

BAE Systems Pension Scheme

Your benefits

Your guide to Alvis Benefits

A guide to your benefits

The *Alvis Benefits* section of the *Scheme* provides benefits for you and your family and is a valuable part of your remuneration package from the *Company*. This section of the *Scheme* is no longer offered to new entrants.

Whether retirement is close or a long way off, it is important to make sure that you understand the benefits provided. These benefits can make a big difference to your standard of living in retirement and your family's security in the event of your death.

In order to ensure security for you and your dependants, all benefits provided under the *Scheme* are 'funded'. This means that the Trustee is building up resources now to meet the cost of benefits that will become payable in the future rather than simply paying for them out of current contribution income.

If you require any further information on the *Scheme*, or on pension matters in general, contact the Scheme administrator, Aptia.

This booklet is a summary of *Alvis Benefits* and should be used as a guideline only. Every care has been taken to ensure that it is accurate but it is subject to changes in the future as required by HM Revenue & Customs (HMRC) and to the *Scheme's* Trust Deed and Rules which provide the legal basis of the *Scheme* and which override any provisions of this booklet with which they are inconsistent.

If you would like to see the Trust Deed and Rules, you can request a copy from the Scheme administrator, Aptia.

Alvis provides benefits for you and your family



Contact Details

Visit the website:
contactpensionsadmin.com/BAES

Telephone Helpdesk:
0330 818 7282

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

Technical terms used

We have tried to avoid using pensions jargon in this booklet where possible, but sometimes it is unavoidable so we have included a definition of key words here to help you to make sense of the more technical terms. They are highlighted in *italics* throughout the booklet.

Additional Voluntary Contributions (AVCs) are voluntary payments you can make into a separate pension arrangement called the *MMT*. The payments are invested to provide you with extra benefits at retirement in accordance with the rules of the *MMT*. A small number of members have legacy with-profit AVCs held in the Scheme that are not under the *MMT*.

Alvis Benefits is a benefit edition in the BAE Systems Pension Scheme, which replicates the benefits of the Alvis Pension Scheme following the transfer of that scheme into the BAE Systems Pension Scheme on 1 October 2019.

Company is BAE Systems plc and any other employer who participates in the *Scheme*.

Final Pensionable Salary is: For *Pensionable Service* to 6 April 2011, it is your highest *Pensionable Salary* in any *Year* in the previous five *Years* before the earlier of your *Normal Retirement Date* or the date your membership ceases.

For *Pensionable Service* on and after 6 April 2011, it is the average of your *Pensionable Salary* over the 36 months in the three previous *Years* before the earlier of your *Normal Retirement Date* or the date your membership ceases.

For *Staff Member Category 1* and *Staff Member Category 2* in respect of your *Pensionable Service* up to 6 April 2011 it is the yearly average of the highest three consecutive *Pensionable Salaries* in the 10 years before the earlier of your *Normal Retirement Date* or the date your membership ceases, subject to a deduction of £300 in relation to pre April 1987 *Pensionable Service*.

Final Pensionable Salary must not exceed the *Scheme Cap*.

Incapacity is physical or mental deterioration which, in the opinion of the Trustee based on evidence from a registered medical practitioner, either prevents you from carrying on in normal employment or seriously impairs your earning capacity.

Longevity Adjustment Factor is an adjustment figure dependent on age, which is applied to the pension earned on and after 6 April 2011. It will adjust the pension earned to reflect changes in life expectancies. Improved mortality rates may mean that future pensions are expected to be paid for longer and the *Longevity Adjustment Factor* will reduce your pension earned on and after 6 April 2011 to take account of this. The level of the *Longevity Adjustment Factor* will be set each year. There are different *Longevity Adjustment Factors* which apply to benefits on normal retirement, ill-health retirement and to benefits payable following death before retirement.

Normal Retirement Date is your 65th birthday.

Mercer Master Trust (MMT) is a completely separate pension arrangement which is administered by Scottish Widows. The full name of the arrangement is the *MMT – BAE Systems Additional Retirement Savings Plan (BAESARSP)*. This arrangement is available to Scheme members for AVC payments.

Pensionable Salary is your average basic annual salary in a *Year* and for *Staff Member Category 1* and *Staff Member Category 2* it means your basic annual salary as at the previous 1 April. *Pensionable Salary* excludes varying elements of your pay such as commission, shift, bonus and overtime payments. *Pensionable Salary* must not exceed the *Scheme Cap*.

Pensionable Service is the number of complete years and months of continuous service plus any *Pensionable Service* added in respect of any transfer value made before 6 April 2007.

Pension Commencement Lump Sum (PCLS) is an optional cash lump sum received at retirement in exchange for part of your pension. It is currently not subject to income tax.

Scheme is the BAE Systems Pension Scheme.

Scheme Cap is the maximum earnings used in any calculation of your contributions and benefits. It will normally be increased each year. This applies if you joined the *Scheme* on or after 1 June 1989.

Scheme Maximum refers to the limits which were HM Revenue & Customs requirements up to 6 April 2006 and which continue to apply to benefits in a simplified form. For example, under the *Scheme Maximum* your benefits (excluding AVC benefits) must not exceed 2/3rds of your final earnings or 1/60th of your final earnings for each year of your continuous *Company* employment if greater.

SMART Pensions Arrangement is provided if you are employed by companies wholly owned by BAE Systems or participating Joint Venture Companies, all contributions will be made under the SMART Pensions Arrangement, unless you choose to opt out of the SMART Pension Arrangement. Full details of the SMART Pensions Arrangement can be found in a separate SMART Pensions FAQ document, which can be found at pensions.baesystems.com/more-information/member-booklets

Staff Member Category 1 is a member who was notified that they would be a *Staff Member Category 1* when they transferred from the Alvis 1992 Pension Scheme to the Alvis Pension Scheme with effect from 1 April 2000.

Staff Member Category 2 is a member who was notified that they would be a *Staff Member Category 2* when they transferred from the Alvis 1992 Pension Scheme to the Alvis Pension Scheme with effect from 1 April 2000.

Year is from 6 April to the following 5 April.

Contact Details

Visit the website:
contactpensionsadmin.com/BAES

Telephone Helpdesk:
0330 818 7282

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

Where to go for Information

Raising a request or query

Aptia is the *Scheme* administrator. To raise a request or query, please contact Aptia using the details on the right hand side of the page. If you use the website you are able to upload any document if you would like to, rather than send them by post. Any information provided by you to Aptia digitally via the website will be encrypted. By using this route:

- > You will know instantly that your enquiry has been received and is being processed;
- > You can access the digital service at any time;
- > If you cannot find the answers you need online, you can send a question to the administration team.

OneView Member Portal

From OneView you can view the current estimated value of your retirement benefits, run an estimated retirement quote to help plan for your retirement*, run an instant (non-guaranteed) transfer value quote and update your nomination of beneficiaries online. Other information held on OneView includes annual newsletters, funding updates, annual benefit statements (where provided), monthly payslips for pensioners, information about the *SMART Pensions Arrangement* and more.

Digital Communications

The Trustees are keen to move away from sending paper-based communications and are in favour of using digital communications instead. This is for a number of reasons including:

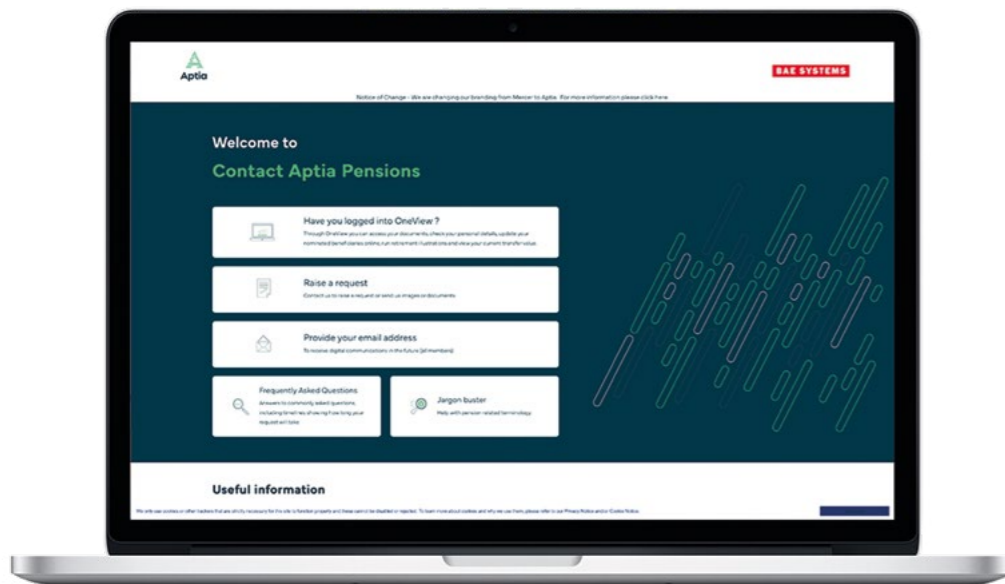
- > It is important that we can contact you quickly with *Scheme* information – it is much easier to achieve this digitally than via the postal service.
- > The carbon footprint of sending information out digitally is far smaller than our current method of print and postage – this allows a better use of *Scheme* resources and is more environmentally friendly.
- > The saving in printing and postage costs will be retained in the *Scheme*.

If Aptia hold your email address (either personal or work), Aptia will be able to let you know when general communications have been added to OneView. Aptia will also send any communications that would have automatically gone to your home address or respond to any requests you make via email.

If Aptia do not hold an email address for you, any automatic communications or individual requests will be answered by post (or by telephone where relevant).

Opting out of Digital Communications

If you would like to receive all of your communications by post (including all general communications which will be placed on OneView) you will still be able to do so. You will need to let Aptia know that you wish to opt-out of digital communications by confirming your full name and National Insurance number, the full name of the *Scheme* / section you are in and that you wish to opt-out of receiving digital communications.



* There will be a few exceptions where OneView cannot provide quotes, such as members with complicated benefit histories. You should contact Aptia directly if you experience any problems in generating an online quote.

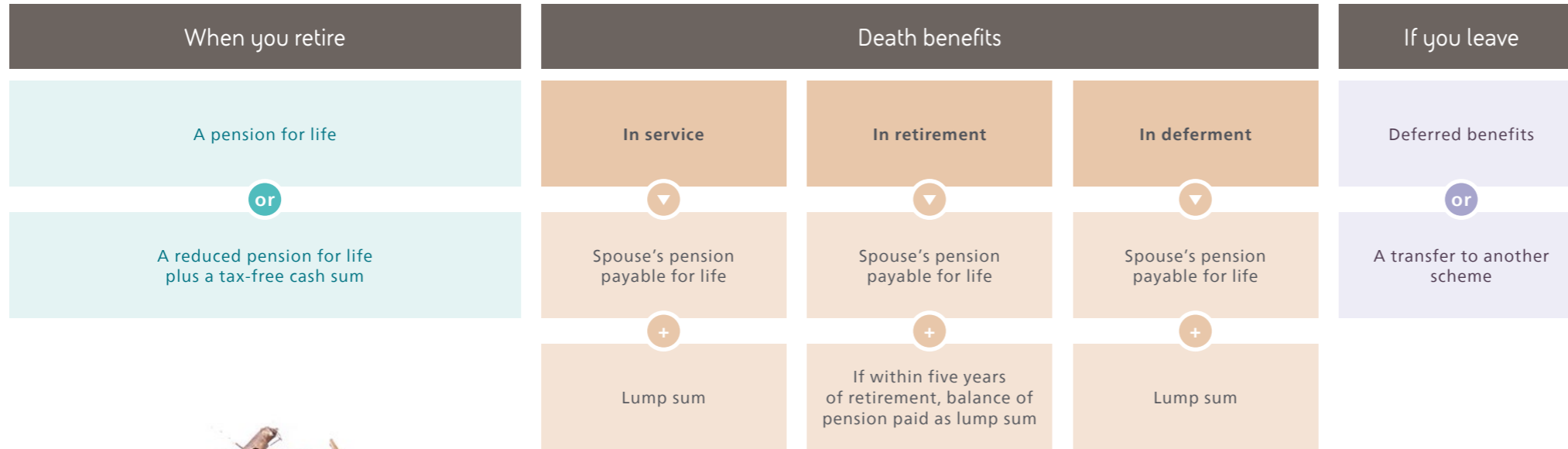
Contact Details

Visit the website:
contactpensionsadmin.com/BAES

Telephone Helpdesk:
0330 818 7282

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

Summary of Scheme benefits



As a member of the *Scheme*, you have access to a number of **valuable benefits**

Contact Details

Visit the website:
contactpensionsadmin.com/BAES

Telephone Helpdesk:
0330 818 7282

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

Membership of the Scheme

The *Scheme* is no longer offered to new members, although some employees at that date had a right to join between 6 April 2003 and December 2006.

Contributing members continue to earn benefits from the *Scheme* in accordance with this booklet and the Rules in force.

Opting out

Membership of the *Scheme* is not a compulsory part of employment with the *Company*. As a member of the *Scheme*, you can opt out at any time.

You will be required to give the Trustee and the *Company* two months' written notice of your intention to leave the *Scheme*. At the end of the pay period in which your two month notice period expires, you will be treated under the *Scheme* as if you had left service.

The decision to opt out is yours alone but you should give careful consideration before doing this and you may wish to consult with an Independent Financial Adviser.

If you decide to opt out:

- > You will lose the benefit of the *Company's* commitment to meet the balance of the cost of future pension provision under the *Scheme*.
- > You will lose the protection provided by the *Scheme* to you and your family in the event of your death in service.
- > You will lose the protection provided by the *Scheme* to you and your family in the event of your early retirement from the *Company* on account of ill-health.
- > You will lose the opportunity to earn a pension linked to your future earnings and service.

To opt out of the *Scheme* please contact the *Scheme* administrator Aptia, using the contact details on the right hand side of this page. If you subsequently change your mind please note that re-entry into the *Scheme* is not allowed.



Contact Details

Visit the website:
contactpensionsadmin.com/BAES

Telephone Helpdesk:
0330 818 7282

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

Making Contributions to the Scheme

Your contributions

A tiered contribution rate operates and you can choose the rate you wish to pay:

5.49% of your *Pensionable Salary*
= **1/80th per year pension accrual**

or

7.49% of your *Pensionable Salary*
= **1/60th per year pension accrual**

Changing your Base Pension Level

The Scheme is flexible and allows you to change your contribution rate as your needs change. You have the option to change it on an annual basis effective from 6th April subject to the Scheme Maximum. To do this you must fill in a form, which is available on OneView in December each year and return it to Aptia before a specified date in early February the following year.

Income Tax relief

Your contributions are deducted from your pay before tax is calculated; therefore, you automatically receive income tax relief at your highest rate, although some restrictions apply to high earners (see [page 13](#) for further information).

SMART Pensions arrangement

Provided that you are employed by companies wholly owned by BAE Systems or participating companies, all contributions will be made under the SMART Pensions arrangement, unless you choose to opt out of SMART Pensions. Full details of the SMART Pensions arrangement can be found in a separate SMART Pensions FAQ document, which can be found at pensions.baesystems.com/more-information/member-booklets

Additional Voluntary Contributions

All members in *Pensionable Service* are able to pay AVCs on a money purchase basis to a completely separate 'Master Trust' pension arrangement with the *MMT* administered by Scottish Widows. Full details 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.

Company contributions

The *Company* does not have a fixed contribution rate but pays the balance of the cost of the *Scheme*, which varies from time to time.

The balance of cost is calculated by the *Scheme* Actuary, one of the *Scheme's* specialist advisers. The fees and expenses associated with the *Scheme* are included in the *Company* contribution rate.

How the contributions are used

Your contributions, together with those from the *Company*, are credited to the fund and are invested by the Trustee. The proceeds are used to provide benefits for members in accordance with the Rules of the Scheme.

Part-time employment

If, during the same period of continuous *Pensionable Service*, you have been in full-time employment and part-time employment, or the basic number of hours a week worked in part-time employment has varied from time to time, the *Trustee* will calculate your benefits as it considers appropriate after taking account of the number of hours worked.

Contact Details

Visit the website:
contactpensionsadmin.com/BAES

Telephone Helpdesk:
0330 818 7282

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

When you reach retirement

When you retire you will receive a pension that relates to your earnings and length of service. Benefits must not exceed the *Scheme Maximum*.

All pensions in payment are treated as earned income and are taxed under the PAYE system.

Example

Assuming your *Final Pensionable Salary* was £30,000 for service up to 5 April 2011 and £29,500 for service after 5 April 2011 and you complete 15 years' *Pensionable Service* on 6 April 2021, your pension would be either:

9.29% contribution (7% contribution prior to 6 April 2011):

$1/60\text{th} \times £30,000 \times 5 \text{ years} = £2,500 \text{ per annum}$
+
 $1/60\text{th} \times £29,500 \times 10 \text{ years} = £4,916 \text{ per annum}^*$

Total = £7,416 per annum

or

7.29% contribution (5% contribution prior to 6 April 2011):

$1/80\text{th} \times £30,000 \times 5 \text{ years} = £1,875 \text{ per annum}$
+
 $1/80\text{th} \times £29,500 \times 10 \text{ years} = £3,687 \text{ per annum}^*$

Total = £5,562 per annum

*Post 6 April 2011 pension is adjusted by the *Longevity Adjustment Factor* which will vary from time to time and will be calculated at the same time as your pension starts, which is likely to mean that this element of your pension will be reduced.

You will have the option at retirement to exchange part of your pension for a PCLS.

Early retirement

If you are aged over 55 you can retire at any time provided that the *Company* and Trustee agree. You will receive a pension calculated in the same way as

at your *Normal Retirement Date* (based on *Pensionable Service* completed to the time you actually retire) but this pension will be reduced to allow for the longer period for which it will be paid.

Early retirement – Medical grounds (from active service)

If you cannot work because of ill-health, you may retire at any age with an immediate pension, subject to certain conditions being met and the consent of the Trustee and the *Company*. If you apply for or your employing company recommends medical retirement, the *Scheme's* Medical Adviser will prepare a report for the Trustee and you will be asked to complete a form authorising the release of your medical records to support this. The Trustee must be satisfied that you are suffering from *Incapacity*.

A medical retirement pension is calculated in the same way as at your *Normal Retirement Date* but based on *Pensionable Service* completed to the time you actually retire, plus half of the *Pensionable Service* you would have completed from your date of retirement to your *Normal Retirement Date*. This pension will be reduced to allow for the longer period for which it will be paid.

The Trustee has the power to reduce, suspend or terminate your medical retirement pension if, in its opinion, this is justified by a subsequent change in your medical circumstances.

Note

For *Staff Member Category 1* and *Staff Member Category 2* different benefit provisions apply. You will be notified if this applies to you.

Late retirement

If you continue in employment with the *Company* after reaching your *Normal Retirement Date*, you can continue to make contributions. You will receive a pension based on your *Final Pensionable Salary* and *Pensionable Service* to your date of retirement and using the *Longevity Adjustment Factor* as at your *Normal Retirement Date*.

Alternatively, you can choose to leave *Pensionable Service* at your *Normal Retirement Date* whilst remaining in the employment of the *Company* and defer taking your benefits until you leave *Company* service. If you choose this option, your pension will be calculated based on your *Final Pensionable Salary* and *Pensionable Service* to your *Normal Retirement Date* but increased by an amount recommended by the *Scheme* Actuary to reflect the period of deferment. The *Longevity Adjustment Factor* applied to your post 6 April 2011 pension will be calculated as at your *Normal Retirement Date* and applied when your pension starts.

Pension increases

Pensions earned after 5 April 1997 will be increased annually in line with the cost of living increases up to 5% each year for pension earned up to 5 April 2011 and 2.5% each year for pension earned after 5 April 2011.

After State Pension age that part of your pension representing your Guaranteed Minimum Pension (GMP) earned after 5 April 1988 will be increased in line with the Consumer Prices Index, subject to a maximum of 3% a year. Any GMP earned before 6 April 1988 does not increase.

Pensions are increased on 6 April each year and proportionate increases are given in the first year of retirement to any pensions beginning after 6 April.

Pension Commencement Lump Sum (PCLS) option

You can usually exchange up to 25% of the value of your pension for a tax-free PCLS at retirement. The amount of annual pension that you would need to exchange depends on your age and the commutation factors in force when you retire. The commutation factors are set by the Trustee on advice from the *Scheme's* Actuary. These factors are reviewed regularly by the Trustee and can change.

The maximum PCLS you can receive depends on your available 'Lump Sum Allowance'. For most people, the Lump Sum Allowance is £268,275, however it may be higher if you have a previous Lifetime Allowance protection (please refer to [page 13](#)). Your available Lump Sum Allowance will be lower if you have already received retirement benefits from another pension scheme. Before exchanging any of your annual pension for PCLS you should think carefully about your long-term financial needs and those of your dependants. You may want to consider taking financial advice.

If you have AVCs under the separate MMT arrangement, when you take your *Scheme* pension benefits you have the option to transfer these AVCs into the *Scheme* and use these to provide your tax free PCLS (subject to your available Lump Sum Allowance). Please refer to [page 9](#) for more details.

Contact Details

Visit the website:
contactpensionsadmin.com/BAES

Telephone Helpdesk:
0330 818 7282

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

When you reach retirement

How your pension will be paid

Your monthly pension will be paid in advance on the 6th of each calendar month direct to your bank or building society account. Should the 6th fall on a weekend the respective payment will be made on the previous working day. These pension payments are treated as earned income and are subject to tax under the PAYE system, using a tax code provided by HM Revenue & Customs.

Payslips are available to view on OneView. If you do not sign up to digital communications (see [page 4](#)) further payslips will only be sent to you when there is a variation in your pension amount of more than £10 compared to the prior month.

Benefits from Additional Voluntary Contributions (AVCs)

If you have AVCs under the separate *MMT* arrangement, when you take your *Scheme* benefits you can elect to transfer these back to the *Scheme* and use them to provide your *PCLS* (subject to maximum limits – see below).

The maximum amount that can be transferred back will be based on a figure that when added back together with your *Scheme* benefits equates to the maximum *PCLS* you are allowed to take (normally c25% of the total value of your pension benefits). On the rare occasion that if, when added back together there is an excess amount over and above the maximum *PCLS* allowed, this amount will remain in the *MMT* for you to use in accordance with options under the *MMT*.

Alternatively, at retirement you may choose to keep all of your savings in the *MMT* in order to access the additional pension flexibilities available through the *MMT* such as income drawdown or to purchase an annuity on the Open Market. More details can be found by visiting the *MMT* website at scottishwidows.co.uk/save/baesarsp. You could decide to receive a *PCLS* from the *Scheme* of up to 25% of the value of your *Scheme* benefits and also receive a separate tax-free *PCLS* of up to 25% of the value of your *MMT* account. You may also wish to take your *MMT* benefits at a different time to your *Scheme* benefits (earlier or later) or choose to transfer these to another arrangement.

Transferring benefits

Since 6 April 2015, members with money purchase or defined contribution savings have been able to access more of their pension benefits as cash from age 55 (subject to payment of income tax). These options are not available for your benefits in the *Scheme*. If you wish to access funds in this way, you will need to transfer your *Scheme* benefits to a defined contribution pension arrangement offering these flexibilities and you may need to take independent financial advice before doing so. Please refer to [page 12](#) for information about transferring out.



Contact Details

Visit the website:
contactpensionsadmin.com/BAES

Telephone Helpdesk:
0330 818 7282

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

Death benefits

Death in service

Lump sum death benefit

If you die whilst in *Pensionable Service*, a lump sum will be payable. The lump sum will be equal to four times your basic annual salary at your date of death.

Example

Basic annual salary = £25,000

Lump Sum = £25,000 x 4 = £100,000

For *Staff Member Category 1* and *Staff Member Category 2* the lump sum will be equal to four times your *Pensionable Salary* at your date of death and if no Spouse's, children's or dependant's pensions are payable, a refund of your contributions will be payable in addition.

The recipient(s) will be selected by the Trustee but it will be guided by any nomination you have made by completing an Expression of Wish form (see far right).

Spouse's pension

If you joined before 6 April 1997 your Spouse or Civil Partner will also receive a pension of 2/3rds of the pension which you would have received based on your prospective service to your *Normal Retirement Date* and based on your *Final Pensionable Salary* at your date of death. If you joined on or after 6 April 1997 your Spouse or Civil Partner would receive a pension of half of the pension you would have received based on your prospective service to your *Normal Retirement Date* and your *Final Pensionable Salary* at your date of death.

For *Staff Member Category 1* or *Staff Member Category 2*, the Spouse or Civil Partner will receive a pension of half the pension you would have received based on the *Pensionable Service* you would have completed from 1 July 1988 up to your *Normal Retirement Date*.

Children's pension

If your Spouse or Civil Partner has a dependent child or children, an additional pension equal to half the Spouse's pension will be paid and will be apportioned between them. If you leave dependent children at your date of death but no Spouse or Civil Partner, children's pensions equal to the Spouse's pension which would have been due will be payable and will be apportioned between them.

For *Staff Member Category 1* or *Staff Member Category 2*, if your Spouse or Civil Partner has a dependent child or children, children's pensions are calculated on the same basis as the Spouse's pension as described on the left and a pension equal to the Spouse's pension will be apportioned between them.

Children's pensions are payable whilst the child is under 18 years of age and payment may be extended until age 22 (or age 23 in certain circumstances) at the discretion of the Trustee for children remaining in full time education or vocational training.

Dependants' pension

If no Spouse's or children's pensions become payable, a dependant's pension may be payable to any other person considered by the Trustee to be financially dependent on you, or receiving financial support from you, at your date of death. This dependant's pension is payable at the Trustee's discretion.

Nomination of Beneficiaries - Take Action

It is very important that you nominate your beneficiaries in relation to your pension and provide the *Scheme Trustee* with an indication of who you would like your lump sum benefits paid to in the event of your death. The Trustee is not bound by your wishes but it will take them into account when exercising its discretion. Please do take the opportunity via OneView to update your Nomination of Beneficiaries online.

Please be aware that if you have *AVC* benefits in the *MMT* you **must** complete a separate Nomination of Beneficiaries for this arrangement. To do this go to www.mercermoney.com

Contact Details

Visit the website:
contactpensionsadmin.com/BAES

Telephone Helpdesk:
0330 818 7282

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

Death benefits

Death in retirement

If you die whilst receiving a pension from the *Scheme* the following benefits will be paid:

Lump sum death benefit

Your pension is subject to a five year guarantee. This means that if you die within five years after retirement, a lump sum is payable equal to five years' pension (at the rate applicable at your date of death disregarding future increases) less any

Spouse's pension

A Spouse's pension will be paid to your Spouse or Civil Partner. The amount will be based on the pension you would have been receiving when you died if you had not exchanged any pension for a lump sum at retirement. The Spouse's pension will be 2/3rds of the pension accrued during your *Pensionable Service* before 6 April 1997 and half of the pension accrued during your *Pensionable Service* from 6 April 1997.

For *Staff Member Category 1* or *Staff Member Category 2*, your Spouse's pension will be based on half of the pension you accrued during your *Pensionable Service* from 1 July 1988, increased to your date of death.

Death in deferment

If you die after leaving the *Scheme* and are entitled to a deferred pension (see [page 12](#)), the following payments will be made:

Refund of contributions

If you die and no Spouse's, children's or dependant's pensions are payable on your death, a refund of your contributions will be paid.

If you opted to leave the *Scheme*, were to die after age 65 and are still in the employment of the *Company* and have not yet drawn any of your benefits, a lump sum is payable equal to five years' pension payments at the rate applicable if you had retired at your date of death disregarding future increases.

Spouse's pension

A Spouse's pension will be paid to your Spouse or Civil Partner. The amount will be based on 2/3rds of your deferred pension which you were entitled to when you left the *Scheme*.

For *Staff Member Category 1* or *Staff Member Category 2*, your Spouse's pension will be based on half of your deferred pension in relation to *Pensionable Service* from 1 July 1988.

Death in retirement or deferment

Children's pension

If your Spouse or Civil Partner has a dependent child or children, an additional pension of half of the Spouse's pension will be payable and will be apportioned between them. If you leave dependent children but no Spouse or Civil Partner, children's pensions will be payable equal to the Spouse's pension which would have been payable and will be apportioned between them.

For *Staff Member Category 1* or *Staff Member Category 2*, if your Spouse or Civil Partner has a dependent child or children, children's pensions are calculated on the same basis as the Spouse's pension as described above and a pension equal to the Spouse's pension will be apportioned between them.

Children's pensions are payable whilst the child is under 18 years of age and payment may be extended until age 22 (or age 23 in certain circumstances) at the discretion of the Trustee for children remaining in full time education or vocational training.

Dependants' benefits

If no Spouse's pension or children's pensions become payable, a dependant's pension may be payable to any other person considered by the Trustee to be financially dependent on you, or receiving financial support from you, at your date of death. This dependant's pension is payable at the Trustee's discretion.

Contact Details

Visit the website:
contactpensionsadmin.com/BAES

Telephone Helpdesk:
0330 818 7282

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

Leaving the Scheme

You will leave the *Scheme* if you leave the service of the *Company*. Alternatively, you may leave by giving a month's notice, in writing, to the Trustee. If you leave the *Scheme* other than on retirement, the choice of deferred benefits or a transfer out is available to you:

Your Deferred pension

You have the option to receive a pension at your *Normal Retirement Date* based on your *Pensionable Service* and *Final Pensionable Salary* at the date you leave the *Scheme*, subject to not exceeding the *Scheme Maximum*. This is called a deferred pension. For those who left service after 5 April 2022 increases are currently granted at the rate of 3.25% per annum on your Guaranteed Minimum Pension and in line with the Consumer Prices Index (CPI) up to 5% per annum on the balance of your pension relating to service before 6 April 2009 and up to 2.5% per annum relating to service after 5 April 2009. The increases are calculated over the whole period between your date of leaving and when you draw your benefits.

A Spouse's pension will be paid to your Spouse or Civil Partner if you die either before or after retirement. See [page 11](#) for more information.

Transferring out

As an alternative to leaving your deferred benefits in the *Scheme*, you may choose to take a transfer payment to either your new employer's scheme or to another pension arrangement. If you wish to transfer your benefits the first step is to obtain your Cash Equivalent Transfer Value (CETV). This is the cash value the *Scheme* will offer you in exchange for you giving up your Defined Benefit (DB) pension rights (including death benefits but excluding any allowances for any discretionary benefits).

You must have left *Pensionable Service* at least one year before the *Scheme's Normal Retirement Date* to apply for a CETV and can accept it any time up to a year before the *Scheme's Normal Retirement Date*. The CETV is guaranteed for three months from the date of calculation. You must no longer be in *Pensionable Service* for the guarantee period to apply. If you are still in *Pensionable Service*, the CETV will be an estimate and can't be guaranteed. Most deferred members and members in *Pensionable Service* can get an instant indicative CETV quote at any time via the website through OneView.

If you are a deferred member and wish to get a guaranteed CETV, you can request this via the website under 'Make a request' and 'Transfer Value'. If you do not complete the transfer paperwork within the three month period (including providing the administrator with the information they need for their checks) you will have to apply for another CETV which could be higher or lower than the amount before. Deferred members are permitted to receive one CETV in any 12 month period. If an additional CETV is required within 12 months a charge will be levied.

When the fully completed paperwork, together with any additional evidence requested is received (which may include evidence that independent financial advice has been received), the *Scheme* administrator must pay the benefits to your new scheme within 6 months from the start of the transfer process i.e. the date that the CETV was first calculated.

Please note that the *Trustee* will need to complete detailed checks before deciding whether it can comply with your request to transfer. The checks determine whether the request meets the conditions to enable a statutory right to transfer and help reduce the risk of members being subject to pension scams. Most transfer requests are likely to be straightforward, however others may take up to the statutory 6 months' timeframe.

The CETV will contain details of your *Scheme's* guaranteed DB benefits and any DC benefits held with the *Scheme* from any legacy AVC arrangements. If you have AVCs in the *MMT* then you will need to contact the scheme administrator, Scottish Widows to transfer these benefits to your preferred provider. Please go to scottishwidows.co.uk/save/baesarsp for more information.

Early payment option

Your deferred pension can be paid any time after the first day of the month following your 55th birthday if the Trustee agrees. If you take your pension early it will be reduced to allow for the extra years over which your pension will be paid. The level of reduction will be decided by the Trustee, who will be advised by the Scheme Actuary.

Contact Details

Visit the website:
contactpensionsadmin.com/BAES

Telephone Helpdesk:
0330 818 7282

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

HM Revenue & Customs

A registered scheme

The *Scheme* is a registered scheme. This means that certain tax concessions apply subject to certain restrictions.

The tax concessions currently in place are:

- > Full income tax relief on any contributions you make to the *Scheme*, including *Additional Voluntary Contributions (AVCs)* although some restrictions apply.
- > Tax-free cash lump sums may be payable on retirement and death.
- > Tax advantages for the *Scheme* investments in respect of certain income and capital gains from investments.

Tax limits

Pensions are tax efficient, but there are a number of allowances that can apply.

Lifetime Allowance

The Lifetime Allowance was a limit on the value of pension benefits you could build up in your lifetime without paying an additional tax charge. The Lifetime Allowance tax charge was removed from 6 April 2023, and the Lifetime Allowance was removed completely from 6 April 2024. The standard Lifetime Allowance for the 2022/23 tax year was £1,073,100, which is equivalent to a total pension of £53,655 a year. If you have previously applied to HM Revenue & Customs for protection, a different Lifetime Allowance will apply to you.

Although the Lifetime Allowance no longer applied from 6 April 2024, the Lump Sum and Death Benefit Allowance limits the amount of tax-free lump sum that can be paid both in a lifetime and on death. For those without HM Revenue & Customs protection it is set at £1,073,100.

Lump Sum Allowance

The Lump Sum Allowance is the total tax-free lump sum limit you can receive from all your pensions, unless you have a valid protection certificate that allows you to take a higher tax-free amount. The Lump Sum Allowance limit is currently £268,275 (which is 25% of the Lifetime Allowance when it was abolished).

Annual Allowance

The Annual Allowance is a threshold for how much total retirement benefit you can build up each year across all registered pension schemes, before incurring additional tax charges. Any excess pension savings above the Annual Allowance are subject to a tax charge, which will be collected through the self-assessment process. For most members the Annual Allowance is currently £60,000 but it is less for high earners.

Tapered Annual Allowance

In April 2016 HMRC introduced the Tapered Annual Allowance for high earners and since April 2023 the Tapered Annual Allowance has reduced the standard Annual Allowance by £1 for every £2 of 'adjusted income' between £260,000 and £360,000. Broadly, 'adjusted income' includes personal sources of income (such as investment income or income from a buy-to-let property), employment-related income and a measure of the increase in pension savings over the tax year. Anyone with an adjusted income of over £360,000 has a fully Tapered Annual Allowance of £10,000. The Tapered Annual Allowance may also be reduced for anyone who is also subject to the Money Purchase Annual Allowance.

It is important to note that since April 2020 the standard Annual Allowance is not reduced if your threshold income for the tax year was £200,000 or less (or £110,000 for the tax years 2016/17 to 2019/20), no matter what your adjusted income was. Threshold income is broadly your adjusted income excluding the value of your pension benefits over the tax year.

Money Purchase Annual Allowance

If you have flexibly accessed and started to take money from a defined contribution (money purchase) pension, the amount you can then pay into a defined contribution arrangement such as AVCs and still get tax relief reduces. This is known as the Money Purchase Annual Allowance and it is currently £10,000. This allowance covers both your own contributions and any other contributions paid into your pension pot on your behalf. If you pay into a defined contribution arrangement and are subject to the MPAA, then you can accrue defined benefits up to the Annual Allowance less any defined contribution payments up to the MPAA.

Please be aware that in any tax year you cannot claim tax relief on your contributions to pension schemes in excess of your annual earnings. Your contributions do not include any contributions made by the company under the SMART Pensions arrangement.

If you believe you may be affected by the restrictions set out above, it is recommended that you seek independent financial advice. The pensions tax restrictions may change in the future. Further information on all these restrictions is available at [gov.uk/tax-on-your-private-pension](https://www.gov.uk/tax-on-your-private-pension)

Contact Details

Visit the website:
[contactpensionsadmin.com/BAES](https://www.contactpensionsadmin.com/BAES)

Telephone Helpdesk:
0330 818 7282

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

General information

Management of the Scheme

The Scheme is established under a trust administered by a Trust Company, BAE Systems Pension Scheme Trustees Limited, which has its own Board of Directors (known as the Trustee). The Trustee is responsible for the correct operation of the Scheme through its managers, with the assistance, where appropriate, of other professional advisers. Benefits under the Scheme are provided from a fund of investments (and not allocated to individual members), which is professionally managed on behalf of the Trustee.

Transferring benefits from other schemes

It is not possible to transfer any benefits into the Scheme, however if you were a member of a previous employer's scheme or have a personal pension, it is possible whilst you are in *Pensionable Service* to arrange for a transfer payment to be made to the *MMT*. More detail around options under the *MMT* can be found in the *MMT* Member guide by visiting scottishwidows.co.uk/save/baesarsp.

Divorce

Divorce proceedings may result in the issue of a Pensions Sharing Order by the Court. Pensions Sharing is not mandatory but it is available as an alternative to pensions earmarking or the offsetting of pensions against other matrimonial assets.

Financial advice

The *Company*, its employees and the *Trustee* are not authorised under the Financial Services and Markets Act 2000 as amended 2013. This means that they cannot give investment advice or any advice regarding your membership of the *Scheme*. The information in this booklet is intended to help you make your own decision. However, if you are in any doubt, you should consult an Independent Financial Adviser.

Full details about how you can access free financial guidance and what to consider before appointing an independent financial adviser can be found in a separate Pension Guide via the website on OneView.

Assignment of benefits

You must not attempt to assign your benefits to obtain cash payments or as security for loans. Under the *Scheme* Rules, there could be no legal claim on the *Scheme* by anyone other than the person entitled to the benefits under the *Scheme* Rules. Your benefits would cease to be payable and would come under the control of the Trustee for payment at its discretion.

Amendments to the Scheme

The *Company* with the consent of the Trustee, may, by deed, amend the *Scheme* at any time. You will be given written notice if your benefits or rights under the *Scheme* are materially affected by such amendment(s).

The *Company* intends to maintain the *Scheme* for the future, but in the unlikely event of it being discontinued, the Trustee would use the assets of the *Scheme* to provide benefits for the members in accordance with the *Scheme* Rules.

Increased or additional benefits may be provided from the *Scheme* at the discretion of the *Company*, subject to the *Company* paying any additional contributions that the Trustee may require after taking actuarial advice.

Internal Dispute Resolution (IDR) Procedure

If you have a query about the Scheme, the Scheme administrator Aptia will normally be able to resolve it. However, should you be dissatisfied with the response you receive, the Trustee has put in place a formal Internal Dispute Resolution (IDR) procedure for resolving complaints or disputes.

You may obtain a copy of the formal IDR procedure from:

> Trustee Pensions, BAE Systems plc, 2nd Floor Victory Point, Lyon Way, Frimley, Hampshire, GU16 7EX

or by emailing:

> pensions.policy@baesystems.com

Having gone through the IDR procedure, if the Trustee are unable to resolve the complaint with you, then you can refer your complaint to the Pensions Ombudsman.

Contact Details

Visit the website:
contactpensionsadmin.com/BAES

Telephone Helpdesk:
0330 818 7282

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

General information

Pensions Ombudsman

Having gone through the IDR procedure, the Pensions Ombudsman (appointed under Section 145(2) of the Pension Schemes Act 1993) may investigate and make decisions about any complaint of maladministration and dispute of fact or law in relation to an occupational pension scheme where the person makes a complaint in accordance with the Act. There is no charge for these services. The Pensions Ombudsman can be contacted at:

- > 10 South Colonnade, Canary Wharf, E14 4PU
- > **0800 917 4487**
- > enquiries@pensions-ombudsman.org.uk
- > pensions-ombudsman.org.uk

You can also submit a complaint online: pensions-ombudsman.org.uk/making-complaint

MoneyHelper

MoneyHelper brings together the support and services of three government-backed financial guidance providers: the Money Advice Service, the Pensions Advisory Service and Pension Wise. MoneyHelper aims to make your money and pension choices clearer. It provides impartial guidance and can recommend further trusted support if you need it. MoneyHelper can be contacted at:

- > **0800 011 3797**
- > moneyhelper.org.uk

The Pensions Regulator

The Pensions Regulator is the regulator of work based pension schemes in the UK. Created under the Pensions Act 2004, its aims include protecting members' benefits and promoting good administration. The Pensions Regulator is able to intervene in the running of schemes where trustees, employers or professional advisers have failed in their duties. The Pensions Regulator can be contacted at:

- > Napier House, Trafalgar Place, Brighton, BN1 4DW
- > thepensionsregulator.gov.uk

Pension Tracing Service

Information about the *Scheme* (including the address at which the Trustee may be contacted) has been given to the Department for Work and Pensions. The Department acts as a central tracing agency to help individuals keep track of the deferred benefit entitlements they have in previous employers' schemes. If you have difficulty finding where pensions you have earned in the past are located, the service can be accessed by contacting the Pension Tracing Service at:

- > **0800 731 0193**
- > gov.uk/find-pension-contact-details

Pension Protection Fund

Introduced by the Pensions Act 2004, this Fund has been set up to protect pension benefits for members of company defined benefit pension schemes where the employer has become insolvent and the scheme is unable to meet its obligations. It is funded by a substantial levy on all defined benefit schemes and should help provide peace of mind for many people saving for retirement in such schemes.

- > pensionprotectionfund.org.uk

Data Protection

The Trustee of the *Scheme* will collect and process information about you that may be subject to data protection laws. For more information about how it uses and discloses your personal information, how it protects your information, its legal basis to use your information, your rights and who you can contact, please refer to the relevant sections of the privacy notice at:

- > baesystems.com/en/privacy

Further information

Members in *Pensionable Service* and deferred members will have access to a benefit statement each year via the website and through OneView. Each year all members will also have access to the full *Scheme* Member Report and Accounts that will provide information on the performance of the *Scheme* and any other relevant information, such as the names of the Trustees and their advisers and other formal documents through OneView.

By providing the *Scheme* administrator, Aptia, with your email address they will be able to contact you to advise when general communications have been added to OneView. Alternatively if you would like to receive all of your communications by post you can do so by opting out of digital communications (see [page 4](#)).

If you require any further information on the *Scheme* or on pension matters in general, visit:

- > contactpensionsadmin.com/BAES

You can also ring Aptia on:

- > **0330 818 7282**

Alternatively, write to:

- > Aptia, Maclaren House, Talbot Road, Stretford, Manchester, M32 0FP

Contact Details

Visit the website: contactpensionsadmin.com/BAES

Telephone Helpdesk:
0330 818 7282

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