



# Member's Booklet Main Section

December 2015 edition

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## Introduction

The Selex Pension Scheme (the “*Scheme*”) is a registered pension scheme set up under trust and administered by SELEX Pension Scheme (Trustee) Limited (the “*Trustee*”) according to the rules of the *Scheme*. (For more information about how the *Scheme* works, see pages 33 onwards (General information about the Scheme).)

The *Scheme* provides valuable benefits for you and for your dependants. The benefits you are entitled to are described in detail in the rules of the *Scheme*. This booklet has been designed to explain the main details of the benefits provided to members of the Main Section of the *Scheme*.

If you are uncertain about what section of the *Scheme* you are a member of or if you require more information about your pension, please contact the Pension Administrator.

You should note that this booklet is intended as a guide and is not a legal document. Your entitlement under the *Scheme* is set out in the rules, the current law and Revenue practice. If there is any conflict between the booklet and the rules of the *Scheme*, the rules will prevail. You should also note that the rules, the law and Revenue practice can be changed at any time.

Words in this booklet which are written in italics are defined on page 38.

**Actions you should take now:** There are a number of actions you should consider taking regularly:

- Keep the Pension Administrator updated of any change in your personal circumstances e.g. change of address, getting married or divorced etc.
- Do you want to pay voluntary contributions? (see page 8 for further information)
- Do you need to update your expression of wish form? (see page 28 for further information)

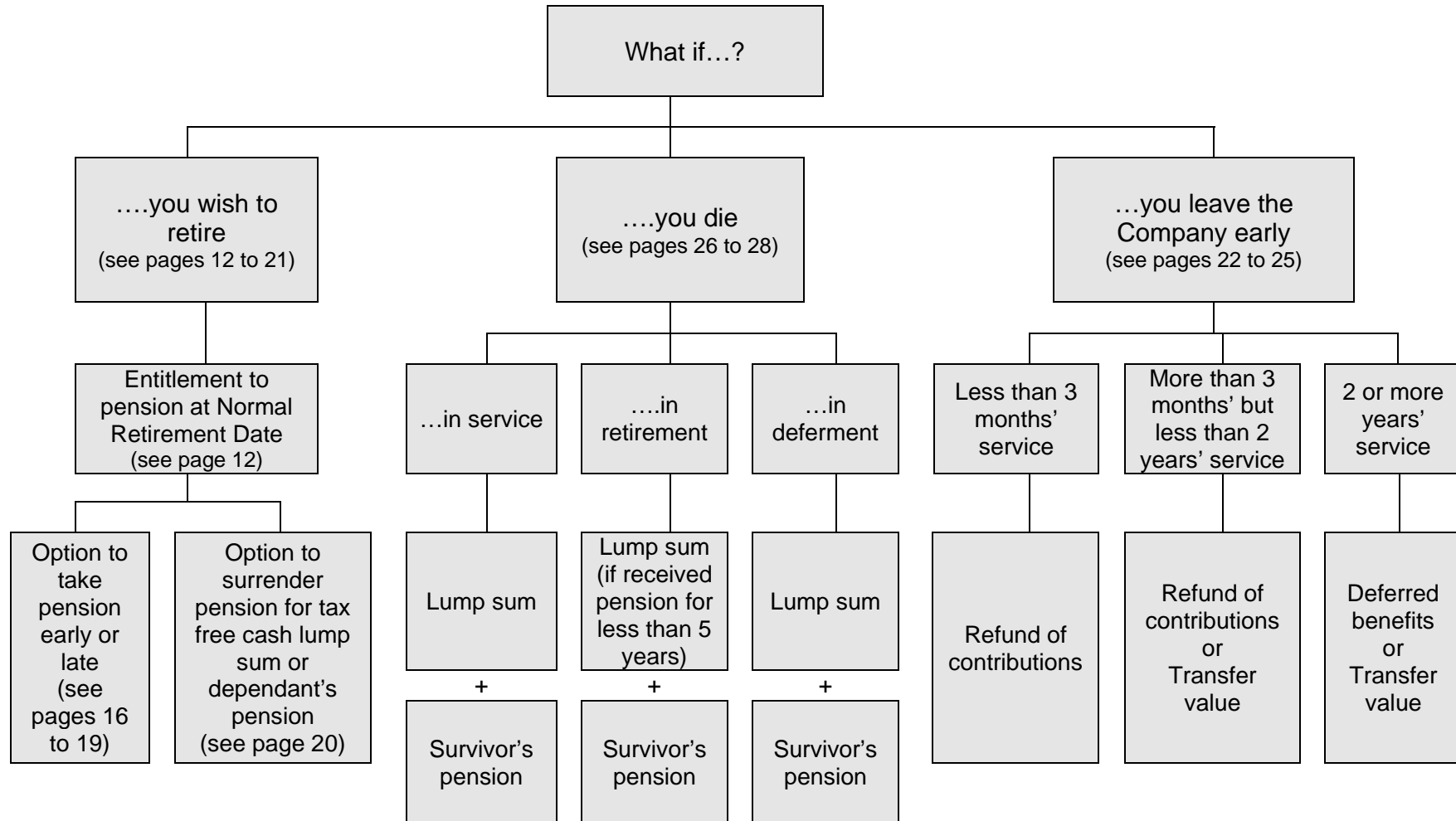
**Please note:** This booklet describes the benefits paid by the *Scheme* (i.e. Selex Pension Scheme) only, except where stated otherwise. Your entitlement from your BAE Systems pension is set out in the rules of the appropriate BAE Systems scheme.

The contact details for the Pension Administrator are

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

Tel: 0345 603 5660  
Email: [selex.pensions@aonhewitt.com](mailto:selex.pensions@aonhewitt.com)

**Summary of benefits**



## Joining the Main Section

- Eligibility** You were eligible to join the Main Section of the *Scheme* on 30 April 2005 if:
- you were an active member of the *BAE Systems Scheme* (Main Section) as at 29 April 2005; and
  - you joined the *Scheme* on 30 April 2005.
- Opting-out** Remaining in the *Scheme* is not compulsory. You may choose to opt-out of the *Scheme* by completing an Opt-Out form, available from the Pension Administrator. You will be required to give two months' written notice of your intention to leave the *Scheme*. At the end of the pay period in which your notice expires you will be treated under the *Scheme* as if you had left service.
- Please note, by opting-out:
- You will lose the benefit of the *Company's* contributions towards the cost of future pension provision.
  - 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 some 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 ill health.
  - You will no longer build up a pension in the *Scheme* and your entitlements under the *Scheme* will be based on your *Final Basic Salary* and completed *Total Pension Percentage* at your date of opting-out.
- Rejoining the Scheme after opting-out** As the *Scheme* is closed to new members, a Member who elects to opt out of the *Scheme* will not be eligible to rejoin at a later date.
- You may be eligible to join FuturePlanner (which is the *Company's* defined contribution scheme) at a later date and certain restrictions and conditions may be imposed. The trustees may require you to provide evidence of your health in connection with joining FuturePlanner and, if appropriate, restrict the terms of your membership. If you are a member admitted on restricted terms, you will be notified on joining.
- Levels of membership in the Main Section** There are three levels of membership of the Main Section, each with their own contribution rate. The range of benefits in each level is identical but the difference lies in the rate at which you accrue pension, which is broadly:
- Level 125 – provides a pension of 1/80<sup>th</sup> (or 1.25%) of your *Final Basic Salary* for each year of membership
  - Level 167 - provides a pension of 1/60<sup>th</sup> (or 1.67%) of your *Final Basic Salary* for each year of membership
  - Level 200 - provides a pension of 1/50<sup>th</sup> (or 2.00%) of your *Final Basic Salary* for each year of membership
- You may change level at the start of a *Scheme Year* i.e. on 6 April, enabling you to decrease the rate of your pension saving. You are not permitted to increase the rate of your saving by switching level.
- If you would like to change level, you will need to complete and return the Application to Change Levels form before the end of February. Copies of the form can be obtained from the Pension Administrator or the *Scheme* website at [www.selexpensions.co.uk](http://www.selexpensions.co.uk).

## Contributions

### Member contributions

Currently you must pay the following rates of contributions whilst you are in *Pensionable Service*.

- Level 125      7.5% of your *Contribution Earnings*
- Level 167      9.5% of your *Contribution Earnings*
- Level 200      12.5% of your *Contribution Earnings*

Your contributions are deducted from your pay before tax is calculated. Therefore you automatically receive income tax relief at your highest rate.

You will stop making contributions when you leave *Pensionable Service* or die, whichever occurs first. For information about paying contributions when you are temporarily absent from work, see page 29.

### Employer contributions

The rate of your employer's contributions is determined by the *Trustee* and the *Company* with advice from the *Scheme* actuary, who carries out regular reviews of the financial position of the *Scheme*.

### Voluntary contributions

You may increase your benefits by paying voluntary contributions.

Voluntary contributions qualify for income tax relief at your highest rate, in the same way as your normal member contributions. Please see the box on page 9 for information on contribution limits

As a member of the Main Section, you may pay Additional Voluntary Contributions (AVCs) to an AVC fund with Old Mutual Wealth (previously known as Skandia).

AVCs allow you to pay voluntary contributions to secure extra retirement benefits on a money purchase basis. Your voluntary contributions are invested with Old Mutual Wealth in investment funds of your choosing and your entitlement to additional benefits will be calculated by using the value of your account with Old Mutual Wealth and the factors used to convert this amount to pension at the date of your retirement.

If you would like to know more about paying voluntary contributions, you can download the AVC Guide and the appropriate forms from the Scheme website, [www.selexpensions.co.uk](http://www.selexpensions.co.uk).

**The *Scheme* rules provide that, in any tax year, your member contributions and voluntary contributions (AVCs) to the Scheme cannot exceed 100% of your UK taxable earnings. It is your responsibility to ensure that you do not exceed the 100% limit as the Pension Administrator will not have all the necessary information to monitor this.**

**You may incur a tax liability if your pension benefits increase by more than £40,000 in one tax year. The value of any increase in your Selex pension over the year is taken into account. For more information please see page 31 (Annual Allowance) and read the "Pension Tax Changes" document available from the Scheme website at <http://www.selexpensions.co.uk/51/69/pension-tax-changes>.**

### Payment through SMART pensions

An option exists to pay contributions (member and voluntary) through a salary sacrifice arrangement. This option is known as SMART pensions, which stands for "save money and reduce tax". It is a method of paying contributions that is used by many



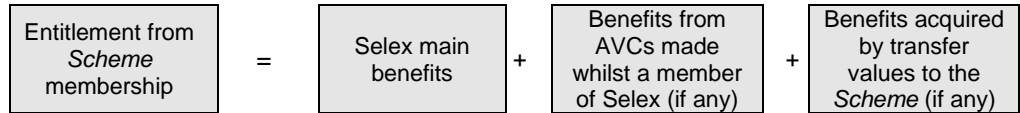
## Selex Pension Scheme

organisations to deliver savings to their employees and the business.

More information about SMART pensions is available in the Selex Pension Scheme – SMART Guide and on the website, [www.selexpensions.co.uk](http://www.selexpensions.co.uk).

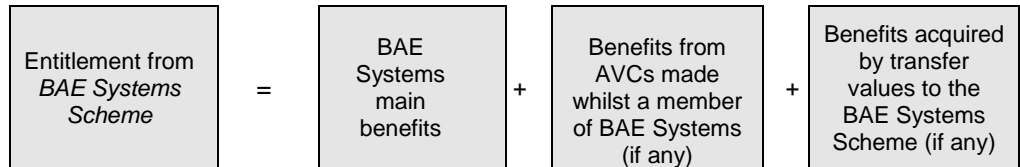
### Your entitlement from the Scheme and the link with the BAE Systems Scheme

**Your entitlement from membership of the Scheme** Your entitlement to benefits from membership of the *Scheme* consists of



This booklet describes Selex main benefits only. For further details about AVCs, which are invested with Old Mutual Wealth please read the Selex Pension Scheme – AVC Guide.

**Your entitlement from the BAE Systems Scheme** Your entitlement to benefits from the *BAE Systems Scheme* will consist of

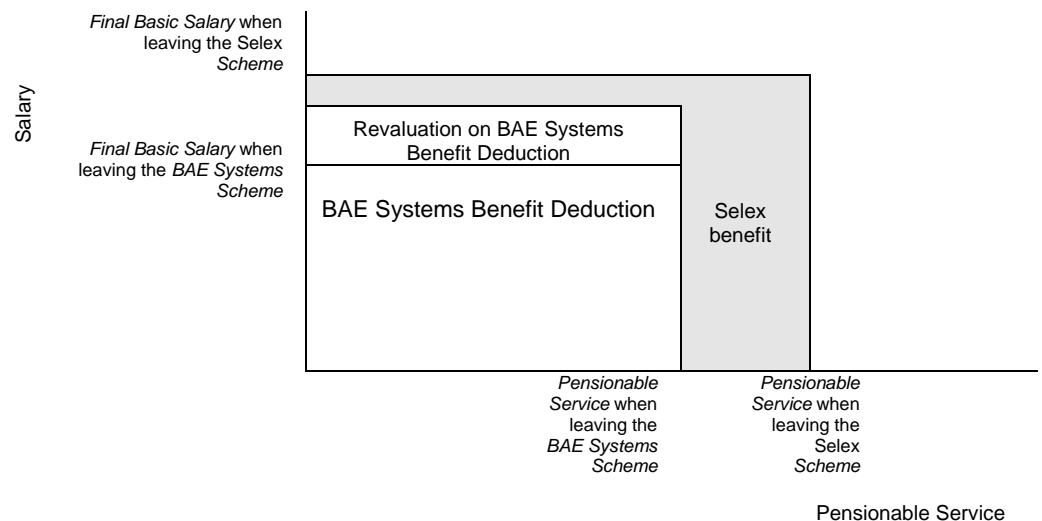


The *BAE Systems Scheme* is a separate arrangement – please contact the BAE Systems Pensions Service centre for further information.

### Calculating your Selex main benefits and the link with the BAE Systems Scheme

If you were a member of the *BAE Systems Scheme* up to 29 April 2005 and you became a member of the *Scheme* on 30 April 2005, the amount of your main benefit entitlement from the *Scheme* is linked to your entitlement from the *BAE Systems Scheme*.

Your main benefit entitlement from the *Scheme* can broadly be illustrated as follows:



Please note if the increase in your Selex benefit due to additional service accrued and increases to your Final Basic Salary is not more than the revaluation on your BAE Systems Benefit Deduction, you will not receive a top up to your BAE benefit and your

## Selex Pension Scheme

Selex benefit may decrease.

Alternatively your entitlement from the *Scheme* can be described as:

$$\boxed{\text{Selex pension}} = \boxed{\text{Gross pension}} \text{ less } \boxed{\text{BAE Systems Benefit Deduction}}$$

Where:

- your **gross pension** is calculated using your total pensionable service in the *Scheme* and the *BAE Systems Scheme* and salary information as at the date of leaving the *Scheme*; and
- your **BAE Systems Benefit Deduction** is calculated using your pensionable service in the *BAE Systems Scheme* only and salary information up to 29 April 2005 (which is subject to *revaluation*).

The amount of the BAE Systems Benefit Deduction will be calculated using the rules of the *BAE Systems Scheme* effective as at 29 April 2005. Therefore the BAE Systems Benefit Deduction will not be affected by:

- any change to the rules of the *BAE Systems Scheme* after 29 April 2005; nor
- if you transfer your benefits out of the *BAE Systems Scheme* or take your benefits from the *BAE Systems Scheme* at a different time to the benefit from the *Scheme*.

It is possible that a small number of members may not be entitled to any benefit from the *Scheme*. This can occur, for example, where the member is subject to *Scheme* limits or where the BAE Systems Benefit Deduction is bigger than the gross pension (which can occur if the member's Final Basic Salary has not increased in line with inflation since leaving the *BAE Systems Scheme* in 2005).

### **The Scheme and BAE Systems Scheme are separate arrangements**

You should note that the *Scheme* and the *BAE Systems Scheme* are separate pension arrangements. Therefore,

- you will receive a pension from two pension arrangements: the *Scheme* and the *BAE Systems Scheme*;
- you must apply to each scheme if you wish to draw your pension;
- the *Scheme* cannot affect your entitlement from the *BAE Systems Scheme*; and
- any AVCs and transfers made to the *BAE Systems Scheme* are paid from the *BAE Systems Scheme*.

### **Amount payable from BAE Systems Scheme**

The amount of pension payable from the *BAE Systems Scheme* will be calculated in accordance with the rules of the *BAE Systems Scheme*. It will often be equal in amount to the BAE Systems Benefit Deduction but not necessarily so, especially if you draw your pension from the *BAE Systems Scheme* at a different time or transfer your entitlement out of the *BAE Systems Scheme*.

## Normal retirement

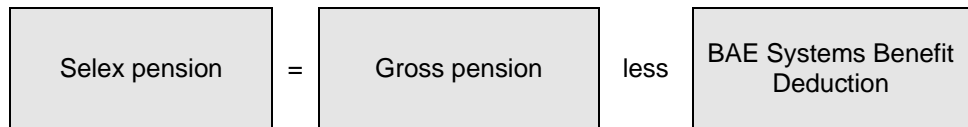
Although benefits are designed to be a percentage of your salary at retirement, called your Earnings Related Pension, they are backed by a “value for money” guarantee, which depends on the value of your Individual Pension Account. Therefore your pension will be the greater of your Earnings Related Pension or the pension provided by your Individual Pension Account.

As the *Scheme* was contracted-out of the State Second Pension on a protected rights basis until 5 April 2012, there is also a Protected Rights guarantee.

More detail about each element of the way your pension is calculated is set out below.

### Amount of pension payable from the Scheme

If you stay in *Pensionable Service* until your *Normal Retirement Date* (age 65) your Selex pension will be calculated as follows:



For further detail about why your pension is calculated in this way, see page 10.

### Calculating your gross pension

Your gross pension (which is calculated by using data from your membership of both the *BAE Systems Scheme* and the *Scheme*) will be calculated as an amount equal to the greater of:



This is because your Earnings Related Pension is backed by the “value for money” guarantee.

## Selex Pension Scheme

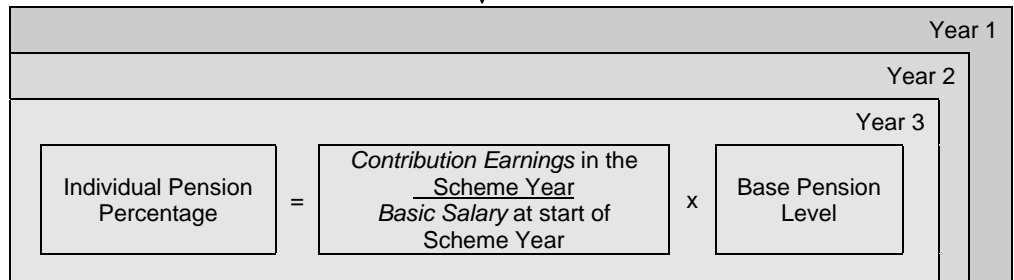
### Earnings Related Pension

Your Earnings Related Pension is calculated as follows:

$$\boxed{\text{Earnings Related Pension}} = \boxed{\text{Total Pension Percentage}} \times \boxed{\text{Final Basic Salary}}$$

Your Total Pension Percentage will be equal to all your Individual Pension Percentages for the whole of your membership of the *BAE Systems Scheme* and the *Scheme*.

e.g.  
 Individual Pension Percentage for year 1  
 +  
 Individual Pension Percentage for year 2  
 +  
 Individual Pension Percentage for year 3  
 etc



Your entitlement builds up each *Scheme Year* and will depend upon your level of membership and your earnings during that year. Your pension will reflect your earnings pattern over the whole of your membership of the *Scheme* and the *BAE Systems Scheme*.

**Base Pension Level**

Level 125 members: Base Pension Level is 1.25%  
 Level 167 members: Base Pension Level is 1.67%  
 Level 200 members: Base Pension Level is 2.00%

### Pension provided by your Individual Pension Account (IPA)

Your Individual Pension Account is your "value for money" guarantee.

When calculating your gross pension, the pension provided by your Individual Pension Account is calculated as follows:

$$\boxed{\text{Pension provided by your Individual Pension Account}} = \frac{\boxed{\text{Value of Individual Pension Account in the Scheme}} + \boxed{\text{Value of Individual Pension Account in the BAE Systems Scheme}}}{\boxed{\text{Conversion rate determined by the Trustee}}}$$

## Selex Pension Scheme

The value of your Individual Pension Account in the *Scheme* is calculated as the greater of:

Total of your <i>Basic Contributions</i> to the <i>Scheme</i>	OR	Sum of: your <i>Basic Contributions</i> to the <i>Scheme</i> during the <i>Scheme Year</i> PLUS 3% of your <i>Contribution Earnings</i> during the <i>Scheme</i> <i>Year</i> PLUS balance of your Individual Pension Account at the start of the <i>Scheme Year</i> re-valued to take account of investment returns (positive or negative) on assets of <i>Scheme</i> during the year
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Your Individual Pension Account in the *BAE Systems Scheme* will have been calculated in a similar way and will continue to be re-valued while you are a deferred member of the *BAE Systems Scheme*.

### Calculating your BAE Systems Benefit Deduction

Broadly, your BAE Systems Benefit Deduction is calculated using the same method as set out above but using:

- your pensionable service in *BAE Systems Scheme* only;
- salary information up to 29 April 2005.

For example:

- Your Earnings Related Pension calculation will use:
  - your *Total Pension Percentage* for *Pensionable Service* up to 29 April 2005; and
  - your *Final Basic Salary* as at 29 April 2005;

Your Earnings Related Pension would then be *revalued* to take account of the period between 29 April 2005 and the date you draw your Selex benefit.

- The pension provided by your Individual Pension Account will be calculated using:
  - the value of your Individual Pension Account in the *BAE Systems Scheme* at the date you draw your pension from the *Scheme*; and
  - a conversion rate determined by the *Trustee*.

### Limits on benefits

You should be aware that your *Scheme* pension could be restricted to comply with limits set out in the rules of the *Scheme*. Further details are set out on page 31.

Please note that you may not draw your *Scheme* benefits unless you leave *Service*, i.e. you are no longer employed by the *Company*.

### Choices at retirement

**Lump sum** You may be able to exchange part of your pension for a tax free cash sum. Further details are contained on page 20.

**Dependant's pension** You may have the opportunity to exchange part of your pension for a dependant's pension. Further details are contained on page 20.

**BAE Systems benefits** The amount of pension payable from the *BAE Systems Scheme* will be calculated in accordance with the rules of the *BAE Systems Scheme*. As noted on page 11, it will often be equal in amount to the BAE Systems Benefit Deduction but not necessarily so, especially if you draw your pension from the *BAE Systems Scheme* at a different time or transfer your entitlement out of the *BAE Systems Scheme*.

If you would like to take your pension from the *BAE Systems Scheme* at the same time as you take benefits from the *Scheme*, you must notify the BAE Systems Pensions Service Centre as well as the Selex Pension Administrator.

**Your Protected Rights guarantee** Your Protected Rights guarantee relates to the fact that your pension is contracted out of the State pension scheme for the purposes of the additional State pension (see page 35 for more information about contracting out and the State pension system).

When the Government allows the *Scheme* to contract out of the additional State pension, it requires the *Scheme* to guarantee a minimum level of pension payable from the *Scheme*.

Up until 5 April 2012, you were contracted-out of the State Second Pension on a "protected rights" basis and built up a Protected Rights Account. Your Protected Rights Account will continue to be tested against the gross pension benefits you accrued up to 6 April 2012. On 6 April 2012, this form of contracting out was abolished by the Government and therefore from 6 April 2012, you are contracted-out on a "salary related" basis and your benefits must be at least as good as a minimum level specified by legislation.

## Late retirement

- Introduction** If you stay in *Service* after your *Normal Retirement Date* (age 65), you will continue to pay contributions to the *Scheme* (unless you opt out (see below)). **Please ensure you read the ‘Working past 65 Guide’ on the Scheme Website before deciding whether to opt out as there are important considerations which may impact your pension.**
- In order to remain covered for death in service benefits after you reach age 65, the group life provider may request that you complete a declaration of health form. Please contact the Pension Administrator if you would like further information.
- Calculating your pension** Broadly, your pension will be calculated in the same way as for normal retirement (as described on page 12) based on your *Final Basic Salary* and your Total Pension Percentage at your date of leaving *Service*.
- Limits on benefits** You should be aware that your *Scheme* pension could be restricted to comply with limits set out in the rules of the *Scheme*. Further details are set out on page 31.
- Please note that you may not draw your *Scheme* benefits unless you leave *Service*, i.e. you are no longer employed by the *Company*.
- Choices at retirement**
- Lump sum** You may be able to exchange part of your pension for a tax free cash sum. Further details are contained on page 20.
- Dependant’s pension** You may have the opportunity to exchange part of your pension for a dependant’s pension. Further details are contained on page 20.
- Opting out** If you do not wish to continue paying contributions and accruing benefits after your *Normal Retirement Date*, you may elect to opt out of the *Scheme*. If you opt out:
- you will cease to pay contributions to the *Scheme*; and
  - your pension will be calculated as if you were a deferred member based on your *Final Basic Salary* and your Total Pension Percentage at the date you opt out of the *Scheme* (see page 22).
  - you will no longer be eligible for death in service lump sum cover.
- Reaching age 75** If you stay in *Service* after age 75 you will be treated for all purposes of the *Scheme* as having left *Service* at age 75.
- BAE Systems benefits** The amount of pension payable from the *BAE Systems Scheme* will be calculated in accordance with the rules of the *BAE Systems Scheme*.
- If you would like to take your pension from the *BAE Systems Scheme* at the same time as you take benefits from the *Scheme*, you must notify the BAE Systems Pensions Service Centre as well as the Selex Pension Administrator.



## Early retirement

**Introduction** You may retire early (i.e. before your *Normal Retirement Date* (age 65)) and take an immediate pension at any time after the age of 55 if the *Trustee* and the *Company* consent.

**Calculating your pension** If:

- you elect to take your pension before your *Normal Retirement Date*; and
- the *Trustee* and the *Company* consent to you taking your pension early,

your pension will be broadly calculated as follows:

greater of:

- Earnings Related Pension calculated in the same way as for normal retirement (as described on page 12) based on your *Final Basic Salary* and your Total Pension Percentage at your early retirement date; then there will be a reduction at a rate determined by the *Trustee* and agreed by the *Company* for the period that your pension is taken early. This is to take into account the extra years over which your pension will be paid; and
- The pension that can be provided by your Individual Pension Account (as described on page 13).

**Limits on benefits** You should be aware that your *Scheme* pension could be restricted to comply with limits set out in the rules of the *Scheme*. Further details are set out on page 31.

Please note that you may not draw your *Scheme* benefits unless you leave *Service*, i.e. you are no longer employed by the *Company*.

### Choices at retirement

**Lump sum** You may be able to exchange part of your pension for a tax free cash sum. Further details are contained on page 20.

**Dependant's pension** You may have the opportunity to exchange part of your pension for a dependant's pension. Further details are contained on page 20.

**Stepped pension** If you retire before *State Pension Age* (except with an ill health pension), you can choose to take the stepped pension option if the *Trustee* allows.

You will receive an increased level of pension up to *State Pension Age* and a reduced level afterwards. This enables you to even out fluctuations in your income after retirement.

**BAE Systems benefits** The amount of pension payable from the *BAE Systems Scheme* will be calculated in accordance with the rules of the *BAE Systems Scheme*.

If you would like to take your pension from the *BAE Systems Scheme* at the same time as you take benefits from the *Scheme*, you must notify the BAE Systems Pensions Service Centre as well as the Selex Pension Administrator.

### Ill health retirement

**Introduction** If you cannot work because of ill health, you may retire at any age with an immediate pension, subject to certain conditions.

**Eligibility** In order to be eligible for an ill health pension you must:

- apply to the *Trustee* ; and
- obtain the approval/consent of the Employer and the *Trustee* ; and
- the Employer and the *Trustee* must be satisfied that you fulfil the definition of Ill Health.

**Meaning of Ill Health** Ill Health means permanent physical or mental deterioration in health to a degree which in the opinion of the Employer and the *Trustee*, according to the evidence of a registered medical practitioner, prevents you from following your normal employment and seriously impairs your earning capacity for the foreseeable future. You must have in fact ceased to carry on your occupation.

The *Trustee* will ask the *Scheme's* medical adviser to carry out a report for the Employer and the *Trustee*. You will be asked to complete a form authorising the release of your medical records to support this.

**Calculating your Ill Health pension** If you are eligible for an Ill Health pension, your pension will be calculated as follows:

Greater of Earnings Related Pension OR pension provided by your Individual Pension Account up to the date of your retirement (as set out on page 13)  PLUS  Prospective pension*	less	your BAE Systems Benefit Deduction (as set out on page 14)
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\* Further details about the prospective pension can be provided by the Pension Administrator. Broadly it is a proportion of the pension you could have earned if you had stayed in *Service* until your *Normal Retirement Date*.

**Limits on benefits** You should be aware that your *Scheme* pension could be restricted to comply with limits set out in the rules of the *Scheme*. Further details are set out on page 31.

Please note that you may not draw your *Scheme* benefits unless you leave *Service*, i.e. you are no longer employed by the *Company*.

**Suspension or termination of pension** Until Normal Retirement Date, the *Trustee* may periodically require evidence of your continued Ill Health. The *Trustee* has the power to reduce, suspend or terminate your pension if, in its opinion, this is justified by a subsequent change in your circumstances.

## Selex Pension Scheme

### Choices at retirement

**Lump sum** You may be able to exchange part of your pension for a tax free cash sum. Further details are contained on page 20.

**Dependant's pension** You may have the opportunity to exchange part of your pension for a dependant's pension. Further details are contained on page 20.

### **BAE Systems benefits**

If you would like to take your entitlement from the *BAE Systems Scheme*, you will need to apply for an ill health pension to the BAE Systems trustees. The eligibility criteria and pension entitlement are set out in the rules of the *BAE Systems Scheme*.

Please note that there is no guarantee that both the *Trustee* and the BAE Systems trustees will come to the same decision regarding whether you are eligible for an ill health pension as the rules of the schemes and their requirements do contain differences.

## Other information about pensions

### Tax free cash lump sum

You may, with the consent of the *Trustee*, exchange part of your pension when it is due to start for a tax free cash sum. The maximum cash sum you may take within HM Revenue & Customs (HMRC) limits is broadly 25% of the value of your Selex pension including your AVC fund (if any).

Subject to HMRC limits, you can take the whole of your AVC fund as cash, up to a maximum of £50,000 (or 25% of the value of your AVC fund if this would exceed £50,000).

Unless you elect otherwise, your AVC fund (if any) will be used first to provide your lump sum (up to the £50,000 limit) before converting any part of your main pension to a lump sum. The amount of main pension that you will need to give up for cash is determined by the *Trustee* having taken actuarial advice.

### Dependant's pension

With the consent of the *Trustee*, you may request that you be allowed to surrender part of your pension (before it starts) to provide a pension for one or more named dependants on your death.

The amount of annual pension that you will need to give up for a dependant's pension will be determined by the *Trustee* having taken actuarial advice.

If your dependant dies before you, no dependant's pension will be payable and your pension will not be increased.

If you would like more information about giving up pension to provide a dependant's pension, please contact the Pension Administrator. Please note that you will need to notify the *Trustee* of your decision at least two months' before your pension is due to start.

### Pension increases

Your pension will increase on 1 May each year (or on such other date as may be decided by the *Trustee*).

Broadly increases will be in line with:

- for pension attributable to *GMP*, increases in accordance with contracting-out laws;
- for pension accrued before 6 April 1997, the cumulative increase will be 4% per year, or if less, in line with the increase in the retail prices index since the pension started;
- for pension accrued on or after 6 April 1997 but before 6 April 2006, the increase in the retail prices index, subject to a maximum increase of 5% in any year; and
- for pension accrued on or after 6 April 2006, the increase in the retail prices index, subject to a maximum increase of 2.5% in any year.

Proportionate increases are given in the first year of retirement, relative to the number of complete months you received your pension.

Pension increases will apply to your main pension and any pension acquired from transfers-in. If you use your AVC fund to purchase a pension with a pension provider, different increases will apply depending on whether you choose an increasing or a non-increasing pension.

You will be advised in writing of how your pension increases have been calculated

## Selex Pension Scheme

each year.

**Payment of pension** Your monthly pension from the *Scheme* will be paid to you in advance, on the first working day of each calendar month.

Pensions are paid by credit transfers to your bank or building society account.

Pension payments are subject to tax under the PAYE system.

## Leaving the Scheme and deferred benefits

### Leaving the Scheme

#### Leaving the Scheme

You will cease to be an active member of the *Scheme* if:

- you cease to be in relevant employment with the *Company* before you retire; or
- you choose to opt out of the *Scheme* whilst still an employee of the *Company* (see page 30).

#### Options available to members

The options available to you are dependent upon your *Qualifying Service* within the *Scheme* and *BAE Systems Scheme*.

<p><b>Less than 3 months' Qualifying Service</b></p> <p>Refund of contributions</p>	<p><b>Less than 2 years' but more than 3 months' Qualifying Service</b></p> <p>Refund of contributions OR Transfer out</p>	<p><b>More than 2 years' Qualifying Service</b></p> <p>Deferred benefits OR Transfer out</p>
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### Deferred benefits

#### Certificate of Deferred Benefits

When you leave the *Scheme*, 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 Pension Administrator informed of any change of address to ensure that you can be traced when your benefits become due.

#### Entitlement at Normal Retirement Date

Your pension from the *Scheme* will be calculated at your date of leaving broadly in the same way as your pension at normal retirement (see page 12), by reference to your *Total Pension Percentage* and *Final Basic Salary* at the date of leaving.

Your gross pension and BAE Systems Benefit Deduction will be increased until your *Normal Retirement Date* (or the date your pension begins, if earlier) as follows:

- your Earnings Related Pension will be increased:
  - in relation to the pension in excess of *GMPs*, at a rate equal to:
    - for pension accrued before 6 April 2009, the increase in the consumer prices index, subject to a maximum of 5% per year compound over the period of deferment; and
    - for pension accrued on or after 6 April 2009, the increase in the consumer prices index, subject to a maximum of 2.5% per year compound over the period of deferment; and
  - in relation to *GMPs*, as required by the law governing contracting out.
- your Individual Pension Account will be revalued to take account of investment returns (positive or negative) on assets of *Scheme* during the year at the end of each *Scheme Year*.

## Selex Pension Scheme

At your *Normal Retirement Date*, the pension payable from the *Scheme* will be calculated as follows:

<b>Gross pension</b> Earnings Related Pension (increased as set out above) OR Pension provided by your Individual Pension Account (increased as set out above)	less	<b>BAE Systems Benefit Deduction</b> Earnings Related Pension (increased as set out above) OR Pension provided by your Individual Pension Account (increased as set out above)
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**Limits on benefits** You should be aware that your *Scheme* pension could be restricted to comply with limits set out in the rules of the *Scheme*. Further details are set out on page 31.

Please note that you may not draw your *Scheme* benefits unless you leave *Service*, i.e. you are no longer employed by the *Company*.

### Choices at retirement

**Tax free cash sum** You may be able to exchange part of your pension for a tax free cash sum. Further details are contained on page 20.

**Dependant's pension** You may have the opportunity to exchange part of your pension for a dependant's pension. Further details are contained on page 20.

**Stepped pension** If you retire before *State Pension Age* (except with an ill health pension), you can choose to take the stepped pension option if the *Trustee* allows.

You will receive an increased level of pension up to *State Pension Age* and a reduced level afterwards. This enables you to even out fluctuations in your income after retirement.

**Late retirement** You may retire late (i.e. after your *Normal Retirement Date* (age 65)) but no later than the date you cease working or age 75, if earlier, if the *Trustee* consents.

Your pension will be the greater of:

- your Earnings Related Pension increased at a rate determined by the *Trustee* to take into account the late payment; and
- the pension provided by your Individual Pension Account (re-valued as described on page 14 up to the date your pension starts).

**Early retirement** You may retire early (i.e. before your *Normal Retirement Date* (age 65)) and take an immediate pension at any time after the age of 55.

Your pension will be the greater of:

- your Earnings Related Pension reduced at a rate determined by the *Trustee* (and agreed by the *Company*) for the period that your pension is taken early. This is to take into account the extra years over which your pension will be paid; and
- the pension provided by your Individual Pension Account (as re-valued as

## Selex Pension Scheme

described on page 14 up to the date your pension starts).

**Ill health retirement** If you cannot work because of ill health, you may retire at any age with an immediate pension, subject to certain conditions.

The *Trustee* must be satisfied that you fulfil the definition of Incapacity or Chronic Ill health.

Incapacity means you are suffering from physical or mental impairment which, according to the evidence of a registered medical practitioner provided to the *Trustee* and in the opinion of the *Trustee*, results in you being and continuing to be incapable of carrying on your occupation. You must in fact have ceased to carry on your occupation.

Your pension will be calculated in the same way as a pension payable on early retirement (including reducing it to take account of the fact that it is being paid early).

Chronic Ill health means you are suffering from Incapacity which, in the opinion of the *Trustee*, results in you being permanently unable to undertake any regular work with the *Company* or any other employer. Your pension will be calculated in the same way as a pension payable on early retirement except that the *Trustee* may decide not to reduce it to take account of the fact that it is being paid early.

The *Trustee* will ask the *Scheme's* medical adviser to carry out a report for the *Trustee*. You will be asked to complete a form authorising the release of your medical records to support this. The *Trustee's* decision regarding whether you fulfil the eligibility criteria is final.

### **BAE Systems benefits**

The amount of pension payable from the *BAE Systems Scheme* will be calculated in accordance with the rules of the *BAE Systems Scheme*.

If you would like to take your pension from the *BAE Systems Scheme* at the same time as you take benefits from the *Scheme*, you must notify the BAE Systems Pensions Service Centre as well as the Selex Pension Administrator.

## **Other options for deferred members**

### **Refund of contributions**

If you have less than two years' *Qualifying Service* you may choose to receive a refund of your *Basic Contributions* to the *Scheme*, instead of a preserved pension or transferring out your entitlement.

Your refund will consist of your *Basic Contributions* less tax and any further reduction made by the *Trustee* to cover the cost of your contracted-out benefits.

This option is not available if a transfer payment in respect of your rights under a personal pension arrangement has been made to the *Scheme*.

### **Transfer out**

**Members with more than three months' but less than two years' *Qualifying Service*:** You may take a transfer value instead of a refund of contributions.

The *Trustee* will notify you of your rights and will inform you of the period in which you may elect to receive a transfer value. If you do not exercise this right within the period the *Trustee* allows, the *Trustee* will pay a refund of contributions (see



## Selex Pension Scheme

above).

**Members with two or more years' Qualifying Service:** You may, as an alternative to leaving your deferred benefits in the *Scheme*, choose to take a transfer payment to a registered pension arrangement, such as your new employer's pension scheme or a personal pension arrangement.

You can choose this option at any time up to a year before your *Normal Retirement Date* provided you have not started to receive your benefits from the *Scheme*.

The transfer payment will be the cash equivalent transfer value (CETV) of your benefits. You may request that the *Trustee* provides you with a statement of entitlement to your CETV at any time between leaving *Service* and one year before your *Normal Retirement Date*. If you would like to request a statement of entitlement, you should contact the Pension Administrator for more details.

The *Trustee's* liability to pay a deferred pension ceases upon payment of the transfer value to your new pension arrangement and you will cease to have any entitlement under the *Scheme*.

## Death benefits

### How much is payable on my death?

The amount of the death benefits that are paid depends upon your circumstances at the date of your death.

### ...in Service (before pension starts)

If you die while you are in *Service* before your pension has started, the total benefits from the *Scheme* and the *BAE Systems Scheme* paid on your death will be:

Lump sum equal to: 3 x <i>Annual Earnings</i> for the last complete <i>Scheme Year</i> , plus <i>Basic Contributions</i> to the <i>Scheme</i> and <i>BAE Systems Scheme</i>	+	Survivor's pension equal to the greater of: 50% x <i>Total Pension Percentage</i> x <i>Final Basic Salary</i> ; and 20% x <i>Contribution Earnings</i> for the last complete <i>Scheme Year</i>
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The rules of the *Scheme* provide that the *BAE Systems Scheme* must pay:

- part of the lump sum entitlement; plus
- part of the survivor's pension entitlement.

The *Scheme* is only required to pay the remainder of your entitlement, the amount of which is set out in the *Scheme* rules. Please note that for some members the amount payable by the *BAE Systems Scheme* is a significant part of the benefit and the *Scheme* will deduct the amount payable under the *BAE Systems Scheme* rules from the total benefits to calculate the amount payable by the *Selex Scheme*.

### ...in retirement

If you die while you are receiving a pension from the *Scheme*, the benefits from the *Scheme* paid on your death will be:

Survivor's pension, broadly equal to 50% of your <i>Selex</i> pension at the date of your death (see page 28) (ignoring any reduction to take account of the fact that you chose to exchange part of your pension for a cash sum or dependant's pension or the effect of choosing a stepped pension)	+	Five year payment guarantee If you die within five years of starting to draw your pension, a lump sum equal to the unpaid balance of five years' pension payments from the <i>Scheme</i> (at the rate applicable at the date of death, disregarding future increases). *
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\* If you die before your *Normal Retirement Date* whilst receiving an Ill Health Pension, the amount of the lump sum may be greater. For more information, contact the Pension Administrator.

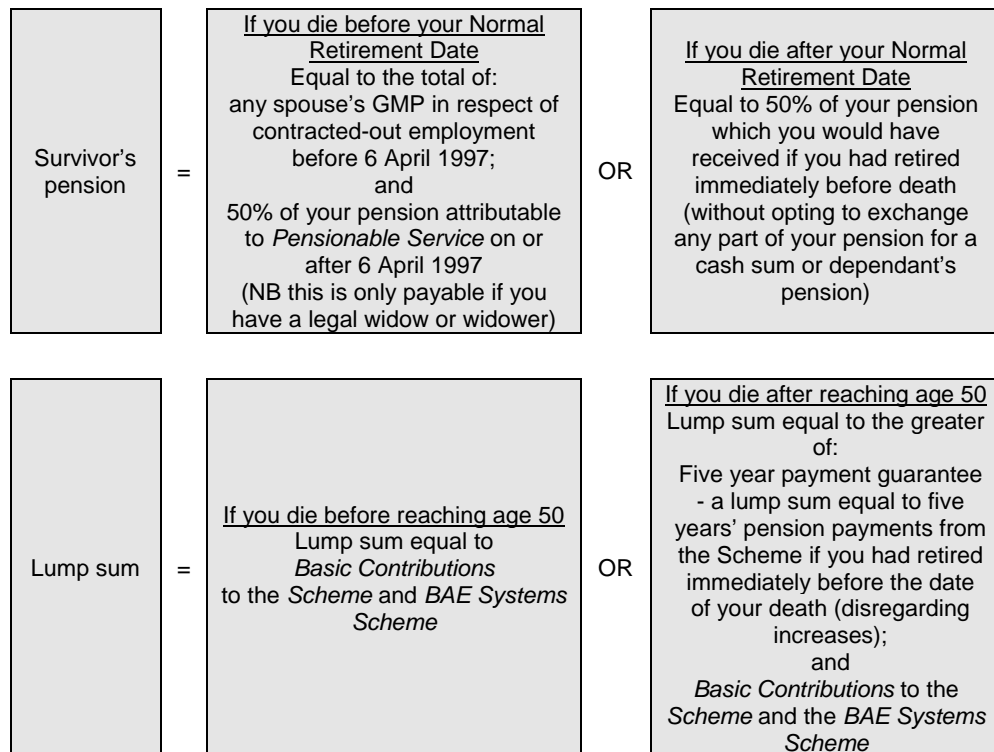
You are entitled to receive similar benefits from the *BAE Systems Scheme* i.e. a survivor's pension of 50% of your *BAE Systems* pension and five year payment guarantee.

## Selex Pension Scheme

**...in deferment** If you die after leaving the *Scheme* and you are entitled to deferred benefits (see page 22), your total benefits from the *Scheme* and *BAE Systems Scheme* paid on your death will be:



Both the survivor's pension and the lump sum will depend on your age at the date of your death.



The rules of the *Scheme* provide that the *BAE Systems Scheme* must pay:

- part of the lump sum entitlement; plus
- part of the survivor's pension entitlement.

The *Scheme* is only required to pay the remainder of your entitlement, the amount of which is set out in the *Scheme* rules.

### **Limits on benefits**

You should be aware that your *Scheme* pension could be restricted to comply with limits set out in the Rules of the *Scheme*. Further details are set out on page 31.

The contracting out laws may require the *Trustee* to pay certain benefits in accordance with contracting-out requirements. If this happens, the *Trustee* may adjust the benefits payable on death as they consider appropriate.

## Selex Pension Scheme

### Who is the lump sum death benefit payable to?

The lump sum death benefit will be paid to, or for the benefit of, your beneficiaries or to your legal personal representative, at the *Trustee's* discretion. Your beneficiaries include your relatives, dependants, and any person you nominate in writing to the *Trustee*.

Paying benefits at the discretion of the *Trustee* generally enables payment to be made quickly and normally without liability to inheritance tax.

You can help the *Trustee* decide who to pay the lump sum benefits to by completing an Expression of Wish form and returning it to the Pension Administrator. The *Trustee* will consider your wishes but is not legally bound by them. Only forms returned to the Pension Administrator can be considered by the *Trustee*.

Expression of Wish forms can be obtained from the *Scheme* website, [www.selexpensions.com](http://www.selexpensions.com) or the Pension Administrator.

Expression of Wish forms completed when you were a member of the *BAE Systems Scheme* may not be considered by the *Trustee*. Therefore you must complete an Expression of Wish form for the *Scheme*.

You should complete a new Expression of Wish form if your wishes or circumstances change. You may also wish to complete a new BAE Systems Expression of Wish form for the trustee of the *BAE Systems Scheme* as the trustees cannot share information contained on your Expression of Wish form.

### Survivor's pension

If a member dies, a survivor's pension will be payable for life as set out above (unless the *Trustee* notifies you in writing to the contrary) to your spouse, except that:

- if you were not living with your spouse as husband and wife at the date of your death and, in the opinion of the *Trustee*, your marriage had broken down, the *Trustee* may decide not to pay a pension to your spouse; and
- the *Trustee* may treat a person of the opposite sex or same sex with whom you are living as husband and wife as your spouse.

If you are not living with your spouse and you are in a relationship with another person, the *Trustee* may decide at its discretion who to pay the survivor's pension to and may apportion the survivor's pension between them as it thinks fit, subject to contracting-out laws.

The *Trustee* may choose not to pay a survivor's pension if you entered into the relationship within six months of the date of your death.

If you die leaving one or more dependant(s) then, whether or not there is a surviving spouse, the *Trustee* may at its discretion decide to pay all or part of the survivor's pension to the dependant(s), subject to contracting-out laws. You may nominate a dependant(s) by completing an expression of wish form and returning it to the *Trustee*.

Please note that a pension payable to a child cannot be paid past the age of 18 (or age 23 if the child is full time education) unless the dependant was physically or mentally dependant on you.

The entitlement to the survivor's pension will commence on the first day of the month following the date of your death.

## Personal events

<b>Members away from work</b>	<p>If you are away from work, it will depend upon your circumstances whilst you are absent as to whether you may accrue pension benefits.</p> <p>Special rules apply to members on sick leave.</p>
<b>Paid leave</b>	<p>If you receive normal or reduced remuneration during your absence, you may continue to pay contributions to the <i>Scheme</i>, in which case you will continue to accrue pension benefits.</p> <p>You will have to pay contributions based on the pay you would have received if you were receiving your full remuneration.</p>
<b>Maternity, adoption and paternity leave</b>	<p>If you are absent as a result of maternity, adoption or paternity leave, you will continue to accrue pension benefits during statutory ordinary maternity leave, statutory ordinary adoption leave and statutory paternity leave and also during any further period of paid absence for which you pay contributions.</p> <p>You will have to pay contributions during:</p> <ul style="list-style-type: none"><li>(a) statutory ordinary maternity leave, statutory ordinary adoption leave and statutory paternity leave based on the actual pay you receive during these periods; and</li><li>(b) during any other period of paid absence based on the pay you would have received if you were receiving your full remuneration.</li></ul> <p>You will accrue pension benefits based on your full remuneration.</p>
<b>Unpaid leave</b>	<p>If you take unpaid leave i.e. your contractual pay is suspended whilst you are absent, you will be treated as having left <i>Service</i> at the start of the period of unpaid leave and you will not accrue pension benefits during your period of absence.</p> <p>When you return to work at the end of the period of unpaid leave, your <i>Pensionable Service</i> before being treated as having left <i>Service</i> and after returning to work will be treated as continuous (but excluding the break).</p> <p>In exceptional circumstances, you may be allowed to pay contributions and accrue pension benefits for the period you were absent. Your HR representative will be able to provide more details.</p>
<b>Continued life cover</b>	<p>If you are absent from work, you will continue to be covered for lump sum death benefits. You will not be covered for survivor's pension death benefits unless you are informed otherwise by the <i>Company</i>.</p>
<b>Part-time working</b>	<p>Benefits relating to part time employment will be pro-rated to take account of the number of hours a week you work.</p>
<b>Evidence of health</b>	<p>If you are a member admitted on the basis of restricted terms, as a result of a medical condition on joining the <i>Scheme</i>, any restriction on your ill health pension or death benefit will have been notified to you in writing.</p>

## Selex Pension Scheme

<b>Ceasing to be eligible</b>	If you cease to be eligible to be a member of the <i>Scheme</i> , you will be treated as having left <i>Service</i> . You will become entitled to deferred benefits (see page 22).
<b>Opting-out</b>	<p>It is not a condition of your employment to be or remain a member of the <i>Scheme</i>.</p> <p>You may opt-out of the <i>Scheme</i> at any time by giving two months' notice in writing to the <i>Company</i> and the <i>Trustee</i> in the necessary form.</p> <p>You should note that if you opt-out of the <i>Scheme</i>:</p> <ul style="list-style-type: none"><li>• You will lose the benefit of the <i>Company's</i> contributions towards the cost of future pension provision.</li><li>• You will lose the protection provided by the <i>Scheme</i> to you and your family in the event of your death in service.</li><li>• You will lose some of the protection provided by the <i>Scheme</i> to you and your family in the event of your early retirement from the <i>Company</i> on account of ill health.</li><li>• You will no longer build up a pension in the <i>Scheme</i> and your entitlements under the <i>Scheme</i> will be based on your <i>Final Basic Salary</i> and completed <i>Total Pension Percentage</i> at your date of opting-out.</li></ul>
<b>Rejoining the Scheme after opting-out</b>	<p>If you have opted-out of the <i>Scheme</i> you will not be permitted to rejoin at a later date.</p> <p>You may be eligible to join FuturePlanner (which is the <i>Company's</i> defined contribution scheme) at a later date and certain restrictions and conditions may be imposed. The trustees may require you to provide evidence of your health in connection with joining FuturePlanner and, if appropriate, restrict the terms of your membership. If you are a member admitted on restricted terms, you will be notified on joining.</p>
<b>Marriage</b>	If you get married, you should inform the Pension Administrator so your records can be updated.
<b>Civil Partnerships</b>	<p>If you enter into a civil partnership, you should inform the Pension Administrator so your records can be updated.</p> <p>You should note that your civil partner will be treated in the same way as a spouse for pension earned after 5 December 2005 only. Therefore, you may wish to nominate your civil partner as a dependant (see page 28 for more detail). You may also wish to do this in relation to your BAE Systems benefits.</p>
<b>Divorce</b>	If you are in the process of obtaining a divorce and you believe that any financial settlement arrangement will include pension benefits, you should contact the Pension Administrator for information about the value of your pension benefits.

## Limits on benefits paid from the Scheme

### Scheme limits

The *Trustee* has to ensure that the benefits you receive do not exceed certain limits which are set out in the rules of the *Scheme*.

**Contribution limits:** The *Scheme* rules provide that, in any tax year, your member contributions to the *Scheme* and voluntary contributions to AVCs cannot exceed 100% of your UK taxable earnings.

**Earnings Cap:** If you joined the *BAE Systems Scheme* on or after 1 June 1989, an earnings cap will be imposed on your benefit entitlement. The *Earnings Cap* is £141,600 in the 2013/14 tax year. It will increase each April broadly in line with the percentage increase in the Retail Prices Index. You can obtain details of the revised *Earnings Cap* each year from the Pension Administrator.

**Benefit limits:** The rules of the *Scheme* have always contained limits on the amount of pension you may take from the *Scheme*. These limits continue to exist in the *Scheme* rules and will continue to apply to your pension.

As a rough guide, your benefits from the *Scheme* and the *BAE Systems Scheme* are restricted at Normal Retirement Date (NRD) to:

- a pension of two-thirds of your *Final Remuneration*; and
- a dependant's pension of two-thirds of your pension.

Please note, if you have less than 20 years service or leave service before NRD then the limit will be lower.

Broadly, the following are not included within the Scheme limits calculation:

- Benefits bought with AVCs paid to the *Scheme* and the *BAE Systems Scheme*;
- Any transfers-in to the *BAE Systems Scheme* which are fixed pension amounts (which Selex has no liability to top up via an earnings link); and
- State pensions and benefits from any other registered pension scheme.

Any other transfers-in to the *BAE Systems Scheme*, for example transfers in which were used to purchase a service credit which Selex may have a liability to top up through the continuing earnings link are included in the Scheme limits calculation.

If you believe that your pension from the *Scheme* may be restricted by the Scheme limits you may wish to consider taking independent financial advice regarding your options.

**Questionnaire:** The *Trustee* will require you to complete a questionnaire about your other pension benefits before *Scheme* benefits can be approved, finalised and put into payment.

### HM Revenue & Customs limits

**Annual Allowance:** The Government will allow you to contribute each year to registered pension schemes in a tax efficient way up to the Annual Allowance. The Annual Allowance has been significantly reduced and is £40,000 in 2014/15. Contributions in excess of the Annual Allowance will attract additional tax charges and you should consider this Allowance carefully, especially when paying voluntary contributions.

## Selex Pension Scheme

**Lifetime Allowance:** The Government will allow you to take pensions from registered pension schemes in a tax efficient way up to the Lifetime Allowance. The Lifetime Allowance is £1.25 million in 2014/15. Pension benefits in excess of the Lifetime Allowance will attract additional tax charges.



## General information about the Scheme

### About the Scheme

The Selex Pension Scheme is an occupational pension scheme set up under trust and administered by the *Trustee* according to the rules of the Scheme.

The *Scheme* was established on 29 April 2005 to provide retirement and death benefits to certain employees of the participating employers.

The Main Section of the *Scheme* was set up to provide pension benefits to former members of the *BAE Systems Scheme* (Main Section) who transferred to the employment of participating employers on 29 April 2005.

Benefits under the *Scheme* are provided from trust assets, which are not allocated to individual members. All contributions are invested and the proceeds are used to provide benefits in accordance with the rules of the *Scheme*.

### Trustee

The *Trustee* is Selex Pension Scheme (Trustee) Limited, which has a board of directors (referred to as trustee directors).

The board of directors currently comprises eight trustee directors: four appointed by the *Company* and four elected by the Pensions Consultative Committee (PCC).

The *Trustee* is responsible for supervising the correct operation of the *Scheme* through its managers, with the assistance, where appropriate, from other professional advisers.

### Pensions Consultative Committee (PCC)

The PCC has been set up to promote good understanding and communication of pension matters. The PCC is made up of Pensions Representatives who are nominated by the large site consultative committees to represent the pension interests of all *Scheme* members.

The functions of the PCC are to:

- Represent the views of *Scheme* members in consultations with the *Company* on matters relating to the *Scheme*;
- Assist the Pension Administrator and *Trustee* with the communication of information to members of the *Scheme*; and
- Elect four Pensions Representatives for appointment to the board of directors of the *Trustee* as member nominated trustee directors.

Contact details for your Pensions Representatives can be obtained from the Scheme website, [www.selexpensions.co.uk](http://www.selexpensions.co.uk).

### Rules

The *Scheme* is governed by the rules. Your entitlement under the *Scheme* is set out in the rules, the current law and HM Revenue & Customs practice. If there is any conflict between the booklet and the rules of the *Scheme*, the rules will prevail.

Copies of the rules are held by the Pension Administrator and are available for inspection by you. Alternatively, you could request a copy of the rules to be emailed to you by requesting a copy from the Pension Administrator.

## Selex Pension Scheme

### Amending the Scheme

You should note that the rules of the *Scheme* can be changed by the *Company* (with the consent of the *Trustee*) at any time (and the *Company* may change the rules retrospectively). The *Company* will endeavour to give you written notice if your benefits or rights are materially affected by such amendments.

The rules of the *Scheme* provide that the *Company* has the right to terminate the *Scheme* at any time. If the *Scheme* is terminated, the *Trustee* will wind up the *Scheme* and distribute the assets in accordance with the rules.

### Registered scheme

The *Scheme* is a registered pension scheme. It has tax approval from HM Revenue & Customs under the Finance Act 2004. This approval means that the *Scheme* receives certain tax concessions and is subject to certain restrictions.

The tax concessions currently in place are:

- full income tax relief on any contributions you make to the *Scheme* up to prescribed limits;
- tax free cash sums can be paid on retirement and death; and
- tax advantages in respect of certain income and capital gains from the *Scheme's* investments.

The restrictions imposed are:

- pensions are treated as earned income and are taxed under the PAYE system;
- certain types of payments are unauthorised and will not be made by the *Scheme*.

### Entitlement to benefits

Your entitlement to benefits provided by the *Scheme* is set out in the rules of the *Scheme*.

You must not attempt to assign your future benefits to obtain cash payments or as security for loans. Under the rules, there can be no legal claim on the *Scheme* by anyone other than the person entitled to the benefits under the rules. If you attempt to assign your benefits, your benefits would cease to be payable and would come under the control of the *Trustee* for payment at its discretion.

### Communication

**Website:** *Scheme* information is placed on the *Scheme* website, [www.selexpensions.co.uk](http://www.selexpensions.co.uk).

**InFocus:** The *Trustee* will issue you with periodic newsletters (called InFocus) about the *Scheme*.

**Annual Report and Accounts:** The *Trustee* publishes an annual report and accounts. A copy of the report is available on the *Scheme* website.

**Benefit statements:** Each year you will normally receive a benefit statement, which will include details of your pension earned to date.

## Selex Pension Scheme

**Data Protection** Personal information is held and used for the purposes of administering the *Scheme* by the *Trustee*, the scheme administrators and their advisers. By joining the *Scheme*, you have given your consent to this data being held and processed for the purposes of the *Scheme*.

The data may be disclosed 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.

**Financial advice** The *Company*, its employees and the *Trustee* are not authorised to give you financial advice. If you are in any doubt about the information contained in this booklet and require financial advice you should consult an independent financial adviser (IFA), who may charge a fee for his services. Contact details for IFAs in your area can be found at [www.unbiased.co.uk](http://www.unbiased.co.uk).

On your retirement, Aon Hewitt can provide you with details of their independent annuity advice service. Please note that there is commission payable should you select this option which will be reflected in the annuity quotation provided.

**State Pension and contracting-out** As a member of the Main Section of the *Scheme*, you are contracted-out of the State pension system.

This means that:

- you and the *Company* pay reduced rate National Insurance contributions; and
- you receive the basic State pension from the State at State Pension Age.

Instead of receiving an additional state pension, currently known as State Second Pension (S2P) and formerly called State Earnings Related Pension (SERPS), from the State, you will receive pension from within the *Scheme*.

Members are now able to get a State Pension forecast online through the Pension Service website. You can access the Pension Service website at [www.thepensionsservice.gov.uk/state-pension/forecast](http://www.thepensionsservice.gov.uk/state-pension/forecast)

**Guaranteed Minimum Pension (GMP):** You are entitled to a *GMP* in respect of benefits accrued by pensionable service before 6 April 1997. A check will be made at the time of retirement, or if later, at age 60 (women) or 65 (men), to ensure the pension being paid covers the *GMP*. Similarly, any pension paid to a widow or widower must satisfy a separate *GMP* test.

Your ability to take an early retirement pension, exchange part of your pension for cash, and surrender part of your pension to provide extra dependant's pension may need to be restricted to ensure that the pension payable from the *Scheme* does not fall below the *GMP*.

**Protected Rights:** The *Trustee* maintains a Protected Rights Account for you, which includes certain payments required by pensions legislation. No further contributions are added to your Protected Rights Account from 6 April 2012 following a change in the method of contracting-out used by the *Scheme*. Your Protected Rights Account will however continue to be revalued each year by the *Trustee* on a basis recommended by the *Scheme's* actuary. Your pension accrued to 6 April 2012 will not be less than the pension that could be bought with your Protected Rights Account.

The value of any pension or other benefits derived from your Protected Rights will be payable as part of or, where greater, instead of the benefits described in this booklet

## Selex Pension Scheme

and not in addition to those benefits. In some circumstances it may be necessary for Protected Rights benefits to be paid in a different form from those described elsewhere in this booklet, although the overall value of all your benefits payable will remain the same.

**Salary-related contracting-out:** With effect from 6 April 2012, you are contracted-out of the State Second Pension on a “salary-related” basis and this means your pension benefits must be at least as good as certain minimum levels specified by legislation.

## Queries, dispute resolution and regulatory bodies

- Queries** If you have a query about the *Scheme*, you should contact the Pension Administrator. They will normally be able to help answer your queries.
- Complaints and dispute resolution** Should you have a complaint or dispute which is not settled to your satisfaction, you can use the internal dispute resolution (IDR) procedure which the Trustee has put in place to resolve complaints or disputes.
- Should you wish to make an application under the IDR procedure, you should contact the Pension Administrator. They will send you a copy of the IDR procedure, together with the appropriate forms needed to make an application.
- The procedure provides that the nominated complaints officer will consider your application and respond within 4 months of your formal application being made.
- If you are still dissatisfied, you may appeal to the *Trustee* to reconsider your application. Your appeal must be received within six months of the decision made and communicated by the Pension Administrator.
- The *Trustee's* decision is final. If you are dissatisfied with the outcome of the IDR process, the organisations detailed below may be available to assist you.
- The Pensions Advisory Service (TPAS)** TPAS is an independent organisation available to assist members and other beneficiaries under occupational pension schemes in connection with any pension query they may have including any difficulties which they may have failed to resolve with the trustee or administrators.
- The address for TPAS is 11 Belgrave Road, London, SW1V 1RB. Telephone 0845 601 2923.
- The Pensions Ombudsman** The Pensions Ombudsman can investigate and determine complaints of fact or law in relation to occupational pension schemes, such as the *Scheme*.
- The Pensions Ombudsman will normally only intervene after TPAS has been involved and failed to resolve the dispute.
- The address for the Pensions Ombudsman is 11 Belgrave Road, London, SW1V 1RB. Telephone 0207 834 9144.
- The Pensions Regulator** The Pensions Regulator is the independent regulator of occupational pension schemes in the UK. Its aims are to ensure that the interests of members of occupational pension schemes are protected and to promote good administration of occupational pension schemes.
- The address for the Pensions Regulator is Napier House, Trafalgar Place, Brighton, East Sussex, BN1 4DW. Telephone 0870 6063636.
- Pension Tracing Service** Information about the *Scheme* (including the address at which the *Trustee* may be contacted) has been given to the Pensions Tracing Service. The Registrar acts as a central tracing agency to help individual members keep track of the deferred benefit entitlements they have in previous employers' schemes.
- The address for the Pensions Tracing Service is The Pension Service, Whitley Road Newcastle upon Tyne, NE98 1BA. Telephone 0845 600 2537.

## Definitions

Throughout this booklet there are certain words and phrases (written in italics) which have special meanings and these are defined below:

<b>Annual Earnings</b>	means your <i>Contribution Earnings</i> without the £1,800 deduction. Annual Earnings cannot exceed the <i>Earnings Cap</i> (if you joined the <i>BAE Systems Scheme</i> after 1 June 1989).
<b>BAE Systems Scheme</b>	means the BAE Systems Pension Scheme.
<b>Basic Contributions</b>	will be calculated as if you made member contributions at a rate of: <ul style="list-style-type: none"><li>• Level 125 - 3% of <i>Contribution Earnings</i></li><li>• Level 167 – 5% of <i>Contribution Earnings</i></li><li>• Level 200 – 7% of <i>Contribution Earnings</i></li></ul>
<b>Basic Salary</b>	means the annual rate of your basic pay received from your employer. Except for the purpose of calculating <i>Final Basic Salary</i> , Basic Salary cannot exceed the <i>Earnings Cap</i> (if you joined the BAE Systems Scheme after 1 June 1989).
<b>Company</b>	means Selex ES Limited, and, in certain circumstances, any other employer participating in the <i>Scheme</i> .
<b>Contribution Earnings</b>	means your gross taxable earnings, excluding travel, any subsistence and other temporary allowances (such as bonuses, redundancy payments and the cash equivalent of benefits in kind) received from the <i>Company</i> for the pay period, less the equivalent for the pay period of £1,800 per year. Contribution Earnings cannot exceed the <i>Earnings Cap</i> (if you joined the BAE Systems Scheme after 1 June 1989).
<b>Earnings Cap</b>	if you joined the <i>BAE Systems Scheme</i> on or after 1 June 1989, an earnings cap will be imposed on your benefit entitlement. The Earnings Cap is £141,600 in the 2013/14 tax year. It will increase each April broadly in line with the percentage increase in the Retail Prices Index.
<b>Final Basic Salary</b>	means your average <i>Basic Salary</i> during your last 12 months ending on the last day of the calendar month in which you leave <i>Service</i> or die, whichever occurs first. Final Basic Salary cannot exceed the <i>Earnings Cap</i> (if you joined the BAE Systems Scheme after 1 June 1989).
<b>Final Remuneration</b>	means the former HM Revenue & Customs definition of final remuneration which is broadly gross taxable earnings averaged over three consecutive years in the ten years before leaving pensionable service. Please contact the Pension Administrator if you require further details.
<b>Guaranteed Minimum Pension or GMPs</b>	means a guaranteed minimum pension (or accrued rights to one) under the contracting-out laws.
<b>Normal Retirement Date</b>	means the first day of the month following or coincident with your 65 <sup>th</sup> birthday.

## Selex Pension Scheme

<b>Pensionable Service</b>	is the number of years and complete months during which you have contributed to the <i>Scheme</i> and the <i>BAE Systems Scheme</i> .
<b>Qualifying Service</b>	means service during which you were accruing retirement benefits under the <i>Scheme</i> or the <i>BAE Systems Scheme</i> .
<b>Revaluation or revalued</b>	means that your BAE Systems Benefit Deduction is increased in line with revaluation laws, which is approximately equal to the percentage rise in the cost of living between the date you leave <i>Service</i> and the date you take your pension, subject to a maximum of 5% per year compound.
<b>Scheme</b>	means the Selex Pension Scheme.
<b>Scheme Year</b>	means a period of one year commencing 6 April each year.
<b>Service</b>	means employment with the <i>Company</i> or such other period which the <i>Company</i> treats as <i>Service</i> .
<b>State Pension Age</b>	means age 65 for a man, age 60 for a woman born before 6 April 1950, age 65 for women born on or after 6 April 1955, and an age between 60 and 65 for women born on or after 6 April 1950 and before 6 April 1955.
<b>Trustee</b>	means SELEX Pension Scheme (Trustee) Limited or any other trustee of the <i>Scheme</i> from time to time.