

BAE Systems Pension Scheme

Your benefits

Your guide to Level 100+

A guide to your benefits

BAE Systems Pension Scheme *Level 100+* is a valuable part of your remuneration package from the *Company*. *Level 100+* provides you with a range of benefits to support you and your family both now and in the future.

This booklet provides you with information about *Level 100+*. It is important that you take time to read it and fully understand the benefits available to you.

This booklet features certain terms and expressions which have specific meanings within the *Scheme*. These are shown in italics which indicates that there is an explanation of their meaning on the '[Technical terms used](#)' page.

Benefits from the BAE Systems Pension Scheme *Level 100+* are payable in addition to any pension you may receive from the State Pension arrangement.

This Guide is intended as a source of information on the main provisions of *Level 100+* that are provided from the Scheme. It is subject to changes in 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 booklet with which they are inconsistent. Copies of the Rules are available from the Scheme administrator, Aptia. References to external websites are given for information only. No responsibility is accepted for the content or accuracy of the information provided through these sites.

This booklet will provide you with information about the scheme



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 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* and are a type of *DC benefit*.

Basic Contributions are your contributions towards *Core Benefits*.

Basic Salary is your annual rate of basic pay received from your employer but not exceeding the *Scheme Cap*.

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

Core Benefits are your retirement and death benefits linked to your *Final Basic Salary*.

Core Pension is your Defined Benefit pension from *Level 100+*.

Defined Contribution (DC) benefits are held in the separate *MMT* arrangement, and include the value of the annual *Company* contribution of 2% of your Basic Salary, plus any future *AVC* payments you make to the *MMT*. Any *AVCs* or *Company* contributions invested before 1 July 2023 with Standard Life were transferred into the *MMT* around that time.

Final Basic Salary is your *Basic Salary* averaged over the 36 months ending on the last day of the calendar month in which you leave service or die (whichever occurs first). This is subject to not exceeding the *Scheme Cap*.

However if you have any service before 6 April 2006 for that period of service it is your *Basic Salary* averaged over the last 12 months ending on the last day of the calendar month in which you leave service or die (whichever occurs first). This is subject to not exceeding the *Scheme Cap*.

Level 100+ is a section of the *Scheme* that opened to new members from 6 April 2003 and closed to new members on 31 March 2012. It is made up of two pension arrangements, your Core Pension from the *Scheme* and your DC Benefits from the *MMT*.

Longevity Adjustment Factor is an adjustment figure dependant on age, which is applied to the *Core Pension*. It will adjust the pension earned to reflect changes in life expectancies. Improved life expectancy may mean that future pensions are expected to be paid for longer and the *Longevity Adjustment Factor* will reduce your pension to take account of this. The *Scheme* Actuary will set the amount of this *Longevity Adjustment Factor* each year.

There are different *Longevity Adjustment Factors* that apply to benefits on normal retirement, chronic ill-health and benefits payable following death before retirement. The *Longevity Adjustment Factor* does not apply to any pension earned before 6 April 2006.

Mercer Master Trust (MMT) is a completely separate pension arrangement which is administered by Scottish Widows. This Defined Contribution (DC) pension arrangement is called the *MMT* – BAE Systems Additional Retirement Savings Plan (BAESARSP). If you are a member of the Scheme Airbus Section this is called the *MMT* – BAE Systems Additional Retirement Savings Plan for Airbus (BAESRSPAB).

This arrangement has been available to *Scheme* members since 1 July 2023 for the *DC benefit* element of pension benefit provision, formerly provided within the *Scheme* under a 'Retirement Account'. Any *DC benefits* invested before 1 July 2023 in your Retirement Account with Standard Life were transferred into the *MMT* around that time.

Normal Retirement Date is the first of the month coincident with or immediately after your 65th birthday.

Pension Rate is the cost of purchasing £1 of annual pension. The rates are based on your sex, your age and the investment conditions at the time of purchase.

Pensionable Service is the number of years and complete months during which you have contributed to the Level 100+ section.

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.

Qualifying Service is your *Pensionable Service*, plus any *Pensionable Service* in another section of the *Scheme* before joining *Level 100+* or in any other scheme from which a transfer has been made to this *Scheme*.

Scheme is the BAE Systems Pension Scheme.

Scheme Cap is the maximum earnings used in any calculation of your contributions and benefits. This figure will normally be increased each year.

Scheme Year is from 6 April to the following 5 April.

SMART Pensions Arrangement is provided if you are employed by companies wholly owned by BAE Systems or participating Joint Venture Companies, all contributions (excluding any *AVCs*) 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 booklet via the website on OneView.

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Where to go for Information

Raising a request or query

Aptia are 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:

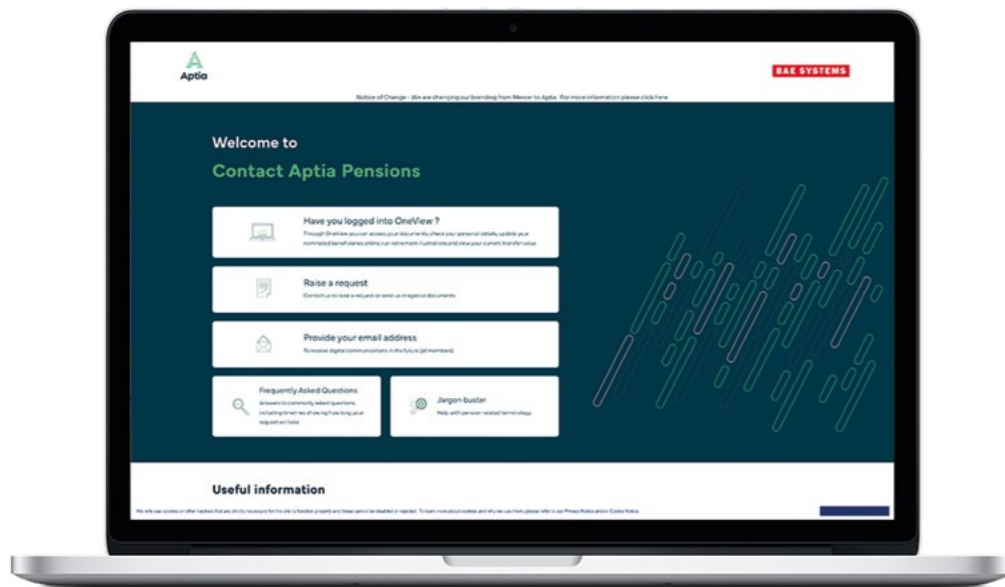
- > It is important that we can contact you quickly with *Scheme* information – it is much easier to achieve this digitally than via the postal service.
- > The carbon footprint of sending information out digitally is far smaller than our current method of print and postage – this allows a better use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

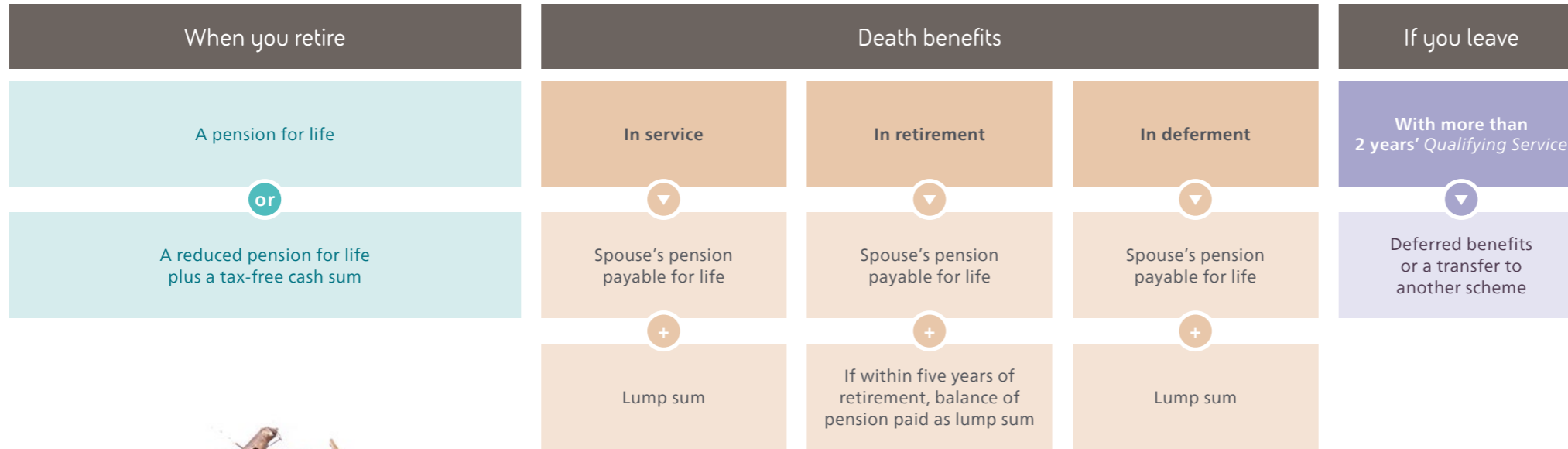
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Summary of Scheme benefits



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

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What is Level 100+?

The core part of your pension under Level 100+ is linked to your level of basic salary near the time you leave the Scheme or retire.

Level 100+ is a pension arrangement based on two types of pension provision; these are Defined Benefit (from the Scheme) and Defined Contribution (from the MMT).

Defined Benefit pension

A Defined Benefit pension (otherwise known as 'final salary' pension) is based on your salary near to the date you leave or retire and the number of years that you contribute. In a Defined Benefit arrangement the Company agrees to pay the balance of the cost of the employee's pension.

Defined Contribution pension

A Defined Contribution pension is based on the contributions paid and the investment returns achieved. The Company pays a fixed percentage of your salary into the MMT on your behalf. The fund then builds up over your working life and can normally be taken as a lump sum or is used to buy a pension when you retire. The risk that the value of your investments will fall, or that the cost of buying a pension may increase, is with you, not the Company. Defined Contribution is also referred to as 'money purchase'.

The remaining part of the Core Benefits from Level 100+ is provided from the Scheme, which may provide for your dependants on your death either in service or in retirement and the possibility of an ill-health pension if you are unable to work.

How does it work?

Core Pension

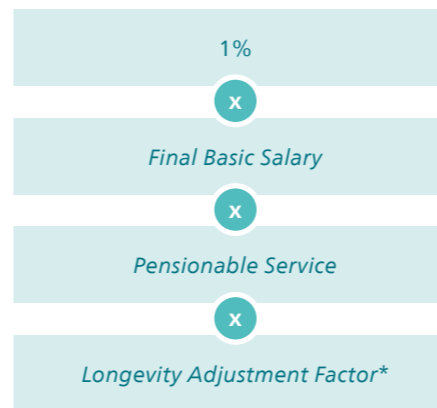
The main part of your pension under Level 100+ is linked to your level of *Basic Salary* near the time you leave the Scheme or retire. Your pension builds up at 1% (1/100) of your *Final Basic Salary* for each year that you are a contributing member; this is the final salary part of your pension and is called your *Core Pension*.

Defined Contribution (DC) benefit

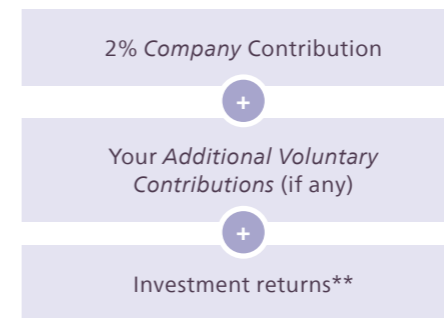
The second part of your pension is in addition to your Core Benefits is your *DC benefit* which is held in the separate MMT arrangement. The Company allocates an amount equal to 2% of your Basic Salary to this DC arrangement each year. You may choose to pay *Additional Voluntary Contributions* into your *DC benefit* savings in addition to your contributions to your Core Benefits. Any transferred-in benefits will also be added to your *DC benefit* savings (see [page 15](#)).

You can choose how your *DC benefit* savings are invested from a range of options selected for you by the MMT Trustee. When you come to retire, you can choose how to use your DC benefit in accordance with the rules of the MMT. For more information see [page 9](#).

Core Pension from the Scheme



DC Benefits savings in the MMT



* Not applicable to any service before 6 April 2006

** It is important to note that investment returns may be positive or negative

You can **choose** how your DC Benefit savings are **invested** in the MMT

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Membership of the Scheme

Level 100+ is no longer accepting new members.

Contributing members continue to earn benefits from *Level 100+* in accordance with this booklet and the Rules in force from time to time.

Opting out

Membership of *Level 100+* is not a compulsory part of employment with the *Company*. As a member of *Level 100+* you can opt out at any time. Ceasing membership of *Level 100+* means opting out of both the Scheme and *MMT*.

You will be required to give the Trustee and the *Company* two months' written notice of your intention to leave *Level 100+*. At the end of the pay period in which your two month notice period expires you will be treated under *Level 100+* as if you had left service.

You will then lose:

- > The benefit of the *Company's* contributions towards the cost of future pension provision under *Level 100+*.
- > The protection provided by *Level 100+* to you and to your family in the event of your death in service.
- > The protection provided by *Level 100+* to you and your family in the event of your early retirement from the *Company* on account of serious ill-health.
- > The opportunity to earn a pension linked to your *Basic Salary* and *Pensionable 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.

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.



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Making contributions to the Scheme

Your contributions

You pay 4% of your *Basic Salary* towards the *Core Benefits* of Level 100+. These are your *Basic Contributions*.



You may also pay *Additional Voluntary Contributions* to your *DC Benefit* savings in the *MMT*.

SMART Pensions arrangement

Provided you are employed by companies wholly owned by BAE Systems or participating companies, all contributions to *Core Benefits* 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 booklet via the website on OneView.

Income tax relief

Any contributions you choose to make 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 14](#) for further information).

Company contributions

The rate of *Company* contributions is agreed between the *Company* and the *Trustee* and with advice from the *Scheme* Actuary, who carries out regular reviews of the financial position of the *Scheme*. In addition, the *Company* will allocate an amount equal to 2% of your *Basic Salary* to your *DC Benefit* savings in the *MMT*.

How the contributions are used

Core Pension

Your *Basic Contributions*, together with contributions from the *Company*, are invested by the *Trustee* as part of the total assets of the *Scheme*. Those assets are used to provide benefits linked to your *Final Basic Salary* and *Pensionable Service* as set out in the Rules of the *Scheme*.

Defined Contribution Benefits in the Mercer Master Trust

All members in *Pensionable Service* are able to pay *Additional Voluntary Contributions (AVCs)* on a Defined Contribution (DC) basis to the separate 'Master Trust' pension arrangement with the *MMT* administered by Scottish Widows. The *Company* contribution allocated to the *MMT*, together with any *AVCs* you elect to pay, are invested with Aptia.

It is very important to review your investment choices regularly so that you can make changes as your circumstances change. If you do not make an investment choice regarding your *DC benefits*, they will be invested in the Default Investment Option.

Full details can be found in the *MMT* Member guide by visiting scottishwidows.co.uk/save/baesarsp, which also includes information about investment choices available. Please remember that the value of investments can go down as well as up and the value of your *DC benefits* at any time will depend upon the contributions paid in, the investment performance and fund charges of your chosen funds.

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.

Temporary absence

If you are temporarily absent from work, your membership of *Level 100+* will continue for as long as you pay contributions into *Level 100+*. If you take paid absence from work, you will continue to pay contributions and this period will count in full towards your pension.

If you stop paying contributions to *Level 100+*, your *Pensionable Service* will cease. On recommencing contributions, your *Pensionable Service* before and after the break will be treated as continuous. If you are absent because of sickness or injury and you stop paying contributions, you will be treated as remaining in *Pensionable Service* for up to one year from the date you were first absent.

If you are absent as a result of maternity, adoption or paternity leave, you will be treated as still in service for as long as you have a statutory or contractual right to return to work. You will pay contributions on any amount of pay (including any statutory maternity, adoption or paternity pay) made while you remain employed by the *Company*.

If, however, you are absent as a result of parental leave you will be treated as if you have left service unless you return to work at the end of that period of leave. In this case, your periods of service before and after that leave will be treated as continuous but will exclude the period of parental leave itself. A period of parental leave will only be treated as service if, on your return to work, you pay contributions in respect of that period as if you had been working normally.

Basic Contributions are 4% of your basic salary towards the Core Benefits

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How to calculate your pension

Level 100+ provides pension benefits in two parts: Core Benefits which are Defined Benefit savings in the Scheme, and those in the Mercer Master Trust (MMT) which are Defined Contribution savings (see [page 6](#)).

Core Pension

Your Core Pension is 1% of your Final Basic Salary for each year of Pensionable Service adjusted by the Longevity Adjustment Factor.

The factor varies depending on your age when you retire, and will be calculated at the same time as your Core Pension. The Longevity Adjustment Factor is not applied to any part of your pension earned before 6 April 2006.

Your Final Basic Salary will be restricted to the Scheme Cap if appropriate.

Defined Contribution (DC) Benefits

When you take your Scheme benefits you can elect to transfer your DC benefits held in the MMT 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 25% 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.

Your Level 100+ pension

Core Benefits in the Scheme

+

Defined Contribution Benefits in the MMT

Additional Voluntary Contributions (optional)

+

Company contributions 2% of Basic Salary

+

Investment returns (positive or negative)

+

Transfers in



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When you reach retirement

Retiring from Pensionable Service at your Normal Retirement Date

Core Pension

If you retire at your *Normal Retirement Date* you will receive a pension that is calculated as shown on [page 6](#).

Defined Contribution (DC) Benefits

For details of your *DC benefit* options at retirement in the *MMT* please refer to [page 9](#).

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

You may be permitted to retire at any time after age 55 and receive an immediate pension, subject to the consent of the Trustee and the *Company*.

Core Pension

If you retire early, your *Core Pension* will be reduced by a factor to account for the extra years over which your pension will potentially be paid. The early retirement reduction factors are agreed between the *Company* and the Trustee on advice from the *Scheme Actuary*. They are reviewed periodically and may change from time to time.

Defined Contribution (DC) Benefits

For details of your *DC benefit* options at retirement in the *MMT* please refer to [page 9](#).

Retiring early from Pensionable Service on medical grounds

If you cannot work due to ill-health, you may retire at any age with an immediate pension, subject to certain conditions and with the consent of the Trustee and the *Company*. There are two levels of benefits payable, depending upon the severity of your illness.

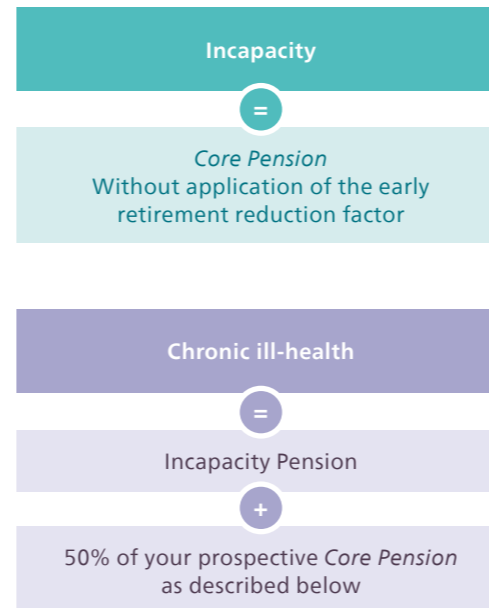
Incapacity is defined as having a physical or mental condition which, in the opinion of the Trustee, permanently prevents you from carrying out the primary duties of your occupation.

Chronic ill-health is defined as having a physical or mental condition which, in the opinion of the Trustee, permanently prevents you from undertaking any regular work for the *Company* or any other employer.

Restricted terms

If you are a member admitted on the basis of restricted terms, the basis of your pension payable on retirement on medical grounds will be as previously notified to you.

The basis of the calculation of the medical retirement pensions is illustrated in the following diagram:



At the discretion of the Trustee and the *Company*, incapacity pensions may be subject to an early retirement reduction factor. Your prospective *Core Pension* is 1% of *Final Basic Salary* for each year between retirement and your *Normal Retirement Date* adjusted by the *Longevity Adjustment Factor*. The Trustee has the power to reduce or suspend the pensions described above if, in its opinion, this is justified by a subsequent change in your circumstances. Your *DC benefit* options in the *MMT* set out on [page 9](#) are also available. In addition if you were considering using your *DC benefits* in the *MMT* to purchase an annuity you may be able to secure better rates due to ill-health. For more information, please refer to the *MMT* website at:

> scottishwidows.co.uk/save/baesarsp.

Retiring from Pensionable Service after your Normal Retirement Date

Contributions to *Level 100+* will continue as described on [page 8](#) and your pension will be calculated as shown on [page 6](#) at your actual retirement date, but with the *Longevity Adjustment Factor* applied as at your *Normal Retirement Date*. You will continue to be covered for *Level 100+* death in service benefits until you retire.

How your pension will be paid to you

Your pension from the *Scheme* will be paid in advance on the first working day of each calendar month direct to your bank or building society account. If you opt to use your *DC Benefits* in the *MMT* to purchase a pension, this will be paid to you separately. 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, but are not subject to National Insurance deductions.

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.

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When you reach retirement

Pension increases

Your *Core Pension* earned in *Level 100+* will normally be increased on 1 May each year. Proportionate increases are given in the first *Scheme Year* of retirement to any pension beginning after 1 May.

Your *Core Pension* will be increased annually by the rise in the Retail Prices Index (RPI) subject to a maximum increase of 2.5% per year and for any service before 6 April 2006, up to a maximum of 5% per year. These increases do not apply to a pension purchased using your *DC benefits* in the *MMT*. If you use your *DC benefits* to purchase a pension with an external provider, increases on that pension will be at the rate you have chosen.

If you have switched from one of the other sections of the *Scheme*, the pension earned prior to joining *Level 100+* will be increased in accordance with the Rules of that section.

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 14](#)).

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 15](#) for more details.

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. Under the *Scheme* members retiring from deferred status have a PPA of age 50 if they joined the *Scheme* before 6 April 2006. No PPA applies on retirement from active status.

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.

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 13](#) for information about transferring out.



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Death benefits

Death in service

If you die while you are a contributing member, the following benefits will be paid:

A lump sum death benefit equal to three times your *Basic Salary* at your date of death.



A lump sum equal to the value of your *DC benefits* (payable from the *MMT*).



A spouse's pension equal to 50% of the chronic ill-health pension you would have received had you retired with a chronic ill-health pension on the date of your death (see [page 10](#)).

The Scheme provides benefits to your dependants if you die

Death in retirement

If you die while receiving a pension from *Level 100+* the following benefits will be paid:

Your spouse's pension

This will be equal to 50% of your *Core Pension* (ignoring any reduction to take account of the fact that you chose to exchange part of your *Core Pension* for a cash sum) Depending on the options you chose at retirement for your *DC benefits*, there may or may not be additional benefits due to a beneficiary in respect of your *DC benefits*. For more information, please go to the *MMT* website at scottishwidows.co.uk/save/baesarsp



The five year payment guarantee

If you die whilst receiving a pension from *Level 100+* within the first five years after your retirement (and are aged under 75), a lump sum equal to the unpaid balance of five years' pension payments from the *Scheme* (at the rate applicable at the date of death disregarding future increases) will be paid.

Death with deferred benefits prior to your Normal Retirement Date

If you die after leaving *Level 100+* and are entitled to a deferred pension (see [page 13](#)), your surviving spouse will receive a pension of 50% of your *Core Pension* revalued to the date of your death and adjusted by the *Longevity Adjustment Factor*. In addition, a lump sum equal to the value of your *DC benefits* will also be payable from the *MMT*. If you have no surviving spouse, a refund of your *Basic Contributions* will be payable.

Death with deferred benefits on or after your Normal Retirement Date

If you die on or after your *Normal Retirement Date* before your pension has started, your surviving spouse will receive a pension of 50% of the *Core Pension* you would have received if you had retired immediately before your death, without giving up pension for a lump sum. In addition, the five year payment guarantee will apply in respect of this notional retirement pension. A lump sum equal to the value of your *DC benefits* will also be payable from the *MMT*.

Payment of spouse's, civil partner's and dependant's pension

The pension is paid to your spouse or civil partner at the date of your death, although the Trustee has discretion to reduce, or not to pay this pension if the marriage or civil partnership had broken down. The pension is payable for life and will commence on the first day of the month following the date of death.

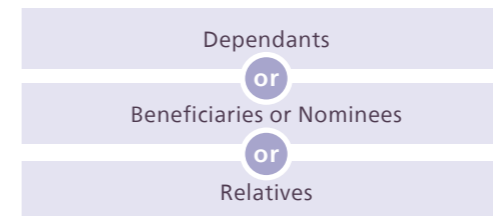
In certain circumstances, the Trustee may at its discretion pay the pension to another person. However, if you had been married or in a civil partnership for less than six months, the Trustee has discretion to decide whether your spouse or civil partner should receive the pension.

Restricted terms

If you are a member admitted on the basis of restricted terms, your benefits may be restricted. If you are affected by restricted terms you will be notified on joining.

Payment of lump sum death benefits

The lump sum death benefit payable from the Scheme will be paid to, or for the benefit of, your dependants, relatives or nominees, chosen at the Trustee's discretion. This generally enables payment to be made quickly and normally without liability to inheritance tax. Lump sum death benefits payable from the Scheme will be paid at the Trustee's discretion to:



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.

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 form online. Please be aware that you **must** complete a separate Nomination of Beneficiaries for your *DC benefits* held under the *MMT* whereby the *MMT* Trustee will have ultimate discretion for these benefits. To do this go to 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

Leaving the Scheme

If you leave the *Company* before you reach retirement, your membership of *Level 100+* will cease. You can also choose to cease your membership of *Level 100+* whilst you are still an employee of the *Company* by 'opting out'.

The options available if you decide to leave the *Scheme* are dependent on your *Qualifying Service* within *Level 100+*.

If you have 2 or more years' Qualifying Service

You will be entitled to a deferred pension payable when you reach your *Normal Retirement Date* or you may transfer its value to another pension arrangement.

Your *Core Pension* will be calculated as set out on [page 6](#) and will initially be based on your *Final Basic Salary* and *Pensionable Service* on the date you leave *Level 100+*. Contributions towards your *DC benefits* in the *MMT* will cease on the date you leave *Level 100+*, but your *DC benefits* will continue to be subject to investment returns (please remember that investments may go down as well as up). For details of your *DC benefit* options at retirement in the *MMT* please refer to [page 9](#).

Your *Core Pension* will increase in line with the Consumer Prices Index (CPI) up to a maximum of 2.5% per year compound over your period of deferment and for any *Core Pension* relating to service before 6 April 2009, up to a maximum of 5% per year compound.

You may also have the option to exchange part of your retirement benefits for a *PCLS* when you reach retirement.

Information issued on Leaving

When you leave *Level 100+*, you will be given a Certificate of Deferred Benefits for your benefits in the *Scheme* and it is important that you keep this safe. It is also very important that you keep the *Scheme* administrator Aptia informed of any change of address to ensure that you can be traced when your benefits become due. You will be sent a letter from the *MMT* administrator, Scottish Widows, shortly after leaving.

Early payment of your deferred pension

Your deferred pension can be paid at any time after the first day of the month following your 55th birthday or from 50 if you joined the *Scheme* before 6 April 2006. If you take your *Core Pension* early it will be reduced to allow for the extra years over which your pension will potentially be paid. The level of reduction will be agreed between the Trustee and the *Company*, who will be advised by the *Scheme* Actuary.

For details of your *DC benefit* options at retirement in the *MMT* please refer to [page 9](#). Alternatively, you may purchase a pension from an external provider.

Discretionary Option

The Trustee has the discretion to apply more favourable terms if you are able to satisfy the Trustee that, due to your state of health, you are unable to perform any remunerative employment with any employer. You may apply for ill-health retirement at any time before your *Normal Retirement Date*.

Late payment of your deferred pension

If the Trustee agrees, you may be able to elect to receive the pension starting later than your *Normal Retirement Date* but not later than your 75th birthday. Your *Core Pension* will increase between your *Normal Retirement Date* and the date that you actually retire by a factor agreed between the Trustee and the *Company*, who will be advised by the *Scheme* Actuary. For details of your *DC benefit* options at retirement in the *MMT* please refer to [page 9](#). Alternatively, you may purchase a pension from an external provider.

Transferring out

As an alternative to leaving your *Core Pension* 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 these 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 *Core Pension* Defined Benefit 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 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 *Core Pension* guaranteed Defined Benefits. If you have *DC benefits* 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.

Contact Details

Visit the website:
contactpensionsadmin.com/BAES

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HM Revenue & Customs

A registered scheme

The BAE Systems Pension 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*, although some restrictions apply.
- > Tax-free cash 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 pensions schemes in excess of your annual earnings. Your contributions include *Additional Voluntary Contributions* but not contributions made by the *Company* under SMART.

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

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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 by the Financial (Banking Reform) Services Act 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.

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 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

If you are dissatisfied with the outcome of the complaint process, MoneyHelper and the Pensions Ombudsman are available to investigate complaints.

Contact Details

Visit the website:
contactpensionsadmin.com/BAES

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Address:
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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

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