



HELICOPTERS PENSION SCHEME



INTOUCH

August 2017





WELCOME

Changes to the Scheme

A number of administrative changes to the Scheme were introduced at the beginning of this year. From 1 January 2017, the name of the Scheme is the Leonardo Helicopters Pension Scheme. While the contact telephone number for the administrator, Aon Hewitt, remains the same, there is a new email and a new website address, as shown in the contacts panel below.

The Principal Employer is now Leonardo MW Ltd, and Aviation Training International Limited (ATIL) is also a participating employer in the Scheme.

Following these changes, we have updated the Scheme Booklet and active members can download a new version from Pensionline; alternatively, you can request an electronic copy from Aon Hewitt.

Your new contact details:

Telephone: 0345 6008796

Email: leonardohelicopters@aonhewitt.com

Website: www.lhpensions.co.uk

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Following the successful Pension Increase Exchange (PIE) Option exercise in 2016, many pensioners chose to re-model their benefits and, at the same time, the Scheme saved money. We hope to offer the PIE Option to more pensioners in 2017 and you can find out more about what this involves and whether it might be for you.

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The Government has changed the law for people who transfer their pension abroad. The Money Purchase Annual Allowance will also be reduced.

NOTICEBOARD

The Scheme's Actuarial Valuation is due...

The next actuarial valuation of the Scheme is due as at 5 April 2017. The valuation process is normally carried out every three years and is akin to a financial health check to ensure there is enough money in the Scheme to pay members' pension benefits when they retire.

The Scheme Actuary is calculating how much money the Scheme needs to be able to meet all its pension liabilities and will compare this with the assets currently held by the Scheme and the contributions being paid. The results of the valuation are expected towards the end of the year.



Welcome to our new Company Trustee Director

We welcome Nicola McKenzie to the Trustee board as a Company Trustee Director. Nicola is Finance Manager for the Helicopters Division of Leonardo MW Ltd, and has worked for the business for 18 years. She will sit on the full Trustee Board and on the investment sub-committee.

We would like to thank the outgoing Trustee Director, Richard Smith, for his contribution to the management of the Scheme. Richard has served on the Trustee Board since 2006 and we wish him all the best for the future.

SCHEME ADMINISTRATOR UPDATE

The Trustee regularly reviews the Scheme advisers, in line with best practice governance standards.

In light of some changes in Aon Hewitt's business model (including a decision to close their Bristol administration office), we are changing the administrator who looks after our pensions.

The new administrator will be PS Administration Limited – also known as PSAL. We expect this will mean a number of improvements in how your pension is run and how you can access information about your pension online. The change will be completed during the first half of 2018 and you will hear more from us about the new service as we get closer to the changeover date.

You should continue to contact Aon Hewitt until the administrator is changed.

Whilst we are working closely with Aon Hewitt and PSAL to make this transition as smooth as possible, there may be some implications for our usual service provision and we appreciate your patience during this period.

If you are looking to retire within the next 12 months, we would encourage you to use Aon Hewitt's online modelling tool, 'Pensionline', to help you plan ahead for your retirement.



RUNNING THE SCHEME

The Leonardo Helicopters Pension Scheme (the ‘Scheme’) is run by a trustee company called Leonardo Helicopters Pension Scheme (Trustee) Limited. The Trustee Board is made up of nine Trustee Directors who perform a vital role in looking after the money in our fund and making sure the right pensions are paid in accordance with the rules.

The law requires all pension schemes to have at least one third of the trustee board nominated by the members. Our Scheme has always allowed its members to nominate four of the nine positions and every three years, Scheme members are invited to nominate some of the trustee directors from among the membership.

The current Trustee Board

Of the Scheme’s nine Trustee Directors, five are nominated by the Principal Employer and four are nominated by the members. They are:

Company Trustee Directors:

Martin Flavell, Caroline Beaumont, Simon Jones, Simon P Jones and Nicola McKenzie.

Member Trustee Directors:

Malcolm Gillam (term expires 31 October 2017), Steve Jenkins (term expires 31 October 2017), Rebecca Ward (term expires 31 October 2020) and Mike Bird (term expires 31 October 2020).

The four Member Trustee Directors include:

- three members from the main section of the Scheme; and
- one member from the senior sections.

Could you help run our Scheme?

This autumn, there will be two vacancies for members of the Main Section to become Member Trustee Directors.

Both Malcolm and Steve, whose term in office automatically ends in October, will be putting their names forward to fill the vacancies and serve as a Trustee Director for another six-year period.

The nomination process

Any active or pensioner member of the Main Section of the Scheme may be nominated, including the current Member Trustee Directors. (The Trustee Directors have decided that deferred members of the Scheme will not be able to stand for selection.)

All candidates who stand must have the support of five Main Section members of the Scheme. Each active and pensioner member can make one nomination, so you can only back one candidate.

Step 1

Obtain a form from the Scheme website, www.lhpensions.co.uk, or request a copy from the Pensions Department.

Step 2

You will need signatures of support from five active and/or pensioner members of the Main Section of the Scheme.

Step 3

Return your Application Form to the trustees at the address set out on the form by 15 September 2017.

The selection process

The selection committee will decide which nominees to interview, conduct the interviews and make the final decision on who is appointed. The selection criteria to be used will include the following:

- suitability for the position of Trustee Director,
- ability to understand and express that as a Trustee Director, he/she has a responsibility to hold a balance between the interests of all those with a stake in the Scheme;
- need for Member Trustee Directors as a whole to reflect the membership of the Scheme, including having pensioner representation where possible.

The decision of the selection committee shall be final.

Appointment of Trustees

The successful candidates will be appointed as Member Trustee Directors by the Principal Employer in accordance with the Rules of the Scheme, for a period of six years. Members will be advised of the appointments.

If you have any questions, please contact Kate Webber, Secretary to the Trustee, by email at kate.webber@leonardocompany.com or telephone 01935 703218.

LATE RETIREMENT



We are seeing an increase in the number of employees wishing to work past their Normal Retirement Date (age 65 for most Scheme members).

If you plan to work past your Normal Retirement Date, please take time to read the Scheme Booklet about the pension options available to you. In particular, the Scheme Rules provide that the death benefits (lump sum and spouse's pension) are different depending on the decisions you make about your pension.

AVCS AND THE £50,000 ALLOWANCE

Many of our AVC savers are aware that the Scheme allows you to use the whole of your AVC pot, up to an upper limit of £50,000 towards your Pension Commencement Lump Sum (PCLS), typically referred to as your 'tax free lump sum'.

Recently, we have had questions about this allowance so we thought it would be useful to remind you of its history.

Generally, the tax rules allow you to take:

- broadly 25% of your defined benefit (DB) pension as a PCLS (and your pension entitlement would be reduced to take account of this); and
- 25% of your AVC fund as a PCLS (and you would be required to put the remainder in an annuity or drawdown product).*

**Alternatively you could take your AVC fund as an Uncrystallised Funds Pension Lump Sum (with 25% being tax free and 75% being subject to tax).*

When these tax rules were introduced, the employer found that many members did not want to use their AVC funds to buy an annuity because of the perceived poor value given by the market to the relatively small sums of money saved. Therefore, as

a concession, the employer changed the Rules of the Scheme to allow voluntary savings of up to £50,000 to be used towards your PCLS.

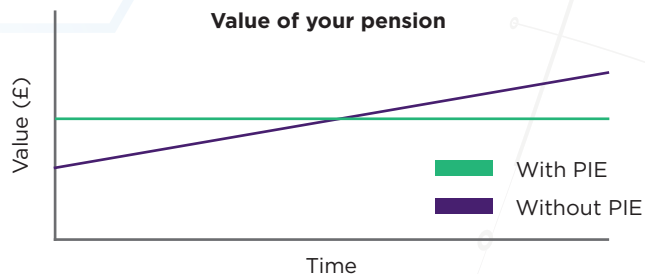
The advantage of this £50,000 concession is that members with small AVC pots can still get good value for money for their AVC savings. However, it must be noted that by allowing this concession, the employer is, in effect, allowing members to treat up to £50,000 of their AVC savings as DB benefits (albeit that it is usually taken as the PCLS) and hence pass on risks to the employer such as investment risk and longevity risk. For this reason, the employer would not seek to increase this limit.

With the increased innovation around taking AVC savings, there are now more options available to members (such as drawdown and UFPLS), some of which could give good value for money, irrespective of the size of the savings pot.

PENSION INCREASE EXCHANGE (PIE) OPTION

The new PIE Option allows a member to re-model their benefits by opting to give up the pension increases provided by the Rules of the Scheme in return for statutory minimum increases and an immediate one-off uplift to their pension.

Example



A member could choose to swap a pension of £1,000 with future increases of RPI capped at 5% for a pension of £1,200 with no future increases. *Figures for illustrative purposes only.*

The first PIE Option exercise, which was offered to some of our pensioners between September 2016 and November 2016, was well received. Many pensioners chose to re-model their benefits and, at the same time, the Scheme saved money.

The employer is working to identify a second group of pensioners which the PIE Option can be offered to. We will write to those members in due course with further information about the PIE Option.

The employer would like to offer the PIE Option to all members at the time they retire. However, a substantial amount of work has to be undertaken before we would be in a position to offer this, so this option will not be offered in the timescales previously reported in the November 2016 edition of intouch. It is unlikely that the PIE Option at retirement will be offered until 2018 at the earliest.

CHANGES TO PENSIONS LAW

TRANSFERS TO OVERSEAS SCHEMES

The Government announced the introduction of a 25% charge on transfers made on or after 9 March 2017 to Qualifying Recognised Overseas Pension Schemes (QROPS), in a bid to crack down on tax abuse of foreign pension schemes.

The charge is targeted at those seeking to reduce the tax payable by moving their pension wealth to another jurisdiction. However, exceptions will apply, allowing transfers to be made tax free where:

- people have a genuine need to transfer their pension (e.g. they are emigrating), or
- when the individual and the pension are both located within the European Economic Area (EEA).

More information can be found on the Government website at: www.gov.uk/transferring-your-pension.

REDUCTION IN MONEY PURCHASE ANNUAL ALLOWANCE

Individuals who ‘flexibly access’ pension benefits from a money purchase pension arrangement are subject to a MPAA, limiting the tax relief available on contributions they can make to future money purchase pension benefits.

If you flexibly access any pension benefits from this Scheme or any other pension (for example by taking them as a taxed cash lump sum, known as UFPLS, or transferring them into a drawdown product from which the member takes an income), the MPAA will apply.

It is intended that the MPAA limit will reduce from £10,000 p.a. to £4,000 p.a. with effect from 6 April 2017.

Further information on the MPAA, and other annual allowance limits, can be found on the Government website at www.gov.uk/tax-on-your-private-pension/annual-allowance.

GETTING IN TOUCH

If you have questions about your benefits, please speak to our Scheme administrator, Aon Hewitt:

Telephone: 0345 600 8796

Email: leonardohelicopters@aonhewitt.com

Write to: Leonardo Helicopters Pension Scheme
Aon Hewitt Limited
PO Box 196
Huddersfield HD8 1EG

Alternatively, if you have any questions for the Trustee, please contact the Pensions Department on the Yeovil site on the ground floor of the Dallas building (231W), or:

Telephone: 01935 705353

Email: pensions@leonardocompany.com

