

BAE Systems Pension Scheme – Levels 125, 167, 187 and 200 Benefits

Lump sum AVC for tax year 2021/2022

Introduction

Each year, we remind members of the option that is available for them to pay a lump sum Additional Voluntary Contribution (AVC) from their **March** salary and bonus.

Before deciding whether you wish to make a lump sum AVC, please read through this announcement carefully, particularly the **Important notes on taxation** section.

Paying the lump sum through payroll

This is the easiest method for you to pay the lump sum. In order to do this in time for the March payroll, we must receive your completed form by **4 February 2022**. If you wish to pay a lump sum you need to follow the procedure below:

- Decide on the amount of lump sum that you would like to pay. The amount that you wish to pay must be within the overall maximum contribution limit of 100% of earnings, up to certain limits, including the need to cover National Insurance (NI) contributions and other regular deductions.
- Complete the appropriate sections of the 'Application to pay lump sum AVC form', sign it and return it to the Pensions Service Centre at the address shown on the form, or by email to farnborough.pensions@equiniti.com.
- The Pensions Service Centre must receive your completed form by **4 February 2022**. If the form is not received by this date we will have insufficient time to arrange for your lump sum to be deducted from your March salary.
- Only amounts up to the level of your March salary and bonus can be deducted through the payroll system. If you wish to pay an amount in excess of this, you must send a bank transfer, as detailed below.

Paying the lump sum direct to the Trustee

If you miss the deadline or wish to pay an amount in excess of your March salary and bonus, it will be your responsibility to pay the lump sum by direct bank transfer to the Trustee prior to **11 March 2022**. Any payment will be for the gross amount, and it will be your responsibility to reclaim the tax relief from HM Revenue & Customs (HMRC) through your annual tax return. We will provide you with a letter to confirm that you have paid the contribution, however **it should be recognised that the re-claiming of tax can be time consuming and also involves a process that will be unfamiliar to most. It is therefore recommended that whenever possible AVCs are paid via payroll.**

- Please complete the bank transfer using the account details on the application form and using your NI Number as the reference. Complete the appropriate sections of the 'Application to pay lump sum AVC form', sign it and return it to the Pensions Service Centre at the address shown on the form, or by email to farnborough.pensions@equiniti.com.

Any direct payments must be within limits set by the Trustee of the Scheme. The amount must not exceed your net earnings within your BAE Systems Scheme related employment in the tax year, making allowance for other deductions such as NI contributions, existing contributions etc. If you require further information then please contact the Pension Service Centre before you make the payment.

Getting in touch

If you should have any questions regarding the lump sum AVC payment, you can telephone or email the Pensions Service Centre:

Email: farnborough.pensions@equiniti.com

Tel: **0800 917 9568**

Team: **AVC Lump Sum Project Team**

We may need to contact you outside of standard office hours to confirm your instructions. We will not be liable for any lost investment opportunity if we are unable to contact you with any query. To assist us please supply all relevant contact details on the attached form as requested.

The Trustee, the Company and the Pensions Service Centre are not permitted to offer you financial advice. If you wish to seek financial advice, you can visit the Retirement Adviser Directory provided by MoneyHelper, moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/find-a-retirement-adviser, to find the right Independent Financial Adviser (IFA) for you. You may also use Unbiased, unbiased.co.uk to find an IFA that is local to you.

Important notes on taxation

Annual Allowance

The Annual Allowance (AA) is a threshold for the total amount of contributions that can be paid to registered defined contribution pension schemes and the total amount of benefits that you can build up in registered defined benefit pension schemes each year, before incurring additional tax charges. Any excess pension savings above the AA are subject to a tax charge, which will be collected through the self-assessment process. The standard AA is £40,000.

Tapered Annual Allowance: From 6 April 2020, the AA is reduced or 'tapered' if your 'adjusted income' for the tax year is over £240,000 and your 'threshold income' exceeds £200,000. In this case, your AA will be reduced by £1 for every £2 that your income exceeds £240,000, up to a maximum reduction of £36,000. In practice, this reduces the AA to £4,000 once your adjusted income reaches £312,000. The terms 'adjusted income' and 'threshold income' are defined by HMRC.

The method of calculating an individual's Tapered Annual Allowance is complex. Further information can be found at: gov.uk/guidance/pension-schemes-work-out-your-tapered-annual-allowance.

If you think that you are affected by the Tapered Annual Allowance you should seek independent financial advice before submitting your application (please note that this advice is at your own cost).

Money Purchase Annual Allowance: Where members choose to access their defined contribution benefits through the pension flexibility rules, a Money Purchase Annual Allowance (MPAA) will be applied to the amount of money you can then save to any defined contribution arrangement. In other words, only contributions paid into a defined contribution arrangement up to the MPAA, currently £4,000 will benefit from tax relief. If you pay into a defined benefit arrangement and are subject to the MPAA, then you can accrue defined benefits up to the AA less any defined contribution payments up to the MPAA.

Any AA testing by Equiniti assumes a standard AA of £40,000.

Lifetime Allowance

If the total value of benefits you build up in registered pension schemes during your lifetime exceeds the Lifetime Allowance, £1,073,100 for the 2021/2022 tax year, the excess benefits will be taxed at a special rate of tax. There are transitional protections available, namely Fixed Protection 2016 and Individual Protection 2016.

Do you have Primary, Enhanced, Fixed or Individual Protection?

A few employees with very high pension savings will be in a position that they have exceeded or may exceed the Lifetime Allowance in the future and such employees may have registered protection against the effect of this with HMRC. If this applies to you, payment of any contributions (including AVCs) may mean that any Protection you have registered with HMRC may cease to apply, with tax consequences.

If you have Primary, Enhanced, Fixed or Individual Protection, please contact the Pensions Service Centre before deciding to pay any contributions to the Scheme.

The Company and the Trustee are not responsible for any tax charge or loss of tax relief you incur by invalidating any protection you have been granted by HMRC.

You can find further information regarding the Annual Allowance, Lifetime Allowance and the various forms of Protection at hmrc.gov.uk/tax-on-your-private-pension.

The Trustee 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.

Application to pay lump sum AVC form – 2021/2022 tax year

If you wish to pay a lump sum AVC through your payroll, please complete sections 1, 2, and 4, and for new AVC members please also complete section 5 and return the form, to the address below, or by email, by **4 February 2022**:

Address: **Pensions Service Centre, PO Box 1194, Crawley, West Sussex, RH10 0FZ**

Email: **farnborough.pensions@equiniti.com**

If you do not have access to a printer or scanner please save and complete the form on line, type your name in the 'Signed' area of the form and attach it to an email which should be sent from a BAE Systems or other Participating Employer email address. If you do not have access to a BAE Systems or other Participating Employer email address, an email will need to come from a personal email account. Where the form is sent by email from a personal account, to verify the submission, you will also need to have your signature photographed and sent as an attachment with the email. If you do not have the functionality to edit this PDF form, please save the form to your computer, then right click on the saved form and select 'open with Word'. Please then complete the word version of the form in line with the above.

If you wish to pay a lump sum AVC by bank transfer, please complete sections 1, 3 and 4, and for new AVC members please also complete section 5 and return the form no later than **11 March 2022** to the Pensions Service Centre, or by email, as detailed above.

Account Name	Sort Code	Account No
Paymaster (1836) Limited re: BAE Systems Pension Scheme	30-00-02	00653948

Airbus members only		
Paymaster (1836) Limited re: BAE Systems Airbus Section	30-80-12	12643068

Section 1

Scheme name	BAE Systems Pension Scheme – Levels 125, 167, 187 and 200 Benefits		
Full name		Member Number	
NI Number		Date of birth	
Contact Number		Email	

Section 2

You can elect to pay the lump sum either solely from any bonus payment, or alternatively from both your bonus and salary for March 2022. As you may not know your bonus amount before submitting this form, you may specify an amount in pounds or state a percentage of bonus to be deducted.

Any amount to be deducted from your salary must (i) be stated in pounds and (ii) be after taking into account normal deductions such as National Insurance contributions, any regular AVCs already requested, and other regular deductions.

Please complete the appropriate sections below (1 or 2, and if applicable 3)

1) Percentage of my March bonus (whole % only)

or

2) Amount of my March bonus (whole £ only)

and

3) Amount of my March salary (whole £ only)

Section 3

I wish to pay a lump sum AVC by bank transfer of £ _____(whole £ only). I understand that this will represent the gross amount and it will be my responsibility to reclaim any tax relief from HMRC through my annual tax return.

Section 4 (to be completed by all members)

I confirm that if (i) I have existing AVC investments, my lump sum AVC will be invested in the same funds as my existing AVC payments, or (ii) I am paying an AVC for the first time and my investment instructions are shown in Section 5.

Signed _____

Date _____

All applications will be acknowledged by email or by telephone where no email is available. If you do not receive a personal confirmation of receipt within 5 days, please contact the Pension Service Centre.

Section 5 (New AVC members only)

Please complete this section to advise how your lump sum AVC is to be invested. The Trustee has chosen Standard Life for the investment of AVCs. By accessing the Standard Life website at: standardlifepensions.com/bspp/ps.page you will be able to find out all the information you need about paying AVCs, the investment choices available and your options on retirement. You can also contact the Standard Life Helpline on 0345 271 9501. If you do not indicate a choice of investment(s) your lump sum AVC will be invested in the 'Cash Lifestyle Investment Profile'. After your lump sum AVC has been invested with Standard Life they will send you a membership certificate containing your individual plan number, which will enable you to register for their Online Services. Once you have completed the simple registration process you will be able to manage your AVC account online.

Complete either a, b, c, or d below:

- a) I wish my lump sum AVC to be invested in the 'Cash Lifestyle Investment Profile' (100% only)
- b) I wish my lump sum AVC to be invested in the 'Flexible Lifestyle Investment Profile' (100% only)
- c) I wish my lump sum AVC to be invested in the 'Annuity Lifestyle Investment Profile' (100% only)
- d) I wish my lump sum AVC to be invested as set out below:

Fund name	% to be invested (whole % only)
Active Global Equity Fund	
Active UK Equity Fund	
Annuity Purchase Fund	
Bond Fund	
Diversified Asset Fund	
Emerging Market Equity Fund	
Fixed Government Bond Fund	
Inflation-Linked Government Bond Fund	
Money Market Fund	
Passive Global Equity Fund	
Passive UK Equity Fund	
Property Fund	
Shariah Fund	
Socially Responsible Investment Fund	
Total – the percentage allocation to the above funds must add up to 100%	100%

The normal Target Retirement Age (TRA) for all investments is age 65. If you wish to specify a TRA for your AVCs other than 65, then please tell us here:

(New AVC members only) My TRA = _____