



AUTUMN 2019

IN TOUCH

NEWSLETTER FOR MEMBERS



HELICOPTERS
Pension Scheme

A red and white helicopter is shown in flight, viewed from a high angle. The helicopter is tilted, and its rotors are blurred, indicating motion. The background shows a rural landscape with green fields and a small town or village. The sky is a clear, pale blue.

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ARE YOU MANAGING YOUR PENSION ONLINE?

The Trustee and XPS Administration have developed online tools available to members through [MyPension.com/LHPS](https://www.mypension.com/LHPS). The feedback received from members has been overwhelmingly positive, with many finding the tools useful in planning for retirement and keeping Scheme records up to date.

The online pension modeller, available at [MyPension.com/LHPS](https://www.mypension.com/LHPS), is available to active members of the Scheme to run online pension illustrations using a variety of retirement dates.

In addition to using 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 fund holdings you have with Mobius Life, access fund factsheets and change how your AVCs are invested;

- Pensioners are able to access copies of their monthly payslips, and P60 statements;
- 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.

All members have been sent [MyPension.com](https://www.mypension.com) login details – if you need a reminder of these please contact XPS Administration using the contact details on the back cover.

WHEN DID YOU LAST UPDATE YOUR EXPRESSION OF WISH FORM?

In the event of your death, a benefit may be payable from the Scheme to your beneficiaries. The Trustee will need to make a decision on who to pay the benefits to and, whilst not binding, they will take into account any Expression of Wish form you have completed.

Where an Expression of Wish has been completed recently, this gives a clearer indication of your intention, and it is therefore important that you review and update your wishes regularly. **It is advisable to complete an updated Expression of Wish, even where the person(s) you are nominating are not changing.** This reconfirms your decision, making it easier for the Trustee to determine what your wishes would be.

It is particularly important to update an Expression of Wish if you have had significant changes in your life such as having a child or a change in your relationship status or family circumstances.

If you are a member of more than one pension scheme, you will need to ensure you complete a separate Expression of Wish for each scheme.

The easiest way to update your Expression of Wish is online at [MyPension.com/LHPS](https://www.mypension.com/LHPS).

Alternatively, you can download a form from www.lhpensions.co.uk/library.

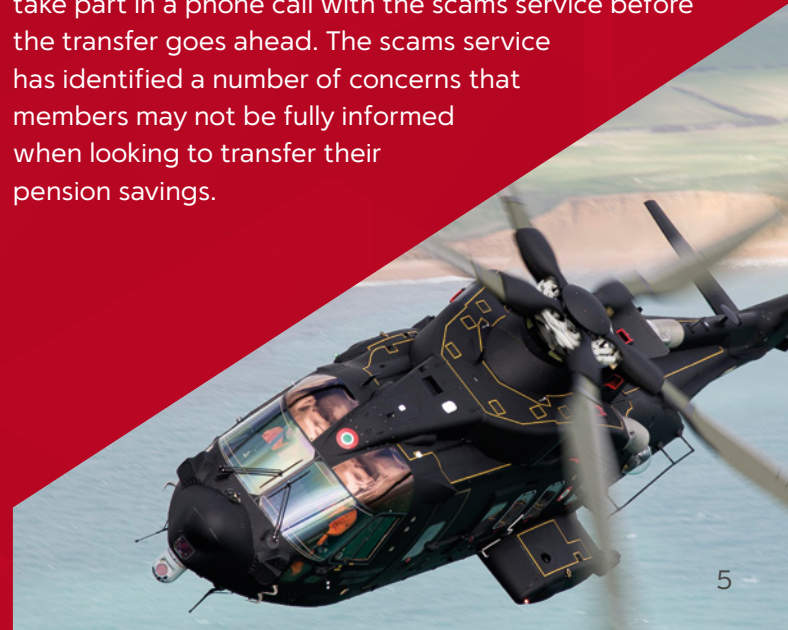
IS YOUR PENSION AT RISK OF A SCAM?

Anyone can be the victim of a pension scam, no matter how financially aware they think they are. It's important that everyone can spot the warning signs.

Defined benefit (salary-related) pension schemes, like the Leonardo Helicopters Pension Scheme, give you a guaranteed pension income for life. Defined benefit pensions are valuable benefits so the Financial Conduct Authority (FCA) notes that most people are best advised to keep them.

Scammers try to persuade pension savers to transfer their entire pension savings, or to release funds from it, by making attractive-sounding promises they have no intention of keeping.

The Leonardo Helicopters Pension Scheme Trustee has engaged a pension scam identification service through XPS Administration to help identify the signs of a scam. Members wishing to transfer their benefits out of the Leonardo Helicopters Pension Scheme will take part in a phone call with the scams service before the transfer goes ahead. The scams service has identified a number of concerns that members may not be fully informed when looking to transfer their pension savings.



DON'T LET A SCAMMER ENJOY YOUR RETIREMENT

Scammers are targeting pension pots of all sizes – make sure you know how to spot the signs.

Pension scammers are targeting people like you with the average victim losing £91,000. Scams are hard to spot and are often disguised with credible websites, testimonials and materials which make them look like the real thing.

To help you spot the signs and protect yourself from a scam, the Financial Conduct Authority (FCA) and Pensions Regulator suggest following four simple steps.

SCAM TACTICS INCLUDE:



- Contact out of the blue



- Promises of high/guaranteed returns



- Free pension reviews



- Access to your pension before age 55



- Pressure to act quickly

STEP 1 Reject unexpected offers

If you're contacted out of the blue about a pension opportunity, chances are it's a scam. Pension cold calling is illegal, and you should be very wary. An offer of a free pension review from a firm you've not dealt with before is probably a scam.

STEP 2 Check who you're dealing with

Use the ScamSmart service at www.fca.org.uk/scamsmart to ensure your financial adviser is not on the FCA warning list, and check the FCA's register to make sure anyone offering you advice is authorised. If they are, check they're permitted to give specialist pension advice by calling the FCA Consumer Helpline on 0800 111 6768.

If you don't use an FCA-authorised firm, you risk not having access to compensation schemes.

The Pension Transfer Gold Standard

There are a number of financial advice firms who hold the 'Pension Transfer Gold Standard'. The Gold Standard is a code of best practice voluntarily adopted by regulated financial firms and advisers offering specialist advice on pension transfers. Financial firms and advisers who adopt the Gold Standard adhere to a set of principles over and above those they are required to follow by regulation.

STEP 3 Don't be rushed or pressured

Take your time to make all the checks you need – even if this means turning down what seems to be an 'amazing deal'. Make sure you understand all fees and charges payable both for your financial advice, and in the pension arrangement you are looking to transfer to.

STEP 4 Get impartial information or advice

You should seriously consider seeking financial advice before changing your pension arrangements. In some cases, for example where you are looking to transfer more than £30,000 from a defined benefit scheme, there is a legal requirement for you to obtain this advice. Make sure you have spoken to/met the adviser who will sign off your advice form.

Consider using the Pensions Advisory Service (www.pensionsadvisoryservice.org.uk) which provides free independent and impartial information and guidance.

Can you spot a pension scam?

Take the FCA's quiz to find out:
www.fca.org.uk/scamsmart/pensions-scam-quiz

If you suspect a scam, report it.

You can report an unauthorised firm or scam to the FCA on 0800 111 6768.

If you suspect a scam, report it to Action Fraud on 0300 123 2040 or at www.actionfraud.police.uk.

To find out more, the following websites contain a host of information:

www.thepensionsregulator.gov.uk

www.moneyadvice.service.org.uk

www.fca.org.uk

www.pensionwise.gov.uk



NEW PIE RETIREMENT OPTION LAUNCHED

A new retirement option was launched for members retiring after 6 April 2019. Alongside the existing retirement flexibilities offered by the Scheme, members are now able to choose a Pension Increase Exchange (PIE) option.

What is PIE?

PIE is a one-off option for members to exchange some of their future pension increases for a higher annual pension which then only increases at the statutory minimum rate. The member receives 60% of the value of the increases which are given up, with the Scheme retaining 40% of the value. This therefore allows additional flexibility for members whilst also helping to protect the funding position of the Scheme.

Some elements of your pension have to receive minimum increases by law (known as statutory

increases). Under the Rules of the Scheme most pension elements increase at a rate which is significantly higher than the minimum levels. For example, by the Retail Prices Index (RPI) measure of inflation rather than the Consumer Prices Index (CPI) which the Government uses for the statutory minimum rate. The PIE option allows you to exchange the value of these additional Scheme increases for a higher initial annual pension, which then only increases at the statutory minimum rate.

The uplift in your annual pension if you choose the PIE option needs to be tested against the Annual Allowance (the maximum value of pension savings that can be made each year to all your schemes before you may have to pay a tax charge). You should therefore consider this carefully when looking at your retirement options and it is recommended that financial advice is sought when making any retirement decisions.

NEW PIE RETIREMENT OPTION LAUNCHED continued

Is PIE offered to all members?

The PIE option can only be offered to members whose contracted-out benefits (known as Guaranteed Minimum Pension or GMP) have been reconciled with HMRC records. HMRC has advised that it will no longer track contracted-out GMP rights and pension schemes are therefore reviewing the GMP information they hold to ensure it matches HMRC records. Accordingly, there are a small number of members who cannot be offered PIE until this reconciliation has taken place. It is our intention to offer PIE to these members as part of our pensioner exercise (see article on next page) once HMRC have responded to all outstanding queries.

Where PIE is an available option for you, you will be provided with a PIE quotation and PIE guide as part of your retirement illustration from XPS Administration.

PIE FOR PENSIONERS WHO ARE ALREADY DRAWING THEIR PENSION

As mentioned above, PIE offers can only be made where the elements of a member's pension known as Guaranteed Minimum Pension (GMP) amounts are reconciled with HMRC records.

A number of our pensioner members could not be included in the previous PIE offers made in 2016 and 2017 as their GMPs had not been fully agreed with HMRC records. Unfortunately we (along with a large number of other pension schemes) still await HMRC's response.

Following a number of delays to their response dates, HMRC have advised they are working to provide answers to all GMP queries. Once we have received their responses we will need to review and update all applicable pensioner records.

It is anticipated that the earliest date at which PIE offers will be issued to all pensioners who have not previously received a PIE option would be late 2020. However please note, this timescale is entirely dependent on HMRC adhering to the deadline they have set.

If you are eligible to be offered the PIE option in future, we will contact you with all the relevant information once we have received the responses from HMRC.

Unfortunately there is no further action which we can take at this point to accelerate the timescale for the PIE offer, and the Trustee Board and Company regret any disappointment caused by the delay.

EQUALISING GMP BENEFITS BETWEEN MEN AND WOMEN

Members who were in the Scheme prior to 6 April 1997 may have a Guaranteed Minimum Pension (GMP) within their benefits in the Scheme.

A GMP is the minimum amount of pension the Scheme is required to pay in place of benefits in the State Earnings Related Pension Scheme (SERPS). The Scheme contracted out of SERPS and therefore members do not receive any SERPS benefit from the State, but in its place they receive a GMP from the Scheme.

The legislative requirements for GMPs can give rise to a difference in treatment between men and women which, following a recent court case, pension schemes are required to address.

The differences are due to the:

- different ages at which men and women are entitled to receive their GMPs
- different rates at which the GMP accrues for men and women
- fact that schemes provide different rates of revaluation and indexation on the GMP and benefits above the GMP

The Scheme is reviewing the Government guidance on the methods available for schemes to remove any inequality between men and women. The process is complex and is expected to take some years to complete.

FINANCIAL HIGHLIGHTS

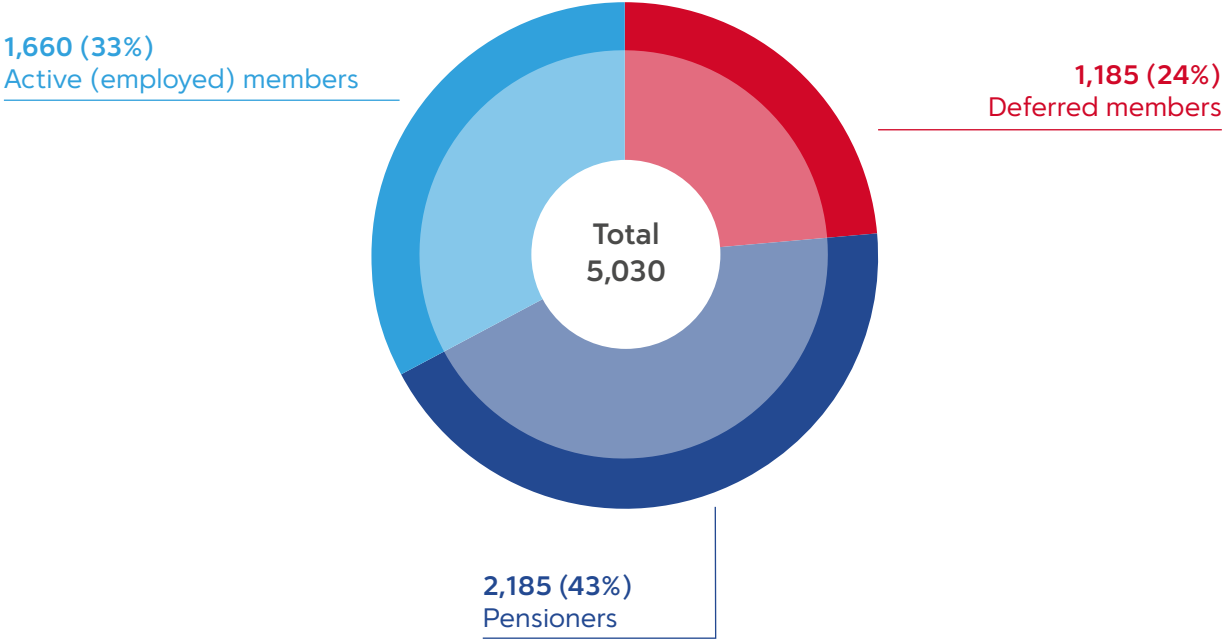
In the year to 5 April 2019, the Scheme's assets increased to £1,575 million. This primarily related to the positive investment returns on the Scheme's assets and the payment of deficit recovery contributions into the Scheme. The table below shows a summary of the financial transactions of the Scheme during the year:

Value of Scheme assets at 5 April 2018	£1,469m
+ income	£65m
– benefits and expenses	(£63m)
+ change in market value of investments	£104m
Value of Scheme assets at 5 April 2019	£1,575m

This information has been taken from the Trustee's Annual Report and Accounts 2019, 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.lhpensions.co.uk

MEMBERSHIP

As at 5 April 2019, 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.

Following the 2017 actuarial valuation, the Trustee reviewed the investment strategy and increased the level of the Scheme's liability hedging strategy to match the movements in the Scheme's liabilities more closely, including hedging a proportion of the liabilities for future pension provision to help support the future service contribution rate. There was also a move towards de-risking the portfolio by reducing the level of risk within the Scheme's return-seeking investment portfolio.

The Scheme's return-seeking assets (£1,156m) are invested in the Total Investment Governance Solution (TIGS) managed by River & Mercantile Solutions, which covers a wide range of investment types.

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 (£417m) are 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. There is also £11m in AVC funds.

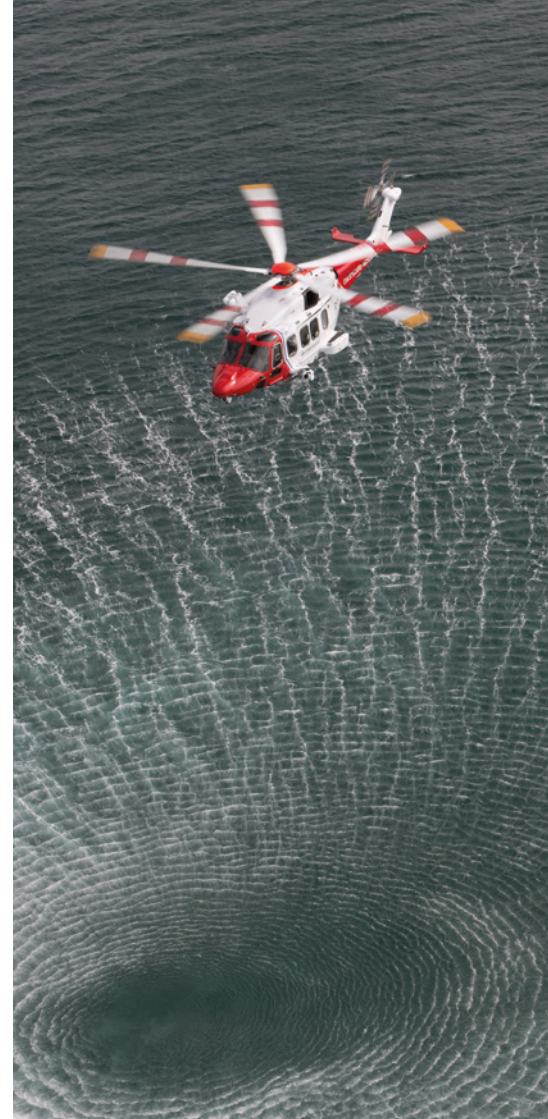


OUR INVESTMENTS continued

Allocation of assets as at 5 April 2019

Asset class	Value	%
Equity	£539m	34%
Private Equity	£26m	2%
Alternatives	£214m	14%
Bonds	£228m	14%
Property	£49m	3%
Cash	£98m	6%
Currency hedge	£2m	0%
Total on-risk	£1,156m	73%
Off-risk	£417m	27%
DC assets	£11m	1%
Current liabilities-current assets	-£9m	-1%
TOTAL	£1,575m	100%

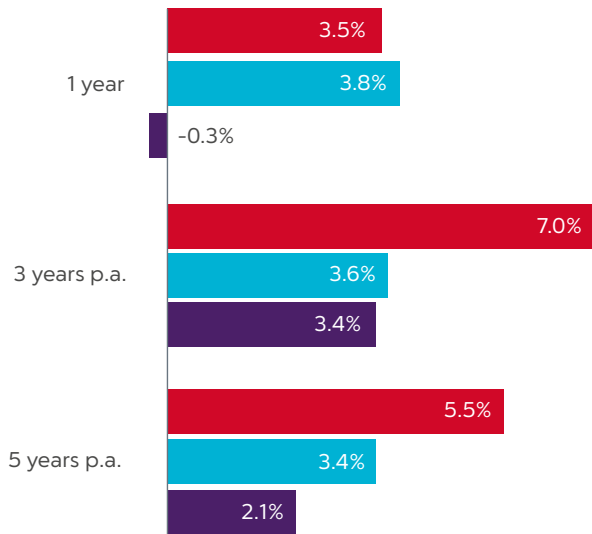
Further information about the Scheme's investments is available in the 2019 Report and Accounts.



Investment performance

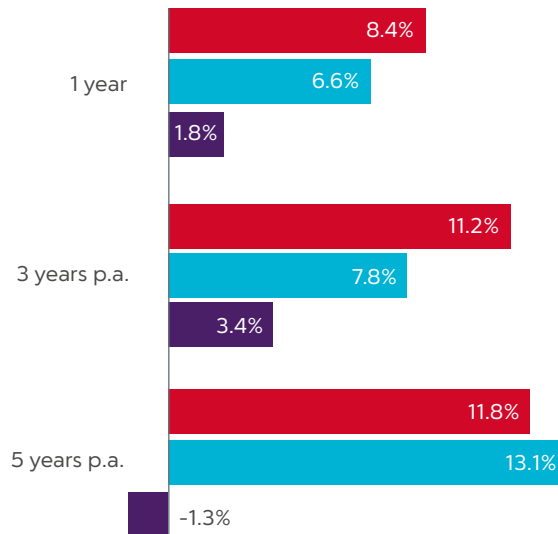
The year to 5 April 2019 saw volatile market conditions for the Scheme. The falls in returns experienced during the final quarter of 2018 were subsequently recovered during strong performance in the first quarter of 2019. Returns are shown to 5 April 2019, net of any fees paid from assets.

Looking first at the performance of the Scheme's return-seeking portfolio alone, returns over the year were below the target benchmark, although they remain ahead over longer periods:



■ Investment return ■ Target (cash + 3% p.a.)
■ Investment return relative to target

The returns for the total portfolio (including the off-risk assets) have a slightly different profile, principally because of the significant movements in liability-related assets in recent years:



■ Investment return ■ Liability-related target
■ Investment return relative to target

SUMMARY FUNDING STATEMENT

This is your update on the funding position of the Scheme, which the Trustee is required to provide to you each year.

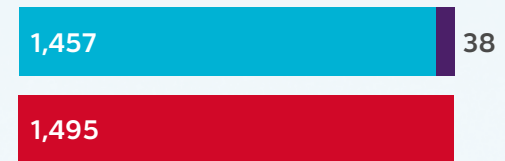
Set out opposite are the details of the Scheme's funding position as at 5 April 2017 (the date of the most recent formal actuarial valuation), together with the interim updates as at 5 April 2018 (the position shown in the last summary funding statement) and 5 April 2019.

Values are in £ million

2017 Funding level – 96%



2018 Funding level – 97%



2019 Funding level – 98%



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 AVCs). 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.

■ **DEFICIT:** the amount by which the Scheme's liabilities exceed its assets.

Change in ongoing funding position since the last Summary Funding Statement

As at 5 April 2018, there was an estimated deficit of £38 million. Since then, this has reduced to £24 million at 5 April 2019. This was mainly due to the payment of deficit contributions into the Scheme (in line with the recovery plan agreed as part of the 5 April 2017 actuarial valuation process) and investment returns generated by the Scheme's assets being greater than expected over the year.

The value of the liabilities as at 5 April 2017 was calculated using assumptions agreed by the Company and Trustee as part of the actuarial valuation.

The assumptions used to value the liabilities as at 5 April 2018 and 5 April 2019 are consistent with those in 2017, but reflect changes in the relevant interest and inflation rates.

The recovery plan put in place as part of the 5 April 2017 valuation requires the Company to pay additional contributions to fund the deficit. The recovery plan targets the Scheme being fully funded by 2024. The next payment of £10m is due in January 2020, with further payments of £10m each year until January 2024.

The next detailed calculation of the Scheme's funding position will occur as part of the formal actuarial valuation as at 5 April 2020. The Trustee does, however, monitor the funding position of the Scheme on a regular basis and will take action if necessary.

SUMMARY FUNDING STATEMENT *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 2017, the Actuary valued the Scheme at 59% funded on a discontinuance basis (deficit of £1,021 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 employers 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 AVCs, these 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.

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.pensionprotectionfund.org.uk.

Other information

The Pensions Regulator has various powers which it can exercise if it thinks the Scheme's recovery plan is not appropriate. The Trustee can confirm the Pensions Regulator has not used any of its powers in relation to the Scheme.

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 MW Ltd).

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



PENSION INCREASES AND REVALUATION RATES

PENSION INCREASES: Pension increases will be awarded to all pensioners on 1 April 2020. Different levels of increase will apply depending on whether pensioners have previously opted for a Pension Increase Exchange (PIE). Letters will be sent to pensioners in March 2020, setting out the increase that will apply to your pension.

REVALUATION: If you are currently participating in the Scheme, your Career Salary benefits will increase by 1.7% on 6 April 2020. The effect on your pension will be shown in your 2020 benefit statement.



KEEPING UP TO DATE

TRUSTEE NEWS

Craig Porter, Finance Director for Leonardo MW Ltd, has joined the Leonardo Helicopters Pension Scheme Trustee Board. Craig has replaced Simon P Jones who held the role for four years. We thank Simon for his valuable contribution, and welcome Craig to the Board.

EQUITABLE LIFE

Some of our members hold Additional Voluntary Contributions (AVCs) funds with Equitable Life. These are legacy policies which it has not been possible to pay additional monies into for a number of years. Equitable Life closed to new business in 2000 and it was inevitable that at some point the Society would come to an end. Equitable Life's view is that now is a favourable time to bring its business to a close, given the record high values of the assets backing its policies, which it will be looking to distribute to its policyholders (which includes the Scheme's remaining AVC 'With Profits' policies).

Equitable Life has announced its intention to transfer its business and policies to Utmost Life and Pensions (formerly known as Reliance Life). As part of this transfer, the Equitable Life 'With Profits' policies will receive an uplift to their value (by around 60-70%) in exchange for a removal of the guarantees associated with these funds. Following the uplifts, the funds will be converted to unit-linked funds and transferred to Utmost Life and Pensions.

The transfer is awaiting Court approval and is expected to take place with effect from 1 January 2020. The Trustee voted in favour of the proposed course of action, considering this to be in members' best interests.

Further communications will be issued to members who are impacted by these changes.

KEEP IN TOUCH

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

Leonardo Helicopters Pension Scheme
XPS Administration
Queen's Quay
33-35 Queen Square
Bristol BS1 4LU

0117 440 2493

LHPS@XPSgroup.com

www.lhpensions.co.uk

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.