Introduction

The Trustees have prepared this guide for deferred members of the various BAE Systems pension schemes to provide general information for you regarding your deferred pension benefits.

Included in this guide are the answers to commonly asked questions about your deferred pension benefits. There is also information on more general pension matters.

This guide is only a general overview of the various scheme provisions and you should refer to your own individual deferred benefit statement. Alternatively SIPS Benefits members can also find details of their benefits on Hartlink and all other members can find details of their benefits on MyPension. These online systems allow you to check your own pension record and to estimate the amount of pension you could expect to receive when you retire.

The BAE Systems pension schemes have complex benefits and this guide cannot cover every circumstance. We hope you find this guide useful and informative but if you do have any questions about its content, or about your personal benefit entitlement then you should contact your scheme administrator. Use the ‘Contact Us’ section of the BAE Systems pension website to find out the address, email and contact telephone numbers for your scheme administrator.

There are also a small number of employees who have transferred over from Government employment and are members of a Civil Service Pension arrangement; either the Principal Civil Service Pension Scheme or Alpha Pension Scheme. You will receive details of your pension benefits direct from the Civil Service Pensions administrator, MyCSP.

What is a deferred member?

You are a deferred member of a pension scheme if you have left the Company and have benefits remaining in a scheme which are not in payment – i.e. you are no longer contributing to the scheme and you have not started to draw your pension or transferred your benefits to another pension arrangement.

How do I know how much my deferred benefits are?

The administrators (on behalf of the Trustee) will send you a deferred benefit statement giving details of the deferred benefits you accrued whilst you were in the scheme.

For SIPS Benefits members you can also find details of your benefits on Hartlink and all other members can find details of their benefits on MyPension.

What are my deferred benefits?

Your deferred pension was calculated at the date you left the scheme, based on the benefit levels in place for your scheme at that time, the length of time you had been in the scheme and your earnings around the date you left the scheme.

Most deferred pension benefits are increased (‘revalued’) each year broadly in line with inflation, between the end of your Pensionable Service and your actual date of retirement. Please refer to your deferred benefit statement for the exact basis that applies to your benefits.
Some deferred benefit statements include an estimate of what your benefits might be at retirement, allowing for cost of living increases between your date of leaving and retirement. Many of these estimates were produced at times when rates of inflation were higher than they are now and therefore, these estimates may overstate what we now expect your benefits to increase to before you retire.

**What is my Normal Retirement Date?**

In most of our schemes Normal Retirement Date is the first of the month coincident with or immediately after your 65th birthday. However, if you have an alternative date this will have been notified to you and will be shown on your deferred benefit statement.

**What happens when I reach my Normal Retirement Date?**

Approximately six months before you reach your Normal Retirement Date you will receive a Retirement Quotation pack including the relevant forms for completion and return to the scheme administrator to enable your pension to be set up. This pack will be sent to your home address, so it is very important that you keep us informed if you move house. The Retirement Quotation pack will set out the various options that are available to you, including the option to take part of your pension for a cash sum, which is currently payable tax-free.

**Can I take a tax-free lump sum when I retire?**

Yes, under current legislation you can choose to exchange part of your pension for a cash sum which is currently tax free. The amount of the cash sum depends on your circumstances and permissible limits, but typically you can exchange about 25% of your pension for a lump sum. The rates used to exchange pension for a lump sum are set by the Trustee after taking advice from their scheme actuary, and may change from time to time.

**Can I start to receive my deferred pension before my Normal Retirement Date?**

Your deferred pension can normally be paid at any time from the first day of the month following your 55th birthday. Some of our schemes have protected earlier ages so you may be able to draw your pension from your 50th birthday. If you take your pension early it will be reduced to allow for the extra years over which your pension is likely to be paid.

**What if I am in ill health?**

You may apply for ill-health retirement at any time before your Normal Retirement Date. Agreement to pay an ill-health pension will depend upon the medical evidence which the Trustee will require in order to consider if an ill-health pension may be paid. The decision as to whether a member qualifies for an ill-health pension is entirely at the discretion of the Trustee.

**Can I start to receive my deferred pension after my Normal Retirement Date?**

Subject to the agreement of the Trustee, you may be able to receive your pension later than your Normal Retirement Date, but not later than your 75th birthday.

If you wish to receive a late pension you must make an application to the Trustee in writing.

If your application is accepted, then your pension will increase between your Normal Retirement Date and the date you actually retire by a factor determined by the Trustee.
How will my pension be paid?

Your pension will be paid monthly in advance direct to your bank or building society account. You will be notified of pay dates in your annual payslip or you can look them up on Hartlink or MyPension, as applicable.

Pensions in payment are subject to tax under the PAYE system, using a tax code provided by HM Revenue & Customs (HMRC).

Will my pension increase in payment?

Your pension will normally be increased on an annual basis. Proportionate increases are given in the first scheme year of retirement where your pension has not yet been in payment for a complete year. Various elements of pension have different increases and you will be provided with details of the increases that apply to your pension when you retire and also on your annual pension increase letter.

Paying pensions overseas

If you move abroad, it is generally possible to pay your pension overseas in pound sterling. If you are considering having your scheme pension paid abroad, you will need to check your personal tax position with HMRC as the Trustee cannot do this for you. The Trustee has no power to change your tax code and will continue to tax your pension as instructed by HMRC. It is in your interests to inform HMRC as soon as possible if you are planning to move abroad.

If you need to find out more about having your scheme pension paid overseas, you should contact your scheme administrator.

What happens to my Additional Voluntary Contributions (AVCs)?

If you leave the scheme you will cease to pay AVCs and the fund you have accumulated will continue to be invested in the investment fund you selected, although you may be able to select one of the alternative funds that are offered if you wish to switch funds.

When you reach retirement, your accumulated fund will be used to provide additional retirement benefits for you.

You will receive an annual statement from your AVC provider providing you with details of the current value of your AVCs. It is important to remember that the value of your investment could go down as well as up, and may be worth less than what was paid in. For members whose AVCs are invested with Standard Life you can manage your AVC account online by accessing Standard Life’s Online Servicing.

What happens if I die before I retire or transfer my benefits out of the scheme?

If you die before your pension has started, the following benefits may be payable dependent upon the rules of the scheme of which you were a member:

- A lump sum benefit
- A dependant’s pension (if applicable, it may be payable to a spouse, civil partner, or a dependant who provides evidence of financial dependency)
Details of the benefits payable in the event of your death in deferment will be shown on your deferred benefit statement that was issued to you when you left the scheme and general details can be found in your scheme member booklet.

Any lump sum death benefit will be paid at the discretion of the Trustee to dependants, beneficiaries, nominees or relatives. It is important that you complete, and keep up to date, an Expression of Wish form in order that the Trustee may consider your wishes as to who will receive any lump sum benefits payable on your death, although they are not legally bound by them.

If you are unsure whether your Expression of Wish Form is up to date, you can download a form from the pensions website at baesystems.com/pensions. You should complete a new Expression of Wish Form if your wishes or circumstances change, or if you have not updated it for more than two years so the Trustee knows that your wishes are up to date and unchanged. For members of the Civil Service Pension arrangement a Death Benefit Nomination form can be found in the Documents section of the Civil Service Pension website.

**Spouse’s, civil partner’s and dependant’s pension**

If a pension is payable on your death, the pension can be paid to your spouse, civil partner or dependant. The pension is payable for life and will commence on the first day of the month following the date of your death.

In some schemes, the Trustee has discretion to decide whether your spouse or civil partner should receive the pension, for example, if you have been married or in a civil partnership for less than six months. The Trustee may also have discretion to reduce the spouse’s pension if the marriage or civil partnership had broken down and you were no longer living together. Your spouse’s pension may also be reduced if they are more than ten years younger than you. Please contact your scheme administrator for details of the rules applying to your own scheme benefits.

**Can I transfer my benefits out of the scheme?**

Up until one year before your Normal Retirement Date, you have a statutory right to transfer the value of your pension entitlement under the scheme to another registered pension arrangement such as:

- Your current employer’s scheme with the agreement of the trustees of that scheme
- A personal pension scheme such as a group personal pension or a self-invested personal pension
- An annuity policy
- An income drawdown policy

If the value of your pension benefits are over £30,000, you are required by law to obtain financial advice from an approved adviser before you are allowed to transfer and the Trustee will require evidence that you have done so. This is to make sure that you understand the implications of transferring out and how this might affect the retirement benefits you will receive.

Neither the Trustee nor the scheme administrators can advise you whether or not to transfer out. Any transfer request made within a year before your Normal Retirement Date for the cash equivalent of your scheme benefits (this excludes your money purchase benefits like AVCs) is subject to the approval of the scheme Trustee.

Since new legislation came into force from 6 April 2015, members with money purchase savings (such as AVCs) have been able to access more of their pension benefits as cash from age 55. These options
are not available for your benefits in our schemes, so you will need to transfer your benefits to a money purchase 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.

Please be aware of pension scams. It is really important to check the facts before transferring your pension as this is an irreversible decision. Scammers use a variety of tricks to catch you out. We encourage you to visit The Pensions Regulator website where you can find out how pension scams work, how you can spot the warning signs, and the steps you can take to help you avoid being scammed. The Financial Conduct Authority also has pages on its website dedicated to being a ScamSmart investor with information on how to avoid investment and pension scams.

**Is the full value of my pension entitlement paid as a transfer value?**

Yes. There are no administration charges deducted from your transfer value.

Schemes are allowed to reduce the transfer values they pay if the value of the scheme’s assets is less than the value of the benefits it has to pay. Currently, none of the BAE Systems pension schemes apply such a reduction although this could change in the future.

**Who do I contact if I am considering transferring?**

You may ask for an estimate of your transfer value once every 12 months. Any additional requests within a 12 month window will incur a charge. Transfer values are guaranteed for three months. Please contact your scheme administrator for further information.

**Are there limits on my benefits?**

There is a limit on the value of retirement benefits that you can take without incurring additional tax charges. This limit is known as the Lifetime Allowance (LTA) and applies to pension savings from all sources. You should refer to the HMRC website for further information on the LTA.

Any amount in excess of the LTA will be subject to a tax charge - 55% if the amount over the LTA is paid as a lump sum and 25% if the amount over the LTA is taken as a pension.

If you have applied to HMRC for protection against the LTA restrictions, and have notified us of this, we will take this into account when calculating your benefits.

There are also limits on the amount of tax free cash you can take from the scheme, typically 25% of the total value of your pension, but this may be different depending on your own circumstances.

**What if I get divorced or a civil partnership is dissolved?**

Pension rights are often taken into account as assets following a divorce settlement or dissolution of a civil partnership. If you or your spouse commences divorce proceedings you will need to obtain a Cash Equivalent Transfer Value of your deferred pension as your solicitor will require this. You can request this from your scheme administrator. The Trustee must comply with any pension sharing order made by the court in divorce or dissolution proceedings, specifically to pay part of your pension to a spouse or civil partner. If an order is applied this will reduce your benefits in the scheme along with any death benefits payable. The scheme will charge you for implementing a pension sharing order.
My personal circumstances have changed, how can I arrange for my new details to be updated?

You should contact your scheme administrator if you have any enquiries regarding your benefits, if you move address, change your name or wish to update your Expression of Wish form. You should use the ‘Contact Us’ section of the BAE Systems pension website to find out the address, email and telephone contact numbers for your scheme.

This is not a legal document. The schemes are each governed by a Trust Deed and Rules which set out full details of how that scheme must operate. In the event of any conflict the provisions of the Trust Deed and Rules will prevail.

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