

BAE SYSTEMS PENSIONS  
BECAUSE PLANNING IS  
PART OF THE JOURNEY

# LEVEL 100+ A GUIDE TO YOUR BENEFITS

APRIL 2012

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**BAE SYSTEMS**

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This Guide is intended as a source of information on the main provisions of *Level 100+*. It is subject to changes in future as required by HM Revenue & Customs and to the Rules of the *Scheme* that set out the legal basis for the Trustees' administration of the *Scheme* and which override any provisions of this booklet with which they are inconsistent. Copies of the Rules are available from the *Pensions Service Centre* and the website when accessed from *Company* locations.

## BECAUSE PLANNING IS PART OF THE JOURNEY

**BAE Systems Pension Scheme *Level 100+* is a valuable part of your remuneration package from the *Company*. *Level 100+* provides you with a range of benefits to support you and your family both now and in the future.**

This Guide provides you with information about *Level 100+*. It is important that you take time to read it and fully understand the benefits available to you.

**This Guide features certain terms and expressions which have specific meanings within the *Scheme*. These are shown in italics and the definitions will be revealed if you use your mouse to hover over any of these.**

BAE Systems Pension Scheme *Level 100+* is a flexible scheme, giving you some choice in the level of your contributions as your circumstances change.

Benefits from the BAE Systems Pension Scheme *Level 100+* are payable in addition to any pension you may receive from the State Pension arrangement. If you choose to join *Level 100+* you will be contracted-in to the State Pension Scheme ([see page 16 for further details](#)).

# SUMMARY OF LEVEL 100+ BENEFITS

## YOUR BENEFITS IF YOU LEAVE

### With less than 3 month's *Qualifying Service*

= A refund of contributions less deductions

### With at least 3 months' but less than 2 years' *Qualifying Service*

= A refund of contributions less deductions or a transfer to another scheme

### With more than 2 years' *Qualifying Service*

= Deferred benefits or a transfer to another scheme

## YOUR BENEFITS WHEN YOU RETIRE

### A pension for life

OR

### A reduced pension for life plus a tax free cash sum

## YOUR DEATH BENEFITS

### In service

= Spouse's pension payable for life

+ Lump sum

### In retirement

= Spouse's pension payable for life

+ If within five years of retirement, balance of pension paid as lump sum

### In deferment

= Spouse's pension payable for life

+ Lump sum



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# WHAT IS LEVEL 100+?

*Level 100+* is a pension arrangement based on two types of pension provision; these are final salary and money purchase.

## FINAL SALARY

A final salary pension is based on your salary near to the date you leave or retire and the number of years that you contribute. In a final salary arrangement the *Company* agrees to pay the balance of the cost of the employee's pension.

## MONEY PURCHASE

A money purchase pension is based on the contributions paid and the investment returns achieved. The *Company* pays a fixed percentage of your salary into your pension fund. The fund then builds up over your working life and can normally be taken as a lump sum or is used to buy a pension when you retire. The risk that the value of your investments will fall, or that the cost of buying a pension may increase, is with you, not the *Company*.

The remaining part of the *Core Benefits* from *Level 100+* provides for your dependants on your death either in service or in retirement and the possibility of an ill-health pension if you are unable to work.

The decision to opt out is yours alone but you should give careful consideration before doing this and you may wish to consult with an Independent Financial Adviser who may charge a fee for this service. For more information, visit [www.unbiased.co.uk](http://www.unbiased.co.uk).



“THE MAIN PART OF YOUR PENSION UNDER LEVEL 100+ IS LINKED TO YOUR LEVEL OF BASIC SALARY NEAR THE TIME YOU LEAVE THE SCHEME OR RETIRE.”

# HOW DOES IT WORK?

## CORE PENSION

The main part of your pension under *Level 100+* is linked to your level of *Basic Salary* near the time you leave the *Scheme* or retire. Your pension builds up at 1% (1/100) of your *Final Basic Salary* for each year that you are a contributing member; this is the final salary part of your pension and is called your *Core Pension*.

## RETIREMENT ACCOUNT

The second part of your pension is in addition to your *Core Benefits* and is called your *Retirement Account*. The *Company* allocates an amount equal to 2% of your *Basic Salary* to this money purchase arrangement each year. You may choose to pay *Voluntary Contributions* into the *Retirement Account* in addition to your contributions to the *Core Benefits*. Any transferred-in benefits will also be added to your *Retirement Account* (see page 17).

You can choose how your *Retirement Account* contributions are invested from a range of options selected for you by the Trustees. For more information see the '**Retirement Account Guide**'.

When you come to retire, the account value you have built up can normally be taken as a lump sum or it can be used to buy a pension from within the *Scheme* or to purchase an external annuity.



## CORE PENSION

=

1%

×

*Final Basic Salary*

×

*Pensionable Service*

×

*Longevity Adjustment Factor\**

\* Not applicable to any service before 6 April 2006

## RETIREMENT ACCOUNT

=

2% *Company Contribution*

+

*Your Voluntary Contributions ( if any)*

+

*Investment returns\*\**

\*\* It is important to note that investment returns may be positive or negative.



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# MEMBERSHIP OF THE SCHEME

*Level 100+* is no longer accepting new members.

Contributing members continue to earn benefits from *Level 100+* in accordance with this booklet and the Rules in force from time to time.

## OPTING OUT

Membership of *Level 100+* is not a compulsory part of employment with the *Company*. As a member of *Level 100+* you can opt out at any time.

You will be required to give the Trustees and the *Company* two months' written notice of your intention to leave *Level 100+*. At the end of the pay period in which your two month notice period expires you will be treated under *Level 100+* as if you had left service.

You will then lose:

- The benefit of the *Company's* contributions towards the cost of future pension provision under *Level 100+*.
- The protection provided by *Level 100+* to you and to your family in the event of your death in service.
- The protection provided by *Level 100+* to you and your family in the event of your early retirement from the *Company* on account of serious ill-health.
- The opportunity to earn a pension linked to your *Basic Salary* and *Pensionable Service*.

You will not have the opportunity to re-join *Level 100+* at a later date. The decision to opt out is yours alone but you should give careful consideration before doing this and you may wish to consult with an Independent Financial Adviser who may charge a fee for this service. Please visit [www.unbiased.co.uk](http://www.unbiased.co.uk) for more details.

# MAKING CONTRIBUTIONS

## YOUR CONTRIBUTIONS

**You pay 4% of your *Basic Salary* towards the *Core Benefits of Level 100+*. These are your *Basic Contributions*.**

AND

**You may also pay *Voluntary Contributions* to your *Retirement Account*.**

## SMART PENSIONS ARRANGEMENT

Provided you are employed by companies wholly owned by BAE Systems or participating Joint Venture Companies, all contributions to *Core Benefits* 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 the [SMART Pensions booklet](#).

## INCOME TAX RELIEF

Any contributions you choose to make are deducted from your pay before tax is calculated; therefore, you automatically receive income tax relief at your highest rate although some restrictions apply to high earners.

## COMPANY CONTRIBUTIONS

The rate of *Company* contributions is determined by the Trustees in consultation with the *Company* and with advice from the *Scheme* Actuary, who carries out regular reviews of the financial position of the *Scheme*. In addition, the *Company* will allocate an amount equal to 2% of your *Basic Salary* to your *Retirement Account*.

## HOW THE CONTRIBUTIONS ARE USED

### CORE PENSION

Your *Basic Contributions*, together with contributions from the *Company*, are invested by the Trustees as part of the total assets of the *Scheme*. Those assets are used to provide benefits linked to your *Final Basic Salary* and *Pensionable Service* as set out in the Rules of the *Scheme*.

### RETIREMENT ACCOUNT

The *Company* contribution allocated to your *Retirement Account*, together with any *Voluntary Contributions* you elect to pay, are invested with an insurance company appointed by the Trustees (currently Standard Life).

There are a number of investment fund options from which to choose, and information regarding these can be found in the '[Retirement Account Guide](#)'. Please remember that the value of these investments may go down as well as up and any pension at retirement will be calculated by reference to the investment value of your *Retirement Account* and the *Pension Rate* applicable at that time.

### TEMPORARY ABSENCE

If you are temporarily absent from work, your membership of *Level 100+* will continue for as long as you pay contributions into *Level 100+*. 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 *Level 100+*, your *Pensionable Service* will cease. On recommencing contributions, your *Pensionable Service* before and after the break will be treated as continuous. If you are absent because of sickness or injury and you stop paying contributions, you will be treated as remaining in *Pensionable Service* for up to one year from the date you were first absent.

If you are absent as a result of maternity, adoption or paternity leave, you will be treated as still in 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 service unless you return to work at the end of that period of leave. In this case, your periods of service before and after that leave will be treated as continuous but will exclude the period of parental leave itself. A period of parental leave will only be treated as service if, on your return to work, you pay contributions in respect of that period as if you had been working normally.

### TRANSFERS IN

You may be able to transfer benefits from previous membership of another scheme or a personal pension into *Level 100+*. The value of any transferred-in benefits will be added to your *Retirement Account*. For more information please contact the *Pensions Service Centre*.

**“YOU PAY 4% OF YOUR BASIC SALARY TOWARDS THE CORE BENEFITS OF LEVEL 100+; THESE ARE YOUR BASIC CONTRIBUTIONS.”**

# HOW TO CALCULATE YOUR PENSION

Level 100+ provides pension benefits in two parts; *Core Benefits* which are final salary benefits and the *Retirement Account* which is an additional money purchase savings vehicle (see page 5).

## CORE PENSION

Your *Core Pension* is 1% of your *Final Basic Salary* for each year of *Pensionable Service* adjusted by the *Longevity Adjustment Factor*.

The factor varies depending on your age at that date and your age when you retire, and will be calculated at the same time as your *Core Pension*. The *Longevity Adjustment Factor* is not applied to any part of your pension earned before 6 April 2006.

Your *Final Basic Salary* in the calculation on the right will be restricted to the *Scheme Cap* if appropriate.

## RETIREMENT ACCOUNT

The value of your *Retirement Account* can normally be taken as a tax free lump sum. Alternatively it will be converted into pension using a *Pension Rate* set by the Trustees on the advice of the *Scheme Actuary* or, you may purchase an annuity from an external provider.

The *Pension Rate* used to calculate any pension to be purchased within the *Scheme* from your *Retirement Account*, is determined by the Trustees, on the advice of the *Scheme Actuary* and may change from time to time.

## YOUR LEVEL 100+ PENSION

=

CORE BENEFITS

+

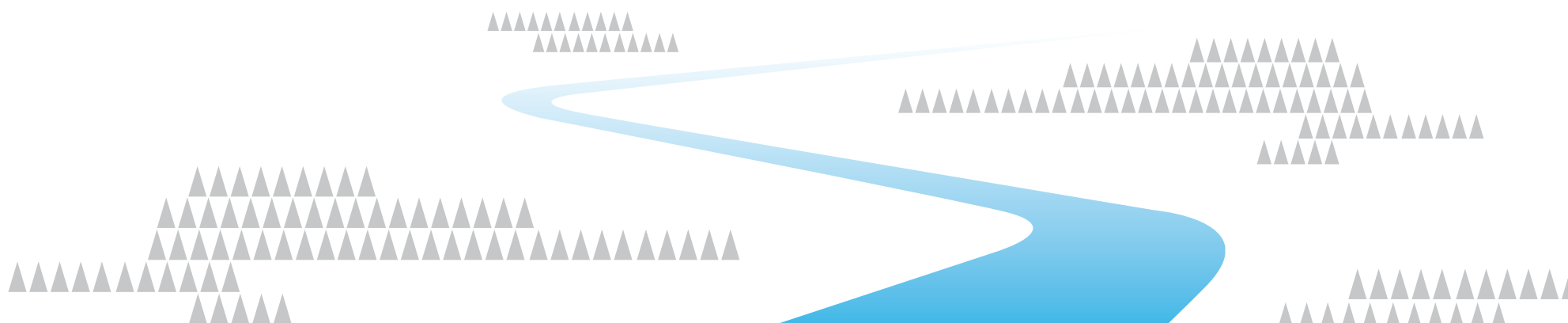
RETIREMENT ACCOUNT (CONVERTED INTO A PENSION USING THE PENSION RATE)

+ VOLUNTARY CONTRIBUTIONS  
(OPTIONAL)

+ COMPANY CONTRIBUTIONS  
2% OF BASIC SALARY

+ INVESTMENT RETURNS  
(POSITIVE OR NEGATIVE)

+ TRANSFERS IN



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# WHEN YOU REACH RETIREMENT

## RETIRING FROM PENSIONABLE SERVICE AT NORMAL RETIREMENT DATE

### CORE PENSION

If you retire at *Normal Retirement Date* you will receive a pension that is calculated as shown on [page 8](#).

### RETIREMENT ACCOUNT

Your *Retirement Account* can normally be taken as a tax free lump sum. Alternatively it will be converted into a *Scheme* pension using the *Pensions Rate* applicable when you retire or, you may purchase a pension from an external provider.

## RETIRING FROM PENSIONABLE SERVICE BEFORE NORMAL RETIREMENT DATE EXCEPT ON MEDICAL GROUNDS

You may be permitted to retire at any time after age 55 and receive an immediate pension, subject to the consent of the Trustees and the *Company*.

### CORE PENSION

If you retire early, your *Core Pension* will be reduced by a factor to account for the extra years over which your pension will be paid. The early retirement reduction 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.

### RETIREMENT ACCOUNT

Your *Retirement Account* can normally be taken as a tax free lump sum. Alternatively it will be converted into a *Scheme* pension using the *Pensions Rate* applicable when you retire or, you may purchase a pension from an external provider.

## 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 and the *Company*. There are two levels of benefits payable, depending upon the severity of your illness.

**Incapacity** is defined as having a physical or mental condition which, in the opinion of the Trustees, permanently prevents you from carrying out the primary duties of your occupation.

**Chronic ill-health** is defined as having a physical or mental condition which, in the opinion of the Trustees, permanently prevents you from undertaking any regular work for the *Company* or any other employer.

### Restricted terms

If you are a member admitted on the basis of restricted terms, the basis of your pension payable on retirement on medical grounds will be as previously notified to you.

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

INCAPACITY

=

CORE PENSION  
WITHOUT APPLICATION OF THE EARLY  
RETIREMENT REDUCTION FACTOR

CHRONIC ILL-HEALTH

=

INCAPACITY PENSION

+

50% OF YOUR PROSPECTIVE CORE PENSION AS  
DESCRIBED BELOW

At the discretion of the Trustees and the *Company*, incapacity pensions may be subject to an early retirement reduction factor. Your prospective *Core Pension* is 1% of *Final Basic Salary* for each year between retirement and *Normal Retirement Date* adjusted by the *Longevity Adjustment Factor*. The Trustees have the power to reduce or suspend the pensions described above if, in their opinion, this is justified by a subsequent change in your circumstances. In addition, your *Retirement Account* can normally be taken as a tax free lump sum. Alternatively it will be converted into a *Scheme* pension using the *Pensions Rate* applicable when you retire or, you may purchase a pension from an external provider.



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## WHEN YOU REACH RETIREMENT CONTINUED

### RETIRING FROM PENSIONABLE SERVICE AFTER NORMAL RETIREMENT DATE

Contributions to *Level 100+* will continue as described on [page 7](#) and your pension will be calculated as shown on [page 8](#) at your actual retirement date, but with the *Longevity Adjustment Factor* applied as at *Normal Retirement Date*. You will continue to be covered for *Level 100+* death in service benefits until you retire.

### HOW YOUR PENSION WILL BE PAID TO YOU

Your pension will be paid in advance on the first working day of each calendar month direct to your bank or building society account. These pension payments are subject to tax under the PAYE system, using a tax code provided by HM Revenue & Customs, but are not subject to National Insurance deductions.

### PENSION INCREASES

Your *Core Pension* earned in *Level 100+* will normally be increased on 1 May each year. Proportionate increases are given in the first *Scheme Year* of retirement to any pension beginning after 1 May.

Your *Core Pension* will be increased annually by the rise in the Retail Prices Index (RPI) subject to a maximum increase of 2.5% per year and for any service before 6 April 2006, up to a maximum of 5% per year. These increases do not apply to a pension purchased with an external provider using your *Retirement Account*. If you use your *Retirement Account* to purchase a pension with an external provider, increases on that pension will be at the rate you have chosen. For more details please contact the *Pensions Service Centre*.

If you have switched from one of the other sections of the *Scheme*, the pension earned prior to joining *Level 100+* will be increased in accordance with the Rules of that section.

### OPTIONS ON RETIREMENT

#### TAX FREE CASH SUM

You will be able to exchange part of your retirement benefits for a tax free cash sum on retirement.

Your tax free cash sum will be provided from your *Retirement Account* first, with any remainder provided by converting your *Core Pension*. The balance in your *Retirement Account* and the amount of your *Core Pension* will be reduced accordingly.

The amount of *Core Pension* that you will need to give up for cash depends on your age at retirement.

The rates used to convert your *Retirement Account* into pension and *Core Pension* into tax free cash are determined by the Trustees on advice from the *Scheme Actuary* and may change from time to time.

The maximum lump sum depends on the circumstances, but is typically about 25% of the total value of the *Core Pension* and *Retirement Account*.

# DEATH BENEFITS

## DEATH IN SERVICE

If you die while you are a contributing member, the following benefits will be paid:

**A lump sum death benefit equal to three times your *Basic Salary* at your date of death.**

+

**A lump sum equal to the value of your *Retirement Account***

+

**A spouse's pension equal to 50% of the chronic ill-health pension you would have received had you retired with chronic ill-health on the date of your death (see page 9)**

## DEATH IN RETIREMENT

If you die while receiving a pension from *Level 100+* the following benefits will be paid:

### Your spouse's pension

This will be equal to 50% of your *Core Pension* (ignoring any reduction to take account of the fact that you chose to exchange part of your *Core Pension* for a cash sum) plus any additional spouse's pension that you arranged when your *Retirement Account* was converted into benefits

+

### The five year payment guarantee

If you die whilst receiving a pension from *Level 100+* within the first five years after your retirement (and are aged under 75), a lump sum equal to the unpaid balance of five years' pension payments from the *Scheme* (at the rate applicable at the date of death disregarding future increases) will be paid

## DEATH WITH DEFERRED BENEFITS PRIOR TO NORMAL RETIREMENT DATE

If you die after leaving *Level 100+* and are entitled to a deferred pension (see pages 13 and 14), your surviving spouse will receive a pension of 50% of your *Core* deferred pension revalued to the date of your death and adjusted by the *Longevity Adjustment Factor*. In addition, a lump sum equal to the value of your *Retirement Account* will also be payable. If you have no surviving spouse, a refund of your *Basic Contributions* will be payable.

## DEATH WITH DEFERRED BENEFITS ON OR AFTER NORMAL RETIREMENT DATE

If you die on or after *Normal Retirement Date* before your pension has started, your surviving spouse will receive a pension of 50% of the *Core Pension* you would have received if you had retired immediately before your death, without giving up pension for a lump sum. In addition, the five year payment guarantee will apply in respect of this notional retirement pension. A lump sum equal to the value of your *Retirement Account* will also be payable.

“THE PENSION SCHEME PROVIDES BENEFITS TO YOUR DEPENDANTS IF YOU SHOULD DIE BEFORE THEM.”



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## DEATH BENEFITS CONTINUED

### PAYMENT OF LUMP SUM DEATH BENEFITS

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

### PAYMENT OF SPOUSE'S, CIVIL PARTNER'S AND DEPENDANT'S PENSION

The pension is paid to your spouse or civil partner at the date of your death, although the Trustees have discretion to reduce, or not to pay this pension if the marriage or civil partnership had broken down. The pension is payable for life and will commence on the first day of the month following the date of death.

In certain circumstances, the Trustees may at their discretion pay the pension to another person and if you had been married or in a civil partnership for less than six months, the Trustees have discretion to decide whether your spouse or civil partner should receive the pension.

### RESTRICTED TERMS

If you are a member admitted on the basis of restricted terms, your benefits may be restricted. If you are affected by restricted terms you will be notified on joining.

Lump sum death benefits will be paid at the Trustees' discretion to:

**Dependants**

OR

**Beneficiaries or nominees**

OR

**Relatives**

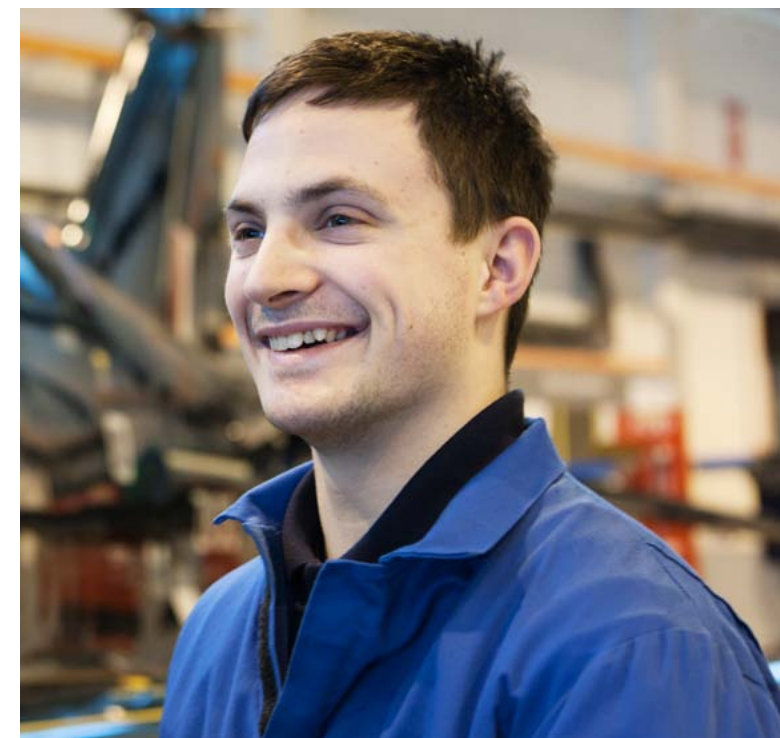
### Expression of Wish Form

You can help the Trustees decide who will receive the 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* or from [www.baesystemspensions.com](http://www.baesystemspensions.com). 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*.**



**“THE PENSION SCHEME PROVIDES BENEFITS TO YOUR DEPENDANTS IF YOU SHOULD DIE BEFORE THEM.”**



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# LEAVING LEVEL 100+

If you leave the *Company* before you reach retirement, your membership of *Level 100+* will cease. You can also choose to cease your membership of *Level 100+* whilst you are still an employee of the *Company* by 'opting out'.

The options available if you decide to leave the *Scheme* are dependent on your *Qualifying Service* within *Level 100+*.

If you have less than 3 months' *Qualifying Service*

**You will be entitled to a refund of your total contributions (including any *Voluntary Contributions*) to *Level 100+* less tax.**

If you have at least 3 months' but less than 2 years' *Qualifying Service*

**You will be entitled to a refund as above or you may transfer to another pension arrangement (see [page 14](#)).**

If you have 2 or more years' *Qualifying Service*

**You will be entitled to a deferred pension payable when you reach *Normal Retirement Date* or you may transfer its value to another pension arrangement.**

Your *Core* deferred pension will be calculated in the same way as the *Core Pension* as set out on [page 8](#) and will initially be based on your *Final Basic Salary* and *Pensionable Service* on the date you leave *Level 100+*. Contributions to your *Retirement Account* will cease on the date you leave *Level 100+*, but your account will continue to be subject to investment returns (please remember that investments may go down as well as up). Your *Retirement Account* can normally be taken as a tax free lump sum on retirement or will be used to purchase a pension.

Your *Core* deferred pension will increase in line with the Consumer Prices Index (CPI) up to a maximum of 2.5% per year compound over your period of deferment and for any *Core* deferred pension relating to service before 6 April 2009, up to a maximum of 5% per year compound.

You may also have the option to exchange part of your retirement benefits for a tax free cash sum when you reach retirement.

## Certificate of Deferred Benefits

When you leave *Level 100+*, you will be given a Certificate of Deferred Benefits and it is important that you keep this safe. It is also very 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.



## LEAVING LEVEL 100+ CONTINUED

### EARLY PAYMENT OF YOUR DEFERRED PENSION

Your deferred pension can be paid at any time after the first day of the month following your 55th birthday or from 50 if you joined the *Scheme* before 6 April 2006. If you take your *Core Pension* early it will be reduced to allow for the extra years over which your pension will be paid. The level of reduction will be agreed between the Trustees and the *Company*, who will be advised by the *Scheme Actuary*.

Your *Retirement Account* will normally be paid as a tax free lump sum or used to purchase a *Scheme* pension by applying the *Pensions Rate* applicable to your age at retirement. Alternatively, you may purchase a pension from an external provider.

#### Discretionary Option

The Trustees have the discretion to apply more favourable terms if you are able to satisfy the Trustees that, due to your state of health, you are unable to perform any remunerative employment with any employer. You may apply for ill-health retirement at any time before your *Normal Retirement Date*.

### LATE PAYMENT OF YOUR DEFERRED PENSION

If the Trustees agree, you may be able to elect to receive the pension starting later than your *Normal Retirement Date* but not later than your 75th birthday. Your *Core Pension* will increase between *Normal Retirement Date* and the date that you actually retire by a factor agreed between the Trustees and the *Company*, who will be advised by the *Scheme Actuary*. Your *Retirement Account* will be used to purchase a *Scheme* pension by applying the *Pension Rate* applicable to your age at retirement. Alternatively, you may purchase a pension from an external provider.

### TRANSFERRING OUT

As an alternative to leaving your deferred benefits in *Level 100+*, you may choose to take a transfer payment to either your new employer's scheme or to another pension arrangement. This can be requested at any time up to a year before your *Normal Retirement Date* and will be the cash equivalent of your benefits (including death benefits but excluding any allowances for discretionary benefits).

Having left service you may request that the Trustees provide you with a statement of entitlement of your cash equivalent. You should receive this statement within three months of your written request.

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

# 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 *Voluntary Contributions* although some restrictions 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 two main restrictions that apply although the majority of members are unlikely to be affected by them.

## THE LIFETIME ALLOWANCE

If the value of benefits in registered schemes that you may accumulate in a lifetime exceed the Lifetime Allowance, the excess benefits will be taxable at a special rate of tax. For the tax year 2012/13, the amount of the Lifetime Allowance is £1.5 million. This is broadly equivalent to a pension of about £75,000 a year.

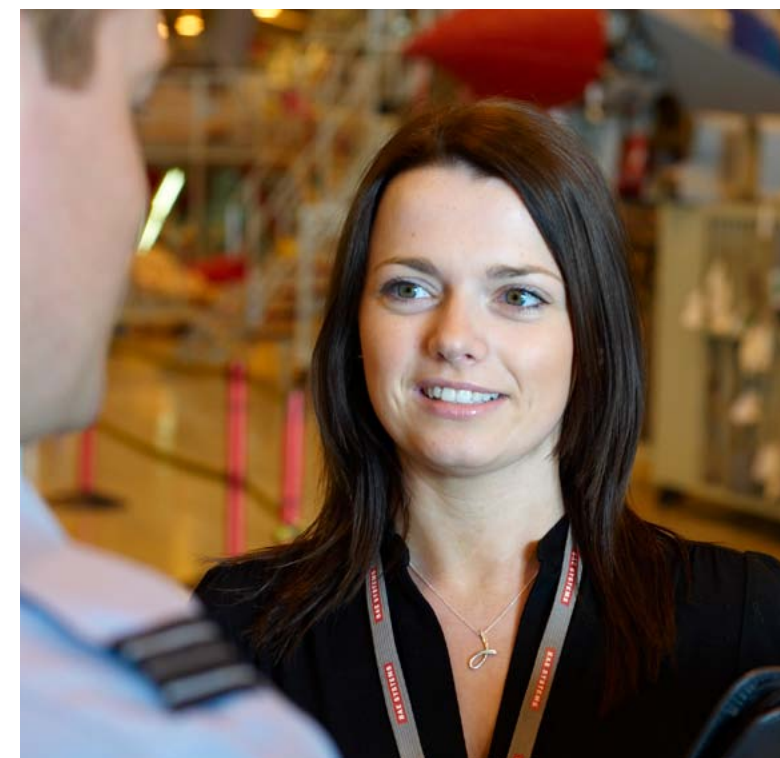
## THE ANNUAL ALLOWANCE

If any *Voluntary Contributions* in any tax year plus the increase in value of the *Core Pension* earned during the same year, when added to contributions or benefits earned in any other registered schemes, exceed 100% of your earnings or, if lower, £50,000 (for the tax year 2012/13) you will be taxed at your highest marginal rate on the excess. There are provisions for unused Annual Allowance from previous years to be used to offset potential tax liability.

## TAX FREE CASH

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

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 an Independent Financial Adviser at [www.unbiased.co.uk](http://www.unbiased.co.uk).



“THE BAE SYSTEMS PENSION SCHEME IS A REGISTERED SCHEME. THIS MEANS THAT THE SCHEME RECEIVES CERTAIN TAX CONCESSIONS AND IS SUBJECT TO CERTAIN RESTRICTIONS.”



# GENERAL INFORMATION

## MANAGEMENT OF THE BAE SYSTEMS PENSION SCHEME LEVEL 100+

The BAE Systems Pension Scheme is established under a trust administered by a Trust Company, 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 Joint Pensioners 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 which is professionally managed on behalf of the Trustees.

## THE STATE PENSION SCHEME

As a member of the BAE Systems Pension Scheme *Level 100+*, you are contracted-in to the State Second Pension (S2P). As a result of this, both you and the *Company* pay full rate National Insurance contributions. State Second Pension (also known as Additional State Pension) is paid in addition to the Basic State Pension. Until April 2002, it was usually known as SERPS and depended solely on the National Insurance contributions you paid as an employee. From April 2002, S2P replaced SERPS to provide a better Additional State Pension for low and moderate earners, certain carers and long-term disabled people.

Information on your State Pension is normally 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

[www.direct.gov.uk](http://www.direct.gov.uk)

## 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 which represents 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*.
- 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 can be obtained from the *Pensions Service Centre* or [www.baesystemspensions.com](http://www.baesystemspensions.com)

## GENERAL INFORMATION CONTINUED

### SWITCHING FROM THE OTHER SECTIONS OF THE SCHEME

If you are currently a member of Level 125,167,187 or 200 you may, subject to *Company* and Trustee consent, switch to *Level 100+* at any 6 April. Your pension percentage earned prior to joining *Level 100+* will be applied to your *Final Basic Salary* in *Level 100+* when calculating your retirement pension. There is no option to switch from *Level 100+* to other *Scheme* levels.

Although, after switching, no further amounts will be credited to your Individual Pension Account and Protected Rights Fund, they will continue to be revalued by reference to *Scheme* investment performance until your *Scheme* benefits are paid.

Any Guaranteed Minimum Pension (GMP) included in your pension prior to switching will be revalued as if you had left service on joining *Level 100+*.

After switching, the terms that will apply to your benefits will be those as set out in the Rules of the *Level 100+* section. It is strongly recommended that you seek financial advice if you are considering this option (see right).

### 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 *Level 100+* to secure additional benefits. If you wish to consider this option you should contact the *Pensions Service Centre* for more details.

### VOLUNTARY CONTRIBUTION TRANSFERS

Members can choose to transfer the value of their *Voluntary Contributions* 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. If you exercise this option no further *Voluntary Contributions* will be allowed in the future to your *Retirement Account*.

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 (see below).

### DIVORCE

Divorce proceedings 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 advise you whether to join the BAE Systems Pension Scheme *Level 100+*. The information in this Guide 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:

[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 *Level 100+* 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 LEVEL 100+

The *Company* with the consent of the Trustees, may, by deed, amend *Level 100+* at any time. You will be given written notice if your benefits or rights under the *Scheme* are materially affected by such amendment(s).

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.

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.

## GENERAL INFORMATION CONTINUED

### INTERNAL DISPUTE RESOLUTION (IDR)

If you have a query about *Level 100+*, the *Pensions Service Centre* will normally be able to resolve it. However, should you be dissatisfied with the response you receive, the Trustees have put in place a formal Internal Dispute Resolution (IDR) procedure for resolving complaints or disputes.

The procedure provides for lodging a complaint, to which a response must 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 following external organisations 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 determine 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. 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. The Pensions Regulator is able to intervene in the running of schemes where trustees, employers or professional advisers have failed in their duties. The Pensions Regulator can be contacted at:

**The Pensions Regulator**  
**Napier House**  
**Trafalgar Place**  
**Brighton**  
**BN1 4DW**

**[www.thepensionsregulator.gov.uk](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 the deferred benefit entitlements they have in previous employers' schemes. If you have difficulty finding where pensions you have earned in the past are located, the service can be accessed by contacting the Pension Tracing Service at:

**The Pension Service**  
**Tyneview Park**  
**Whitley Road**  
**Newcastle upon Tyne**  
**NE98 1BA**

**Telephone:** 0845 6002 537

**[www.direct.gov.uk](http://www.direct.gov.uk)**

## GENERAL INFORMATION CONTINUED

### 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 in such schemes.

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

### DATA PROTECTION

The Trustees are registered with the Information Commissioners Office for the processing of your personal data for purposes connected with their trusteeship of the *Scheme*. In order to administer the *Scheme*, personal data about you and your relatives and dependants will be processed by the Trustees and the *Scheme*'s administrators, which includes third parties who provide ancillary services such as printing and storing of your personal data, and advisers.

By joining the *Scheme* you consent that your personal and sensitive personal data may be processed, where required by law or under contract, to other third parties including, but not limited 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.

In certain circumstances it may be necessary to transfer your personal/sensitive personal data to third parties located outside of the European Economic Area. Should this occur the Trustees will ensure that this is done under contract with the necessary safeguards in place to guarantee you the same rights as you would be afforded within your own country of residence.

### FURTHER INFORMATION

Each year you will receive a benefit statement. Once in any 12 month period you are entitled to request an estimate of the cash equivalent of your benefits (including death benefits, but excluding any allowance for discretionary benefits), which can be transferred to another scheme. 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 on the right to see the full report.

If you require any further information on the *Scheme* or on pension matters in general, visit [www.baesystemspensions.com](http://www.baesystemspensions.com)

You can also ring the Pensions helpline on 0845 1801401 (or if calling from abroad +44 (0) 1293 591956) or e-mail [farnborough.pensions@xafinity.com](mailto:farnborough.pensions@xafinity.com)

Alternatively, write to:

**Pensions Service Centre**  
**PO Box 1193**  
**Crawley**  
**West Sussex**  
**RH10 0FY**



# TECHNICAL TERMS

## Basic Contributions

are your contributions towards Core Benefits.

## Basic Salary

is your annual rate of basic pay received from your employer but not exceeding the Scheme Cap.

## Company

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

## Core Benefits

are your retirement and death benefits linked to your Final Basic Salary.

## Core Pension

is your final salary pension from Level 100+.

## Final Basic Salary

is your Basic Salary averaged over the 36 months ending on the last day of the calendar month in which you leave service or die (whichever occurs first). This is subject to not exceeding the Scheme Cap.

However if you have any service before 6 April 2006 for that period of service it is your Basic Salary averaged over the last 12 months ending on the last day of the calendar month in which you leave service or die (whichever occurs first). This is subject to not exceeding the Scheme Cap.

## Level 100+

is a section of the BAE Systems Pension Scheme opened to members from 6 April 2003 and closed to new members on 31 March 2012.

## Longevity Adjustment Factor

is an adjustment figure dependent on age, which is applied to the Core Pension. It will adjust the pension earned to reflect changes in life expectancies. Improved life expectancy may mean that future pensions are expected to be paid for longer and the Longevity Adjustment Factor will reduce your pension to take account of this. The Scheme Actuary will set the amount of this Longevity Adjustment Factor each year.

There are different Longevity Adjustment Factors that apply to benefits on normal retirement, chronic ill-health and benefits payable following death before retirement. The Longevity Adjustment Factor does not apply to any pension earned before 6 April 2006.

## Normal Retirement Date

is the first of the month coincident with or immediately after your 65th birthday.

## Pension Rate

is the cost of purchasing £1 of annual pension. The rates are based on your sex, your age and the investment conditions at the time of purchase.

## Pensionable Service

is the number of years and complete months during which you have contributed to Level 100+.

## Qualifying Service

is your Pensionable Service, plus any Pensionable Service in another section of the Scheme before joining Level 100+ or in any other scheme from which a transfer has been made to this Scheme.

## Retirement Account

is the value of the annual Company contribution of 2% of your Basic Salary, plus any Voluntary Contributions, as invested in an investment fund chosen by you from the range provided by the Trustees.

## Scheme

is the BAE Systems Pension Scheme.

## Scheme Cap

is the maximum Basic Salary and Final Basic Salary that will be used in the calculation of your benefits. As at April 2012 this figure is £133,800 and it will normally be increased each year.

## Scheme Year

is from 6 April to the following 5 April.

## Voluntary Contributions

are additional contributions you may choose to make towards your Retirement Account.