

SELEX PENSION SCHEME

IN FOCUS

CAREER SALARY SPECIAL EDITION

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Our new Career Salary benefit structure went ‘live’ on 6 April 2016, after months of behind-the-scenes preparations. This newsletter provides a recap of how Career Salary works, what new options you have for building up extra pension and what you can expect from the Scheme in terms of member communications during the year.

There is still a lot of work to be done – in particular, calculating your transitional Block 1 values, relaunching our Pensionline modelling tool and also issuing annual benefit statements. The Scheme administrator, Aon Hewitt, is hard at work getting everything updated so that we can resume ‘business as usual’ come the Autumn.

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 the rules of the Scheme are inconsistent with the information given in this newsletter, the rules will prevail. Copies of the rules are available from the Scheme administrator, Aon Hewitt.

THE ABC OF CAREER SALARY

A

STANDS FOR ACCRUAL RATE

Each year, you will build up a block of pension.

The size of your block will depend on your 'accrual rate'.

- If you are in the Main and 2000 sections, your accrual rate is 1/65th.
- If you are in the 100+ section, your accrual rate is 1/100th.

Your earnings in a particular year are multiplied by your accrual rate to give you a block of pension. Your accrual rate will be higher if you have chosen to Buy Up.

Each block you build up in the Scheme receives an inflation-plus increase each year, to protect your pension against the rise in the cost of living. This is called 'revaluation', and in our Scheme the increase will be **1% above the rate of inflation** (up to a maximum of 6%).

The measure of inflation we use is the Consumer Prices Index (CPI) as this is the official Government statistic.

B

STANDS FOR BLOCK 1

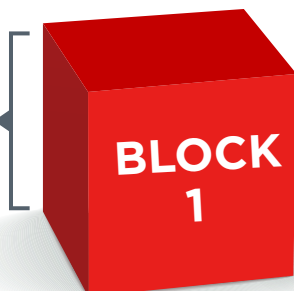
The pension that you have built up in the Scheme to 5 April 2016 becomes 'Block 1'. The value of your Block 1 may be given a boost (called the 'transitional uplift') to reflect the cessation of the future salary link on your BAE Systems benefits.

This boost has to be calculated by the Scheme administrator and is complex. It is based on the assumption that your future rate of salary increases is already known and is 1% above CPI inflation until your normal retirement date.

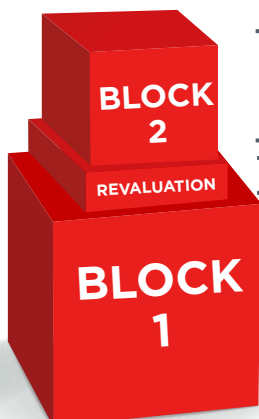
There is also a check to make sure you are not worse off than under the old rules, based on your pensionable service up to 5 April 2016 – which may help a few members (particularly members of the 2000 section whose pension was under basis 2 or 3).

A Guide to Block 1 will be available when you receive your Block 1 statement. This will provide further detail on how your Block 1 value and transitional uplift have been calculated.

Pension based on your earnings and service to 5 April 2016 but calculated as if you are guaranteed to receive future salary increases of 1% above inflation



TRANSITION



YEAR 1

Accrual rate x earnings for Year 1

Inflation +1% on Block 1

C

STANDS FOR CONTRIBUTIONS

From April 2016, all active members pay the same basic pension contribution of 7.5% of pensionable salary.

Members get tax relief on their pension contributions, which means the cost to you is reduced. And, if you pay your contributions through the Smart (salary sacrifice) option, you also make savings on National Insurance contributions (NICs).

Buy Up for more pension

Remember that you can get a higher accrual rate, in return for an additional contribution. You can find out more about the Buy Up option at: www.selexpensions.co.uk/170/buy-up. **The next opportunity to join Buy Up will be in the lead up to April 2017.**

Main section end to contracting out

If you are in the Main section, you used to pay NICs at a lower rate, because that section was contracted out of the earnings-related part of the State Pension (S2P). S2P was abolished by the Government on 6 April 2016, so you now pay NICs at the same rate as other members of the Scheme.

WORK IT OUT

You can use our Career Salary modellers to work out:

- how much membership of the Scheme will cost you
- how much Career Salary pension your contributions will buy each year
- what difference Buy Up might make to your final pension



Visit www.selexpensions.co.uk/168/career-salary

WHAT TO EXPECT NEXT

CAREER SALARY MEMBER BOOKLET

Your Career Salary member booklet is enclosed with this newsletter. It explains how your pension builds up in the Scheme, and provides a summary of the Scheme benefits.



PENSION STATEMENTS

We'll send you a statement in the Autumn that will show you the value of your first block (Block 1) in the new Career Salary benefit structure, and your projected pension at normal retirement date.

A Guide to Block 1 will also be available to help you understand your Block 1 pension value.

PENSIONLINE MODELLER

This is currently 'offline' while we calculate your Block 1 values and rebuild the software that lies behind the administration system.

The Block 1 values have to be calculated and checked carefully, and there are some special cases which will have to be done manually, so it's a slow process. However, we'd rather get it right than rush this important stage.

Pensionline uses 'live' administration data, so it can't be relaunched until these tasks have been completed.

We're expecting it to be completed in the Autumn, and we'll let you know when it's up and running again.

STATE PENSION INFORMATION

Please note that when Pensionline is relaunched, it won't include the facility to view State Pension information. This is because the Department for Work and Pensions has stopped providing this information to pension administrators. You can, however, get a State Pension forecast online at:

<https://www.gov.uk/check-state-pension>

RETIREMENT QUOTATIONS

Until Pensionline has been updated, we're not able to provide long-term retirement quotations to members. If you're retiring within the next nine months, and have a firm leaving date, please contact Aon Hewitt for an illustration of your Selex pension benefits.



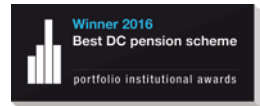
WHAT ABOUT MY BAE SYSTEMS BENEFITS?

The majority of our members also have pension benefits within a BAE Systems pension scheme. However, now that we have a Career Salary structure, there is no longer a direct link between the schemes in terms of what happens to your salary. In effect, the link is reflected instead within the transitional uplift for Block 1.

Your BAE benefits are payable from the relevant BAE Systems pension scheme, as has always been the case since the start of the Selex Scheme. When you retire, you will need to seek pension quotes from both the Selex and the BAE Systems schemes – you can find the contact details in the enclosed Career Salary member booklet. Please be aware that there may be adverse implications if you take your Selex and BAE pensions at different times (particularly on early retirement from the 2000 section) and you should consider your retirement decisions carefully.

AWARD-WINNING LEONARDO UK PENSIONS!

Our defined contribution investment strategy has



been named as the DC Scheme of the Year for 2016 in the awards run by *Portfolio Institutional* magazine to recognise excellence in institutional investment.

We won the award for our investment strategy for Additional Voluntary Contributions (AVCs) and the 2% Top Up for members of the 100+ section; the judges were impressed with our 'fiduciary management' (which in effect means making the most of our investment experts) in the way we seek to make individual DC pots grow.

The award is shared with all of the Leonardo UK pension schemes, including FuturePlanner (the scheme for new employees), because of the innovative way we have managed this shared strategy through a joint investment committee.

GET IN TOUCH

If you have any questions about the information in this newsletter, or your pension in general, please contact the Scheme administrator, Aon Hewitt:

Telephone: 0345 603 5660 **Email:** selex.pensions@aonhewitt.com

Pensions website: www.selexpensions.co.uk

Address: Selex Pension Scheme, Aon Hewitt, PO Box 196, Huddersfield HD8 1EG

Remember, if you move house, please tell the Scheme administrator so that you can continue to receive up-to-date information. If we don't have your current address, it may delay the payment of your pension.