



BAE Systems Pension Scheme

2000 Plan Benefits

Selected Benefits Scheme

Welcome

The Selected Benefits Scheme (“SBS”) within the BAE Systems Pension Scheme – 2000 Plan Benefits (“the Scheme”) allows members to make **Additional Voluntary Contributions** (“AVCs”) whilst they are active members in order to increase their retirement and/or death benefits.

This leaflet covers information on the contributions payable and the benefits that may be provided by the SBS. It should be read in conjunction with the Scheme booklet. It also provides information on the Trustee’s approach to benefits being transferred into and out of the SBS and the structure of the SBS. If you are in any doubt whether the SBS is right for you, you should seek advice from an independent financial adviser. If you do not have a financial adviser you may find one in your local area from [Unbiased](#).

Once you have read this leaflet, if you require further details on the SBS please contact the Pensions Service Centre. Full contact details can be found on the [back page](#) of this leaflet. It is important to remember that as well as paying AVCs to the SBS to increase your retirement benefits, you can also pay AVCs to Standard Life.



About the SBS

The basics of the SBS

You can pay SBS contributions to provide additional benefits either on your retirement and/or in the event of your death in service.

Whilst you are an active member of the Scheme, if you decide to pay SBS contributions to increase your retirement benefits these contributions will be invested within the Scheme. Your SBS contributions will receive interest, known as Credited Interest, and your SBS fund can then be used to provide you with additional benefits on your retirement.

If you decide to pay SBS contributions to secure additional death in service benefits this will provide you with additional life cover and will provide your dependants with an extra lump sum death benefit.

Contributions to the SBS are deducted from your pay before tax is calculated, therefore you will automatically receive income tax relief at your highest rate, although some restrictions may apply to high earners.

Whilst I am an active member of the Scheme how do I go about paying SBS contributions to increase my retirement benefits?

You can obtain an AVC SBS Application Form from the [pension website](#) or from the Pensions Service Centre. The application is subject to approval.

Payment of SBS contributions for retirement benefits are flexible. This means you can request to increase, reduce, or suspend your SBS contributions at any time, with appropriate notice. Single payments can also be made.

As well as paying AVCs to the SBS to increase your retirement benefits, you can also pay AVCs to Standard Life. There are a number of different Standard Life funds that you can choose from. Full details can be found on the [pension website](#).

How are my SBS contributions for retirement benefits invested?

SBS contributions are held in a common fund with all other assets of the section of the BAE Systems Pension Scheme of which you are a member. Your accumulated SBS fund for retirement benefits earns Credited Interest each year. The rate of Credited Interest is determined by the Trustee, on advice of the Scheme Actuary having regard to the return on the assets of the section of the Scheme of which you are a member. The rate of Credited Interest may therefore be different for members of the BAE Systems Section of the Scheme compared to members of the Airbus Section of the Scheme as the assets of each Section are held separately and may generate different returns. Credited Interest in any one year will be no less than 2.5% per annum. A Credited Interest Table can be found on the [pension website](#) which provides confirmation of the rate of Credited Interest that has been declared for each year going back to 1978/79.

The minimum return of 2.5% per annum provides members with a valuable guarantee and a degree of protection against the volatility of stock market returns, which have in some years been negative.

By contrast, AVCs invested with Standard Life (except the 'with-profits' fund which has smoothed investment returns like the SBS fund, albeit it is not available to new contributors) will reflect the full market return in any year based on the investment returns of the chosen fund, which could be negative.

As well as paying AVCs to the SBS to increase your retirement benefits, **you can also pay AVCs to Standard Life**

Whilst I am an active member of the Scheme how do I go about paying SBS contributions to increase my death in service benefits?

You can obtain an SBS Death in Service Application Form from the [pension website](#) or from the Pensions Service Centre. The application is subject to approval.

Payment of SBS contributions for extra death in service benefits need to be made on a regular basis. When you start paying SBS contributions to secure extra death in service benefits, the Trustee may ask for satisfactory evidence of your good health.

The cost of additional life cover is automatically recalculated each year to allow for any change in the amount of benefit and for the increased cost of insurance premiums for older members.

SBS contributions for death benefits can be increased or decreased only on the anniversary of their commencement. If you increase your contributions the Trustee may request further evidence of your good health.



Additional **benefits**

What benefits are payable from the SBS?

By paying into the SBS you may buy additional benefits as follows (subject to Trustee consent):

Retirement benefits

- > Extra tax-free lump sum (subject to HM Revenue & Customs ("HMRC") limits), and/or
- > Extra pension payable to you for your lifetime and, by opting for a joint life pension on retirement, extra pension for your dependants on your death. Any pension can be purchased through the Scheme or from an external provider.

Retirement benefit options

- > Unless you state otherwise, any pension estimate will be based on a pension payable to you for your lifetime (increasing in payment by inflation subject to a maximum of 2.5% each year, with a 5 year guarantee) plus a 50% dependant's pension following your death. The other options available to you are:
 - i. Pension with 50% dependant's pension (no increase in payment, with a 5 year guarantee);
 - ii. Pension with no dependant's pension (increasing in payment by inflation subject to a maximum of 2.5% each year, with a 5 year guarantee);
 - iii. Pension with no dependant's pension (increasing in payment by inflation subject to a maximum of 2.5% each year, without a 5 year guarantee); and
 - iv. Pension with no dependant's pension (no increase in payment, with a 5 year guarantee).
- > Normally your SBS benefits will be paid at the same time as your other benefits from the Scheme, but you can request to take your SBS fund at a different time (no later than age 75).

You can **request to take your SBS fund at a different time** (no later than age 75)

Death in service benefits

- > If you die whilst still in service, a lump sum equal to a refund of your SBS fund plus Credited Interest will be payable in respect of your SBS contributions for retirement benefits.
- > If you have used SBS contributions to provide additional life cover, this will increase the lump sum death benefit payable from the Scheme to your dependants. It should be noted that when you leave service or retire, the life insurance cover provided by your SBS contributions will immediately cease.

Options on leaving service

- > On leaving pensionable service, you cannot continue to pay into the SBS.
- > If you leave pensionable service before retirement with an entitlement to a deferred pension, your SBS fund for retirement benefits will continue to attract Credited Interest until your Scheme benefits become payable. You will then be able to use your SBS fund as described above (see 'Retirement benefits').



Further information



What else should I know about the SBS?

What level of contributions can I pay into the SBS whilst I am an active member of the Scheme?

The Trustee keeps under review the level of contributions that are paid into the SBS in order to increase retirement benefits. Currently the Trustee has a policy of allowing contributions up to the amount of a member's earnings. Please also refer to the next section regarding HMRC restrictions. There is the potential for the Trustee to cap the level of contributions that are paid by members into the SBS and therefore a contribution limit may be applied in the future.

Are there any HMRC restrictions that I need to consider before paying contributions into the SBS?

Annual Allowance

It is important to remember that, like your Scheme benefits, your annual contributions to the SBS which will be used to increase your retirement benefits will need to be tested against the Annual Allowance. It should be noted that any SBS contributions that are paid to increase death in service benefits do not need to be tested against the Annual Allowance. The Annual Allowance is set by HMRC and is a threshold for the total amount of retirement savings that you can build up each year, across all registered pension schemes, before incurring additional tax charges. It is the value of the contributions that you pay into the SBS, excluding any Credited Interest, which will need to be tested against the Annual Allowance.

In the event that your retirement savings under the Scheme and the SBS exceed the Annual Allowance in any given period, you will receive a Pension Savings Statement which will provide you with further details on the level of your retirement savings and the extent to which they may exceed the Annual Allowance. The Trustee does not have information on other retirement savings you may make, but please note that these will also count towards your Annual Allowance.

It is possible for an Annual Allowance tax charge to be paid from your SBS fund. The debit that would be applied to your SBS fund would equal the tax charge on the effective date. By settling an Annual Allowance tax charge from your SBS fund this makes no allowance for the 2.5% per annum investment return underpin. It is important to remember that this would be just one option for settling any Annual Allowance tax charge and you would be free to pay any tax charge directly with HMRC.

Lifetime Allowance

All members of UK registered pension arrangements have a Lifetime Allowance, which is set by HMRC.

On a triggering event such as retirement, the value of benefits in all registered schemes that you have been a member of need to be tested against the Lifetime Allowance and this will include your SBS fund. Broadly, the 'value' of your Scheme benefits for Lifetime Allowance purposes is worked out at 20 times the yearly rate of your Scheme pension, plus the cash value (which will include all Credited Interest) of your SBS fund and/or your Standard Life AVC account.

Any benefits earned over and above the Lifetime Allowance will be taxable at a special rate of tax.

For more detailed information on the Annual Allowance and the Lifetime Allowance you should refer to HMRC's website at:

- > [gov.uk/government/publications/rates-and-allowances-pension-schemes](https://www.gov.uk/government/publications/rates-and-allowances-pension-schemes)
- > [gov.uk/tax-on-your-private-pension](https://www.gov.uk/tax-on-your-private-pension)

All members of UK registered pension arrangements have a **Lifetime Allowance**, which is set by HMRC

Further information continued...

Can funds be transferred-in to the SBS?

There is a general policy that permits transfers-in from outside the Scheme into the SBS. This policy is reviewed on an annual basis to balance the risks to funding the Scheme with flexibility for members. The Trustee needs to approve any transfer-in to the SBS in excess of £150,000.

Whilst it is possible to transfer benefits from outside the Scheme into the SBS, the Trustee has taken the decision not to permit the transfer of funds from the Standard Life AVC arrangement into the SBS.

Can funds be transferred-out of the SBS?

It is possible to transfer your SBS fund out of the Scheme and leave your remaining benefits in the Scheme. In this situation, the Trustee may, based on actuarial advice, apply a Market Value Adjustment ("MVA") to the transfer-out of your SBS fund, i.e. a penalty may be applied. On an annual basis the Scheme Actuary recommends to the Trustee whether, in his view, a MVA should be applied over the subsequent Scheme year. At the date of this publication a MVA did not apply, however this is reviewed by the Trustee on a regular basis. Please contact the administrator to confirm whether a MVA currently applies.

You do have the option to transfer your Scheme benefits and your SBS fund to an alternative arrangement and in this circumstance a MVA would not be applied.

It is also possible to transfer your SBS fund into the Standard Life AVC arrangement.

It is important to note that if you chose to transfer your SBS fund out of the Scheme you will not automatically be able to recommence contributions into the SBS at a later date. You would only be able to continue to pay into the SBS with the consent of the Company and the Trustee.

What would happen to my SBS fund on closure or wind-up?

In the event of wind-up, the SBS fund would be classed as a 'non-money-purchase' arrangement (so would be subject to some aspects of pension legislation that apply to defined benefit schemes, such as the BAE Systems Pension Scheme). This is because the SBS has an element of investment return that is guaranteed. This could negatively impact SBS funds if there were insufficient assets to pay all benefits in full because there is a risk that SBS funds might be used, in part or in full, to pay other promised benefits. In contrast, benefits classified as 'money-purchase' on wind-up (such as AVCs with Standard Life) would usually be fully protected. The exact impact on a member's SBS fund on wind-up would depend on the funding position at that time.

It is important to recognise that, at the current time the support that the Company provides is considered to be strong and this information has therefore been provided for your reference only.

This leaflet is intended as a helpful guide to the provisions of the Selected Benefits Scheme. It is subject to change in the future as required by HM Revenue & Customs and the Rules of the BAE Systems Pension Scheme – Scheme Benefits. The value of your pension will depend on several factors including the amount of contributions paid, any cost of exercising any right to transfer your benefits, any charges payable, the age at which you access your benefits, any guaranteed interest or bonuses applied and any cost of converting your benefits into an annuity. The Rules set out the legal basis for the Trustee's administration of the BAE Systems Pension Scheme – Scheme Benefits and they override any provisions of this leaflet in the event that they are inconsistent. Copies of the Rules are available from the Pensions Service Centre.

Who can I contact for further information?

If you have any questions or require an SBS Contribution Form, please contact:

> Pensions Service Centre, PO Box 1194,
Crawley, West Sussex, RH10 0FZ

Telephone: **0800 917 9568** (or if calling from overseas **+44 (0) 121 415 0891**)

Email: fulwood.pensions@equiniti.com

Web: baesystems.com/pensions



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