



Leonardo Electronics Pension Scheme

Selected Benefits Scheme (SBS) Guide
(2000 Section members only)

April 2024 edition

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Introduction

The Leonardo Electronics Pension Scheme (LEPS) is a registered pension scheme set up under trust and administered by Leonardo Electronics Pension Scheme (Trustee) Ltd (the “Trustee”) according to the rules of the LEPS. For more information about how the LEPS works, please read the Leonardo Electronics Pension Scheme – 2000 Section Member’s Booklet.

The LEPS provides valuable benefits for you and for your dependants. The benefits you are entitled to are described in detail in the rules of the LEPS. This booklet has been designed to explain the main details of the Selected Benefits Scheme (SBS) available to members of the 2000 Section of the LEPS.

Members making SBS contributions for retirement benefits were asked to set a frozen contribution rate from April 2016 onwards, and following the closure of the LEPS for future accrual in April 2024 no further SBS contributions can be made.

If you have joined the Leonardo FuturePlanner pension scheme (FuturePlanner) you can pay AVCs into FuturePlanner. AVCs are one of the most effective ways of building up extra pension for your retirement. You get the benefit of group terms; you enjoy important tax advantages; and you have the convenience of contributions deducted directly from your pay. AVCs operate differently to SBS, and you should ensure you have read the FuturePlanner booklet to understand how AVC saving works.

In order to pay AVCs to FuturePlanner you can increase your contributions above 8% of your Pensionable Salary. Any contributions you make to FuturePlanner up to and including 8% are matched by the Company on a ‘Match Plus’ basis (see www.futureplanner.co.uk) and any contributions above 8% are considered an AVC (and are not matched by the Company).

This guide should be read in conjunction with the Leonardo Electronics Pension Scheme – 2000 Section Member’s Booklet. Words in this booklet which are written in italics are defined in the Leonardo Electronics Pension Scheme – 2000 Section Member’s Booklet.

You should note that this booklet is intended as a guide and is not a legal document. Your entitlement under the LEPS 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 LEPS, the rules will prevail. You should also note that the rules, the law and Revenue practice can be changed at any time.

Important note: This Guide is not intended as financial advice. If you are uncertain of what action to take it is strongly recommended that you contact an independent financial adviser (IFA).

The contact details for the Pension Administrator are:

Leonardo Electronics Pension Scheme	Tel: 0117 440 2491
XPS Administration, PO Box 562	Email: LEPS@xpsgroup.com
Middlesbrough, TS1 9JA	

Contributions to SBS whilst you were a member of the BAE Systems 2000 Pension Plan

If you have been a member of the BAE Systems 2000 Pension Plan (the “BAE Systems Scheme”) you may have paid SBS contributions to that scheme. Any SBS contributions made whilst you were a member of the *BAE Systems Scheme* are separate from the SBS contributions made whilst you are a member of the LEPS.

Contributions to Leonardo FuturePlanner

If you have joined the Leonardo FuturePlanner pension scheme (FuturePlanner) your FuturePlanner fund is separate from your LEPS SBS fund and will be treated in accordance with the rules of FuturePlanner.

Retirement Benefits

Introduction

You may have made regular SBS contributions to build up extra retirement benefits for you in retirement. From April 2024, no further contributions can be paid into SBS.

Your entitlement to SBS retirement benefits will depend on the value of your SBS retirement benefits fund at the date on which benefits are provided.

Your SBS retirement benefits fund is a notional sum held within the LEPS with the rest of the LEPS assets.

Value of SBS retirement benefits fund

Your SBS retirement benefits fund will be equal in value to contributions made by you to purchase additional retirement benefits, together with Credited Interest. Credited Interest is added monthly.

The Credited Interest rate is decided by the *Trustee* but will be no less than 2.5% per annum.

Options at retirement

When you come to retire, you have two options available in respect of your SBS fund:

- Option 1 - you may transfer your SBS fund out of the LEPS;
- Option 2 - you may take your SBS fund at retirement

More information about these options is set out below.

Information and advice on your options

An information guide provided by the Money Advice Service called “Your Pension – it’s time to choose” can be downloaded from our website, www.lepensions.co.uk.

Pension Wise is a free & impartial service provided by the Government to help you understand the options in relation to the increased flexibility of defined contribution and cash balance benefits (such as your SBS fund). You should consult Pension Wise, which can be accessed online, by phone or face to face, before making any decisions in relation to how you draw your SBS fund. Visit www.pensionwise.gov.uk for more information, or call 0300 330 1001 to book a free appointment.

Pension Wise is a guidance and information service only. Neither the Trustee nor Pension Wise can provide you with advice or recommendations about the best options for you.

Therefore, if you wish to consider the suitability of any of these options, including taking a cash lump sum, purchasing an annuity or entering into an income drawdown product, it is recommended that you speak to an independent financial adviser (IFA). Contact details for IFAs in your area can be found at www.unbiased.co.uk.

Please remember that there may be tax implications associated with accessing your SBS fund. Income from pensions, and certain cash lump sums are taxable. The rate at which you are taxed depends on the amount of income that you receive from pensions and other sources.

Option 1 - transfer your SBS fund out of the LEPS

You have a right to request a transfer of your SBS fund at any time. You can leave your LEPS core benefits in the LEPS and transfer your SBS fund separately. Transferring your SBS fund will convert the benefits into defined contribution benefits, and you should be aware that the 2.5% credited interest would not be applied after any transfer, and you would earn investment returns in line with the fund you have transferred into instead.

You may transfer your SBS fund to one or more external providers. Different external providers allow different options in relation to what you can do with your fund and these different options have different features, rates of payment, charges and tax implications. Some external providers may offer the full range of flexible benefit options, whilst others may only offer some of those options. If you wish to enter into an income drawdown product, you will need to transfer your SBS fund to an HMRC approved pension arrangement with an external provider which offers this facility.

If you transfer your SBS fund out of the LEPS, **you will not be able to use it towards your Pension Commencement Lump Sum (PCLS)** from the LEPS. However, you should be able to take 25% of your SBS fund as a PCLS from your new provider (or you may be able to take all your SBS benefits as a cash sum from that provider, part of which will be taxed).

Please note: if you have 'flexibly accessed' your SBS fund, you will be subject to the £10,000 money purchase annual allowance On any future pension contributions you make to any Defined Contribution pension schemes (also known as Money Purchase pension schemes), including FuturePlanner. Please ensure you take advice before flexibly accessing any pension pot (flexible access includes taking the pot as a taxable cash sum (UFPLS) and taking the pot as a flexi-access drawdown). Please see the 'Limits on benefits' section below for details of the annual allowance.

Option 2 - take your SBS fund from the LEPS at retirement

You have a number of options with regard to how to take your SBS fund at retirement:

a. As part of your Pension Commencement Lump Sum (PCLS, sometimes referred to as tax-free cash)

Unless you elect otherwise, the *Trustee* will pay all or part of your SBS fund as a Pension Commencement Lump Sum (insofar as LEPS and HM Revenue & Customs limits allow). This is currently paid tax-free.

The maximum amount of your SBS fund that you may receive as your Pension Commencement Lump Sum from your voluntary savings (i.e. your SBS fund and any AVC fund you may have) will be broadly 25% of the total value of your pension benefits in the LEPS (in other words, including your DB LEPS pension) on your retirement date (provided that this is also within the limits allowed by HMRC from time to time). If your SBS fund exceeds these limits, you can choose from option b and, depending on the amount of pension used up (or "crystallised") in respect of option a, potentially option c as well (see below for further details).

Please note that the maximum total Pension Commencement Lump Sum you can receive from all your pension savings (not just LEPS) is currently £268,275.

b. To provide an income

Alternatively, you may wish to use all/part of your SBS fund to purchase an income when you retire, either through:

- An annuity from any third party provider (sometimes known as the Open Market Option (OMO)); or
- An income drawdown product with a drawdown provider.

The terms of any income payable will depend on the basis on which your particular income product is provided by the third party you choose.

The level of any annuity depends on the value of your SBS fund when you retire and the cost of buying pension at the date you retire. The value of your SBS fund will depend on how much you have paid in, over how long and on the Credited Interest applied. The cost of buying an annuity will be influenced by factors like interest rate levels, your age and the pension options you choose. Also, there are a number of options regarding the type of annuity you can purchase, for example, you may choose to buy an annuity product which increases each year it is in payment, continues to your spouse on your death or is paid for a guaranteed period.

If you choose to buy an annuity, the pension provided by the annuity provider from your SBS fund will be calculated by them as follows:

Pension provided by your SBS fund	=	Value of SBS fund	÷	Conversion rate determined by the annuity provider
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We would recommend that you contact an independent financial adviser about your options for purchasing a pension on the open market. XPS can provide you with details of their independent annuity advice service, PS Aspire (which is free to members of the LEPS). Alternatively, contact details for IFAs in your area can be found at www.unbiased.co.uk.

Please note, if you wish to purchase an income through a drawdown product, this would need to be arranged outside the LEPS by a third party provider. You would need to transfer all/part of your SBS fund to an HMRC approved external pension arrangement which has a drawdown facility. The funds being transferred for drawdown need to be "uncrystallised" and not have been used within the calculation of any Pension Commencement Lump Sum.

The Trustee has put an arrangement in place with the Smart Pension Master Trust to support members who wish to purchase an income through a drawdown product. Please see Appendix 1 (Page 8) for more details. Alternatively, you can transfer your SBS fund to a provider of your own choice.

c. As an Uncrystallised Funds Pension Lump Sum (UFPLS) (sometimes referred to as taxed cash)

You can take some or all of your SBS fund (over and above any taken as part of your Pension Commencement Lump Sum from the LEPS) as an additional one-off cash payment known as an 'Uncrystallised Funds Pension Lump Sum' (UFPLS). This will only be possible where not all of your SBS fund has been "crystallised" for the purposes of your Pension Commencement Lump Sum.

To take a simple example, which ignores any main DB LEPS benefit you may have, if your SBS fund were worth £100 you would need to crystallise the full £100 in order to be entitled to a £25 Pension Commencement Lump Sum (i.e. 25% of the value of the benefit). The remaining £75 has already been "crystallised" and therefore cannot be paid as an UFPLS, so would need to be used to purchase a pension outside the LEPS in accordance with option b. Because the LEPS permits you to use your SBS fund to provide the Pension Commencement Lump Sum in respect of your total LEPS benefits, for those with SBS funds in excess of their LEPS Pension Commencement Lump Sum the decision about how much of your SBS fund to "crystallise" is likely to be complicated and you may wish to seek independent financial advice.

25% of any UFPLS payment would be payable tax-free, with the balance being subject to your highest marginal rate of income tax. A tax payment will be deducted by the LEPS Administrator before the money is paid to you, based on known information (a further tax charge may be payable at a later date depending on your overall tax position). You may be charged for the costs associated with calculating and implementing an UFPLS – the LEPS Administrator will advise you in advance if any charge will be incurred.

Limits on benefits

HMRC imposes a limit on the maximum amount you can save in pensions in a tax efficient manner.

If you take some or all of your SBS fund as an UFPLS, or transfer your SBS fund out and take it as a flexible retirement option, this will trigger a limit – a money purchase Annual Allowance of £10,000 p.a. – so that any money purchase or cash balance savings in a year exceeding £10,000 would be subject to an Annual Allowance tax charge.

Please visit www.gov.uk/tax-on-your-private-pension/annual-allowance for further information.

Please note that you may not draw your LEPS DB benefits unless you leave *Service*, i.e. you are no longer employed by the *Company*. However, you may transfer your SBS benefits out of the LEPS to an alternative pension arrangement (see Option 1 above).

If you die

If you die before you use your SBS fund, a lump sum equal to the value of your SBS fund (including Credited Interest) at the date of your death will be paid to the same beneficiary as described for death benefits in the Leonardo Electronics Pension Scheme – 2000 Section Member Booklet.

Please ensure you update your Expression of Wish form regularly to provide the Trustee with an indication of who you would like to receive any death benefits.

If you die after having drawn your pension, death benefits will depend on the terms of the benefits you purchased with your SBS fund.

Appendix 1 - the Smart Pension Master Trust

The *Trustee* has an arrangement with the Smart Pension Master Trust to support members who wish to transfer all, or some of their defined contribution (i.e. AVCs or 100+ Retirement Account) and/or cash balance (i.e. SBS) savings into a drawdown product.

Smart Pension have a drawdown product called Smart Retire. You can find out more information about the options available to you with Smart Pension and Smart Retire at <https://www.smartpension.co.uk/leonardo>. You can also talk to Smart Retire on 0330 174 0643.

More information about Smart Pension

Smart Pension is a Master Trust which supports many employers, rather than just Leonardo. If you decide to transfer all, or some of your defined contribution/cash balance savings to Smart Pension they will set up a Retirement Account for you. If you have transferred in LEPS AVCs this Retirement Account (including any SBS funds transferred) will be invested in the same way as your AVCs. If you transfer your SBS fund alone then your Retirement Account will be invested in the default Lifestyle investment strategy with a Target Retirement Date of your State Pension Age.

You can also use the Smart Pension Master Trust to consolidate any pensions you have from other sources.

You can then move your funds to Smart Retire.

Within Smart Retire, your defined contribution savings (and any other pensions you transfer to Smart Pension) can be split between Smart Retire's four different pots to provide flexibility and security throughout retirement. The four pots can be split into two groups to provide income and/or savings:

Income:

1. Flexible income pot – take a monthly income in the early years of retirement.
2. Later life pot – leave money invested to buy a guaranteed income from an annuity provider later in life.

Savings:

3. Inheritance pot – put some money aside to leave behind for loved ones or an organization that is important to you.
4. Rainy day pot – dip into this pot when you need to for planned expenses, like a holiday or home improvements.

Smart Retire manages these pots in one place so you can check your pension savings and how long your income could last. You can move money between the pots and it is simple to make withdrawals. It gives you projections all the way through and nothing is set in stone.

The money in the pots will be managed in a consistent way and by the same investment manager as the investments you may have had with your AVCs.