



LEONARDO ELECTRONICS
PENSION SCHEME

MEMBERS BOOKLET

2000 SECTION

FOR MEMBERS IN PENSIONABLE SERVICE ON 6 APRIL 2016

AUGUST 2021 EDITION

A large, abstract graphic in the bottom right corner consisting of a grid of red and white squares, creating a pixelated, staircase-like effect that ascends from the bottom left towards the top right.

LEONARDO ELECTRONICS PENSION SCHEME

2000 SECTION BOOKLET

FOR MEMBERS IN PENSIONABLE SERVICE ON 6 APRIL 2016

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Introduction

The Leonardo Electronics Pension Scheme is part of the valuable benefits package that the Leonardo Group provides to UK employees. The Group recognises that you are a key part of its future success and in return wants to provide benefits which will make a difference to your future.

The Scheme is set up under trust and is administered by the Trustee in accordance with its Rules. This booklet explains the main details of the benefits provided by the 2000 section. Briefly, the Scheme will provide you with a pension in retirement, an option to take a tax free cash sum at retirement, a pension for your spouse following your death and valuable life cover while you are still working for Leonardo UK Ltd.

You will contribute 7.5% of your Pensionable Salary towards the cost of the benefits provided by the Scheme. Leonardo UK Ltd will pay the balance of the cost, including the administration expenses. You will receive tax relief on the amount you pay. There is also an option to pay via salary sacrifice (known as "Smart" payment) which reduces the amount of National Insurance contributions due.

Prior to 6 April 2016 the Scheme was linked to the BAE Systems arrangements but this has now been superseded within a Career Salary structure. This booklet describes the benefits paid by the Leonardo Electronics Scheme only and any entitlement from your BAE Systems scheme is in addition to this, as set out in the Rules of the appropriate BAE Systems scheme.

You should note that this booklet is intended as a guide and is not a legal document. If there is any conflict between the booklet and the Rules of the Scheme, the Rules will prevail. The Rules can be changed by the Company with the consent of the Trustee at any time. If you are uncertain about what Section of the Scheme you are a member of please contact XPS.

Your benefits are also subject to limits and allowances associated with the requirements of HM Revenue and Customs including the lifetime allowance, annual allowance and the earnings cap (for those to whom it applies).

Whilst we have tried to provide a helpful summary of the tax regime applicable to pensions in this booklet, we cannot take any responsibility for individual financial or tax planning decisions you may take. You should take independent financial advice if you are in any doubt about your personal financial or tax position.

Please also note that this booklet is based on our understanding of tax and pensions legislation as at 6 April 2021. This legislation, including the limits applicable for tax purposes, may change. This booklet sets out the benefits for Members in Pensionable Service on 6 April 2016. If you left the Scheme before this date, this booklet is not applicable to you.

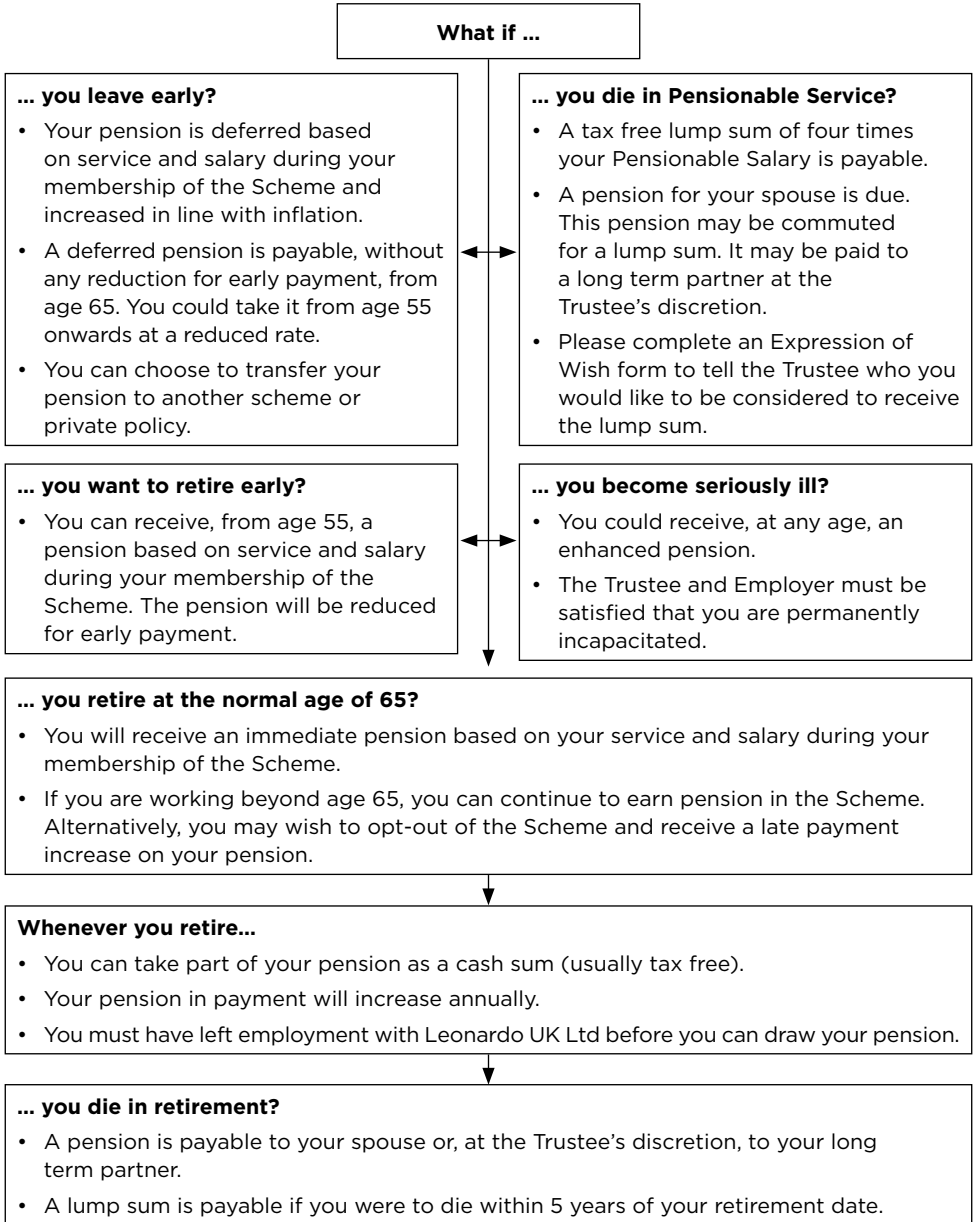
Further information

The Scheme has a website - www.lepensions.co.uk - which provides lots more information about the Scheme, including guides and modelling tools.

If you wish to discuss a pensions matter please contact the Scheme's administrator, XPS:

- Telephone: 0117 440 2491
- Email: leps@xpsgroup.com
- Write to: Leonardo Electronics Pension Scheme, XPS Administration, Queen's Quay, 33-35 Queen Square, Bristol BS1 4LU

Benefits Summary



Please note that this Summary is a very simplified description of the benefits payable by the Scheme. For greater detail of the benefits, including any consent requirements which may apply to certain benefits, please refer to the relevant section of the Booklet.

Definitions

Throughout this booklet there are certain words and phrases which have special meanings and these are defined below:

'Beneficiaries' are your spouse, civil partner, your parents, grandparents and your spouse's or civil partner's parents, grandparents and their descendants (including adopted persons and step children) and the spouses, civil partners, widows and widowers of those descendants, your Dependants or former Dependants (see definition below), any person with an interest in your estate, any person whose maintenance or education you have contributed to, and any person nominated by you in writing to the Trustee.

'Block 1' means your pension attributable to your Pensionable Service up to 5 April 2016.

'Company' means Leonardo UK Ltd as the current principal employer of the Scheme.

'Dependant' is your spouse, civil partner or child under the age of 18 or any person who is financially dependent on you at the time of your death. This includes anyone who shares living expenses with, or receives financial support from, you and whose standard of living would be affected by the loss of your support. A child between 18 and 23 is considered a Dependant if he or she is in full-time education or vocational training, as is any child if, in the opinion of the Trustee, the child is not capable of supporting him or herself. The Trustee's decision as to whether someone is your Dependant is final.

'Earnings Cap' means the limit set by the Company and the Trustee on the pay that counts towards calculating your benefits and contributions if your Pensionable Service started on or after 1 June 1989. The current Earnings Cap is £172,800 (2021/22 tax year).

'Index' means the Consumer Prices Index (CPI) or any other suitable index chosen by the Trustee with the consent of the Company.

'Ill Health' means permanent physical or mental deterioration in health which in the opinion of the Company and the Trustee, on the basis of medical evidence from a registered medical practitioner, prevents you from following your normal employment and seriously impairs your earning capacity for the foreseeable future.

'Normal Retirement Date' means the first day of the month following or coincident with your 65th birthday. For simplicity we have referenced 'age 65' in this booklet.

'Pensionable Salary' means your basic pay and any permanent shift allowance received in the Scheme Year. If your Pensionable Service started on or after 1 June 1989, your Pensionable Salary cannot exceed the Earnings Cap. The Company's decision as to whether any aspect of your remuneration is pensionable is final.

'Pensionable Service' means your service after joining the Scheme during which you have (or are deemed to have) paid contributions to the Scheme. For the purpose of calculating Block 1 only it includes pensionable service under the BAE Systems 2000 Pension Plan.

'Scheme' means the Leonardo Electronics Pension Scheme.

'Scheme Actuary' means an actuary who is a Fellow of the Institute and Faculty of Actuaries and who has been appointed by the Trustee to be the Scheme Actuary.

'Scheme Year' means a year ending on 5 April.

'Service' means employment with the Company or any other employer participating in the Scheme.

'Smart' means the option for your contribution to be made by salary sacrifice rather than deduction from salary.

'State Pension Age' means age 66 (unless you were born before 6 October 1954, in which case your State Pension Age will be younger). It will rise to 67 between 2026 and 2028, and to 68 in accordance with announcements made by the Government.

'Trustee' means Leonardo Electronics Pension Scheme (Trustee) Ltd.

Joining the Scheme

Membership of the 2000 section of the Scheme is only available for those invited to join by the Company. The Scheme was closed to new entrants from April 2009.

The Trustee will confirm the date that you are treated as having joined the Scheme in your annual Benefits Statement.

Please note that currently the Trustee will not accept transfers into the Scheme of pension rights from other arrangements you may have.

Contributions

Member contributions

You are required to pay 7.5% of your Pensionable Salary to the Scheme by deduction from salary.

While this is a material cost, your contributions qualify for tax relief (subject to the annual allowance) and you have an option to pay through Smart which saves National Insurance contributions.

The table below provides an illustration of the net cost (for the 2021/22 tax year) for someone earning £2,500 per month gross (a basic rate tax payer) and using the Smart option:

Contribution rate	7.5%
Gross cost:	£187.50
Tax relief:	£37.50
National Insurance saving (Smart):	<u>£22.50</u>
Net cost to you:	£127.50

Please note: these figures may not be correct if you pay tax in Scotland or Wales.

You must continue to make contributions up to the time when you leave Service (or the date you choose to opt out of the Scheme if earlier – see page 21).

Smart payment

The National Insurance saving identified above is from Smart which is the option for your contribution to be made by salary sacrifice rather than deduction from salary. “Smart” stands for “save money and reduce tax”. It is used by many organisations to deliver savings to their employees and the business.

Smart works as follows:

- members do not make pension contributions;
- salary is reduced by the amount of the pension contributions (salary sacrifice);
- the Company pays an amount, equal to the pension contributions, directly into the Scheme; and
- as a result of this, members and the Company pay no National Insurance contributions on pension contributions and your take home pay may be increased.

Your salary before Smart deduction will be used as the reference salary to work out your Scheme pension, other Company benefits (including bonuses, overtime and maternity pay) and for any salary reviews.

If you have chosen to participate in Smart it is part of your terms and conditions of employment. However you can opt out at any time.

You should note that you are not permitted to earn less than the National Living Wage. If Smart would reduce your salary below £17,142.84 (2021 figure) payroll will take you out of Smart until your salary increases.

Please refer to the Smart Guide for further information.

The Company intends to operate Smart as long as the savings on National Insurance contributions continue to be available. However, if the rules on tax or National Insurance contributions change, or there is some other reason that prevents the Company from continuing with the arrangement, it will stop. If this happens, you must pay pension contributions by deduction from salary. Your take-home pay may go down because you are no longer making savings on National Insurance contributions. You will not have to pay back any of the savings you made while Smart was operating.

Company contributions

The employers will meet the balance of the cost of providing benefits under the Scheme. This means that your employer carries the risk of the amount of money set aside for the benefits you have built up needing to be topped up from time to time. It is possible that you will be asked to increase your contributions, or benefits earned in the future may be reduced, but this would be communicated to you in advance and subject to any applicable consultation requirements.

Voluntary contributions

There are three ways that you can pay voluntary contributions to secure extra benefits:

Additional Voluntary Contributions (AVCs)

AVCs are passed to an external provider for investment on a “money purchase” basis. You can choose between a range of investment funds or rely on a default investment strategy. This means that you accumulate a pot of money in an account in your name which can be used to provide extra retirement benefits. There is no guarantee as to the amount of your AVC account or the extra benefits you will be able to secure.

You can start or change AVCs in any month, subject to giving written notice. The Trustee may specify a minimum / maximum amount which you can pay in any year.

Please refer to the AVC Guide for further information.

Buy Up option

You can pay extra contributions to the Scheme to purchase a higher accrual rate under the Buy Up option. The amount of extra contribution is reviewed each year and you can decide each year whether you want to participate.

Accrual rate means the amount by which the pension grows for each Scheme Year that you are in Pensionable Service. By paying the standard core contribution rate of 7.5% you will accrue 1/65th of your Pensionable Salary each Scheme Year. However if you choose the Buy Up option and pay an extra contribution, you can increase your accrual rate to 60ths for that Scheme Year.

You will be given the opportunity to Buy Up in the lead up to the beginning of each Scheme Year on 6 April.

Please refer to the Buy Up Guide for further information.

Selected Benefits Scheme (SBS)

Some members pay SBS to secure extra retirement benefits as an alternative to both AVCs and the Buy Up option. SBS is paid by existing contributors as at 1 April 2016 up to a maximum of 7.5% of Pensionable Salary. The SBS arrangement is closed to new contributors.

SBS contributions are invested with the rest of the Scheme assets and are a notional sum held within the Scheme. Your SBS fund will be equal in value to contributions made by you, together with Credited Interest. Credited Interest is added monthly and the Credited Interest rate is decided by the Trustee but will be no less than 2.5% per annum.

Members paying SBS are not able to change the rate they pay and are not able to pay AVCs or use the Buy Up option. They are able, however, to cease their SBS payments and they are then able to pay AVCs and/or use the Buy Up option.

Please refer to the SBS Guide for further information.

All voluntary contributions are deducted from your salary before tax. If you have chosen to participate in Smart your voluntary contributions will also be paid through Smart (unless your AVCs would result in your post salary sacrifice earnings being below the National Living Wage in which case your AVCs will be paid through salary deduction (i.e. not through Smart)).

The amount of contributions you can make for which tax relief is available across all your pension arrangements is normally 100% of your UK taxable earnings (this limit includes core member contributions and voluntary contributions), but subject to the annual allowance (see page 31).

The benefits described in this booklet exclude any benefits secured by voluntary contributions unless otherwise specified.

For more information you can contact XPS or visit the “Voluntary Savings” section of the Scheme website - www.lepensions.co.uk - where you can find the Guides to each of these options.

Normal retirement

You can leave Service on your Normal Retirement Date (first day of the month on or after which you reach age 65) with an immediate pension that is payable for life.

Your pension is made up of 'blocks'. Your pension is the total of all the 'blocks' of pension you have built up, plus revaluation.

Block 1 (Pensionable Service prior to 6 April 2016)

Your first block is the value of your pension at 5 April 2016 plus a transitional uplift (where applicable to you).

Previously the Scheme rules provided benefits using a formula which was based on your Pensionable Salary and Pensionable Service with both the Company and BAE Systems, less a deduction, broadly equivalent to the value of your deferred pension in the BAE Systems arrangements.

Block 1 consists of the pension you have built up under these prior rules on 5 April 2016 but with a transitional uplift which is calculated as if you are guaranteed to receive future salary increases of 1% above inflation (CPI) until your Normal Retirement Date.

You will have received a Block 1 Statement which confirms the amount of your pension as at 5 April 2016. Please refer to this Statement and the 'Guide to Block 1', available on the Scheme website - www.lepensions.co.uk - if you would like more information about the previous formula.

Blocks 2, 3, 4 ...

For each Scheme Year (or part year) that you are an active member of the Scheme from 6 April 2016, you build up a 'block' of pension equal to 1/65th of your Pensionable Salary earned during that Scheme Year. If you participate in Buy Up, your accrual rate will be higher (see page 9).

Revaluation

The 'blocks' will be revalued each 5 April (after the Scheme Year in which they were earned) by 1% above inflation (as measured by an Index) up to a maximum of 6% for so long as you remain in Pensionable Service.

If inflation is negative by more than 1% your pension would not reduce in value. No part revaluation is applied if you cease to be in Pensionable Service during the year.

You will have the opportunity to take a cash sum (usually tax free) in exchange for part of your pension, as described on page 16.

The Scheme provides pension increases in payment - these are described on page 17.

There is a guarantee which provides that your pension will never be less than the pension you would have been entitled to if you left Service on 5 April 2016.

Example

The example below shows the build-up of pension if you had a Block 1 entitlement of £5,000 p.a. and a Pensionable Salary of £30,000. It is assumed that Pensionable Salary grows by £500 each year and that CPI inflation is 2%, 1% and 3% in the following three years (which means that the revaluation rate is 3%, 2% and 4% respectively). Pension values shown are per annum, assuming you retire at Normal Retirement Date. Please note that any blocks built up on or after 5 April 2016 will have an accrual rate of 1/65th unless you chose to Buy Up.

				5 April 2019
				Total pension = £6,917.64
				New revaluation 4% of £6,193 = £247.72
			5 April 2018	
			Total pension = £6,193	Block 4 £31,000 / 65 = £476.92
			New revaluation 2% of £5,611.54 = £112.23	£112.23
	5 April 2017		Block 3 £30,500 / 65 = £469.23	£469.23
		Total pension = £5,611.54		
		New revaluation 3% of £5,000 = £150	£150	£150
5 April 2016				
		Block 2 £30,000 / 65 = £461.54	£461.54	£461.54
		Total pension = £5,000		
		Block 1 = £5,000	£5,000	£5,000

Late retirement

If you remain in Service after age 65 you will have the choice of either continuing to make contributions to the Scheme or ceasing contributions (by opting-out of the Scheme).

- Option 1 - if you elect to continue to pay contributions to the Scheme after age 65, you will continue to earn blocks of pension for each year of Service up to your date of leaving.
- Option 2 - if you elect not to pay contributions to the Scheme on or after age 65, your pension will be calculated as if you had left on your Normal Retirement Date (or later date of opting-out), and will then be increased for late payment on a basis determined by the Trustee after considering advice from the Scheme Actuary. Please see 'Opting out' on page 21.

It is important that you contact the Scheme administrator before you reach age 65 to decide which option you wish to take.

If you stay in Service after age 75 you will be treated for all purposes of the Scheme as having left on reaching that age.

Early retirement

If you leave Service after reaching age 55, you may choose an immediate pension (if the Trustee or Company consents). Consent is not required if you cease to be in Service at the request of the Company. You must give the notice of termination of employment to the Company that is required in your contract of employment. Alternatively, you can ask the Company if a shorter notice period is acceptable.

The early retirement pension will be based on the blocks of pension and revaluation (as described on page 11) accrued up to your early retirement date and then reduced for early payment (to take into account the extra years over which your pension will be paid).

The reduction will be on a basis determined by the Trustee (and agreed with the Company) based on actuarial advice.

Details of the option to give up part of your pension in exchange for a cash sum (usually tax free) are given on page 16.

Please note that there may be adverse implications if you elect on early retirement to take your BAE Systems pension at a different time to your Leonardo Electronics pension. The Leonardo Electronics Pension Scheme administrator will automatically notify the BAE Systems administrators when you retire early from the Scheme as an active member.

Ill Health retirement

If, at any age, you are suffering from Ill Health you may seek the approval of the Trustee and the Company to retire early. Ill Health involves a permanent breakdown in your health and to qualify, you would need to meet the criteria defined in the Rules of the Scheme. The Company and the Trustee would review the evidence from a registered medical practitioner and may require you to undergo a medical examination.

The pension will be calculated on the same basis as your pension on early retirement, with two additional benefits:

- First, your pension will be topped up by an amount equal to 1/65th of your Pensionable Salary for each year (plus an additional proportion for each additional complete month) based on two thirds of the period between your leaving Service date and your Normal Retirement Date. The Pensionable Salary for this purpose is usually based on the rate applying in the month before your retirement date.
- Second, the Trustee will not reduce your pension for early payment.

Until you reach age 65, the Trustee may periodically require evidence of your continued Ill Health. If the Trustee considers that your health has improved it may reduce or suspend your pension for any period before you reach Normal Retirement Date.

If you wish to consider applying to retire on grounds of Ill Health, please contact your local HR department for further information.

Cash sum option

You may exchange part of your pension when it is due to start for a cash sum which is payable tax free (under current regulations). The amount of pension payable to your spouse or partner on your death is not affected.

The calculation of the maximum tax free cash sum is very complex but (in broad terms) up to 25% of the value of your benefits can be taken in the form of cash.

The amount of your core pension you will need to give up for cash is determined by the Trustee having taken advice from the Scheme Actuary.

The current policy is that you can take the whole of any SBS and AVC funds as cash to a combined maximum of £50,000 (or 25% of the value of your SBS and AVC funds if this would exceed £50,000).

The Trustee is unable to advise you whether it is in your interests to take part of your pension as a lump sum at retirement. You are advised to consult a professional financial adviser before deciding whether to exercise this option.

Other retirement options

There are other options at retirement (subject to consent). For example you may be able to:

- exchange part of your pension to provide extra Dependant's pension payable on your death.
- exchange part of your pension to receive a bridging pension that ceases once you reach State Pension Age.

Details are available on request.

Pension increases

Once your pension is in payment, it will increase each year on 1 May (or on such other date as may be decided by the Trustee).

The increase will be in line with the annual increase in the Retail Prices Index for the prior January, subject to a maximum increase. This maximum is 5% in any year for all pension benefits accrued prior to 6 April 2006 and 2.5% for benefits accrued on or after 6 April 2006.

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

Pension increases also apply to spouse's, civil partner's, partner's and Dependant's pensions when in payment.

Increases are determined by reference to the pension you receive. Pension exchanged for a cash sum or any other option at retirement is excluded.

You will be advised in writing of how your pension will increase each year.

Pension increases apply to your core pension benefits and those secured by participating in the Buy Up option. If you use your SBS or AVC fund to purchase a pension with a pension provider, different increases will apply depending on the options you choose at retirement.

Payment of pension

Pensions are payable monthly in advance on the first working day of each month. They are paid for life from the date of retirement and are subject to tax under PAYE.

Your first instalment of pension may include an amount covering the period from the date of your retirement up to the end of that month.

All pensions are paid by credit transfers to a bank or building society account.

Please make sure you keep XPS informed of any change of address or account details during retirement. If you fail to do so it may mean that your pension is suspended for a period.

Leaving Service

Deferred pension

If you leave Service before age 65 and have not drawn your benefits, you will be entitled to a deferred pension.

The deferred pension is based on the blocks of pension and revaluation (as described on page 11) accrued at your leaving date.

The deferred pension receives increases between leaving Service and the date it comes into payment or age 65 if earlier (known as revaluation). The rate of increase is in line with statutory requirements which are based on the percentage rise in inflation over that period (currently measured by the Consumer Prices Index). For benefits accrued prior to 6 April 2009 the increase is up to a maximum of 5% per annum compound. For benefits accrued after 5 April 2009 the increase is up to a maximum of 2.5% per annum compound.

Drawing a deferred pension

With the consent of the Trustee or the Company, you may choose to start receiving your deferred pension before age 65 (but not before age 55 unless you prove to the satisfaction of the Trustee that you are suffering from Ill Health). Your pension (after the increase to the date of retirement set out above has been applied) will be reduced at a rate determined by the Trustee (and agreed with the Company) based on actuarial advice to allow for the extra years over which your pension will be paid.

If you retire early and the Trustee is satisfied that you had to retire from gainful employment on grounds of such serious ill-health that you are unlikely to ever be capable of carrying out the duties that you carried out in your last employment with the Company, your pension will not be reduced to take account of the fact it is being paid early.

With the consent of the Trustee or the Company, you may choose to start receiving your deferred pension after Normal Retirement Date at any age up to age 75. If your pension starts after Normal Retirement Date, the Trustee will increase it for late payment based on actuarial advice.

Please note that the consent of the Trustee or the Company is required to retire unless you retire at Normal Retirement Date or ceased to be in Service at the request of the Company.

When you retire the relevant options such as to take a cash sum will be available to you (as described on page 16).

Transfer option

The cash value of your deferred benefits may be transferred to a new company pension scheme (this may require the agreement of your new employer) or to an individual pension policy. 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. Transfer requests received within one year before your Normal Retirement Date, or beyond your Normal Retirement Date, are at the discretion of the Trustee (with the approval of the Company). You should advise your new employer or your personal pension provider if you are interested in the transfer option.

Please note that there are important differences in the nature of the benefits provided in a 'defined benefit' arrangement like the Leonardo Electronics Pension Scheme, and those in 'defined contribution' arrangements, which you would need to consider carefully before taking such a decision. Any member wishing to transfer benefits (valued at £30,000 or more) to a defined contribution arrangement must provide confirmation to the Trustee from a suitably qualified independent Financial Adviser that they have taken advice.

Cash transfer values are calculated on a basis recommended by the Scheme Actuary. This complies with the relevant statutory requirements and is in compliance with relevant legislation.

The Trustee's liability to pay any benefits in respect of you, under the Scheme, ceases upon payment of the transfer value to your new employer's scheme or to an individual pension policy, and the Trustee cannot be held responsible if the benefits or investment performance of your new scheme or policy fails to match that under the Scheme.

You can ask for a statement of entitlement to the cash amount of your transfer value at any time, although a charge would apply if you request more than one transfer value in a 12 month period.

AVCs and SBS may be transferred separately at any time before they are used to secure retirement benefits.

Opting out.

It is not a condition of your employment to be or remain a member of the Scheme. You may opt out of the Scheme, if you wish, by giving two calendar months' written notice to your employer and the Trustee.

If you wish to opt out of the Scheme:

- your entitlement to a death in Pensionable Service lump sum and ill health provision ceases; and
- your entitlements under the Scheme will be calculated at the date of leaving the Scheme (as described on page 19), and you will give up any benefits that could be earned for Service after you opt out.

If you decide to opt out please remember that you will not be able to re-join the Scheme.

Opting out of the Scheme is a significant decision and you are advised to take independent financial advice before deciding to do so.

If you did want to re-join a Company scheme, you could apply to join FuturePlanner which is the defined contribution arrangement for new Leonardo employees in the UK. If you do not join FuturePlanner **immediately** after leaving the Scheme you may be required to provide evidence of your health and the benefits available may be restricted in certain circumstances.

If you wish to apply to join FuturePlanner please contact XPS on 0118 467 5900.

If you have opted out of the Leonardo Electronics Pension Scheme, and not joined FuturePlanner, the Company will be required to automatically enrol you into FuturePlanner on a rolling three year basis. This is something that has to be done by law but you can choose to opt out again if you wish.

Life Cover

Lump sum

If you die in Pensionable Service, a lump sum benefit is payable consisting of:

- four times the annual rate of your Pensionable Salary.
- the value of any voluntary contributions fund under the AVC or SBS options.

In addition if there is no spouse's pension payable, the total of any additional contributions you have paid under the Buy Up option (with no interest) will be added to the lump sum.

The lump sum is payable at the discretion of the Trustee and this means that it is normally free from inheritance tax. The Trustee will choose from one or more of your Beneficiaries which includes your spouse, civil partner, partner, children, parents, other family members and anyone named on your Expression of Wish form.

To assist the Trustee in making its decision you are strongly advised to nominate one or more preferred recipients by completing an Expression of Wish form. This can be obtained from the Scheme website or the Scheme administrator. Please note that Expression of Wish forms that you may have previously completed for the BAE Systems pension arrangements cannot be considered by the Leonardo Electronics Trustee.

Although the Trustee is not bound to follow your wishes, any nominations you make can help them in what can be a difficult decision. Please also review and, if necessary, update the Expression of Wish form regularly.

The amount of the lump sum death benefit may be adjusted by the Trustee (or conditions imposed on its payment) where required by the Trustee's insurance policy.

Spouse's pension

A spouse's pension will be payable to your spouse on your death in Pensionable Service.

This will be 50% of the pension that would have been payable to you if you had retired immediately before your death without giving up any pension for a lump sum, save that no reduction for early payment will be taken into account.

Spouse's lump sum option

Your spouse will be given the opportunity to commute (exchange) their spouse's pension for an additional lump sum which is currently tax free.

Death as a deferred member

Lump sum

On death after leaving Service but before your deferred pension has started, a lump sum will be payable.

If this is before age 65, the lump sum represents your contributions to the Scheme made up of the following elements:

- One and a half times your basic contributions to 5 April 2016 with Credited Interest (the rate of which is determined by the Trustee on the advice of the Actuary, subject to a minimum of 2.5% per annum) to date of death and
- Your basic contributions after 5 April 2016 (with no interest).

If death is on or after age 65, the lump sum is:

- The maximum lump sum you could have chosen if you had retired immediately before your death (as described on page 16) and
- Five years' payments of the pension (after giving up pension for the lump sum above) that would have been payable if you had retired immediately before death and lived for five years after retirement.

In both cases the lump sum will also include:

- If no spouse's pension is payable, any additional contributions paid under the Buy Up option (with no interest); and
- The value of any voluntary contributions fund under the AVC or SBS options.

The lump sum is payable to your Beneficiaries at the discretion of the Trustee.

Spouse's pension

On death after leaving Service but before your deferred pension has started your spouse would receive a pension equal to 50% of your deferred pension (including increases to date of death as described on page 19).

Spouse's lump sum option

Your spouse will be given the opportunity to commute (exchange) their spouse's pension for an additional lump sum which is currently tax free.

Death in retirement

Lump sum

If you die within five years of retirement a lump sum is due. This is the value of the pension payments which would have been made during the remainder of the five-year period if you had not died (disregarding future increases).

The lump sum is payable to your Beneficiaries at the discretion of the Trustee.

Spouse's pension

Your spouse will receive a pension equal to 50% of your pension at the date of death.

If you gave up any pension at retirement for a cash sum (or under another retirement option), the pension will be calculated as 50% of the amount that would be payable if you had not done so.

If you are in receipt of a pension in respect of your AVC or SBS contributions this will not be taken into account when calculating the spouse's pension, unless you made provision for this with the provider when you purchased the pension.

Conditions for spouse's pension

Civil partnership / same sex marriage

A civil partner or same sex spouse will be treated in the same way as an opposite sex spouse.

Pension for "common law partner"

If you do not have a spouse but have a relationship (with a person of the same or opposite sex) which closely resembles marriage, the Trustee may, in its discretion, treat that person as a spouse and pay a pension to them.

If your spouse is not living with you at the date of death and in the opinion of the Trustee the marriage had broken down, the Trustee may reduce or not pay a pension to the spouse. It may instead pay all or part of the spouse's pension to a person whom the Trustee considers had a relationship with you closely resembling marriage.

The Trustee has discretion not to pay the pension where the relationship which gives rise to the pension commenced within 6 months before your death.

Dependants

If you die leaving one or more Dependants the Trustee may, at its discretion, pay some or all of the spouse's pension to those Dependants. This applies even if there is also a surviving spouse.

If at the date of your death, the Dependant is under age 18 or under age 23 and in full-time education or training the pension will continue for so long as this remains the case. At the Trustee's discretion, the pension may continue after those ages if the Trustee considers the Dependant to be in financial hardship.

If a Dependant is an adult the Trustee may reduce, suspend or terminate the pension if in its opinion this is justified in the circumstances.

When a Dependant's pension ceases the Trustee may decide to increase the pension to a spouse or other Dependant of the member.

Divorce

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 Scheme administrator.

Communications

You can find more information about the Scheme at www.lepensions.co.uk.

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 Scheme 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 website.

Benefits Statements

Each year you will receive a benefits statement. This will summarise your benefits, for example the pension you have accrued, your prospective pension at retirement and your life cover.

Please note that these statements are intended to provide illustrations to assist in your financial planning and do not guarantee rights to the forecasts shown. Whilst every effort is taken to ensure the accuracy of these statements, your rights will be governed by the Rules and the laws in force at the time you retire.

InFocus

The Trustee will issue you with periodic newsletters (called InFocus) about the Scheme. These will provide information about the latest developments as well as annual summaries of the accounts, the investments and funding position.

Formal documents

You also have a right to see copies of some of the formal documentation that governs the Scheme. This includes:

- the Trust Deed and Rules of the Scheme;
- the Trustee's annual report and accounts;
- the internal dispute resolution procedure;
- the Trustee's statement of investment principles which explains how the Trustee invests the money paid into the Scheme;
- the Trustee's statement of funding principles which sets out the Scheme's funding plan;
- the recovery plan (if any) which explains how any funding deficit is being made up;
- the schedule of contributions which shows how much money is being paid into the Scheme;
- the actuarial valuation report which shows the results of the Scheme Actuary's latest formal investigation of the valuation position;
- the actuarial update (if any) which shows the Scheme Actuary's estimate of the valuation position over the year or years since the last formal investigation.

Some of these documents are accessible from the Scheme's website at www.lepensions.co.uk. Alternatively you can request a copy from the Scheme administrators.

Members away from work

If you are away from work, your membership will normally continue for as long as you are receiving contractual pay and paying contributions.

Once your pay ceases then membership will normally end unless you come under special rules that apply to certain types of leave.

Maternity, shared parental, paternity and adoption leave

Special rules apply to the following forms of statutory leave:

- Maternity leave during your statutory “ordinary maternity leave period” and also during any further period of “additional maternity leave” during which you receive pay.
- Shared parental leave during which you receive pay.
- Paternity leave during which you receive pay.
- Adoption leave during your statutory “ordinary adoption leave period” and also during any further period of “additional adoption leave” during which you receive pay.

For each of these types of absence the Company will pay contributions based on your “at work” pay in accordance with legal requirements from time to time. You will also have to pay contributions but these will be based on the actual pay you receive. Your lump sum death benefit and other benefits will continue to be based on your “at work” pay.

You will stop building up pension benefits if you exercise your right to take further unpaid leave before returning to work. However the Scheme will still provide lump sum death benefit cover until the end of the leave period (subject to insurability).

Unpaid parental or family leave

If you return to work after a period of unpaid leave which you had a legal right to take, your Pensionable Service before and after the break will be treated as continuous (but excluding the break). The Trustee will require contributions and provide benefits in accordance with statutory requirements.

Other types of absence

The Company and the Trustee can decide that special terms apply to contributions and benefits for a period away from work. Such special terms will be notified in writing.

On a return to work your Pensionable Service will be treated as continuous (but excluding the break).

Life cover during absence

Subject to any restrictions imposed by the insurance company, you will continue to be covered for the lump sum death benefit cover during a period of absence. The Trustee and Company have discretion regarding whether any spouse's or dependant's pension continues to be payable during a period of absence.

Part time employment

If you work part time, you will continue to build up pension benefits based on the Pensionable Salary you have earned.

Disputes and Regulators

Internal Dispute Resolution Procedure

If you have a query about your benefits, or any other matter relating to the Scheme, you should contact the Scheme administrator. They will normally be able to help and answer most of your queries.

However, if you have a dispute which is not settled to your satisfaction, you can use the Trustee's Internal Dispute Resolution Procedure (IDRP) to try and resolve the problem. You can also seek help from the Pensions Ombudsman's Early Resolution Service.

You can request a copy of the IDRP from the Scheme administrator, XPS, who can explain how you may make a formal application for your complaint to be considered. Under the procedure, you should submit your application to the Pensions Manager using the address shown in the IDRP documentation.

Once you have completed your application and supplied the required information, the nominated complaints officer will come to a decision regarding your complaint and notify you of the outcome. Normally this will be within four months of receipt of your application.

If you are still dissatisfied then you may apply within a further six months for the Trustee to reconsider your complaint. Again, the Trustee will normally advise you of its decision within four months of receiving your application.

The Trustee's decision is final and there is no further appeal within the Internal Dispute Resolution Procedure. You may, however, approach the Pensions Ombudsman's Early Resolution Service for advice.

MoneyHelper

MoneyHelper is a free service which provides pension guidance, money guidance and debt advice. These services were previously provided by three separate government entities; The Pensions Advisory Service (TPAS), Pension Wise and the Money Advice Service.

MoneyHelper can assist you and other beneficiaries of occupational pension schemes in connection with pensions queries, including difficulties which you may have failed to resolve with the Trustee or Scheme manager. The contact details are:

MoneyHelper,
120 Holborn,
London, EC1N 2TD.

Website: www.moneyhelper.org.uk
Telephone: 0800 011 3797

Pensions Ombudsman

Early Resolution Service:

The Pensions Ombudsman's Early Resolution Service is available to assist you and other beneficiaries in connection with any difficulty you have failed to resolve with the Trustee, or to assist with a potential complaint.

Email: enquiries@pensions-ombudsman.org.uk
Telephone: 0800 917 4487

Complaints:

The Pensions Ombudsman (TPO) can investigate complaints of fact or law between a scheme member and the scheme authorities and he has power to make a decision which is legally binding on all parties. However, he will normally only intervene after the formal IDR process has been followed and failed to resolve the dispute. The contact details are:

The Pensions Ombudsman,
10 South Colonnade,
Canary Wharf,
London, E14 4PU.

Website: www.pensions-ombudsman.org.uk

Email: helpline@pensions-ombudsman.org.uk

Telephone: 0800 917 4487

Pensions Regulator

The Pensions Regulator was appointed by Parliament as the Regulator for occupational pension schemes to protect the interests of scheme members and their beneficiaries. The Pensions Regulator can intervene in the running of schemes where trustees, employers or professional advisers have failed in their duties and has the power to fine or suspend trustees. Professional advisers are in certain circumstances required to report to the Pensions Regulator if they become aware of a matter in relation to a particular scheme which the Pensions Regulator would want to know about. The contact details are:

Pensions Regulator,
Napier House,
Trafalgar Place,
Brighton,
East Sussex BN1 4DW.

Website: www.tpr.gov.uk

Telephone: 0345 600 5666

Pension Tracing Service

Information about the Scheme (including the address at which the Trustee may be contacted) has been given to the Pension Tracing Service who can help individual members keep track of the deferred benefit entitlements they have in previous employers' schemes. The contact details are:

Pension Tracing Service,
The Pension Service 9,
Mail Handling Site A,
Wolverhampton WV98 1LU.

Website: www.gov.uk/find-pension-contact-details

Telephone: 0800 731 0193

Pension Wise

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 voluntary savings funds). 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 or SBS fund. Visit 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.

Small (but important) print

The Leonardo Electronics Pension Scheme (previously known as the Selex Pension Scheme) was established by Leonardo UK Ltd (then named BAE Systems Avionics Limited) on 24 March 2005. It is set up under trust and administered by the Trustee according to the Rules. This booklet is a broad guide to the Scheme and will always be overruled by the formal Rules if there is any difference between the two documents.

Trustee

The Trustee board consists of Company nominated Trustee Directors (drawn from the Company's management or independent trustees) and member nominated Trustee Directors (chosen from Scheme members, through the Pensions Consultative Committee). The Trustee Directors are equally and jointly responsible for the administration of the Scheme and for the investment of the Scheme's assets.

If you would like to contact the Trustee you can write to Leonardo Electronics Pension Scheme, Box 205, Leonardo, Lysander Road, Yeovil, BA20 2YB or email pensions@leonardocompany.com.

Rules

Copies of the Rules can be viewed on request. Please contact the Scheme administrator at the address shown at the front of this booklet. Under the Rules, which contain powers of amendment and termination, any amendment would be subject to the prior agreement of the Trustee and the Company.

Deferred pension underpin

The Scheme provides benefits on a Career Salary basis from 6 April 2016. Members who leave Pensionable Service on or after that date have an underpin to their benefits, which is the amount they would have been entitled to if they had instead left Service on 5 April 2016 under the Rules in force at that time. This ensures that the past service rights accrued prior to the change to Career Salary are protected as required by law.

Tax regulations

The Scheme complies with statutory requirements governing occupational pension schemes and is registered with HM Revenue & Customs under the Finance Act 2004. There are various HMRC limits on contributions and benefits which enjoy favourable tax treatment.

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 (but not exceeding your own relevant earnings for that tax year). The Annual Allowance is £40,000 in the 2021/22 tax year but may be lower if you have accessed some of your pension savings flexibly or are a high earner (with the first earnings test being at £200,000). Increases in the value of your savings into the Scheme and any other pension arrangements in a pension input period in excess of the Annual Allowance will attract additional tax charges. The pension input period is 6 April – 5 April each year. Unused annual allowance can be carried forward for 3 years.

Lifetime Allowance: The Government will allow you to take benefits from registered pension schemes in a tax efficient way if their value does not exceed the Lifetime Allowance. The Lifetime Allowance is £1,073,100 in the 2021/22 tax year. The value of benefits in excess of the Lifetime Allowance will attract additional tax charges. If the value of your benefits was greater than £1 million on 5 April 2016, you may be able to apply for protection.

Working overseas

If you work in an EU member state and become subject to the social and labour laws of that country, you will be treated as having opted out of the Scheme from the date you became subject to the social and labour laws of that country.

Entitlement to benefits

The benefits provided by the Scheme are strictly personal and you cannot assign or charge them.

Discretionary benefits

The Rules of the Scheme also allow the Trustee and the Company to provide additional benefits at their discretion. This includes options available at the discretion of the Trustee to commute pension benefits on grounds of serious ill health or triviality. Where a discretionary benefit is granted at the request of the Company, the Trustee may require the cost of those benefits to be met by the Company based on the advice of the Scheme Actuary.

BAE Systems

Any benefits you have from previous employment with BAE Systems are not covered by this booklet.

For information about BAE Systems benefits please contact Equiniti, Pensions Service Centre, PO Box 1194, Crawley, West Sussex RH10 0FZ or telephone: 0800 917 9568.

Data Protection

The personal data (including any special category personal data – e.g. relating to health or sexual orientation) that you provide (or which is provided on your behalf) will be handled by the Trustee as a data controller, and by its authorised third parties, in accordance with applicable data protection law and as described in the Trustee's Fair Processing Notice, available to view at www.lepensions.co.uk.

Further information

Please visit the Scheme website – www.lepensions.co.uk – to find more information about the Scheme, including guides and online modelling tools.

If you are considering retirement and would like a formal illustration or have any other questions please contact the Scheme administrators. Their contact details are on page 3 of this booklet.