BAE SYSTEMS

BAE Systems Pension Scheme

Your benefits

Your guide to SIPS (VSEL) benefits

August 2025

A guide to your benefits

SIPS (VSEL) is a benefit edition in the BAE Systems Pension Scheme, which replicates the benefits of the VSEL section of the Shipbuilding Industries Pension Scheme following the transfer of that scheme into the BAE Systems Pension Scheme on 1 October 2019.

Your benefits are a valuable part of your remuneration package from the *Company*. The *Scheme* is the BAE Systems Pension *Scheme* SIPS (VSEL) benefits. The *Scheme* provides you with a range of benefits to support you and your family both now and in the future, including benefits if you retire on ill-health grounds and to your dependants if you die.

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.

This booklet will provide you with information about the *Scheme*, therefore it is important that you take time to read it and understand fully the benefits available to you. If you still have questions after reading the booklet, please contact the *Scheme* administrator, Aptia.

This booklet is intended as a source of information on the provisions of the *Scheme*. It is subject to the Rules of the *Scheme* which set out the legal basis for the Trustee 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. The information set out in this booklet is also subject to changes in the future as required by HM Revenue & Customs. 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 (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 number of members have legacy with-profit *AVCs* held in the *Scheme* that are not under the *MMT*.

Average Final Pensionable Pay
Your *Pensionable Pay* averaged over the last 36 complete months of *Pensionable Service* prior to your leaving service or death (whichever occurs first).

Company
BAE Systems plc and any related employer participating in the *Scheme*.

Final Pensionable Pay
This is the greatest of:

> Your *Pensionable Pay* averaged over the last 12 complete months of *Pensionable Service* (or, if less, the total number of complete months or *Pensionable Service*) before you leave service or die (whichever occurs first);

> Your *Pensionable Pay* averaged over the last 36 complete months of *Pensionable Service* (or, if less, the total number of complete months of *Pensionable Service*) before you leave service or die (whichever occurs first);

> The highest average of your *Pensionable Pay* at the beginning of any three consecutive completed *Scheme* Years of *Pensionable Service* in the last ten years, before you leave service or die (whichever occurs first);

> Your highest *Pensionable Pay* at the beginning of any completed *Scheme Year* of *Pensionable Service* in the last five *Scheme Years* before you leave service or die (whichever occurs first).

If you joined the *Scheme* on or after 1 June 1989 *Average Final Pensionable Pay* and *Final Pensionable Pay* will be limited to an amount specified by the *Trustee*. The amount is usually increased in April each year in line with inflation. This increase is at the discretion of the *Trustee*.

Guaranteed Minimum Pension (GMP)
This is the minimum pension which the *Scheme* must pay a member (and widows/widowers) in respect of contracted-out contributions paid between April 1978 and April 1997.

Incapacity
This means physical or mental incapacity that prevents (and will continue to prevent) a member from following his or her normal occupation and seriously impairs the member's earning capacity.

Longevity Adjustment Factor (LAF)
This is the adjustment figure which is applied to any pension you earn after 1 July 2011. 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 after 1 July 2011 to take account of this. The *Scheme* Actuary will set the amount of this *Longevity Adjustment Factor* each year. The current *Longevity Adjustment Factors* applicable to your benefits is shown each year on your annual benefit statement. There are different *Longevity Adjustment Factors* which apply to benefits on normal retirement, ill-health retirement and to benefits payable following death before retirement.

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 has been available to *Scheme* members in *Pensionable Service* since 1 July 2023 for *AVC* payments. Any *AVCs* invested before 1 July 2023 with Standard Life were transferred into the *MMT* around that time (not including any legacy with-profit *AVCs* which will remain invested under the *Scheme*).

Normal Retirement Date
Your 65th birthday.

Pay
The yearly rate of your basic salary or wages and any other fixed cash remuneration from the *Company*. If you participate in the *SMART Pensions Arrangement*, *Pay* for the purpose of this definition will be the basic salary or wages and any other fixed cash remuneration you would have received if you had not participated in the *SMART Pension Arrangement*. If you joined on or after 1 June 1989, *Pay,* for the calculation of the lump sum death benefits detailed on page 11, will be limited as described in *Final Pensionable Pay*.

Pensionable Pay
Your *Pay* at the date you joined and at each subsequent 1 April. *Pensionable Pay* is fixed until the following 31 March.

Pensionable Service
The sum of:

> Your service with the *Company* after joining calculated in years and complete months; plus

> Any years and months credited to you and notified to you in writing on joining in respect of *Pensionable Service* under a previous pension arrangement.

Pension Commencement Lump Sum (PCLS)
This 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
The *Scheme* is a benefit edition in the BAE Systems Pension Scheme, which replicates the benefits of the VSEL section of the Shipbuilding Industries Pension Scheme following the transfer of that scheme into the BAE Systems Pension Scheme on 1 October 2019.

Scheme Year
A period of 12 months ending on 31 March.

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
Provided you are employed by companies wholly owned by BAE Systems or participating Joint Venture Companies, all contributions (excluding any Additional Voluntary 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 booklet via the website on OneView.

Trustee
BAE Systems Pension Funds Trustees Limited.

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Contact Details

Visit the website:
contactpensionsadmin.com/BAES

Telephone Helpdesk:
0330 818 7282

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

Where to go for Information

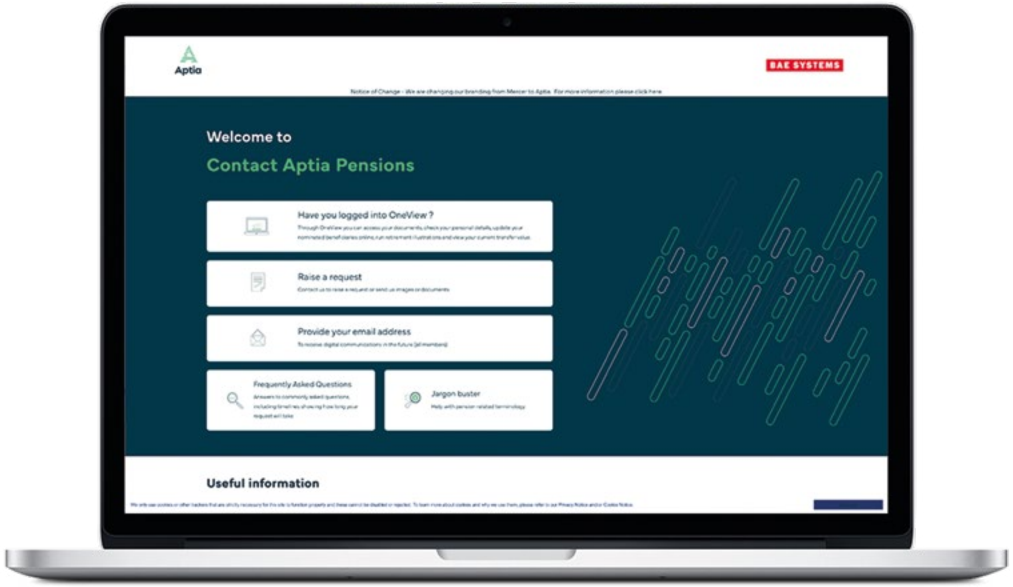
Raising a request or query

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.

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Summary of Scheme benefits

As a member of the *Scheme* you have access to a number of valuable benefits for you and your family. More detailed information about these benefits can be found in the following sections.

Benefits if you leave

If you leave employment with your *Company*, or opt out of the *Scheme*, you will be entitled to a deferred pension or you may be able to elect to transfer your benefits to another arrangement.

Benefits when you retire

When you retire you will have a pension paid for life or can opt to take a reduced pension paid for life, plus a lump sum.

A pension for life

or

A reduced pension for life plus a tax-free cash sum

Benefits upon death

A pension for your spouse or civil partner and lump sum if you die.

In service	In retirement	In deferment
Spouse's/civil partner's pension payable for life	Spouse's/civil partner's pension payable for life	Spouse's/civil partner's pension payable for life
+	+	+
Lump sum	Lump sum – if you die within five years of retirement	Lump sum

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

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Membership of the Scheme

The *Scheme* is closed to new members.

Contributing members continue to earn benefits from the *Scheme* in accordance with the Rules in force, as explained in this booklet. The Rules override any provisions of this booklet with which they are inconsistent.

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* at least six weeks' written notice of your intention to leave the *Scheme*. At the end of when the six weeks' 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.

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Making Contributions to the Scheme

Tier A

Cost to member
8.19% of *Pensionable Pay*

Benefits
1/60th x *Final Pensionable Pay* for each complete year (plus a proportion for complete months) of *Pensionable Service* prior to 1 July 2011

+

1/60th x *Average Final Pensionable Pay* for each complete year (plus a proportion for each complete months) of *Pensionable Service* on or after 1 July 2011. A *LAF* is applied to any pension amount earned after 1 July 2011

3.5 x *Pay* on death in service

Spouse's or civil partner's pension may be payable upon death

Tier B

Cost to member
6.19% of *Pensionable Pay*

Benefits
1/80th x *Final Pensionable Pay* for each complete year (plus a proportion for complete months) of *Pensionable Service* prior to 1 July 2011

+

1/80th x *Average Final Pensionable Pay* for each complete year (plus a proportion for each complete months) of *Pensionable Service* on or after 1 July 2011. A *LAF* is applied to any pension amount earned after 1 July 2011

2.5 x *Pay* on death in service

Spouse's or civil partner's pension may be payable upon death

Your contributions
As a member of the *Scheme* you will belong to either Tier A or Tier B. Tier A requires a higher level of contributions whilst Tier B provides a lower level of benefits for a lower level of contributions. The member contribution rates are detailed in the boxes to the left. The member contribution rate is reviewed from time to time by the *Company* in consultation with its employees and so may vary.

Your contributions are deducted through payroll from your gross pay so you get full and immediate tax relief on them.

Changing your Base Pension Level
The *Scheme* is flexible and allows you to change your Level as your needs change. You have the option to change it on an annual basis effective from 1 April. To do this you must fill in an Application to Change Levels 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.

SMART Pensions Arrangement
If you participate in the *SMART Pensions Arrangement* you will not make contributions to the *Scheme*. Instead, you accept a reduction in pay which is equal to the basic contributions that you would otherwise pay, and the *Company* will pay an additional amount into the *Scheme* equal to this amount. Full details of the *SMART Pensions Arrangement* can be found in a separate SMART booklet via the website on OneView.

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 14 for further information).

Company contributions
The rate of *Company* contributions required is determined by the *Trustee* in consultation with the *Company* and with advice from the *Scheme* Actuary, who carries out regular reviews of the financial position of the *Scheme*.

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Making Contributions to the Scheme

Investment returns
These are the income and capital gains (or losses) obtained from the investments held by the *Trustee* of the *Scheme*. The investment returns achieved by the *Scheme* qualify for certain tax concessions. 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*.

Paying Additional Voluntary Contributions (AVCs)
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. *AVCs* previously invested with Standard Life (not including any legacy with-profit *AVCs* which will remain invested under the *Scheme*) have been held under the *MMT* since 1 July 2023.

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, you will normally be treated as having left service if you stop receiving contractual pay or statutory sick pay from the *Company*. If you are treated as still being in service, the *Company* and the *Trustee* may agree that special terms should apply in respect of your contributions and benefits during any period of absence. You will be notified in writing of any special terms that apply.

If your absence is due to maternity leave, adoption leave or paternity leave, you will continue accruing pension during your paid statutory 'ordinary maternity leave period', 'ordinary adoption leave period' or 'ordinary paternity leave period'. You will have to pay contributions to the *Scheme* based on your actual pay but your benefits will be based on your normal *Pay*. If you do not receive any *Pay* for these periods, you do not have to pay contributions to the *Scheme*.

During any period of 'additional maternity leave', 'additional adoption leave' or 'paternity leave', you will only be treated as still being in *Pensionable Service* for so long as you receive contractual pay from the *Company*, and you pay contributions to the *Scheme* based on your actual *Pay*. The benefits accrued during any period of 'additional maternity leave', 'additional adoption leave' or 'paternity leave' will be based on your normal *Pay*.

If you take any other paid leave for family reasons you will pay contributions and accrue benefits based on your actual *Pay*. Additional unpaid family leave will only count as *Pensionable Service* subject to the agreement of the *Trustee* and the *Company*.

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When you reach retirement

Your pension at your Normal Retirement Date

If you retire at your *Normal Retirement Date* you will receive a pension for the rest of your life at a yearly rate of:

Tier A
1/60th x *Final Pensionable Pay* for each complete year (plus a proportion for complete months) of *Pensionable Service* prior to 1 July 2011 whilst you were in Tier A

+

1/60th x *Average Final Pensionable Pay* for each complete year (plus a proportion for complete months) of *Pensionable Service* on or after 1 July 2011 whilst in Tier A

Tier B
1/80th x *Final Pensionable Pay* for each complete year (plus a proportion for complete months) of *Pensionable Service* prior to 1 July 2011 whilst you were in Tier B

+

1/80th x *Average Final Pensionable Pay* for each complete year (plus a proportion for complete months) of *Pensionable Service* on or after 1 July 2011 whilst in Tier B

Once calculated, your pension will be reduced by a *LAF* for any pension earned after 1 July 2011. Benefits must not exceed the Scheme Maximum.

Early retirement (not due to Incapacity)

If you leave service (not on the grounds of *Incapacity*) before your *Normal Retirement Date* but after reaching age 55 you may, with the consent of the *Trustee* and the *Company*, choose to draw your pension immediately. If you joined before 1 April 1992 (1 December 1991 for members of the Govan section) and leave after reaching age 60, you may choose to take an immediate pension without the consent of the *Trustee* or the *Company*.

If you choose to take early retirement, your pension will be calculated as for retirement at your *Normal Retirement Date* based on your actual *Pensionable Service*, current *Final Pensionable Pay* and current *Average Final Pensionable Pay*. The *LAF* for the *Scheme Year* in which your pension starts will be applied to any pension earned after 1 July 2011. Your pension will then be reduced for early payment on a basis that the *Trustee* considers reasonable after taking advice from the *Scheme* actuary. When deciding what reduction is reasonable the *Trustee* will also apply the following:

> If the *Company* consents, the pension will not be reduced for early payment if it starts after your 62nd birthday and, if it starts before then, the pension will be reduced only in respect of the period between the date it starts and your 62nd birthday;

> Even if the *Company* does not consent, any part of a woman's pension that is attributable to *Pensionable Service* before 1 April 1992 will be reduced for early payment only if the pension starts before her 60th birthday, and will then be reduced only in respect of the period between the date the pension starts and her 60th birthday;

> Even if the *Company* does not consent, any part of a man's pension that is attributable to *Pensionable Service* between 17 May 1990 and 1 April 1992 will be reduced for early payment only if the pension starts before his 60th birthday, and will then be reduced only in respect of the period between the date the pension starts and his 60th birthday; and

> If you leave service because of redundancy and after reaching age 55, the *Company* and the *Trustee* may agree that your pension will not be reduced, or will be reduced by a smaller amount than would otherwise have applied.

In some cases, because of the requirements for contracting-out that previously applied to the *Scheme*, and especially if your *Pensionable Service* is not very long, you may not be able to receive your benefits early and may have to defer taking them until a later date up to your *Normal Retirement Date*. If this applies to you the *Trustee* will let you know if you apply for early retirement from the *Scheme*.

Early retirement through Incapacity

Regardless of your age, if you leave service before *Normal Retirement Date* because of *Incapacity*, you may take an immediate pension based on your current *Final Pensionable Pay* and the *Pensionable Service* you could have completed up to your *Normal Retirement Date*. A *LAF* will be applied to the pension earned on or after 1 July 2011.

Incapacity in this context means physical or mental impairment that prevents (and will continue to prevent) you from following your normal occupation and seriously impairs your earning capacity. The decision of the *Trustee* as to whether you are suffering from *Incapacity* will be final.

The *Trustee* will obtain medical evidence and consult the *Company* before deciding whether you are suffering from *Incapacity*.

Until your *Normal Retirement Date*, the *Trustee* may from time to time require evidence of your continued *Incapacity*. If not satisfied, the *Trustee* may reduce or suspend your pension for any period before your *Normal Retirement Date* or may adjust benefits payable on your death.

Late retirement

If you stay in service after your *Normal Retirement Date*, you will receive your pension when you actually leave service. In this case, your pension will be calculated as for retirement at *Normal Retirement Date* but will be based on all of your *Pensionable Service* up to your date of leaving. For any pension amount earned after 1 July 2011 the *LAF* for the *Scheme Year* in which you reached your *Normal Retirement Date* will also be applied to your final benefits.

If you are still in service on reaching age 75, you will be treated for the purposes of *the Scheme* as having left service on reaching that age and your pension will be paid from that age.

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.

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When you reach retirement

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 10 for more details.

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 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.

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.

Dependant's pension option

If the *Trustee* allows, you may give up part of your own pension before it starts to provide a pension on your death for one or more dependants. A dependant includes a spouse, civil partner or a child (under 18, or 23 in full-time education or training approved by the *Trustee*). It also includes someone who is financially dependent on you. The *Trustee* decides whether someone is a dependant. This pension would be paid in addition to other death benefits. If you give up some of your pension to provide for a dependant on your death, you are required to retain a certain level of pension yourself.

The reduction will only take effect if you and the nominated dependant survive until you retire. However, if your dependant dies before you, the reduction to your pension will still apply.

If you would like more information about giving up pension to provide an optional dependant's pension, please contact the Administration Centre.

How your pension is paid

All pensions are paid into a bank, building society or Post Office account. They cannot be paid by cheque; however special arrangements can be made if you are retiring abroad. Pensions are usually paid monthly in advance on the first day of each month. 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.

Increases to your pension

Currently your pension in payment will be increased each year (on each 1 July) on the basis set out below:

- Pension in payment earned on or after 1 July 2011 will increase by the lower of the increase in the Consumer Prices Index (CPI) and 2.5%.
- Pension is payment earned before 1 July 2011 (except for any *GMP*) will be increased by 5% or the increase in the Retail Prices Index (RPI), whichever is lower, each year. Additional pension increases may be payable if the pension you receive that is attributable to *Pensionable Service* before 1 July 2011 is less than the pension you would have received had it been increased by 3% each year since you retired.

Different rules apply to any *GMP* payable. No increase will be paid on the part of your pension which represents the *GMP* you earned before 6 April 1988. Any *GMP* earned between 6 April 1988 and 5 April 1997 will be increased each year in line with the CPI each year capped at 3% per annum.

Proportionate increases are given in the first *Scheme Year* of retirement to any pension beginning after 1 July.

These increases do not apply to *AVC* benefits or benefits you have transferred in from other schemes.

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Death benefits

Death in service

If you die in service while an active member, then the following benefits will be payable:

A refund of your basic contributions. This includes an amount equal to the contributions you would have paid had you not participated in the *SMART Pensions Arrangement* (assuming this applies to you)

+

A lump sum of 3.5 or 2.5 times your *Pay* at date of death for Tier A and Tier B members respectively

+

A spouse's or civil partner's pension

If you die in service before your *Normal Retirement Date* the pension will be equal to one half of the pension you would have received had you stayed in *Pensionable Service* until your *Normal Retirement Date*, based on your *Final Pensionable Pay* at the date of your death.

If you die in service on or after your *Normal Retirement Date* the spouse's pension will be equal to one half of the pension you would have received had you retired immediately before your death without giving up any pension for a *PCLS* or optional dependant's pension as appropriate.

Evidence of health

Benefits payable on your death will be subject to any restrictions imposed by any person with which they are re-insured. The *Trustee* may decide that these benefits will also be reduced if you are unable to satisfy the *Trustee* that you are in good health, or if your death results from a cause specified in a notice to members.

Death in retirement

- Lump sum:

  If you die within five years after starting to receive a pension a lump sum will be payable. It will be equal in value to the balance of pension payments which would have been paid to you during the remainder of the five-year period, ignoring future increases.

  This benefit will not be paid if you took early retirement through *Incapacity* and die before your *Normal Retirement Date*. The lump sum benefit set out below will be paid instead.

- Early retirement through *Incapacity* – death before *Normal Retirement Date*:

  A lump sum equal to 3.5 times (if you were in Tier A) or 2.5 times (if you were in Tier B) of your *Pay* at retirement will be paid in the event of your death before your *Normal Retirement Date* while in receipt of any *Incapacity* pension from the *Scheme*. The lump sum will be paid by the *Trustee* to the person or persons the *Trustee*, in its discretion, decides should benefit after considering your Nomination of Beneficiaries in accordance with the Rules. This benefit is payable in addition to the spouse's or civil partner's pension explained below.

- Spouse's or civil partner's pension:

  A spouse's or civil partner's pension will be payable if you die whilst in receipt of a pension. The spouse's pension is equal to one half of the pension you were receiving at the date of your death, or which you would have been receiving at the date of your death if you had not given up part of your pension for a *PCLS* or optional dependant's pension at retirement.

A spouse's or civil partner's pension **is payable for life**

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Death benefits

Death of an early leaver

> Lump sum

If you leave service with entitlement to a deferred pension, a lump sum will be payable if you die before your pension commences. If you die before your *Normal Retirement Date*, the lump sum will be an amount equal to the basic contributions you paid. This includes an amount equal to the contributions you would have paid had you not participated in the *SMART Pensions Arrangement*.

However, if you joined before 1 October 1991, left service because of redundancy, and you die before your *Normal Retirement Date* and within 12 months after leaving service, the lump sum benefit will be the amount that would have been payable as detailed on page 11, if you had died immediately before leaving service.

If you die on or after your *Normal Retirement Date* with a deferred pension that has not yet started, the lump sum will amount to the maximum *PCLS* that you could have chosen had you retired immediately before your death, plus five years' payments of the pension (ignoring future increases) that would have been payable had you retired immediately before your death and then lived for five years.

> Spouse's or civil partners' pension

If you die before your *Normal Retirement Date* and your pension has not commenced, a spouse's pension will be paid to your legal spouse or civil partner. The spouse's pension will be equal to one half of the pension due at your date of death.

If you die on or after your *Normal Retirement Date* with a deferred pension that has not started, the spouse's pension will be equal to one half of the pension that would have been payable to you had you retired immediately before your death without giving up any pension for a *PCLS* or optional dependant's pension. In these circumstances a children's pension may also be payable.

Children's pensions

Pensionable children are your natural and legally adopted children as well as step-children who are financially dependent on you at your date of death. Other children who are dependent on you may be treated as pensionable children at the discretion of the *Trustee*. These children remain pensionable children for as long as they are under age 18, or under age 23 and in full-time education or training approved by the *Trustee*. Children's pensions will be paid only if no spouse's or civil partner's pension is payable, or if any spouse's or civil partner's pension stops while they are still pensionable children.

The children's pension will be equal to the amount of pension that would be payable to a spouse. If you leave more than one pensionable child, each child will receive a proportionate amount of pension such that the total sum of all children's pensions will be equal to the amount that would have been payable to a spouse.

No children's pensions are payable on the death of a deferred member before *Normal Retirement Date* with a deferred pension which has not yet come into payment.

Payment of death benefits

The pension for a surviving civil partner will be the same as for a surviving spouse. If you do not leave a legal spouse or civil partner, but you are in a relationship that resembles a marriage, the *Trustee* may consider your current partner as your surviving spouse or civil partner; however they are not bound to do so.

A spouse's or civil partner's pension is payable for life; it does not stop if your spouse or civil partner remarries or forms another civil partnership. The pension will increase on a similar basis to that described on page 10. Children's pensions may also be payable, as described on this page. The lump sum will be paid by the *Trustee* to the person or persons the *Trustee*, in its discretion, decides should benefit in accordance with the Rules.

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

You can help the Trustee decide who will receive the lump sum benefits payable on your death by **completing a Nomination of Beneficiaries**

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Leaving the Scheme

Deferred pension

If you leave service before your *Normal Retirement Date* and without becoming entitled to an immediate pension, you will receive a pension for life from your *Normal Retirement Date*. The pension will be calculated as described on page 7 based on your *Final Pensionable Pay* and *Pensionable Service* to the date of your leaving service, subject to not exceeding the Scheme Maximum.

Your deferred pension will be increased for the period up to your retirement as follows:

- The pension in excess of *Guaranteed Minimum Pension (GMP)* will be increased by the percentage required by revaluation laws; and
- The *GMP* will be increased as required by contracting-out laws.

The pension will also increase each year after it starts to be paid as described on page 10.

When you leave service the *Trustee* will send you a deferred pension statement detailing the benefits to which you are entitled and which may be transferred (see 'Transfer' section to the right).

After reaching age 55 it may be possible for you to take your deferred pension early providing the *Trustee* agrees. The pension will be reduced as the *Trustee* considers reasonable, having considered the advice of the *Scheme* Actuary. If this option is of interest you should contact the Administration Centre when you approach this age.

If the *Trustee* agrees, a member entitled to a deferred pension may take it later than the *Normal Retirement Date* (but before leaving all employment and in any event before age 75).

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 Company'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.

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.

Protecting your pension
If the cash equivalent of your *Scheme* pension is greater than £30,000 and you wish to transfer to a defined contribution arrangement, you must first get appropriate financial advice from a Financial Conduct Authority (FCA) authorised adviser to understand the financial and tax implications of the transfer. Your adviser will be required to provide you with written confirmation that you have received appropriate advice concerning the possible transfer to another arrangement.

You will need to provide this to the *Trustee* of the *Scheme* before the transfer can take place. Whilst it is not a requirement for transfers of less than £30,000, it is recommended that you get independent financial advice before transferring your *Scheme* benefits.

It should be noted that it is the view of the Pensions Regulator and the FCA that transfers from final salary to defined contribution schemes are unlikely to be in the best interests of most members, although there are certain circumstances where they may be appropriate.

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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 although some restrictions apply.
- Tax advantages for the *Scheme* in respect of certain income and capital gains from investments.
- Tax-free cash sums may be payable on retirement and death.

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 (MPAA) 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.

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

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.

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, Companies 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 *Company* 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:

> **0345 600 2537**

> 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 *Company* 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.

> pensionprotectionfund.org.uk

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 *Company* 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.

Contact Details

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General information

Assigning your benefits

You cannot assign or charge your benefits (e.g. as security for a loan). If you try to assign or charge your benefits, you may lose them.

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 and applicable legislation. 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.

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.

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

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. 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.

Further information

Members in *Pensionable Service* and deferred members 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 you can write to:

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

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