

Your benefits

Your guide to the BAE Systems Pension Scheme –
Aircrew Addendum

Introduction

As an **Aircrew member** of the BAE Systems Pension Scheme, you are entitled to **special benefits** within the **Scheme**. This addendum summarises these benefits and you should refer to it as you read the **Scheme** booklet.

This leaflet is intended as a guide to the provisions of the BAE Systems Pension Scheme – Aircrew Section. It is subject to changes in the future as required by HM Revenue & Customs and to the Rules of the Scheme that set out the legal basis for the Trustee’s administration of the **Scheme** and which override any provisions of this leaflet with which they are inconsistent. Copies of the Rules are available from the Scheme administrator, Aptia.

Technical terms used

The meaning of the terms highlighted in *italics* can be found in the booklet or in this addendum. Please note that this addendum does not apply to Aircrew members of the Level 100+ section.

Additional definitions

Accrual Rate is the appropriate fraction of Final Pensionable Earnings you receive for each year and complete month of *Pensionable Service* depending on the category of membership to which you belong.

Final Pensionable Earnings is:

- > For service to 5 April 2006 – are your Pensionable Earnings averaged over the 12 months ending on the last day of the calendar month in which you leave service or die (whichever occurs first), except that any fluctuating component of Pensionable Earnings will be averaged over the last three years preceding that date. This is subject to not exceeding the Scheme Cap.
- > For service on or after 6 April 2006 – are your Pensionable Earnings averaged over the 36 months ending on the last day of the calendar month in which you leave service or die. This is subject to not exceeding the Scheme Cap.

Pensionable Earnings is:

- > For service to 5 April 2006 – are your gross earnings including any statutory sick pay received from the *Company* in the 12 months preceding the date in question, but excluding redundancy and other lump sum payments made on termination of employment, the cash equivalent of benefits in kind chargeable to income tax and travel, subsistence and other temporary allowances.
- > For service on or after 6 April 2006 – are your gross earnings including any statutory sick pay received from the *Company* in the 36 months preceding the date in question, but excluding redundancy and other lump sum payments made on termination of employment, the cash equivalent of benefits in kind chargeable to income tax and travel, subsistence and other temporary allowances.

If you are employed in Saudi Arabia, Pensionable Earnings are your Basic *Salary*, flying bonus and any market premium received from the *Company* in the 12 months preceding the date in question for pre 5 April 2006 service and in the 36 months preceding the date in question for service on or after 6 April 2006.

Scheme is the BAE Systems Pension Scheme applicable to Aircrew members.

Amended definition

Normal Retirement Date is the first of the month coincident with or immediately after your 50th, 55th or 60th birthday depending on the category of membership to which you belong (see over for further details).

Contact Details

Visit the website:
contactpensionsadmin.com/BAES

Telephone Helpdesk:
0330 818 7282

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

Categories of membership

Your Normal Retirement Date and Accrual Rate will depend on your category of membership. There are three categories of membership:

Your pension will be determined according to your category of membership as a fraction of your Final Pensionable Earnings for each year and complete month of Pensionable Service using the Accrual Rates below:

Category 1

Test pilots or navigators of high performance aircraft.

Normal Retirement Date is the first of the month coincident with or immediately after your 50th birthday.

Category 1

1/35th for Pensionable Service completed after 1 January 1989.

1/40th for Pensionable Service completed on or before 31 December 1988.

Category 2

Typically Aircrew employed primarily on development test flying of civil aircraft and their derivatives.

Normal Retirement Date is the first of the month coincident with or immediately after your 55th birthday.

Category 2

1/45th for Pensionable Service completed after 1 January 1989.

1/50th for Pensionable Service completed on or before 31 December 1988.

Category 3

Members who joined the Scheme After 1 March 1989 and who do not qualify for membership of Category 1 or Category 2.

Normal Retirement Date is the first of the month coincident with or immediately after your 60th birthday.

Category 3

1/55th for all Pensionable Service.

The *Company's* decision as to whether a member is a Category 1, 2 or 3 member and what constitutes a high performance aircraft will be final.

Changing your category

If your category changes during your service with the Company:

- > Your Normal Retirement Date will immediately change to that appropriate to your new category.
- > You will keep the *Accrual Rate* appropriate to your previous category up to the last day of the month preceding the date of the change and the *Accrual Rate* appropriate to your new category will apply thereafter.

Final Pensionable Earnings will be determined as follows:

- > In respect of any period of Pensionable Service in relation to your category when you retire, your Final Pensionable Earnings will be those applicable at the date of retirement.
- > In respect of any earlier period of Pensionable Service completed in some other category, your Final Pensionable Earnings will be the higher of your Final *Pensionable Earnings* at the date of retirement or your Final Pensionable Earnings as if you had left service on the date of leaving that category.

Note

Switching between categories affects the way in which some rules will apply to you. If you have any queries, contact the Scheme administrator, Aptia.

Making contributions to the Scheme

You pay 5.6% of Contribution Earnings towards your pension.

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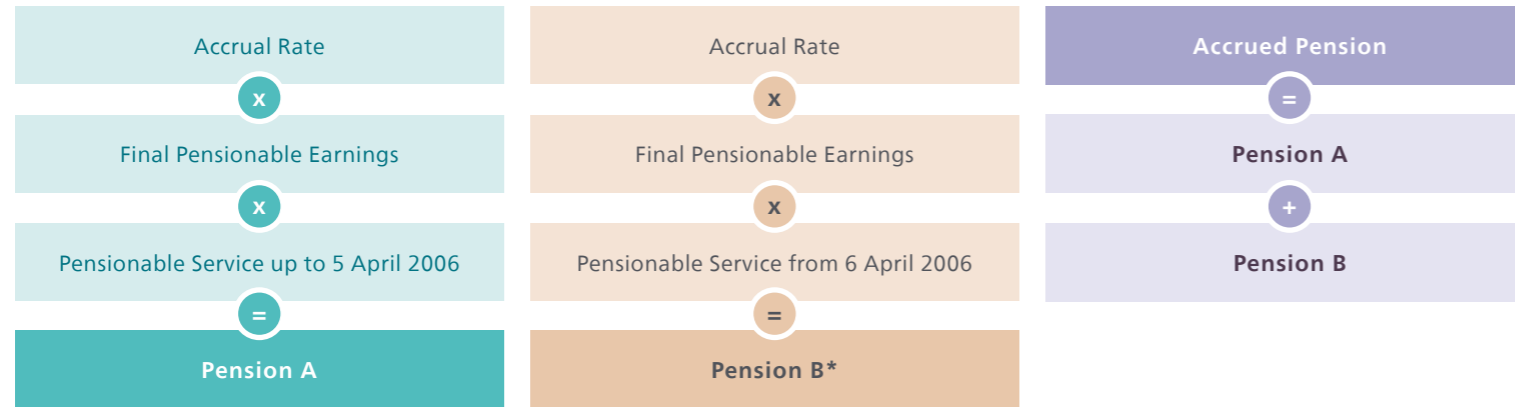
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How to calculate your pension

Your pension is calculated as a fraction of *Final Pensionable Earnings* for each complete year and month of *Pensionable Service*.



* Pension B is then adjusted by the Longevity Adjustment Factor.

Notes

The *Accrual Rate* depends upon category of membership and date to which *Pensionable Service* was completed ([see page 3](#)). If you have switched between categories, your pension will be calculated by adding together the amounts of pension you are entitled to in respect of *Pensionable Service* in the different categories ([see page 3](#)).

Under the *Scheme Maximum* your benefits (excluding *Additional Voluntary Contribution* benefits but including previous benefits in other schemes) must not exceed 2/3rds of your final earnings.

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Contracted Out Underpins

Members of the Aircrew section of the Scheme were contracted-out by reference to the salary-related part of the Scheme.

As the Scheme was contracted-out, existing contracted-out benefits like Guaranteed Minimum Pension (GMP) remain protected even though contracting-out was abolished from 6 April 2016.

Guaranteed Minimum Pension

On your death in deferment or retirement, your spouse's pension will never be less than the spouse's GMP. This is approximately half the member's GMP for a widow and half the member's GMP in respect of service after 6 April 1988 for a widower.

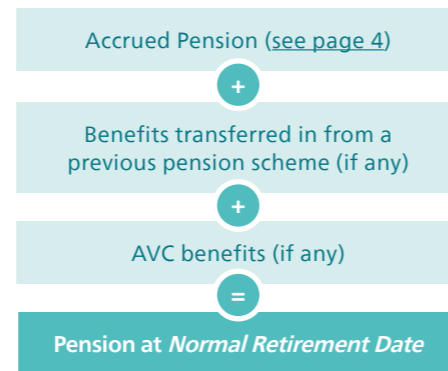
Reference Scheme Test

The Aircrew section of the Scheme was contracted out on the 'Reference Scheme Test' basis. This means that Protected Rights did not apply to you.

The Scheme was required to satisfy it provided benefits broadly equal to or above a specified minimum level. This ceased to apply when contracting-out was abolished from 6 April 2016.

When you reach retirement

Retiring from Pensionable Service at Normal Retirement Date



Retiring from Pensionable Service after your Normal Retirement Date

You may be able to continue as a member of the Scheme in your existing category after your *Normal Retirement Date*, in which case your pension will not become payable until you eventually retire.

Payment of your pension under the *Scheme* cannot be delayed beyond the date you cease employment with the *Company*.

You will continue to earn pension at your *Accrual Rate*, but your benefits must not exceed 2/3rds of *Final Pensionable Earnings*.

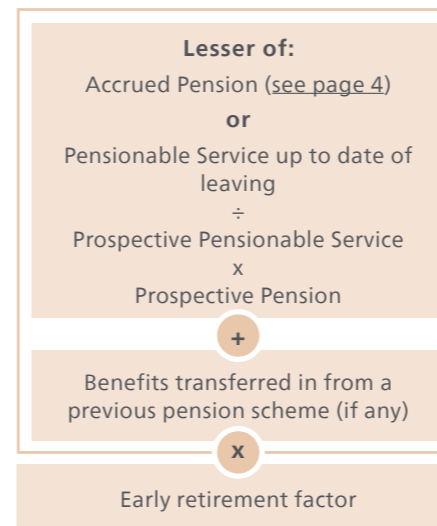
Your pension will be adjusted by the *Longevity Adjustment Factor* that would have applied had you retired at your *Normal Retirement Date*.

Retiring from Pensionable Service before Normal Retirement Date (except on medical grounds)

You may be permitted to retire not more than five years before your *Normal Retirement Date* and receive

an immediate pension, subject to the consent of the *Trustee* and the *Company*. Consent will not be given if you are under age 50 (under age 55 for requests after 5 April 2010) due to HMRC rules.

The formula for calculating your early retirement pension is shown below:



Note: Prospective *Pensionable Service* is the *Pensionable Service* you would have completed if you had remained in service to your *Normal Retirement Date*. Your prospective pension is the pension you would have received if you had remained in *Pensionable Service* until *Normal Retirement Date*. This is based on your actual *Final Pensionable Earnings* and category of membership at the date of your early retirement. If your category of membership has changed and you retire after the *Normal Retirement Date* applicable to your previous category, the above early retirement reduction will not apply to the pension earned before your change in category.

Retirement from Pensionable Service before Normal Retirement Date (on medical grounds)

You may retire on the grounds of Incapacity at any age with an immediate pension, subject to the consent of the *Trustee* and the *Company*. Your pension will be calculated in the same way as the normal early retirement pension (see opposite) except that the *Trustee* can choose not to apply the early retirement factor.

Note: No additional benefits are provided for retirement on the grounds of Chronic Ill-health.

Protected Pension Ages

Certain Scheme members may enjoy a Protected Pension Age (PPA) which permits *Scheme* benefits to be accessed before the Normal Minimum Pension Age (NMPA) which is currently 55 (increasing to 57 from April 2028). The NMPA is the minimum age at which an individual can access their pension savings without incurring an unauthorised payments tax charge. For both active and deferred members under the Scheme, if you are a Category 1 member who joined before 6 April 2006 you will have a PPA of 50.

Please note that the Scheme PPA cannot be recognised under the Mercer Master Trust and, therefore, any former Scheme AVCs which are not transferred back to the Scheme at retirement and which are used to purchase retirement benefits under the Mercer Master Trust, will not be accessible before the NMPA as applies from time to time.

If you have any queries about this issue please contact Aptia.

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Death benefits

Death in service

A lump sum death benefit equal to three times your Pensionable Earnings at date of death.



A lump sum equal to the contributions paid by you into the Scheme.



A spouse's pension equal to 20% of your Pensionable Earnings at date of death.



Children's allowances equal to 10% of your Pensionable Earnings at your date of death, up to a maximum of three children.

Any pension arising from these benefits will be appropriately adjusted by the Longevity Adjustment Factor.

Payment of pensionable children's allowances

An allowance will normally be payable to pensionable children until age 18, or age 21 if the child is in full-time education or training which is approved by the *Trustee* or, up to any age if the child is disabled subject to *Trustee* discretion.

Pensionable children are your own children, or those legitimised by your marriage, financially dependent step-children and legally adopted children and any other child who, in the opinion of the *Trustee*, is dependent on you at the time of your death.

Your deferred pension

The deferred pension will be based on both your *Pensionable Service* and your *Final Pensionable Earnings*, on the date at which you leave the *Scheme*. You will also have the option when you draw your deferred pension to exchange part of your pension for a tax free cash sum and to provide an additional pension for a nominated dependant or spouse.

Early payment of your deferred pension

If you have retired from all paid employment and if the *Trustee* agrees, your deferred pension can be paid before your Normal Retirement Date. Consent will not be given if you are under age 50 (under age 55 for requests after 5 April 2010) due to HMRC rules. Your pension will be reduced to take account of it being paid early by a factor determined by the *Trustee* acting on the advice of the Actuary. However, the *Trustee* has the discretion to apply more favourable terms if you are suffering from Incapacity. You may apply for payment of your deferred pension on the grounds of Incapacity at any time.

Late payment of your deferred pension

If the *Trustee* agrees, you may be able to elect to start receiving your pension later than your Normal Retirement Date but not later than age 75. Your pension will increase between Normal Retirement Date and the date that you actually retire by a factor determined by the *Trustee* acting on the advice of the Actuary.

Your deferred pension can be paid before your Normal Retirement Date

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