

# Presenting your Pension 2008...

For members of the T-Mobile  
(UK) Pension Scheme



## Introduction

Welcome to Presenting your Pension 2008, the first edition of a new annual communication for members of the T-Mobile (UK) Pension Scheme.

Why are we sending you this newsletter? Well, your pension scheme is one of the most important benefits an employer can provide its employees – and yet it's often one of the most undervalued and misunderstood. This newsletter aims to give you a brief update on the Scheme and how it's being managed, even if you no longer work for T-Mobile.

You'll see some information about the Scheme's accounts and its funding position – how well-placed the Scheme is at the moment to be able to pay all the pensions it owes, both now and into the future. You'll also see information about what's going on in the world of pensions – perhaps not something you'd normally take an interest in, but worth reading as it affects all of us. And over the page, the newsletter kicks off by introducing you to the Trustee Directors – the people responsible for running the Scheme, looking after your interests as members, and making sure it not only provides excellent service and value for money but meets all its legal requirements and is funded properly so that it can pay all the benefits when they are needed.

The Trustee Directors have had a very busy year. A valuation of the Scheme was finished and agreement was reached with T-Mobile over how the Scheme will be funded going forward. The valuation showed that there isn't enough money in the Scheme at the moment to pay all the pensions that it owes into the future, so the Trustee Directors and T-Mobile agreed that T-Mobile will pay extra contributions to eliminate the shortfall. Also, the Trustee Directors and T-Mobile agreed that as people are living longer, and that the expected returns in the long-term on the money invested to pay the pensions are lower than previously expected, the contribution rate needed to finance pensions to be earned into the future also needed to increase.

As well as making sure that the Scheme is properly funded, the Trustee Directors have been making sure that the Scheme doesn't lose out due to changes in interest rates. This year, the Trustee Directors have implemented a hedge – an investment specifically designed to reduce risk – to match 70% of the Scheme's liabilities against changes in long-term interest rates. This was a complex procedure which required the purchase of interest rate swaps and the movement of 20% of the Scheme's assets out of bonds into other investments that could be used to balance the swap arrangements. Over the next year, the Trustee Directors will be looking at the Scheme's other assets and may buy into new asset classes (such as hedge funds or private equity) so that the Scheme can still expect to generate good returns but at lower risk than just investing in shares and property.

You'll see a tear-off nomination form at the back of the newsletter; if you haven't already completed one of these or you need to update your details, please fill in the form and send it back to Capita Hartshead, the Scheme administrator. The Nomination form will give the Trustee Directors important guidance when deciding who should receive any death benefits payable from the Scheme if you die while a member.

We're committed to improving our communication with you, so as this is the first newsletter, we'd love to hear your thoughts on what we have got right, what we have got wrong, and what you would like to see included in future issues. Send your feedback either to me or to the T-Mobile Pensions Team at Capita Hartshead, whose contact details are on the back page.

Very best regards

**Mark Young**  
Pensions Manager  
T-Mobile (UK) Pension  
Trustee Limited

We're committed to improving our communication with you.



### Highlights during 2007...

- Scheme funds increased by almost £30m from £236m to £264m
- Scheme membership increased by 426 to 9,098 members
- T-Mobile's annual employer contributions to the Scheme increased to £17m

And in 2008 we're going to keep you even more informed by:

- Sending current T-Mobile employees a personalised benefit statement for the first time
- This newsletter, which will be produced every year

## Introducing your Trustee Directors

Your pension scheme is managed by a Trustee Company called T-Mobile (UK) Pension Trustee Limited, which is completely separate from T-Mobile. This legal separation is really important as it means T-Mobile's financial assets are independent from those of the Scheme, and prevents pension scheme assets being used for anything else other than paying pensions and lump sums to you or your dependants.

The Trustee Company has seven Trustee Directors who make decisions about the Scheme and how it is run. As a member of the Scheme, you'll probably never have any contact with the Trustee Directors, but their role is to act in your best interests so it's worth knowing who they are and what they do.

Following Graham Payne's resignation, T-Mobile has appointed Jonathan Clarke as an independent Trustee Director and Chair of the Trustee Company from this August. Jonathan has a wealth of experience and is also a Trustee and Chair of the Investment and Funding Committee for the RHM Pension Scheme.

Four of the Trustee Directors are chosen by T-Mobile and the other three are nominated by the Scheme members.

### During 2007, the following people have been Trustee Directors:

#### Company-appointed Trustee Directors:

Graham Payne (Chairman) (resigned 14 March 2008)  
Robyn Durie  
Tony Fitton  
Mark Martin

#### Member-nominated Trustee Directors:

Tony Fleming  
Jeremy Lane  
Derek McStea (resigned 22 July 2007)  
Liz Barnes (appointed 22 July 2007)

The Trustee's role  
is to act in your  
best interests.

There are also different sub-committees of Trustee Directors which deal with specific elements of the Scheme such as investment and governance. The work they do is vital to the security of your benefits. Find out more in future editions.

#### Investment Sub-Committee

Tony Fitton  
Tony Fleming  
Jeremy Lane

#### Governance Sub-Committee

Robyn Durie  
Tony Fleming  
Jeremy Lane

#### Discretions Sub-Committee

Robyn Durie  
Mark Martin  
Liz Barnes

The sub-committees meet monthly and work to very clear business plans and terms of reference. Similarly, the Full Trustee Board meets quarterly to check that the Scheme is being managed and governed to the highest standards possible, and to ensure that the Scheme can continue to be funded and its assets invested in the right way into the future.

### Trustee Advisers

While the Trustee Directors take their responsibilities very seriously, and have completed relevant training for their role, they aren't expected to be experts in every aspect of pensions, so they appoint experienced professional advisers to assist with the running of the Scheme.

The main advisers and investment managers are:

#### Actuary

Mercer Limited, represented by Richard Shackleton (to 23 November 2007) and Mike Hammer (from 2 January 2008)

#### Investment Consultants

PricewaterhouseCoopers LLP

#### Investment Managers

Barclays Global Investors Limited  
UBS Global Asset Management (UK) Limited  
Standard Life Investments  
Insight Investment

#### Legal Adviser

Eversheds LLP

Find out more in future editions.

The Scheme is governed to the highest possible standards.

## Your Scheme's Funding

From 2007, the Trustee has been required, by law, to send all members a 'Summary Funding Statement' with details on how well the Scheme is funded. You would have received your copy last September.

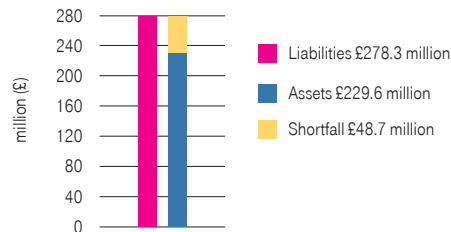
The Scheme Actuary carries out a formal actuarial valuation of the Scheme at least once every three years. This is an in-depth look at the Scheme's finances. The Actuary uses the results to advise the Trustee about the level of contributions he thinks will be needed in the future in order to pay members' pensions when they are due. The level of contributions is then agreed with T-Mobile and recorded in a formal document called the 'Schedule of Contributions'.

The value of all members' benefits built up under the Scheme (liabilities) is compared to the value of the funds (assets). If the Scheme has fewer assets than liabilities, it is said to have a "shortfall" or "deficit". If the assets are more than the liabilities, there is said to be a "surplus".

### Financial position of the Scheme

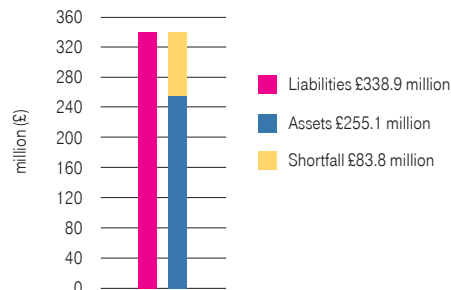
The most recent formal actuarial valuation of the Scheme was carried out as at 31 December 2006. At that time the valuation showed that:

The value of the **liabilities** was **£278.3 million**  
 The **assets** were valued at **£229.6 million**  
 So there was a **shortfall** of **£48.7 million**



The Scheme Actuary provides the Trustee with regular updates of the Scheme's financial position, and an annual "Actuarial Report", which is not as detailed as the formal actuarial valuation described above, but gives a reasonable assessment of the latest position. The latest actuarial report showed that on 31 December 2007:

The value of the **liabilities** was **£338.9 million**  
 The **assets** were valued at **£255.1 million**  
 So there was a **shortfall** of **£83.8 million**



The Scheme's financial security has got worse since we last sent you a Summary Funding Statement (and since the formal valuation). This is because the actual investment return on the Scheme's assets has been less than expected, due to equity investments not performing as well as expected. Also, over the period there has been an increase in the expected future rate of inflation. This has caused the liabilities to rise more than expected.

The overall effect has been a decrease in the funding level of the Scheme, and an increase in the shortfall.

Following advice from the Actuary, T-Mobile and the Trustee agreed that the shortfall at 31 December 2006 will be made up by additional contributions.

T-Mobile has agreed to make up the shortfall by paying additional contributions equal to 4.8% of members' Pensionable Salaries over the period to 31 December 2015. (For a definition of Pensionable Salary, please refer to the Glossary on page 15.)

The contribution rate for future service has been calculated to be 16.9% of members' Pensionable Salaries, of which 10.8% is paid by T-Mobile. As well as paying substantial contributions, T-Mobile also pays the Scheme's expenses.

To calculate the amount of the shortfall, assumptions have to be made about what will happen in the future; for example, the rate at which the Scheme's assets will grow. If the assumptions do not all turn out to be correct, it may be necessary to increase the level of contributions to the Scheme if the shortfall is to be paid off by 31 December 2015.

The shortfall does not affect pensioners of the Scheme – all members who have retired are being paid the full amount of their pension. And because T-Mobile is making up the shortfall, we fully expect members who retire in the future to receive the full value of their benefits (i.e. their pension) from the Scheme.

T-Mobile has agreed to pay extra contributions equal to 4.8% of members' Pensionable Salaries up to December 2015 to improve the Scheme's funding position.

## “Buy-out” position

In the unlikely event that T-Mobile is unable to continue funding the Scheme normally, it must pay the Scheme enough money to enable all members' benefits to be secured with an insurance company. This is known as the Scheme being “wound-up” and the cost of doing it is called the “buy-out” position.

By law, we have to show the buy-out position but this does not mean that T-Mobile is thinking of winding up the Scheme. T-Mobile is demonstrating its long-term commitment to the funding of the Scheme through the additional contributions mentioned earlier.

The amount an insurance company would charge to take on the payment of members' benefits is much greater than the Trustee's best estimate of the cost of providing the benefits through the Scheme. The comparison of the Scheme's assets to the cost of buying the benefits from an insurance company at 31 December 2006 was as follows:

The **liabilities** if the Scheme were to be wound up were **£600.3 million**  
The Scheme's **assets** were **£229.6 million**  
This means there was a **shortfall** of **£370.7 million**

## Pension Protection Fund

The Government has set up the Pension Protection Fund (PPF) to pay benefits to members of any scheme that is wound-up when the scheme and the company do not have enough money to cover the cost of buying all members' benefits with an insurer. If T-Mobile becomes insolvent and the Scheme has insufficient assets to buy all of the benefits promised with an insurer, the pension you would receive from the PPF is likely to be less than the full benefit you have earned in the Scheme, depending on your age and when your benefits were earned.

Further information and guidance is available on the PPF website at [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk). Alternatively, you can write to the Pension Protection Fund at Knollys House, 17 Addiscombe Road, Croydon, Surrey CR0 6SR.

## Your Scheme's Investments

The Trustee invests the Scheme's money with the aim of producing long-term returns that will enable the Scheme to pay your pensions and other benefits it owes in the future.

### How is the Scheme's money invested?

The Trustee's investment strategy, as set out in the Statement of Investment Principles, is to spread the Scheme's assets across a number of different investment types, with several investment managers.

At 31 December 2007, the Scheme's invested assets (excluding assets from members' Additional Voluntary Contributions (AVCs)) were spread as follows, with the target allocation shown alongside for comparison:

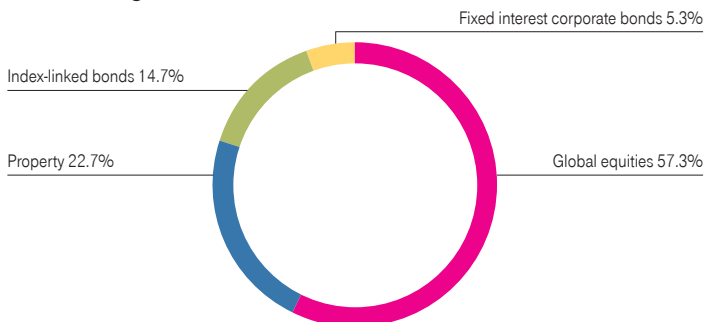
Asset Class	£000's	Percentage	Target Percentage
Global equities (including UK)	141,190	57.3%	56.0%
Property	56,017	22.7%	25.0%
Index-linked bonds	36,191	14.7%	14.0%
Fixed interest corporate bonds	12,936	5.3%	5.0%
<b>Total</b>	<b>246,334</b>	<b>100%</b>	<b>100%</b>

In addition to AVC investments worth £7.2m, the Scheme also had £10.7m of uninvested assets, bringing the overall asset value to more than £264m at 31 December 2007.

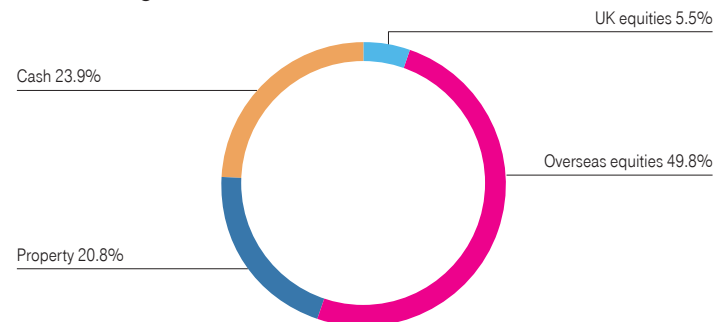
Early in 2008, the Trustee changed its investment strategy and now has a new target allocation. At 31 May 2008, the invested assets were spread as follows:

Asset Class	£000's	Percentage	Target Percentage
UK equities	14,441	5.5%	5.6%
Overseas equities	130,105	49.8%	50.4%
Property	54,268	20.8%	22.0%
Cash and interest rate swap collateral	62,476	23.9%	22.0%
<b>Total</b>	<b>261,290</b>	<b>100%</b>	<b>100%</b>

### Percentage Allocation



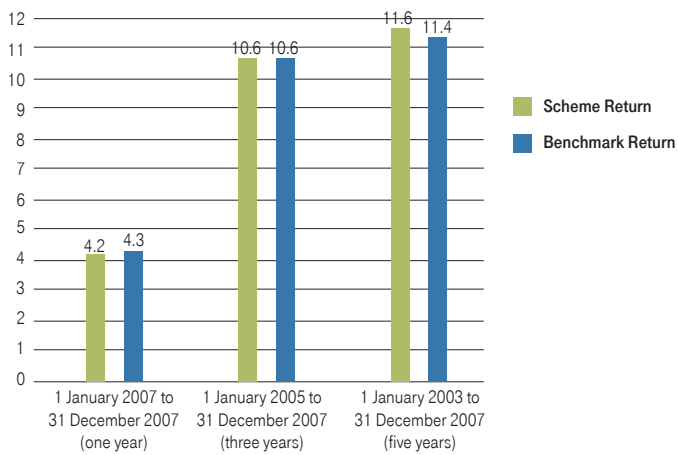
### Percentage Allocation





## How are the Scheme's investments performing?

The performance of the Scheme's investments is measured against a benchmark, with the aim being to outperform the benchmark. The actual investment performance and the benchmarks over the last year, three years and five years to 31 December 2007 are shown below:



## Your Scheme Accounts

Between the start and the end of 2007, the total value of the Scheme's assets increased by almost £30m, from £236m to £264m. Here's how it happened, with the 2006 figures shown alongside for comparison...

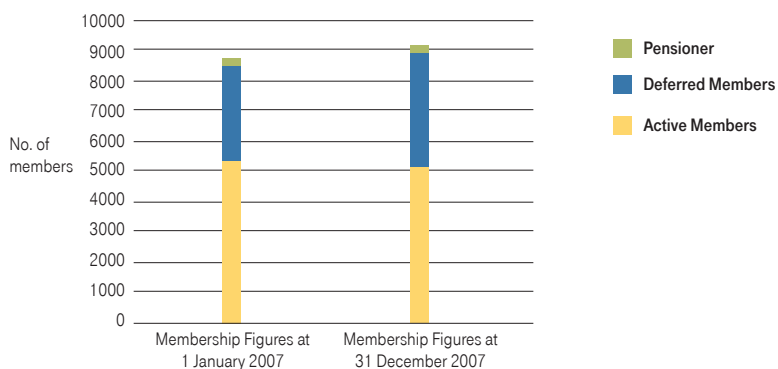
	2007 £	2006 £
<b>Income</b>		
Employer contributions	17,334,546	16,270,427
Member contributions (including salary sacrifice payments and Additional Voluntary Contributions)	6,861,051	6,453,932
Investment income and returns on investments	6,751,072	17,807,899
Other income	239,047	1,001,827
<b>Total income</b>	<b>31,185,716</b>	<b>41,534,085</b>
<b>Expenditure</b>		
Payment of benefits	1,498,973	1,434,853
Payments to and on account of leavers	720,107	2,927,262
Other expenditure	410,137	365,444
<b>Total expenditure</b>	<b>2,629,217</b>	<b>4,727,559</b>
<b>Income minus expenditure</b>	<b>28,556,499</b>	<b>36,806,526</b>
Value of Scheme funds at 1 January	235,702,264	198,895,738
<b>Value of Scheme funds at 31 December</b>	<b>264,258,763</b>	<b>235,702,264</b>

The accounts have been audited and confirmed as accurate.

## Your Scheme Membership

The Scheme continues to grow: over the course of 2007, membership increased from 8,672 to 9,098. Here's a breakdown of the figures:

	At 1 January 2007	At 31 December 2007
<b>Active members</b> These are members who are current employees of T-Mobile and are paying contributions into the Scheme or sacrificing salary through mychoice:pension	5,323	5,092
<b>Deferred members</b> These are members who have left T-Mobile employment but are still entitled to benefits from the Scheme at age 65	3,159	3,778
<b>Pensioner members</b> These are members who are receiving a pension from the Scheme	190	228
<b>TOTAL</b>	<b>8,672</b>	<b>9,098</b>



## Your Scheme News

This section of the newsletter tells you what's going on in your Scheme.

### Annual Benefit Statements

Enclosed with Pension Scheme News 2008, all active members – those of you who are currently employed by T-Mobile – will find a copy of your annual benefit statement, which gives you an update on the benefits you are personally entitled to as a Scheme member.

Don't worry if you haven't got a benefit statement because you've left T-Mobile. You can find out what benefits you've got within the Scheme at anytime by phoning Capita Hartshead on **0800 169 2085** or, even better, logging on to the ADDvantage website at <https://advantage.capitahartshead.co.uk/tmobile>.

This is the first year in which we've issued annual benefit statements in this format, so please take time to read the information carefully. Because everything on the statement relates specifically to your personal situation, it's a really important document when it comes to financial planning for your future.



### Money Purchase Investments

If you've got any money purchase investments in the Scheme, you'll receive a separate benefit statement later in the year, which will contain a Statutory Money Purchase Illustration (SMPI). By law, the Scheme must provide you with an SMPI, which gives an illustration of what your benefits could be at retirement, with particular assumptions about the future rate of investment growth and your salary growth.

If you want to change these assumptions, you can get a benefit illustration on an alternative basis from the ADDvantage website at <https://advantage.capitahartshead.co.uk/tmobile>.

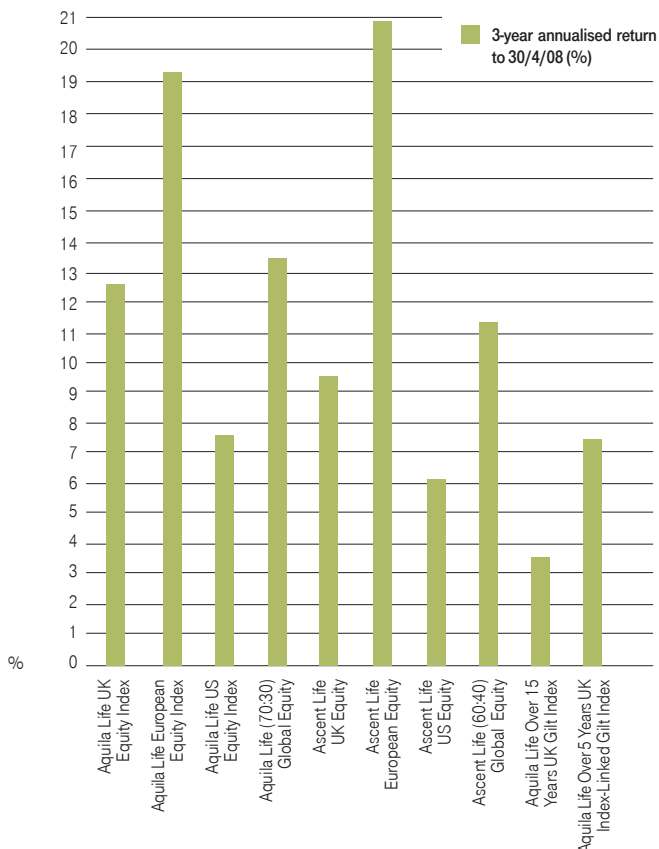
You can make additional money purchase investments in a range of funds managed by Barclays Global Investors (BGI). These funds are listed below.

Fund	1-year return to 30/4/08 (%)	3-year annualised return to 30/4/08 (%)
Aquila Life UK Equity Index	-4.3	12.6
Aquila Life European Equity	1.3	19.3
Aquila Life US Equity Index	-3.4	7.6
Aquila Life (70:30) Global Equity	-2.6	13.5
Ascent Life UK Equity	-8.4	9.5
Ascent Life European Equity	1.9	20.9
Ascent Life US Equity	-7.8	6.1
Ascent Life (60:40) Global Equity	-5.4	11.4
Aquila Life Over 15 Years UK Gilt Index	4.4	3.5
Aquila Life Over 5 Years UK Index-Linked Gilt Index	12.4	7.4

## National Pensions Update

The six Aquila funds are passively managed – BGI attempts to track the benchmark closely and therefore follows general trends in the market. This has been successfully achieved over the last year.

The four Ascent funds are actively managed – BGI takes more risks with the aim of producing returns that are substantially better than the benchmark. Unfortunately in three of the four Ascent funds, they were unsuccessful and produced returns below their benchmarks. The Trustee is currently reviewing these actively managed funds and will inform you of the review in due course.



Members who have invested in AVCs with Equitable Life will receive a benefit statement later in the year showing the value of the funds in which they have invested.

If you'd like to make some additional money purchase investments to try and boost your benefits at retirement, phone Capita Hartshead on **0800 169 2085** to request further information.

Pensions continue to make headlines, so here's a quick run-down of some of the main issues that have been in the press over the last year, and how they affect you.

### Changes to the State Pension

Everyone who has paid enough National Insurance contributions during their working life is entitled to the Basic State Pension when they reach State Pension Age. The State Pension Age is currently 65 for men and 60 for women, but between 2010 and 2020, the State Pension Age for women will be gradually increased to 65 as well.

This increase was planned some time ago, but more recently the Government has announced some further increases. The State Pension Age for both men and women will be increased to 66 by 2026, 67 by 2036 and 68 by 2046, with each increase being phased in over a two-year period.

The increases are being made because people are living longer. According to the Faculty of Actuaries, a man aged 60 in 2001 will on average live to age 86 and a woman to age 89 – and a quarter of 60-year-olds are expected to live beyond 90.

That means that pensions are being paid for longer periods than ever before – in some cases, a person's retirement can be almost as long as his or her working life. By raising the State Pension Age, the Government can get more funding for the State Pension, because many people will work (and pay tax) for longer as a result, and it can reduce the liabilities because pensions won't need to be paid for as long.

If you want to find out more about State Pensions, visit [www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk), where you can also see a forecast of your State Pension.

## Your Scheme Contacts

If you have any queries regarding your T-Mobile pension benefits, please contact the T-Mobile Pensions Team at Capita Hartshead:

### **T-Mobile Pensions Team**

Capita Hartshead  
Erskine House  
68-73 Queen Street  
Edinburgh  
EH2 4NR

**T:** 0800 169 2085

**E:** [t-mobile.helpline@capita.co.uk](mailto:t-mobile.helpline@capita.co.uk)

**W:** <https://advantage.capitahartshead.co.uk/tmobile>

The T-Mobile Pensions Team should be your main contact for day-to-day enquiries and questions about your personal benefits; however, you can also contact Mark Young, the T-Mobile Pensions Manager, if you have any concerns about the Scheme in general. Mark's email address is: [mark.young2@t-mobile.co.uk](mailto:mark.young2@t-mobile.co.uk). His work address is:

### **Mark Young**

Pensions Manager  
T-Mobile (UK) Limited  
Hatfield Business Park  
Hatfield  
Hertfordshire  
AL10 9BW

As a Scheme member, you have a right to see the full Annual Report and Accounts produced by the Trustee. You also have a right to see the Statement of Investment Principles, which the Trustee uses to determine how the Scheme's money is invested, and the actuarial valuation, described in the *Your Scheme's Funding* section of this newsletter.

If you want to see a copy of any of these documents you can email Mark Young.

## Glossary of Terms

We've tried to keep jargon to a minimum in this newsletter, but we have had to use some specialist terms in places. Here's a quick summary of what they mean.

### Actuary

The Scheme Actuary is a professional adviser appointed by the Trustee. He is responsible for calculating what the Scheme's liabilities are expected to be in the future, and recommending a contribution rate so that there will be enough money going into the Scheme to be able to pay members' pensions and other benefits when they are due.

### Asset classes

Asset classes are simply different types of investment. The Scheme invests in a number of different asset classes in order to prevent a major loss if any one asset class performs badly.

### Equities

Equities are investments in company stocks and shares. They carry higher risk than most other forms of investment, but are expected to achieve higher returns in the long-term.

### Hedge funds

Hedge funds are specialist investments that often contain several other asset classes. Hedge fund managers are normally very active in swapping investments around to react to market conditions and reduce overall risk.

### Interest rate swaps

An interest rate swap is a type of investment in which one party normally agrees to pay another a fixed rate of interest in exchange for a variable rate of interest. This type of investment is often used to protect against sudden changes in interest rates by replacing a variable rate with a fixed one.

### Liabilities

The Scheme's liabilities are the pensions and other benefits it has to pay now and into the future.

### Pensionable salary

Pensionable salary for the purpose of calculating contributions and salary sacrifice payments is your basic salary less an amount determined by T-Mobile (currently £2,704). When calculating benefits, pensionable salary is your unreduced salary. Pensionable salary may be capped; you will be told if this applies to you.

### Private equity

Private equity investments are investments in companies that are not quoted on a stock market. These are often smaller companies or new businesses.

### The Trustee

The Scheme is managed by a Trustee Company, T-Mobile (UK) Pension Trustee Limited. This Company is known as the Trustee, and it has seven Trustee Directors who are responsible for making decisions in running the Scheme.



## Your Nomination Form

Please complete, tear-off and return this section if you haven't already completed a Nomination form, or if you'd like to change your nominations. If you send us a new form, it will automatically replace any previous one we have on file.

### What is the Nomination form?

The Nomination form is your chance to tell the Trustee who you'd like to receive any benefits that become payable from the Scheme if you die while a member. You can nominate as many people as you like, or if you prefer you can nominate an organisation. The Trustee is not legally bound to follow your wishes, but it will take them into account and all information will be treated confidentially.

You may want to take and keep a record of this form so that you can remember who you've nominated.

**Please complete the form in BLOCK CAPITALS and return it to the T-Mobile Pensions Team at Capita Hartshead, whose address is given below.**

---

### Personal Details

Full Name: \_\_\_\_\_

Title: Mr/Mrs/Miss/Ms/Other (specify): \_\_\_\_\_

Home Address: \_\_\_\_\_

Marital Status: Single/Married/Divorced/Separated/Widowed  
(delete as appropriate)

\_\_\_\_\_

National Insurance

Number: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Postcode: \_\_\_\_\_

Date of Birth: \_\_\_\_\_



## Death benefit nominations:

To: The Trustee of the T-Mobile (UK) Pension Scheme

If I die, I wish any lump sum benefit available from the T-Mobile (UK) Pension Scheme to be paid to the following person(s) or organisation(s):

Name	Address	Relationship to you	Percentage of benefits
<b>Total must equal</b>			<b>100%</b>

This cancels any previous nomination that I've made. I understand that the Trustee will take my nomination into account but does not have to make payment to my chosen person/organisation.

Signature:

Date:

Please place the form in an envelope labelled "Nomination form" and return it to:

[T-Mobile Pensions Team, Capita Hartshead, Erskine House, 68-73 Queen Street, Edinburgh EH2 4NR.](#)



# Contact Details

The Scheme Administrator can be contacted at the following address:

## **T-Mobile Pensions Team**

Capita Hartshead  
Erskine House  
68-73 Queen Street  
Edinburgh  
EH2 4NR

**T:** 0800 169 2085

**E:** [t-mobile.help@capita.co.uk](mailto:t-mobile.help@capita.co.uk)

**W:** <https://advantage.capitahartshead.co.uk/tmobile>

