

Airbus Group UK Pension Scheme

SMART PENSIONS 2021/2022

SMART Pensions – More pay, same pension

SMART Pensions results in employees and the Company paying lower National Insurance Contributions (NICs). The vast majority of employees will receive more take home pay and the Company can offset its NIC savings against the rising employer pension contributions. What is really “smart” is that there is no change in the level of the pension benefits an employee receives from the Airbus Group UK Pension Scheme (“the Scheme”) as a result of participating in SMART Pensions.

You will automatically participate in SMART Pensions when you join the Scheme unless you elect to opt out. Your salary will be reduced by the amount of the regular employee contribution. This represents a change to your terms and conditions of employment, so you should take the opportunity to read through the brochure. If you have any questions about SMART Pensions, or the Airbus Group UK Pension Scheme in general, please contact the Pensions Team (see back page for contact details).

This booklet will:

- 1: explain how SMART Pensions work;
- 2: demonstrate how much NIC you will save;
- 3: examine what impact there may be on your state pension benefits;
- 4: answer your Frequently Asked Questions; and
- 5: advise what action you may need to take



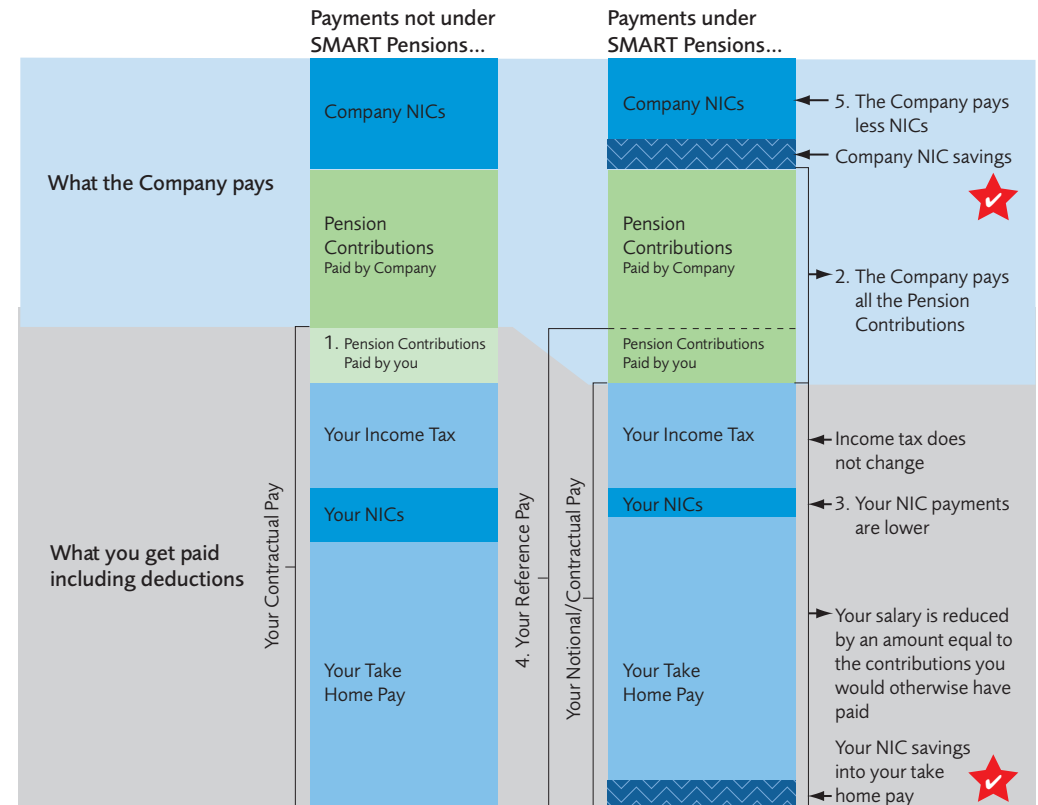
How do SMART Pensions work?

The SMART Pensions approach to investing in your Company pension...

Smart Pensions is simply a more efficient way of paying contributions to the pension scheme. It works by eliminating the National Insurance Contributions (NICs) that you pay on your contributions to the Scheme. Under SMART Pensions, the overall amount of money going into the scheme does not decrease and your pension scheme benefits are unaffected.

It works like this; if you do not participate in the SMART Pensions arrangement then both you and the Company pay NICs on your total salary, including the part you pay into the scheme. Participation in SMART Pensions will reduce these NICs. The diagram shows you how.

1. As a member of the pension scheme, you will not make contributions into the scheme.
2. Instead, the Company will pay an additional amount into the scheme. That additional amount will be exactly the same as the amount of money that you would otherwise pay if you do not participate in the SMART Pensions arrangement.
3. Your 'Contractual Pay' will then be reduced by an amount equal to your pre-SMART Pensions contributions. This will result in lower NIC payments, which will increase your take home pay.
4. Your salary before the SMART Pensions reduction will become your 'Reference Salary'. Your Reference Salary will be used to determine other salary related benefits such as bonuses, overtime, shift payments and pension scheme benefits. The value of these benefits will therefore be unaffected by SMART Pensions.
5. Because of these changes the Company pays lower NICs on employees' salaries.



What happens to the Company Savings?

IF YOU BELIEVE YOU MAY BE ADVERSELY AFFECTED BY SMART PENSIONS WE RECOMMEND THAT YOU TAKE INDEPENDENT FINANCIAL ADVICE

The Company wishes to maintain its commitment to provide affordable pensions for employees based on final pay, even though the overall cost of providing the benefit has significantly increased in recent years. The Company will use the money it saves from SMART Pensions to offset against the increased company pension contributions.

Why is this a change to my terms and conditions of employment?

SMART Pensions does represent a change to your terms and conditions of employment. This is because your contractual pay is reduced (by an equivalent amount to your pre-SMART Pension contributions). You will not pay any contributions into the pension scheme. However the Company will provide you with a benefit by virtue of additional pension contributions into the pension scheme. You would not be liable for NICs (or income tax) on this benefit.

On joining the Scheme you will automatically participate in SMART Pensions, and your salary will be reduced by the amount of the regular employee contribution unless you elect to Opt Out of

SMART Pensions. If you wish to Opt Out of SMART Pensions you can do so by contacting the Pensions Team, but you will remain a member of the Pension Scheme.

Who will not benefit from SMART Pensions?

A few employees will not be eligible to participate in SMART Pensions including:

- Employees whose earnings fall below the Pay Protection Level, which will be £18,237 (full time equivalent pay) for the tax year 2021/2022. This is because we need to ensure that:
 - » The hourly rate of pay does not fall below the National Minimum Wage as a result of participation in SMART Pensions after taking into account any other salary sacrifice arrangement in which the employee participates;
 - » If the annual gross rate of pay falls below the Lower Earnings Limit an employee could lose entitlement to State benefits.
- Employees working for Airbus abroad where UK National Insurance is not retained
- Employees not in the Airbus Group UK Pension Scheme.

How much will SMART Pensions increase my take home pay?

The amount of extra money you will take home will depend upon what pension contributions you pay and the level of your gross pay. The 'ready reckoner' table will give you some indication of the difference SMART Pensions will make to your take home pay.

The savings illustrated throughout this brochure are based on the NIC rates and the Upper Earnings Limit (UEL) for the tax year 2021/2022. Note that the UEL is set by the Government for each tax year.

How to use the ready reckoner

Step 1: You will need to look up the amount of ordinary pension contributions you pay each month to the Pension Scheme from your payslip (Ignore any Additional Voluntary Contributions you pay).

Now refer to the ready reckoner table. (next page)

Step 2: If your gross pay is less than the UEL (i.e. £4,189 per month) you can use the green columns to see how much you would save each month or year. The Company savings are also shown.

If your gross pay is higher than the UEL you can use the blue columns to see how much you would save each month or year. These savings may seem low this is because the rate of NIC is lower for earnings above the UEL. The company savings will help towards containing the rising Company pension contributions.

Step 3: Please read the notes below the table to see whether they apply to you as they may affect the savings made.

Example (based on the annual UEL of £50,270. If your gross pay is less than the UEL and your ordinary monthly pension contribution is £200, you will save £288 a year and the Company will save £331 a year.

If your gross pay is more than the UEL and your ordinary monthly pension contribution is £300, you will save £72 a year and the Company will save £497 a year.

For members of Schedules 1, 2 or 3 and the Airbus Group UK Retirement Plan

Contribution per month (£)	Employees who earn less than the UEL (£50,270 for 2021/2022)				Employees who earn more than the UEL (£50,270 for 2021/2022)			
	Employee savings (£)		Company savings (£)		Employee savings (£)		Company savings (£)	
	per month	per year	per month	per year	per month	per year	per month	per year
10	1	14	1	17	0	2	1	17
20	2	29	3	33	0	5	3	33
30	4	43	4	50	1	7	4	50
40	5	58	6	66	1	10	6	66
50	6	72	7	83	1	12	7	83
60	7	86	8	99	1	14	8	99
70	8	101	10	116	1	17	10	116
80	10	115	11	132	2	19	11	132
90	11	130	12	149	2	22	12	149
100	12	144	14	166	2	24	14	166
110	13	158	15	182	2	26	15	182
120	14	173	17	199	2	29	17	199
130	16	187	18	215	3	31	18	215
140	17	202	19	232	3	34	19	232
150	18	216	21	248	3	36	21	248
160	19	230	22	265	3	38	22	265
170	20	245	23	282	3	41	23	282
180	22	259	25	298	4	43	25	298
190	23	274	26	315	4	46	26	315
200	24	288	28	331	4	48	28	331
210	25	302	29	348	4	50	29	348
220	26	317	30	364	4	53	30	364
230	28	331	32	381	5	55	32	381
240	29	346	33	397	5	58	33	397
250	30	360	35	414	5	60	35	414
260	31	374	36	431	5	62	36	431
270	32	389	37	447	5	65	37	447
280	34	403	39	464	6	67	39	464
290	35	418	40	480	6	70	40	480
300	36	432	41	497	6	72	41	497
310	37	446	43	513	6	74	43	513
320	38	461	44	530	6	77	44	530
330	40	475	46	546	7	79	46	546
340	41	490	47	563	7	82	47	563
350	42	504	48	580	7	84	48	580
360	43	518	50	596	7	86	50	596
370	44	533	51	613	7	89	51	613
380	46	547	52	629	8	91	52	629
390	47	562	54	646	8	94	54	646
400	48	576	55	662	8	96	55	662
410	49	590	57	679	8	98	57	679
420	50	605	58	696	8	101	58	696
430	52	619	59	712	9	103	59	712
440	53	634	61	729	9	106	61	729
450	54	648	62	745	9	108	62	745
460	55	662	63	762	9	110	63	762
470	56	677	65	778	9	113	65	778
480	58	691	66	795	10	115	66	795
490	59	706	68	811	10	118	68	811
500	60	720	69	828	10	120	69	828

Additional Voluntary Contributions (AVCs) are ignored as they do not qualify for SMART Pensions. Savings will depend on your actual earnings and pension scheme contributions in each pay period. Savings in future tax years will depend on NICs rates at that time. Savings are calculated using the full NIC rates for 2021/2022.

How will SMART Pensions affect my State Pension?

From 6 April 2016, the Basic State Pension has been replaced by the new State Pension.

The full new State Pension will be £179.60 per week.

Your new State Pension is based on your National Insurance record when you reach State Pension age.

You'll usually need to have 10 qualifying years on your National Insurance record to get any new State Pension.

You may get less than the new full State Pension if you were contracted out before 6 April 2016 (only Schedule 3 members were contracted-out of the Airbus Group UK Pension Scheme).

You may get more than the new full State Pension if you have over a certain amount of Additional State Pension.

You'll need 35 qualifying years to get the new full State Pension if you don't have a National Insurance record before 6 April 2016.

You can find out more by visiting <https://www.gov.uk/new-state-pension>

Frequently Asked Questions (FAQs)

Here are some answers to some common questions about SMART Pensions.

Does the more you earn mean the more you save?

Only to a certain extent. Once earnings exceed the Upper Earnings Limit (£50,270 in tax year 2021/2022), NIC rates reduce from 12% to 2% for members in the Airbus Group UK Pension Scheme. Employees earning above this amount will therefore save proportionately less.

Would SMART Pensions affect my income tax position?

No, SMART Pensions only affects NI payments. Income Tax payments would be unaffected. Currently you do not pay Income Tax on your pension contributions.

Would SMART Pensions affect any other Airbus Group benefits I receive?

SMART Pensions does not reduce any salary-related payments or any other benefits you receive directly from the Company.

Pension scheme benefits, overtime and shift premium continue to be based on your Reference Salary.

Any future salary increases and all other related benefits, such as pay reviews, will be calculated on your Reference Salary, and are therefore unaffected by SMART Pensions.

The Reference Salary is used for mortgage reference letters, and therefore should not impact the amount of any mortgage you take out, or your credit rating.

Are Additional Voluntary Contributions included in SMART Pensions?

No, only your ordinary contributions can be included and any Additional Voluntary Contributions will be made as a payroll deduction.

What happens to benefits where these are linked or underpinned to contributions paid?

For the purpose of benefit calculations, benefits (including the value of contribution underpins) are calculated as if you had not participated in SMART Pensions.

How long will SMART Pensions last?

There is no end date planned. However, if the tax/National Insurance regime or the law changes, or it is no longer viable for Airbus to operate this arrangement, Airbus reserve the right to withdraw SMART Pensions.

Should this happen employees' pay will be adjusted back to their Reference Salary (less any other Salary Sacrifices that they participate in) and they will begin making pension contributions again. However, they will not have to pay any of the additional take home pay received from the reduction in NICs.

What are the Change of Lifestyle Events which would be considered for allowing a reversal of an opt in or opt out decision?

The circumstances listed below are those which, at the time of writing, are likely to lead to the granting of Company consent. The Company has the right to change any of the exceptional circumstances in which an employee may be allowed to change their decision to opt in or opt out of SMART Pensions during the course of the year.

- Pregnancy, birth or adoption of a child
- Marriage or divorce
- Death of dependent or death of individual on whom the employee is financially dependent
- Commencement of other salary sacrifice arrangement which, if employee remains in SMART Pensions, would reduce contractual salary to £18,237 or below (pro-rata for part time employees)
- Change in working hours (unless change is less than 7 hours a week)
- Place of work changing to another country
- Any other exceptional reason at discretion of Company.

Would SMART Pensions impact any benefits I get from the State?

Entitlement to some State benefits, such as statutory sick pay, incapacity benefit and job seekers allowance are based on the amount of NIC that has been paid.

Provided you continue to earn more than around £6,240 per annum on a regular basis after the introduction of SMART Pensions, your entitlement to these benefits will not change.

Although SMART Pensions could reduce the amount of statutory entitlement to maternity, paternity and adoption payments, the Airbus Group will ensure that employees are no worse off by adjusting the amount paid by the Company.

Would SMART Pensions impact the income tax credits I get from the State?

No. SMART Pensions will not adversely affect any tax credits that you may receive. If you are unsure about this you may wish to call the Tax Credits helpline on 0345 3003900.

The personal savings for me are small – why should I support SMART Pensions?

The more people who join SMART Pensions, the more the Company contributes to help safeguard the future of the pension schemes.

What do I need to do now?

If you wish to participate you do not need to take any further action. You will automatically be enrolled in SMART Pensions when you join the Pension Scheme, unless you elect to opt out or, you are one of those employees specifically excluded from participating in SMART Pensions.

What if I change my mind?

You will be able to opt in or out of SMART Pensions during the spring each year. Normally the change will take effect from the April payroll.

In exceptional circumstances (for example, a change in working hours or earnings) you will be able to, at the Company's discretion, opt in or out of SMART Pensions during the course of the year.

Contact details

Additional information about SMART Pensions is available via the following:

Pensions website:

www.airbus.com/company/uk-pensions.html

email address:

ukpensions@airbus.com

Postal address: Airbus Group UK Pensions
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