



PENSION NEWS

Airbus Group UK Pension Scheme



AIRBUS
GROUP

Summary Report for the year ended 5th April 2014
for members of Schedules 1, 2 and 3
November 2014

Chairman's Update

Welcome to the 2014 Pensions News which includes a summary of the Trustee Report and Accounts as at 5th April 2014.

You will see that we have changed the name of the Scheme following the corporate re-branding under the Airbus banner. As you know some of the company names have changed too, with Airbus Defence and Space now being the principal employer for the Scheme. The Trustee Board has put legal structures in place to enable Airbus Defence and Space to take over the previous companies' responsibilities to the Pension Scheme.

Investment markets have continued to show signs of recovery from the global financial crisis and the funding level is now over 100% on the Scheme's actuarial basis.

As reported in last year's Pensions News we have established a new defined contribution only section of the Scheme for new employees. We have also transferred AVC and Retirement Account investments to funds with Legal & General which largely track investment indices and with broadly lower fees. Details of the investment choices are summarised inside.

The Government has introduced new legislation affecting pension schemes. In addition to reducing tax-free pension allowances for those with large pension values the Government has enabled those with small pots to take their benefits as a single lump sum. Major changes to increase the flexibility available to those with defined contribution pension pots only will be introduced from April 2015. The impact of these changes is discussed inside.

Bill Newman



Bill Newman, Chairman of Trustees

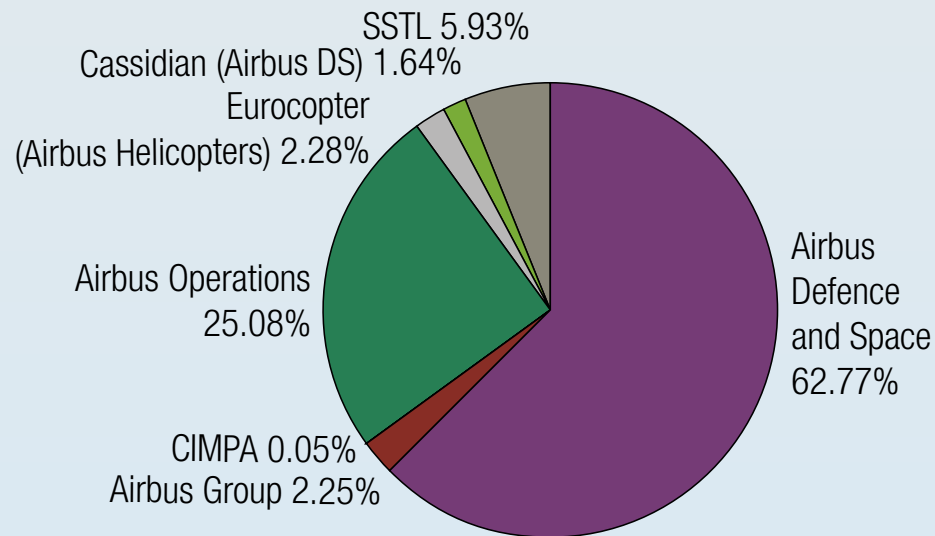
Trustee Report

Scheme membership

Membership numbers of Schedule 1 began to stabilise as new recruits from 1 November 2013 joined the Airbus Group UK Retirement Plan.

The Scheme's auditor Ernst & Young has given an unqualified statement on the contributions, confirming that the contributions payable to the Scheme for the year ended 5 April 2014 have been paid in accordance with the Schedule of Contributions.

Scheme Membership – contributions by employer



Scheme Membership – membership by type

Active Members	
Schedule 1	4584
Schedule 2	607
Schedule 3	327
Total	5518

Deferred Pensioners	1172
Pensioners & Dependents	438
Total Membership	7128

Key Changes this Year	
New Joiners to Schedule 1	566
Members becoming deferred	306
New Pensioners	57

Scheme Finances

The financial and investment information shown is taken from the Annual Report and Accounts for the year ending 5 April 2014. These were audited by Ernst & Young whose audit opinion was without qualification. You can request a copy of the full Annual Report and Accounts from the Pensions Manager.

Income and Expenditure

▶	Net assets of the Scheme at 6 April 2013	£454.2 m
+	Total Income	£46.3 m
-	Total Expenditure	£12.3 m
+	Change in market value of investments	£20.9 m
=	Net assets of the Scheme at 5 April 2014	£509.1 m

Scheme Assets (£m)



Defined Benefit Investments

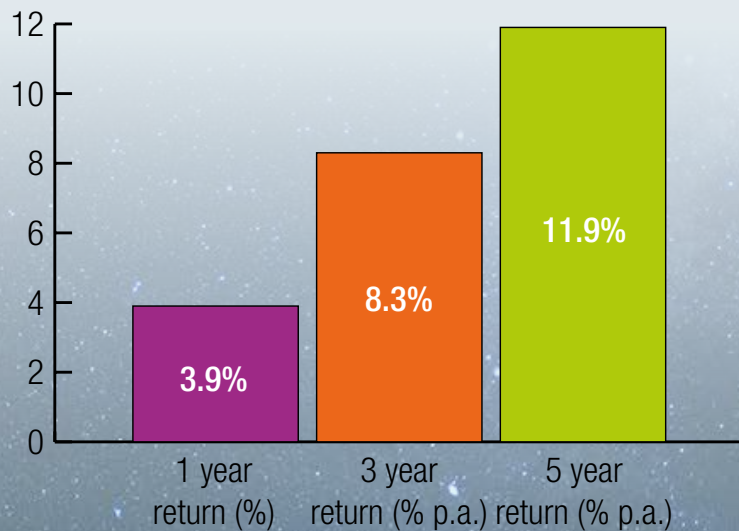
Strategy

The Trustee Board continues to monitor investments in line with its long term objective to seek extra return but with little added risk, particularly through greater diversification of asset classes. No changes were made to the investment allocation, but the Trustee Board is reviewing the current investment allocations to provide an appropriate match against future liabilities.

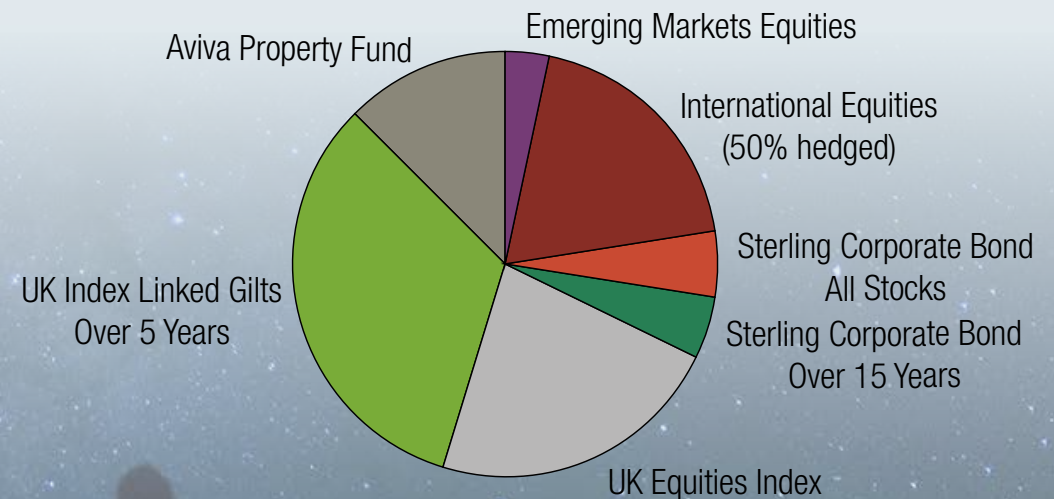
During the year under review, global developed equity markets continued to rise but the returns in the major global bond markets continued to remain low. Strong returns on UK property helped towards positive asset returns for the year overall.

Comprehensive details of the Trustee Board's investment strategy are set out in the Statement of Investment Principles (SIP) a copy of which can be obtained from the Pensions Manager.

Defined Benefit Investment Performance



Asset Allocation



Defined Contribution Investments

The Trustee Board provides a range of funds in which you can invest Additional Voluntary Contributions (AVCs) or Retirement Account contributions. It is important that you keep your defined contribution investments under review. Whilst there may be a gain (or fall) in your investments over a short period, e.g. one year, it is the long term value of your investments to retirement that matters. You should be aware of the type of investment funds your contributions are invested in and remember that you can switch your investments between funds.

Performance of individual funds

The return on each of the Standard Life funds during the year and over the last three years is shown in the table below.

Fund	1 year (%)	3 years (% p.a.)	5 years (% p.a.)
UK Equity Pension Fund	13.07	9.36	16.75
Pension Mixed Bond Pension Fund	-0.55	5.99	6.87
Property Pension Fund	10.07	4.79	7.37
Standard Life FTSE Tracker Pension Fund	7.74	7.53	15.45
Standard Life Managed Fund	8.00	7.20	12.50
Multi Asset (20-60% Shares) Fund	4.60	6.90	10.00
Money Market Pension Fund	-0.35	0.04	1.19
European Equity Tracker Pension Fund	16.67	5.71	13.49
US Equity Tracker Pension Fund	10.08	11.72	16.07
Far East Pension Fund	-0.31	2.89	12.36
Vanguard FTSE UK All Share Index Pension Fund	7.57	N/A	N/A
Vanguard US Equity Pension Fund	10.07	N/A	N/A
Vanguard FTSE Developed Europe ex UK Equity Index Pension Fund	16.67	N/A	N/A

Defined Contribution Investments (continued)

Change of investment manager from Standard Life to Legal and General

The Trustee carried out a review of the defined contribution investments and after taking advice decided to replace Standard Life with Legal and General.

Legal & General was selected for a number of reasons; the key attributes being their good range of passive investment funds and their broadly lower charges. If you had AVCs or a Retirement Account with Standard Life, your investments were transferred to Legal & General at the beginning of May 2014.

Assets were transferred to funds with Legal & General which provide a close match to the equivalent Standard Life funds. The majority of members transferred to the Airbus Group Mixed Lifestyle Profile. Communication was sent to all affected members giving them an opportunity to decide on alternative fund choices. Most members with investments in the Standard Life cash funds followed the proposal to switch to the Airbus Group Mixed Lifestyle Profile.

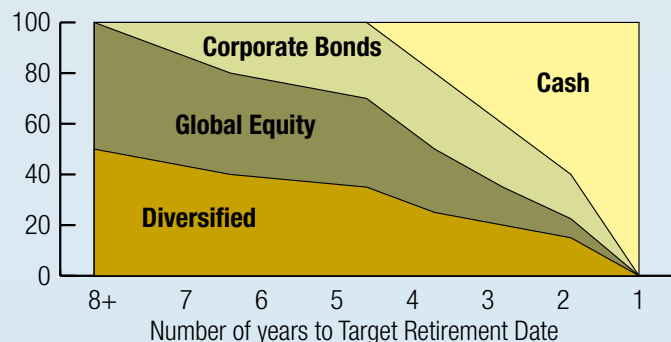
Airbus Group Mixed Lifestyle Profile

The main fund in which most members were invested was the EADS Lifestyle Profile Fund with Standard Life. Unless a different choice was made, these funds were moved to the Airbus Group Mixed Lifestyle Profile with Legal & General which is invested in the same broad asset types. The Lifestyle Profile automatically moves your investments from growth funds into more stable funds as you get closer to your chosen retirement date. Your retirement date is automatically set to 65 unless you choose otherwise and the investment switches will be linked to this date. So, if you plan on retiring earlier or later than this, it's important that you let us know – otherwise your account might not be invested as planned as you approach retirement. The fee for this fund starts at 0.365% per year and reduces as you approach retirement.

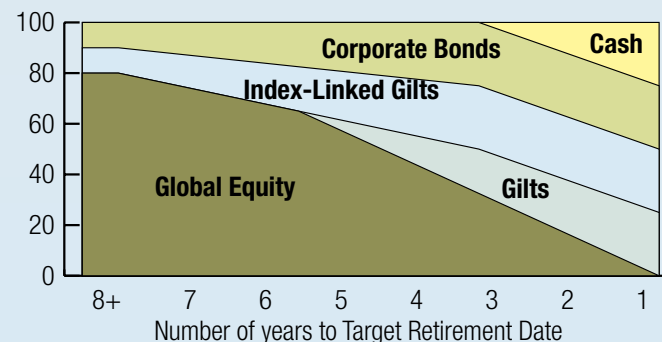
We also offer a second Lifestyle Profile which has more investments in equities initially and then switches to investments more suitable for those looking to purchase an annuity at retirement. This is the Airbus Group Core Lifestyle Profile.

The graphs below shows where your investments will be allocated as you approach retirement, for both Lifestyle Profiles.

Airbus Group Mixed Lifestyle Profile



Airbus Group Core Lifestyle Profile



Defined Contribution Investments (continued)

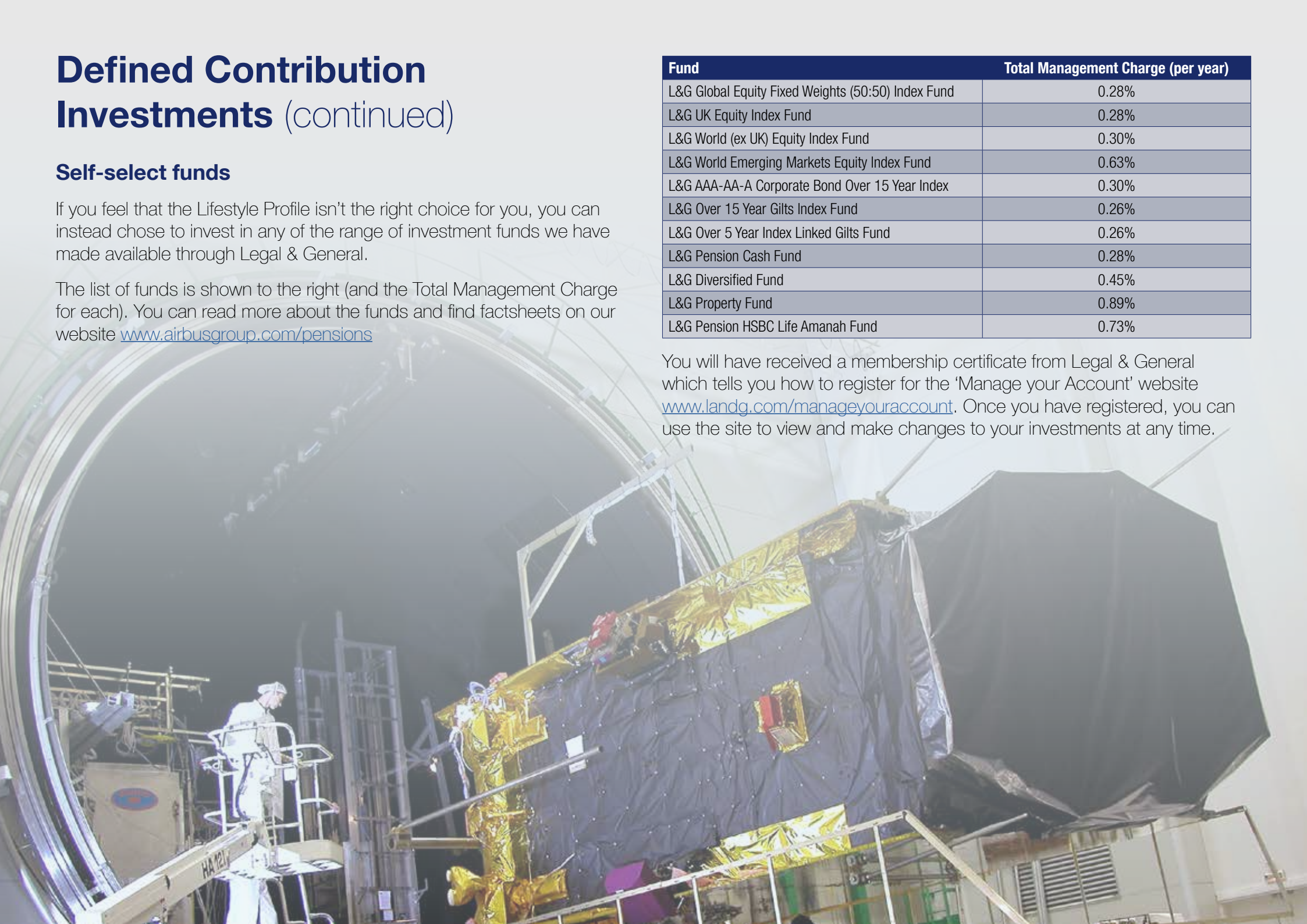
Self-select funds

If you feel that the Lifestyle Profile isn't the right choice for you, you can instead chose to invest in any of the range of investment funds we have made available through Legal & General.

The list of funds is shown to the right (and the Total Management Charge for each). You can read more about the funds and find factsheets on our website www.airbusgroup.com/pensions

Fund	Total Management Charge (per year)
L&G Global Equity Fixed Weights (50:50) Index Fund	0.28%
L&G UK Equity Index Fund	0.28%
L&G World (ex UK) Equity Index Fund	0.30%
L&G World Emerging Markets Equity Index Fund	0.63%
L&G AAA-AA-A Corporate Bond Over 15 Year Index	0.30%
L&G Over 15 Year Gilts Index Fund	0.26%
L&G Over 5 Year Index Linked Gilts Fund	0.26%
L&G Pension Cash Fund	0.28%
L&G Diversified Fund	0.45%
L&G Property Fund	0.89%
L&G Pension HSBC Life Amanah Fund	0.73%

You will have received a membership certificate from Legal & General which tells you how to register for the 'Manage your Account' website www.landg.com/manageyouraccount. Once you have registered, you can use the site to view and make changes to your investments at any time.



Summary Funding Statement as at 5 April 2014

This summary funding statement provides information about the financial security of the Scheme, as at 5 April 2014.

How is the financial security of the Scheme measured?

It is important to remember that the Scheme's aim is to honour the employer's promise to pay certain defined benefits on retirement or earlier death. An indication of these benefits is provided in either the benefit statement that members receive each year or notified to them when they leave the Scheme or retire.

The cost of these benefits is met through contributions paid by members and the employer spread over working lives. These contributions are held in a Trust Fund held separately from the Employer. The Trust Fund is looked after by the Trustees, who are responsible for deciding on the investment policy, after consulting with the Principal Employer. Every three years a full valuation of the Scheme is carried out by the Scheme's Actuary. An objective of this valuation is to compare the value of the assets held by the Scheme with the estimated value of the liabilities, i.e. the expected cost of meeting all the benefits promised up to the date of the valuation. This process may show a surplus or a shortfall.

It is normal practice to adjust future contributions to deal with any surplus or deficit. In rare circumstances a surplus can be paid back to the employers, but this has never been done by this Scheme.

What is the funding position?

The most recent formal valuation of the Scheme took place as at 5 April 2013. The results (together with those of the previous valuation) can be summarised as follows:

	2010 Valuation	2013 Valuation
Assets	£266.0m	£454.2m
Amount needed to provide scheme benefits	£290.8m	£456.1m
Shortfall	£24.8m	£1.9m
Funding level	91.5%	99.6%

Recovery Plan

The Trustee Board and the Principal Employer have agreed a Recovery Plan that contributions will be paid to the Scheme by the employers, in addition to the cost of benefit accrual and expenses, with the objective of clearing the funding shortfall. The rates of Recovery Plan employer contributions are 6.5% of contributory earnings for Schedule 2 members and 5.9% of contribution earnings for Schedule 3 members.

Up to date information

The latest annual report by the Scheme Actuary showed that on 5 April 2014 the funding level of the Scheme was estimated to be 102%. The position has increased from the 99.6% reported in the last summary funding statement, which was included in the 2013 Pension News. The reason is partly because of higher future investment returns being expected than was previously assumed and also because of the Recovery Plan contributions paid by the employers.

The role of the Trustee

The Trustee's main objective is to have enough money in the Scheme to be able to pay the pensions and other benefits due to members. In addition to taking actuarial advice on the funding of the Scheme and agreeing contributions with the employers, the Trustee is responsible for the Scheme's investment policy.

The Trustee Board has appointed an investment advisor to give professional advice to manage the assets in line with their investment policy. Details about the Trustee's investment policy are shown in a Statement of Investment Principles.

The importance of the employers' support

The funding of the Scheme does rely on the continuing support of the employers. If an employer goes out of business any shortfall in its share of a pension scheme would become a debt on that employer. The employer would be required to pay enough money to enable the trustee to buy insurance policies to meet that employer's share of the benefits promised.

The cost of buying insurance policies is very expensive, especially for younger members. For example, if the Airbus Group UK Pension Scheme had wound up and insurance policies were purchased on 5 April 2013 it has been estimated that the Scheme's assets would have met 54% of the cost. Under normal circumstances it is unlikely that a pension scheme would be forced to wind up immediately and so the trustee could continue to keep the scheme open and pay the benefits as they become due, although further benefits would not accrue.

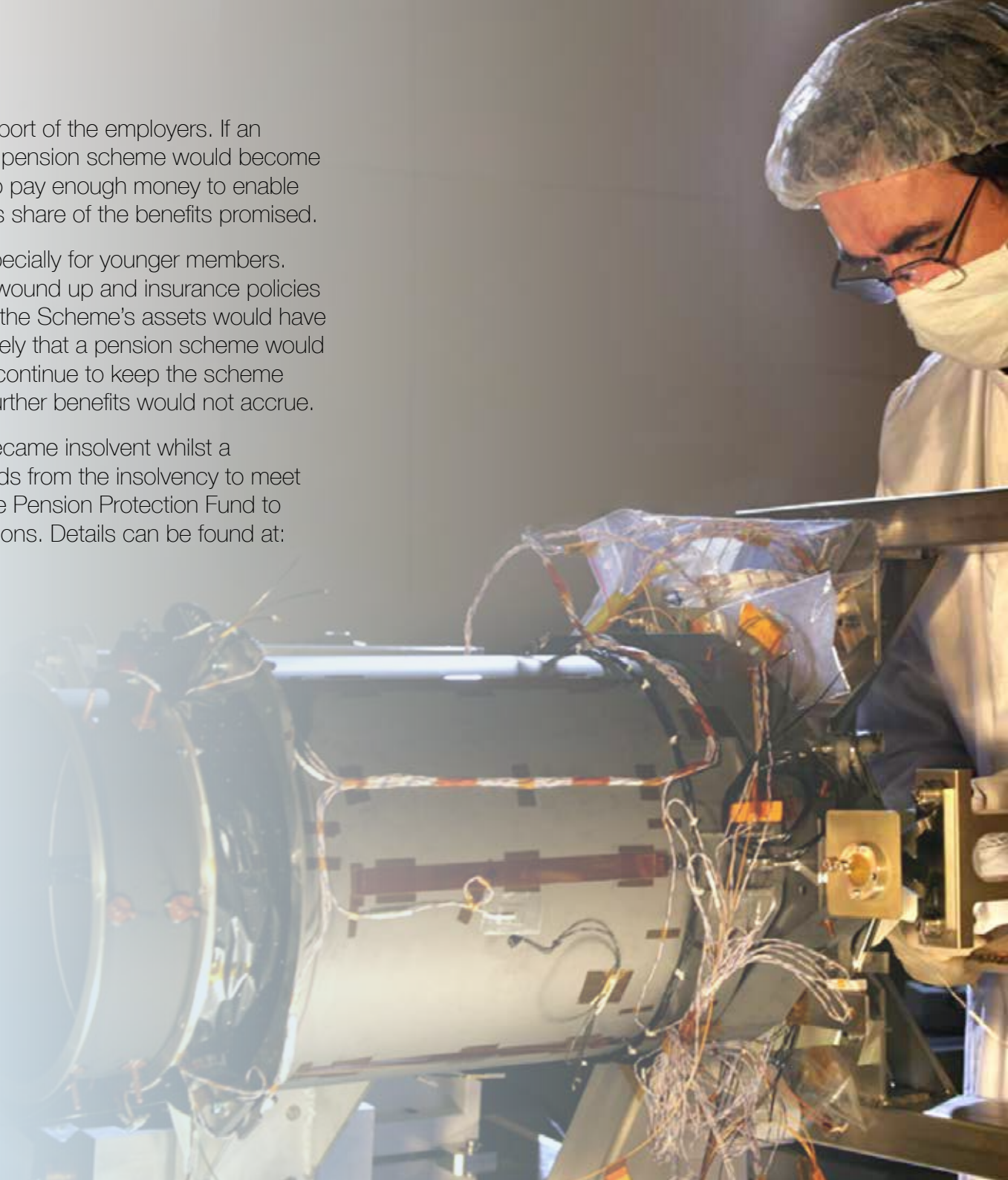
The worst that could happen would be that the employer became insolvent whilst a scheme had a shortfall and there were not sufficient proceeds from the insolvency to meet the cost of buy-out policies. The Government has set up the Pension Protection Fund to cover such eventualities, subject to certain limits and conditions. Details can be found at: www.pensionprotectionfund.org.uk

The Pensions Regulator

In certain circumstances the Pensions Regulator can direct how the Scheme's technical provisions must be calculated, set the period for eliminating any funding shortfall, specify the level of company contributions to be paid (rather than leaving these issues to be determined by the Trustee) and has the power to modify the Scheme's future accrual of benefits. No such circumstances have arisen.

How can I get more information?

Your pension is an important benefit and more information may be obtained about the Scheme and how it is managed by contacting the Scheme Secretary. A copy of the Trustee Report and a copy of the Statement of Investment Principles can also be obtained.



Developments

Airbus Group restructuring

The restructuring of EADS into Airbus Group has led to a new name for the Pension Scheme – Airbus Group UK Pension Scheme. Your benefits and the way the Scheme is run haven't changed, only the name.

As part of the restructuring, former employees of Infoterra, Paradigm Secure Communications and Paradigm Services became employees of Astrium Limited (now Airbus Defence and Space Limited). The Trustee and employer entered into a legal agreement which reflected this change in respect of the Scheme.

The pensions website has also had a new look and change of name and can now be found at www.airbusgroup.com/pensions

Pension increases

On 1 April 2014, pensions in payment were increased by 3.2% on benefits accrued before 5 April 2006 and 2.5% on benefits accrued thereafter. An increase of 2.7% was applied to Guaranteed Minimum Pension (GMP) earned after 6 April 1988.

Scheme actuary

Stephen Rees resigned as Scheme actuary with effect from 27 June 2014 and was replaced by Adam Boyes of Towers Watson.

New trustee

Andreas Drabert resigned as Trustee Director and was replaced by Marcus Wilhelm. Marcus is Head of Pension Management for Airbus Deutschland GmbH and has specialist knowledge of investments.

Budget introduces more flexibility

The March 2014 Budget introduced radical changes to the way people can take their Defined Contribution (DC) pensions at retirement. The purpose is to offer individuals a much greater choice over how their retirement benefits can be taken. These changes will not directly affect the Defined Benefit (DB) sections of the Scheme as the pension benefits are automatically paid out of the Scheme and tax-free cash payments continue to be available. The changes are intended to come into effect from April 2015 and we will look at the implications for members of the Scheme as the detail of the regulations become known. Members of DB schemes can transfer from a DB scheme to a registered DC scheme after taking independent financial advice.

Small pension pots

Members who have small pension pots (where the total value of pension is under £30,000 across all arrangements or less than £10,000 in any one scheme) can now take their whole pension as a lump sum. The previous limit was £18,000.

Single tier State Pension

For those reaching State Pension Age (SPA) on or after 6 April 2016, the Pensions Act 2014 provides for the replacement of the current two-tier State retirement pension consisting of the basic State Pension and S2P/SERPS by one single-tier State Pension.

Those whose SPA falls before 6 April 2016 will be unaffected, retaining their State Pension entitlements as the system currently stands. Whilst the single-tier design is considerably simpler than the current State Pension system, there will be complex transitional protections for those who are below SPA at 6 April 2016 and have built up State Pension entitlements prior to this date.

For more information please refer to the Government's website at www.gov.uk/new-state-pension

State Pension age increases

Under current legislation, the SPA will increase to 66 between November 2018 and October 2020 with further increases to age 67 between 2034 and 2036 and age 68 between 2044 and 2046. The Act brings forward the date at which SPA increases to 67 to between 2026 and 2028 and also lays down the framework for SPA to be reviewed regularly. The Act requires the Secretary of State to periodically review the rules governing planned increases to SPA and consider whether they are still appropriate, having regard to life expectancy and other “relevant” factors. Any change to SPA should be announced at least 10 years in advance. The earliest age at which a pension can be taken is 55 and this will be increased in step with the SPA.

For more information, please refer to the Government's website at www.gov.uk/calculate-state-pension

Airbus Group UK Retirement Plan

New recruits post 1 November 2013 now join the Airbus Group UK Retirement Plan, a DC arrangement. Schedule 1 is still open to eligible employees who joined before 1 November 2013, but will close to new entrants entirely in April 2015.

Automatic enrolment

All Airbus Group companies in the UK have now passed their ‘staging date’ for automatic enrolment. As a member of the Airbus Group UK Pension Scheme you are part of a ‘qualifying scheme’ for automatic enrolment.

Scheme contacts

Scheme website:

www.airbusgroup.com/pensions

Scheme email address:

ukpensions@airbus.com

The on-line administration site, ePA, can be found at: <https://epa.towerswatson.com/doc/AST/login.htm>

The Legal & General Manage your Account site can be found at: www.landg.com/manageyouraccount

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

Airbus Group UK Pension Scheme
Towers Watson Limited, PO Box 545, Redhill, RH1 1YX
Tel: 01707 607618
E-mail: airbuspensions@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 Bugeja, Scheme Secretary and Pensions Manager at:

Airbus Group Pension Scheme Trustees Limited
Gunnels Wood Road, Stevenage, SG1 2AS
Tel: 01438 773319
E-mail: clive.bugeja@astrium.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.thepensionsservice.gov.uk or by phoning 0845 60 60 265.

Independent financial advice

The Airbus Group Pensions Team, the Trustee Directors, the PCC members and the Towers Watson administration team are not authorised to give you financial or investment advice. To obtain financial advice, members are advised to contact an Independent Financial Adviser (IFA). You can find a list of IFAs in your postal area by contacting IFA Promotion on 0117 971 1177 or visiting www.unbiased.co.uk

Pensions Consultative Committee

The Pensions Consultative Committee (PCC), whose members are nominated and elected from the whole active and pensioner membership as appropriate, is responsible for selection of Member Nominated Directors (MNDs).

Name	Constituency	Status
Inaki Azpiazu-Pelaez	Filton	PCC Member
Steve Chafer	Leicester, Newcastle, Farnborough	PCC Member
Peter Cheney	Stevenage	Trustee
Keith Gifford	Stevenage	PCC Member
David Hobbs	Oxford	PCC Member
Ken Johnson	Guildford	PCC Member
Bill Mullin	Broughton	PCC Member
Matthew Johnson	Broughton	PCC Member
Craig Musker	Newport	PCC Member
Guy Newham	Portsmouth	PCC Member
Steve Parker	Portsmouth	Trustee
Mario Schiavo	Filton	PCC Member
Dave Ratcliffe	Poynton	PCC Member
Phil Wadey	Corsham, Hawthorn, Oakhanger	Chairman of the PCC
Ian Westall	Pensioners	Trustee

Trustee and Advisers

Trustee	Airbus Group Pension Scheme Trustees Limited
Trustee Board of Directors	Bill Newman – Chairman of Trustees Peter Cheney – Member Nominated Director Keith Davies – Airbus Marcus Wilhelm – Airbus Group Nigel Ede – Airbus Defence and Space Steve Parker – Member Nominated Director Ian Westall – Member Nominated Director
Pensions Manager and Secretary to the Trustee	Clive Bugeja – Airbus Group Limited
Principal Employer	Airbus Defence and Space Limited
Scheme Actuary	Adam Boyes – Towers Watson Limited
Administrator	Towers Watson Limited
Auditors	Ernst & Young LLP
Banker	HSBC Bank
Investment Consultant	Lane Clark & Peacock LLP
Investment Managers	State Street Global Advisors Limited Aviva Investors Pensions Limited
AVC/Retirement Account Provider	Legal & General Assurance Society Limited
Solicitors and Legal Adviser	Sacker & Partners LLP

If you have difficulty reading this document you can obtain an audio copy by contacting the Pensions Manager.

