

BAE SYSTEMS

BAE Systems Pension Scheme

2000 Plan Benefits

Selected Benefits Scheme



Welcome

The Selected Benefits Scheme (“SBS”) within the BAE Systems Pension Scheme – 2000 Plan Benefits (“the Scheme”) allows members to make **Additional Voluntary Contributions** (“AVCs”) whilst they are active members in order to increase their retirement and/or death benefits.

This leaflet covers information on the contributions payable and the benefits that may be provided by the SBS. It should be read in conjunction with the Scheme booklet. It also provides information on the Trustee’s approach to benefits being transferred into and out of the SBS and the structure of the SBS. If you are in any doubt whether the SBS is right for you, you should seek advice from an independent financial adviser. If you do not have a financial adviser you may find one in your local area from [Unbiased](#).

Once you have read this leaflet, if you require further details on the SBS please contact Aptia. Full contact details can be found on the [back page](#) of this leaflet. It is important to remember that as well as paying AVCs to the SBS to increase your retirement benefits, you can also pay AVCs to the Mercer Master Trust (*MMT*) which is a completely separate pension arrangement which is administered by Scottish Widows. This Defined Contribution (DC) pension arrangement is called the BAE Systems Additional Retirement Savings Plan.

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Contact Details

Visit the website:
contactpensionsadmin.com/BAES

Telephone Helpdesk:
0330 818 7282

Address:
Aptia, Maclaren House, Talbot Road,
Stretford, Manchester, M32 0FP

About the SBS

The basics of the SBS

You can pay SBS contributions to provide additional benefits on your retirement.

Whilst you are an active member of the Scheme, if you decide to pay SBS contributions, these will be invested within the Scheme. Your SBS contributions will receive interest, known as Credited Interest, and your SBS fund can then be used to provide you with additional benefits on your retirement.

Contributions to the SBS are deducted from your pay before tax is calculated, therefore you will automatically receive income tax relief at your highest rate, although some restrictions may apply to high earners.

Whilst I am an active member of the Scheme how do I go about paying SBS contributions to increase my retirement benefits?

You can obtain an AVC SBS Application Form from Aptia. The application is subject to approval.

Payment of SBS contributions for retirement benefits are flexible. This means you can request to increase, reduce, or suspend your SBS contributions at any time, with appropriate notice. Single payments can also be made.

As well as paying AVCs to the SBS to increase your retirement benefits, you can also pay AVCs to the *MMT*. More details about the *MMT* can be found in the *MMT* Member guide by visiting scottishwidows.co.uk/save/baesarsp, which also includes information about the *AVC* investment choices available.

How are my SBS contributions for retirement benefits invested?

SBS contributions are held in a common fund with all other assets of the section of the BAE Systems Pension Scheme of which you are a member. Your accumulated SBS fund for retirement benefits earns Credited Interest each year. The rate of Credited Interest is determined by the Trustee, on advice of the Scheme Actuary having regard to the return on the assets of the section of the Scheme of which you are a member. The rate of Credited Interest may therefore be different for members of the BAE Systems Section of the Scheme compared to members of the Airbus Section of the Scheme as the assets of each Section are held separately and may generate different returns. Credited Interest in any one year will be no less than 2.5% per annum. A Credited Interest table can be found by logging into OneView via contactpensionsadmin.com/BAES. The table provides confirmation of the rate of Credited Interest that has been declared each year.

As well as paying AVCs to the SBS to increase your retirement benefits, you can also pay AVCs to the *MMT*



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Additional **benefits**

What benefits are payable from the SBS?

By paying into the SBS you may buy additional benefits as follows (subject to Trustee consent):

Retirement benefits

- > Extra tax-free lump sum (subject to HMRC limits), and/or
- > Extra pension payable to you for your lifetime and, by opting for a joint life pension on retirement, extra pension for your dependents on your death. Any pension can be purchased through the Scheme or from an external provider.

Retirement benefit options

- > Unless you state otherwise, any pension estimate will be based on a pension payable to you for your lifetime (increasing in payment by inflation subject to a maximum of 2.5% each year, with a 5 year guarantee) plus a 50% dependant's pension following your death. The other options available to you are:
 - i. Pension with 50% dependant's pension (no increase in payment, with a 5 year guarantee);
 - ii. Pension with no dependant's pension (increasing in payment by inflation subject to a maximum of 2.5% each year, with a 5 year guarantee);
 - iii. Pension with no dependant's pension (increasing in payment by inflation subject to a maximum of 2.5% each year, without a 5 year guarantee); and
 - iv. Pension with no dependant's pension (no increase in payment, with a 5 year guarantee).
- > Normally your SBS benefits will be paid at the same time as your other benefits from the Scheme, but you can request to take your SBS fund at a different time (no later than age 75). If your SBS pot is taken more than 12 months after your other Scheme benefits a Market Value Adjustment (MVA) may be applied to the transfer-out of your SBS fund, i.e. a penalty may be applied. On an annual basis the Scheme Actuary recommends to the Trustee whether, in their view, a MVA should be applied over the subsequent Scheme year.

Death in service benefits

- > If you die whilst still in service, a lump sum equal to a refund of your SBS fund plus Credited Interest will be payable in respect of your SBS contributions for retirement benefits.
- > Historically, members were previously able to also pay SBS contributions to provide additional life cover. Where this was the case, this will increase the lump sum death benefit payable from the Scheme. It should be noted that when you leave service or retire, the life insurance cover provided by your SBS contributions will immediately cease.

Options on leaving service

- > On leaving pensionable service, you cannot continue to pay into the SBS.
- > If you leave pensionable service before retirement with an entitlement to a deferred pension, your SBS fund for retirement benefits will continue to attract Credited Interest until your Scheme benefits become payable. You will then be able to use your SBS fund as described above (see 'Retirement benefits').

You can request to take your SBS fund at a different time (no later than age 75)



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Further information



What else should I know about the SBS?

What level of contributions can I pay into the SBS whilst I am an active member of the Scheme?

The Trustee keeps under review the level of contributions that are paid into the SBS in order to increase retirement benefits. Currently the Trustee has a policy of allowing contributions up to the amount of a member's earnings. Please also refer to the next section regarding HMRC restrictions. There is the potential for the Trustee to cap the level of contributions that are paid by members into the SBS and therefore a contribution limit may be applied in the future.

Are there any HMRC restrictions that I need to consider before paying contributions into the SBS?

Annual Allowance

It is important to remember that, like your Scheme benefits, your annual contributions to the SBS which will be used to increase your retirement benefits will need to be tested against the Annual Allowance. It should be noted that any SBS contributions that are paid to increase death in service benefits do not need to be tested against the Annual Allowance. The Annual Allowance is set by HMRC and is a threshold for the total amount of retirement savings that you can build up each year, across all registered pension schemes, before incurring additional tax charges. It is the value of the contributions that you pay into the SBS, excluding any Credited Interest, which will need to be tested against the Annual Allowance.

In the event that your retirement savings under the Scheme and the SBS exceed the Annual Allowance in any given period, you will receive a Pension Savings Statement which will provide you with further details on the level of your retirement savings and the extent to which they may exceed the Annual Allowance. The Trustee does not have information on other retirement savings you may make, but please note that these will also count towards your Annual Allowance.

It is possible for an Annual Allowance tax charge to be paid from your SBS fund. The debit that would be applied to your SBS fund would equal the tax charge on the effective date. By settling an Annual Allowance tax charge from your SBS fund this makes no allowance for the 2.5% per annum investment return underpin. It is important to remember that this would be just one option for settling any Annual Allowance tax charge and you would be free to pay any tax charge directly with HMRC.

Lifetime Allowance

The Lifetime Allowance The Lifetime Allowance was a limit on the value of pension benefits you could build up in your lifetime without paying a tax charge. The Lifetime Allowance was removed from 6 April 2024. The standard Lifetime Allowance when it was abolished was £1,073,100, which is equivalent to a total pension of £53,655 a year. If you have previously applied to HMRC for protection, a different Lifetime Allowance will apply to you. The maximum tax free cash lump sum for those without protections is retained at £268,275 (25% of the final Lifetime Allowance).

For more detailed information on the Annual Allowance and the Lifetime Allowance you should refer to HMRC's website at:

- > [gov.uk/government/publications/rates-and-allowances-pension-schemes](https://www.gov.uk/government/publications/rates-and-allowances-pension-schemes)
- > [gov.uk/tax-on-your-private-pension](https://www.gov.uk/tax-on-your-private-pension)

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Further information continued...

Can funds be transferred-in to the SBS?

There is a general policy that permits transfers-in from outside the Scheme into the SBS. This policy is reviewed on an annual basis to balance the risks to funding the Scheme with flexibility for members. The Trustee has agreed that the maximum that any member can transfer into the SBS from other pension arrangements is £150,000 (in aggregate over your whole membership of the Scheme).

Whilst it is possible to transfer benefits from outside the Scheme into the SBS, the Trustee has taken the decision not to permit the transfer of funds from the *MMT AVC* arrangement into the SBS.

Can funds be transferred-out of the SBS?

It is possible to transfer your SBS fund out of the Scheme and leave your remaining benefits in the Scheme. You also have the option to transfer your Scheme benefits and your SBS fund to an alternative arrangement. It is also possible to transfer your SBS fund into the *MMT AVC* arrangement. On an annual basis the Scheme Actuary recommends to the Trustee whether, a Market Value Adjustment (MVA) to the transfer out of SBS funds should be applied over the subsequent Scheme year. Please contact Aptia to confirm whether a MVA currently applies.

It is important to note that if you chose to transfer your SBS fund out of the Scheme you will not automatically be able to recommence contributions into the SBS at a later date. You would only be able to continue to pay into the SBS with the consent of the Company and the Trustee.

This leaflet is intended as a helpful guide to the provisions of the Selected Benefits Scheme. It is subject to change in the future as required by HM Revenue & Customs and the Rules of the BAE Systems Pension Scheme. The value of your pension will depend on several factors including the amount of contributions paid, any cost of exercising any right to transfer your benefits, any charges payable, the age at which you access your benefits, any guaranteed interest or bonuses applied and any cost of converting your benefits into an annuity. The Rules set out the legal basis for the Trustee's administration of the BAE Systems Pension Scheme and they override any provisions of this leaflet in the event that they are inconsistent. Copies of the Rules are available from Aptia.

What would happen to my SBS fund on closure or wind-up?

In the event of wind-up, the SBS fund would be classed as a non-money purchase arrangement (so would be subject to some aspects of pension legislation that apply to defined benefit schemes, such as the BAE Systems Pension Scheme). This is because the SBS has an element of investment return that is guaranteed. This could negatively impact SBS funds if there were insufficient assets to pay all benefits in full because there is a risk that SBS funds might be used, in part or in full, to pay other promised benefits. In contrast, benefits classified as money purchase on wind-up (such as *AVCs* with the *MMT*) would usually be fully protected. The exact impact on a member's SBS fund on wind-up would depend on the funding position at that time.

It is important to recognise that, at the current time the support that the Company provides is considered to be strong and this information has therefore been provided for your reference only.

Who can I contact for further information?

Visit the website: contactpensionsadmin.com/BAES

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