



FUTURE FOCUS

Looking towards your future.....

Dear members, welcome to FutureFocus 2018, the annual newsletter for members of the Thales UK Pension Scheme.

2018 marks the tenth anniversary of the formation of the Thales UK Pension Scheme (TUPS). The merger of the various legacy schemes in 2008 has delivered the economies of scale to allow the scheme to benefit from improved operational efficiencies and access to the best in class investments. Whilst the scheme has faced funding challenges since merger the ability to agree solutions with Thales as a consolidated scheme is another significant benefit.

The major project for the scheme during the year was to undertake the regular triennial actuarial valuation, as at 31 December 2017. I'm pleased to report that work on this has progressed well. We are ahead of schedule compared to previous valuations and we are in advanced stages of finalising the details with the Company. This reflects the constructive and collaborative way in which the company has approached our discussions with them. Provided that we continue to make progress in this way I expect that final agreement on the valuation will be reached in early 2019.

During the year a lot of work was also carried out on the scheme administration, updating documents and procedures for compliance with the General Data Protection Regulation (GDPR) and undertaking a reconciliation of members' Guaranteed Minimum Pension (GMP) entitlement.

The Trustees also started working, alongside the Company, on considering various new measures to increase members' options in relation to their future benefits. The first output from this collaboration has just been launched, with a number of our pensioners being offered the opportunity to exchange some of their future pension increases for a higher initial pension payment. Any options offered will be voluntary and the Trustees are ensuring that the exercise is carried out in line with the industry code of practice.

Looking forward to 2019, the key task is completion of the actuarial valuation. The work on GMPs will continue, with an equalisation exercise planned once the reconciliation is complete. The Scheme's investment strategy will be refined to ensure it is appropriate as the scheme continues to mature with increasing numbers of pensioners.

I hope as ever, that you find the information in this newsletter informative. I would encourage all members to visit the scheme web site (thales.xpmemberservices.com), where you will find further information which is updated throughout the year.

I thank our excellent pension scheme staff, advisors and my fellow Trustees for their continued dedication to the efficient delivery and ongoing security of your pension benefits. In particular I would like to thank our Secretary, Philip Cameron, for his outstanding work since he took up his role following the merger of the Schemes in 2008. Philip brings great expertise and energy to his role and he is a sound source of advice to me and the other Trustees as we work to secure your pension benefits.

I wish all of our members a healthy and prosperous 2019

Yours Sincerely,

Peter Rowley, Chairman

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2 - The 31 December 2017 valuation

The Trustees carry out an in-depth examination of the Scheme's finances at least every three years. This is called an actuarial valuation. The Trustees ask a qualified, independent professional, known as an actuary, to help to undertake this task.

The estimated cost of providing the benefits you and other members have earned to date is known as the Scheme's "liabilities". To check the Scheme's (and each Section's) financial position we compare the value of its liabilities to its assets. If the Scheme/Section has fewer assets than liabilities, it is said to have a "deficit".

The formal actuarial valuation of the Scheme commenced in December 2017. The Trustees and Scheme Actuary are working with the Sponsoring Employer to finalise the valuation. The final results are not expected until the first quarter of 2019.

The outcome of the valuation forms part of your "Summary Funding Statement" which you will receive separately once the valuation process is concluded.

3 - Data Security

As members may be aware both as a result of press coverage and also following various communications from the Trustee, there was considerable activity in the last Scheme Year in relation to data protection. In particular, there was a requirement for organisations handling personal data, including the Trustee, to become compliant with new EU law in this area (and specifically the General Data Protection Regulation or "GDPR") by 25 May 2018.

The Scheme had, of course, taken steps to comply with the regime under the existing data protection law. Under the GDPR however, there is an increased emphasis on being able to demonstrate compliance. In addition, third parties processing Scheme data have, for the first time, become directly responsible for compliance with data protection law. As a result, the Trustee has taken various steps in respect of the GDPR including:

1. Taking legal advice and receiving training on its data protection obligations and the processes and policies required under GDPR;
2. Updating the Scheme's data protection policy and adopting specific policies covering data breaches and requests by individuals for access to personal data held about them;
3. Making up-to-date "privacy notices" available to members informing them about how the Scheme processes their data. This can be found online at <http://thales.xpmemberservices.com/home/privacy-statement>
4. Reviewing member communications to ensure that they do not include an unnecessary amount of personal data;
5. Reviewing which service providers and advisers personal data is shared with and processed by and (where appropriate) negotiating changes to contracts with service providers and advisers who process personal data on behalf of the Scheme; and
6. Reviewing the Scheme's record-keeping practices and security measures in respect of data protection. Data protection is an item on the Scheme's risk register, which is considered regularly by the Trustee. Data protection issues and ongoing compliance with GDPR is monitored and periodically reviewed by a sub-committee of the Trustee.

4 - Sex Equality and "GMPs"

As you may have read in the press recently, the High Court has handed down its judgment in the Lloyds Bank case. Schemes that contain Guaranteed Minimum Pensions or "GMPs" must take steps to equalise them as between men and women for benefits earned by reference to pensionable service between 17 May 1990 and 6 April 1997. Schemes can choose how to do so from a range of different methods.

The Scheme contains GMPs because they were held in the legacy schemes which were transferred together to form the Scheme in 2008. Your pension may include a GMP if you have relevant pensionable service between 17 May 1990 and 6 April 1997 in the Scheme. The GMP reflects the benefits that the legacy schemes (and in their place, the Scheme) promised to provide when they "contracted out" of the State Earnings Related Pension Scheme "SERPS" benefit that you would otherwise have been paid by the state. If your pension includes a GMP, the remainder of your pre-1997 pension is often known as the "excess" over the GMP.

GMPs are inherently unequal as between men and women both because men and women accrue GMP at different rates and because the GMP is payable from different ages depending on sex. Different rates of revaluation in deferment and increases in payment apply to the GMP and the excess and that can further compound differences in the GMP payable for men and women. As a result of this and the recent court decision, it may be that the Scheme needs to make some upward adjustments to some benefits to compensate for the unequal GMP. Initial expectations are that, in most cases where an adjustment needs to be made, the adjustment will be relatively small. However, until the full review work is done, the position cannot be known.

The Trustee is discussing how best to approach the outcome of the case with its advisers and the Employer. DWP guidance is also expected.

More detail about the steps that the Trustee proposes to take to equalise GMPs will be made available to members in due course.

5 – Deed of Amendment

The Principal Employer and the Trustee have agreed amendments to the Scheme to pave the way for the Trustee to be able to agree that member options exercises can be offered by the Principal Employer in the future, including:

- (i) certain pension increases to be exchanged for a higher rate of pension; and
- (ii) partial transfers of scheme benefits.

The changes made by the deed of amendment are facilitative only. The Principal Employer will write to relevant groups of members if and when options in respect of their benefits become available. Members are under no obligation to accept any offer made to them by the Employer.

6 - Beware Pension Scams

In recent years there has been a rise in pension scams, also known as “pension liberation” fraud, where companies claim that they can help you cash in your pension early. In some limited cases it is possible to access pension scheme funds before age 55 (the current standard minimum retirement age) but, for most people, promises of early cash will be bogus and are likely to result in serious tax consequences. This remains the case even though there is now more flexibility in how you can access your pension savings when you reach retirement age.

These scams are often advertised as ‘one off investment opportunities’, ‘free pension reviews’ and ‘legal loopholes’. However, if something sounds too good to be true, it usually is.

- **You may lose all your savings.** By entering into an agreement with companies offering a pension liberation scheme you risk losing most, if not all, of your savings.
- **You may be poorer in retirement.** You can only use your pension fund once. If you liberate your pension, there will be much less (or no) income from it when you retire.
- **You may be hit by unexpectedly high fees.** As part of the transaction, you are likely to have to pay the organisers a ‘commission’ or ‘arrangement fee’, which can typically range from 10% - 30% of the value of your pension.
- **You could face a huge tax bill and other penalties.** If you liberate your pension, you need to tell HMRC and will have to pay tax, which could add up to more than half your pension savings. If you don’t inform HMRC and HMRC contacts you first, you could be charged penalties and interest in addition to the tax.

Be alert to offers like this and if in any doubt, take advice from a registered adviser. If you think you are being targeted there are a few things you should do:

- Don’t be rushed into making any decisions or signing anything.
- Check that the person you are dealing with is authorised by the FCA at www.fca.org.uk/register
- Call the Pensions Advisory Service (TPAS) on 0300 123 1047 for guidance
- Check the details using the online pension scam identifier (further details below).

If you have already accepted an offer and believe you may be a victim, contact Action Fraud on 030012302040 or via www.actionfraud.police.uk

Online pension scam identifier

The Pensions Advisory Service (TPAS) has developed a guidance tool to help pension scheme members identify a potential pension scam. The tool, which is available on the TPAS website (<https://www.pensionsadvisoryservice.org.uk/my-pension/online-tools?moreInfo=4>) was developed with the support of Project Bloom, the Government-led task force that was set up to tackle pension fraud.

When you access the tool you will be asked a series of questions before being guided through the steps you should take if your answers correspond with some of the identifiers of a possible scam. Although the online tool does not give definitive answers or regulated financial advice, it does provide useful guidance.

7 - Expression of Wish Form – a reminder

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 are unsure if you have completed an Expression of Wish form in the past, or if you think a previously completed form may no longer reflect your current circumstances, you should complete and submit a current form which would supersede any previously completed form. A blank form for completion is available to print from the Scheme website (under “Member Info” then “Member Forms”) at <http://thales.xpmemberservices.com/Member-Info/Member-Forms>. Alternatively a form can be supplied on request to Equiniti, the Scheme administrator, whose contact details are shown at the end of this Newsletter. The original signed form should be submitted to Equiniti by post (e-mailed copies are not accepted).

8 - Changes of Address

Do our administrators hold your correct address?

If you have moved since you last notified us of your address, please contact our administrators, Equiniti, using the contact details at the end of this newsletter.

9 - Scheme Details

List of Trustees

Peter Rowley (Chairman– Section 1 Trustee)

Helen Depree (Operations Sub-committee (OSC) – Section 2 Trustee)

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

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

Phil Naybour (GSC – Section 1 Trustee)

Colin Milbourn (GSC - Section 1 Member-nominated Trustee)

Ken McSweeney (Investment Sub-committee (ISC) – Section 2 Trustee)

Nigel Baldwin (ISC – Section 2 Trustee)

Paul Corris (ISC – Section 1 Member-nominated Trustee)

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

Robert Trotter (OSC – Section 1 Member-nominated Trustee)

Steve Murray (Section 1 Trustee)

Service Providers

EQUINITI PENSION SOLUTIONS – Scheme Administrator
– based in Crawley

GOWLING WLG (UK) LLP – act as the legal adviser to the
Scheme – based in London

MERCER LIMITED – Actuaries and Consultants (Mark
Condron – Scheme Actuary) – based in London

MOMENTUM INVESTMENT SOLUTIONS & CONSULTING
– Investment Advisers – based in Windsor

Pensions Department

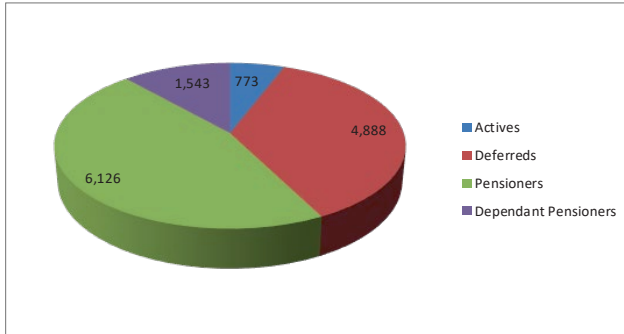
Philip Cameron – Secretary to the Trustees

James Carrell – UK Pensions Manager

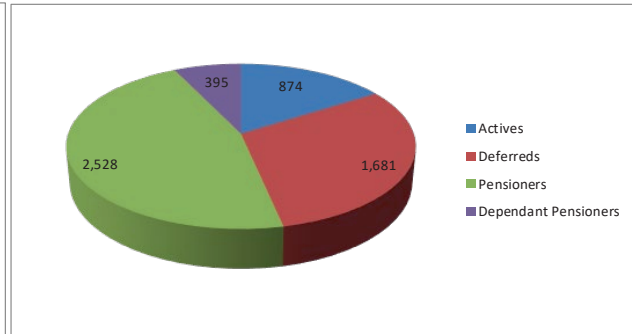
These two employees of Thales provide in-house support
for the Trustees.

10 - Membership Details as at 31 December 2017

Section 1



Section 2



11 - Scheme Accounts as at 31 December 2017

	(£'000)	(£'000)	(£'000)
	Section 1	Section 2	Total
Net assets at 31 December 2016	1,809,763	629,025	2,438,788
Contributions & Other Income	64,050	26,291	90,341
Benefits and expenses	106,741	31,572	138,313
Net additions (reductions) from dealing with members	(42,691)	(5,281)	(47,972)
Net returns on investments	109,788	37,093	146,881
Net increase in the fund during the period	67,097	31,812	98,909
Net assets at 31 December 2017	1,876,860	660,837	2,537,697

These assets include AVC and defined contributions investments and exclude the value of certain insurance policies.

12 - Who to Contact

In the event of a query regarding your benefits please contact Equiniti in the first case. You can access Member Web directly via <http://thales.xpmemberservices.com>, or alternatively contact the helpline on 01293 603060, or by email at thales@equiniti.com. If you would prefer to contact them by post then please write to:

Thales UK Pension Scheme
C/o Equiniti
Sutherland House
Russell Way
Crawley
West Sussex
RH10 1UH

If Equiniti are 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

