Now stronger together

BAE Systems Pension Scheme: post-merger update
Welcome to all members of the BAE Systems Pension Scheme (‘the Scheme’), in both the BAE Systems Section and the Airbus Section. Following the successful merger of four schemes on 1 October 2019 the Scheme now includes former members of the BAE Systems 2000 Pension Plan, the Alvis Pension Scheme and the Shipbuilding Industries Pension Scheme (SIPS).

I would like to take this opportunity to remind all members that your benefits and pension entitlements have not changed as a result of the merger. The purpose of the merger was to improve management, efficiency and effectiveness for all concerned. With assets in excess of £24bn and over 185,000 members, the Scheme is now in the top ten of occupational pension schemes in the UK in relation to assets under management. Combining the schemes will lead to more streamlined governance and savings in investment, operational and administration costs.

Our role as Trustees is to ensure that the Scheme is well run in accordance with the Scheme’s Rules, relevant legislation and regulation. This newsletter will introduce you to your Trustee Board and provide you with an overview of how we will work together effectively to achieve these aims, including the role of Committees.

There are 18 Trustee Directors on the Board, nine of which have been appointed by the Employers and nine by the Scheme’s membership.

The Board is supported by four Committees:

- Audit and Governance: Focusing on the risk framework and wider Board governance
- Administration and Communications: Focusing on member experience and engagement
- Defined Contribution (DC): Focusing on strategic areas fundamental to securing positive outcomes for DC members
- Funding and Investment: Focusing on the inter-related nature of funding, investment and covenant

The Scheme is now in the top ten of occupational pension schemes in the UK.
As Trustees we recognise the vital importance of good governance, and as part of the Scheme merger steps were taken to ensure that the Trustee Board continued to have the expertise and skills that are appropriate for the effective oversight of the Scheme. To ensure continuity of knowledge, the Board includes Trustees of the former BAE Systems 2000 Pension Plan, the Alvis Pension Scheme and the SIPS.

From a member perspective it is business as usual, with Capita continuing to administer benefits for SIPS Benefits members and Equiniti administering benefits for all other members. If you have any queries regarding your benefits please use the contact details for Capita and Equiniti that can be found on page 19 of this newsletter. As a reminder, please ensure that you keep our administrators updated with any change of address, contact details or beneficiary details.

Nigel Tinsley, Pensions Director for BAE Systems plc, retired at the end of September 2019 after 35 years of dedicated service. Nigel worked supportively and collaboratively with the Trustee throughout his tenure and we wish him all the very best for a long and happy retirement. The Group Pensions team in Farnborough will continue to provide valuable support to the Trustee as we move forward in the months and years ahead.

Andrew Gallagher
Chair of the Trustee Board

Read more information on the pensions website: baesystemspensions.com
Meet the Trustee Board

Andrew Gallagher
Chair of the Trustee Board
Company Appointed Trustee
Job role: Director of Audit, BAE Systems plc
Since April 2003: Trustee of the BAE Systems Pension Scheme. Also Chair of the Trustee Board for the BAE Systems Executive Pension Scheme and a member of the Board of BAE Systems Pension Funds Investment Management Limited

Tina Bailey
Company Appointed Trustee
Job role: Chief Counsel, Group Business Development
Since March 2014: Trustee of the former Shipbuilding Industries Pension Scheme
Committee Member: Administration and Communications

Martin Brixner
Company Appointed Trustee
Job role: Manager Investment and Trust Structure, Airbus
Since April 2019: Trustee of the BAE Systems Pension Scheme
Committee Member: Funding and Investment

Mike Byfield
Member Nominated Trustee
Job role: Filton Site Convenor, Airbus
Since March 2015: Trustee of the BAE Systems Pension Scheme
Committee Member: Administration and Communications

Dave Cole
Member Nominated Trustee
Job role: Business Manager, Weapon Systems UK
Since December 1993: Trustee of the former Shipbuilding Industries Pension Scheme
Committee Member: Funding and Investment
David Green
Company Appointed Trustee
Job role: Finance Director,
Shared Services
Since June 2014: Trustee of the
former Alvis Pension Scheme
Committee Member: Funding
and Investment

Duncan McPhee
Member Nominated Trustee
Job role: Union Convenor,
Naval Ships
Since September 2005: Trustee
of the former BAE Systems
2000 Pension Plan
Committee Member: Audit
and Governance / Defined
Contribution

Craig Murray
Company Appointed Trustee
Job role: Executive Group
Director Human Resources,
MBDA UK Limited
Since March 2017: Trustee
of the BAE Systems Pension
Scheme and formerly Chairman
of the BAE Systems Land
and Sea Pension Scheme
Committee Member: Administration and
Communications / Defined Contribution

Andy Dean
Vice Chair of the Trustee Board
Member Nominated Trustee
Job role: Deputy Chair of Unite
Professional Staff, Warton Unit
Professional Staff
Since March 2010: Trustee
of the BAE Systems Pension
Scheme
Committee Member: Funding
and Investment / Chair
of the Administration and
Communications Committee

Chris Deal
Member Nominated Trustee
Job role: Senior Principal
Engineer, MBDA UK Limited
Since March 2017: Trustee of the former BAE Systems
2000 Pension Plan
Committee Member: Administration and
Communications

David Green
Company Appointed Trustee
Job role: Finance Director,
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Since June 2014: Trustee of the
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and Sea Pension Scheme
Committee Member: Administration and
Communications / Defined Contribution
Meet the **Trustee Board continued**

**Richard Parsons**  
Pensioner Nominated Trustee  
Retired  
Since July 2014: Trustee of the former BAE Systems 2000 Pension Plan  
Committee Member: Audit and Governance / Funding and Investment

**Carol Paul**  
Member Nominated Trustee  
Job role: Functional Resources Manager for Systems Design and Validation, MBDA UK Limited  
Since July 2010: Trustee of the BAE Systems Pension Scheme  
Committee Member: Administration and Communications / Defined Contribution

**Joe Reed**  
Member Nominated Trustee  
Job role: Central Engineering – Engineering Processes  
Since October 2015: Trustee of the former Alvis Pension Scheme  
Committee Member: Defined Contribution

**Gavin Scott**  
Company Appointed Trustee  
Job role: Finance Director, U.S. Programmes, Air  
Since July 2018: Trustee of the BAE Systems Pension Scheme  
Committee Member: Audit and Governance

**Ruston Smith**  
Company Appointed Trustee (External Trustee Director)  
Job role: Independent Trustee of Standard Life Master Trust and Chair of Tesco Pension Trustees Limited  
Since December 2018: Trustee of the BAE Systems Pension Scheme  
Committee Member: Chair of the Funding and Investment Committee
Our role as Trustees is to ensure that the Scheme is well run in accordance with the Scheme’s Rules.
# The role of the Committees

All members of the Trustee Board (with the exception of the Chairman, Andrew Gallagher) sit on one or more of the four Committees. The key purpose of each of the four Committees is:

<table>
<thead>
<tr>
<th>Committee</th>
<th>Chair</th>
<th>Key Purposes</th>
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| Audit and Governance Committee | Mark Stewart | - Overseeing the effectiveness of the Trustee's systems of internal control, risk management and financial reporting  
- Introducing matters to promote Trustee effectiveness  
- Responsibility for the integrity of the Scheme's Annual Report and Accounts, including maintenance of accounting records, reviewing financial controls and consideration of the 5-year financial plan |
| Administration and Communications Committee | Andy Dean | - Overseeing the defined benefit (DB) related administration services and setting the strategic direction of activity to develop member experience and engagement  
- Evaluating and monitoring service providers  
- Focusing on the internal control and risk management framework relating to data, record keeping and service quality  
- Responsible for managing discretionary cases and formal complaints |
| Funding and Investment Committee | Ruston Smith | - Recommending the investment and funding strategy principles to the Trustee Board and overseeing their effectiveness  
- Overseeing the triennial valuation process, including the covenant review and negotiating with the Employers regarding appropriate levels of contributions to be paid and making recommendations to the Trustee Board  
- Ensuring integrated risk management is achieved and collaborative relationships are fostered with the Employers |
Defined Contribution (DC) Committee (Chair: Louise Wallwork)

> Overseeing all aspects of the Scheme’s DC Retirement Plan and DC elements of Level 100+ and Additional Voluntary Contribution arrangements, including the Selected Benefits Scheme (for former members of the BAE Systems 2000 Pension Plan). Focusing on:
  - Assessing the default arrangement and investment governance
  - Administration and core financial transactions
  - Communication and engagement strategy
  - Value for money, cost disclosures and the annual Chair’s Statement
  - Provider review and selection
What will the Trustee Board be focusing on in 2020?

Realising the benefits of the Scheme merger

In addition to the business as usual fulfilment of the Scheme’s investment strategy, the creation of the enlarged Scheme has generated an opportunity to simplify the investment structure of the Scheme, reduce the number of investment managers and eliminate duplication. This will enable the Scheme to realise efficiency savings and streamline the investment operations.

The Trustee will work with the in-house Investment Manager, BAPFIM, to agree a roadmap of activity for execution over the coming quarters to deliver this simplification, whilst incorporating into this business plan the long term strategic direction of the Scheme’s investment arrangements.

2020 Actuarial Valuation

The triennial valuation for the defined benefit sections of the Scheme (covering both the BAE Systems Section and the Airbus Section) will be undertaken with an effective date no later than 31 March 2020.

During the Scheme merger discussions, the covenant advice that was received (i.e. advice about the strength and ability of the Employers to support the Scheme) concluded that the ongoing covenant provided by the Employers to the various schemes was strong and the newly merged Scheme continues to benefit from the same strength of covenant.

As part of the valuation process and with the assistance of an independent covenant adviser, the ongoing strength of the Employers’ covenant for both the BAE Systems Section and the Airbus Section will be looked at again. There will be engagement between the Trustee, its advisers and the Employers as part of the valuation process. Until this valuation has been concluded, the Employers remain committed to the funding plans that were agreed with each of the pre-merged schemes, and these contributions continue to be paid into the Scheme.

2020 Defined Contribution (DC) investment review

During 2020 the Trustee will carry out the statutory triennial review of the Scheme’s DC ‘default’ investment funds. ‘Default’ funds are those used to hold the DC pots of members who have not actively selected other preferred funds. We will keep members informed about this review through our regular communications.
Focus on communication for the Scheme’s DC members

New employees are contractually enrolled into the BAE Systems DC Retirement Plan. There are also DC elements within Level 100+ and through the payment by members of Additional Voluntary Contributions.

Following the DC funds improvement project that was rolled out in early 2019, the Trustee has arranged for the appropriate updating of all DC member literature which can be found in the Defined Contribution area of the Scheme website (baesystemspensions.com).

The Trustee will continue to focus on communications for the Scheme’s DC members in 2020. The Trustee is already working with Standard Life with the aim of launching a Scheme-specific microsite for members with DC investments.

A new Standard Life website for DC members is progressing well and it is anticipated that this will be launched in the first half of 2020.

More information

If you are a member of Level 100+ or have Additional Voluntary Contributions invested with Standard Life and have not already done so, you are encouraged to register for Standard Life’s online pensions services. To register, go to standardlife.co.uk and click on ‘Register’ at the top right hand corner of the screen. You will need your individual Plan number in order to register for this service. By registering for Standard Life’s online services this will ensure that you can benefit from any new services and information as soon it becomes available.
21st Century Trusteeship

The Pensions Regulator is increasingly focused on improving governance in workplace pension schemes, recognising that effective trusteeship and governance is the bedrock of a well-run scheme. To support this it has launched “21st Century Trusteeship” which supports trustees so that they can deliver better outcomes for members.

With its goals of continuous improvement, efficiency and effectiveness, the recent Scheme merger represents a good opportunity for us to build on the sound governance and operational structures that we already have in place.

As one of the top ten UK pension schemes the Trustee is keen to work effectively with the Pensions Regulator to assure them of the effective governance of the Scheme and to help develop best practice for schemes generally.
Accessing Scheme information

BAE Systems Pension Scheme website

The go-to place for Scheme information is the Scheme website at baesystemspensions.com. We encourage you to visit the website for information relating to your section of the Scheme.

Following the merger, we have updated the information provided through the website and brought the website into the robust infrastructure that is used across the Group, which will ultimately contribute to more effective and efficient processes.

In designing the layout of the new website we were conscious of the importance of not disrupting the familiarity members may have already had with the website. It is worth noting that the landing page for In-Service Defined Benefit Members now shows all the benefit structures within the Scheme. Also the position of the Contact Us facility is now at the very top of the Home page.

SIPS Benefits members can log into Hartlink to review their pension information online and all other defined benefit Scheme members can log into MyPension to review their pension information (please also refer to the article opposite on MyPension). You can access both Hartlink and MyPension, as applicable, via the Scheme website baesystemspensions.com.

MyPension

MyPension is a member self-service website which provides you with access to personal pension information, such as copies of annual benefit statements, instant pension quotations and benefit modellers. MyPension has undergone an upgrade alongside the changes to reflect the merging of the schemes. We have delivered a website which now has an improved look when viewed on any device; laptop, tablet or mobile phone.

In order to provide greater online security the upgrade also gives members the option of switching on a second layer of security (called Two Factor Authentication). In addition to your standard user name and password a second code can be generated via an app from your smart phone.

If you are a deferred or pensioner member you now have the ability to record and update a variety of contact details online, such as your postal address, email address and telephone number. If you are an active member you will need to continue to update your contact details via HR or via your HR people management system e.g. SuccessFactors.

MyPension can still be accessed from the same location on the BAE Systems Pensions website at baesystemspensions.com/mypension and there are new user guides to reflect the upgraded MyPension website, including how to set up Two Factor Authentication. Please do log in and check out the upgraded website. If you have never registered for online access to your pension benefits then please call the Pensions Service Centre (contact details can be found on page 19) to gain access to MyPension.
Useful information for active members of the Scheme

Active Member

A member of the Scheme who is currently employed and accruing benefits and/or paying contributions under the Scheme.

Group Pensions intranet

Whilst the Scheme website (baesystemspensions.com) is the best place to find detailed information about the Scheme, are you aware of the Group Pensions intranet site? This site is available to the majority of employees (excluding Airbus, MBDA and other joint venture employees and overseas employees) and it supplements the Scheme website to help line managers and employees access information on a range of pension topics from a UK Company policy perspective.

Go to the Global Intranet home page and follow the menu: Employees – UK Tools – Pensions to reach the Group Pensions page.

The pension topics covered include:

- Member benefits
- Your pension value
- Leaving but not retiring
- Job or personal changes
- Retirement
- Ill-health retirement
- Company communications
- Contact information

The intranet pages include a number of Quick Guides covering a variety of topics such as pension flexibilities, transferring out of a defined benefit pension scheme, becoming a deferred member, working part-time, stepped pensions and setting up your BAE Systems pension. There are also a number of Webex™ recordings covering information on each section of the Scheme as well as retirement planning and your BAE Systems pension. There are also useful links to external websites.

For those of you who do not have access to the intranet much of the documentation has been provided to your HR team - please contact them to find out more.

Transferring benefits out of the Scheme

The view of the Pensions Regulator and the Financial Conduct Authority (‘FCA’) is that transfers from defined benefit 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. The Trustee, Group Pensions and the Employers cannot advise members about transferring out of the Scheme. If you were to consider this, you should obtain financial advice. Indeed if the transfer value of your benefits is more than £30,000 you would be required by law to take advice from an appropriately qualified and FCA authorised adviser before any transfer value can be paid to a defined contribution arrangement.
Members who have taken the decision to opt out of the Scheme and transfer their benefits to an alternative pension arrangement have, in some cases, been frustrated by how long it takes from receipt of the opt out form to the completion of the transfer. In this respect it is important to note that it is not unusual for this process to take up to six months and this is where there are no delays associated with any party.

If you wish to opt out and leave the Scheme, you are required to give the Trustee and the Employer two months’ written notice of your intention to opt out. The Scheme Administrator will receive your final month’s pension contributions up to 20 days after the expiry of your opt out notice depending on the date of opt out and when your payroll is run. The calculation of your deferred pension and guaranteed transfer value is then produced within 25 working days and this will be guaranteed for a period of three months. Within this three month period it will be necessary to ensure that the advice process is completed and all the requisite transfer documentation is completed and signed.

Please remember that if you were to opt out of the Scheme, the Company would be obliged to re-enrol you into a pension scheme broadly every three years (with the opportunity for you to subsequently opt out again) if you meet the eligibility criteria.

**Remember**

Please keep us updated with any change of address, contact details or beneficiary details.
Useful information for deferred members of the Scheme

Deferred Member
A member of the Scheme who is no longer in pensionable service and is entitled to preserved benefits which have not yet come into payment.

Even though you are no longer in pensionable service (for example, because you are no longer employed by BAE Systems, Airbus or MBDA or because you have opted out of the Scheme), it is very important to keep track of your pension and keep the Trustee updated of any change of personal circumstances.

You should keep the Trustee informed of any change of address or contact details. This will ensure that you receive all mailings regarding the Scheme and your pension benefits and it will allow the Scheme administrator to contact you as you approach retirement with full details of your pension options.

You should also advise the Trustee of any change of personal circumstances. In particular, please remember to keep your Expression of Wish form up to date. An Expression of Wish form allows you to tell the Trustee whom you would want to benefit from any lump sum payable in the event of your death. It is recommended that you update this form every few years, even if your circumstances have not changed, so it is clear to the Trustee that your wishes are current and up to date. Under the Scheme’s Rules, the Trustee has complete discretion when deciding who receives any lump sum benefit from the Scheme following your death.

BAE Systems pension website
There is an area of the Scheme website dedicated to deferred members (baesystemspensions.com).

Within the Deferred Members area of the website you will find a number of useful links including online access to your benefits via Hartlink for SIPS Benefits members, and MyPension for all other members. For members with defined contribution (DC) benefits you can also access Standard Life’s website from here to manage your DC Account, Level 100+ Retirement Account or your Additional Voluntary Contributions.

You will also find the Expression of Wish form to download and complete in order to provide the Trustee with any updated details.
Useful information for pensioner members of the Scheme

Possible change to your PAYE reference

If you were in receipt of a pension before the Scheme Merger your PAYE reference on your payslips and P60s would have been as follows:

- Shipbuilding Industries Pension Scheme (SIPS) 765/S1591
- Alvis Pension Scheme 961/1704808
- BAE Systems 2000 Pension Plan 567/B5027
- BAE Systems Pension Scheme 083/B7A

Following the merger, HM Revenue & Customs (‘HMRC’) has advised that we need to change the PAYE reference for pensioners with SIPS, Alvis and 2000 Plan benefits to that of the BAE Systems Pension Scheme 083/B7A. We are in the process of making these changes and you will see this reflected on your payslips during the first quarter of 2020 and your P60 for the tax year ending 5 April 2020.

We are working closely with HMRC to ensure that this transition goes smoothly, that it will not have any impact on your pension and it should not result in any change to your tax code. If your tax code does change, and you don’t think it should have done, please contact HMRC quoting your old and new PAYE reference number and your National Insurance number. You can contact HMRC on 0300 200 3300 or if outside the UK +44 135 535 9022.

Royal International Air Tattoo (RIAT) 2020

RIAT 2020 will take place from 17 to 19 July 2020 at RAF Fairford near Swindon.

As a pensioner of the Scheme you are entitled to take advantage of a special discount code for RIAT 2020 – saving you at least £5 on the full price tickets.

To receive the discount code, please email pensions.services@baesystems.com, quoting your Scheme member number.

For full details of RIAT 2020 please visit: airtattoo.com

Any change to your PAYE reference will be shown on your payslips during the first quarter of 2020 and your P60 for the tax year ending 5 April 2020.
More information

Useful documents

Below is a list of documents that provide further information about the Scheme. If you would like a copy of any of these documents, or have any other questions, SIPS Benefits members should contact Capita and all other members should contact the Pensions Service Centre. Contact details can be found on the next page.

**Statement of Investment Principles**
Explains the investment strategy of the Scheme and can be found on the pensions website under ‘More Info’, ‘News’ and ‘Disclosure of information relating to certain BAE Systems pension arrangements’.

**Chair’s Statement**
The Chair’s Statement explains how the defined contribution (DC) arrangements within the Scheme provide value for members. It can be found on the pensions website under ‘More Info’, ‘News’ and ‘Disclosure of information relating to certain BAE Systems pension arrangements’. It also includes the Scheme’s DC Statement of Investment Principles.

**Statement of Funding Principles**
Explains how the Scheme will be funded.

**Schedule of Contributions**
Shows how much money is being paid into the Scheme to cover the cost of the benefits.

**Annual Report and Accounts of the Scheme**
Accounts were prepared for the BAE Systems Pension Scheme, the BAE Systems 2000 Pension Plan, the Alvis Pension Scheme and the Shipbuilding Industries Pension Scheme as at 31 March 2019 and are available on request. Following the merger one set of accounts for the merged Scheme will be produced and summary information from these 2020 accounts will be provided to you in the next newsletter.

**Actuarial Valuation Report**
Includes details of the Scheme’s financial position at 31 March 2017.

Read more information on the pensions website: baesystemspensions.com
Getting in touch

BAE Systems Pension Scheme - SIPS Benefits members
> Capita, PO Box 555, Stead House, Darlington, DL1 9YT
> Phone: 0345 601 0607
> If calling from overseas: +44 141 222 5125
> Email: member.enquiries@sips-pensions.co.uk

BAE Systems Pension Scheme - excluding Level 100+, 2000 Plan Benefits and Alvis Benefits members
> Pensions Service Centre, PO Box 1193, Crawley, West Sussex, RH10 0FY
> Phone: 0800 917 9568
> If calling from overseas: +44 121 415 0891
> Email: farnborough.pensions@equiniti.com

BAE Systems Pension Scheme - Level 100+, 2000 Plan Benefits and Alvis Benefits members
> Pensions Service Centre, PO Box 1194, Crawley, West Sussex, RH10 0FZ
> Phone: 0800 917 9568
> If calling from overseas: +44 121 415 0891
> Email: fulwood.pensions@equiniti.com

Hartlink
For SIPS Benefits members you can log in to review your pension information online whenever you want to at: hartlinkonline.co.uk/SIPS

MyPension
For all other members you can log in to review your pension information online whenever you want to at: baesystemspensions.com/mypension

This newsletter provides some information on the Scheme. However, it is the Rules of the Scheme that set out the legal basis for the Trustee’s administration of the Scheme and which override any provisions of this newsletter with which they are inconsistent. Copies of the Rules are available from Capita or the Pensions Service Centre.