Welcome to the Trustee's 2020 annual review for the Airbus Section of the BAE Systems Pension Scheme ('the Scheme')

This newsletter arrives during a hugely challenging time for us all. The impact of COVID-19 has been wide reaching in terms of the environment we live and work in. The Trustee continues to closely monitor the possible impact on all aspects of running of the Scheme, from its day to day operation and administration to the ongoing governance.

Throughout this period the Trustee has worked closely with all its key providers and it is good to be able to report that with the use of technology our Scheme administrators have been able to introduce changes to their processes in order to provide a largely normal service to our members. The Trustee Board has continued to meet regularly, albeit virtually rather than in person. This has allowed the normal business of the Board to continue unaffected.

We recognise that keeping you informed of the latest news and developments is important. With this mind, we are ensuring that the BAE Systems pension website (baesystems.com/pensions) is kept up to date with the latest information relating to the Scheme.

As a Trustee Board we are currently progressing the actuarial valuation of the Scheme as at 31 March 2020. In the following pages you can read a summary of the Annual Report and Accounts for the year ended 31 March 2020 as well as an update on the investment performance of the Scheme’s assets.

There are a number of pensions news articles, covering topical issues and developments that may be of interest to you. I would particularly like to draw your attention to the article on page 11 which focuses on pension scams. It is reported that fraudsters are taking advantage of the pandemic, luring savers into transfers that in many cases are illegal or making promises that they have no intention of honouring. Remember that transferring your pension is an irreversible action that will have a lasting impact on your retirement benefits.

We hope that you find this newsletter interesting, and as ever we are keen to hear your thoughts. If you have any comments or suggestions about what we can include in future communications, please get in touch using the contact details on page 20.

Andrew Gallagher
Chair of the Trustee Board
Who is in the Scheme?

At 31 March 2020 the Airbus Section had a total of 12,439 members.

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active members</td>
<td>4,512</td>
</tr>
<tr>
<td>Deferred members</td>
<td>3,443</td>
</tr>
<tr>
<td>Pensioners</td>
<td>4,484</td>
</tr>
</tbody>
</table>

Trustee Directors and Advisers

The Scheme’s Trustee Directors

- Andrew Gallagher: Chair of the Trustee Board  
  (appointed 1 October 2019)
- Tina Bailey
- Martin Brixner  
  (appointed 11 April 2019)
- Mike Byfield*
- Dave Cole*  
  (appointed 1 October 2019)
- Chris Deal*  
  (appointed 1 October 2019)
- Andy Dean*
- David Green  
  (appointed 1 October 2019)
- Duncan McPhee*  
  (appointed 1 October 2019)
- Craig Murray
- Richard Parsons*  
  (appointed 1 October 2019)
- Carol Paul*
- Joseph Reed*  
  (appointed 1 October 2019)
- Gavin Scott
- Ruston Smith
- Mark Stewart
- Louise Wallwork
- Chris Williams*
- Caroline Aubín*  
  (resigned 1 October 2019)
- Pat Caudwell*  
  (resigned 1 October 2019)
- Andreas Drabert  
  (resigned 5 April 2019)
- Andy Wishart*  
  (resigned 1 October 2019)

* Member Nominated Director (MND)

The Scheme's Advisers

- Scheme Secretary  
  Julie Cook  
  (appointed 3 September 2019, resigned 6 October 2020)
  Louisa Richards  
  (appointed 6 October 2020)
- Actuary  
  Mike Parker FIA  
  Hymans Robertson LLP
- Auditor  
  Grant Thornton UK LLP
- Legal Adviser  
  Travers Smith LLP
- Lead Investment Manager  
  BAE Systems Pension Funds Management Limited  
  (BAPFIM)
- Investment Manager for Level 100+ Retirement Account  
  Standard Life
- Investment Consultant  
  Hymans Robertson LLP
Valuation update

At the time of writing this update we are progressing the 2020 actuarial valuation. This is the three yearly exercise to check the Scheme’s funding and agree what contributions will be paid. This process is part of ensuring that the Scheme has enough money to pay all of your benefits in the future. The results of this valuation will be communicated to members following the conclusion of the exercise.

As many of you will have seen or experienced, the current pandemic has caused several difficulties within the global economy. The Trustee’s funding strategy is designed to adapt for different economic events. As a result, the Scheme’s funding level reduced slightly at the height of the pandemic and subsequently recovered. The Trustee continues to track the Scheme’s funding and is reviewing the methodology and assumptions as part of the 2020 valuation.

As part of their risk management, the Trustee is also monitoring the strength of the sponsoring employer carefully during this time. This is to seek to ensure that, when considered alongside the current money within the Scheme, the support available to the Scheme remains sufficient to pay your pensions at all times in the future.

Mike Parker FIA
Scheme Actuary
Hymans Robertson LLP

The table below is a summary of how the value of the Scheme’s assets changed during the year ended 31 March 2020.

<table>
<thead>
<tr>
<th>Income and expenditure</th>
<th>Period ended 31 March 2020 (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund at the beginning of the year</td>
<td>2,791</td>
</tr>
<tr>
<td>Total income</td>
<td>116</td>
</tr>
<tr>
<td>Total outgoings</td>
<td>(112)</td>
</tr>
<tr>
<td>Excess of income over outgoings</td>
<td>4</td>
</tr>
<tr>
<td>Change in market value of assets</td>
<td>(90)</td>
</tr>
<tr>
<td>Fund at the end of the year</td>
<td>2,705</td>
</tr>
<tr>
<td>Net investments</td>
<td>2,696</td>
</tr>
<tr>
<td>Net current assets</td>
<td>9</td>
</tr>
<tr>
<td>Net assets of the Scheme at year end</td>
<td>2,705</td>
</tr>
</tbody>
</table>

The Trustee’s funding strategy has been designed in order to reduce the negative impact of uncertain financial markets.
Investment update

Investment backdrop – the year to 31 March 2020

Asset returns for the year under review were extremely varied. Returns for the first nine months of the period were positive for most asset classes, but the final quarter saw the outbreak of the COVID-19 pandemic. The pandemic prompted economic lockdowns and sharp falls in business and consumer confidence, sending the world economy into its worst downturn since the global financial crisis and leading to negative asset returns. Even ahead of the pandemic, some economic and financial leading economic indicators, particularly for manufacturing sectors, were starting to weaken indicating more challenging times ahead.

Investment strategy

The Scheme’s membership and liabilities are projected to maturity and with the number of members being retired or approaching retirement increasing, the requirement for investment income to pay ongoing pensions is becoming an increasing priority.

The Scheme has therefore adopted an investment strategy that focuses on meeting the liabilities of the Scheme in full and on time. This approach aims to achieve a return on the assets which, taken in conjunction with contributions, is sufficient over time to meet the Scheme’s liabilities as they fall due.

Under this approach the assets in the Scheme have been divided into three broad categories – Growth, Matching Plus and Matching.

> Growth assets: The primary objective of assets in this category is to achieve higher total returns, improve the overall performance of the Scheme’s assets, and help reduce the deficit.

> Matching Plus assets: These assets are expected to provide long term cash flows as well as manage some of the inflation risk associated with Scheme liabilities. They are likely to be held to maturity and are mostly secure cash generative investments that are backed by robust underlying asset values.

> Matching assets: The main characteristic for this category is secure return and cash flows. These assets are investment grade* and, on average, have higher credit quality than Matching Plus assets and minimal probability of default.

The main Scheme strategy involves reducing the Growth portfolio over time to fund more liability matching assets in the Matching Plus and Matching Portfolios. Within the Growth portfolio, the strategy is to increase the percentage of unquoted assets where the risk/return characteristics are relatively attractive.

Glossary

*Investment Grade
A level of credit rating for stocks regarded as carrying a minimal risk to investors
Asset and investment performance

Reflecting the difficult economic and financial backdrop, particularly in the final quarter, the Scheme assets fell slightly (by approximately 0.8%) over the course of the year under review.

The Scheme’s Growth portfolio, was most impacted by the pandemic. In the quarter to 31 March 2020, equity markets were exceptionally weak, with UK equity indices falling by more than 24%. Other markets were more resilient, but still showed double digit losses. The growth performance portfolio (now approximately 29% of Scheme assets) which is a subset of the Growth portfolio underperformed the benchmark as a result of poor relative performance from the Scheme’s Japanese and Asia ex Japan managers. UK small caps*, where the Scheme is overweight, also lagged the large cap index and one of the Scheme’s two property managers underperformed the property benchmark.

By contrast, the balance of the Scheme’s assets outperformed their respective benchmarks. The Scheme’s private equity portfolio and alternative assets (the Unquoted portfolio) produced strong returns, whilst the Matching Plus portfolio exceeded its return targets and met its credit and inflation matching criteria. The Matching portfolio also met its credit criteria and comfortably exceeded its discount rate implied target return.

The Trustee will keep its investment strategy under review with assistance from its advisers, and over time, it is planned that the Scheme will continue to reduce its allocation to riskier Growth assets (predominantly listed equities) and re-allocate towards safer assets, primarily in the Matching Plus portfolio.

Asset allocation

The asset allocation of the Scheme is shown below:

<table>
<thead>
<tr>
<th>Spread of investments at:</th>
<th>31 March 2020</th>
<th>31 March 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK Equities</td>
<td>10.2%</td>
<td>20.4%</td>
</tr>
<tr>
<td>Overseas Equities</td>
<td>13.3%</td>
<td>15.1%</td>
</tr>
<tr>
<td>High Yield Bonds</td>
<td>1.5%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Unquoted*</td>
<td>17.8%</td>
<td>12.6%</td>
</tr>
<tr>
<td>Property</td>
<td>3.9%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Cash and Other Assets</td>
<td>3.2%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Matching Assets</td>
<td>31.4%</td>
<td>32.1%</td>
</tr>
<tr>
<td>Matching Plus Assets</td>
<td>18.7%</td>
<td>13.3%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

* Unquoted comprises private equity (which is a mix of direct funds and fund of funds) and alternatives. These assets are held as medium to long term investments due to their illiquid nature.

Glossary

*UK small caps
Generally companies in the bottom 10% by size of the UK market.
Looking forward

It is clear we entered into a global recession in the second quarter of this year due to the locking down of economies in response to the global pandemic. The challenging economic outlook has led to some companies’ earnings and dividend forecasts being slashed, with raising and preserving cash being prioritised. More positively, the monetary policy response to the crisis has been massive, supporting asset prices and facilitating record levels of bond issuance, which, combined with huge fiscal support programmes, has provided lifelines to the private sector as it struggles with the cash flow consequences of lockdown.

Looking forward, the outlook is extremely uncertain.

Some improvements in the rate of virus infections have enabled a gradual reopening of economies. Most commentators anticipate economic recovery over the rest of the year, but the strength, shape and durability of the recovery remains uncertain, with a key near term factor being virus developments. There are also a number of long term factors that will likely weigh on economic growth including demographics (declining working age population), low productivity, high global debt levels, trade tensions and poor productivity.

As far as financial markets are concerned, monetary policy support and some recovery in leading economic indicators have led equity and bond markets to rebound sharply off the recent lows, leaving financial asset valuations looking expensive relative to their history, pointing to the likelihood of lower, more volatile returns in the future.

The Common Investment Fund (CIF)

Up until the last quarter of the period under review, the Scheme gained its exposure to listed equities, Matching and certain Matching Plus assets, through its holdings in the CIF.

The CIF is an arrangement between all the BAE Systems schemes to pool their investments and save costs, however, with the completion of the scheme mergers of the BAE Systems 2000 Pension Plan, Alvis Pension Scheme and Shipbuilding Industries Pension Scheme with the BAE Systems Section of the Scheme on 1 October 2019 this largely eliminated the benefits of the CIF. This, together with the fact that the CIF had become a less tax efficient vehicle, resulted in a second phase of the project, post the merger, which involves de-constructing the CIF. This, in turn, will result in a more tax and operationally efficient ownership structure for a range of the Scheme’s assets, albeit the assets themselves will remain largely unchanged.
The Scheme’s private equity portfolio and alternative assets produced strong returns.

### Investment performance

<table>
<thead>
<tr>
<th></th>
<th>1 Year to 31 March 2020 %</th>
<th>3 Years to 31 March 2020 %pa</th>
<th>5 Years to 31 March 2020 %pa</th>
<th>10 Years to 31 March 2020 %pa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scheme (total)</td>
<td>(0.76)</td>
<td>3.18</td>
<td>5.77</td>
<td>7.51</td>
</tr>
<tr>
<td>Unquoted</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>17.59</td>
<td>17.68</td>
<td>17.27</td>
<td>12.80</td>
</tr>
<tr>
<td>Scheme performance (excluding Unquoted, Matching and Matching Plus Assets)</td>
<td>(10.83)</td>
<td>1.53</td>
<td>2.71</td>
<td>5.95</td>
</tr>
<tr>
<td>Performance benchmark*</td>
<td>(9.32)</td>
<td>0.33</td>
<td>3.61</td>
<td>6.43</td>
</tr>
</tbody>
</table>

* The Performance benchmark excludes the Scheme's Unquoted, Matching and Matching Plus assets as these are either assessed over a much longer period, or generate income to match future pension payments. These assets are outperforming the Scheme's targets.
Over time, the Scheme will continue to reduce its allocation to riskier assets.
Committee Elections

There are two committees that represent the interests of the Scheme’s members. The BAE Systems Pension Scheme Consultative Committee represents active and deferred members of the Scheme, whilst the Joint Pensioners Committee (JPC) represents all pensioners. Both committees promote a better understanding of the workings of the Scheme, pensions in general and also ensure that any issues or concerns that arise are dealt with appropriately and promptly.

Representatives from both committees carry out an important role within the pension consultative process. Representatives:

> provide a formal channel through which pension matters can be raised;
> improve pension communication links between members, Airbus, the Trustee and the Scheme Administrators;
> answer questions from members about the Scheme and signpost them to the correct sources of pension information.

Member Representatives on the Consultative Committee are elected from and by the active members of the Scheme who work at the site that they represent. The Committee brings together active Member Representatives of the Scheme from different businesses across the UK.

The Consultative Committee has been reconfigured to take account of the merger of the Shipbuilding Industries Pension Scheme, the Alvis Pension Scheme and the BAE Systems 2000 Pension Plan into the BAE Systems Pension Scheme from October 2019. As a result of this, elections were recently held at the Broughton site. A number of representatives also joined the Consultative Committee on an unopposed basis.

Pensioner Representatives are elected by a direct ballot of the Scheme’s members in their local constituency. The BAE Systems Pension Scheme has three voting constituencies: North, South East and South West.

For further details and a list of the current Member and Pensioner Representatives, please refer to the Consultative Committee page of the BAE Systems pension website at: baesystems.com/en-pensions/more-info/consultative-committees

There are two committees that represent the interests of the Scheme’s members.
Avoid pension scams

In these uncertain times, scammers are increasingly targeting pension savings, luring individuals to transfer their benefits by making promises of investment security or high returns that will never come to fruition. Action Fraud, the cyber-crime and fraud reporting centre has reported an increase in scams relating to COVID-19. Indeed we have recently been made aware of a couple of instances where BAE Systems pensioners have been cold called only for the caller to hang up when questioned further. Owing to the sophisticated nature of many of these scams it is possible for anyone to become a victim. It is therefore more important than ever that you are aware of the warning signs.

Scammers will either invest the proceeds in unusually high risk investments or just steal the money and disappear. Add to this the fact that the victim could also be left with a substantial tax bill from HM Revenue and Customs for example if money is taken before age 55. You can see how the impact can be devastating. In addition, with pensions typically being a long term investment it is possible that those who transfer their benefits may not realise something is wrong for a number of years.

The Pensions Regulator’s website contains information on how to protect yourself from scammers in their leaflet called “Don’t let a scammer enjoy your retirement”. You can find this at thepensionsregulator.gov.uk/individuals/dangers-of-pension-scams. The Financial Conduct Authority’s website also provides information on what you should do if you receive unsolicited contact (fca.org.uk/scamsmart). It contains helpful information about how to spot a pension or investment scam, with a section on the new scams that have emerged relating to COVID-19.

Warning signs of a pension scam

Scammers often cold call people which is illegal, and is a likely sign of a scam. Other common signs of pension scams include:

- phrases such as free pension review, pension liberation, loan, loophole, savings advance, one-off investment, cashback
- guarantees of higher returns using unusually high risk and unregulated investments, especially overseas
- releasing cash from a pension before the age of 55, with no mention of the associated HM Revenue and Customs tax charge
- time limited offers to get the best deal
- complicated investment structures

So...

- reject unexpected pension offers
- check who you are dealing with before considering making any change to your pension arrangements
- do not be rushed or pressured into making any decision
- consider getting impartial information and advice

Scammers are increasingly targeting pension savings. Be ScamSmart. Visit: fca.org.uk/scamsmart
Do you need help to navigate your finances in light of COVID-19?

The COVID-19 lockdown measures have affected millions of people. What this means for your finances will be very personal to you. With recent market volatility you should consider carefully any decisions that you make regarding your investments, having regard to both the short-term and long-term. If you are looking for some financial guidance but do not know where to start, you will not be alone.

The Money and Pensions Service (MaPS) is a public body, sponsored by the Department for Work and Pensions, with a joint commitment to ensure that people throughout the UK have guidance and access to the information they need to make effective financial decisions over their lifetime. MaPS’s vision is “Everyone making the most of their money and pensions.”

MaPS has launched the Money Navigator Tool designed to help people navigate their finances in light of COVID-19 and avoid financial issues potentially worsening into the future. The tool can be found at: moneyadviceservice.org.uk/en/tools/money-navigator-tool

The Money Navigator Tool asks a short series of questions about your financial situation, before providing guidance that is personalised to your own situation and needs. If you are concerned about your finances in light of COVID-19 you are encouraged to visit the MaPS website.

Go to baesystems.com/pensions for useful pension information. Add this link to your ‘favourites’.

Scheme website

For all members of the Scheme useful pension information can be found on the BAE Systems pension website at baesystems.com/pensions. Add this link to your ‘favourites’.

The BAE Systems pensions website is the go to place for the latest Scheme and related general pension news. During the early months of the COVID-19 pandemic regular updates were posted to the website. When a news item is posted to the website there is a direct link to that news item on the landing page so please do check back regularly. The link will stay on the landing page for one month after which you will be able to find prior updates in the More Info – News section of the website.

Over the summer Pension Guides have been added to the website. The aim of these guides is to provide you with further information on topics of general interest. The guides cover such matters as working part-time, transferring your benefits out of the Scheme, the State Pension and pension flexibilities.

From the pensions website you can log into MyPension to view your own pension information online whenever you want to and there is a link to the new Standard Life website. You will also find all the contact details you need for Equiniti, the Scheme administrator.
MyPension
MyPension is a secure pensions website provided by the Scheme administrator, Equiniti, that allows you to access your pension details 24/7 without the need to contact them. The website is easy to use, can be accessed via your phone, tablet or PC and has been designed to run on all modern browsers and operating systems. To increase the security of using MyPension you can set up 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.

How do you access or register to use MyPension?
You can access MyPension via the BAE Systems pensions website at: baesystems.com/mypension

If you have never registered to use MyPension before please contact Member Web Services on: 0371 384 2682, or +44 121 415 0816 if calling from overseas. You will then be sent the website URL, a client code and unique code which you may use to register on the website. You will also need to know your Member Number (which is shown on your annual benefit statement or you can obtain it from Equiniti), National Insurance Number and date of birth to complete the registration process.

As an active member you will be able to:
> View the current value of your retirement benefits
> Provide yourself with a pension estimate, on both a ‘with’ and ‘without’ Company consent basis (this is a recent addition to the MyPension functionality).
> Model your benefits at your chosen retirement age to see the impact increasing your contributions will have on your retirement fund
> View important documents such as historical benefit statements

As a deferred member you will be able to:
> Provide yourself with pension estimates
> View important documents such as historical benefit statements
> Update your contact details

As a pensioner member you will be able to:
> View your payslips
> View your P60s
> View your latest payment details
> Update your contact details

Forgotten your username or password? Contact the Pension Service Centre on: 0345 180 1401
New dedicated Standard Life website launched for members with Defined Contribution (DC) benefits

For those active members in the Level 100+ Section of the Scheme, in addition to the final salary element of your pension, your employer also pays a percentage of your basic salary into a Retirement Account which is invested with Standard Life. Also for any member of the Scheme who pays Additional Voluntary Contributions (AVCs) these are also invested with Standard Life.

In June this year a dedicated website was launched in conjunction with Standard Life for members of the Level 100+ Section of the Scheme and for any Scheme member who pays AVCs. The website can be found at: standardlifepensions.com/bspp/ps.page

Through the Standard Life website you will have at your fingertips all the information you need on your Retirement Account and AVCs. This includes fund fact sheets and investment guides as well as various tools which will allow you to check your financial health. By using the tools you will be able to explore your retirement income options and see if your pension savings are on track.

From the website you can also access Standard Life's Online Servicing portal to manage your own Retirement Account or AVCs online. If you have not yet used Online Servicing, registration is simple and there are step by step instructions to take you through the process. Once logged in you will be able to see your current Retirement Account or AVC fund value and you are able to review and change the funds you are invested in as well as your Target Retirement Age. Your Target Retirement Age is the age at which you are planning to take your pension benefits. If your Retirement Account or AVCs are invested in one of the Scheme’s Lifestyle Investment Profiles it is important that your Target Retirement Age accurately reflects your retirement plans. This is because in the years prior to your retirement the Lifestyle Investment Profiles gradually move your Retirement Account or AVCs into funds that are designed to prepare your pension for how you plan to take your retirement income (e.g. cash, annuity). Therefore any change to your Target Retirement Age should be made to tie in with your retirement plans.

Do take some time to explore this new website and add the link as one of your ‘favourites’.
Pension allowances and the Budget 2020

The **Annual Allowance (AA)** is a yearly limit set by HM Revenue & Customs on the amount of pension savings that benefit from tax relief, whilst the **Lifetime Allowance (LTA)** is a restriction on the total amount of pension savings, which you can build up in a tax-favoured environment in your lifetime without incurring an additional tax charge. For 2020/21 the standard AA is set at £40,000 (but see below in relation to higher earners) whilst the standard LTA is set at £1,073,100.

The AA for defined benefit members relates to the increase in the value of your benefits each year (under all schemes). Broadly speaking the difference in your pension from one year to the next is multiplied by 16 and this figure is compared to the AA. To this you would need to add the value of any defined contribution payments that have been made, such as Additional Voluntary Contributions (AVCs). Carry forward allows you to make use of any AA that you may not have used during the three previous tax years, provided that you were a member of a registered pension scheme.

When calculating the LTA, broadly speaking, your total defined benefit pensions are multiplied by 20 with the resulting figure being compared to the LTA. To this you would also need to add other fund values relating to other defined contribution benefits or AVCs. The vast majority of members do not exceed these limits.

The **Tapered Annual Allowance (TAA)** came into force from 6 April 2016 for high earners. The Budget which took place on 11 March 2020 saw changes to the TAA. From 2020/21, the TAA reduces the AA by £1 for every £2 of your ‘adjusted income’ over £240,000 a year, and will reduce your AA to a minimum of £4,000 if your adjusted income is £312,000 a year or more. Your ‘adjusted income’ is all of your pre-pension contribution earnings, including savings and pension income plus the value of your employer’s pension contributions.

The TAA will not apply if your total income excluding pension contributions is less than £200,000.

There is also a **Money Purchase Annual Allowance (MPAA)** which applies once you have flexibly accessed a defined contribution pension. This might include taking all your defined contribution pension as a single lump sum or taking income from a flexible retirement income product. The MPAA restricts the amount that you can save into a defined contribution arrangement each year, and is currently set at £4,000. The £4,000 limit includes contributions made by you, any tax relief you receive, and any employer contributions. It is also not possible to bring forward any unused AA i.e. carry forward from previous tax years to increase this amount, as you are able to do with the £40,000 AA and the TAA.

If you believe that you might be affected by any of these allowances more information can be found at: [gov.uk/tax-on-your-private-pension](https://www.gov.uk/tax-on-your-private-pension)

The Pensions Advisory Service has also produced a Spotlight publication on both the AA and the LTA which can be found at: [pensionsadvisoryservice.org.uk/publications/category/spotlights](https://www.pensionsadvisoryservice.org.uk/publications/category/spotlights)
What are the Standards?

To help you understand how much money you will need to live the lifestyle you want in retirement, the Standards aim to show you what life in retirement looks like based on three different levels of expenditure (minimum, moderate and comfortable). The Standards provide a benchmark level of annual income to fund different standards of living in retirement. Each Standard is based around a range of expenditure or financial commitments, including: housing, food and drink, transport, holidays and leisure, clothing and personal expenses. It also takes into account different circumstances, for example living inside or outside London, being single or as part of a couple.

The following table focuses on a single person living outside London:

<table>
<thead>
<tr>
<th></th>
<th>Minimum</th>
<th>Moderate</th>
<th>Comfortable</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SINGLE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>WHAT STANDARD OF LIVING COULD YOU HAVE?</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>House</strong></td>
<td>DIY maintenance and decorating one room a year.</td>
<td>Some help with maintenance and decorating each year.</td>
<td>Replace kitchen and bathroom every 10/15 years.</td>
</tr>
<tr>
<td><strong>Food &amp; Drink</strong></td>
<td>A £38 weekly food shop.</td>
<td>A £46 weekly food shop.</td>
<td>A £55 weekly food shop.</td>
</tr>
<tr>
<td><strong>Transport</strong></td>
<td>No car.</td>
<td>3-year old car replaced every 10 years.</td>
<td>2-year old car replaced every five years.</td>
</tr>
<tr>
<td><strong>Holidays &amp; Leisure</strong></td>
<td>A week and a long weekend in the UK every year.</td>
<td>2 weeks in Europe and a long weekend in the UK every year.</td>
<td>3 weeks in Europe every year.</td>
</tr>
<tr>
<td><strong>Clothing &amp; Personal</strong></td>
<td>£460 for clothing and footwear each year.</td>
<td>£750 for clothing and footwear each year.</td>
<td>£1,000 - £1,500 for clothing and footwear each year.</td>
</tr>
<tr>
<td><strong>Helping Others</strong></td>
<td>£10 for each birthday present.</td>
<td>£30 for each birthday present.</td>
<td>£50 for each birthday present.</td>
</tr>
</tbody>
</table>
You can use the Standards as a rule of thumb for retirement planning. Roughly speaking, if you are a single person it is anticipated you will need about £10,000 a year to achieve the minimum standard of living, £20,000 a year for a moderate standard of living and £30,000 a year for a comfortable standard of living. For a couple, these numbers are £15,000, £30,000 and £45,000 a year respectively.

The Standard Life website (standardlifepensions.com/bspp/ps.page) includes a pension calculator which allows you to produce an estimate of the benefits you might expect to receive on retirement. The pension calculator allows you to add in pension benefits that you will receive from any scheme you have been a member of. You can use this in conjunction with the Retirement Living Standards to help you understand whether your retirement planning is on track.
Keeping my retirement plans on track

What should I be focusing on to ensure my retirement plans stay on track?

There are a number of actions you can take to help ensure your plans for retirement stay on track. Here is our top 10:

1. Review your last benefit statement
   Every year all active members receive a benefit statement which gives details of the benefits you have built up within the Scheme. This is a vital planning tool which gives you a snapshot of your entitlement. Instead of putting it in a drawer for another day, read it and consider whether your pension is on track.

2. Give yourself a target
   What level of income do you want in retirement? Consider the lifestyle you want and the level of income you will need to fund it. Try and give yourself a target income that you can then plan towards achieving. Make sure you read the article on page 16 on the Retirement Living Standards.

3. Take a look at your benefits on MyPension
   You can review details of your benefits at any time via MyPension which gives you access to benefit modellers, instant and up-to-date pension benefit quotations, copies of annual benefits statements, access to personal information, together with useful information and links. You can access MyPension via the BAE Systems pensions website: baesystems.com/pensions

4. Get a state pension estimate
   In order to get a more complete picture of the benefits you will receive in retirement consider obtaining a forecast of your state pension. To see how much you will get and when you can get it go to: gov.uk/check-state-pension

5. Consider other income
   Pension savings may or may not be your only source of income in retirement. Take some time to consider any other potential sources, for example any ISAs, investment bonds or savings accounts, together with the state pension and any other sources that will help you achieve your retirement income target.

6. Consider Additional Voluntary Contributions (AVCs)
   AVCs are a tax efficient way of boosting your pension savings. Any AVCs are invested with Standard Life. Further details be found on the BAE Systems pensions website, baesystems.com/pensions and also make sure you read the article on page 14 on the new Standard Life website. For 2000 Plan Benefits members remember that you can also pay AVCs to the Selected Benefits Scheme. Again further details can be found on the BAE Systems pensions website.
7. Trace your other pension benefits
For a number of reasons, millions of pounds of unclaimed benefits sit in pension funds. The main reason for this is that when individuals move house they do not notify their scheme administrator of their new address. Equally others may have passed away leaving death benefits unclaimed. If you have lost touch with the administrator of any of your pension benefits there is a Government website you can use to help you track your benefits down. Go to [gov.uk/find-pension-contact-details](http://gov.uk/find-pension-contact-details)

8. Be aware of the tax limits on pension contributions
There are tax limits on the amount you can pay into your pension (the Annual Allowance) and the total level of benefits you can build up (the Lifetime Allowance). Charges are incurred if you exceed these limits. Although the majority of members will not exceed these limits it is a sensible move to familiarise yourself with them. Further details can be found on the Government website at: [gov.uk/tax-on-your-private-pension](http://gov.uk/tax-on-your-private-pension). Please also refer to the article on page 15.

9. Ensure your Expression of Wish form is up to date
An Expression of Wish form is an important part of the decision making process when the Trustee is considering the distribution of benefits in the event of your death. It is therefore important that your Expression of Wish form is kept up to date. You can download the form from the BAE Systems pension website, [baesystems.com/pensions](http://baesystems.com/pensions)

10. Ensure your address is up to date
It is important to notify Equiniti of any change of address. This is so that you receive any communications and you can be contacted prior to your retirement date. Current employees (active members and employed deferred members) should update their address via the relevant HR system, which feeds into the pensions administration system. Those members who are no longer employees (e.g. deferred members and pensioners) can update their address via MyPension or alternatively they can contact Equiniti direct. Contact details can be found on page 20.
**Getting in touch**

**Need some help understanding your pension?**
Members can contact the Equiniti Pensions Service Centre with any questions:

> Freephone: 0800 917 9568  
> If calling from overseas: +44 121 415 0891  
> Email: farnborough.pensions@equiniti.com

If you want to write to Equiniti their address for in-service and deferred members is:

> BAE Systems Pension Scheme Airbus Section, Pensions Service Centre,  
  PO Box 1193, Crawley, West Sussex, RH10 0FY

and for pensioner members is:

> BAE Systems Pension Scheme Airbus Section, Pension Service Centre,  
  Freepost RSTA-GHHR-EEAK, PO Box 1197, Crawley, West Sussex,  
  RH10 0GD

**MyPension**
You can log into the MyPension service at:

> baesystems.com/mypension

If you cannot access this service, please contact Member Web Services on:

> 0371 384 2682  
> If calling from overseas: +44 121 415 0816

**Standard Life**
You can access the Standard Life website at:

> standardlifepensions.com/bspp/ps.page

---

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 the Pensions Service Centre. References to external websites are given for information only. No responsibility is accepted for the content or accuracy of the information provided through these sites.