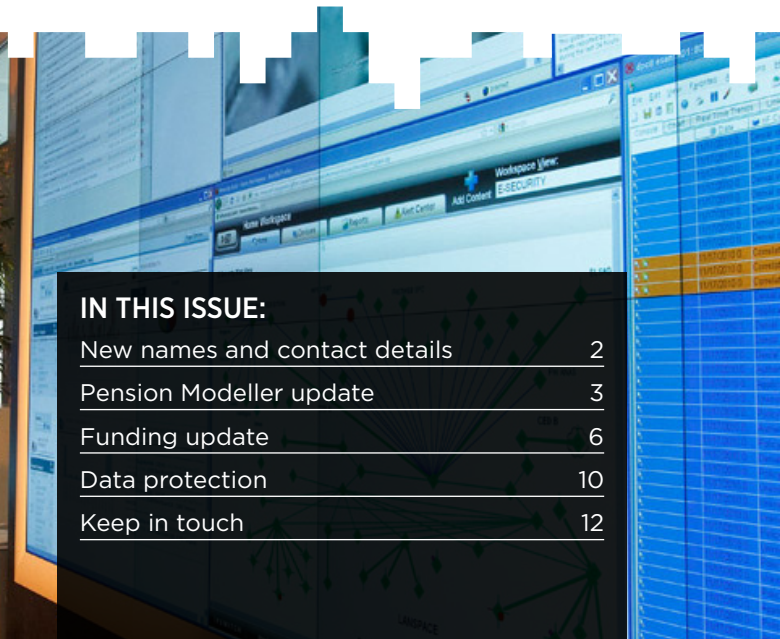


# IN FOCUS

## LEONARDO ELECTRONICS PENSION SCHEME

Issue 25

Autumn 2018



### IN THIS ISSUE:

New names and contact details	2
Pension Modeller update	3
Funding update	6
Data protection	10
Keep in touch	12

# NEW NAMES AND CONTACT DETAILS FOR SCHEME ADVISERS

Following business mergers, two of the Scheme's advisers have announced new names and brands. There is no change to the adviser or the services they provide, only a change of name and email address.

## PSAL BECOMES XPS ADMINISTRATION

Our administrator, PS Administration (PSAL), has merged with Xafinity and is now known as XPS Administration. The team looking after your benefits will remain the same. There is a new email address for members to use, as set out below.

You can contact XPS Administration at:  
Leonardo Electronics Pension Scheme  
XPS Administration  
Queen's Quay  
33-35 Queen Square  
Bristol BS1 4LU

Email: [LEPS@XPSgroup.co.uk](mailto:LEPS@XPSgroup.co.uk)

Telephone: 0117 440 2491



## P-SOLVE BECOMES RIVER AND MERCANTILE

Our investment manager, P-Solve, has merged with River and Mercantile and has rebranded as River and Mercantile Solutions.

RIVER AND MERCANTILE  
SOLUTIONS



## PENSION MODELLER - COMING SOON!

Following the change to the pension administrator earlier this year, the Trustee is working with XPS Administration to develop a pension modeller for active members of the Scheme, which will be available through MyPension.com. The modeller will enable active members (those who are still contributing to the Scheme) to run online pension illustrations using a variety of retirement dates to help plan for retirement. The modeller is due to launch during the final quarter of 2018.

# CHANGES TO OUR DEFAULT INVESTMENT STRATEGY FOR DC FUNDS

**Since pension freedoms were introduced in 2015, people are changing how they access their defined contribution (DC) savings at retirement – and income drawdown is becoming increasingly popular.**

Income drawdown is where savings continue to be invested into retirement and an income is taken out as required. To facilitate this, we have changed the balance of one of the funds used in the default investment strategy available for members with Additional Voluntary Contributions (AVCs) or a 100+ Section Retirement Account. Our 'off-risk' Retirement Protection Fund has been renamed the Retirement Focus Fund and is now made up of:

- 50% Cautious Growth (previously 37.5%)
- 25% Annuity Focus (previously 37.5%)
- 25% Cash (previously 25%)

We have done this because the Cautious Growth Fund is a more natural fit when a member continues to invest their savings into retirement through income drawdown.

If you are in the default investment strategy, your savings will automatically move into the Retirement Focus Fund three years before your Target Retirement Age.

The change to the fund will cause a marginal increase in the risk profile.

It is really important to make sure your Target Retirement Age reflects when you plan to take your AVC/100+ Section Retirement Account benefits. You can check this on [MyPension.com](http://MyPension.com) and update it if necessary.

Please note, this change does not affect your core defined benefit (career salary) pension.



# SUMMARY FUNDING STATEMENT 2017 & 2018

This is your update on the funding position of the Scheme, which the Trustee is required to provide to you each year. Set out opposite are the details of the Scheme's funding position as at 5 April 2017 (the date of the most recent formal actuarial valuation), together with the interim valuations as at 5 April 2016 (the position shown in the last summary funding statement) and 5 April 2018.

## DEFINITIONS

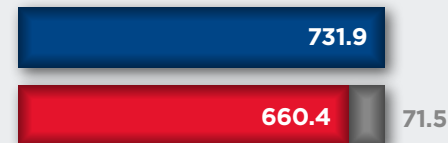
**Funding level %:** the value of the assets, expressed as a percentage of the value of the liabilities.

- **Assets:** the amount of money held by the Scheme in various forms. This includes cash, equities, bonds, swaps and other investments.
- **Liabilities:** the amount of money the Scheme is estimated to need to pay all of its future benefits.
- **Surplus:** the amount by which the Scheme's assets exceed its liabilities.

Values are in £ million

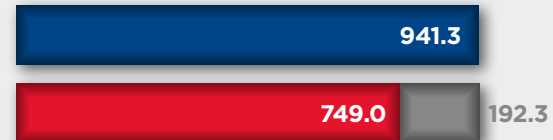
2016

Funding level - 111%



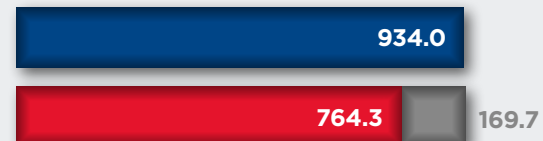
2017

Funding level - 126%



2018

Funding level - 122%



## CHANGE IN FUNDING POSITION SINCE LAST SUMMARY FUNDING STATEMENT

As at 5 April 2016, there was an estimated surplus of £71.5 million. At 5 April 2017, the surplus was £192.3 million, an increase of £120.8 million over the year. This was mainly due to investment returns generated by the Scheme's assets being greater than expected over the year, and changes to certain assumptions used to place a value on the Scheme's liabilities (agreed as part of the actuarial valuation as at 5 April 2017).

Since 5 April 2017, the surplus has reduced from £192.3 million to £169.7 million as at 5 April 2018. This was mainly due to a proportion of the surplus being used to support the cost of new benefit accrual over the year (as agreed as part of the 5 April 2017 actuarial valuation) and the investment returns on the Scheme's 'return seeking' assets being lower than assumed over the year.

The value of the liabilities as at 5 April 2017 was calculated using assumptions agreed as part of the actuarial valuation by the Company and Trustee. The assumptions used to value the liabilities as at 5 April 2018 are consistent with those in 2017, but reflect changes in the relevant interest and inflation rates.

The next detailed calculation of the Scheme's funding position will occur as part of the formal actuarial valuation as at 5 April 2020. The Trustee does, however, monitor the funding position of the Scheme on a regular basis and will take action if necessary.



## SUMMARY FUNDING STATEMENT CONTINUED

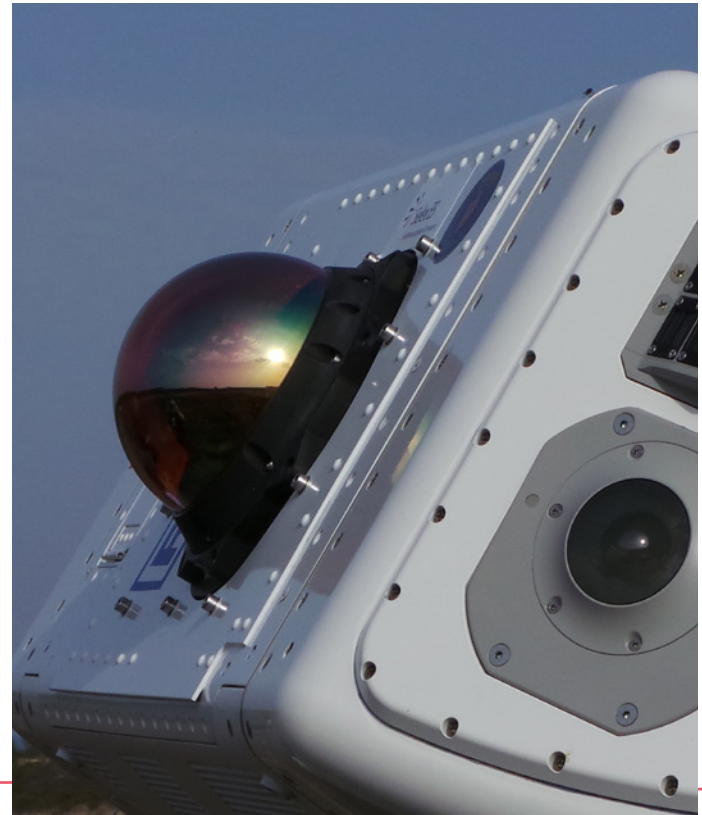
### BUYOUT/DISCONTINUANCE BASIS

This is the amount of money needed to buy an insurance policy to pay your benefits. This would only be relevant if it was decided to wind up the Scheme. As at 5 April 2017, the Actuary valued the Scheme at 92% funded on a discontinuance basis, which is equivalent to an £80 million deterioration in the funding position since the last formal discontinuance valuation (as at 5 April 2014). This is mainly due to a significant fall in the discount rates used to calculate the liabilities (due to changes in market conditions over the period), leading to a significant increase in the value placed on the liabilities. In addition (as agreed due to the Scheme's ongoing funding surplus), Company contributions into the Scheme were less than the assessed cost of new benefit accrual over the period.

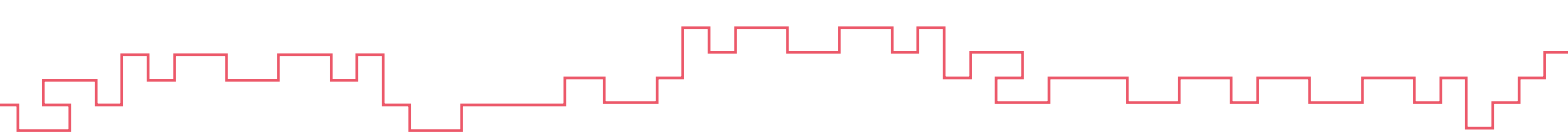
It is a legal requirement to produce these discontinuance figures and it does not mean that there is any intention to wind up the Scheme.

### HOW IS MY PENSION FUNDED?

Active members and the participating employers pay contributions to the Scheme based upon members' Pensionable Salaries. The Scheme holds the money in a







common fund from which it pays members' pensions when they retire. If you pay voluntary contributions to the Selected Benefits Scheme (SBS), these contributions are also held in this common fund. Other Additional Voluntary Contributions and 100+ Retirement Accounts are held separately with Old Mutual Wealth.

### HOW IS THE AMOUNT OF MONEY THE SCHEME NEEDS WORKED OUT?

The Trustee obtains regular valuations of the benefits earned by members. Using this information and recommendations from the Scheme Actuary, the Trustee and the Company must agree on the future contributions that are required to ensure there is sufficient money in the Scheme to pay the benefits.

### WHICH FUNDING BASIS IS USED?

The ongoing funding basis is used to determine how much needs to be paid into the Scheme by participating employers and members. It assumes that the Company will continue in business and support the Scheme. The discontinuance basis is not used; however it would be relevant if the Scheme were to wind up.

### WHAT IF THE SCHEME STARTED TO WIND UP?

We are legally required to tell you what would happen if the Scheme were to wind up. It does not mean there is any intention to wind up the Scheme in the foreseeable future. If the Scheme were to wind up, the Company is required to pay enough into the Scheme to secure the members' benefits with an insurance company. If the Company is not able to pay the deficit (if any), the Pension Protection Fund (PPF) might be able to take over the Scheme and pay compensation to members.

### OTHER INFORMATION

No payments have been made from the Scheme to any participating employers in the last 12 months.

If you are thinking of leaving the Scheme, you should consult a professional independent financial adviser first.

# KEEPING UP TO DATE

## NEW DATA PROTECTION LEGISLATION: GDPR

The new EU General Data Protection Regulation (GDPR) came into force in the UK in May 2018, replacing the Data Protection Act 1998. Companies and organisations (including pension scheme trustees) must be able to justify why they hold people's personal data, as well as record how they use it. Personal data is broadly any piece of information that can be used to identify you as an individual.

### **What does GDPR mean for the Scheme?**

The Trustee is a 'data controller' and is responsible for how it holds and processes your personal information in line with our data protection policy and the GDPR legislation. Details of how we do this can be found in the Scheme's Fair Processing Notice (which you may also hear referred to as a 'privacy notice') in the publications section of the website at [www.leonardoelectronicspensions.co.uk](http://www.leonardoelectronicspensions.co.uk)

## SCHEME RULE AMENDMENTS

The Scheme Rules have been updated to reflect the legislative position which provides equality of survivor's benefits to same sex spouses and civil partners. A change has also been made to the Main Section Rules to align the provisions on early retirement following redundancy between active and deferred members of the Scheme.

## TIMESCALES FOR PUTTING PENSIONS INTO PAYMENT

When it comes to retirement, it can take time to set up your pension. There may be a couple of months between when you receive your last salary and when your first pension payment is received. We try to keep this period as short as possible, however it is important for you to have plans in place to cover this. The reasons for this timescale include:

- We need to wait until you have received your last salary payment from the Company and this information has been transferred to us and loaded to your pension record;
- If you are making any voluntary savings (AVCs/SBS) or have a 100+ Retirement Account, we need to receive these contributions from payroll, invest them with the remainder of your funds and then disinvest your whole fund ready for your retirement;
- We need to have received final signed forms from you, confirming which retirement options you wish to take (including how you wish to use any voluntary savings or 100+ Retirement Account), together with relevant birth and marriage certificates.

All in all, this can take a number of weeks. Only when we have received all this information can we calculate your final pension figures and proceed to make payment. Your pension will be backdated to the date of your retirement.

## CHALLENGING INVESTMENT TIMES AHEAD?

The last few years have seen buoyant times in equity markets and the growth in investments has been good. However, our investment managers, River and Mercantile, are anticipating uncertain times for the next 12 months or more.

They have already taken de-risking steps to mitigate potential losses and diversify into other asset classes, ready to maximise gains when they see an opportunity.

This does not mean that our Scheme will not see investment growth and we still expect to achieve our long-term goals. However, as always, there is a risk that investment growth will be challenging in the short term and the ride might be bumpy. The level of investment return impacts on both the core Scheme assets which the Trustee invests, and also on members who have 100+ Retirement Accounts or voluntary savings funds.

## PENSIONER PAYSLEIPS

Please remember that hard-copy payslips for our pensioner members will be issued once a year alongside your P60, or more frequently if there is a change in the value of your net monthly pension of more than £10. Soft copies of your monthly payslips can be accessed on the XPS Administration online pension tool, **MyPension.com**.

## PENSION INCREASES

We've had a few queries regarding the level of pension increases applied to the Electronics Scheme pension, and we thought it would be useful to summarise the increase rates which generally apply. The rates of increase are set out in the Scheme Rules:

- Pension earned before 6 April 2006 increases by the increase in the Retail Prices Index (RPI) capped at 5% a year.
- Pension earned on and after 6 April 2006 increases by the increase in the Retail Prices Index (RPI) capped at 2.5% a year.

Most pension benefits in the Electronics Scheme were earned after 6 April 2006 and are subject to the 2.5% cap. This cap is an important risk control measure to help ensure the sustainability of the Scheme. The annual pension increases which apply to your pension will be set out in a pension increase letter which is issued to pensioner members each May.

Remember, where you are receiving pensions from other pension arrangements (such as a BAE Systems pension scheme) different increases will apply as the benefits in those arrangements will have been earned at a different time and under different terms.

# KEEP IN TOUCH

Please remember to let us know if any of your details change, such as your address. If you have any queries about your pension, please contact the administrator.

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## Disclaimer

The content of this newsletter is given for the purpose of providing you with information about the Scheme only and has no legal effect. The Rules of the Scheme govern how the Trustee must act and if there is any inconsistency between the Rules and the information given in this newsletter, the Rules will prevail.



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