

# 2023 Buy Up Guide

## 100+ Section

The Leonardo Electronics Pension Scheme (the 'Scheme') provides a Buy Up option under which members can pay extra contributions for a better accrual rate.

This Guide consists of answers to some common questions people ask about how Buy Up works. If you have any further questions please contact XPS on 0117 440 2491 or by email to [LEPS@xpsgroup.com](mailto:LEPS@xpsgroup.com).

### Important Note

*This Guide is intended to provide you with information on the Buy Up facility, but you should note that it is not a legal document and is not intended as financial advice. If there is any conflict between this Buy Up Guide and the Rules of the Scheme, the Rules will prevail.*

***If you are uncertain of what action to take it is strongly recommended that you contact an Independent Financial Adviser before deciding to "Buy Up".***

## How does Buy Up work?

The Buy Up option allows you to pay a higher contribution rate to the Scheme in order to purchase a higher accrual rate for your career salary benefits: in effect you can earn pension quicker.

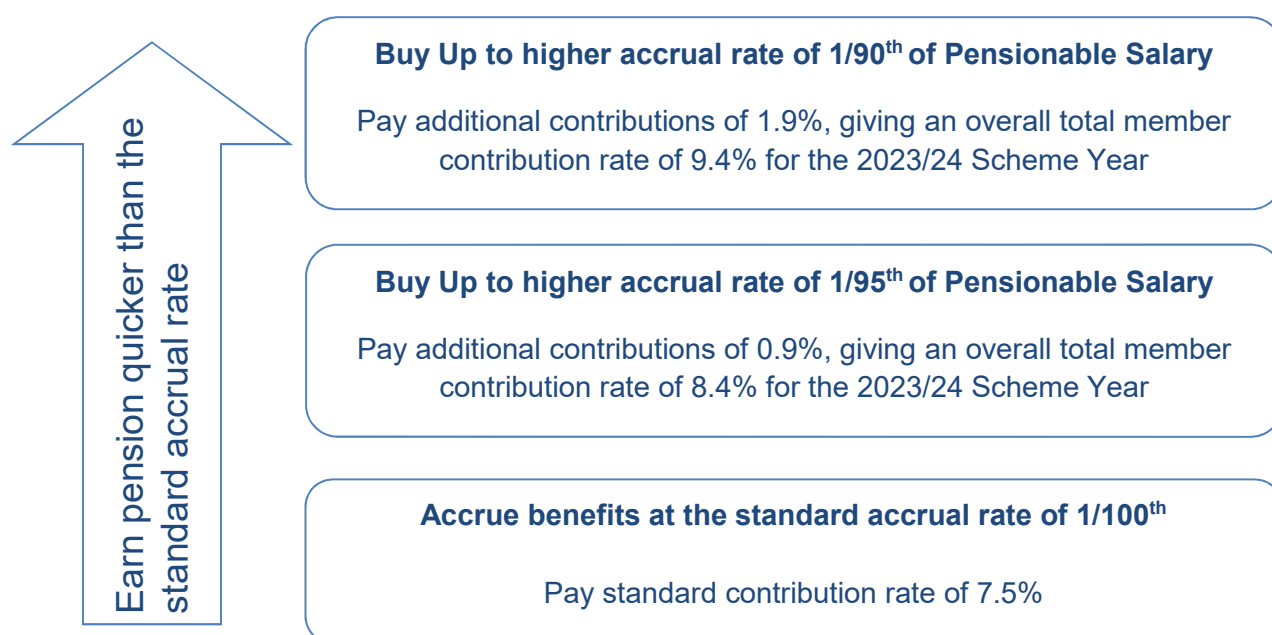
“Accrual rate” means the amount by which your pension grows for every year of pensionable service.

From April 2016 the benefits you earn are based on your career salary. The standard accrual rate is 1/100th of pensionable salary for every year of pensionable service.

The Buy Up option allows you to increase your accrual rate from 1/100th to 1/95th or 1/90th if you wish.

## How much does it cost to Buy Up?

We have set out below the cost of each accrual rate for the 2023/24 Scheme Year:



The Scheme Year 2023/24 will be the last year you can Buy Up as the Company has announced that the Scheme will be closing to future accrual from 6 April 2024 onwards.

## What will I get if I Buy Up?

The table overleaf provides an example of how much pension you could earn at the different accrual rates:

**Accrual rate      Extra cost      Pension earned each year**  
**= pensionable salary x accrual rate**  
**(example uses pensionable salary of £30k)**

1/100 <sup>th</sup>	Nil	£300 per annum
1/95 <sup>th</sup>	0.9%	£316 per annum
1/90 <sup>th</sup>	1.9%	£333 per annum

You will also continue to build up a pension pot in your Retirement Account at a rate of 2% of your Pensionable Salary (which is paid to the Scheme by your employer).

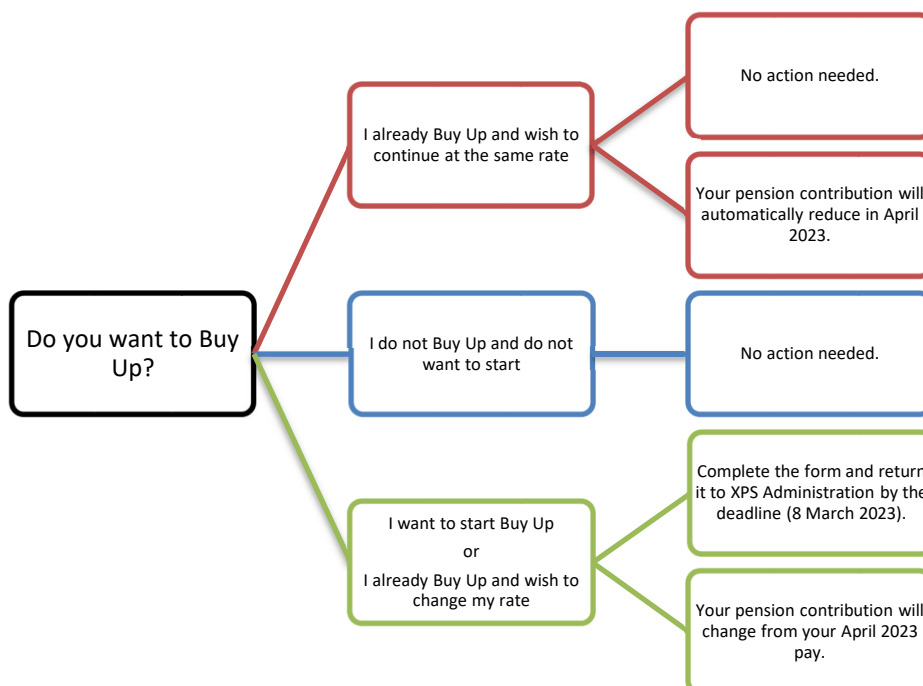
**You can visit the Buy Up page on [www.lepensions.co.uk](http://www.lepensions.co.uk) where you will find a Buy Up model that illustrates the cost and benefit from Buy Up for each Scheme Year.**

### What do I need to do?

The decision to Buy Up has to be made once each year (by 8 March 2023 for this year) with any change in the contribution rate being effective on 6 April.

Your decision to Buy Up will apply to the whole Scheme Year (which runs from 6 April 2023 to 5 April 2024) providing there are no changes to Scheme accrual during the year.

The chart below sets out what you need to do:



If you wish to make a change to your current accrual rate from 6 April 2023 you should complete the necessary form and return it by 8 March 2023.

**If you do not complete and return your election form you will continue to accrue benefits at your current accrual rate, and (if you are Buying Up) pay the lower contribution rate applicable from April 2023.**

### **Why has the cost of Buying Up decreased?**

Each year the Scheme Actuary and Trustee review the Buy Up contribution rates using various assumptions and taking into account the current market conditions. Since the cost of Buy Up was set for last year (2022/23), there has been an increase in the expected future interest rates which has decreased the cost of pensions and therefore the Buy Up contribution rates are lower than last year's rates.

### **Can I pay Additional Voluntary Contributions in addition to Buy Up?**

Yes, you can pay AVCs in addition or as an alternative to Buy Up. For more information please see the AVC Guide.

### **If I Buy Up, will the additional pension purchased increase in the same way as my pension currently does?**

Yes, your total pension (including the pension purchased by Buying Up) will increase annually in the same way as the rest of your pension. You can find more details in the Member Booklet at [www.lepensions.co.uk](http://www.lepensions.co.uk).

### **If I Buy Up, can I commute the additional pension for cash at retirement?**

Yes, you can commute up to 25% of the value of your total pension (including the additional pension purchased by Buying Up) for cash at retirement (which is currently tax free).

### **Are there any death benefits associated with Buy Up?**

Yes, if there is a spouse's pension payable on your death this will be 50% of your accrued pension. Your accrued pension will have been increased by Buying Up to the higher accrual rate.

If you do not leave a spouse (and die in service or deferment) then your beneficiaries would receive a refund of your Buy Up contributions (along with any other death benefits payable).

If you die in retirement within five years of retirement your beneficiaries would receive the balance of five year's pension payments, which would be higher as a result of Buying Up.

### **Does the Company contribute towards the cost of Buy Up?**

No, if you Buy Up you would be paying the full cost of the higher accrual rate as assessed by the Actuary. However if at retirement it turns out that the cost set by the Actuary was too low the additional cost would ultimately fall to the Company to make good.

### **Is the Buy Up pension protected if the Scheme gets into trouble?**

In the unlikely event that the Scheme has a deficit and the Company becomes insolvent, Buy Up benefits would ultimately be protected by the Pension Protection Fund. Currently benefits are, however, scaled back to 90%, other than for pensioners who have reached normal retirement age before the Company becomes insolvent who receive 100% of benefits.

### **Will Scheme closure to future accrual from 6 April 2024 onwards affect Buy Up?**

It will not affect the option to Buy Up for 2023/24. However, from 6 April 2024 onwards Buy Up will no longer be available. However, if you join FuturePlanner on 6 April 2024 you will be able to pay Additional Voluntary Contributions through that scheme.

### **Other points to note**

Buy Up does not affect whether you contribute by salary deduction or have elected for the Smart salary sacrifice option. Smart allows you to reduce how much National Insurance you pay. Further information on Smart is provided on the Scheme website, [www.lepensions.co.uk](http://www.lepensions.co.uk).

Pension earned through the Buy Up option will count towards the Annual Allowance. Please read the Annual Allowance factsheet in the publications section at [www.lepensions.co.uk](http://www.lepensions.co.uk) for further information.

**January 2023**