



HELICOPTERS
Pension Scheme



IN TOUCH

AUTUMN 2021



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ARE YOU USING OUR ONLINE TOOLS?

Our online tools at MyPension.com/LHPS 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 fund holdings you have with Mobius Life, access fund factsheets and change how your AVCs are invested
- access our new AVC 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/LHPS

If you need a reminder of your MyPension.com/LHPS login details, please contact XPS Administration at LHPS@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 AVC INVESTMENT MICROSITE



We are pleased to announce the launch of a new online pensions tool: the Leonardo AVC (Additional Voluntary Contributions) Investment microsite provided by Mobius Life.

The new microsite allows Leonardo pension scheme members to access current data on all Leonardo AVC investment funds, including unit prices, historic performance and asset allocation. It also includes functionality to compare different funds to help you when deciding how you wish to invest your AVC funds.

To access the microsite, log into the 'My AVC investments' section of your account at www.MyPension.com/LHPS 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 fund, 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 AVC 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.

RUNNING THE SCHEME – TRUSTEE ELECTIONS

The Leonardo Helicopters Pension Scheme (the Scheme) is governed 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

Company Trustee directors: Martin Flavell, Caroline Beaumont, Clive Higgins, Simon Jones and Craig Porter.

Member Trustee directors: Chris Burton, Malcolm Gillam, Steve Jenkins and Rebecca Ward.

COULD YOU HELP RUN OUR SCHEME?

If you would like to be considered as a Member Trustee director, please read on! This autumn, there are **two vacancies** for Member Trustee directors as the current terms of office will expire for both Rebecca and Chris.

THE NOMINATION PROCESS

Any active (contributing) or pensioner member of the Scheme may be nominated for a six year term, including the current Member Trustee directors (so Rebecca and Chris are eligible to be reconsidered). Deferred members of the Scheme are not eligible to stand for selection.

All candidates must have the support of five active or pensioner members of the Scheme. Each active and pensioner member may make one nomination, so they can only back one candidate.

Step 1

Obtain a form from the Scheme website:

www.lhpensions.co.uk

RUNNING THE SCHEME – TRUSTEE ELECTIONS CONTINUED

Step 2

Include the details of your five supporters on your form (these should not be current Trustee directors).

Step 3

Return your application form to the Trustee via email by **Friday 5 November 2021**.

THE SELECTION PROCESS

A selection committee will shortlist the nominees for interview, conduct the interviews and decide who to appoint. The selection committee includes representatives from the Trustee board, the Pensions Council and the Pensions Management team. Their decision is final.

The selection criteria include:

- knowledge and experience of pensions with particular reference to current or previous participation as an employee representative on the Pensions Council
- availability to fulfil the role and ability to participate effectively in both virtual and in-person meetings
- ability to balance the interests of all those with a stake in the Scheme

- ensuring the Trustee board as a whole reflects the membership of the Scheme
- ensuring a diverse range of skills and backgrounds are reflected on the Trustee board, and that the board operates efficiently with high levels of engagement and collaborative working with all stakeholders.

APPOINTMENT OF TRUSTEE DIRECTORS

The successful candidates will be appointed as Member Trustee directors in accordance with the Rules of the Scheme, for a period of six years.

If you have any questions, please contact Rachael Skuse, Pensions Manager and Secretary to the Trustee: pensions@leonardocompany.com

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!

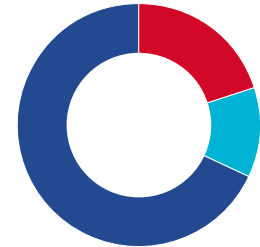
Aside from the benefit of the Company-funded element of your core pension, the benefits of tax relief and National Insurance savings mean that paying additional amounts into your pension is tax efficient.

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.

Contribution into your pension: £100

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



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

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.lhpensions.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.lhpensions.co.uk/library

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 2020 (the date of the most recent formal actuarial valuation) together with the interim update as at 5 April 2021.

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, based on benefits earned up to the valuation date.

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

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

VALUES ARE IN £ MILLION

2021 Funding level – 108%



2020 Funding level – 94%



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 deficit of £95 million. Since then, the funding position has improved, and the Scheme now has an estimated surplus of £126 million as at 5 April 2021. This was mainly due to investment returns on the Scheme's assets being greater than assumed.

The value of the liabilities as at 5 April 2020 have been calculated using assumptions agreed by the Company and Trustee as part of the 2020 actuarial valuation. The assumptions used to value the liabilities as at 5 April 2021 are consistent with those used for the 2020 actuarial valuation but reflect changes in the relevant interest and inflation rates at 5 April 2021.

The recovery plan put in place as part of the 5 April 2020 valuation requires the Company to pay additional contributions to fund the deficit shown in the 2020 valuation. The recovery plan targets the Scheme being fully funded by January 2027, and the funding position at 5 April 2021 shows the Scheme is currently well ahead of this target. The next contribution is due in January 2022, with further payments each year until January 2027 (see table of contributions below).

The Trustee and the Company also agreed for the Company to pay additional contributions of £3 million p.a. to fund the deficit from 2022 if the funding position has not improved sufficiently. This will be assessed annually using pre-determined criteria.

Due date	Regular deficit contributions (£m)	Additional deficit contributions (£m)*
31 January 2021	3.7	-
31 January 2022	4.0	3.0
31 January 2023	4.3	3.0
31 January 2024	4.6	3.0
31 January 2025	4.9	3.0
31 January 2026	5.2	3.0
31 January 2027	5.6	3.0

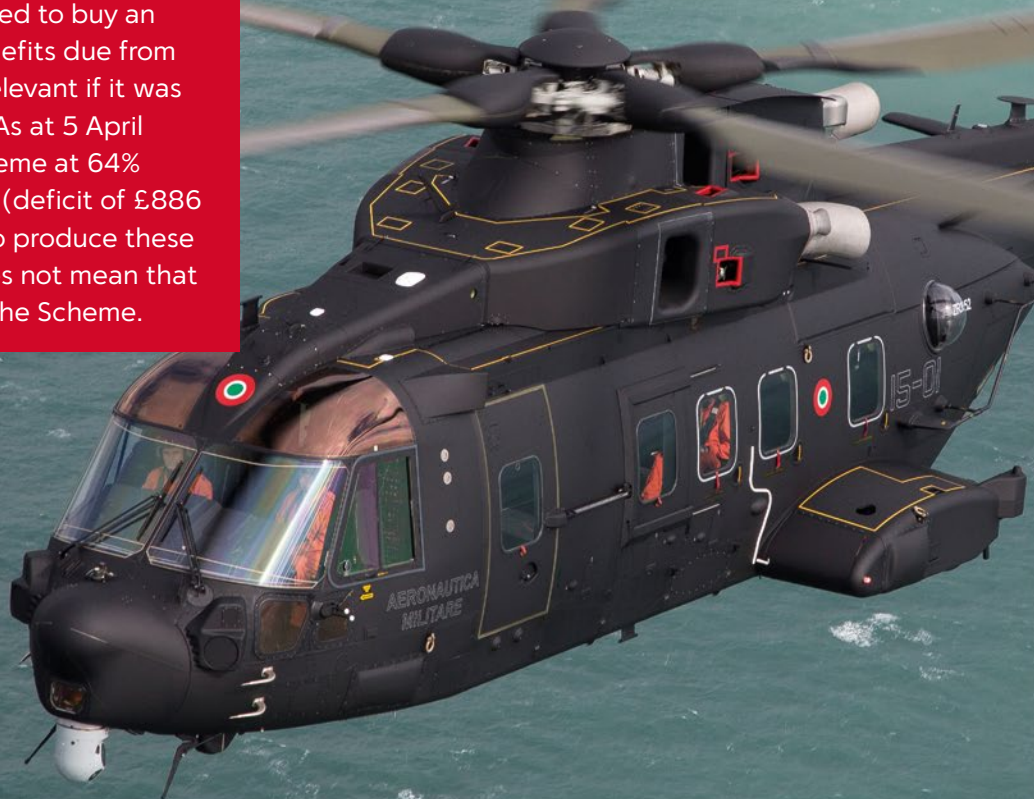
*payable if the funding position has not improved sufficiently under pre-determined criteria.

The next detailed calculation of the Scheme's funding position will occur as part of the formal actuarial valuation as at 5 April 2023. The Trustee does, however, monitor the funding position of the Scheme on a 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 64% funded on a discontinuance basis (deficit of £886 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.



SUMMARY FUNDING STATEMENT 2021 CONTINUED

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 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.ppf.co.uk

SUMMARY FUNDING STATEMENT 2021 CONTINUED

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 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 AVCs) increased to £1,756 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:

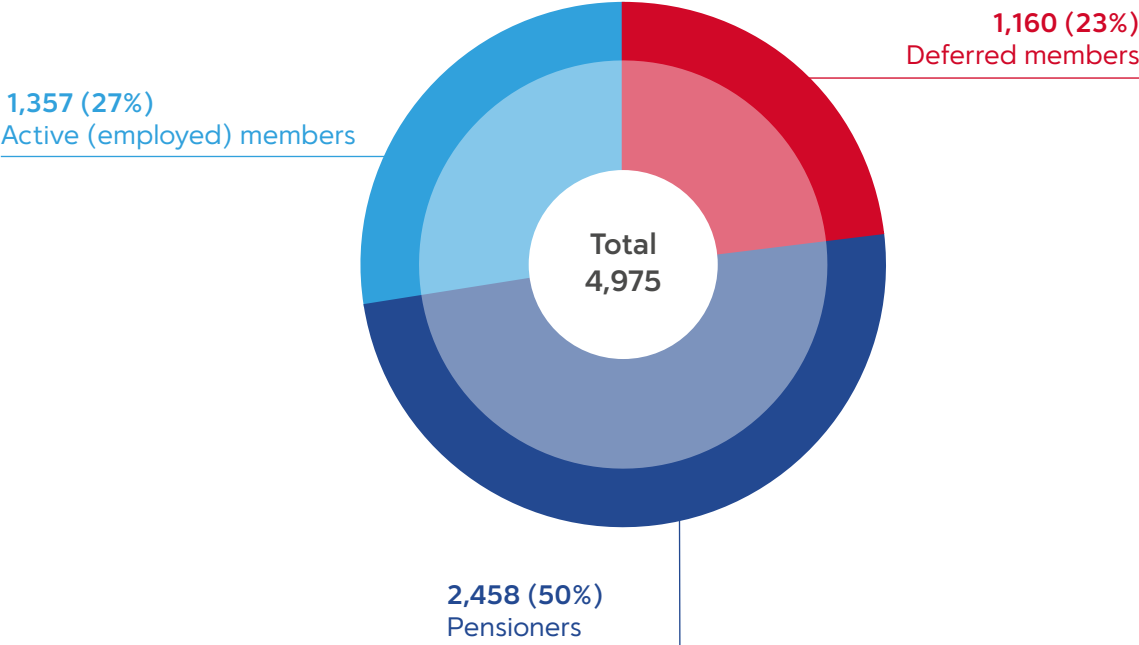
Value of Scheme assets at 5 April 2020	£1,600m
+ income	£44m
- benefits and expenses	(£67m)
+ change in market value of investments	£179m
Value of Scheme assets at 5 April 2021	£1,756m

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.lhpensions.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 (£975 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 (£781 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 £12 million in AVC funds.



OUR INVESTMENTS CONTINUED

ALLOCATION OF ASSETS AS AT 5 APRIL 2021

Asset class	Value	%
Equity	£574m	33%
Private Equity	£11m	1%
Alternatives	£170m	10%
Bonds	£123m	7%
Property	£50m	3%
Cash	£42m	2%
Currency Hedge	£5m	0%
Total on-risk growth assets	£975m	56%
Off-risk	£781m	44%
AVCs	£12m	1%
Current liabilities-current assets	-£12m	-1%
TOTAL	£1,756m	100%

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 5% in March 2021 and a further 5% 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:

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

Growth asset portfolio	1 year	3 years p.a.	5 years p.a.
Investment return	24.0%	5.5%	6.8%
Target (cash + 3% p.a.)	3.2%	3.6%	3.5%
Investment return relative to target	20.8%	1.9%	3.3%

Total portfolio	1 year	3 years p.a.	5 years p.a.
Investment return	12.6%	8.1%	9.9%
Liability-related target	1.2%	5.7%	6.8%
Investment return relative to target	11.4%	2.4%	3.1%

PENSION INCREASES AND REVALUATION RATES

PENSION INCREASES: Pension increases will be awarded to all pensioners on 1 April 2022. 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 2022, setting out the increase that will apply to your pension. These will be uploaded to [MyPension.com/LHPS](https://www.mypension.com/LHPS) or sent by post depending on your communication preferences.

REVALUATION: If you are currently participating in the Scheme, your Career Salary benefits will increase on 6 April 2022. The effect on your pension will be shown in your 2022 benefit statement.



KEEPING YOU UP TO DATE

GUARANTEED MINIMUM PENSIONS

We have previously updated you on the work we are doing to ensure the Scheme records match those of HMRC in relation to elements of a member's pension classed as Guaranteed Minimum Pension (GMP) amounts. This project, known as **GMP Reconciliation** has progressed well and the majority of the Scheme's records are now aligned with those of HMRC.

This now enables us to move forward with the second part of our GMP project, known as **GMP Equalisation**. This is a project to equalise benefits, where these have historically been based on unequal State pension entitlements between men and women. We will be contacting members again through 2022 in relation to how the Scheme proposes to carry out GMP Equalisation.

PENSION INCREASE EXCHANGE

In April 2019, a new retirement option was launched. Alongside the existing retirement flexibilities offered by the Scheme, retiring members were able to choose a Pension Increase Exchange (PIE) option.

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.

Once the GMP projects outlined above have been completed, it remains the Company and Trustee's intention to offer PIE to those who have not yet been eligible whilst GMP records have been reconciled. We previously communicated that this would likely be offered in 2022 at the earliest, and this timescale remains appropriate. If you are eligible to be offered the PIE option in future, we will contact you with all the relevant information once we are in a position to do so.

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.