

THALES

Future Focus

The annual newsletter for members of the Thales UK Pension Scheme

2023

Chair's welcome

I am pleased to present this year's newsletter for members of the Thales UK Pension Scheme (the Scheme). I hope you find it both informative and interesting.

The newsletter is an opportunity to update you on developments in the Scheme and the wider pensions world, including several significant and potentially short-term changes to pensions tax allowances (see page 7). The newsletter also summarises the key figures from the Scheme's Annual Report for the year ended 31 December 2022.

The Trustee wrote to all members shortly before this newsletter went to print, telling you about the insurance company 'buy-in' that has been agreed for the Scheme with Rothesay. The transaction represents a significant step forward for the Scheme and its members. It means that the current and future pensions payable from the Scheme will be covered by income received from the insurer. Importantly, it means that if we experience another difficult year of economic and geopolitical uncertainty, the Scheme should be largely unaffected by these outside factors. The Trustee remains responsible for paying members' pensions, with EQ Retirement Solutions (formerly known as Equiniti) (EQ) continuing to provide the member administration. Find out more on page 4.

Moving on from the financial matters, the Trustee wants to keep improving member service. We know some of you have experienced delays when contacting EQ, who have been struggling to manage the increased volume of member requests following the Company's consultation with active members earlier this year. EQ have committed additional resources, updated their helpdesk response procedures and are focused on clearing the backlog of requests. We hope the situation will soon improve.

Finally, as we approach the end of the year, we should all be full of Christmas goodwill. But please make sure your goodwill stops with anyone who is after your pension savings. Pension scams continue to occur, so don't let a scammer enjoy your retirement. Again, the newsletter explains what to look out for, and what the Trustee is doing to help protect you.

Peter Rowley
Chair of the Trustee



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Scheme noticeboard

Scheme buy-in

The conclusion of the Scheme buy-in on 1 December 2023 marks the conclusion of a very busy year for the Trustee. You should have received our letter about the buy-in recently.

Having been approached by Thales at the start of 2023 with an offer to help fund a total buy-in of the Scheme, the Trustee has spent the best part of this year researching the de-risking market with the help of its professional advisers, in order to secure the best outcome for members.

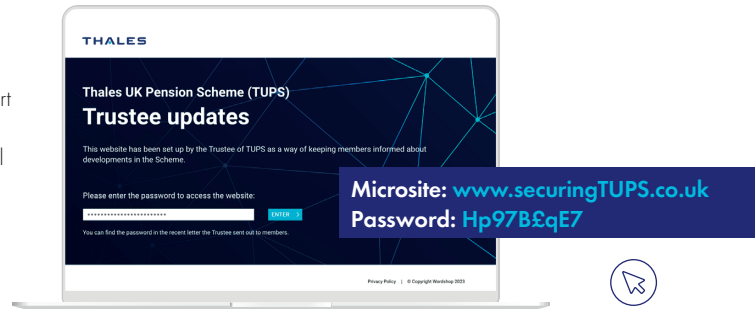
After a thorough review of the market, Rothesay was selected as our insurance partner. Rothesay is a leading UK pensions insurance specialist, purpose-built to protect pensions. They secure pensions for over 840,000 people from schemes sponsored by companies such as Asda, British Airways, the Co-operative Bank, National Grid, Morrisons and the Post Office.

Rothesay's balance sheet strength, expertise and ongoing shareholder support means it is a very good insurance partner for the Scheme. It is regulated by two financial watchdogs – the Financial Conduct Authority and the Prudential Regulation Authority – who set very tight financial controls on its activities.

Moving to a buy-out

The next stage of this insurance process is commonly called a 'buy-out'. This where the buy-in policy held by the Scheme is converted into individual annuity policies for our members, each of whom will then become a Rothesay policyholder. We will be working with Thales and Rothesay to see if we might be able to reach a buy-out within the next 18 months, but there is still a lot of work to be done to reach this point.

We have set up a microsite for members so that we can quickly and easily update you on progress. If you haven't already visited this site, we recommend that you do.



GMP equalisation

As part of the Scheme's ongoing administration, EQ will be writing to members next year with your pension data, asking you to let them know if any corrections or updates are required. Among other uses, this will allow us to calculate any small and upward-only pension increases for anyone affected by recent Guaranteed Minimum Pension (GMP) equalisation legislation, as part of the buy-out process.

As a reminder, GMPs are paid from contracted-out, occupational pension schemes like the Scheme and are, in effect, a substitute for part of the State pension. Many of the legacy final salary schemes which were transferred into the Scheme provided such GMPs and so, as a result of the merger of those schemes to form the Scheme, GMPs are provided through the Scheme for some members. In 2018 the High Court handed down an important judgment on GMPs and ruled that pension schemes with GMPs are under a legal obligation to remove the inequality in the way that GMPs treat men and women. This is referred to as 'GMP equalisation'.

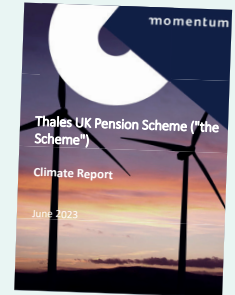
Our work on climate change

Climate change can create both risks and opportunities that could materially impact the financial interests of the Scheme's beneficiaries. As a long-term investor, it is therefore important that the Trustee considers the short and long-term implications of climate change, when making investment decisions.

We have published our first climate change risk assessment report, covering the year from 1 January 2022 to 31 December 2022. It has been prepared in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), which aims to improve and increase reporting of climate-related financial information.

You can view the report at

<https://thales.xpmemberservices.com/documents/tcdf-reports>



Deed of amendment

As part of the preparation for the buy-in, the Trustee and Thales signed a deed of amendment. This includes some additional flexibility for the buy-in/buy-out process, some changes to align the Scheme rules with administrative practice and/or the policy with Rothesay, and to record the earlier closure to accrual which the Company effected from 30 September 2023.

Make your wishes known

A completed Expression of Wish form indicates to whom you wish any lump sum death benefit to be paid in the event of your death.

If you're not sure whether you have completed an Expression of Wish form in the past, or if your circumstances have changed, you should complete and submit a new form. This would replace any previously completed form.

You can download and print a blank form from the Scheme website (under 'Member Info' and then 'Member Forms'). Visit <http://thales.xpmemberservices.com>

Alternatively, a form can be supplied on request by EQ, the Scheme administrator, whose contact details are shown on the back cover. The original signed form should be submitted to EQ by post (emailed copies are not accepted).

Don't let a scammer steal your retirement

Pension scammers are trying to cash in on the current economic uncertainty. They might approach you and claim that pension schemes are at risk of collapse, so you're better off transferring your benefits out to them. Even if you've seen recent headlines about the economy, don't panic and rush a decision about your retirement savings.

Pension scams often include:

- promises of 'guaranteed' higher returns on your pension savings
- high-pressure sales tactics
- unusual investments, which tend to be unregulated and high risk
- complicated structures, so it isn't clear where your money will end up.

Always remember: if it sounds too good to be true, it probably is!

You can find out more about pension scams and what to look out for here: www.fca.org.uk/scamsmart



Pensions news

Changes to pensions tax allowances

The government has raised the limits on the amount you can build up in savings in a pension scheme without having to pay tax, from £40,000 to £60,000 a year, with effect from the 2023/24 tax year. This limit is called the standard Annual Allowance. If you have a very high income (over £200,000) or have already taken money out of your pension pot, the limit for you will be lower – it could be as low as £10,000 a year (previously this limit was £4,000).

Another change has been made, this time to the Lifetime Allowance, also known as the LTA. This is a limit on how much you can build up in a pension scheme tax free over your lifetime and has been frozen at just over £1 million for some time. If you went over the limit, you had to pay a charge at retirement on the amount over the LTA of up to 55%. The government scrapped this tax charge from April 2023 and plans to get rid of the LTA entirely from April 2024 – but this still has to be passed into law, and Labour has suggested that it may reverse it if they gain power.

Neither the Trustee nor EQ can provide advice on personal financial matters, so if you think you might be affected by these changes, you should consider speaking to an independent financial adviser. You can search for an adviser on the MoneyHelper website via the 'Getting help and advice' link at the bottom of the site, www.moneyhelper.org.uk

News snippets

- **Pensions dashboard** – an online system which will allow people with a number of different pensions to view them all in one place. This project has been delayed and connection is now scheduled for no later than 2026.
- **Normal minimum pension age** – remember, this is changing from 55 to 57 from 6 April 2028.
- **State pension** – the earliest you can claim yours will depend on the year you were born. The State pension age is set to rise from 66 to 67 by 2028 and to 68 between 2044 and 2046. You can find out what your State pension age is at: www.gov.uk/state-pension-age

Help with the cost of living

The cost-of-living crisis is making life difficult for many people across the country, but there are lots of websites with information that can help you manage your finances:

MoneyHelper is a free government service that offers guidance on money, pensions and debt. They have a page dedicated to managing your money in uncertain times:

www.moneyhelper.org.uk/0en/money-troubles/cost-of-living

Money Saving Expert gives lots of tips and ideas, including how to save money on your bills. www.moneysavingexpert.com

Age UK offers particular help for older people, including benefits you can claim to ease the pressure. www.ageuk.org.uk

Citizens Advice can help you if you're facing problems such as debt. www.citizensadvice.org.uk

Help for Households is a new government website that sets out what support is available to help with the cost of living. <https://helpforhouseholds.campaign.gov.uk>



Scheme accounts

The Trustee produces a formal annual report and set of accounts for the Scheme, which are summarised below. You can ask EQ for a copy.

Deloitte LLP – who audit our annual report – believe our financial statements give a fair and true reflection of the Scheme’s finances over the year.

	(£'000)	(£'000)	(£'000)
	Section 1	Section 2	Total
Net assets at 31 December 2021	2,168,418	790,707	2,959,125
Contributions & other income	74,788	29,765	104,553
Benefits & expenses	(112,381)	(36,845)	(149,226)
Net (reductions) from dealings with members	(37,593)	(7,080)	(44,673)
Net returns on investments	(609,312)	(201,995)	(811,307)
Net (decrease) in the fund during the period	(646,905)	(209,075)	(855,980)
Transfers between sections	3,222	(3,222)	–
Net assets at 31 December 2022	1,524,735	578,410	2,103,145

These asset values may differ slightly from those used for funding updates as they include AVCs and defined contribution investments and exclude the value of certain insurance policies.

Membership

**31 December
2022**

**31 December
2021**

Section 1

Actives	489	535
Deferreds	3,761	3,963
Pensioners	5,966	6,021
Dependants	1,495	1,492

Section 2

Actives	542	601
Deferreds	1,263	1,364
Pensioners	2,802	2,732
Dependants	436	442



On 30 September 2023, the Scheme closed to the future build-up of pension and all active members at that point became deferred members. The membership information in next year's newsletter will reflect this change.

Running the Scheme

The Scheme is managed by a corporate Trustee Company, called Thales Pension Trustees Ltd. The Trustee Company has 12 Directors; six are appointed by the Company and six are appointed by the members. The Scheme is split into two sections, and the assets and liabilities of each section are considered separately for funding purposes (see page 9).

Trustee Directors

Peter Rowley (Chairman)

Vidett Trustee Services Limited – represented
by Jim Robson (OSC – Section 2 Trustee)

Philip Cameron (ISC – Section 1 Trustee)

John Twigg (OSC – Section 2
Member-nominated Trustee)

Joelle Dumetz (GSC – Section 2
Member-nominated Trustee)

Phil Naybour (ISC – Section 1 Trustee)

Nigel Baldwin (GSC – Section 2 Trustee)

Niall Mitchell (ISC – Section 2
Member-nominated Trustee)

Matthew Guy (OSC – Section 2 Trustee)

Robert Preston (ISC – Section 1
Member-nominated Trustee)

Ronald Fardell (OSC – Section 1
Member-nominated Trustee)

Alison Hexter (GSC – Section 1
Member-nominated Trustee)

OSC – Operations Sub-committee
GSC – Governance Sub-committee
ISC – Investment Sub-committee

Advisers

Scheme administrator	EQ Retirement Solutions
Legal adviser	Gowling WLG (UK) LLP
Actuary and consultants	Matt Smith (Scheme Actuary) and Mercer Ltd
Investment adviser	Momentum Investment Solutions & Consulting
Scheme auditor	Deloitte LLP

Pensions Department

Philip Cameron – Secretary to the Trustees

James Carrell – UK Pensions Manager

Get in touch

If you have a question about your benefits, please contact EQ.

 01293 603060

 thales@equiniti.com

 Thales UK Pension Scheme, c/o EQ Retirement Solutions,
Sutherland House, Russell Way, Crawley, West Sussex RH10 1UH

Deferred members can view their pension record via Member Web – visit <http://thales.xpmemberservices.com> and then click on 'Member Info' and 'My Pension'.

If EQ is unable to answer your query, or you are in any way dissatisfied with the service you have received, please contact the Secretary to the Trustees at: Thales UK Pension Scheme, c/o Philip Cameron, 350 Longwater Avenue, Green Park, Reading, Berkshire RG2 6GF

Have you recently moved house, or changed your details?

It's important we have your correct contact details, so we can get in touch with you about your pension quickly if we need to.

If you've changed your address, phone number, email address or the bank account your pension is paid into, you need to tell EQ straight away (thales@equiniti.com).

