invest.

All funds, with the exception of the Mercer Diversified Growth Fund, the Shariah Fund and the Cash and Money Market Fund, are structured on a "single swinging" pricing basis which means that on any one day only one price is quoted to all members, regardless of whether they are buying or selling. This one quoted price can swing between the selling (bid) and the purchase (offer) price, with the difference between the two primarily representing the transaction costs of buying or selling the underlying securities. The first (the bid price) is always lower than the second (the offer price), and the difference between them is the bid/offer spread.

Bid/offer spreads for the majority of equity funds are generally between approximately 0.2% and 1.0% of the transaction value, with the spread on emerging markets equities being closer to 3%. Bond funds tend to have spreads between approximately 0% and 1.2%. The L&G Property Fund has the largest spread, approximately 5.5%, due to the higher dealing costs associated with buying and selling properties.

Due to the way in which the single swinging priced funds operate, it is not possible to predict in advance whether the bid or offer price will be used for any given trade.

For the Mercer Diversified Growth Fund, the Shariah Fund and the Cash and Money Market Fund a single price is calculated each day and investors buy and sell units at the same price. In order to protect the value of the units for existing investors of the fund a dilution levy may be applied to transacting investors to cover the costs of dealing. The dilution levy is paid directly to the fund to cover the costs and taxes associated with dealing.

It is not guaranteed that a dilution levy will be applied to all transactions as this is at the discretion of the manager and often depends on the size of net investments or disinvestments across all investors on any one day. If applied, the levy on the Diversified Growth Fund is estimated to be 0.1%. At the time of writing no dilution levy had been applied by the managers of the Shariah Fund and the Cash and Money Market Fund.

Changing investment choices online.

You can change your investment choices via the Scheme administrator member website, which provides online access to your account.

LEGAL INFORMATION

The EE Pension Scheme is set up under trust, which means that its funds are entirely separate from the Company's business. Corporate trustees, EE Pension Trustees Limited manage the trust and have a legal obligation to look after members' interests.

The allocation of a pension account to you is for administration purposes only. The assets of the Scheme are held in the trust in common and you do not have an entitlement to receive any specific assets held by the Trustees. Benefits are paid to all members from the common trust fund.

The Company has the power to discontinue the Scheme or reduce payments. In this event, your accrued rights would be protected and benefits paid according to the Rules.

The Trustees also have power to alter the Scheme (but not the rights you have already built up). This booklet is a summary of the legal documents that govern the Scheme but if there is any difference between the two, the Rules will be taken as correct. If you wish to see a copy of the legal documents, you can request these by emailing **pensions@bt.com**

The Scheme's annual report and accounts are available on the pensions site of the intranet or you can request a copy from the pensions team. The Scheme is a 'registered pension scheme' for the purposes of Part 4 of the Finance Act 2004. This approval brings very favourable tax treatment, but there are also benefit limits that must be met.

The Data Protection Action 2018 – GDPR

All the information you provide will be held securely by the Trustees or the EE Pension Scheme administrator who act on the Trustees' behalf to arrange and administer your entitlements from the Scheme.

Any information requested is necessary and without it you will not be able to join the Scheme. The information may also be passed to the following parties:

- Insurance companies and annuity brokers to arrange particular entitlements;
- Legal advisers who may need to assist in any disputes;
- Other advisers to the Trustees, your employer and any future potential employers;
- Government or regulatory organisations (if the Trustees are obliged to do so); and
- Pensions team.

USEFUL INFORMATION

In case of disputes

If you have queries or difficulties relating to this or other schemes of which you have been a member, there are a number of resources that you can call upon. The following process has been set up to help members of occupational pension schemes to get answers to queries, assistance with complaints and information on pension benefits. They are listed in the order in which you should seek assistance (although the Pensions Ombudsman can be contacted at any stage).

1. Internal Dispute Resolution Procedure

If you are unhappy with any aspect of the Scheme, there is an internal procedure for resolving disputes with the Trustees. It cannot be used for disputes with the Company. For details, you should write to:

EE Pension Scheme
Floor 14
One Braham
1 Braham Street
London
E1 8EE

You will receive a form to complete explaining your complaint. In normal circumstances you will receive a full response within four months. If you are dissatisfied with the first response, you are able to refer the matter directly to the Scheme Trustees.

2. Money Helper

Money Helper provide free and impartial guidance to you and your beneficiaries on any queries you have or difficulty that has not been resolved with the Scheme Trustee or administrator.

For more information please visit the Money Helper website.

3. Pensions Ombudsman

The Ombudsman has the power to investigate any complaints and settle disputes between Trustees and managers or employees and members. The Ombudsman will usually only get involved if your complaint is not resolved by the Trustee through the Scheme's Internal Dispute Resolution Procedure. Complaints must normally be referred to the Ombudsman within three years of the act or omission occurring. The Ombudsman cannot investigate a dispute once formal legal proceedings have been started.

For more information please visit the Pensions Ombudsman website.

4. The Pensions Regulator

The Pensions Regulator is able to intervene in the running of schemes where Trustees, employers or professional advisers have failed in their duties. The EE Pension Scheme is registered with the Pensions Regulator.

For more information please visit the Regulators website.

5. Pensions tracing service

The Pensions Tracing Service has access to a database of over 200,000 occupational and personal pension schemes and can be used, free of charge, to search for a scheme. They may be able to provide you with an up-to-date contact address for a pension scheme. To try and trace a previous pension benefit you can contact:

Pensions Tracing Service
The Pension Service
Tyneview Park
Whitley Road
Newcastle Upon Tyne NE98 1BA

GLOSSARY

Account
The money (if any) deducted from your pay and the money from the Company are held in an account for you. Administration of this account is handled by the EE Pension Scheme administrator; the funds are invested according to your instructions.

Active/passive management
This refers to how an investment fund manager operates a particular fund. If a fund is actively managed, the fund manager devotes resources to identifying investment opportunities. If the fund is passively managed, the fund manager tracks a particular benchmark, usually an index that reflects the performance of a specific stock exchange.

Annual Allowance
The Annual Allowance is a contribution limit which sets a maximum level on the build up all of pension rights in any tax year.

Annuity
When you retire, some or all of the money in your account is used to buy an annuity from an insurance company. The annuity provides you with a pension, in other words a monthly income for the rest of your life.

AVCs (Additional Voluntary Contributions)
A method of paying more into your account. You can arrange for AVCs (as monthly or one off payments) to be deducted from your pay, subject to limits.

Benchmark
A performance target that an actively managed fund seeks to exceed and a passively managed fund seeks to track. A benchmark may be either an index or the average return of similar funds.

Bonds
Loans to a government or Company, also known as fixed-interest securities.

Cash
When you retire, all of the money in your account can be taken as a one off Cash lump sum. 25% would be tax free and the remainder would be taxable at your marginal rate.

Deferred member
A member who has left the Scheme with more than 30 days' pensionable service and chosen to leave their savings in the EE Pension Scheme.

Drawdown
When you retire, some or all of the money in your account can be transferred to a Drawdown product with an insurance company. You can then take your pension savings in cash instalments at specified intervals, e.g. monthly or annually, whilst leaving the remainder invested.

Diversified Growth Fund
A fund that invests in a wide range of traditional and alternative 'growth' assets, including equities, property, hedge funds, high yield bonds, private equity and commodities.

Equities (shares or stock)
Shares of a company, which provide investors with a share in the ownership of the company.

Equity funds
Funds that are run by investment managers; in these funds, money from a large number of investors is pooled together and invested collectively in a number of different equities.

FTSE
An abbreviation of Financial Times Stock Exchange. The Financial Times publishes various indices of assets quoted on the London Stock Exchange.

Gilts
Gilts are bonds issued by the UK Government.

Index
A measure of performance of a market. An index 'price' represents movements in the prices of the shares underlying the index.

Input period
The period used to assess the Annual Allowance. This is based on tax years.

Investment fund managers
Companies that choose investments and manage funds for investors.

Investment risk
This is a measure of the chance or possibility of making a loss. The level and type of investment risk is likely to change with age and proximity to retirement depending on the type of investment chosen.

Lifetime Allowance
It places a maximum value on all pension rights you have built up, taking into account the total value of your EE savings and any pension benefits you accrue (or have accrued) from other UK pension arrangements.

NICe payments
A way of paying contributions to the EE Pension Scheme which works by eliminating the National Insurance Contributions (NICs) that both you and the Company would otherwise have to pay on the amounts paid into the pension scheme.

Normal retirement age
65 years.

Pensionable salary
Basic pay. Shift allowances, overtime and bonuses are not included.

Rules
The legal document that sets up and governs the Trust, through which the Scheme is run.

Scheme
The EE Pension Scheme.

Scheme year
The Scheme year ends 5 April.

Scottish Widows
The external company that administers the EE Pension Scheme.

SIP (Statement of Investment Principles)
A legally required statement of the investment objectives of a pension scheme, including details of investment choices, performance objectives and the Trustees' attitude to risk.

Taxable earnings
Any pay that is subject to income tax (e.g. basic salary, shift allowances, bonuses) and including earnings shown on your P11D (such as healthcare and company cars).

Trustees
The Company is legally required to appoint Trustees to manage the EE Pension Scheme. The Trustees are the Everything Everywhere Pension Trustees Ltd who manage the Scheme for the benefit of members.

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