

Retiring – What to Expect

This document has been prepared to help you understand the processes you will go through when you retire from the Leonardo Electronics Pension Scheme (LEPS). You will find information on the following points:

Planning for retirement

- Find out when you can draw your pension and how much you are entitled to

Taking your pension

- Make important decisions: when should I draw my pension? Do I want to take cash? How should I use my AVCs/SBS/Retirement Account?
- Find out what you need to do if you don't want to draw your pension yet?
- Find out how to put your pension into payment
- Understand when you will receive your pension
- Understand what you can do with your AVCs/SBS or Retirement Account

BAE benefits

- Find out where you can get details of your BAE benefits
- Understand how taking your BAE and Leonardo Electronics benefits at different times can affect your overall pension

Once you have retired

- Enjoy your retirement which you have saved for
- Understand the tax implications
- Understand when pension increases are paid

Financial advice

- Where can I get financial advice?

Please note that this is a general guide and is not a legal document. It should be read in conjunction with your Leonardo Electronics Pension Scheme booklet. If there is a conflict between this guide and the Rules of the LEPS, the Rules will prevail. This guide is not a full statement of the law which governs the LEPS, and members are advised to take independent financial advice on the options available to them.

Planning for retirement

- **When can I draw my pension?**

You can draw your pension at any time after the age of 55 (moving to 57 in April 2028) provided you no longer work for the Company. If you draw your pension before your Normal Retirement Date, it will be reduced for early payment as it will be paid for a longer period of time.

- **How much pension am I entitled to?**

Whilst the online pension modeller is temporarily unavailable pending completion of the pension changes effective April 2024, members who are actively considering retirement in the next 12 months can request a “Retirement quotation” from the Scheme’s administrators, XPS Administration. You will need to quote your Pension Reference Number which is detailed on your online www.mypension.com/LHPS record, or on any correspondence you have received from XPS Administration and provide a potential retirement date. You will not be held to this date, it is just an indicative date for XPS Administration to calculate your figures.

Once the online modeller is re-launched later in 2024 through our online facility www.lepensions.co.uk/mypension, this facility will enable you to model your pension benefits using different retirement dates to obtain an illustration of your pension. You have been sent login details. If you need a reminder, please contact XPS Administration.

- **When is the best time to request a “Retirement quotation”?**

It is recommended that you request a “Retirement quotation” from XPS Administration about six months before you plan to retire. This will allow time to consider your options and finalise all the required documentation.

- **What will my “Retirement quotation” tell me?**

When you take your pension you can either:

- Receive a full pension

or

- Give up some of the pension for a Pension Commencement Lump Sum (a cash lump sum, currently tax free).

Your “Retirement quotation” will show:

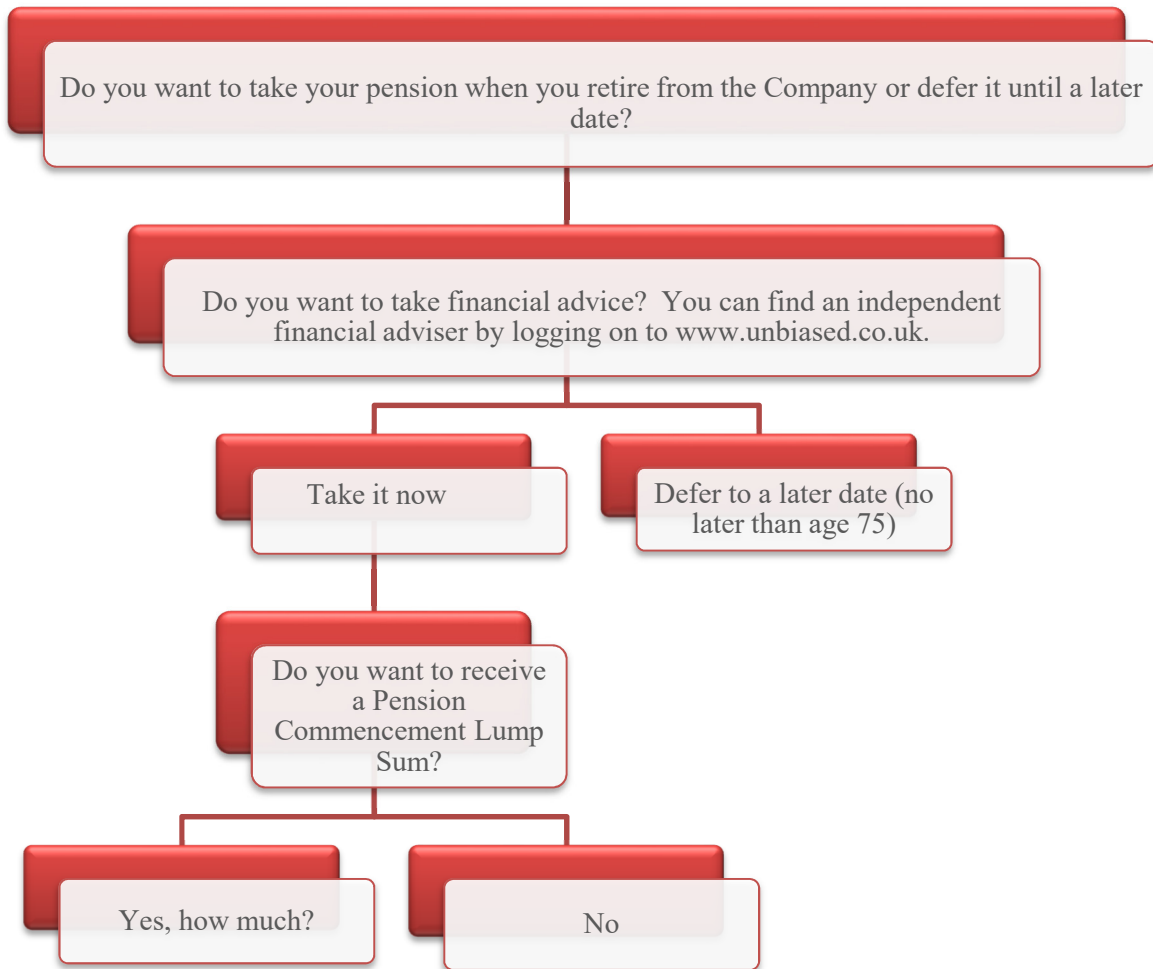
- The pension you could be entitled to if you retire at the potential retirement date you provided. It will also show the maximum Pension Commencement Lump Sum you could receive, and the reduced pension.
- If you have paid voluntary contributions (AVCs or SBS) or are in the 100+ Section and have a Retirement Account your quotation will show the current value of your fund, the maximum amount of your voluntary contributions or Retirement Account you can receive as part of your Pension Commencement Lump Sum, and an estimate of the

annuity (annual pension) your voluntary contributions or Retirement Account could purchase.

You should note that the figures on your “Retirement quotation” are a snapshot and are not guaranteed. XPS Administration cannot confirm your final benefits until you have retired and they have received all the relevant information from your payroll department.

Taking your Leonardo Electronics pension

You will have to make the following decisions:



- **I don't want to take my pension when I leave. What do I need to do?**

You can inform XPS Administration that you do not want to take your pension when you leave by ticking the appropriate box on the election form, included with your "Retirement quotation", and return this to XPS Administration.

Your pension will then become deferred and your pension will be adjusted roughly in line with inflation until you decide to draw it. Please keep XPS Administration informed if you change address.

When you decide you would like to draw your pension contact XPS Administration and they will provide you with a quotation of your benefits.

You can leave your pension until your Scheme Normal Retirement Date. If you do not wish to draw it until after that date, you may need to get permission from the Trustee. The latest date you can draw your pension is age 75.

Please note that should you choose to leave the Leonardo Electronics Pension Scheme and defer taking your benefits, the benefits to which you are entitled at a later date could be **higher or lower** than those quoted in your “Retirement quotation”. Neither the Trustees nor XPS Administration are authorised to provide you with any financial advice so if you require this we would recommend that you talk to an independent financial adviser.

- **I have decided I would like to take my Leonardo Electronics pension. How do I put my pension into payment?**

You will need to agree a leaving date with your Manager and your HR department. The HR department will inform XPS Administration. If your leaving date is different to the date used in your initial “Retirement quotation”, and you have not already returned your retirement forms, XPS Administration will produce another “Retirement quotation”.

- **What forms do I need to complete to receive my pension?**

Attached to your “Retirement quotation” you will find a set of forms. Please complete these and return them to XPS Administration as quickly as possible.

The details you will need to provide are:

- Your bank account details – so that XPS Administration can pay your pension and cash lump sum directly into your bank account.
 - Whether you wish to receive a Pension Commencement Lump Sum, and if so, how much?
 - If you have AVCs and/or SBS or a Retirement Account you will need to tell XPS Administration what you would like to do with these (see below for a summary of the options).
 - Details of any other pension benefits you have. XPS Administration need to check that your total pension benefits do not exceed HMRC allowances. However these allowances are high so very few people will be affected by them.
 - You may be asked for details of whether you have exceeded the Lifetime Allowance and if so, if you have ‘protection’. The Lifetime Allowance is very high (£1,073,100 for 2024/25) and very few people will be affected by it, and HMRC have indicated they will not apply any Lifetime Allowance tax charges at the current time (from April 2023).
 - Your original birth, marriage and spouse’s birth certificates (if applicable). Alternatively you can provide copies of your certificates along with a copy of one other identification document (such as your passport, driving licence, or a recent electricity bill).
- **I have confirmed my leaving date, and returned my forms to XPS Administration. What happens next?**

You will not hear anything from XPS Administration until after your retirement date. Do not worry, this is quite normal.

- **Will I receive confirmation of my benefits?**

Yes, once XPS Administration have received all the necessary documentation and information, you will receive a letter confirming your benefits and how they will be paid. Please note that it may take a few weeks after the end of the month in which you retire as XPS Administration may need to recalculate your benefits at your retirement date.

- **When will I receive my Pension Commencement Lump Sum?**

XPS Administration will pay your Pension Commencement Lump Sum into your bank account within 10 working days of receiving all the necessary documentation and information. Please note that it may take a few weeks after the end of the month in which you retire for XPS Administration to do the final calculations.

- **When will I receive my monthly pension?**

XPS Administration will set up your pension in the first available payroll after they have performed the final calculation of your benefits.

Pensions are paid monthly in advance on or around 1st of the month. For example if your retirement date was 31st May, your first pension instalment is likely to be on 1st July and this would include your pension for June, and also your pension for July.

- **I would like to receive a Pension Commencement Lump Sum. Could I receive a different amount to the amount on my “Retirement quotation”?**

Yes, the figure on your “Retirement quotation” is the maximum amount you can receive. However, if you would like a smaller amount please indicate this on your election form. Your pension would then be proportionately higher than the reduced pension detailed on your “Retirement quotation”.

- **Can I have my Pension Commencement Lump Sum paid into a different bank account to my pension?**

Yes, you should do the following:

- The bank account details for the account you wish your pension to be paid into should be put onto the form provided with your “Retirement quotation”: and
- If you want your cash lump sum paid into a different account, put these bank account details in a separate note.

- **What can I do with my voluntary savings (Selected Benefit Scheme (SBS) contributions, Additional Voluntary Contributions (AVCs) or Retirement Account)?**

You have a few options with regard to how you take your voluntary saving funds. **Details are contained within the SBS Guide, AVC Guide and 100+ Retirement Account Guide, available on the Scheme website, www.lepensions.co.uk.** A summary is set out below:

Option 1

- Take part/all your voluntary savings fund as a Pension Commencement Lump Sum.
- As a rough guide, you can receive up to 25% of the value of your total Leonardo Electronics pension. The figures on your "Retirement quotation" assume you take this option.
- If you have an excess voluntary savings fund this can be transferred to a drawdown product (see Option 2), converted into a monthly pension (see Option 23 or taken as an Uncrystallised Funds Pension Lump Sum (see Option 4).

Option 2

- Use your voluntary savings fund for income drawdown.
- The Trustee has an arrangement with the Smart Pension Master Trust to support members who wish to transfer their voluntary savings fund into the Smart Retire service (which would then allow you to drawdown your voluntary savings). Smart Pension has a detailed website with lots of information to help you find out about the options available and planning tools to help you compare the options: <https://www.smartpension.co.uk/leonardo>. You can also talk to Smart Retire on 0330 174 0643.
- There are other income drawdown providers and if you wish to take this option you should consider taking Independent Financial Advice.
- Please note that there are a number of additional actions that you will need to take if you decide to use this option. These steps are likely to delay the payment of all your benefits from the Scheme. Please see the 'Timescales for transferring out your pension benefits' document available at www.lepensions.co.uk.
- If you transfer your AVCs in this way there can be an impact on the amount of any Pension Commencement Lump Sum you receive from the Scheme.

Option 3

- Use your voluntary savings to purchase additional pension.
- You may be able to purchase additional pension through your AVC provider. However, you may get a higher additional pension from a different provider, via an Open Market Option (OMO). If you wish to take this option you will need to contact an Independent Financial Adviser who will be able to get quotations from a range of providers.
- XPS Administration also facilitate an annuity finder service, through PS Aspire, if you would like to use this please contact XPS Administration. This service is free to members of the Leonardo Electronics Pension Scheme.

Option 4

- 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'.
- 25% of this would be payable tax free, with the balance being subject to your marginal rate of income tax.
- If you take this option there may be tax implications if you then make contributions into another pension arrangement. It is recommended that you take Independent Financial Advice if you take this option.

Option 5

- A combination of the previous options.

- **I would like to use my voluntary savings fund to purchase additional pension with an external provider (Option 3). What sort of pension can I purchase?**

You can purchase different types of pension from your voluntary savings funds:

- You can buy a pension which remains level throughout your lifetime, or one which increases each year. You can specify how it will increase, for example, by 3% each year or by the increases in the Retail Price Index.
- You can buy a pension which stops at your death (single life), or one which provides a reduced pension for your spouse on your death (joint life).
- You can purchase a “guaranteed period” so if you die within a certain time, your beneficiaries would receive any outstanding pension up to the end of the guarantee period. For example, if you purchased a pension with a five year guarantee and then died two years after retirement, your beneficiaries would receive three years’ worth of pension as a lump sum.

The highest initial pension would be a pension which remains level throughout your lifetime and ceases on your death. Adding increases and death benefits increases the cost and therefore reduces the initial pension.

- **What do I need to do?**

You can purchase your pension from an annuity provider through either an Independent Financial Adviser or through the PS Aspire service (details of which are provided with your “Retirement quotation”). Please provide your adviser with details of your fund value. Your Independent Financial Adviser or PS Aspire adviser will discuss with you the various options and provide the necessary paperwork for you to sign if you decide to go ahead.

Your voluntary savings fund will be transferred to the new provider and they will set up your additional pension. It is likely that the transfer will take place in the first couple of weeks following the end of the month in which you leave. It may then take your new provider a few weeks to set up your annuity.

- **I want to receive my voluntary savings funds as part of my Pension Commencement Lump Sum. How will these be paid?**

Mobius Life usually disinvest AVCs or Retirement Accounts within a few weeks of the end of the month in which you retire.

Therefore, it may take a few weeks before XPS Administration are able to pay your Pension Commencement Lump Sum if you have AVCs or a Retirement Account.

- **My voluntary savings are above the amount I can take as a Pension Commencement Lump Sum. I would like to take the excess amount as an Uncrystallised Funds Pension Lump Sum (Option 3). How will this be paid?**

This will be paid along with your Pension Commencement Lump Sum into the bank account of your choice. Tax will be deducted from 75% of the Uncrystallised Funds Pension Lump Sum at your highest marginal rate of income tax. A tax payment will be deducted by XPS Administration 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 Uncrystallised Funds Pension Lump Sum – XPS Administration will advise you in advance if any charge will be incurred.

BAE Benefits

- **I have benefits in a BAE Systems pension scheme. Will XPS Administration provide me with details of these in my “Retirement quotation”?**

No, XPS Administration do not administer the BAE Systems schemes. You will need to contact the BAE Systems scheme administrators, Mercer, for details of your BAE benefits. Their contact details are listed below.

Online: www.contactpensionsadmin.com/baes

Tel: +44 (0) 3308 187 282

Or write to:

Mercer Ltd, Maclaren House
Talbot Road, Stretford
Manchester
M32 0FP

- **Do I have to take my BAE benefits at the same time as my Leonardo Electronics benefits?**

No, you can take them at different times. However, this might affect the overall level of benefit you receive from the two schemes. It is strongly recommended that you read the note on the subject available from the ‘Early Retirement & FAQs’ section of the Leonardo Electronics Pension Scheme website at www.lepensions.co.uk and take independent financial advice.

Once you have retired

We hope you enjoy your retirement. Below are a couple of questions you may have when your pension is in payment.

- **What happens about income tax?**

XPS Administration will initially put you on an emergency tax code, until they receive notification of the correct tax code from HMRC.

XPS Administration will inform HMRC of the pension you are receiving from the Leonardo Electronics Pension Scheme. However, you may wish to contact the HMRC to speed up the process.

- **Do I pay National Insurance?**

You do not pay National Insurance on your pension. If you are worried about having enough contributions to qualify for State benefits, you should contact the Department for Work and Pensions. www.gov.uk/plan-retirement-income.

- **Will my pension increase in retirement?**

The Trustee will review whether your pension will increase from 1 May each year. You will receive a letter confirming if it will increase and by how much each year.

- **What information can I expect to receive from the Scheme once I have retired?**

- You will receive a letter from XPS Administration each April confirming how your pension will increase with effect from 1st May.
- You will receive a payslip each month and your P60 for the year will be incorporated into your March payslip.
- You will continue to receive a copy of the InFocus magazine which is currently issued twice a year.
- XPS Administration may contact you from time to time to ask you to complete a “Certificate of Existence” form. In order to prevent fraud, it is normal for pension schemes to contact pensioners and ask them to confirm their current address etc.
 - In particular, if you live overseas XPS Administration will contact you annually to complete a “Certificate of Existence” form.

- **Will I receive these communications in paper or electronic format?**

- The Trustee will email you to let you know when a communication has been loaded to your MyPension.com/LEPS record. You will not receive a paper copy unless you have specifically requested paper communications.

Contact XPS Administration if you have any questions

Email: LEPS@xpsgroup.com

Write to: Leonardo Electronics Pension Scheme, XPS Administration,
PO Box 562, Middlesbrough, TS1 9JA.

Telephone: 0117 440 2491

Financial Advice

- **Where can I get financial advice?**

It is always a good idea to take independent financial advice if you are uncertain over decisions regarding your pension benefits. You can find an adviser by logging on to www.unbiased.co.uk.