



**FUTURE FOCUS**

Looking towards your future.....

## WELCOME TO YOUR ANNUAL NEWSLETTER

### 1. Statement from the Chairman

Dear members, welcome to Future Focus 2022, the annual newsletter for members of the Thales UK Pension Scheme.

In the middle of the year we finalised the results of the 2020 actuarial valuation. While the headline deficit has increased, it's very important to recognise that this is, in part due, to the scheme moving to a considerably more prudent and long term funding basis. I'm happy to report that the Company has provided significant increases in its commitments to support the scheme on this new basis, both through increased contributions and larger parent company guarantees.

In 2022 as we emerged from the pandemic we were faced with considerable economic challenges, including high inflation rates and considerable market volatility. The gilt market turmoil experienced in October was of unprecedented levels and was very challenging for the whole UK pensions industry. This required us to make significant changes to the scheme asset structure in a short time period however the scheme's robust risk mitigation measures and governance structures performed well and allowed us to navigate all the difficulties faced at this time.

We are aware that over the last couple of years the service levels experienced from our administration team have been below the high standards we expect. We want to apologise for that and thank the members impacted for their patience during these difficulties. In early 2022 we agreed a recovery plan with our administration provider, the team was restructured and extra resources recruited. This resulted in service levels returning to the targeted levels in the second half of the year. We will continue to monitor and work closely with the administration team to ensure this improvement is maintained.

This year we have taken considerable steps to improve, monitor and report on the environmental, social and governance (ESG) impact of the scheme's investments and operations. This will culminate with a new section in the next Annual Report and Accounts setting out our key climate change metrics and targets.

During 2022 we have taken stock of how we plan to deliver GMP Equalisation. I expect to be able to share more details on this during 2023.

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 wish all of our members a healthy and prosperous 2023

Yours Sincerely  
Peter Rowley

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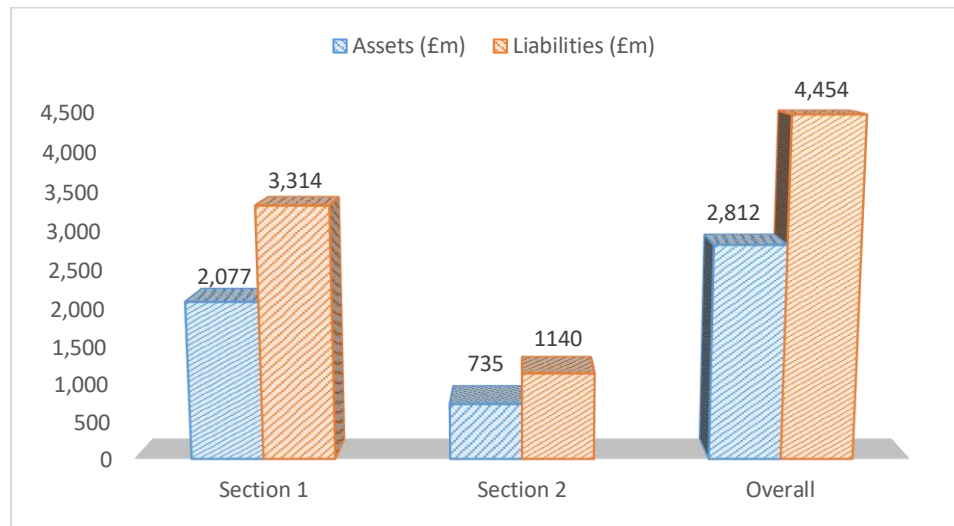
## 2. Valuation Conclusion & Funding Update

### The 31 December 2020 Actuarial 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 last actuarial valuation was carried out with an effective date of 31 December 2020 and details of the outcome were set out in the "Summary Funding Statement" issued in August. As a reminder, the financial position of the Scheme at 31 December 2020 was as follows:



	Section 1	Section 2	Overall
Assets (£m)	2,077	735	2,812
Liabilities (£m)	3,314	1,140	4,454
Deficit (£m)	1,237	405	1,642
Funding Level (%)	63	64	63

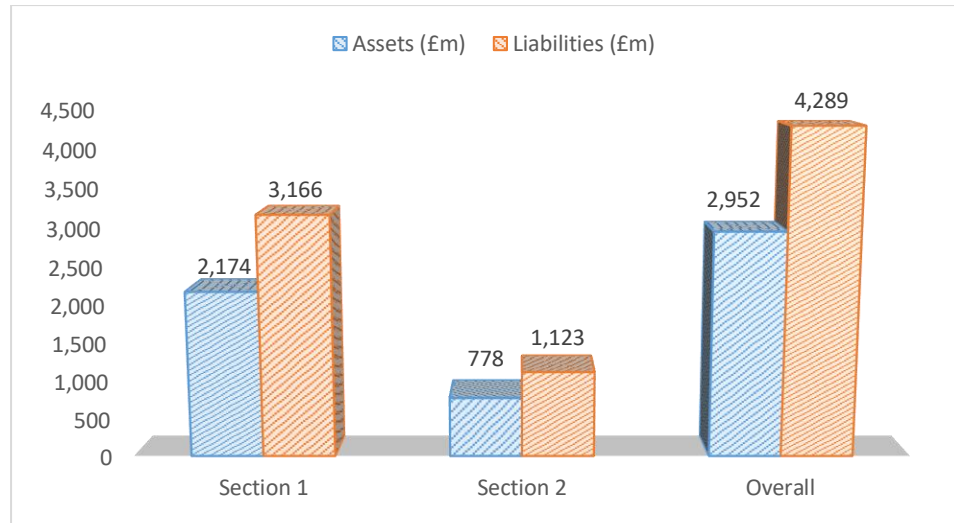
The Company agreed to make "recovery plan" payments of £75 million each year until the end of 2034 (split £57.8 million for Section 1 and £17.2 million for Section 2) in addition to their regular contributions for benefits in respect of future service and expenses of running the Scheme.

Since the last time we reported the funding position to you as at 31 December 2019, the funding level decreased from 78% to 63% and there are a number of factors that have contributed to this change:

- As part of the 31 December 2020 valuation the Trustees and Company agreed to amend the assumptions used to calculate the liabilities to reflect a long-term low risk investment strategy. This is fundamentally different to that adopted for the 31 December 2017 valuation and resulted in a material worsening in the deficit. The increase in the deficit as a result of this change does not mean your benefits are less secure as a result of the larger deficit, quite the opposite; as it allows the Trustees and Company to focus on the long-term cost of providing your benefits and ensure adequate security is in place for the long-term.
- In addition to the change in approach, between 31 December 2019 and 31 December 2020 the market environment changed significantly resulting in a higher value being placed on the liabilities at a time when investment markets were depressed due to the early effects of COVID-19.

### **The 31 December 2021 Funding Update**

The Scheme Actuary has also provided the Trustees with an update of the position as at 31 December 2021:



	Section 1	Section 2	Overall
Assets (£m)	2,174	778	2,952
Liabilities (£m)	3,166	1,123	4,289
Deficit (£m)	992	345	1,337
Funding Level (%)	69	69	69

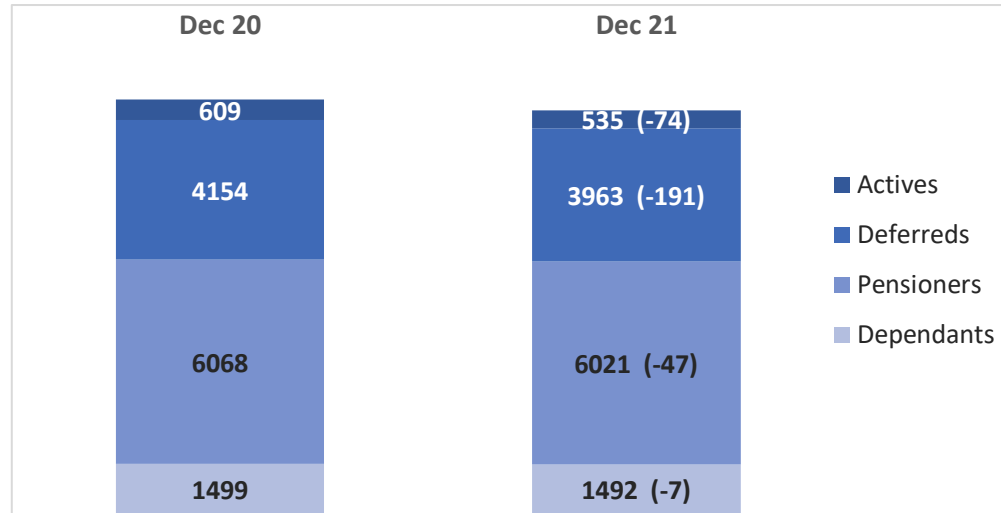
The funding position improved from 63% at 31 December 2020 to 69% at 31 December 2021. The increase in the funding level over the year to 31 December 2021 arose because of changes to investment markets, which increased the assets throughout 2021 by more than the increase in the value placed on the Scheme's liabilities. This, in addition to contributions paid by the Employers, helped reduce the deficit.

The above information forms part of your "Summary Funding Statement" which you should have received separately.

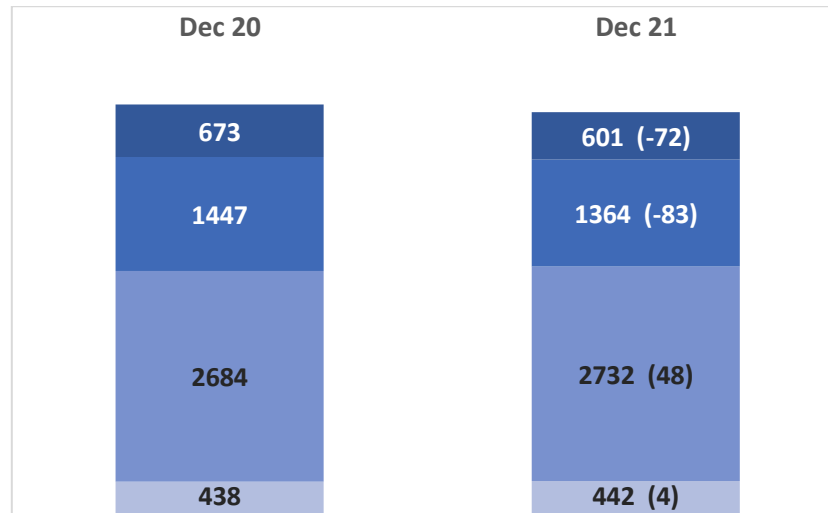
The Trustees and Company periodically review the actuarial factors used by the Scheme to ensure they remain appropriate and fair to all members of the Scheme. These factors are used for purposes such as converting pension into cash at retirement and determining what pension is payable on early or late retirement. The Trustees and Company have recently reviewed the actuarial factors following completion of the actuarial valuation and made some updates. If you are planning your retirement, you may want to bear this in mind.

### 3. Membership Details

#### Section 1



#### Section 2



#### **4. Scheme Accounts as at 31 December 2021**

	(£'000)	(£'000)	(£'000)
	<b>Section 1</b>	<b>Section 2</b>	<b>Total</b>
Net assets at 31 December 2020	2,071,202	748,256	2,819,458
Contributions & Other Income	74,371	27,898	102,269
Benefits and expenses	111,437	37,032	148,469
Net additions (reductions) from dealings with members	(37,066)	(9,134)	(46,200)
Net returns on investments	134,282	51,585	185,867
Net increase in the fund during the period	97,216	42,451	139,667
Net assets at 31 December 2021	2,168,418	790,707	2,959,125

These asset values differ slightly from those used for the valuation and the funding update as they include AVC and defined contributions investments and exclude the value of certain insurance policies.

## **5. Climate change**

As mentioned in the previous newsletter, the Thales UK Pension Scheme is required to have appropriate governance, reporting and publication arrangements in connection with climate-related risks and opportunities. This obligation reflects the recommendations of the Task Force on Climate-related Financial Disclosures or "TCFD" and builds on the existing obligation for the Trustees to set out its policies on stewardship and environmental, social and governance considerations (including climate change) in the Scheme's statement of investment principles.

The Trustees continue to undertake training on the new governance, reporting and knowledge requirements on climate change. In the last year it has also agreed some of the metrics that it will use to measure the Scheme's performance and has arranged for an initial review of the climate metrics collected across the Scheme's investments. The Trustees are currently considering the climate change targets that it should set in respect of these metrics and will perform climate scenario analysis to assess the impact of different climate pathways on the Scheme's long term strategy. The Trustees are required to produce a TCFD report covering the scheme year ending 31 December 2022 before the end of July next year and expect to be in a position to report to members about climate change in more detail following that.



## **6. Financial market conditions during 2022**

The Scheme's investment strategy has been designed by the Trustees and their advisors with the full market cycle in mind, such that it remains robust during a variety of market conditions. However, 2022 has presented a number of significant challenges that the Scheme, and all other UK pension schemes, have had to navigate.

One important topic at the moment is the cost of living crisis. The current level of inflation has been exacerbated by the conflict in Ukraine which, as well as being a devastating humanitarian crisis, has led to sharp increases in the price of energy and caused widespread disruption to supply chains. Direct impacts of this can be seen in the rising price of energy, transport and food, which all then increase other costs.

In addition, in late September, the Government announced its "mini budget" which, amongst other matters, included vast tax cuts and a sizeable expansion in borrowing. In the days that followed the value of Sterling and UK government bonds fell dramatically, causing the Bank of England to step in and attempt to restore orderly market functions. While Sterling has since recovered as a currency, imports during this period would cost more (increasing the cost to consumers).

During this period, pension schemes and their allocations to UK government bonds received much of the attention in the media, in particular the use of Liability Driven Investments ("LDI"). Please be assured that, despite recent events, the Scheme remains secure and the amount of your pension should not be affected by market volatility. If you're currently receiving your pension, this will continue to be paid in full. The amount of money you usually get paid has some inflation protection, although annual inflationary increases are subject to certain caps, which means your pension increase will be limited during periods of high inflation. For members not yet receiving a pension, please be assured that your pension revaluation is linked to inflation over the period from leaving service until retirement, subject to certain caps.

The high inflation environment may also impact members who are currently contributing into the Scheme and accruing benefits as they may incur a tax charge. Pension savings are generally tax-free within certain HMRC allowances. However, if you go over these allowances, you may be subject to tax charges. At present, the amount of your annual pension savings that can benefit from tax relief is limited to what is known as the "Annual Allowance" – this is £40,000 for the 2022/2023 tax year for most people, but it reduced in some circumstances including for high earners. Benefits that members are currently accruing are linked to inflation. The significant increase in inflation during 2022 means that more members may be liable to a tax charge for the 2022/2023 tax year (if their total amount of pension savings in the 2022/23 tax year is in excess of their Annual Allowance). The tax charge is only payable in relation to pension savings in excess of your Annual Allowance limit. You can find more information on tax charges at [www.moneyadvice.org.uk/en/articles/tax-relief-on-pension-contributions](http://www.moneyadvice.org.uk/en/articles/tax-relief-on-pension-contributions)

The cost of living impacts many aspects of our lives and there are certain bodies that can help you to plan your finances (including pensions) and provide free advice. Details of some of these are listed below:

MoneyHelper - a free, Government-backed resource that offers impartial help on all aspects of money, including benefits, savings and pension choices. It includes Pension Wise, which offers free, impartial guidance on retirement options for people aged 50 and over, and also provides advice on budgeting, help on State Pensions and what to do if you have a complaint. Find out more at: [www.moneyhelper.org.uk](http://www.moneyhelper.org.uk)

Gov.uk – the Government’s website holds information about everything relating to tax, pensions and the State Pension. Some useful pages are:

State Pension – for people who reached their State Pension Age before April 2016: [www.gov.uk/state-pension](http://www.gov.uk/state-pension)

New State Pension – for people who reach their State Pension Age after 2016: [www.gov.uk/new-state-pension](http://www.gov.uk/new-state-pension)

Tracing occupational pension scheme – if you have lost contact via: [www.gov.uk/find-pension-contact-details](http://www.gov.uk/find-pension-contact-details)

Citizens Advice – can provide free, independent, confidential and impartial advice to everyone on their rights and responsibilities. They also provide free and impartial face-to-face pensions guidance, visit: [www.citizensadvice.org.uk](http://www.citizensadvice.org.uk)

Age UK - a charitable organisation that provides help and assistance to older people. It offers advice on finances, and ways to keep active and healthy, and avoid loneliness into old age. Find out more at: [www.ageuk.org.uk](http://www.ageuk.org.uk)

## **7. Beware Pension Scams**

You should always be wary of potential pension scams. In particular, if you are thinking of transferring your pension benefits from any pension scheme of which you are a member, you should always make sure the person/company you are dealing with is registered with the Financial Conduct Authority (FCA). Whilst most pension transfers are fine, it is important to be alert to the warning signs of a scam.

Scammers try to persuade pension savers to transfer their pension savings, or to release funds from it, by making attractive-sounding promises they have no intention of keeping. The pension money is often invested in unusual, high-risk or unregulated investments like overseas property, forestry or similar, or it may involve excessively high commissions or fees. Scammers will sometimes promise savers early access to their pension pot through loans or 'loopholes'. Savers could lose their money and face a high tax bill from HM Revenue and Customs (HMRC) if they withdraw their pension savings before the age of 55.

All pension savers should speak to an independent adviser authorised by the Financial Conduct Authority (FCA) before making a transfer. You can check this on the FCA website at <https://register.fca.org.uk> or call the helpline on 0800 111 6768.

Please visit [www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart) for more information and useful tips to help avoid falling victim to pension scams.

The Trustees also strongly recommend that you take advice, and if so:

- you should be clear about the costs of that advice and the way those costs are charged; and
- be sure that the adviser is fully independent and can advise on the 'whole of market' (if linked to an investment firm they can only advise on a more limited range of options).

From December 2021, additional checks are performed when a transfer is requested to try to reduce potential scams. These can in some circumstances result in a transfer being refused if it is felt that there is a high risk of scamming activity. These new checks may require additional information or evidence to be provided before you are able to transfer your benefits out of the Scheme but rest assured the Scheme Administrator will be in close contact with you throughout to help you understand.

## **8. Planning for your Retirement**

How much to save into your pension is a big question and, without planning and guidance, can be difficult to answer. Some members may feel that retirement is so far away that it doesn't warrant thought, others whether they'll have enough to retire when the time comes, and some who are confident they have enough funds. The key message is that no one situation is the same, and we all have our own specific circumstances which will need considering. However, in order to be clear on whether you might be able to afford to retire, planning is crucial and you need to ask yourself a few questions about what you want your future to look like.

### **Creating a picture of your future**

The more real you make the picture of your ideal retirement, the more exciting it will be. Decide what hobbies you see yourself enjoying and you will create a vision that makes planning engaging. Imagine the big things - like any trips you might like to take - right down to the small pleasures. It will help you put real figures to the details which will, make saving and investment choices easier.

### **Is a more luxurious retirement out of reach?**

It might cost less than you think. A 2022 survey by Which? found that the average monthly spend per retired couple was around £2,340 a month (or around £28,000 a year). Meanwhile for couples who wished to enjoy a more luxurious lifestyle (long-haul holidays and a new car every five years), average yearly spend was £45,000. The highlights are on the Which? website and worth reading as you make your plans.

### **Working out how much you need to make your picture a reality**

A rough rule is that, in order to maintain a similar lifestyle to the one you're used to, you need about two-thirds of your pre-retirement income once you retire. To help you get an idea of the kind of figure you'll need, remember you'll spend less on some things (possibly mortgage, commuting, children, tax and national insurance contributions), but potentially spend more on others (possibly travel, leisure, healthcare and grandchildren).

It's important to remember, too, that the cost of living could also affect how much spending power you have after you retire. Money Helper ([www.moneyhelper.org.uk/en/everyday-money/budgeting/budget-planner](http://www.moneyhelper.org.uk/en/everyday-money/budgeting/budget-planner)) has a useful tool, called the Budget Planner, which can help you estimate the income you'll need.

### **Deciding when lets you know how long you have left to save**

The Scheme's normal retirement age is set out in the Scheme Rules. If you choose to retire before your normal retirement age, your defined benefit pension is ordinarily reduced to account for the fact that it will be in payment for longer. Defined contribution pensions will also likely be lower as investments have less time to grow, and if you buy an annuity it would be lower due to the expected longer period of payment. On the other hand, if you opted to begin receiving your benefits after your normal retirement age then your pension would be increased for the opposite reasons.

Generally speaking, retiring at an earlier age will cost you more as your pension savings will need to last you a longer period. However, retirement does not have to be an all or nothing decision, there's an increasing trend towards semi-retirement or adopting part-time working hours as part of a staged transition to full retirement. This can provide you with many of the benefits of full retirement but with the added benefit that you will continue to receive employment income which can supplement your pension or delay the time you have to take your company pension.

### **You can support your retirement plans with more than one source of income**

Your pension from the Scheme may be a significant part of your retirement income, but it's only one source. To support your plans, it's a good strategy to have a mixture. These could be: State Pension, inheritance, property investments, other pensions, shares, ISAs etc.

### **Sources of information**

It's important to stay active in retirement and there are plenty of places for you to get ideas, but if you need a starting point or inspiration, here are a few websites that you might find useful:

- [www.ageuk.org.uk/services/information-advice/guides-and-factsheets](http://www.ageuk.org.uk/services/information-advice/guides-and-factsheets)
- [www.volunteermatters.org.uk/press/volunteering-a-key-part-of-a-happy-retirement](http://www.volunteermatters.org.uk/press/volunteering-a-key-part-of-a-happy-retirement)

In addition, if you are over the age of 50 and want to talk to someone about what to do with your pension pot at retirement, then you can book a free appointment with Pension Wise to discuss your options. This is a Government service set up to give members impartial guidance on their options. This can be booked online at <https://www.moneyhelper.org.uk/en> or 0800 138 3944 8am – 8pm Monday to Friday.

Visit the following link for more information about the expected cost of your retirement, depending on what you hope to do:

[www.retirementlivingstandards.org.uk](http://www.retirementlivingstandards.org.uk)

If you're uncertain about any aspect of your retirement planning, you may wish to speak with an independent financial adviser to discuss your specific situation. For details of a local adviser, you can visit [www.moneyhelper.org.uk/en/getting-help-and-advice/financial-advisers/choosing-a-financial-adviser](http://www.moneyhelper.org.uk/en/getting-help-and-advice/financial-advisers/choosing-a-financial-adviser). You should always check the charges and specialist areas of an adviser before appointing them.

Remember, it's never too early to start planning for your retirement.

## 9. Scheme Details

### List of Trustees

Peter Rowley (Chairman)

Helen Depree (OSC – Section 2 Trustee)

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

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

Phil Naybour (GSC – Section 1 Trustee)

Nigel Baldwin (ISC – Section 2 Trustee)

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

Steve Murray (OSC – Section 1 Trustee)

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

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

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

OSC – Operations Sub-committee

GSC – Governance Sub-committee

ISC – Investment Sub-committee

### 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 (Matt  
Smith – Scheme Actuary) – based in London

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

**DELOITTE LLP** – Scheme Auditor – based in Crawley

### 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. 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 by 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).

## **11. Changes of Address**

Do our administrators hold your correct address?

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

## **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](mailto: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



### **13. Useful Information**

There are lots of resources available for you to get information about pensions, and where to go to get retirement guidance and advice. We have listed some of these resources below.

#### **MoneyHelper**

MoneyHelper is a service that offers impartial help on all aspects of money, including benefits, savings and pension choices. It is backed by the government and free to use. You can find out more at [www.moneyhelper.org.uk](http://www.moneyhelper.org.uk)

MoneyHelper combines Pension Wise, the Money Advice Service and the Pensions Advisory Service to form a single financial guidance service. Further help can be found in the below websites:

#### **Pension Wise**

Designed to give guidance to help members of defined contribution pension schemes understand their options; it can also be used by people with defined benefit pensions who want to look into flexible retirement options.

It is available to people aged 50 and over. Visit [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk) or call **030 0330 1001** for more information.

#### **The Money Advice Service**

Free and impartial advice about pensions and finances, included budget calculators, debt advice and benefits. Go to [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk) to see more.

#### **The Pensions Advisory Service**

Offers free advice to people with workplace and personal pensions. See more at [www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

#### **The Money and Pensions Service (MaPS)**

The above services are provided by The Money and Pensions Services (MaPS). [www.moneyandpensionservice.org.uk](http://www.moneyandpensionservice.org.uk)

The Trustees, Company and their advisers are unable to offer you financial advice that is specific to your personal circumstances. You should seek financial advice if you are in any doubt.

### **Department for Work and Pensions (DWP)**

DWP's website outlines government initiatives and information about retirement and pension benefits, including all you ever wanted to know about the State pension scheme. [www.gov.uk/government/organisations/department-for-work-pensions](https://www.gov.uk/government/organisations/department-for-work-pensions)

### **Age UK**

Age UK is a charitable organisation that provides help and assistance to older people. It offers advice on finances, and ways to keep active and healthy, and avoid loneliness into old age.

Find out more by visiting [www.ageuk.org.uk](https://www.ageuk.org.uk)

### **Gov.uk**

The Government's website where you can find information about everything relating to tax, pensions and the State Pension. Pages you might find useful are:

State Pension – for people who reached their State Pension Age before April 2016

[www.gov.uk/state-pension](https://www.gov.uk/state-pension)

New State Pension – for people who reach their State Pension Age after 2016

[www.gov.uk/new-state-pension](https://www.gov.uk/new-state-pension)

Find out when your State Pension Age is expected to be

[www.gov.uk/state-pension-age](https://www.gov.uk/state-pension-age)

Trace an occupational pension scheme but have lost their information

[www.gov.uk/find-pension-contact-details](https://www.gov.uk/find-pension-contact-details)