Welcome from Andrew Gallagher

Welcome to DC Matters, the newsletter for members of the BAE Systems Pension Scheme - Defined Contribution Retirement Plan (‘the Plan’)

This edition of DC Matters focuses on the tools that are available to help you with your retirement planning. On pages 8 and 9 you can find information on the services that Standard Life provide and on page 12 you can read about the Retirement Service that is provided to all members by Hargreaves Lansdown. This service is designed to help you make informed decisions about your retirement options.

You may recall that in the 2019 edition of DC Matters you were advised of a proposal from BAE Systems plc to combine four of its pension schemes with the aim of achieving improved management and efficiency. This merger was completed on 1 October 2019. The enlarged scheme is overseen by a Board of Trustees with a dedicated Defined Contribution Committee, which continues to oversee all aspects of the Plan. Further information on this can be found on pages 4 and 5.

I am also delighted to share the news that your Plan was shortlisted for the Pension Quality Mark Distinction Award at the end of last year. This is fantastic recognition of the ongoing commitment of the Trustee Board, the Company and our partners, to maintaining the highest standards of governance, communication and engagement for Plan members. You can read more about this recognition on page 6.

As always, we hope you find this newsletter informative. If there are any particular subjects you would like us to cover in future communications, please do get in touch using the contact details on page 16.

Andrew Gallagher
Your Trustee Board

The Trustee of the BAE Systems Pension Scheme has responsibility for the governance and administration of the Plan. There are 18 Trustee Directors, nine of which have been appointed by the Company and nine by the members.

The Trustee Directors are:

Company Appointed Trustees
- Andrew Gallagher (Chair)
- Tina Bailey
- Martin Brixner
- David Green
- Craig Murray
- Gavin Scott
- Ruston Smith
- Mark Stewart
- Louise Wallwork

Member Nominated Trustees
- Mike Byfield
- Dave Cole
- Chris Deal
- Andy Dean
- Duncan McPhee
- Richard Parsons
- Carol Paul
- Joe Reed
- Chris Williams

See what we’re doing to improve the Plan

Get more out of your retirement with our tools

2018/19 Chair’s Statement

Get in touch

Read more information on the pensions website: boesystems.com/pensions

Cover image: F35 Lightning II jet, HMS Queen Elizabeth
Your Defined Contribution (DC) Committee

A dedicated DC Committee for the Scheme oversees all aspects of the running of the Plan. The following six Trustee Directors sit on the Committee:

Louise Wallwork
Company Appointed Trustee
Chair of the Defined Contribution Committee
Job role: HR Director, Air
Since January 2005: Trustee of the BAE Systems Pension Scheme

Duncan McPhee
Member Nominated Trustee
Job role: Union Convenor, Naval Ships
Since September 2005: Trustee of the former BAE Systems 2000 Pension Plan
Other Committees: Audit and Governance

Craig Murray
Company Appointed Trustee
Job role: Executive Group Director Human Resources, MBDA
Since March 2017: Trustee of the BAE Systems Pension Scheme and formerly Chairman of the BAE Systems Land & Sea Pension Scheme
Other Committees: Administration and Communications

Carol Paul
Member Nominated Trustee
Job role: Functional Resources Manager for Systems Design and Validation, MBDA
Since July 2010: Trustee of the BAE Systems Pension Scheme
Other Committees: Administration and Communications

Joe Reed
Member Nominated Trustee
Job role: Electronics Engineer, RBSL
Since October 2015: Trustee of the former Alvis Pension Scheme
Other Committees: Funding and Investment
The work of the DC Committee

Making sure the Plan has a good range of investment options

When contributions are paid into your DC Account by way of employee and employer contributions, these can be invested in a range of funds with Standard Life. You can either choose these funds yourself (self-select) or, if you feel you do not have the time or knowledge to monitor your investments, you can choose a Lifestyle Investment Profile. The Committee monitors and regularly reviews the range of funds that are available to members.

Overseeing the administration of the Plan

The Committee works closely with Equiniti, the Plan Administrator and with Standard Life. The Committee focuses on the timely investment of your contributions and the support that you receive from Equiniti, particularly in relation to responding to any queries that you may have.

Keeping members informed

The Committee recognises the importance of providing you with resources and information to support you on the road to retirement. During 2020 there will be a particular focus on member communications. We are working with Standard Life to establish a Plan-specific website for members to be launched in the first half of the year.
Making our mark

A highlight for the Plan and the Trustee Board in 2019 was being shortlisted for the Pension Quality Mark (PQM) Distinction Award.

The PQM is an accreditation for defined contribution pension schemes which go beyond the minimum standards required by regulation to ensure good contribution levels and good governance, while encouraging employees to save for their future.

We are proud the Plan carries the PQM and were delighted it was also nominated for the PQM Distinction Award. This annual award recognises exceptional practice from among the schemes holding the PQM. It focuses on communications, with particular emphasis on attractive, clear or interesting communications that help members understand their pension scheme and engage with saving for retirement.
Member communication

During 2020 there will be a particular focus on member communications. A review is underway to ensure that you continue to be provided with relevant and timely information in a range of formats, which will allow you to make informed decisions regarding your pension provision and retirement.

In due course, we will let you know more about the review via the Scheme website (baesystems.com/pensions) and, if you are an active member of the Plan still working for BAE Systems, the Group Pensions intranet site.

Fund changes

Working with its investment adviser, Aon*, the Trustee regularly reviews the performance of the investment funds available to members of the Plan. There are occasions when the Trustee, having taken appropriate investment advice, decides to make changes to the fund range. One such change the Trustee has recently made relates to the underlying funds in both the Lifestyle Multi Asset Fund (MAF), and the Diversified Asset Fund (DAF), which is the self-select version of the MAF.

Prior to the review, the MAF and the DAF invested in only one underlying fund, the BlackRock DC Diversified Growth Fund. In order to provide appropriate levels of diversification, the Invesco Global Targeted Return Fund has now been added to both the MAF and the DAF, with the proportion of monies being invested in each Fund split 50/50.

This change has been implemented automatically, such that you do not need to take any action. More information about the fund range is available to members in the Defined Contribution section of baesystems.com/pensions.

*Aon is an independent consultancy which specialises in providing advice to trustees on all aspects of DC pension plans, including investments.
Planning your retirement income with Standard Life

Standard Life’s online service provides you with tools to help you plan for your future retirement.

In this issue of DC Matters we would like to focus on one aspect of this online service, the retirement income tool. This tool allows you to look at your own level of benefits by linking directly to your record on the Standard Life database.

The retirement income tool enables you to get a better understanding of what your current level of contributions could provide for you in retirement. It also allows you to model your potential retirement pension by adjusting variables such as retirement date.

To access the tool go to standardlife.co.uk. If you are not already registered, click on ‘Register’ at the top right hand corner of the page and follow the simple registration procedure. You will need your Plan number which you can find on your Standard Life annual statement, or by contacting Equiniti.

Once logged in, click on ‘plan your retirement’ which can be found on the left hand side of the screen.

The illustrations given by the retirement income tool have to be based on a set of assumptions. The figures produced are illustrative and are not guaranteed. For a list of the assumptions used please click on the heading “Important information and assumptions” which can be found on the same page as the tool.
From here you can consider / vary the following:

1. **Current annual salary**: You can see what your pension is estimated to be, based on your current salary. You may also want to see the impact of possible future salary increases. Alternatively you may be looking to reduce your hours so you can also see the impact of a reduction in salary.

2. **Target annual income**: How much pension do you want to retire on? What level of income do you think you will need in retirement? By increasing or reducing your target annual income level this will show the level of contributions required to meet your goals.

3. **Retirement age**: You may be in a position to delay taking your benefits until a later age, or you may wish to retire earlier. By changing the age variable you can see the impact of these different retirement ages.

The retirement income tool also allows you to input the value of other pension pots, and any other income that you might have, to give you an overall picture of your potential income in retirement.

**What if I have lost track of one or more of my pensions?**

The Pension Tracing Service will help you find any pensions you have lost track of at [gov.uk/find-pension-contact-details](http://gov.uk/find-pension-contact-details). The Pension Tracing Service will only tell you the contact details of the pension scheme’s administrator. You will then need to contact the pension administrator to find out whether you have a pension and what its current value is.

**How can I find out about my State Pension?**

To understand the level of pension that you might be entitled to from the State you can obtain a State Pension forecast at [gov.uk/check-state-pension](http://gov.uk/check-state-pension). This service will allow you to find out how much State Pension you could get, when you can get it and if you can increase it.
Picture your future

Retirement Living Standards

More of us are saving in a workplace pension than ever before. We now have more information, more choices, and more responsibility for our retirement savings. But will the future we want be the future we get?

The Retirement Living Standards have been created to help you picture what kind of lifestyle you could have in retirement. The Standards are based on independent research by Loughborough University and have been developed by the Pension and Lifetime Savings Association (PLSA).

"By giving you a general figure it is hoped you can consider and develop your own personal targets based on your individual circumstances and aspirations."

What are the Standards?

To help you understand how much money you will need to live the lifestyle you want in retirement, the Standards aim to show you what life in retirement looks like based on three different levels of expenditure (minimum, moderate and comfortable). The Standards provide a benchmark level of annual income to fund different standards of living in retirement. Each Standard is based around a range of expenditure or financial commitments, including: housing, food and drink, transport, holidays and leisure, clothing and personal expenses. It also takes into account different circumstances, for example living inside or outside London, single or as a couple. The following table focuses on a single person living outside London:

<table>
<thead>
<tr>
<th>WHAT STANDARD OF LIVING COULD YOU HAVE?</th>
<th>MINIMUM</th>
<th>MODERATE</th>
<th>COMFORTABLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>HOUSE</td>
<td>DIY maintenance and decorating one room a year.</td>
<td>Some help with maintenance and decorating each year.</td>
<td>Replace kitchen and bathroom every 10/15 years.</td>
</tr>
<tr>
<td>FOOD &amp; DRINK</td>
<td>A £38 weekly food shop.</td>
<td>A £46 weekly food shop.</td>
<td>A £55 weekly food shop.</td>
</tr>
<tr>
<td>TRANSPORT</td>
<td>No car.</td>
<td>3-year old car replaced every 10 years.</td>
<td>2-year old car replaced every five years.</td>
</tr>
<tr>
<td>HOLIDAYS &amp; LEISURE</td>
<td>A week and a long weekend in the UK every year.</td>
<td>2 weeks in Europe and a long weekend in the UK every year.</td>
<td>3 weeks in Europe every year.</td>
</tr>
<tr>
<td>CLOTHING &amp; PERSONAL</td>
<td>£460 for clothing and footwear each year.</td>
<td>£750 for clothing and footwear each year.</td>
<td>£1,000 - £1,500 for clothing and footwear each year.</td>
</tr>
<tr>
<td>HELPING OTHERS</td>
<td>£10 for each birthday present.</td>
<td>£50 for each birthday present.</td>
<td>£50 for each birthday present.</td>
</tr>
</tbody>
</table>
It is hoped the Standards will one day become a rule of thumb for retirement planning. Roughly speaking, if you are a single person it is anticipated you will need about £10,000 a year to achieve the minimum standard of living, £20,000 a year for a moderate standard of living and £30,000 a year for a comfortable standard of living. For a couple, these numbers are £15,000, £30,000 and £45,000 a year respectively.

The online services provided by Standard Life include a retirement income tool (see page 4) which allows you to produce an estimate of the benefits you might expect to receive from the Plan at your target retirement age. You can use this in conjunction with the Retirement Living Standards to help you understand whether your retirement planning is on track.
Hargreaves Lansdown Retirement Service

Your retirement is one of the most important things you will ever need to plan for. The Trustee appreciates you might need some help and guidance to see you through this process.

With this in mind Hargreaves Lansdown has been appointed to provide you with a Retirement Service. They can help you understand your retirement options and answer any queries you might have. The overall objective is to ensure you choose the option that is right for you on your retirement. The Retirement Service is provided to you free of charge on a non-advised basis. This means that Hargreaves Lansdown will not provide you with financial advice but they can offer it if specifically requested, the cost of which must be met by you.

You can usually take your pension from age 55 (age 57 from 2028) and you will have a range of income options to choose from. Currently, you can take up to 25% of the value of your DC Account as tax-free cash. Your options on retirement currently include:

- **Annuity** - A guaranteed income for the rest of your life. Not a flexible option, but your income is secure. You may be able to take up to 25% of the value of your DC account as tax-free cash when you buy an annuity.

- **Drawdown** - Keep your pension invested, taking the income you want, when you want. A flexible option, but with additional risk, because you could run out of money. You may be able to take up to 25% of the value of your DC account as tax-free cash at the start.

- **Lump sums** - Keep your pension invested and take money from it when you like. Part of each withdrawal is usually tax-free. A flexible option, but with additional risk because you could run out of money.

- **Mix and Match** - You could buy an annuity to cover your essential needs and keep the rest of your pension invested, taking a flexible income which could go up or down.

- **Death Benefits** - You could use your fund to make provision for others after your death.

It is important to note that there are different tax considerations attached to each of these options which you will need to consider. When it comes to taking an income from your DC Account there is flexibility which allows you to get the benefit that best suits your own individual circumstances.

For more information about the Retirement Service go to retirementservice.co.uk. The Retirement Service also gives you access to numerous guides and calculators to help support your retirement planning.
No one likes to think about their death but it is important that you give the Trustee a clear indication of how you would wish your benefits in the Plan to be distributed to your beneficiaries in the event of your death.

If you die whilst you are an in-service employee and you are paying contributions into your DC Account, your beneficiaries would receive:

- A lump sum of six times your basic salary at the date of your death; and
- A lump sum equal to the value of your DC Account

If you die after leaving the Plan (either because you have left the Company or opted-out) but before accessing your DC Account, your beneficiaries would receive:

- A lump sum equal to the value of your DC Account

Your beneficiaries could include anyone you nominate to receive your death benefits, which could be your spouse, civil partner, children, other relatives, a charity or any other person that you would like the Trustee to consider. So that death benefits can be paid without Inheritance Tax, the Trustee has full discretion to decide which beneficiaries will receive these benefits in the event of your death. Your wishes would be at the forefront of the decision making process, but the Trustee will consider and decide which one or more potential beneficiaries receives a benefit from the Plan.

You can nominate who you would like the Trustee to consider by completing an Expression of Wish Form. If you have not completed a form, or need to update yours due to a change of circumstances, or simply because you completed your existing one a long time ago, you can obtain one by contacting Equiniti, the Scheme Administrator (see page 16) or go to baesystems.com/pensions and click on the Defined Contribution tab where you can download a form. Please note that Equiniti are unable to return your previous forms. Your new form will simply supersede the previous version.
Chair’s Statement 2018/19

The Trustee is required to make available certain defined contribution (DC) pension related information by issuing a Chair’s Statement, the purpose of which is to explain how the Plan provides value for its members.

The Trustee is required, at intervals of no more than one year, to assess the extent to which charges and transaction costs borne by members of the Plan represent good value for members. After taking advice from an independent DC consultant, the view of the Trustee is that the Plan represented good value for members over the year ended 31 March 2019. This assessment is explained in detail in the Chair’s Statement.

As well as considering charges and transaction costs during the year ended 31 March 2019, the Trustee, having sought and received appropriate advice, also undertook the following actions to improve value for members:

> Reviewed the Plan provider and decided to remain with Standard Life.
> Implemented new lifestyling strategies and self-select fund options for members.
> Extended ‘white-labelling’ to the self-select fund options. White-labelling enables the Trustee to replace an underlying fund that is available on the Standard Life platform quickly and efficiently without members having to do anything. It also allows the Trustee to give the Plan’s investment funds a more descriptive name to give you a better idea of the nature of the funds.
> Commissioned and issued a member survey to assess Plan communications and members’ pension awareness and attitudes to pensions. This has informed the communications plan for 2020.

The Chair’s Statement for the year ended 31 March 2019 can be found on the BAE Systems Pension Scheme website: baesystemspensions.com/disclosableinformation
Accounts and amounts

Each year, the Trustee produces a full set of accounts showing how much money has been paid into the Plan and how much has been paid out.

These accounts are audited by Grant Thornton LLP, who check that they show a true and fair view of the Plan’s financial transactions.

### Financial Highlights £m

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at 31 March 2018, the Plan was worth</td>
<td>£193.8m</td>
</tr>
<tr>
<td>During the year:</td>
<td></td>
</tr>
<tr>
<td>Contributions and benefits received into the Plan</td>
<td>£62.2m</td>
</tr>
<tr>
<td>Benefits paid from the Plan</td>
<td>(£10.1m)</td>
</tr>
<tr>
<td>Investment return</td>
<td>£15.9m</td>
</tr>
<tr>
<td>As at 31 March 2019, the Plan was worth</td>
<td>£261.8m</td>
</tr>
</tbody>
</table>

Who’s in the Plan?

As at 31 March 2019 there were:

- **14,599** active Plan members
  - plus a further 3,091 Plan members who had deferred benefits that remain invested in the Plan.

- **37,268** total active members in the BAE Systems Pension Scheme with a further 36,642 deferred members

As at 31 December 2019 the number of active Plan members had increased to 16,252, with a further 3,966 Plan members who had deferred benefits that remain invested with the Plan.
If you need to contact us

If you have any questions about your Plan membership or the contents of this newsletter, please get in touch with the Equiniti Pensions Service Centre:

> Pensions Service Centre, PO Box 1194, Crawley, West Sussex, RH10 0FZ
> Phone: 0800 917 9568
> If calling from overseas: +44 (0)121 415 0891
> Email: fulwood.pensions@equiniti.com

Remember:

The Defined Contribution tab of the BAE Systems Pension Scheme website (baesystems.com/pensions) holds a lot of useful information regarding the Plan. This includes a member’s guide to the Plan as well as an investment guide and general administration forms for your use.