

Paying Additional Voluntary Contributions

Pension guide – Information for employees

This pension guide explains everything you need to know about paying Additional Voluntary Contributions (AVCs) if you are an active member of a BAE Systems pension scheme.

This guide is not intended as financial advice. If you are uncertain of what action to take it is recommended that you speak to an independent financial adviser before deciding to pay AVCs. You can visit [MoneyHelper](#) or unbiased.co.uk to find out how to contact an independent financial adviser near you.

1. What are AVCs?

AVCs are voluntary payments you can make into a pension arrangement and are a type of defined contribution (DC) benefit. The payments are invested in an individual savings account to provide you with extra benefits at retirement. The value of these savings will depend on how much you put in, investment performance and any charges for administration and investment.

2. Why should I consider paying AVCs?

Aside from looking to boost your pension savings, an important consideration for why you might want to pay AVCs is because you will receive tax relief on your contributions at the highest rate of income tax you pay. For example, if you are a basic rate tax payer you save 20% on the money you put in and 40% if you are a higher rate tax payer (different tax rates apply in Scotland). In other words, for every £80 you would take home as a basic rate tax payer, or £60 as a higher rate tax payer, £100 goes into your pension (in England or Wales).

From January 2026, AVCs are paid via SMART Pensions, a salary sacrifice arrangement which provides National Insurance savings. Paying AVCs through salary sacrifice may impact other benefits you pay via salary sacrifice, such as the green car scheme, if your remaining gross salary falls below the National Minimum Wage. You can read more about SMART Pensions, including the restrictions that apply and how to opt out, in the [SMART Pensions FAQ](#) document.

3. Is there a limit on the tax relief I can receive when I pay AVCs?

Yes. You can contribute up to 100% of your earnings (or £3,600 if that is higher) to your pension each year but you should be aware that the Government sets limits on the value of the pension savings you can build tax efficiently in any tax year, known as the Annual Allowance. For most people this will be £60,000 a year. Please read the [Annual Allowance](#) guide for more information.

4. What arrangement will my AVCs get paid into?

If you joined BAE Systems since 2012

If you joined since April 2012 you will be a member of the DC arrangement, the **BAE Systems Retirement Savings Plan (BAESRSP)**, which is part of the Mercer Master Trust (**MMT**). All contributions, including any AVCs, will be paid into your BAESRSP account.

Before paying AVCs you should ensure you have increased your Matching Contributions first to maximise the available employer contribution. For more information about Matching Contributions please read the [MMT Member Booklet](#)

If you joined before 2012

If you joined before April 2012, and joined a pension arrangement, you will be a member of one of the defined benefit (**DB**) schemes:

- **BAE Systems Pension Scheme** (Level 125-200, Level 100+, 2000 Plan, Alvis, SIPS, Aircrew, Passport)
- **Royal Ordnance Pension Scheme** (1984, Crown Service)

For DB members, most AVCs are paid into the Mercer Master Trust (**MMT**), a completely separate pension arrangement to your DB scheme, which is administered by Scottish Widows. This DC pension arrangement is called the **BAE Systems Additional Retirement Savings Plan (BAESARSP)**. If you are a member of the Airbus Section this is called the **BAE Systems Additional Retirement Savings Plan for Airbus (BAESRSPAB)**.

If you are a member of the BAE Systems Pension Scheme with 2000 Plan benefits, you can also pay contributions to the Selected Benefits Scheme (**SBS**). These contributions are invested within the DB scheme and receive 'Credited Interest' each year. The amount of Credited Interest is determined by the Trustee each year, on advice from the Scheme Actuary, taking into account returns on the Scheme's assets. For more information about the SBS please refer to the [SBS Member Booklet](#)

There are also a small number of DB members with legacy with-profit AVCs held with Standard Life, Prudential and Clerical Medical.

5. How are my AVCs invested?

If you already pay AVCs, your contributions will be invested in line with your current AVC investment instructions. If you are a member starting AVCs for the first time, your AVCs will be invested under the MMT default investment option relevant to your scheme (these are explained further below as this is different depending on which scheme you are in).

You can choose from a range of investment funds selected by the MMT Trustees. There are three lifestyle strategies which are known as the **Mercer SmartPath** strategies. These work by automatically moving your investments for you as you get closer to the age at which you are planning to start taking your MMT benefits, known as your Selected Retirement Age (**SRA**). Under these strategies your investments are moved to assets that carry lower risk and reflect the way you wish to take your savings. You can change your SRA and your investment options via your [Mercer Money](#) account.

Alternatively, if you prefer to make your own investment choices you can choose from a range of self-select funds.

If you joined BAE Systems since 2012 and you are a DC member

The default fund for the BAESRSP is the **Mercer SmartPath – Target Drawdown Path**. This is designed to move your investments from growth assets (stocks and shares) to lower risk assets (such as bonds and cash) as you get closer to your SRA. The default SRA is age 65, but you can change this via your [Mercer Money](#) account.



More information is available at scottishwidows.co.uk/save/baes. If you have any questions you can contact the scheme administrator, Scottish Widows, by telephone on 0800 015 2038 or by email to workplacesavings@scottishwidows.co.uk

If you joined before 2012 and you are a DB member

The default fund for the BAESRSP and the BAESRSPAB is the **Mercer SmartPath – Target Cash Path**. This is designed to move your investments from growth assets (stocks and shares) to lower risk assets (such as bonds) as you get closer to your SRA, with the target that when you get to your SRA, all of your fund is invested in cash, on the basis that you will transfer your fund to the DB scheme at retirement to take it as tax-free cash. More information about the options for transferring your AVCs into your DB scheme at retirement is explained in the [Appendix](#). The default SRA is age 65, but you can change this via your [Mercer Money](#) account.



More information is available at scottishwidows.co.uk/save/baesarsp. If you have any questions you can contact the scheme administrator, Scottish Widows, by telephone on 0800 587 1912 or by email to workplacesavings@scottishwidows.co.uk

6. Can I see how starting or increasing AVCs will change my benefits?

Before making any decisions about starting to pay AVCs or increasing the amount you already pay, you can use the following online tools to illustrate how paying different amounts of contributions in the future could affect your retirement benefits.

Scheme	Where to go
DC scheme	Log into your Mercer Money account ► click the Pension tab ► scroll and click Open the planner ► click Get planning and then What if I save more into my pension? ► adjust the amount of your future monthly contributions and click Generate action
DB scheme	Log into your OneView account ► click the Retirement Illustrator tab ► under the Assumptions panel click on the Contributions menu ► add your total future AVC amount under Future MMT contributions and click Recalculate

For DB members, the amount you enter will be **added** to the current value of any MMT savings you already have. Please note that if your fund is already larger than the maximum tax-free cash amount you can receive, then adding future MMT contributions will not change the options illustrated.

If your fund is larger than the maximum tax-free cash amount, any MMT savings over and above the maximum will stay with the MMT, which you would need to arrange to receive directly from the MMT administrator, Scottish Widows (or you can arrange to transfer to another pension arrangement).

Please also note that there is an order in which benefits must be taken if you use your AVCs to fund all or part of your tax-free cash sum: any SBS fund or legacy AVCs, then any MMT savings you choose to transfer, and finally cash exchanged from giving up some of your DB pension (if there is scope up to the maximum lump sum).

7. How do I start, stop or amend AVC payments?

If you joined BAE Systems since 2012 and you are a DC member

To start paying Matching Contributions, regular monthly AVCs, a one-off lump sum AVC or to change the amount you currently pay, please submit a request via the BAE Systems Employee Service Centre (**ESC**) portal. If you do not have access to the ESC portal please call **0208 068 2868** (a hard copy form will be provided if you are unable to access the portal). If you are employed by Digital Intelligence please go to the [One Reward](#) hub.

If you joined before 2012 and you are a DB member

If you wish to start, stop or change your AVCs please see the action you need to take below, depending on your employer:

- If you are employed by BAE Systems or RBSL please complete the AVC change form which you can download from pensions.baesystems.com/defined-benefit and email this to avcchangeform@baesystems.com
- If you are employed by Airbus please complete the instruction form found on the Airbus internal Google site and email this to ukpensions@airbus.com
- If you are employed by MBDA please make your request via the Launchpad benefits portal
- If you are employed by Roxel please contact uk_payroll@roxelgroup.uk.com

You are also able to make a direct payment into your MMT account outside of your payroll should you wish by completing the [Direct AVC Payment Form](#). Any payment you make directly into the MMT will be for the gross amount and it will be your responsibility to reclaim the tax relief from HMRC via a self-assessment tax return.

8. Where can I see my AVCs?

You can see how much you are paying by going to your [Mercer Money](#) account. You can also monitor your investments and make changes to your investment choices, SRA and update your Nomination of Beneficiaries.

9. Can I pay some of my annual bonus/incentive as an AVC?

Yes. Details of how to do this are made available in January each year. You can find this at pensions.baesystems.com/pension-news

10. Can I request some of my severance payment be paid as an AVC?

If you are leaving the Company with a severance/termination payment, you can ask to waive entitlement to some or all of your severance/termination payment (with the exception of any Statutory Redundancy Pay) and instead receive an employer contribution into your pension scheme. Employer contributions are paid free of tax and National Insurance.

For BAE Systems employees, when the Company confirms your date of termination, the Shared Services team will produce your leaving paperwork which will include an application form to waive entitlement to some or all of your severance/termination payment, in lieu of an employer pension contribution (where applicable). If applicable, you would need to return your signed paperwork to Shared Services as soon as possible, in line with the dates stated on the form, and before your final working day.

11. What would happen to my AVCs if I died?

On your death a lump sum equal to the value of your AVCs in the MMT would be paid to your beneficiaries. It is important to note that you need to complete a separate Nomination of Beneficiaries for the MMT, and who you nominate can be different to the nominated beneficiary for your DB scheme benefits. You can complete and update your Nomination of Beneficiaries for your MMT fund via your [Mercer Money](#) account.

Appendix – Options at retirement for DB members

The following information is only applicable to members of a DB pension scheme. This uses the term ‘MMT DC savings’ as opposed to just AVCs as members of the BAE Systems Pension Scheme with Level 100+ benefits also have an employer contribution paid into their MMT account.

You can currently access your MMT DC savings (including your AVCs) at any time from age 55. Please note that the Government will increase the minimum age from which you can access your pension to 57 from April 2028. Some DB members have a Protected Pension Age (PPA) which means they can still take their pension benefits before age 57 after April 2028. This does not apply to the separate MMT arrangement. However if MMT DC savings are transferred to the DB scheme then they can be taken at the younger PPA of the DB scheme. Please refer to your [Member Booklet](#) which has more information about the retirement options you have.

You may wish to take your MMT DC savings at a different time to your DB scheme benefits (earlier or later) or choose to transfer these to another arrangement. More details about the options available at retirement are explained in the separate [DB retirement options](#) pension guide.

You have the option to transfer any MMT DC savings to your DB scheme at retirement to provide some or all of your tax-free Pension Commencement Lump Sum (PCLS), if indeed you wish to take a PCLS. In the event that you have more MMT DC savings than the maximum PCLS allowed by HMRC, which is broadly 25% of the value of your combined DB and DC benefits (subject to a maximum of £268,275) then any MMT DC savings above this amount would remain under the MMT. Please note:

- The option to transfer your MMT fund to the DB scheme is only available when you draw your DB pension.
- If you have other non-MMT AVCs (for example savings in the SBS for 2000 Plan members) and the combined value of these AVCs savings exceeds the HMRC maximum, then your non-MMT AVCs must be used first (i.e. before savings held in the MMT) and you may therefore not be able to transfer some or all of your MMT fund to the DB scheme.
- You may wish to transfer just a proportion of your MMT DC savings to the DB scheme. You can certainly do this but you will need to contact the DB scheme administrator, Aptia, to let them know how much you wish to transfer from your MMT DC savings to the DB scheme.
- If you start to access your MMT DC savings before you draw your DB pension then any funds that have been put into drawdown cannot be transferred to the DB scheme.