



HELICOPTERS
Pension Scheme

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SPRING 2025



NEW TRUSTEE STRUCTURE

In last year's newsletter, we told you that the Company was planning to implement a new single-trustee structure across the Leonardo pension arrangements to improve governance processes.

The process of consolidating three separate Trustee Boards into one larger Board has now been completed, with the establishment in May 2024 of a new Trustee entity, Leonardo Pension Schemes (Trustee) Ltd. The Trustee company has an extended Board of 12 Trustee Directors, listed right. Half of the Directors are drawn from the schemes' members and half are appointed by the Company.

Several of the Member-Nominated Trustee Directors (MNDs) who served on the previous Trustee Boards have been appointed to the new Board. This helps to maintain continuity and to retain their valuable knowledge as we transition into the new structure. These Member-Nominated Trustee Directors have been appointed for a three-year term.

Company-Nominated Trustee Directors

Martin Flavell	Chair
Craig Drysdale	VP Talent and Engagement (UK)
Claire Ellis	Head of Social Value
Mike Nixon	Pensioner
Siân Riches	Head of HR, FCAS/GCAP
Adrian Weir	Finance Director

Member-Nominated Trustee Directors

Brian Airlie	Principal Systems Engineer
Imran Bashir	Principal Hardware Engineer
Malcolm Gillam	Pensioner
Martin Johnson	Pensioner
Rebecca Ward	Structures Analysis & Simulation
Craig Weston	DCC Manufacturing

TRUSTEE SUBCOMMITTEES

The Trustee has set up three subcommittees which focus on key areas:

- Governance & Administration Committee
- Defined Benefit (DB) Investment Committee
- Defined Contribution (DC) Investment Committee.

The members of each subcommittee are set out on the organisation chart below.





PENSIONS CONSULTATIVE COMMITTEE

As part of the new governance structure, a new Pensions Consultative Committee (PCC) has been established.

Previously there was the Pensions Council for the Helicopters Division and the Pensions Consultative Committee for the Electronics Division. These have consolidated into one PCC with 16 employee representatives. The PCC has been set up to discuss, co-ordinate, advise and represent the views of the members of the Leonardo Helicopters Pension Scheme, Leonardo Electronics Pension Scheme and Leonardo FuturePlanner.

YOUR PCC REPRESENTATIVES ARE:

Ben Clarke	Yeovil (Chair)	Steve Jenkins	Yeovil
Dan Amy	Southampton	Stephen Johnson	Basildon
Miles Barnett	Yeovil	Callum Jones	Yeovil
John Bartlett	Yeovil	Belinda McCorquodale	Edinburgh (Deputy Chair)
John Byers	Bristol	David Schofield	Lincoln
Jamie Chandler	Luton	Seamus Somerville	Edinburgh
Geraint Cooksley	Luton (Telespazio)	Nathan Walker	Edinburgh
Tim Ffrench-Lynch	Luton	Richard Watson	Edinburgh

The members of the PCC have received training on Leonardo's legacy DB pension schemes and the structure of FuturePlanner so they have the opportunity to comment meaningfully on pension matters. The PCC meets after each quarterly Trustee meeting and will publish a quarterly report to members on Connect UK (and the Core for Telespazio).

SCHEME CLOSURE

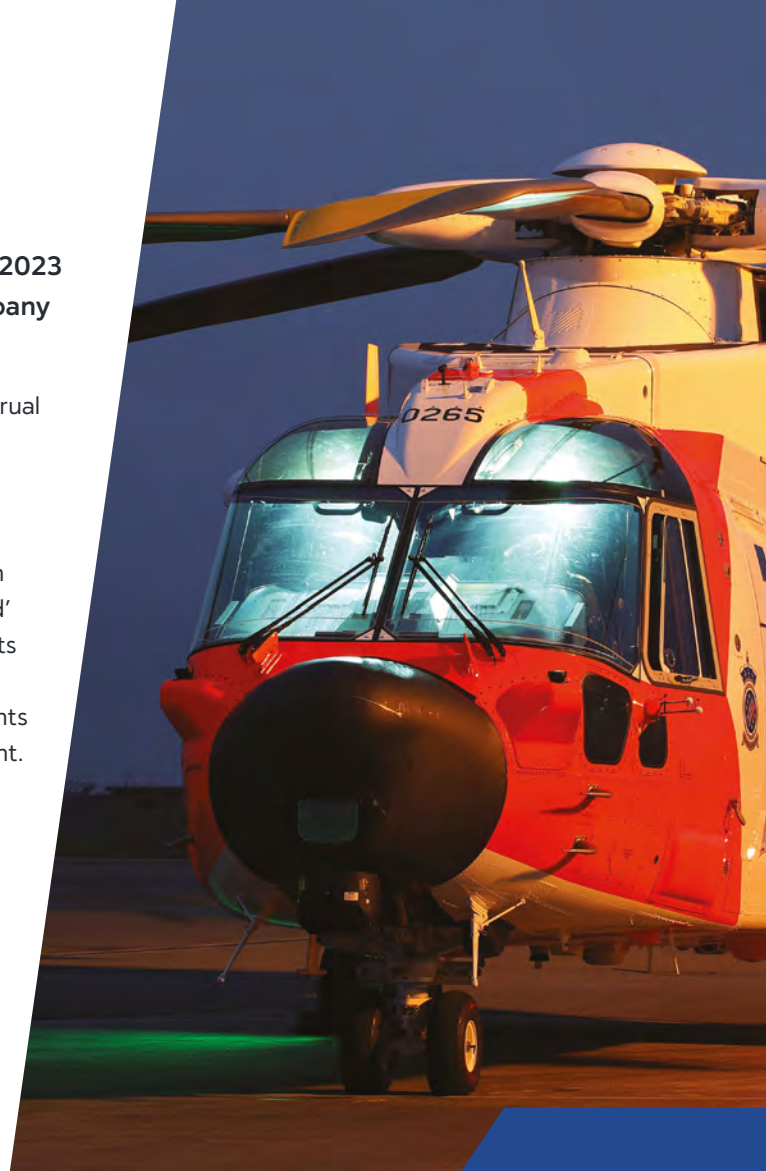
Following a Company consultation process throughout 2022 and 2023 with active Scheme members and their representatives, the Company announced it was making changes to future pension provision.

Leonardo's defined benefit pension arrangements closed to pension accrual from 5 April 2024, with future pension now being provided through an enhanced version of the Company's defined contribution pension arrangement, Leonardo FuturePlanner.

Former Helicopters Scheme members who were in active membership on 5 April 2024 have become part of a new category of 'employed deferred' members. These members retain a number of enhanced deferred benefits while they remain in employment with the Company. This includes enhanced rates of inflation revaluation up to retirement and enhancements to the deferred benefits provided in the event of ill health early retirement.

The FuturePlanner benefit design has an extended 'Match Plus' contribution structure, with an improved Company contribution up to a maximum of 15% of Pensionable Salary.

There are no changes for current pensioner members of the Scheme. For those who have previously left service on or before 5 April 2024 and already hold a deferred pension, there are no changes other than a lifting of the £50,000 AVC limit detailed in the Spring 2024 edition of *InTouch*.



SUMMARY FUNDING STATEMENT 2024

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 details of the Scheme's funding position as at 5 April 2024 together with the Scheme's funding position as at 5 April 2023 (the date of the most recent actuarial valuation).

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.

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

2024 funding level – 103%

£1,142m

£30m

£1,112m

2023 funding level – 100%

£1,219m

£0m

£1,219m



CHANGE IN ONGOING FUNDING POSITION SINCE THE LAST SUMMARY FUNDING STATEMENT

As at 5 April 2023, the Scheme was 100% funded (i.e. the estimated surplus was zero). Since then, the funding position has improved, and the Scheme now has an estimated surplus of £30 million as at 5 April 2024. This was mainly due to changes in market conditions, specifically higher interest rate expectations, acting to reduce the value placed on the Scheme's liabilities. These improvements were partially offset by reductions in the Scheme's assets and actual price inflation being higher than assumed over the period.

The value of the liabilities as at 5 April 2023 has been calculated using assumptions agreed by the Company and the Trustee as part of the 2023 actuarial valuation. The assumptions used to value the liabilities as at 5 April 2024 are consistent with those used for the 2023 actuarial valuation but reflect changes in the relevant interest and inflation rates as at 5 April 2024, as well as updates for more recent mortality trends.

Since the Scheme had no deficit at the 5 April 2023 valuation, no recovery plan or deficit reduction contributions from the Company are required. The Company continued to pay the existing contribution rates for future service benefits until April 2024 (when the Scheme closed to future benefit accrual) and contributions for administration expenses of £2 million per annum.

The next detailed calculation of the Scheme's funding position will occur as part of the actuarial valuation as at 5 April 2026. The Trustee does, however, monitor the funding position of the Scheme on a more regular basis and will take action if necessary.



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 2023, the Actuary valued the Scheme at 87% funded on a discontinuance basis (a deficit of £178 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?

The Scheme holds the money in a common fund from which it pays members' pensions when they retire. If you have paid 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. 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. Wind up is different to a closure to future accrual as the Scheme continues in the case of closure but with no new benefits being earned. 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

OUR WORK ON CLIMATE CHANGE

More information on our identification, assessment and management of climate change risk to the Scheme is contained in our TCFD (Task Force on Climate-related Financial Disclosures) report, a copy of which is published on our website at www.lhpensions.co.uk/compliance.

A hard copy of the TCFD report is available on request.

OTHER INFORMATION

The Pensions Regulator has various powers which it can exercise if it thinks the Scheme's Schedule of Contributions 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 2024, the Scheme's assets (including AVCs) decreased to £1,154 million, mainly due to rising interest rates, which reduced the value of the Scheme's liability-hedging assets.

The Trustee would like to reiterate that even though the value of the Scheme's assets is lower than it was a year ago, the Scheme's liabilities have also reduced by a similar amount – and as the Summary Funding Statement on page 6 shows, the funding level improved over the year.

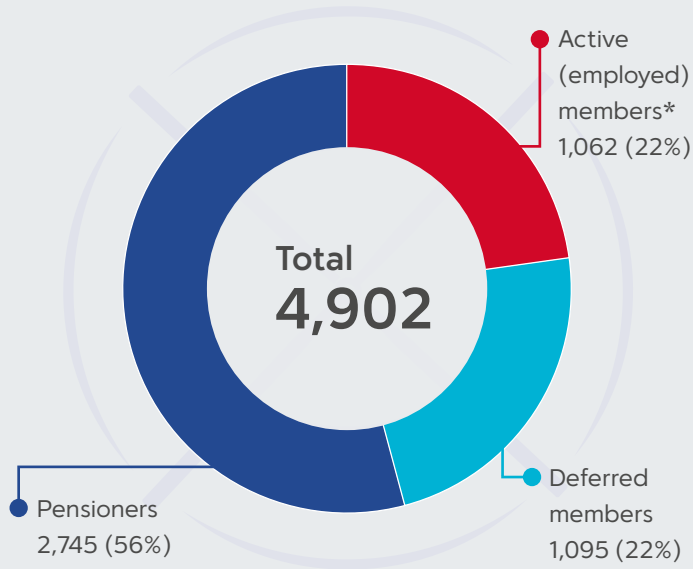
The Scheme's financial transactions in 2023/24 are summarised here:

Value of Scheme assets at 5 April 2023	£1,230m
+ income	£29m
– benefits and expenses	(£63m)
– change in market value of investments	(£42m)
Value of Scheme assets at 5 April 2024	£1,154m

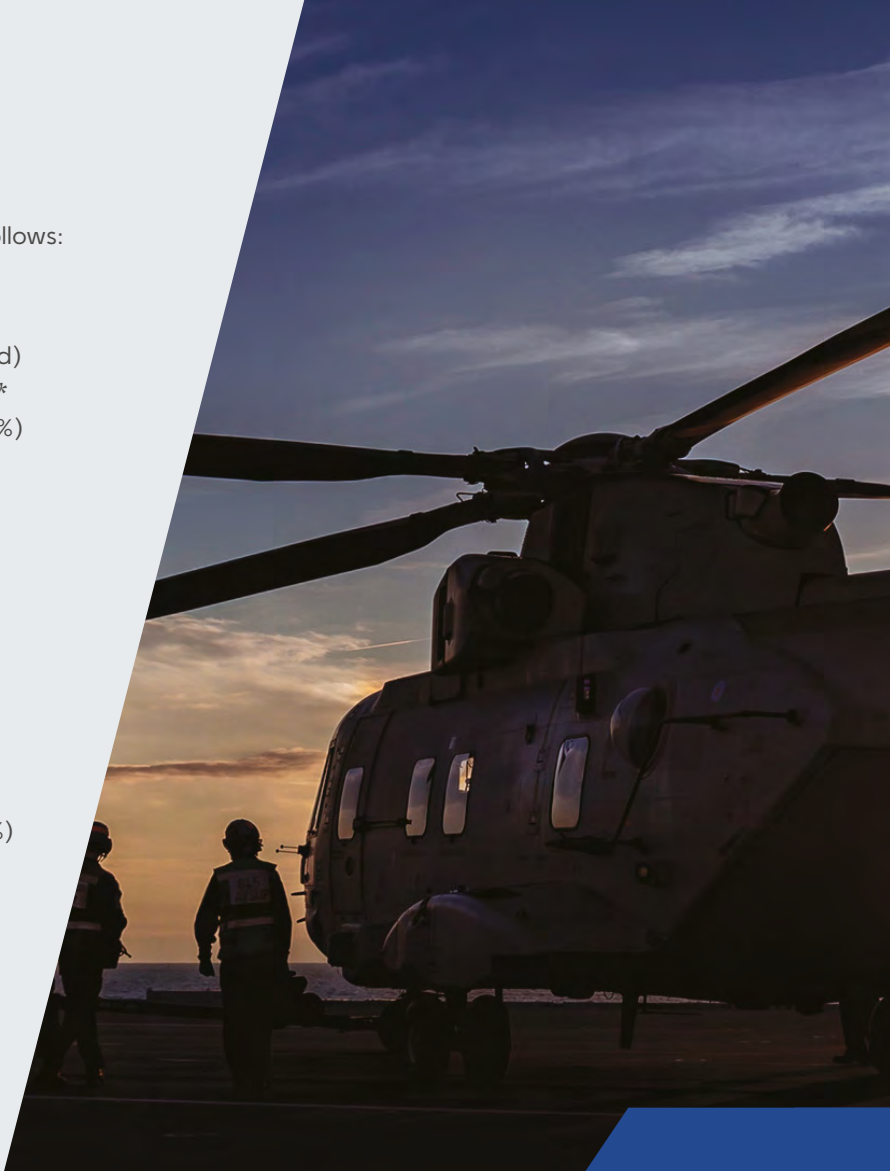
This information has been taken from the Trustee's Annual Report and Accounts 2024, which have been independently audited by RSM UK Audit LLP. If you would like to see a copy of the full Report and Accounts, it is available from the library on the Scheme website: www.lhpensions.co.uk/library

MEMBERSHIP

As at 5 April 2024, the membership of the Scheme was as follows:



*Following the closure of the Scheme to future benefit accrual from 5 April 2024, former active members who remain in employment with the Company will be referred to in next year's newsletter as 'employed deferred' members, as explained on page 5.





OUR INVESTMENTS

INVESTMENT STRATEGY

The Trustee has delegated responsibility for the day-to-day management of the Scheme's assets to an investment manager, Schroders Solutions. Schroders were appointed to implement a liability-hedging strategy (to protect the Scheme against inflation and interest-rate movements), as well as to actively manage the Scheme's growth assets, which cover a wide range of investment types.

The Trustee's investment strategy is set out in a document called the Statement of Investment Principles (SIP), which is available on the on the Scheme website: www.lhpensions.co.uk/library. The Trustee reviews the SIP regularly, and it was last updated in September 2024.

SCHEME ASSETS

The Scheme's return-seeking (growth) assets (£349 million as at 5 April 2024) are invested in a wide range of asset classes.

The 'off-risk' portion of the Scheme's assets (£794 million as at 5 April 2024) 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 allocations to active structured equity and cashflow matching credit.

As at 5 April 2024, there was also £12 million in AVC funds.

ALLOCATION OF ASSETS AS AT 5 APRIL 2024

Asset class	Value	% of assets
Equity	£158m	13%
Private equity	£2m	0.5%
Alternatives	£43m	4%
Return-seeking credit	£69m	6%
Property	£23m	2%
Cash & bonds	£50m	4%
Currency hedge	(£0.2m)	0%
Commodities	£4m	0.5%
Total on-risk growth assets	£349m	30%
Off-risk	£794m	69%
AVCs	£12m	1%
Current liabilities – current assets	(£1m)	0%
TOTAL	£1,154m	100%

Further information about the Scheme's investments is available in the 2024 Report and Accounts.

INVESTMENT PERFORMANCE

During early 2023/24, there were fears that rising interest rates could lead to recession. However, global economic growth generally remained resilient, particularly in the US. Towards the end of 2023, inflation in major developed market economies began to soften. This led to hopes that interest rates may have plateaued and could soon fall in 2024. Markets began to price in a series of interest cuts. However, as 2024 progressed, inflation proved to be stickier than expected and markets were forced to push back both the timing and extent of rate cuts, especially in the US. Despite concerns about higher-for-longer interest rates, global shares posted strong gains over the 12-month period.

Looking first at the performance of the Scheme's return-seeking growth asset portfolio alone, returns over the year were ahead of the target benchmark, although performance over longer periods remains around or below target.

Growth asset portfolio	1 year	3 years p.a.	5 years p.a.
Investment return	9.8%	4.1%	5.1%
Target (cash + 3% p.a.)	8.3%	5.7%	4.9%
Investment return relative to target	1.5%	-1.6%	0.2%

Total performance (including the off-risk assets) was negative over the year ended 5 April 2024, although outperforming the objective. This was driven by the significant increases in gilt yields, which has driven down the value of the liability-hedging assets alongside a corresponding reduction in the value of the Scheme's liabilities. Performance over longer periods also outperformed the objective.

Total portfolio	1 year	3 years p.a.	5 years p.a.
Investment return	-0.7%	-9.9%	-3.5%
Liability-related target	-5.2%	-11.7%	-5.5%
Investment return relative to target	4.5%	1.8%	2.0%

EXPRESSION OF WISH FORM

In the event of your death, a benefit may be payable from the Scheme to your beneficiaries. This money is held in trust by the Scheme, with the Trustee having the final say on who should receive it.

However, the Trustee will consider your wishes in their decision, and the easiest way to ensure they know your preferences is to complete an Expression of Wish form.

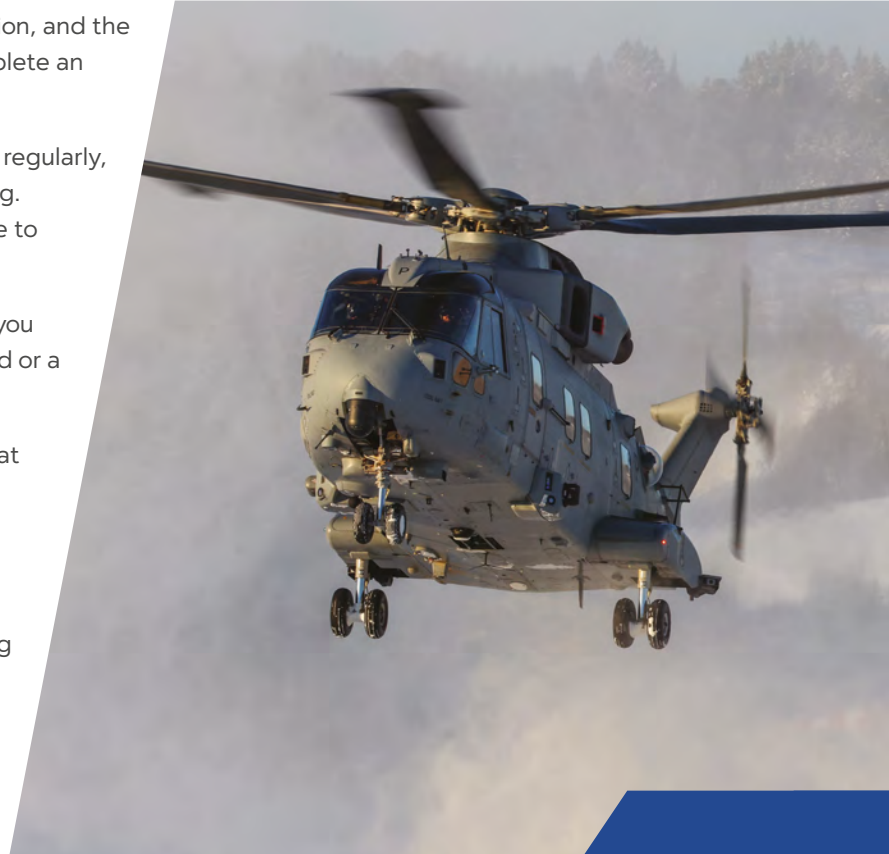
It is advisable to review and update your Expression of Wish regularly, even where the person(s) you are nominating is not changing. This reconfirms your decision, making it easier for the Trustee to determine what your wishes would be.

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.

The easiest way to update your Expression of Wish is online at <https://login.mypension.com/LHPS>

Alternatively, you can download the form at www.lhpensions.co.uk/library

If you have pension benefits in other arrangements, including Leonardo FuturePlanner, please make sure you complete separate Expression of Wish forms for those schemes too.





KEEPING YOU UP TO DATE

MINIMUM PENSION AGE TO INCREASE FROM 55 TO 57

As previously advised, the earliest date at which individuals can start to receive their pension benefits (the normal minimum pension age or NMPA) will be increasing in April 2028 from age 55 to age 57. Members in serious ill health can apply to take their benefits earlier than this.

The NMPA is set by the government, but some schemes have 'protected pension ages' hardwired into their rules, which means their members won't be affected by the rise to 57. In the majority of cases, if you are a member of the Leonardo Helicopters Pension Scheme, you will continue to be able to receive your Helicopters Scheme pension benefits from age 55. There are a couple of legacy sections of the Scheme where this will increase to age 57 in 2028, namely the Hadland Section and Senior Executive Section.

If you have pension savings elsewhere, it is recommended that you check whether this increase to age 57 will apply to those benefits.

This change is unlikely to affect the majority of members, as most people take their benefits much later than age 55.

CHANGES PROPOSED FOR PENSION DEATH BENEFIT AND INHERITANCE TAX

The government is considering changes that would bring most death benefits from defined benefit pension schemes into the scope of inheritance tax (IHT). It's important to note that IHT is only payable on estates exceeding the current allowance of £325,000 (or up to £1 million for some estates, depending on eligibility for the residence nil-rate band). Death benefits would only become taxable if the total value of the estate, including these benefits, exceeds the applicable allowance. While the details are yet to be confirmed, this proposal could impact estate planning for some members. We will keep you updated as further information becomes available.

PENSION INCREASES

Pension increases were awarded to pensioners on 1 April 2025. Different levels of increase will apply depending on whether pensioners have previously opted for a Pension Increase Exchange (PIE). Letters were sent to pensioners in March 2025 setting out the increase that will apply to them. These have been uploaded to MyPension at <https://login.mypension.com/LHPS> or sent by post, depending on individuals' communication preferences.

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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