PENSIONS CONSULTATIVE COMMITTEE

... your voice on pensions

The Pensions Consultative Committee (PCC) has been joined by Mario Schiavo based at Airbus Filton. Elections are due to be held at Airbus in Broughton for a second representative and Bill Mullin is due to stand for re-election.

There are still vacancies at Cassidian in Newport and Eurocopter in Oxford if anyone from those locations wishes to be nominated. The commitment is usually about four meetings a year held in Stevenage.

Scheme contacts

Scheme website: www.eadsastrumpensions.eads.com
Scheme email address: eads-astrum-pension-scheme@astrum.eads.net

The administration site ePA, is at: https://e.pa.watsonwyatt.com/doc/ASTRIUM/login.htm

The Standard Life site address is at: http://www.mypensioninfo.com/viewer/login.do?username=ASTRIUM

If you have left employment or have retired and are drawing your pension you can contact Towers Watson to raise any queries at:

EADS Astrium Pension Scheme Towers Watson Limited PO Box 545, Redhill, RH1 1YX
Tel: 01707 607618
E-mail: eads.pensions@towerswatson.com

If you wish to contact the Trustee Board, or if you have queries about the management of the Scheme or you require details of the dispute resolution procedure, please contact Clive Bugena, Scheme Secretary and Pensions Manager at:

EADS Astrium Pension Scheme Trustees Limited Gurnrels Wood Road, Stevenage, SG1 2AS
Tel: 01438 773319
E-mail: clive.bugena@astrum.eads.net

The Department for Work and Pensions
Details or a personal quotation of your State pension can be obtained from the internet at www.thepensionservice.gov.uk or by phoning 0845 60 60 265.

Independent financial advice
The EADS Astrium pensions team, the Trustee Directors, the PCC members and the Towers Watson administration team are not authorised nor qualified to give you financial or investment advice. To obtain impartial financial advice, you can contact an Independent Financial Adviser (IFA).

If you have a list of the IFAs in your postal area by contacting IFA Promotion on 0117 971 1177 or visiting www.unbiased.co.uk

Communication how you like it

We try to make information available about your pension in clear language and easy to access. Feedback received from people attending pension clinics in 2011 rate the annual benefit statements as the most useful followed by face-to-face sessions (no surprise there). The on-line facilities were also valued with comments like “exactly the information I was looking for” and [website] “quite informative”. Some members have had problems getting access to ePA but the information in its libraries was “very useful”. There have also been some comments regarding the information in the booklets. Feedback from members indicates that the most useful website is the Standard Life site which is very easy to access.

The next stage will be to produce a single set of Rules for the Scheme then a complete review of the Scheme booklets. Feedback from members indicates that the Scheme’s website and ePA on-line facility as well as the Standard Life link provide good sources of information about the Scheme. We would however encourage more members to use these media. In particular, why don’t you log on to ePA to check whether your Expression of Wish is up to date, as the Trustee may need to rely on this if anything should happen to you.

PENSİONS News

MARCH 2012

Introduction by the Chairman of the Trustees

The Company has asked the trustees to work with it to review our Scheme documentation to make the Pension Scheme easier to understand and administer as well as more consistent amongst the three different Schedules. The first stage is to simplify some of the Rules. Details of amendments that will be made with effect from 5 April 2012 are outlined in this Newsletter. There are no changes that will affect the value of accrued benefits as at the date the changes are made. Benefits of the simplification process are that the simplified Maximum Scheme Pension will certainly help financial planning for some members as they approach retirement. The Trustee discretion to pay a Dependant’s benefit will provide the ability for the Trustees to include protection for members with children or dependents without the need for you to specify a particular dependant anymore.

The next stage will be to produce a single set of Rules for the Scheme then a complete review of the Scheme booklets. Feedback from members indicates that the Scheme’s website and ePA on-line facility as well as the Standard Life link provide good sources of information about the Scheme. We would however encourage more members to use these media. In particular, why don’t you log on to ePA to check whether your Expression of Wish is up to date, as the Trustee may need to rely on this if anything should happen to you.

If you have difficulty reading this document you can obtain an audio copy by contacting the Pensions Manager.
The Company has proposed some amendments to the Rules of the Scheme to simplify them. The Trustee is satisfied that there will be no impact on the value of members accrued benefits under the Scheme as at 5 April 2012 when the changes will come into effect. The proposed changes are described below.

**Maximum Benefits**

Benefits that come into payment are tested against the former Revenue Maximum which is a complex set of restrictions in Appendix 1 of the Rules. This usually equates to a maximum pension of 2/3rds x gross earnings, but can be limited by pension earned outside of the Scheme and other factors. This has often made it difficult for members to understand their personal maximum entitlement and it has complicated administration.

The HMRC Appendix 1 will be replaced with a simplified Maximum Scheme Pension test of 75% of final pensionable earnings (limited by the Scheme Earnings Cap). No other pensions or the value of AVCs etc will be included in this new test. The maximum lump sum payment on death will also be raised to equal the Lifetime Allowance as published by the HMRC (£1.5m for 2012/13). The old test was based on a maximum 4 times earnings.

The upper age limit of 75 as the latest members must start to draw their pension will be removed.

The basis for calculating the Scheme Earnings Cap will revert to the original legislative definition, linking to RPI rather than the increase in the Lifetime Allowance. The Lifetime Allowance has now been frozen. For the tax year 2012/13 the earnings cap will be £157,400 as opposed to the current £150,300 under the old test.

**Conditions for ill-health retirement**

Members of Schedule 2 who are still employed will have both levels of ill-health retirement available. Incapacity retirement for members who cannot do their current job and Chronic ill-health for members who cannot do any job for any employer. Previously only Chronic ill-health entitlement was available. For new Deferred Pensioners after 5 April 2012 only the Chronic ill-health criteria will apply. Existing Schedule 2 Deferred Pensioners continue to be eligible under the Incapacity definition. This makes the conditions the same for all three Schedules going forward.

An option, which is currently only available under Schedule 2, for a member who retires on grounds of “serious ill-health” to commute all their pension for a cash sum (part of which could be subject to tax) is being made available to Schedule 1 and 3 members. Note total commutation is usually only available where a member has a year or less to live.

The definition of Chronic ill-health is being tweaked to comply with new HMRC wording so as to avoid possible tax on member’s pensions.

All applications for ill-health retirement will continue to be considered by the Trustee on the basis of medical evidence.

**Dependant’s and Spouse’s Pensions**

The Rules provide for a Spouse to automatically receive a pension on the death of a Schedule 1 or 3 Member from active, deferred or pensioner status and on the death of a Schedule 2 Member after he has started to draw the pension or if the Schedule 2 Member has opted out after reaching Normal Retirement Age.

As an alternative to a Spouse, a Member may currently nominate a Specified Dependant for the Trustee to consider paying a pension on death to a person who is financially dependent on the Member. This means that if there is no nomination then no dependant’s pension can be paid (except if a single Member dies and leaves a young child). The Specified Dependant category will be replaced with a discretion given to the Trustee to pay a pension to a Dependant. Therefore a nomination will no longer be required.

The definition of Dependant will be “A Qualifying Child or a person who in the opinion of the Trustee was wholly or mainly dependent on the Member, unless the Member has specified another Dependant to take that Spouse’s place. This clause will be removed as the Trustee will in future have discretion to pay or split the Spouse’s Pension between a Spouse and or the Member’s Dependents. The same definition of Spouse as in Schedule 1 and 3 will therefore be used.

The Scheme Actuary has indicated that he would be able to provide a statement to the Trustee confirming that the actuarial equivalence of value will be maintained in respect of these changes as at 5 April 2012.

Under Schedule 2 if a Member dies in service, whilst there will be no Dependant Pension, the Trustee may grant to a Dependant (children already qualify) a lump sum of half of the member’s Relevant Pensionable Earnings, where there is no surviving Spouse. The rule which currently gives members the option to surrender some of their own pension to provide a pension for a Dependant will remain.

The decision as to whether members are able to commute charges will not affect the value of the pension available to dependants.

**Other amendments**

The option to provide a Stepped Pension on early retirement has become expensive and complex to administer, particularly with changes to an individual’s State pension age. So this option is being removed with effect from 31 December 2012.

The ability for Members to nominate a charity, association or body corporate in their Expression of Wish for the lump sum death benefit is also being removed. Any existing nominations received before 20 February 2012 will be taken into account by the Trustee when exercising their discretion.

These proposals have been shared with the Pensions Consultative Committee, which was largely supportive of them. If any member wishes to make any comments on these simplification changes, please contact the Trustees via the Scheme Secretary, EADS Astrium Pension Scheme Trustee Limited, Gunnels Wood Road, Stevenage, Herts, SG1 2AS.

The Trustee will also consolidate these changes together with all the various rule changes made since the Scheme was established into one set of Rules later in the year and we will also revise the Scheme booklets.

**Lifetime Allowance reminder – this might save you tax!**

If the value of your pensions from all your employments and pension savings policies exceed £1.5 million (any occupational defined benefit pension needs to be multiplied by 20) then you may be able to save tax if you take action by applying before 5 April 2012 for Fixed Protection. Beware though because you would need to stop building up any more pension. Clearly this will only apply to the lucky few, but if you think it may affect you either contact the Pensions Manager, or go to the following HMRC website link to find out more:

[http://www.hmrc.gov.uk/pensionschemes/fixed-protection.htm](http://www.hmrc.gov.uk/pensionschemes/fixed-protection.htm)

**Pension increases as at April 2012**

The annual increase to pensions in payment (above the Minimum Pension) from April 2012 will be 5% for pension built up before 6 April 2006 and 2.5% for pension built up since then (lower increases are paid to those pensioners who retired since April 2011). Individual letters will be sent to pensioners to confirm the new amount of pension.

The rates for statutory revaluation of deferred pensions as at April 2012 have been declared as 5% for deferred pensions built up before 6 April 2009 and 2.5% for deferred pensions built up from 6 April 2009.

**Some duplicate Standard Life policies to be merged**

There are some members of Schedule 1 who have two separate policies in the Scheme with Standard Life, one for the Retirement Account and one for additional voluntary contributions. Since these are both investment pots that will be combined when benefits are paid out we have decided to merge the two policies. This will not affect the amount of the investment or the charges, but it will make it easier for members to keep track of their additional pension investment in the Scheme. The merger will happen on 6th April 2012, so two statements will still be issued with the annual benefit statements for 2012, but only one statement will be issued in 2013 (and this will show the amount transferred across).

**Schedule 2: top-up life assurance**

We have a policy with Canada Life to allow Schedule 2 members to buy top-up life assurance using additional voluntary contributions. This is for Schedule 2 members only because there is no spouse’s or dependant’s pension on death-in-service. We are changing the review date on which you can join this policy, or change your cover to April each year. So if you want to join in April 2012, contact christine.hewitt@astrium.eads.net by the end of March.

Members already covered under the policy will be contacted individually when the normal review date comes up during 2012/13. However, they will be reviewed again in April 2013. As contribution increases at each review date with age, Canada Life will freeze the underlying premium rates until 2014 (so only age will be a factor).

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**Rules Simplification**

The Trustee will also consolidate these changes together with all the various rule changes made since the Scheme was established into one set of Rules later in the year and we will also revise the Scheme booklets.

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**Is your Expression of Wish up to date?**

It is important for you to ensure that your family and dependants are provided for if you die before your pension starts and in the first five years of drawing the pension. Because the lump sum death benefits are paid at the Trustee’s discretion these are not normally liable to Inheritance Tax.

You can help the Trustee decide as to whom they should award lump sum death benefits by making an Expression of Wish nomination. You can securely make your nomination using the on-line administration system ePA. If you do not have access to a computer paper forms can be obtained from the administrator, Towers Watson. (See back page for contact and ePA access details).