



**ELECTRONICS**  
Pension Scheme



# IN FOCUS

Autumn 2021



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# ARE YOU USING OUR ONLINE TOOLS?

Our online tools at **MyPension.com/LEPS** are a great source of instant pension information. If you are an active member, you can use the online pension modeller to run pension illustrations using a variety of retirement dates.

In addition to the pension modeller, you can also:

- view your personal details and provide us with any updates to your contact information (e.g. address, email address, phone number)
- view your salary and service history
- view your recent active benefit statements
- view any AVC or 100+ Retirement Account fund holdings you have with Mobius Life, access fund factsheets and change how your DC funds are invested
- view your SBS fund (if any)
- access our new DC Investment microsite (more about this on the next page)
- update your Expression of Wish form to assist the Trustee with who you would like any benefits to be paid to in the event of your death.

If you are a pensioner, once you have registered, you can access copies of your monthly payslips and P60 statements.

If you are a deferred member (i.e. you have left the Company but have not drawn your pension yet) you can view details of your annual pension at your date of leaving.

## **DON'T MISS OUT ON VITAL PENSIONS INFORMATION: SIGN UP AT MYPENSION.COM/LEPS.**

If you need a reminder of your **MyPension.com/LEPS** login details, please contact XPS Administration at **LEPS@XPSgroup.com**, confirming the following details:

- your full name
- your postal address
- the first four digits of your NI number (e.g. AB12)
- the day of your birthday (e.g. 24th).

# NEW DC INVESTMENT MICROSITE



We are pleased to announce the launch of a new online pensions tool: the Leonardo DC (Defined Contribution) Investment microsite provided by Mobius Life.

The new microsite allows Leonardo pension scheme members to:

- access current data on all Leonardo Additional Voluntary Contribution (AVC) investment funds and 100+ Retirement Account funds
- view unit prices
- review historic performance and asset allocation
- use a charting tool to compare different funds to help you when deciding how you wish to invest your AVC/100+ Retirement Account funds.

To access the microsite, log into your account at [www.MyPension.com/LEPS](http://www.MyPension.com/LEPS), go to My AVC investments and click on the 'Compare Funds' tab.

## NEW ISLAMIC GLOBAL EQUITY FUND OPTION

We have introduced an Islamic Global Equity Fund to the 'pick & mix' range of investment choices for your AVC/100+ Retirement Account, which complies with the principles of Sharia law. The Fund aims to track as closely as possible the performance of the Dow Jones Islamic Market Titans 100 Index.

Further information about this fund can be found in the factsheet on the new DC Investment microsite. Our 'pick & mix' funds are intended for those who are comfortable managing their own investment strategy. Members who don't want to be actively involved in day-to-day investment decisions can continue to use the default lifestyle strategy.

# THE BENEFITS OF PENSION SAVING

When there are so many competing demands on our finances, it can be difficult to prioritise saving for retirement, but paying a bit more into a pension costs less than you may think!

Aside from the benefit of the Company-funded element of your core pension, the benefits of tax relief and National Insurance savings mean that paying additional amounts into your pension is tax efficient.

When you make a contribution from your monthly pay into your Leonardo pension, rather than receiving that money as salary, you don't pay income tax on that contribution. In addition, if you pay that contribution through our Smart salary sacrifice option, you also don't pay any National Insurance (NI) on that contribution. The result is that your net take-home pay is not reduced by as much as the value of the contribution going into your pension!

By way of an example, each £100 additional contribution that you make to your pension will only cost you a net contribution of £68 if you are a basic rate taxpayer. This tax and NI saving applies even where you are making additional contributions in excess of the core contribution rate, through our Additional Voluntary Contributions (AVC) or Buy Up options.

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Contribution into your pension: £100

- Tax relief: £20
- NI saving: £12
- Net cost to you: £68



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**By giving up £68 from your pay, you will be making a £100 contribution into your pension!**

# THE BENEFITS OF PENSION SAVING CONTINUED

This indicative example shows contributions for a basic rate taxpayer in England & Wales. While the savings principles remain similar, rates will differ for higher rate taxpayers and those liable to tax in Scotland.

For further information on the options available to you for saving more through the Leonardo Scheme, and how much this may cost, please visit the 'saving more' page at [www.lepensions.co.uk](http://www.lepensions.co.uk) and use our 'net pay' modeller.

There are limits on the amount you are able to save into a pension without incurring additional tax liabilities including the Lifetime Allowance and Annual Allowance. Further information on these limits can be found in our Guides at [www.lepensions.co.uk/library](http://www.lepensions.co.uk/library)

# WELCOME TO OUR NEW TRUSTEE DIRECTOR



We welcome Scott McMillan to the Trustee board as a member-nominated Trustee director. Scott has been a representative on the Pensions Consultative Committee (PCC) for the last 14 years and has recently been elected by the PCC to serve as a Trustee director.

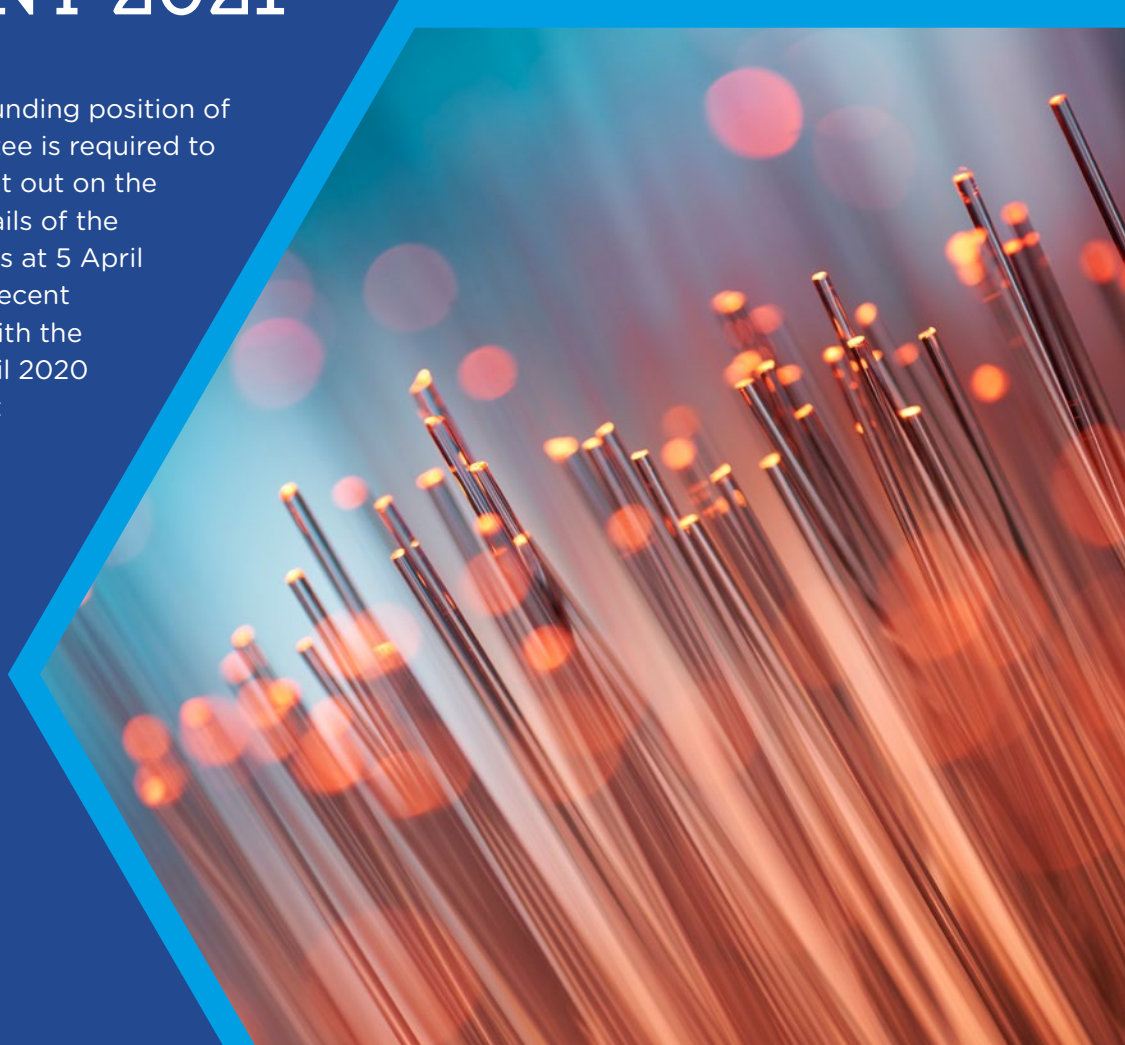
Scott's day-to-day role within Leonardo UK Ltd is VP, Mergers & Acquisitions. With a background in finance, he brings wide-ranging experience to the Trustee board having worked for the business for over 23 years. He sits on the full Trustee board and on the investment sub-committee.

We would like to thank the outgoing Trustee director, Stuart Rushworth, for his long-standing contribution to the management of the Scheme, and we wish him all the best for his retirement.



# SUMMARY FUNDING STATEMENT 2021

This is your update on the funding position of the Scheme, which the Trustee is required to provide to you each year. Set out on the following pages are the details of the Scheme's funding position as at 5 April 2021 (the date of the most recent actuarial report) together with the funding position as at 5 April 2020 (the date of the most recent actuarial valuation).





# SUMMARY FUNDING STATEMENT 2021 CONTINUED

VALUES ARE IN £ MILLION

2021 Funding level - 121%



2020 Funding level - 113%



## DEFINITIONS

**Funding level %:** the value of the assets, expressed as a percentage of the value of the liabilities.

- Assets:** the amount of money held by the Scheme in various forms (excluding DC assets). This includes cash, equities, bonds, swaps and other investments.
- Liabilities:** the amount of money the Scheme is estimated to need to pay all of its future benefits, based on benefits earned up to the valuation date.
- Surplus:** the amount by which the Scheme's assets exceed its liabilities.



# SUMMARY FUNDING STATEMENT 2021 CONTINUED

## CHANGE IN ONGOING FUNDING POSITION SINCE THE LAST SUMMARY FUNDING STATEMENT

As at 5 April 2020, there was an estimated surplus of £125 million. Since then, this has increased to £204 million at 5 April 2021. This was mainly due to investment returns from the Scheme's assets being greater than assumed, partially offset by a portion of the surplus being used to support the cost of new benefit accrual over the year (agreed as part of the actuarial valuation process).

The next detailed calculation of the Scheme's funding position will occur as part of the actuarial valuation as at 5 April 2023. The Trustee does, however, monitor the funding position of the Scheme on a more regular basis and will take action if necessary.



# SUMMARY FUNDING STATEMENT 2021 CONTINUED

## **BUYOUT/DISCONTINUANCE BASIS**

This is the amount of money needed to buy an insurance policy to pay all the benefits due from the Scheme. This would only be relevant if it was decided to wind up the Scheme. As at 5 April 2020, the Actuary valued the Scheme at 81% funded on a discontinuance basis (deficit of £255 million). It is a legal requirement to produce these discontinuance figures, and it does not mean that there is any intention to wind up the Scheme.

## **HOW IS MY PENSION FUNDED?**

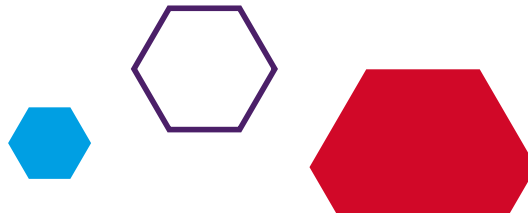
Active members and the participating employer pay contributions to the Scheme based upon members' pensionable salaries. The Scheme holds the money in a common fund from which it pays members' pensions when they retire. If you pay voluntary contributions to the Selected Benefits Scheme (SBS), these contributions are also held in this common fund. Other Additional Voluntary Contributions and 100+ Retirement Accounts are held separately with Mobius Life.

## **HOW IS THE AMOUNT OF MONEY THE SCHEME NEEDS WORKED OUT?**

The Trustee obtains regular valuations of the benefits earned by members. Using this information and recommendations from the Scheme Actuary, the Trustee and the Company must agree on the future contributions that are required to ensure there is sufficient money in the Scheme to pay the benefits. As part of this process, the Trustee reviews the financial strength of the Leonardo companies supporting the Scheme.

## **WHICH FUNDING BASIS IS USED?**

The ongoing funding basis is used to determine how much needs to be paid into the Scheme by participating employers and members. It assumes that the Company will continue in business and support the Scheme. The discontinuance basis is not used; however, it would be relevant if the Scheme were to wind up, for example if the Company became insolvent.



# SUMMARY FUNDING STATEMENT 2021 CONTINUED

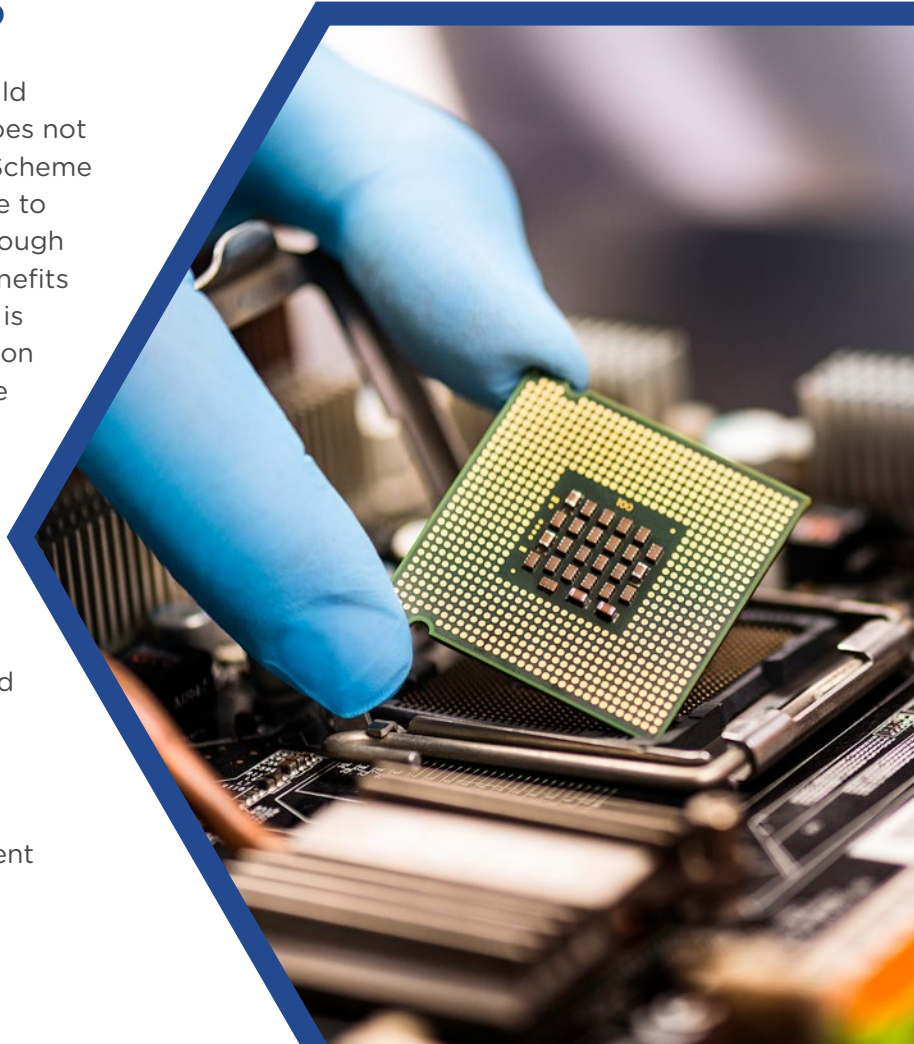
## WHAT IF THE SCHEME STARTED TO WIND UP?

We are legally required to tell you what would happen if the Scheme were to wind up. It does not mean there is any intention to wind up the Scheme in the foreseeable future. If the Scheme were to wind up, the Company is required to pay enough into the Scheme to secure the members' benefits with an insurance company. If the Company is not able to pay the deficit (if any), the Pension Protection Fund (PPF) might be able to take over the Scheme and pay compensation to members. Further information about the PPF can be found at [www.ppf.co.uk](http://www.ppf.co.uk)

## OTHER INFORMATION

No payments have been made from the Scheme to any participating employers in the last 12 months (other than those required for the pensions management services provided by Leonardo UK Ltd).

If you are thinking of leaving the Scheme, you should consult a professional independent financial adviser first.

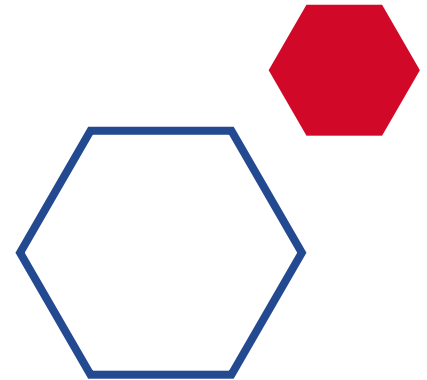


# FINANCIAL HIGHLIGHTS

In the year to 5 April 2021, the Scheme's assets (including DC assets) increased to £1,195 million. This primarily related to the positive investment returns on the Scheme's assets. The table below shows a summary of the financial transactions of the Scheme during the year:

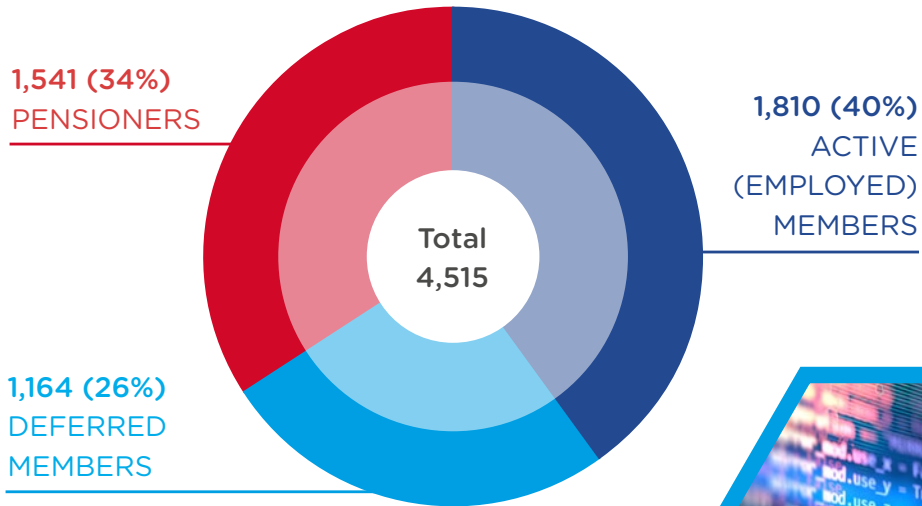
<b>Value of Scheme assets at 5 April 2020</b>	<b>£1,125m</b>
+ income	£45m
- benefits and expenses	(£22m)
+ change in market value of investments	£47m
<b>Value of Scheme assets at 5 April 2021</b>	<b>£1,195m</b>

This information has been taken from the Trustee's Annual Report and Accounts 2021, which have been independently audited by RSM UK Audit LLP. If you would like to see a copy of the full Report and Accounts, it is available from the library on the Scheme website: [www.lepensions.co.uk](http://www.lepensions.co.uk)



# MEMBERSHIP

As at 5 April 2021, the membership of the Scheme was as follows:



# OUR INVESTMENTS

## INVESTMENT STRATEGY

The Trustee is responsible for investing the Scheme's assets in order to pay pensions to members now and in the future. Taking advice from specialist advisers, the Trustee sets out its investment strategy in a document called the Statement of Investment Principles. During the year, the Trustee engaged Lane, Clark & Peacock to undertake an external review of the Scheme's fiduciary management investment services, and we are pleased to confirm River & Mercantile were re-appointed as a result of this process.

The Scheme's return-seeking (growth) assets (£487 million as at 5 April 2021) are managed by River & Mercantile Solutions and are invested in

a wide range of asset classes. The Trustee has delegated the day-to-day management of the assets to the investment manager.

The 'off-risk' portion of the Scheme's assets (£707 million as at 5 April 2021) is in a mix of hedging instruments and Government bonds, which track changes in the liability profile of the Scheme when long-term interest rate and inflation expectations change. This also includes the Scheme's new allocations to active structured equity and cashflow matching credit. As at 5 April 2021, there was also £27 million in DC funds (AVCs and 100+ Retirement Accounts) and £153 million in an insurance buy-in policy.



# OUR INVESTMENTS CONTINUED

## ALLOCATION OF ASSETS AS AT 5 APRIL 2021

Asset class	Value	% of investment portfolio	% of total assets
Equity	£287m	29%	24%
Alternatives	£82m	8%	7%
Bonds	£61m	6%	5%
Property	£32m	3%	3%
Cash	£23m	2%	2%
Currency Hedge	£2m	0%	0%
<b>Total on-risk growth assets</b>	<b>£487m</b>	<b>48%</b>	<b>41%</b>
<b>Off-risk</b>	<b>£527m</b>	<b>52%</b>	<b>44%</b>
Insurance buy-in policy	£153m		13%
DC assets	£27m		2%
Current assets - current liabilities	£1m		0%
<b>TOTAL</b>	<b>£1,195m</b>		<b>100%</b>

Further information about the Scheme's investments is available in the 2021 Report and Accounts.

# OUR INVESTMENTS CONTINUED

## INVESTMENT PERFORMANCE

The year to 5 April 2021 saw strong investment returns for the Scheme, amid volatile market conditions. The falls in return-seeking assets experienced during the first quarter of 2020 as a result of the COVID-19 pandemic were followed by a strong period of market recovery through 2020 and into 2021. As a result of the strong investment performance over the year and the resulting improvement in funding position, the Trustee took action to de-risk the investment portfolio by reducing the 'on-risk' allocation by 10% in June 2021. Returns are shown to 5 April 2021, net of any fees paid from assets.

Looking first at the performance of the Scheme's return-seeking growth asset portfolio alone, returns over the year were significantly ahead of the target benchmark, and this strong performance improved the position over longer periods:

Growth asset portfolio	1 year	3 years p.a.	5 years p.a.
Investment return	23.8%	5.7%	7.2%
Target (cash + 3% p.a.)	3.2%	3.6%	3.5%
Investment return relative to target	20.6%	2.1%	3.7%

The returns for the total portfolio (including the off-risk assets) were also positive, and well ahead of the targeted return:

Total portfolio	1 year	3 years p.a.	5 years p.a.
Investment return	8.2%	7.7%	9.3%
Liability-related target	-0.2%	5.7%	7.3%
Investment return relative to target	8.4%	2.0%	2.0%

# KEEP IN TOUCH

Please remember to let us know if any of your details change, such as your postal or email address. If you have any queries about your pension, please contact the administrator.

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## **Disclaimer**

The content of this newsletter is given for the purpose of providing you with information about the Scheme only and has no legal effect. The Rules of the Scheme govern how the Trustee must act and if there is any inconsistency between the Rules and the information given in this newsletter, the Rules will prevail.