



Leonardo Electronics Pension Scheme
Additional Voluntary Contributions (AVC) Guide
April 2022 edition

Contents

Introduction	3
What are AVCs?	4
Contents of your AVC fund.....	4
Investing your AVC fund.....	4
Benefits from your AVC fund.....	4
Making contributions to your AVC fund	5
Eligibility to contribute to AVCs.....	5
Paying AVCs.....	5
Changing AVCs	5
Limits on contributions	5
Investing your AVC fund.....	7
Option 1: Leonardo Electronics Lifestyle Profile – default strategy	7
Option 2: ‘Pick and mix’ – you select	9
Risk Level.....	10
Charges	11
Choosing how to invest your AVC fund.....	11
Monitoring fund performance.....	11
Changing investments.....	11
Investment security	12
Using your AVC fund.....	13
Options at retirement.....	13
Information and advice on your options	13
Option 1 – transfer your AVC fund out of the Scheme.....	13
Option 2 – take your AVC fund from the Scheme at retirement	14
Option 3 - Defer taking your AVC benefits	15
Limits on benefits	16
If you leave Service	16
If you die	16
Appendix 1 – Retirement Focus Fund Options	17

Introduction

The Leonardo Electronics Pension Scheme (the “*Scheme*”) 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 *Scheme*. For more information about how the *Scheme* works, please read the Leonardo Electronics Pension Scheme – Member’s Booklet for the section in which you are a member.

More detail about the way your pension is calculated is set out in the Leonardo Electronics Pension Scheme – Member Booklet. This is a valuable benefit – but it may not be as much as you would like – especially if you have not been with the *Company* for long or you want to retire early.

As a member of the *Scheme*, you may make additional voluntary contributions (called AVCs) in order to increase your retirement benefits. This booklet has been designed to explain the main details of AVCs.

This guide should be read in conjunction with the Leonardo Electronics Pension Scheme – Member Booklet for the section in which you are a member. Specifically, you should read the sections on contributions and limits on benefits paid from the *Scheme*. Words in this booklet which are written in italics are defined in the Leonardo Electronics Pension Scheme – Member’s Booklet.

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.

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) before deciding to pay AVCs.

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

- Do you wish to make additional voluntary contributions (AVCs) to the *Scheme*?
- Do you wish to change the way your AVC fund is invested?

The contact details for the Pension Administrator are

Leonardo Electronics Pension Scheme	Tel: 0117 440 2491
XPS Administration	Email: LEPS@xpsgroup.com
Queen’s Quay	
33-35 Queen Square	
Bristol BS1 4LU	

Contributions to your AVC fund whilst you were a member of the BAE Systems Pension Scheme

If you have been a member of the BAE Systems Pension Scheme you may have paid AVCs. Your AVC fund with the BAE Systems Pension Scheme is separate from your Leonardo Electronics AVC fund and will be treated in accordance with the rules of that scheme.

What are AVCs?

Your AVC fund is a “defined contribution” arrangement. Generally, it is a savings arrangement designed for you to accumulate a pot of money to provide additional benefits on your retirement. The benefits provided from your AVC fund will be determined by the value of your AVC fund at the date on which benefits are provided.

Your AVC fund is held with Mobius Life. Although the AVC fund is operated separately, it is legally part of the *Scheme* and is subject to its rules.

Contents of your AVC fund

The amount you pay as AVCs whilst a member of the *Scheme* will be put into your AVC fund, together with any investment returns earned by those AVCs. Details of how to pay AVCs are contained on page 5 of this guide.

Investing your AVC fund

Your AVC fund is held in an account with Mobius Life. You may choose how it is invested, from a range of options selected for you by the *Trustee* with the help of Schroders (previously River and Mercantile Solutions). If you do not make a decision, the *Trustee* will choose a default investment option.

You should note that the value of your AVC fund could go up or down depending upon your investment returns. It is therefore possible to get back less than the amount you have paid in.

Further information about the investment options available to you is contained on pages 7 to 12 of this guide.

Benefits from your AVC fund

Your entitlement to benefits will depend on the value of your AVC fund at the date of your retirement.

Further information about the benefits payable is contained on pages 13 to 16 of this guide.

Making contributions to your AVC fund

Eligibility to contribute to AVCs

You can pay AVCs if you are a contributing member of the *Scheme* and the *Trustee* accepts your application to pay AVCs.

Paying AVCs

If you would like to start paying AVCs, please complete and return the Starting AVCs form, which is available from the Pension Administrator or the *Scheme's* website, www.lepensions.co.uk.

On the form you will need to indicate the amount of AVCs you wish to pay and how you would like your AVC funds invested.

You may commence making AVCs at any time. All AVC payments must be made through your employer's payroll – it is not possible to make lump sum payments directly to the Scheme outside of the payroll system.

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

If you are currently paying your core contributions to the Scheme via SMART pensions, your AVCs will also be paid in this way (please see the SMART Guide available at www.lepensions.co.uk). However, if your AVCs reduce your taxable earnings to below the National Living Wage your AVCs will automatically be taken out of SMART until your taxable earnings increase above the National Living Wage.

Changing AVCs

If you would like to make an amendment to the amount you are currently paying towards AVCs, please complete and return the AVC Contribution Change form, which is available from the Pension Administrator or the *Scheme's* website, www.lepensions.co.uk. You can change the amount of AVCs you pay or stop making AVCs at any time.

Limits on contributions

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

More detail about member contributions to the *Scheme* are set out in the Member Booklet for your section.

Important Note: Currently, 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 Leonardo Electronics pension over the year is taken into account (including voluntary savings), as is the value of any increase in any other pension savings you may have. In addition a limit of £4,000 on the amount you save into AVCs or other money purchase arrangements in any year may also be triggered in certain circumstances. A 'tapered annual allowance' applies to high earners which reduces the annual allowance in certain circumstances. For more information please see the Annual Allowance section in your Member Booklet, the Annual Allowance Factsheet available from the Scheme

website and visit the Government website at www.gov.uk/tax-on-your-private-pension/annual-allowance.

Investing your AVC fund

You can choose how your AVC fund is invested from a range of funds which are described below. You can either select the default 'lifestyle' strategy or 'pick & mix'.

Your contributions buy units in your chosen fund. The day to day price of the units, and thus the value of your holding, moves in line with the value of the fund's investments.

Option 1: Leonardo Electronics Lifestyle Profile - default strategy

The default 'lifestyle' strategy is designed to be suitable for the needs of most members, particularly if you do not want to be actively involved in day-to-day investment decisions.

It allows the *Trustee* to invest your AVCs in growth assets for most of your working life. As your career progresses, more protection from market volatility is introduced and as you get close to retirement, the investment strategy is designed to reflect the different retirement choices you have.

The growth phase of the strategy involves three 'blend funds' with different 'inflation plus' targets. These funds invest in equities (broadly this means stocks and shares) and other types of growth assets. The Scheme investment manager, Schroders, adjust the components of the funds over time between different asset classes, based on their views of the opportunities and risks within investment markets and the overall return the fund is seeking. The intention is that the growth of the fund will be smoother than investing only in equities.

The fourth blend fund will provide a platform for your investments for the final five years before retirement, recognising that you may wish to take cash, buy an annuity, or enter into income drawdown, and you may not know what you want to do at retirement or your plans may change.

Details of the four blend funds are shown in the table below.

Blend fund name	Long term target	Risk Level	Charge**
LEPS Long Term Growth	Inflation plus 5%	5	0.345%
LEPS Stable Growth	Inflation plus 4%	4.5	0.370%
LEPS Cautious Growth	Inflation plus 3%	3.5	0.395%
LEPS Retirement Focus*	A mix of cautious growth, stable growth, annuity focus and cash – see table overleaf	3	0.292%

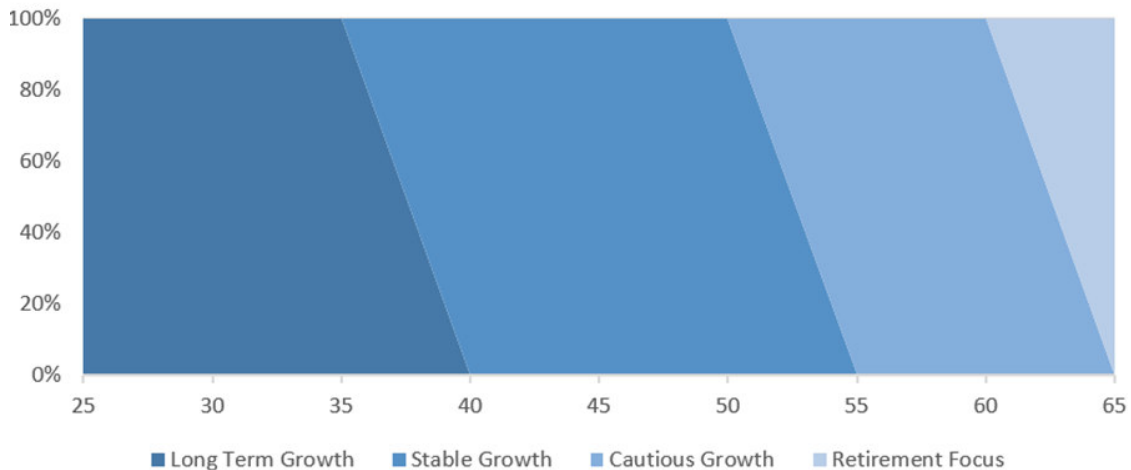
*Within the fourth blend fund (the LEPS Retirement Focus) you can choose a tailored version that may be more relevant to your needs as you near retirement (see table overleaf). This may be appropriate for you if you know how you wish to take your fund at retirement. There is some additional detail on the Retirement Focus options within Appendix 1 for those members who wish to consider tailoring their funds.

LEPS Retirement Focus options	Long term target	Risk Level	Charge**
LEPS Retirement Focus (default)	A mix of cautious growth (50%), annuity focus (25%), stable growth (10%) and cash (15%)	3	0.292%
LEPS Retirement Focus (Income for Life - targeting an annuity)	A mix of annuity focus (75%) and cash (25%)	2	0.307%
LEPS Retirement Focus (Take the Pot as Cash - targeting cash)	100% Cash	1	0.350%

*The Charge figures will change daily and the figures given in this table are indicative as at March 2022.

The default 'lifestyle' strategy switches between the blend funds progressively through your career with the intention of making growth smoother. The table below shows the switching periods and the chart illustrates how the strategy will work for someone with a Target Retirement Age of 65.

	Phasing Period (Years before Target Retirement Age)		
LEPS Long Term Growth	N/A		
LEPS Stable Growth	30	→	25
LEPS Cautious Growth	15	→	10
LEPS Retirement Focus	5	→	Retire



The lifestyle switching of the default strategy depends on the date you hope to retire, which is known as your Target Retirement Age. You can choose any age from 55 (the current legal minimum retirement age). For those who do not choose their Target Retirement Age, the *Trustee* makes an assumption that this would be the Normal Retirement Age of the *Scheme* (age 65). This is known as the default Target Retirement Age.

You can select a Target Retirement Age of your own choice at any time and the *Trustee* will adjust the lifestyle switching to the revised target date over time as reasonably practicable. It is important that you regularly review and, if appropriate, update your Target Retirement Age if your retirement plans have changed.

If you choose the LEPS Lifestyle profile you must place the whole of your AVC fund into this investment option.

Option 2: ‘Pick and mix’ - you select

If you do not think the default strategy is appropriate for your circumstances or you wish to manage the investment of your AVCs more actively, you are able to make your own ‘pick and mix’ selection from a range of funds made available by the *Trustee*. There are eight funds, split into two groups:

Group 1 – You can select from the three blend funds that are used for the growth phase of the default Lifestyle profile. This means that you would be relying on the skills of Schrodgers and the underlying investment managers to achieve the inflation plus target for your AVCs.

Group 2 – You can choose from a range of passive funds.

You can choose funds from across these two groups. The full list of pick and mix funds and the charges associated with them is as in the table below:

Fund name	Long term target	Risk Level	Charge*
Group 1 – Blend Funds			
LEPS Long Term Growth	Inflation + 5%	5	0.345%
LEPS Stable Growth	Inflation + 4%	4.5	0.370%
LEPS Cautious Growth	Inflation + 3%	3.5	0.395%

Fund name	Long term target	Risk Level	Charge*
Group 2 – Passive Funds			
LEPS Global Equity Fund	This fund aims to gain exposure to global equity markets. Currently this fund is invested passively and aims to perform in line with an index return of UK and overseas equities.	5	0.179%

LEPS Environmental, Social and Governance Global Equity Fund	This fund aims to invest in a globally diversified portfolio of equities and is designed to favour investment in companies which exhibit Environmental, Social and Governance characteristics that are expected to add value over the long term. This can be achieved by investing in companies with strong, improving ESG metrics, or equally by excluding less ESG friendly companies. To protect against movements in the currency market, the fund has a 50% allocation of currency hedging.	5	0.308%
LEPS Islamic Global Equity Fund	This fund aims to invest in a diversified portfolio of securities, which meet Islamic investment principles.	5	0.390%
LEPS Corporate Bond Fund	This fund aims to gain exposure to corporate bonds. Currently this fund is invested passively and aims to perform in line with its index.	2.5	0.150%
LEPS Fixed Annuity Focus Fund	This fund aims to change broadly in line with the prices of fixed annuities, and therefore attempts to “lock in” the value of your fund in terms of amount of fixed pension you could purchase at retirement.	2	0.150%
LEPS Inflation-Linked Annuity Focus Fund	This fund aims to change broadly in line with the prices of inflation-linked annuities, and therefore attempts to “lock in” the value of your fund in terms of the amount of pension you could purchase at retirement, where that pension increases each year in line with inflation.	2	0.150%
LEPS Cash Fund	This fund aims to preserve capital by investing in high-quality cash deposits and other cash instruments. Currently this fund aims to outperform its benchmark while preserving capital and maintaining a high credit rating.	1	0.150%

*The Charge figures will change daily and the figures given in this table are indicative as at March 2022.

Risk Level

The risk level is an indication of how volatile or variable the fund value is likely to be on a day to day basis relative to its objective as well as the fund’s potential for drawdown or loss. It is

therefore a measure of how much the fund value could change on a day to day basis with a focus on downside risk. Mobius Life's risk rating scale runs from 1 (lower risk) to 6 (higher risk).

Pension investment is typically designed for the longer term. A fund like the cash fund can be shown as a low risk (reflecting low variability of returns and low potential loss), but if members remain invested in cash for many years from an early age, it could be seen as high risk given that the increase in fund value may not keep up with inflation.

Charges

You will see that there is an investment charge levied on your AVCs each year. These charges relate to the costs of investment advice, administration and management. The charges include any varying operational expenses incurred by the underlying fund managers. The size of the charge is related to the complexity of the fund, so it is hoped that the higher charges will be reflective of a better result in terms of risk and return, although of course this cannot be guaranteed.

The charges change regularly and will vary over time.

The charges apply as a percentage of the value invested in the fund. For example, if you were invested in the Leonardo Electronics Long Term Growth Fund and the charge is 0.345% each year – for each £100 invested, you would pay 35p a year.

Choosing how to invest your AVC fund

You may choose to invest in one or more of the funds listed above.

The *Company*, its employees and the *Trustee* are not authorised to give you financial advice and can only provide you with information. If you are in any doubt about which investment funds you should choose, we recommend you speak to an independent financial adviser (IFA) (who may charge a fee for his/her services). Contact details for IFAs in your area can be found at www.unbiased.co.uk.

If you do not make an investment decision, and you have not previously chosen an investment fund/s in which you have previous contributions invested, your funds will be placed in the LEPS Lifestyle profile.

Monitoring fund performance

Once a year you will be sent a statement to show how the value of your AVC fund is building up. This will be done electronically (on www.MyPension.com/LEPS) unless you have indicated that you would like a paper copy.

In addition, you may log into your own 'account' on XPS's 'MyPension.com/LEPS' at any time and obtain a fund value as at that date. To log on, go to the *Scheme's* website at www.lepensions.co.uk.

Changing investments

If you wish to change the way your assets are invested, you may do so at any time by instructing the Pension Administrator in writing to move your assets to another fund.

Switches can be requested through MyPension.com/LEPS at www.lepensions.co.uk. Alternatively please complete and return the AVC Investment Switch form, which is available from

the Pension Administrator or from the *Scheme's* website, www.lepensions.co.uk/avcs/. The completed form can be emailed or posted to XPS using the contact details on the form. Please note that switches within the LEPS Retirement Focus fund (see page 8) can only be done via XPS's MyPension.com/LEPS.

Investment security

The money invested in your AVC fund is held by the *Trustee* to use to pay the benefits when you come to claim them. This means that the assets of the Scheme are legally separate from the assets of the participating employers.

The assets in your AVC fund are held by the *Trustee* in an investment policy with Mobius Life - which is the contract governing the security of the investments. The *Trustee* meets with Mobius Life from time to time and reviews their safeguarding of the assets regularly.

In the unlikely event that Mobius Life is unable to meet its financial obligations, compensation may be payable from the Financial Services Compensation Scheme (www.fscs.org.uk). AVCs would not be protected by the Pension Protection Fund.

Don't forget that the value of AVCs change in line with the investment option selected and investment performance is not guaranteed. Accordingly the value of your AVC fund could go down as well as up and it is possible to get back less than the amount paid in.

Using your AVC fund

Options at retirement

When you come to retire, you have three options available in respect of your AVC fund:

- you may transfer your AVC fund out of the Scheme;
- you may take your AVC fund at retirement;
- you may defer taking your AVC fund when you retire and take it at a later date.

More information about these options is set out below.

Information and advice on your options

MoneyHelper provides information about your pension choices at <https://www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise/pension-pot-options>.

Pension Wise is a free and impartial service provided by the Government to help you understand the options in relation to the increased flexibility of defined contribution benefits (such as your AVC 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 AVC fund. Visit <https://www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise> for more information, or call 0800 138 3944 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 AVC 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 AVC fund out of the Scheme

If you stop paying AVCs you have a right to request a transfer of your AVC fund at any time. You can continue to earn defined benefit pension within the Scheme even after exercising this option. Any future ability to pay AVCs will be subject to the consent of the *Trustee*. If you are a member of the 100+ Section, you will also be **required to transfer your Retirement Account out of the Scheme at the same time as your AVC fund** (see the Retirement Account Guide for further details).

You may transfer your AVC 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 the Government's new 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 AVC fund to an HMRC approved pension arrangement with an external provider which offers this facility.

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

If you continue to accrue main scheme benefits, future AVC contributions will be permitted (subject to Trustee consent) but if you have 'flexibly accessed' your AVC fund, you will be subject to the £4,000 money purchase annual allowance. Please see the 'Limits on benefits' section below for details of the money purchase annual allowance.

Option 2 - take your AVC fund from the Scheme at retirement

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

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

One option you can choose is to take all or part of your AVC fund as a Pension Commencement Lump Sum (insofar as *Scheme* and HM Revenue & Customs limits allow). This is currently paid tax-free.

The maximum amount of your AVC fund that you may receive as your Pension Commencement Lump Sum will be broadly 25% of the total value of your pension benefits in the Scheme (in other words, including your Leonardo Electronics pension) on your retirement date up to a maximum of £50,000, or 25% of your AVC fund value if this would exceed £50,000. If your AVC 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).

b. To provide an income

Alternatively, you may wish to use all/part of your AVC fund to purchase a pension income when you retire, known as a lifetime annuity. Annuities are provided outside the Scheme by a third party such as an insurance company (sometimes known as an open market option).

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 AVC fund when you retire and the cost of buying pension at the date you retire. The value of your AVC fund will depend on how much you have paid in, over how long and on how well it has been invested. 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 AVC fund will be calculated by them as follows:

$$\boxed{\text{Pension provided by your AVC fund}} = \boxed{\text{Value of AVC fund}} \div \boxed{\text{Conversion rate determined by the annuity provider}}$$

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. Please note that there may be a charge payable should you select this

option which will be reflected in the annuity quotation provided. 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 Scheme by a third party provider. You would need to transfer all/part of your AVC 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.

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

You can take some or all of your AVC fund (over and above any taken as part of your Pension Commencement Lump Sum from the Scheme) 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 AVC fund has been "crystallised" for the purposes of your Pension Commencement Lump Sum.

To take a simple example, which ignores any main scheme benefit you may have, if your AVC 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 Scheme in accordance with option b. Because the Scheme permits you to use your AVC fund to provide the Pension Commencement Lump Sum in respect of your total Scheme benefits, for those with AVC funds in excess of £50,000 the decision about how much of your AVC fund to "crystallise" is likely to be complicated and you may wish to seek independent financial advice, as well as reading the additional information sheet referred to below.

25% of any UFPLS payment would be payable tax-free, with the balance being subject to your highest marginal rate of income tax. This tax payment will be deducted by the Scheme Administrator before the money is paid to you. You may be charged for the costs associated with calculating and implementing an UFPLS – the Scheme Administrator will advise you in advance if any charge will be incurred.

If you wish to explore this option, you should read our additional information sheet entitled 'Taking cash from your Voluntary Savings' (available from the Scheme website www.lepensions.co.uk) to ensure you fully understand the financial implications.

Option 3 - Defer taking your AVC benefits

If the *Trustee* agrees, you may choose to take the benefits provided from your whole AVC fund at a later date than the date you take your main benefits from the *Scheme*. Your whole AVC fund will remain invested until it is drawn. You will need to draw your AVCs by the age of 75. If you choose this option you will not be able to use the value of your AVC fund towards the calculation of your Pension Commencement Lump Sum from the Scheme on retirement (subject to limits, you would be able to receive 25% of the value of your *Scheme* pension only).

When you later draw your AVCs you would have a number of options, as detailed below:

- a) Take 25% of your AVC fund as a PCLS, using the balance to purchase an income as described under Option 2b.
- b) Transfer your AVC fund to an external provider (for example into an HMRC approved pension arrangement which has a drawdown facility).
- c) Take an UFPLS (as described under Option 2c above). You can only take one UFPLS.

Limits on benefits

HMRC imposes a limit on the maximum amount you can save in pensions in a tax efficient manner. If your total pension benefits from all sources exceed the Lifetime Allowance (£1,073,100 in 2022/23) then additional tax charges will apply.

In addition, if you take some or all of your AVC fund as an UFPLS, or transfer your AVC fund out and take it as a flexible retirement option, this will trigger an additional limit – a money purchase Annual Allowance of £4,000 p.a. – so that any money purchase or cash balance savings in a year exceeding £4,000 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 *Scheme* benefits unless you leave *Service*, i.e. you are no longer employed by the *Company*. However, if you cease contributing to your AVC fund, you may transfer your AVC benefits out of the *Scheme* to an alternative pension arrangement (see Option 1 above).

If you leave Service

If you leave the *Scheme*, your contributions to your AVC fund will stop.

Deferred benefits: If you leave *Service* before retirement with an entitlement to a deferred pension from the *Scheme*, your AVC fund will continue to be invested and attract investment returns until your *Scheme* pension becomes payable. You will then be able to use your AVC fund in one of the ways described above.

Transfers: You may choose to transfer your *Scheme* benefits to another pension scheme after leaving service. You can choose to transfer the accumulated value of your AVC fund at the same time as transferring your *Scheme* benefits to another pension scheme, or to leave your AVC fund in the *Scheme*. If you are a member of the 100+ Section, you are required to transfer your AVC fund at the same time as your Retirement Account benefits.

If you die

If you die before you use your AVC fund, a lump sum equal to the value of your AVC fund at the date of your death will be paid to the same beneficiary as described for death benefits (see Member Booklet for your section).

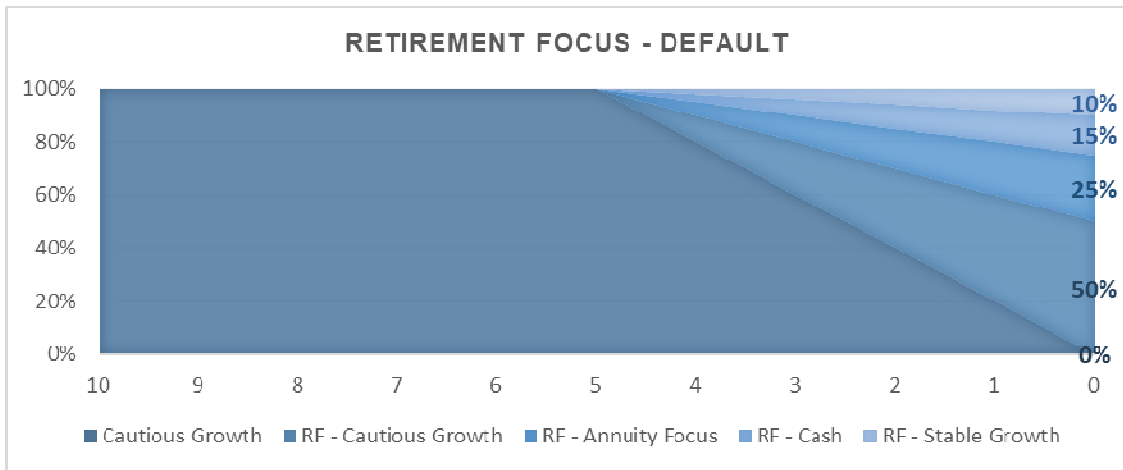
If you die after having drawn your pension, death benefits will depend on the terms of the benefits you purchased with your AVC fund.

Appendix 1 - Retirement Focus Fund Options

The lifestyle strategy - tailored by you

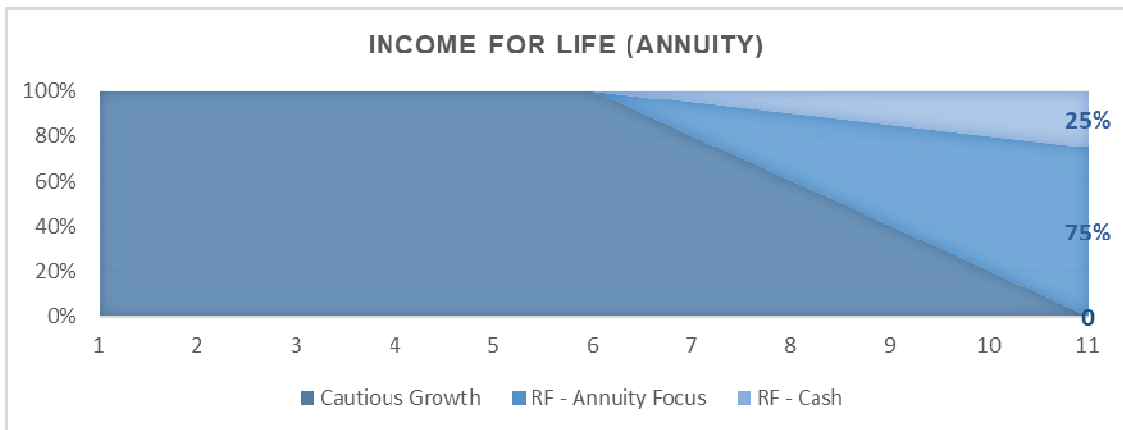
Option 1 - Retirement Focus - Default

- This moves towards 50% cautious growth, 25% annuity focus, 15% cash and 10% Stable Growth at TRA
- This provides a diversified investment for members who are not sure what option to take
- **This is the default option if you make no selection**
- Indicative charges on this fund are 0.292% per annum as at March 2022



Option 2 - Retirement Focus - Income for Life (Annuity)

- This moves your savings into 25% cash and 75% annuity matching assets at TRA
- This option is aimed at those who want a 25% tax free lump sum and to buy an annuity from an insurance company to have the certainty of a fixed income
- Indicative charges on this fund are 0.307% per annum as at March 2022



Option 3 - Retirement Focus - Take the pot as cash

- This moves the investment into 100% cash at TRA
- This option is aimed at those who wish to take a taxed lump sum or utilise their AVC pot as part of the £50k allowance
- Care is needed with this option if the taxable withdrawal would take you into a higher income tax bracket
- Indicative charges on this fund are 0.350% per annum as at March 2022

