Your benefits

Your guide to the Royal Ordnance Pension Scheme
The following terms are used in this booklet and it is important that you understand what they mean in the context of the Royal Ordnance Pension Scheme. They are highlighted in italics throughout the booklet.

Additional Voluntary Contributions (AVCs) are voluntary payments made in addition to your contributions to the Scheme. They are invested to provide you with extra benefits at retirement.

Basic Pay is basic wage or salary multiplied by the Basic Pay Freeze Factor plus certain emoluments as the Principal Employer may decide (in the case of a 1984 member, with the additional consent of the Trustees). This is subject to not exceeding the Scheme Cap.

Basic Pay Freeze Factor is a factor applied to the Basic Pay of members who are in Pensionable Service on 1 April 2006 to allow for the 2006 pensionable pay freeze.

Basic Pensionable Pay in relation to a 1984 member is Basic Pay reduced by £1,800 per year.

Civil Partner is a person who has entered into a civil partnership in accordance with the Civil Partnership Act 2004. Where this is done the Civil Partner of a Scheme member will be recognised for the payment of any lump sum and pension benefits that may be payable on the death of the member.

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

Contributory Pensionable Pay in respect of a Crown Service member or BMARC member is the amount of Basic Pay, in respect of a 1984 member it is the amount of Basic Pensionable Pay.

Final Pensionable Pay is:

- For Crown Service and 1984 members – is the highest amount of Pensionable Pay received in any consecutive period of 12 months of Pensionable Service during the 3 years immediately before the date of leaving service. The consecutive 12 month periods will start at intervals of 91 days, or any shorter interval as determined by the Trustees. This is subject to not exceeding the Scheme Cap.
- For BMARC members – is the highest annual average of Pensionable Pay received in any consecutive period of 24 months of Pensionable Service during the 3 years immediately before the date of leaving service. The consecutive 24 month periods will start at intervals of 91 days, or any shorter interval as determined by the Trustees. This is subject to not exceeding the Scheme Cap.
- For Crown Service and 1984 members – is the highest annual average of Pensionable Pay during any 3 consecutive years in the last 10 years before the date of leaving service; and (b) the annual average of Basic Pay during the 3 years immediately before the date of leaving service. This is subject to not exceeding the Scheme Cap.

Former Scheme is the pension Scheme to which some members formerly belonged whilst in Civil Service employment, including: the Principal Civil Service Pension Scheme, the United Kingdom Atomic Energy Authority Principal Non-Industrial Superannuation Scheme and the National Health Service Superannuation Scheme.

GMP Age is currently 65 for men and 60 for women.

Longevity Adjustment Factor is an adjustment figure dependent on age, which is applied to the pension earned in the Scheme on or after 1 April 2006. It will adjust the pension earned to reflect changes in life expectancy. Improved mortality rates may mean that future pensions are expected to be paid for longer and the Longevity Adjustment Factor will reduce your pension earned on or after 1 April 2006 to take account of this. The level of the Longevity Adjustment Factor will be set each year. There are different Longevity Adjustment Factors which apply to normal retirement, ill-health retirement and to benefits payable following death before retirement.

Normal Pension Age is:

- For Crown Service and 1984 members for Pensionable Service...
  - ending prior to 1 April 2006: age 60
  - ending between 1 April 2006 and 31 March 2007: age 61.5
  - ending between 1 April 2007 and 31 March 2008: age 63
  - ending after 1 April 2008: age 65
- For BMARC members: age 65

Pension Increase Orders are declared annually by the Government and are currently determined by looking at the annual increase in the Consumer Price Index (CPI).

Pensionable Pay is:

- For Crown Service members, the amount of Basic Pay. For 1984 members, is Basic Pensionable Pay. Plus, in either case, as defined from time to time by the Principal Employer and notified to the Trustees, weekend overtime enhancement, public and Bank Holiday enhancement, shift enhancement, call out pay/on call pay, transitional payments, and such other emoluments as the Principal Employer may decide.
- For BMARC members it is Basic Pay at 1 April each year.

Pensionable Service is the period during which you have paid contributions to the Scheme (including any contributions paid under the SMART Pension Arrangement). It may also include an additional period purchased from a transfer payment (e.g. from a previous employer's pension scheme). Some members are also able to purchase additional Pensionable Service by paying Additional Voluntary Contributions (see page 6). Pensionable Service cannot exceed 45 years.

Principal Employer is BAE Systems plc.

Scheme is the Royal Ordnance Pension Scheme (ROPS).

Scheme Cap is the maximum earnings used in any calculation of your contributions and benefits. From April 2017 this figure is £143,400 and it will normally be increased each year. This applies if you joined the Scheme on or after 1 June 1999.

Scheme Maximum refers to the limits which were HM Revenue & Customs requirements up to 6 April 2006 and which continue to apply to Scheme benefits in a simplified form. For example, under the Scheme Maximum your benefits (excluding AVC benefits) must not exceed 3/3rds of your final earnings. (See page 8.)

Scheme Year is from 1 April and ends on 31 March.

Trustees are the Royal Ordnance (Crown Service) Pension Scheme Trustees Limited.
Summary of Scheme benefits

When you retire

For Crown Service members
- A pension for life
- Tax free cash sum

For 1984 and BMARC members
- A pension for life
- A reduced pension for life plus a tax free cash sum

Death benefits

In service
- Lump sum

In retirement
- If within 5 years of retirement – balance of pension paid as lump sum
- An Adult Dependant’s pension and/or Eligible Children’s pensions

In deferment
- An Adult Dependant’s pension and/or Eligible Children’s pensions
- Lump sum
- Refund of contributions with interest (BMARC members only)

Deferred benefits

If you leave

A pension for life

Further Information

Visit: www.baesystemspensions.com

Pensions Service Centre:
0800 917 9568

Overseas:
+44 (0)121 415 0891

Email: fulwood.pensions@equiniti.com
A guide to your benefits

The Royal Ordnance Pension Scheme is a valuable part of your remuneration package from the Company. The Scheme provides you with a range of benefits to support you and your dependants both now and in the future. Your benefits represent good value for your contributions because of the tax-effective nature of the Scheme.

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

You will notice that certain terms in this booklet are printed in italics. This indicates that there is an explanation of their meaning on the 'Technical terms used' page.

Until 5 April 2016, members of the Scheme were contracted-out of the State Second Pension (S2P), which was formerly known as the State Earnings Related Pension Scheme (SERPS). As a result of changes to the State Pension from 6 April 2016, the ability to contract-out has ceased. Please refer to page 17 for more information.

Additional information about the Scheme is available via the following:

- www.baesystemspensions.com
- fulwood.pensions@equiniti.com
- Pensions Service Centre: 0800 917 9568 (overseas: +44 (0)121 415 0891)
- Pensions Service Centre, PO Box 1194, Crawley, West Sussex, RH10 0FZ

This booklet provides you with information about the Scheme.
No new members are admitted. Contributing members continue to earn benefits from the Scheme in accordance with this booklet and the Rules in force from time to time.

There are three membership categories in the Scheme:

- **Crown Service** – This section is for members who were part of The Royal Ordnance (Crown Service) Pension Scheme.
- **1984** – This section is for members who were part of The Royal Ordnance (1984) Pension Scheme.
- **BMARC** – This section is for members who were part of the British Manufacture And Research Company Limited Pension and Life Assurance Scheme (BMARC).

The Crown Service and 1984 schemes merged on 6 April 1991 to form The Royal Ordnance Pension Scheme, and then in 1995 the BMARC scheme merged with the Scheme. The three membership categories in the Scheme correspond to the three old schemes.

This guide applies to all three membership categories. However, there are some areas in which the information given differs between categories. These instances are marked as to which category applies.

### 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 Trustees and the Company two months' written notice of your intention to leave the Scheme. At the end of the pay period in which your two-month notice period expires you will be treated under the Scheme as if you had left service.

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 dependants in the event of your death in service.
- You will lose the protection provided by the Scheme to you and your dependants in the event of your early retirement from the Company on account of serious ill-health.
- You will lose an opportunity to earn benefits linked to your future earnings and service.

If you subsequently change your mind, re-entry will require the specific permission of the Principal Employer and the Trustees. Such permission would not normally be given but even if it was, evidence of good health may be required and certain benefits may be restricted.

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 who may charge a fee for this service (see page 12).
Making contributions to the Scheme

Your contributions

Member contributions are 9.29% of Contributory Pensionable Pay.

SMART Pensions Arrangement

Provided you are employed by companies wholly owned by BAE Systems plc or participating companies, all contributions will be made under the SMART Pensions Arrangement, unless you choose to opt out of SMART. Full details of the SMART Pensions Arrangement can be found on the pensions website.

Income tax relief

Your contributions are deducted from your pay before tax is calculated; currently, you automatically receive income tax relief at your highest rate although some restrictions apply to high earners (see page 16 for further information).

Company contributions

The rate of Company contributions is agreed between the Company and the Trustees and with advice from the Scheme’s Actuary, who carries out regular reviews of the financial position of the Scheme. The Company pays the balance of cost needs over the members’ contributions.

How the contributions are used

Your contributions, together with those from the Company, are credited to the Scheme and invested by the Trustees. The invested funds are used to provide benefits for members in accordance with the Trust Deed and Rules of the Scheme.

Temporary absence

If you are temporarily absent from work your membership of the Scheme usually continues for as long as you pay contributions into the Scheme. During any paid absence from work you usually continue to pay contributions and this period counts in full towards your pension. If you stop paying contributions to the Scheme, your Pensionable Service usually ceases. On recommencing contributions, your Pensionable Service before and after the break is treated as continuous.

If you are absent as a result of maternity, adoption or paternity leave, you are treated as still in service for as long as you have a statutory or contractual right to return to work. You 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 are 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 are treated as continuous but exclude the period of parental leave itself. A period of parental leave is only treated as Pensionable Service if, on your return to work, you pay the shortfall of contributions in respect of that period as if you had been working normally.

Paying Additional Voluntary Contributions (AVCs)

Under the terms of the Scheme, you may increase your benefits by paying Additional Voluntary Contributions (AVCs). Currently, AVCs qualify for income tax relief at your highest rate. In the same way as your normal Scheme contributions although some restrictions apply to high earners (see page 16 for further information).

Where a Crown Service or 1984 member was paying AVCs before April 2006 to purchase an additional period of membership, the member is unable to increase the percentage rate at which those AVCs are paid. Members can no longer start making payments for additional service.

However, all members in Pensionable Service are able to make AVCs on a money purchase basis.

AVCs might be of particular interest to those members who joined the Scheme later in their working life, or who are considering the possibility of retiring early. You can start, increase, decrease or stop paying money purchase AVCs at any time.

A separate booklet giving more details about AVCs can be downloaded from the website or is available from the Pensions Service Centre.

Further Information

Visit: www.baesystemspensions.com
Pensions Service Centre: 0800 917 9568
Overseas: +44 (0)121 415 0891
Email: fulwood.pensions@equiniti.com

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How to calculate your retirement benefits
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Leaving the Scheme
HM Revenue & Customs
General information
How to calculate your retirement benefits

Crown Service members
On retirement at or after Normal Pension Age you are entitled to an annual pension of 1/80th of your Final Pensionable Pay for each year of your Pensionable Service.

1984 members
On retirement at or after Normal Pension Age you are entitled to an annual pension of 1/60th of your Final Pensionable Pay for each year of your Pensionable Service.

BMARC members
On retirement at or after Normal Pension Age you are entitled to an annual pension of 1/60th of your Final Pensionable Pay for each year of your Pensionable Service.

Note
*Pension B is adjusted by the Longevity Adjustment Factor which will vary from time to time and will be calculated at the same time as your pension.

Further Information
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How to calculate your retirement benefits

**Additional tax free cash sum**

**Crown Service members**

In addition to the total pension amount shown on page 7, a tax free cash sum of 3/80ths of your Final Pensionable Pay for each year of your Pensionable Service will be payable.

<table>
<thead>
<tr>
<th>3/80th</th>
<th>3/80th</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pensionable Service up to 1 April 2006</td>
<td>Pensionable Service from 1 April 2006</td>
</tr>
</tbody>
</table>

**Final Pensionable Pay A**  
**Final Pensionable Pay B**

**Tax free cash sum A**  
**Tax free cash sum B**

*Tax free cash sum B is adjusted by the Longevity Adjustment Factor which will vary from time to time and will be calculated at the same time as your pension.*

**Note**

If you did not contribute towards an Adult Dependant’s pension in a Former Scheme or you do not have a full contribution record, your lump sum benefit will be reduced by the WPS debt. If you wish to pay off your WPS debt before retirement, please contact the Pensions Service Centre.

**Scheme Cap and Scheme Maximum**

Your Final Pensionable Pay in the calculations on page 7 and above will be restricted to the Scheme Cap if appropriate.

Under the Scheme Maximum your benefits (excluding Additional Voluntary Contributions) must not exceed 2/3rds of your final earnings. Your final earnings can include other taxable benefits such as overtime or shift payments and may therefore be greater than your Final Pensionable Pay.

**Benefits from Additional Voluntary Contributions (AVCs)**

Where a Crown Service or 1984 member has paid AVCs to purchase an additional period of Pensionable Service, this will be allowed for in calculating your pension and will be treated as earned prior to 1 April 2006. For all members who make money purchase AVCs, these can normally be taken as part of your maximum tax free cash sum at retirement.

Alternatively the fund can be converted into pension using a pension rate set by the Trustees having taken advice from the Scheme’s Actuary. Alternatively you may purchase an annuity from an external provider.

At any time before you retire, you can choose to transfer your money purchase AVCs from the Scheme to another pension arrangement. You can even do this while you remain in active service, although you must stop paying AVCs before the transfer.

If you exercise this option, you will not be allowed to pay any further AVCs into the Scheme after the transfer.

You should view the guidance provided by the Government’s Pension Wise service and normally no part of it can be exchanged for a cash sum (which may restrict the amount of pension you can give up for a cash sum at retirement). Provision of a GMP may also restrict your options on early retirement as the reduced pension at GMP Age must be sufficient to provide your GMP.

Once your GMP is in payment (which will be after your GMP Age), the Scheme increases any GMP earned after 6th April 1988 in line with the Consumer Prices Index, subject to a maximum of 3% a year. Any GMP earned before 6th April 1988 does not increase.

On your death, any pension which is payable to your legal spouse or Civil Partner is at least equal to your spouse’s GMP. This is approximately half the member’s GMP for the widow of a male member and half the member’s GMP in respect of service after 6th April 1988 for the widower of a female member, a same sex spouse or Civil Partner.

**Reference Scheme Test**

From 6th April 1997, the Scheme was contracted-out on a defined benefit basis. The Scheme was required to satisfy a ‘Reference Scheme’ test, namely that it provides benefits broadly equal to or above a specified minimum level. This ceased to apply when contracting-out was abolished from 6th April 2016.

**Contracted-out underpinnings**

Guaranteed Minimum Pension

As the Scheme was contracted-out, the Scheme must provide a minimum level of benefit in respect of your Pensionable Service up to 5th April 1997, which is known as the Guaranteed Minimum Pension (GMP). Although contracting-out has been abolished from 6th April 2016, existing contracted-out benefits like GMP are to remain protected.

A number of restrictions apply to the GMP. In particular, it is not payable before GMP Age and normally no part of it can be exchanged for a cash sum (which may restrict the amount of pension you can give up for a cash sum at retirement). Provision of a GMP may also restrict your options on early retirement as the reduced pension at GMP Age must be sufficient to provide your GMP.

Further Information

Visit: www.baesystemspensions.com

Pensions Service Centre: 0800 917 9568
Overseas: +44 (0)121 415 0891
Email: fulwood.pensions@equiniti.com
When you reach retirement

Retiring from Pensionable Service on or after Normal Pension Age

Your pension will be calculated as shown on page 7. If you transferred benefits into the Scheme from a previous pension arrangement, you will receive an additional yearly amount on top of your pension earned whilst in the Scheme.

<table>
<thead>
<tr>
<th>Crown Service member</th>
<th>1984 and BMARC members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scheme Pension</td>
<td>Scheme Pension</td>
</tr>
<tr>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Benefits transferred from a previous scheme</td>
<td>Benefits transferred from a previous scheme</td>
</tr>
<tr>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>AVC benefits (if any)</td>
<td>AVC benefits (if any)</td>
</tr>
<tr>
<td>=</td>
<td>=</td>
</tr>
<tr>
<td>Total Pension</td>
<td>Total Pension</td>
</tr>
<tr>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Tax free cash sum</td>
<td>Reduced pension plus tax free cash sum (if chosen)</td>
</tr>
<tr>
<td>+</td>
<td>=</td>
</tr>
</tbody>
</table>

Retiring from Pensionable Service before Normal Pension Age (except on medical grounds)

You may be permitted to retire at any time after the age of 50 and receive immediate benefits. For BMARC members this is subject to the consent of the Trustees and the Company and the earliest you can retire is age 55.

Crown Service and 1984 members
If you retire early, your pension (and additional tax free cash sum, if a Crown Service member) will be reduced by 4% for every year they are taken before the Normal Pension Age in force at the time the benefit was earned.

BMARC members
If you retire before age 60, your pension will be reduced to account for the extra years over which the pension will be paid. The early retirement reduction factors are determined by the Trustees on advice from the Scheme’s Actuary. They are reviewed periodically and may change from time to time. No reduction is applied to pension earned prior to 1 April 2006 if you are aged 60 or more when you retire.

Further Information
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Pensions Service Centre: 0800 917 9568
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Email: fulwood.pensions@equiniti.com
Retiring early from Pensionable Service on medical grounds

If you cannot work due to ill-health, you may be able to retire at any age with the consent of the Trustees and the Company. There are two levels of benefits payable, depending upon the severity of your illness.

Incapacity means a physical or mental deterioration which exists at the time employment ends and which, in the opinion of the Trustees (acting on the advice of a medical officer appointed by the Trustees or in reliance upon evidence from another medical practitioner), is sufficiently serious to prevent you permanently from following your normal job or any comparable job offered to you.

Full medical retirement (Crown Service and 1984 members) means retirement from service due to the state of physical and mental health (resulting from an accident or bodily or mental infirmity). Your state of health must exist at the time your employment ends and should, in the opinion of the Trustees (acting on the advice of a medical officer appointed by the Trustees or in reliance upon evidence from another medical practitioner), permanently prevent you from performing any regular work that the Trustees believe would be reasonable for you to undertake and is serious enough to prevent you from working again.

If you receive a pension due to ill health and your health improves so that you no longer satisfy the definition of incapacity or full medical retirement (as applicable), the Trustees may suspend your pension until you reach Normal Pension Age. Alternatively, if you retire on full medical retirement then cease to satisfy that definition, but satisfy the definition of incapacity instead, your pension may be reduced to the incapacity level.

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

- **Incapacity**
  - **Crown Service and 1984 members**
    - This will be calculated as on page 7 and will be based on your Final Pensionable Pay and Pensionable Service to date of retirement.
  - **BMARC members**
    - This will be calculated as on page 7 and will be based on your Final Pensionable Pay at date of retirement and your Partially Enhanced Pensionable Service.

- **Full medical retirement**
  - **Crown Service members**
    - This will be calculated as on page 7 and will be based on your Final Pensionable Pay at date of retirement and your Partially Enhanced Pensionable Service.
  - **1984 members**
    - This will be calculated as on page 7 and will be based on your Final Pensionable Pay at date of retirement and your Partially Enhanced Pensionable Service.

Partially Enhanced Pensionable Service is your Pensionable Service at date of retirement plus 50% of the period which would have been included in your Pensionable Service if you had remained in service until the Normal Pension Age in force at the date on which you retire.

Full medical retirement is available only to members who have at least five years’ Pensionable Service.

Your Final Pensionable Pay in the calculations above will be restricted to the Scheme Cap if appropriate.

Pension in the above calculations earned on or after 1 April 2006 will be adjusted by the Longevity Adjustment Factor which will vary from time to time and will be calculated at the same time as your pension.

How your pension will be paid to you

Your monthly pension is paid to you in advance on the first working day of each calendar month direct to your bank or building society account. These pension payments are treated as earned income and are subject to tax under the PAYE system, using a tax code provided by HM Revenue & Customs.

Further Information

Visit: [www.baesystemspensions.com](http://www.baesystemspensions.com)

Pensions Service Centre:
0800 917 9568
Overseas:
+44 (0)121 415 0891
Email: fulwood.pensions@equiniti.com
When you reach retirement

Increases to pension in payment

Your pension is increased each year. A proportionate increase is given in the first year of retirement. The increases are calculated as follows:

**Crown Service members**

<table>
<thead>
<tr>
<th>1984 members</th>
<th>BMARC members</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pre GMP Age</strong></td>
<td><strong>Pre GMP Age</strong></td>
</tr>
<tr>
<td>Your pension will be increased annually, in line with the Pension Increase Orders.</td>
<td>Your pension will be increased annually by 5% per year (subject to certain limits).</td>
</tr>
<tr>
<td><strong>Post GMP Age</strong></td>
<td><strong>Post GMP Age</strong></td>
</tr>
<tr>
<td>Your pension (excluding the GMP) will be increased annually, in line with the Pension Increase Orders subject to a maximum of 5% per year. The part of your GMP earned after 6th April 1988 will be increased in line with the Consumer Prices Index up to a maximum of 3% a year. Further details are shown on page 8.</td>
<td>Your pension (excluding the GMP) will be increased annually by 5% per year (subject to certain limits). The part of your GMP earned after 6th April 1988 will be increased in line with the Consumer Prices Index up to a maximum of 3% a year. Further details are shown on page 8.</td>
</tr>
</tbody>
</table>

**Tax free cash sum**

Subject to the consent of the Trustees, you may usually exchange up to 25% of the value of your pension for a tax free cash sum on retirement.

The amount of annual pension that you will need to give up for cash depends on your age at retirement. The rates are calculated by the Scheme's Actuary and may change from time to time.

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. These options are not available for your benefits in the Scheme, so you will need to transfer your Scheme benefits to a defined contribution pension arrangement offering the new flexibilities in order to access them in this way. Please be aware that different tax charges may apply and it is likely that the external provider will require you to pay charges. Any transfer request made within a year before your Normal Pension Age for the cash equivalent of your Scheme benefits (this excludes your AVCs) is subject to the Trustees' approval.

If you wish to consider this option you should contact the Pensions Service Centre for further details.

**Protecting your pension**

From 6 April 2015, 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 Trustees of the Scheme before the transfer can take place. Whilst it is not a requirement for transfers of less than £30,000, we recommend that you get independent financial advice before transferring your Scheme benefits.
Death in service
If you die while still a contributing member, benefits on the following basis will be paid (subject to certain limits). A Longevity Adjustment Factor will apply to any pension earned from 1 April 2006.

Crown Service members
A lump sum of three times the greater of the annual rate of your Pensionable Pay on the date of your death and your Final Pensionable Pay on the day before you died.

An Adult Dependant’s pension of two-thirds of the pension you would have received if you had retired due to Full Medical Retirement on the day before you died.

Eligible Children’s pensions based on a proportion of the pension you would have received if you had retired due to Full Medical Retirement on the day before you died (see opposite).

1984 members
A lump sum of three times the greater of the annual rate of your Pensionable Pay on the date of your death and your Final Pensionable Pay on the day before you died.

An Adult Dependant’s pension of one-half of the pension you would have received if you had retired due to Full Medical Retirement on the day before you died.

Eligible Children’s pensions based on a proportion of the pension you would have received if you had retired due to Full Medical Retirement on the day before you died (see opposite).

BMARC members
A lump sum of four times the greater of Pensionable Pay or Basic Pay on the date of your death.

An Adult Dependant’s pension OR Eligible Children’s pensions of one-half of the pension you would have received if you had remained in Pensionable Service until the Normal Pension Age in force at the date of your death.

A refund of your own contributions with interest.

The proportions above are split between the number of children eligible to receive a pension.

Note to all members
If you die in Pensionable Service, in some circumstances a higher lump sum may be payable depending on the length of Pensionable Service. For further information please see the Scheme’s Trust Deed and Rules or contact the Pensions Service Centre – contact details are on page 4.
Death after retirement

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

Crown Service members

An Adult Dependant’s pension of 1/120th of your Final Pensionable Pay, multiplied by your pensionable service for dependant’s benefits (see below). The part of the pension that relates to service on or after 1 April 2006 is adjusted by the Longevity Adjustment Factor.

Eligible Children’s pension based on a proportion of your pension entitlement when you retired, (see table on page 12 for the proportions payable).

The five year payment guarantee

If you die whilst receiving a pension from the Scheme within the first five years after your retirement, a lump sum equal to the unpaid balance of five years’ pension payments (at the rate applicable at the date of death disregarding future increases) will be paid.

In many cases, pensionable service for dependant’s benefits will be the same as your Pensionable Service. However, this will not always be the case. For example:

> Some members exercised an option in 1972 on the level of widow’s pension which may affect the level of the Adult Dependant’s pension.

> For female members the Adult Dependant’s pension payable is two-thirds of the pension they have earned after 1 January 1985 only.

If you would like to know what pensionable service for dependant’s benefits means in your case, please contact the Pensions Service Centre.

1984 members

An Adult Dependant’s pension of one-half of the pension being paid to you, ignoring any reduction in your pension to take account of any tax free cash you received at your retirement.

Eligible Children’s pension based on a proportion of your pension entitlement when you retired, (see table on page 12 for the proportions payable).

The five year payment guarantee

If you die whilst receiving a pension from the Scheme within the first five years after your retirement, a lump sum equal to the unpaid balance of five years’ pension payments (at the rate applicable at the date of death disregarding future increases) will be paid.

BMARC members

An Adult Dependant’s pension of one-half of the pension being paid to you, ignoring any reduction in your pension to take account of any tax free cash you received at your retirement.

Eligible Children’s pension based on a proportion of your pension entitlement when you retired, (see table on page 12 for the proportions payable).

The five year payment guarantee

If you die whilst receiving a pension from the Scheme within the first five years after your retirement, a lump sum equal to the unpaid balance of five years’ pension payments (at the rate applicable at the date of death disregarding future increases) will be paid.

1984 members

An Adult Dependant’s pension of one-half of the pension being paid to you, ignoring any reduction in your pension to take account of any tax free cash you received at your retirement.

Eligible Children’s pension of one-half of the pension being paid to you, ignoring any reduction in your pension to take account of any tax free cash you received at your retirement. This pension will be divided amongst all your Eligible Children.

The five year payment guarantee

If you die whilst receiving a pension from the Scheme within the first five years after your retirement, a lump sum equal to the unpaid balance of five years’ pension payments (at the rate applicable at the date of death disregarding future increases) will be paid.
Death benefits

Death with deferred benefits
If you leave the Scheme and die before your pension starts, for Crown Service and 1984 members, Adult Dependant’s and Children’s Pensions will be payable as if you had retired on the day before your death. For BMARC members, an Adult Dependant’s Pension will be payable; Children’s Pensions will be payable if there is no Adult Dependant.

For female Crown Service members the pension will be based on Pensionable Service after 1 January 1985 only.

In addition, for Crown Service members, a lump sum will also be payable equal to the standard tax free cash sum you would have received if you had retired on the day before your death. For 1984 members a tax free cash lump sum is payable equal to the maximum amount obtainable by exchanging pension for tax free cash within HMRC limits. For BMARC members a lump sum equal to the member’s contributions plus interest is payable.

Payment of lump sum death benefits
The lump sum death benefit will be paid to, or for the benefit of, your dependant(s), relatives, nominees or charities, at the Trustees’ discretion. This generally enables payment to be made quickly and normally without liability to Inheritance Tax.

Adult Dependant’s Pension
An Adult Dependant is a person (other than an Eligible Child) considered by the Trustees to be financially dependent on you. This may include anyone who shares living expenses with you, or receives financial support from you. Your spouse or Civil Partner is automatically considered to be financially dependent on you.

The Adult Dependant’s pension is payable for life but may cease at the discretion of the Trustees on remarriage before the age of 60.

Payment of the Adult Dependant’s pension will commence on the first day of the month following the date of your death.

The Trustees have a discretion to apportion the Adult Dependant’s pension if there is more than one Adult Dependant.

For BMARC members, the Adult Dependant’s pension will be reduced if your Adult Dependant is more than 10 years younger than you. The reduction will be such amount as the Trustees decide on the advice of the actuary, but will not be more than 2.5% for each year of age difference in excess of 10.

Eligible Children’s Pension
Eligible Children are your children, financially dependent step-children, legally adopted children and any other children who, in the Trustees’ opinion were dependent on you for these purposes, up to the age of 19, or above this age if the child is in full-time education or training which is approved by the Trustees.

A child will cease to be an Eligible Child when they attain age 23 unless the child is incapacitated by mental or physical infirmity.

Expression of Wish Form
You can help the Trustees decide who will receive the lump sum benefits payable on your death by completing an Expression of Wish Form. The Trustees will consider your wishes but are not legally bound by them.

You can obtain an Expression of Wish Form from the Pensions Service Centre or from the pensions website. The completed form should be returned to the Pensions Service Centre. You should complete a new Expression of Wish Form if your wishes or circumstances change.

Please note that this form can only be considered by the Trustees if it is held by the Pensions Service Centre.

Lump Sum
Will be paid at the Trustees’ discretion to:
- Relatives
- Beneficiaries or Nominees
- Dependents

Further Information
Visit: www.baesystemspensions.com
Pensions Service Centre:
0800 917 9568
 Overseas: +44 (0)121 415 0891
Email: fulwood.pensions@equiniti.com
If you leave the Company before you reach retirement, your membership of the Scheme will cease. You can also choose to cease your membership of the Scheme whilst you are still an employee of the Company by opting out (see page 5). On leaving the Scheme you will have deferred benefits.

Your deferred benefits

This entitlement is worked out in the same way as for normal retirement based on your Pensionsable Service and Final Pensionsable Pay but only up to the date you leave. These benefits will be paid to you when you claim payment of your pension.

BMRAC members

Your deferred pension (in excess of the GMP) will increase by 5% each year over the period of deferment to Normal Pension Age.

Early payment of your deferred pension

Your deferred benefits can be paid any time after your 50th birthday (for BMRAC members this is subject to the Trustees' consent and the earliest age you can take your deferred benefits is age 55) unless you are suffering from ill-health in which case it may be paid earlier subject to certain conditions.

Crown Service and 1984 members

If you retire early your pension, and in the case of Crown Service members the additional tax free cash sum benefit, will be reduced by an early retirement factor, currently 4%, a year to allow for the extra years over which the benefits will be paid. The reductions are calculated according to the Normal Pension Age that was in force when each element of the benefit was earned.

BMRAC members

If you take your pension early, subject to the Trustees' consent before age 60, your pension will be reduced by an early retirement factor to account for the extra years over which the pension will be paid. The early retirement reduction factors are determined by the Trustees on advice from the Scheme's Actuary. They are reviewed periodically and may change from time to time. Pension earned after 1 April 2006 is subject to slightly different early retirement terms.

Discretionary Option

The Trustees have the discretion to apply more favourable terms if you are able to demonstrate that your state of health satisfies the definition of full medical retirement (incapacity in the case of BMRAC members). The Scheme's Medical Adviser will need to carry out a report for the Trustees, and you will be asked to complete a form authorising the release of your medical records to support this.

Late payment of your deferred pension

If the Trustees agree, you may be able to elect to receive the benefits starting later than your Normal Pension Age but not later than your 75th birthday. Your benefits will increase between Normal Pension Age and the date that you actually retire by an amount determined by the Trustees acting on the advice of the Scheme's Actuary.

Transferring-out

As an alternative to leaving your deferred benefits in the Scheme, you may choose to take a transfer payment to either your new employer's Scheme or to another pension arrangement. This can be requested at any time up to a year before your Normal Pension Age and will be the cash equivalent of your benefits. Having left service you may request the Trustees to provide you with a statement of entitlement of your cash equivalent. You should receive this statement within three months of your written request. The amount on the statement will be guaranteed for three months.

Pension Increase Orders

From 6 April 2015, 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 Trustees of the Scheme before the transfer can take place. Whilst it is not a requirement for transfers of less than £30,000, we recommend that you get independent financial advice before transferring your Scheme 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. These options are not available for your benefits in the Scheme, so you will need to transfer your Scheme benefits to a defined contribution pension arrangement offering the new flexibilities in order to access them in this way. Please be aware that different tax charges may apply and it is likely that the external provider will require you to pay charges. Any transfer request made within a year before your Normal Pension Age for the cash equivalent of your Scheme benefits (this excludes your AVCs) is subject to the Trustees’ approval.

If you wish to consider this option you should contact the Pensions Service Centre for further details.

Increases to your deferred benefits

Crown Service members

Your deferred pension and the additional tax free cash sum will increase in line with the Pension Increase Orders each year over your period of deferment to Normal Pension Age.

1984 members

Your deferred pension will increase in line with the Pension Increase Orders each year subject to a maximum of 5% a year over your period of deferment to Normal Pension Age.

Your guide to the Royal Ordnance Pension Scheme

Visit: www.baesystems-pensions.com
Pensions Service Centre: 0800 917 9568
Overseas: +44 (0)121 415 0891
Email: fulwood.pensions@equiniti.com

Further Information

Technical terms used
Summary of Scheme benefits
A guide to your benefits
Membership of the Scheme
Making contributions to the Scheme
How to calculate your retirement benefits
When you reach retirement
Death benefits
Leaving the Scheme
HM Revenue & Customs
General information
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.

Restrictions

The income tax relief concessions are, in effect, clawed back if certain restrictions are breached. The two main restrictions that apply are described below, although the majority of members are unlikely to be affected by them.

Lifetime Allowance

If the value of benefits in registered schemes that you may accumulate in your lifetime exceeds the Lifetime Allowance, the excess benefits will be taxable at a special rate of tax. From the 2016/2017 tax year, the Lifetime Allowance is £1 million. This is broadly equivalent to a pension of about £50,000 a year. From the start of the 2018/2019 tax year, the Lifetime Allowance will increase by Consumer Price Inflation each year.

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. From 6 April 2016 the threshold is £40,000 for individuals with taxable income less than £110,000.

Tapered Annual Allowance: For members who have a total taxable income of more than £150,000, the Annual Allowance will reduce by £1 for every additional £2 of taxable income above £150,000. The maximum reduction will be £30,000, so anyone with an income of £210,000 or more will have an Annual Allowance of £10,000.

The tests against the income components to use, adds complexity to the process of assessing an individual’s exposure to the Annual Allowance and you need to be aware that individuals with taxable income over £110,000 may be affected. The income components include personal sources of income (such as investment income or income from a buy-to-let property), together with employment-related income and a measure of the increase in pension savings over the tax year.

Money Purchase Annual Allowance: Where members choose to transfer their AVC benefits to another scheme and subsequently access those defined contribution benefits through the new pension flexibility rules, a Money Purchase Annual Allowance (MPAA) will be applied to the amount of money you can then save to any other defined contribution arrangement. In other words, only contributions paid into a defined contribution arrangement and are subject to the MPAA, then you can accrue defined benefits up to the Annual Allowance less any defined contribution payments up to the MPAA.

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

Tax free cash lump sums

The Scheme allows you to take a part of your pension as a tax free cash sum at retirement. The maximum is calculated at retirement but will be approximately 25% of the value of your pension benefits.

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.

If you believe you may be affected by the restrictions set out above, you should seek independent financial advice. Further information on all these restrictions is available through the HMRC Pensions Tax Manual (www.gov.uk/hmrc-internal-manuals/pensions-tax-manual). An Independent Financial Adviser may charge a fee for their service. Please visit www.unbiased.co.uk for more details.
Management of the Scheme

The Scheme is established under a trust administered by a Trust Company, Royal Ordnance (Crown Service) Pension Scheme Trustees Limited, which has its own Board of Directors (known as the Trustees).

The Board comprises 8 Trustees; 4 are appointed by the Company; 3 nominations from active members are reviewed by the Trade Unions and then elected by the Active Membership and 1 is elected by the Pensioners’ Consultative Committee. The Trustees are responsible for supervising 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 Trustees.

The State pension scheme and contracting-out

In April 2016, the Government replaced the two tiers of State Pension (the Basic State Pension and the additional earnings-related State Second Pension) with a new flat-rate State Pension, which applies to people who reach State Pension Age after 6th April 2016. Up to 5 April 2016, members of the Scheme were contracted-out of the State Second Pension, which was formerly known as the State Earnings Related Pension Scheme (SERPS). They had been able to pay a reduced rate of National Insurance as a result of being in a contracted-out scheme.

Contracting-out is established under a trust. Trustees, may, by deed, amend the, paying, subject to the, through with the agreement, are provided from

For further information on your State Pension entitlement you can contact:

> Future Pension Centre, The Pension Service 9, Mail Handling Site A, Wolverhampton, WV9 8LU
> Tel 0345 300 0168

Transferring benefits from other Schemes

If you were a member of a previous employer’s scheme or have a personal pension, it may be possible to arrange for a transfer payment to be made to the Scheme to secure additional benefits. If you wish to consider this option you should contact the Pensions Service Centre for more details.

Divorce

Divorce proceedings may result in the issue of a Pensions Sharing Order by the Court. Pension 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 Trustees 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 financial or investment advice. If you require such advice, you should consult an Independent Financial Adviser who may charge a fee for this service.

Assignment of benefits

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

Amendments to the Scheme

The Principal Employer with the agreement of the Trustees, 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 amendments.

The Company intends to maintain the Scheme for the future, but in the unlikely event of it being discontinued, the Trustees would use the assets of the Scheme to provide benefits for the members in accordance with the Scheme Trust Deed and 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 Trustees may require after taking actuarial advice.

Internal Dispute Resolution (IDR)

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

The procedure provides for lodging a complaint, to which a response must be made within two months. You may then appeal to the Trustees and this second stage must normally also be dealt with within two months. You may obtain a copy of the full formal IDR procedure from:

> The Pensions Director, BAE Systems plc, PO Box 87, Warwick House, Farnborough Aerospace Centre, Farnborough, Hampshire, GU14 6YU

If you are dissatisfied with the outcome of the IDR process, the external organisations detailed overleaf are available to investigate complaints.

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General information

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:

- The Pensions Regulator, Napier House, Trafalgar Place, Brighton, BN1 4DW
- www.thepensionsregulator.gov.uk

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.

- www.pensionprotectionfund.org.uk

Pension Tracing Service

Information about the Scheme (including the address at which the Trustees 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:

- The Pension Service 9, Mail Handling Site A, Wolverhampton, WV9 8LU
- 0345 600 2537
- www.gov.uk/find-pension-contact-details

Pension Wise

The Government established Pension Wise to give everyone with defined contribution pension savings (including AVCs) access to free and impartial guidance about the options that they have when using those savings. If you have paid AVCs into the Scheme you should access this guidance using the following link: www.pensionwise.gov.uk

More details will be provided to you about this service at retirement.

Data Protection

The Trustees have notified the Data Protection Commissioner that they process personal data for purposes connected with their trusteeship of the Scheme. In order to administer the Scheme, data about you and your relatives and dependants will be processed by the Trustees and the Scheme’s administrators and advisers. The data may be disclosed (even outside the European Union) to insurance companies, the Company, any possible purchaser of the Company or its business, and any trustees, administrators or advisers of any other pension arrangement where a transfer of your pension rights is being made or considered.

Further information

Active members receive a benefit statement each year which will include details of your pension earned to the end of the previous Scheme Year. If you pay money purchase Additional Voluntary Contributions (AVCs) you will also be given an annual statement showing the value of this fund.

Once in any 12 month period you are entitled to request an estimate of the cash equivalent of your benefits (including death benefits, but excluding any allowance for discretionary benefits). You should receive this statement within three months of your written request. The amount on the statement will not be guaranteed.

The Trustees prepare a report of the Scheme for each Scheme Year which includes the Scheme’s audited accounts, a statement from the Scheme’s Actuary and a review of the year from the investment managers. You will receive a summary of this information. You can apply to the address below to see the full report.

If you require any further information on the Scheme or on pension matters in general, visit: www.baesystemspensions.com

You can also ring the Pensions Service Centre on: 0800 917 9568 (+44 (0)121 415 0891 overseas)
Or e-mail: fulwood.pensions@equiniti.com

Alternatively write to:

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

Further Information

Visit: www.baesystemspensions.com

Pensions Service Centre: 0800 917 9568
Overseas: +44 (0)121 415 0891
Email: fulwood.pensions@equiniti.com

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