



# BAE Systems Pension Scheme

Passport Section nupos

A guide to your benefits

# Glossary

It may be helpful to refer to this page while you read through the booklet. The definitions of technical terms are highlighted in *italics* throughout the booklet.

**Additional Voluntary Contributions (AVCs)** are voluntary payments made in addition to your *Basic Contributions* to the *Scheme*. They are invested to provide you with extra benefits at your retirement. AVCs currently qualify for income tax relief at your highest rate although some restrictions apply to high earners.

**Basic Contributions** are 3.5% of *Pensionable Salary*.

**Basic Pension** is the pension payable to you as a result of the payment of your standard contributions during your period of *Pensionable Service*.

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

**Dependant** means your *Spouse*, *Partner*, child (including legally adopted children but not stepchildren) under the age of 18 when you die (or age 23 if in full time education or vocational training), a child of any age if, in the Trustees' opinion, they are dependent on you at the date of your death because of physical or mental impairment, or any other person (other than your child) who, in the opinion of the Trustees, is financially dependent on you or was dependent on, or interdependent with, you at the date of your death.

**Final Pensionable Salary** is your *Pensionable Salary* received in the 12 months ending on the day you leave *Pensionable Service* or die (whichever occurs first).

**Linked Service** refers to any prior period of *Pensionable Service* in the Classic or Premium section of the *PCSPS* which, before your employment transfer to the *Company*, you elected to link to your *Pensionable Service* in the nuvos section of the *PCSPS*.

**Minimum Pension Age** is the earliest age at which you may retire and receive immediate pension benefits from the *Scheme*. If you have transferred your pension benefits from the *PCSPS* it is age 50. For all other members it is age 55 unless you have a protected *Minimum Pension Age*. The pension will be reduced because of early payment. The Pensions Service Centre can advise you if you have a protected *Minimum Pension Age*.

**Normal Retirement Date** is the first of the month coincident with or immediately after your 65th birthday.

**nuvos** is a section of the *Scheme* that applies to you if you transferred from the *PCSPS* and were a member of the nuvos section of that scheme or were entitled to similar benefits under a different arrangement.

**Partner** is a person who is cohabiting with you in an exclusive, committed and long-term relationship, was not prevented from marrying you (or would not have been prevented apart from being of the same sex), and is either financially dependent on, or financially interdependent with, you.

**PCSPS** is the Principal Civil Service Pension Scheme.

**Pension Account** is an account in which your accrued pension is held.

**Pension Limit** is the maximum pension that you can receive at retirement in any circumstance, allowing for any benefits received from the *PCSPS* and including the pension equivalent of any retirement lump sum. This maximum pension will be limited to 75% of the greatest of:

- your *Final Pensionable Salary*;
- your highest *Pensionable Salary* received in any of the last 10 *Scheme Years* before you leave *Pensionable Service* or die (whichever occurs first); and
- the highest average amount of your *Pensionable Salary* received in any three consecutive *Scheme Years* before your retirement date.

**Pensionable Children** are your children, including any conceived but unborn at the date of your death, your adopted and stepchildren, for so long as they are under age 18 (or age 23 if in full time education or vocational training and which is approved by the Trustees).

**Pensionable Salary** is your basic annual salary plus all other elements of remuneration from the employers which was pensionable under the *PCSPS*. Bonus payments and overtime are excluded, except where they were included under the *PCSPS*. For part-time hours, your actual part-time earnings will be used.

**Pensionable Service** is the number of years and complete months during which you have contributed to the *Scheme*, plus any period in respect of a transfer in.

**Qualifying Service** determines whether you are eligible for pension benefits. It is defined as years and complete months of *Pensionable Service*, including the most recent period of *Pensionable Service* accrued in the *PCSPS* but excluding any *Pensionable Service* relating to *Added Years* purchased by AVCs under the *PCSPS*. Part-time service will count on the basis of the years and complete months for the calendar period that you have worked.

**Scheme** is the BAE Systems Pension Scheme – Passport Edition.

**Scheme Year** is from 6 April to the following 5 April.

**Spouse** is a person who is married to you or who is your Civil Partner (as defined by the Civil Partnership Act 2004) at your date of death or who may otherwise be regarded as a *Partner* by the Trustees.

**State Retirement Age** is the age at which pensions are payable from the State. This is currently 65 for men and 60 for women. However, over the 10 year period from 2010 to 2020, the *State Retirement Age* will become 65 for everyone and further increases to the *State Retirement Age* will take place for those retiring later than that.

# Welcome to nuvos

The BAE Systems Pension Scheme – Passport Edition (the *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 family both now and in the future.

This section of the *Scheme* applies to members who were eligible to join the nuvos section of the *PCSPS* and whose employment was transferred to the *Company*. The benefits from this *Scheme* are broadly comparable with those of the nuvos section of the *PCSPS*.

This booklet is intended as a helpful guide to the main provisions of the *nuvos* section of the *Scheme*. It does not cover every aspect – the full details are contained in the Rules, which are the legal basis of the *Scheme*. Nothing in this booklet can override the Rules and if there is any difference, the Rules will apply. The booklet and the Rules are subject to change in the future. Copies of the Rules are available on request from the Pensions Service Centre.

**Please take time to read through this booklet to understand the benefits available to you.**

You will notice that certain terms in this booklet are printed in *italics*. The meanings of these words are explained in the Glossary on page 2, which you may find helpful to refer to as you read through the booklet.

As a member of the *Scheme* you are contracted out of the State Second Pension (S2P) which was formerly known as the State Earnings Related Pension Scheme (SERPS). This means that the *Scheme* replaces some of the pension that S2P would have paid to you at retirement and as a result you pay a lower rate of National Insurance contributions. Your basic State Pension remains unaffected and you will remain eligible to receive it in addition to your pension from the *Scheme*.

Additional information about the *Scheme* is available via the following:

Pensions website: [www.baesystemspensions.com](http://www.baesystemspensions.com)

e-mail: [farnborough.pensions@xchanging.com](mailto:farnborough.pensions@xchanging.com)

Pensions helpline: **01252 383810**

**Pensions Service Centre**  
**PO Box 87**  
**Hertford House**  
**Farnborough Aerospace Centre**  
**Farnborough**  
**Hampshire**  
**GU14 6YU**

## What will you find inside?

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# Membership of the Scheme

## Eligibility

You are eligible to join if you have transferred directly from the nuvos section of the PCSPS, or a scheme broadly comparable with the nuvos section of the PCSPS and your employment was transferred to the Company. You are also eligible if prior to your employment transfer to the Company you were eligible to join the nuvos section of the PCSPS.

You cannot join the Scheme after reaching age 64.

The Company may at its discretion allow you to join the Scheme even if you do not satisfy the conditions set out above.

## Ceasing to be eligible while still an employee

You will cease to be eligible for membership if, with your agreement, the nature of your employment duties change to a role that is not eligible for membership of nuvos. In these circumstances, you may be offered membership of an alternative pension arrangement.

You will also cease to be eligible if the Company tells you that you are no longer eligible in circumstances where you originally joined the Scheme at the Company's discretion despite not satisfying the eligibility conditions or if it might be unlawful for the Trustees to accept further contributions from your employer in respect of you.

## Opting out

Membership of this Scheme is not a compulsory part of your employment with the Company. As a member of the Scheme you can opt out of nuvos at any time.

You will be required to give the Trustees and the Company two months' written notice of your intention to leave Pensionable Service.

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 Pensionable Service, but you will not receive any benefits until you have actually left service or reach age 75, if earlier.

If you decide to opt out:

- You will lose the benefit of the Company's contribution to the cost of future pension provision under the Scheme.
- You will lose the protection provided by the Scheme to you and your family in the event of your death in service.
- You will lose the part of the protection provided by the Scheme to you and your family in the event of your early retirement from the Company on account of your serious ill-health.
- You will lose the opportunity to earn additional pension.
- You may only rejoin with the specific permission of the Company and subject to any conditions that the Trustees consider appropriate.

**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 (see page 13).**

# Making contributions to the Scheme

## Your contributions

Your *Basic Contributions* are 3.5% of your *Pensionable Salary*.

You may choose whether or not to pay *Basic Contributions* in respect of any *Pensionable Service* on or after *Normal Retirement Date*. This decision must be made no later than one month before *Normal Retirement Date*. If you choose not to make *Basic Contributions*, your *Pensionable Service* will cease (see page 7).

## Income Tax relief

Your contributions are taken from your pay before tax is calculated, so you will automatically receive full income tax relief at your highest rate. Some restrictions to tax relief apply to high earners. Please contact an Independent Financial Adviser if you think this may apply to you.

## SMART Pensions arrangement

Provided that you are employed by companies wholly owned by BAE Systems plc or participating joint venture companies, all contributions to the *Scheme* 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 in a separate SMART Pensions booklet available from the Pensions Service Centre or via the pensions website.

## Company contributions

Your employer makes contributions at a rate determined by the Trustees in consultation with the *Company* and with advice from the *Scheme* Actuary. These rates may change from time to time following the regular reviews of the financial position of the *Scheme*.

## How the contributions are used

Your contributions, together with those from the *Company*, are credited to the fund and are invested by the Trustees. The proceeds are used to provide benefits in accordance with the Rules of the *Scheme*.

## Paying Additional Voluntary Contributions

Under the terms of the *Scheme*, you may increase your benefits by paying *Additional Voluntary Contributions (AVCs)* whilst you are in *Pensionable Service*. *AVCs* might be of particular interest if you joined the *Scheme* later in your working life or you are considering the possibility of retiring early.

You can choose how much to pay and you can change or suspend your contributions at any time. You have a choice of investment options. Contributions are deducted from pay before tax is calculated so you automatically receive tax relief at your highest rate. Some restrictions to tax relief apply to high earners. Please contact an Independent Financial Adviser if you think this may apply to you.

The AVC Guide gives more details about *AVCs* and can be downloaded from the website.

## Temporary absence

If you are temporarily absent from work, your membership of the *Scheme* will continue for as long as you pay contributions into the *Scheme*. If you take paid absence from work, you will continue to pay contributions and this period will count in full towards your pension. If you stop paying contributions to the *Scheme*, your *Pensionable Service* will cease. On recommencing contributions, your *Pensionable Service* before and after the break will be treated as continuous so that your benefits in respect of *Pensionable Service* before and after the break include changes to your *Pensionable Salary* earned after the break.

If you are absent because of sickness or injury and you stop paying contributions, you may continue to be treated as remaining in *Pensionable Service* for up to one year from the date you were first absent, or longer if the *Company* and Trustees agree.

If you are absent as a result of maternity, adoption or paternity leave, you will be treated as still in *Pensionable Service* for as long as you have a statutory or contractual right to return to work. You will 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 will be treated as if you have left *Pensionable Service* unless you return to work at the end of that period of leave. In this case, your periods of *Pensionable Service* before and after that leave will be treated as continuous but will exclude the period of parental leave itself.

# Retirement benefits

## Retirement at Normal Retirement Date

When you retire, you will receive an annual pension. The amount of this benefit will depend on your *Pensionable Salary* over your career, your *Pensionable Service* and the annual increases applied to your *Pension Account*. It will also depend on the amount of any AVCs you may have made and on the amount of any benefits you transferred from your former pension scheme (if any).

### Pension at Normal Retirement Date

Each *Scheme Year* you will earn a pension amount equal to 2.3% of *Pensionable Salary* received in that period which will be credited to your *Pension Account*.

### Pension Account

In each subsequent year, the pension amount accrued in your *Pension Account* will be increased in line with statutory increases.

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In addition, you will receive a pension of  $\frac{1}{60} \times \text{Linked Service} \times \text{Final Pensionable Salary}$ .

Your pension payable on retirement is subject to the *Pension Limit*.

### Lump sum

You can normally choose to exchange some of your annual pension for a tax free cash sum on retirement. The amount of this cash sum depends on your circumstances but is typically up to 25% of the total value of your pension benefits.

## Early retirement

### Retiring early from Pensionable Service except on medical grounds

You are permitted to retire at any time after your *Minimum Pension Age* and receive an immediate pension.

Your pension will be calculated as shown above and will be reduced by an early retirement factor to account for the extra years over which your pension will be paid. The early retirement factors are agreed between the *Company* and the Trustees on advice from the *Scheme Actuary*. They are reviewed periodically and may change from time to time.

Your pension is subject to the *Pension Limit*.

### Note

If you retire and draw your pension from *Pensionable Service* before *Normal Retirement Date*, you must also leave the *Company*.

### Retiring early from Pensionable Service on medical grounds

If you cannot work due to ill-health, you may retire at any age with an immediate pension, subject to certain conditions and with the consent of the Trustees.

To receive this benefit, the Trustees need evidence from their medical adviser that your ill-health satisfies the definition of either Chronic ill-health or Incapacity.

**Chronic ill-health** means physical or mental impairment which, in the opinion of the Trustees, results in you being permanently unable to undertake your current occupation (you must have ceased to carry on your occupation) and makes it unlikely that you will be able to work in any capacity in the future.

**Incapacity** means physical or mental impairment which, in the opinion of the Trustees, results in you being permanently unable to undertake your current occupation (you must have ceased to carry on your occupation) but which does not make it unlikely that you will work in some employment in the future.

The basis of the calculation of the medical retirement pension and lump sum is dependent upon the severity of your illness and you must normally have at least two years' *Qualifying Service* before you can qualify for an ill-health pension. The basis of calculation of Chronic ill-health and Incapacity pensions is illustrated below.

### Chronic ill-health

The pension payable will be calculated as for retirement at *Normal Retirement Date*

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An additional pension calculated as follows:

Your *Pension Account* (excluding any pension in respect of *Linked Service* and including annual increases applied prior to retirement)

x

$\frac{A}{B}$

A is Prospective Pensionable Service which represents the number of years and complete months that you would have received had you remained in *Pensionable Service* until *Normal Retirement Date*.

B is *Pensionable Service* at date of actual retirement.

### Incapacity

The pension payable will be calculated as for retirement at *Normal Retirement Date* but will be based on your *Pension Account* (plus annual increases applied prior to retirement), *Pensionable Service* and your *Final Pensionable Salary*. No reduction will be applied to take account of the fact that the pension is being paid early.

Your pension is subject to the *Pension Limit*.

You may choose to exchange some of your annual pension for a tax free cash sum. The amount of this cash sum depends on your circumstances but is typically up to 25% of the total value of your pension benefits.

Until *Normal Retirement Date*, the Trustees may require evidence of your continued illness from time to time. The Trustees have the power to reduce or suspend the pension described above if, in their opinion, this is justified by a subsequent change in your medical circumstances.

**Example**

You have to retire due to Incapacity at age 40 after 10 years in *nuvos*. Your *Pension Account* is £3,000 at that time. On retirement you will receive a pension of £3,000 a year and that pension is not reduced for early payment, even though it is being paid 25 years earlier than your *Normal Retirement Date*.

You have to retire at the same age but on Chronic ill-health as your illness is so severe that you are not expected to ever work again. Your pension will be enhanced by £7,500 ( $£3,000 \div 10 \times 25$ ) giving you a total annual pension of £10,500 a year.

**Retirement after Normal Retirement Date**

If your employment with the *Company* continues after *Normal Retirement Date*, you may start to receive a pension at *Normal Retirement Date* as if you had left employment at that time.

Alternatively, you may choose to start to receive a pension when you leave employment with the *Company*. In this case, if you choose to continue to make *Basic Contributions* to the *Scheme*, your pension will be calculated as shown on page 6 but based on your *Pensionable Service*, *Final Pensionable Salary* and *Pension Account* increases up to your actual retirement date, subject to the *Pension Limit*. You will continue to be covered for the *Scheme's* death in service benefits until you retire.

If you chose not to continue to make *Basic Contributions* to the *Scheme*, your benefits will be calculated as shown on page 6 as at *Normal Retirement Date*. The benefits will be deferred to actual retirement when they may be increased by a late retirement factor as agreed between the *Company* and Trustees after taking actuarial advice.

If you continue in *Pensionable Service* after reaching age 75 you will be treated as having left *Pensionable Service* on reaching that age and your pension will be put into payment.

**General information regarding retirement****AVCs**

You will normally be able to take your AVC fund as a tax free cash sum at retirement, subject to HMRC restrictions (see page 11). Alternatively the fund can be converted into additional *Scheme* pension using the conversion terms set by the Trustees on the advice of the *Scheme's* Actuary. Alternatively, you may purchase additional pension from an external provider.

If you do not wish to take your AVCs at the same time as your *Scheme* pension, you must apply to the Trustees in writing before your *Scheme* pension comes into payment.

**How your benefits will be paid to you**

The lump sum is paid direct to either your bank or building society account.

Pensions are paid in advance on the first working day of every month direct to your bank or building society account. Pensions are treated as earned income for tax purposes but are not subject to National Insurance deductions. Any tax that is due is taken off before the pension is paid.

**Pension increases**

Your pension will increase annually in line with the increase in the Retail Prices Index (RPI). A proportional increase will be paid in the first year of retirement. Any transferred in GMP element will be increased in accordance with the legislation – see the contracting out section below.

**Example**

You retire in mid October with an annual pension of £7,500. The following April, the increase in the RPI is 3.5%. As you retired exactly halfway through the relevant 12 month period, the pension is increased proportionately (in this case by half of the total increase i.e. 1.75%). Therefore, your annual pension becomes £7,631.25 after six months.

During the second year, the increase in the RPI is 4.2%. Therefore your annual pension becomes £7,951.76 a year later.

**Contracting out**

When you leave *Pensionable Service* for any reason, the total benefit from the *Scheme* and the State will be at least equal to the earnings related pension you would have earned in respect of transferred in *Pensionable Service* attributable to service prior to 6 April 1997 had you not been contracted out. This minimum level of benefit which the *Scheme* has to provide on behalf of the State is known as the Guaranteed Minimum Pension (GMP).

A number of restrictions apply to the GMP. In particular, it is not payable before *State Retirement Age* and no part of it can be exchanged for a cash sum. Provision of a GMP may restrict your options on early retirement as the reduced pension must be sufficient to provide your GMP.

When you reach *State Retirement Age*, the basic State Pension will become payable in addition to your *nuvos* pension, as long as you have paid enough National Insurance contributions.

Part of the pension increases relating to any GMP is paid with your State Pension.

There is more information on the State benefits on page 12 of this booklet.

# Death benefits

As well as a lump sum death benefit, pensions may be payable to your *Spouse or Partner* and *Pensionable Children* on your death. The death benefits that are payable when you die depend on whether you are still working for the *Company*, are retired or have left the *Company* with deferred benefits.

## Death in service

If you die while still in *Pensionable Service*, the lump sum death benefit payable is equal to the greater of:

- Two times your annual rate of *Final Pensionable Salary* at the date of death; and
- Five times the deferred pension that you would have been entitled to if you had left service immediately before your death.

### Example

Your annual rate of *Final Pensionable Salary* is £20,000 a year and your deferred pension is £3,000 at the date of death.

The lump sum death benefit will be the greater of:

$£20,000 \times 2 = £40,000$  and  $£3,000 \times 5 = £15,000$

So in this case, a lump sum of £40,000 would be payable.

A pension is also payable to your *Spouse or Partner*. The pension is made up of two parts:

A pension equal to 37.5% of the pension you would have received if you had retired the day before your death

+

An enhancement worked out as follows:

*Pension Account*  
(including increases applied to your *Pension Account* up to the date of your death)

x

A  
B

A is the lower of:

- 10 years;
- your *Qualifying Service*; and
- the period between the date you died and *Normal Retirement Date* (in years and complete months).

B is *Pensionable Service* to date of death.

The enhancement cannot exceed the pension and the total benefit cannot exceed the *Pension Limit*.

## Death after you retire

If you die before age 75 and within five years of retiring, a lump sum death benefit will be payable. This is known as the 'Five Year Guarantee'.

The lump sum death benefit is equal to the difference (if any) between five times your annual pension on the date you died (the 'ceiling benefit') and the total pension you have already received.

### Example

Your annual pension is £7,500.

You die 11 months after retirement. The lump sum death benefit is calculated in two parts. The 'ceiling benefit' is worked out first and the pension you have already received is taken from this.

'Ceiling benefit':  $5 \times £7,500 = £37,500$

Less the benefits you have already received: £6,875  
(11 months' pension)

**Five Year Guarantee lump sum to pay: £37,500 - £6,875 = £30,625**

A pension is also paid to your *Spouse or Partner* equal to 37.5% of your pension at the date of your death ignoring any exchange of pension for a lump sum at retirement, plus pension increases to the date of your death.

If a pension has been reduced for early payment, the amount of the pension payable to your *Spouse or Partner* will be no less than the 'Limited Spouse's Pension' (see page 9), except where the pension is not payable to a *Spouse* or the marriage took place after your date of retirement or where your *Spouse* is living together as husband and wife with another person to whom he or she is not married.

## Death in service after Normal Retirement Date (whilst not paying contributions to the Scheme)

The lump sum death benefit payable is equal to the sum of the pension instalments that would have been paid to you for five years if you had retired the day before you died (disregarding annual pension increases).

A pension is also paid to your *Spouse or Partner* equal to 37.5% of the pension you would have received if you had retired the day before your death, subject to the *Pension Limit*, calculated as if you had retired the day before your death.

## Death in deferment

If you die after leaving *Pensionable Service* and are entitled to a deferred pension (see page 10), a lump sum death benefit is payable equal to the greater of:

The total *Basic Contributions* that you paid to the *Scheme* plus, if you transferred your *PCSPS* benefits to the *Scheme*, your total contributions to the *PCSPS* (without interest)

OR

Five times the annual deferred pension at the date of your death including increases, as described on page 10, for the period between the date you left *Pensionable Service* and the date of your death.

A pension is also paid to your *Spouse* or *Partner* equal to 37.5% of your deferred pension subject to the *Pension Limit*, calculated as if you had retired the day before your death including annual increases up to the day you died.

## Payment of lump sum death benefits

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

### 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.

Please note that the Trustees will not pay any benefits to charities, societies or clubs.

You can obtain an Expression of Wish Form from the Pensions Service Centre. 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, so forms submitted to the *PCSPS* while you were a member of that scheme will not be taken into account.

## Important note

At the time of a divorce or dissolution of a Civil Partnership, a court may order that when a *Scheme* member (or a previous member) dies, all or part of the death benefit must be paid to the ex-spouse. If this is the case, any balance will be paid to the person you nominated or to your personal representative if there is no valid nomination.

## Children's pensions

Children's pensions will be paid if you die leaving *Pensionable Children*. The pension will be calculated in the same way as the *Spouse's* pension except that the element of pension payable to any *Pensionable Children* will be equal to a percentage of your pension as follows:

	1 child	2 or more children
<i>Spouse/Partner's</i> pension payable	30%	60%
No <i>Spouse/Partner's</i> pension payable	50%	100%

Where there are two or more children, the pension will be paid in such shares as the Trustees decide.

## Other Dependants' pensions

The Trustees may, at their discretion, pay a pension to a *Dependant* (or apportion between *Dependants*), if you die leaving one or more *Dependants* and no pension is payable to a *Spouse*, *Partner* or *Pensionable Children*.

If a *Dependant's* pension is paid to a person who is under the age of 18 at the date of your death (or 23 if in full time education or vocational training), it will usually only continue until age 18 (or age 23 if in full time education or vocational training).

The Trustees may review the payment of a *Dependant's* pension and reserve the right to reduce, suspend or terminate the pension if, in their view, the circumstances of the *Dependant* has changed.

### Payment of a Spouse's or Partner's pension

Payment of the *Spouse* or *Partner's* pension will commence on the first day of the month following the date of death.

Any benefits in respect of a GMP must always be paid to a *Spouse*.

If your *Spouse* is more than 10 years younger than you, the *Spouse's* pension will be reduced by 2.5% for each year of age difference greater than 10, plus an additional proportion for each additional complete month.

## Contracting out

If you die after your pension starts, the *Spouse's* pension will never be less than the 'Limited Spouse's Pension'. This is approximately half the member's GMP for a widow and half the member's GMP in respect of *Pensionable Service* after 5 April 1988 for a widower or *Partner*.

# Leaving or opting out

If you leave *Pensionable Service* or opt out of the *Scheme* before you retire, you have a choice of options for your benefits. The options available are dependent on your *Qualifying Service* within the *Scheme*.

## If you have three months' or less Qualifying Service

You will be entitled to a refund of your total contributions (including any AVCs) to the *Scheme*, less tax and any amount in respect of reinstatement into S2P.

## If you have more than three months' but less than two years' Qualifying Service

Your choice is:

- A refund of your total contributions (including any AVCs) to the *Scheme*, less tax and an amount in respect of reinstatement into S2P; or
- A transfer out of your *nuvos* pension rights.

## If you have two or more years' Qualifying Service

Your choice is:

- Deferred benefits within *nuvos*; or
- A transfer out of your *nuvos* pension rights.

## Your deferred benefits

Your deferred pension will be calculated in the same way as your pension at *Normal Retirement Date* (see page 6), based on your input into your *Pension Account* and annual increases up to the date you leave *Pensionable Service*.

Your pension will then be increased each 1 April in line with statutory increases.

### Certificate of Deferred Benefits

When you leave *Pensionable Service*, you will be given a Certificate of Deferred Benefits and it is important that you keep this safe. It is also important that you keep the Pensions Service Centre informed of any change of address to ensure that you can be traced when your benefits become due.

## Early payment of your deferred pension

Your preserved benefits can be paid before *Normal Retirement Date* if you have reached the *Minimum Pension Age* and you apply for an immediate payment of your preserved benefits.

Your pension will be calculated as shown on page 6 and will be reduced by an early retirement factor to account for the extra years over which your pension will be paid. The early retirement factors are agreed between the *Company* and the Trustees on advice from the *Scheme Actuary*. They are reviewed periodically and may change from time to time.

In the event of your death the *Scheme* will pay benefits to your *Dependants* (see page 9).

## Late payment of your deferred pension

If the Trustees agree, you may be able to elect to receive your benefits starting later than your *Normal Retirement Date* but not later than your 75th birthday. Your benefits will increase between *Normal Retirement Date* and the date that you actually retire by a factor determined by the Trustees and the *Company* following the advice of the *Scheme Actuary*.

## Transferring out your nuvos pension rights

If you leave *Pensionable Service* at least one year before *Normal Retirement Date*, you can ask for a transfer payment to be made to your new employer's pension scheme or to another registered pension arrangement, for example, a registered personal pension plan. The transfer payment will be equal to the value of your benefits (including death benefits but excluding any allowances for discretionary benefits).

Having left *Pensionable Service* you may request the Trustees to provide you with a statement of entitlement of the cash equivalent of your benefits. You should receive this statement within three months of your written request. The amount shown on the statement will be guaranteed for only three months.

If you have at least three months' but less than two years' *Qualifying Service* when you leave *Pensionable Service*, you can choose to take a transfer as above instead of a refund of your contributions. You have three months after leaving *Pensionable Service* to choose this option and the transfer must be completed within six months of leaving *Pensionable Service*.

More information regarding transferring your benefits is available from the Pensions Service Centre, but please note that they cannot give specific advice on individual cases.

# HM Revenue & Customs

## A registered scheme

The BAE Systems Pension 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 (AVCs)*, although some restrictions may apply to high earners.
- Tax free cash sums may be payable on retirement and death.
- All pensions are treated as earned income and are taxed under the PAYE system.
- Tax advantages for the *Scheme* investments in respect of certain income and capital gains from investments.

## Restrictions

The tax concessions are, in effect, clawed back if certain restrictions are breached. There are some restrictions that apply although the great majority of members are unlikely to be affected by them.

### The Lifetime Allowance

The value of benefits in registered schemes that you may accumulate in a lifetime must not exceed the Lifetime Allowance. For the 2010/2011 tax year, the amount of the Lifetime Allowance is £1.8 million. This is broadly equivalent to a pension of about £90,000 a year. This Allowance will remain at this level for the next five years after which time it may be reviewed by the Government. If you do manage to accumulate pensions valued at more than this amount, the excess will be taxed at an effective rate of 55% if it is paid as a lump sum.

### The Annual Allowance

Any AVCs paid in any tax year plus the increase in value in the pension you earn during the same year must not, when added to contributions or benefits earned in any other registered schemes, exceed 100% of your earnings with an upper limit of £255,000 for the tax year 2010/2011, otherwise you will be taxed 40% on the excess. This Allowance will remain at that level for the next five years, after which time it may be reviewed by the Government.

### Tax free cash

The *Scheme* allows you to take part of your pension as a tax free cash sum at retirement. The overall maximum is 25% of the value of your pension benefits (but cannot exceed 25% of the available Lifetime Allowance).

If you think you may be affected by any of the restrictions set out above or if you want further details, please contact the Pensions Service Centre or consult an Independent Financial Adviser (see page 13).

# General information

## Management of the BAE Systems Pension Scheme

The BAE Systems Pension Scheme is established under a trust administered by a corporate trustee, BAE Systems Pension Funds Trustees Limited, which has its own Board of Directors (known as the Trustees).

The Board comprises 14 Trustees; seven are appointed by the *Company*, six are elected by the Central Pensions Consultative Committee (CPCC) and one is elected by the Pensioners Consultative Committee (JPC). 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

The State Pension Scheme has two tiers: a flat rate basic pension tier and an earnings related pension tier (the S2P). As a member of the *Scheme*, you are 'contracted out' of the S2P.

As a result of this, both you and the *Company* pay reduced rate National Insurance contributions.

Being contracted out does not affect your basic State Pension in any way. Your S2P for any transferred in contracted out service up to 5 April 1997 is reduced by your Guaranteed Minimum Pension (GMP) (see page 7). No S2P is earned after that date. Since 6 April 1997, the *Scheme* must pass a scheme quality test. The *Scheme* Actuary has to confirm that *nuvos* has passed the new test every three years.

Information on your State Pension is given on your annual benefit statement unless you inform the Pensions Service Centre that you do not want this information included.

For further information on your State entitlement you can contact:

**State Pension Forecasting Team  
Future Pension Centre  
The Pension Service  
Tyneview Park  
Whitley Road  
Newcastle upon Tyne  
NE98 1BA**

Telephone: 0845 3000 168

## Pensions Consultative Committees

A consultative process exists within the BAE Systems Pension Scheme to promote a good understanding of pension matters.

The Pensions Consultative Committees are made up of Pensions Representatives who are elected by the membership to represent the pension interests of all *Scheme* members. There are consultative committees for the North and South areas, a central committee for active and deferred members (the CPCC) and another central committee which represents pensioners (the JPC).

The functions of the consultative committees are to:

- Represent the views of *Scheme* members in consultations with the *Company* on matters relating to the *Scheme*;
- Assist the Pensions Service Centre and the Trustees with the communication of information to members of the *Scheme*; and
- Nominate six representatives from the CPCC and one from the JPC for appointment to the Board of Trustees as Member Nominated Trustees.

Contact details for your local Pensions Representative are available on the pensions website or can be obtained from the Pensions Service Centre.

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

## AVC transfers

Members can choose to transfer the value of their AVCs out, even while they remain in active service. These arrangements are not a statutory requirement, but have been introduced to offer greater flexibility to members in their retirement planning. Members can transfer to any registered external pension arrangement, including a SIPP (a self invested pension plan). If you exercise this option no further AVCs will be allowed in the future to the *Scheme*.

If you are interested in pursuing this option please contact the Pensions Service Centre for further information. You are urged to obtain independent financial advice before deciding to exercise this option.



## Divorce

Divorce proceedings or dissolution of a Civil Partnership may result in the issue of a Pensions Sharing Order by the Court. Pensions 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. This means that they cannot give investment advice or any advice regarding your membership of the *Scheme*. The information in this booklet is intended to help you make your own decision. However, if you are in any doubt, you should consult an Independent Financial Adviser who may charge a fee for this service.

To find a local Independent Financial Adviser visit [www.unbiased.co.uk](http://www.unbiased.co.uk).

## Assignment of benefits

You must not attempt to assign your benefits to obtain cash payments or as security for loans. Under the *Scheme* Rules, there could be no legal claim on the *Scheme* by anyone other than the person entitled to the benefits under the *Scheme* 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 *Company* with the consent 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* Rules and applicable legislation. 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 a formal system for lodging a complaint, to which a response must normally 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**  
**York House**  
**Farnborough Aerospace Centre**  
**Farnborough**  
**Hampshire**  
**GU14 6YU**

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

## TPAS (The Pensions Advisory Service) and the Pensions Ombudsman

TPAS is an independent voluntary organisation with a network of local pension experts. TPAS is available to assist scheme members and beneficiaries with any pension query they may have or any difficulty which they have failed to resolve with the scheme trustees or administrators. TPAS may refer complaints to the Pensions Ombudsman.

You may also refer a complaint to the Pensions Ombudsman. The Pensions Ombudsman (appointed under Section 145(2) of the Pension Schemes Act 1993) may investigate and make decisions about any complaint of maladministration and dispute of fact or law in relation to an Occupational Pension Scheme where the person makes a complaint in accordance with the Act. The Pensions Ombudsman will generally expect you to have used the IDR procedures and TPAS before he will investigate any complaint himself.

There is no charge for these services. TPAS and the Pensions Ombudsman may be contacted at:

**11 Belgrave Road**  
**London**  
**SW1V 1RB**

Telephone: **0845 6012 923** (TPAS)  
**0207 6302 200** (Pensions Ombudsman)

[www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

[www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)



## 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. It also educates, informs and works with others to raise standards. 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**

Telephone: **0870 6063636**

e-mail: [customersupport@thepensionsregulator.gov.uk](mailto:customersupport@thepensionsregulator.gov.uk)

[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.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 their previous pension arrangements. 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**  
**Tyneview Park**  
**Whitley Road**  
**Newcastle upon Tyne**  
**NE98 1BA**

Telephone: **0845 6002 537**

[www.direct.gov.uk](http://www.direct.gov.uk) (search the site for 'Pension Tracing Service')

## 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.

## Data Protection Act

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 Economic Area) 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

Each year you will receive a benefit statement. You are entitled to request an estimate of the cash equivalent of your benefits (including death benefits, but excluding any allowance for discretionary benefits) once in any 12 month period. 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 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 have any questions about the content of this booklet, about your benefit entitlement or about pensions in general, visit [www.baesystemspensions.com](http://www.baesystemspensions.com).

You can also ring the Pensions helpline on **01252 383810** or e-mail [farnborough.pensions@xchanging.com](mailto:farnborough.pensions@xchanging.com).

Alternatively write to:

**Pensions Service Centre**  
**PO Box 87**  
**Hertford House**  
**Farnborough Aerospace Centre**  
**Farnborough**  
**Hampshire**  
**GU14 6YU**

