

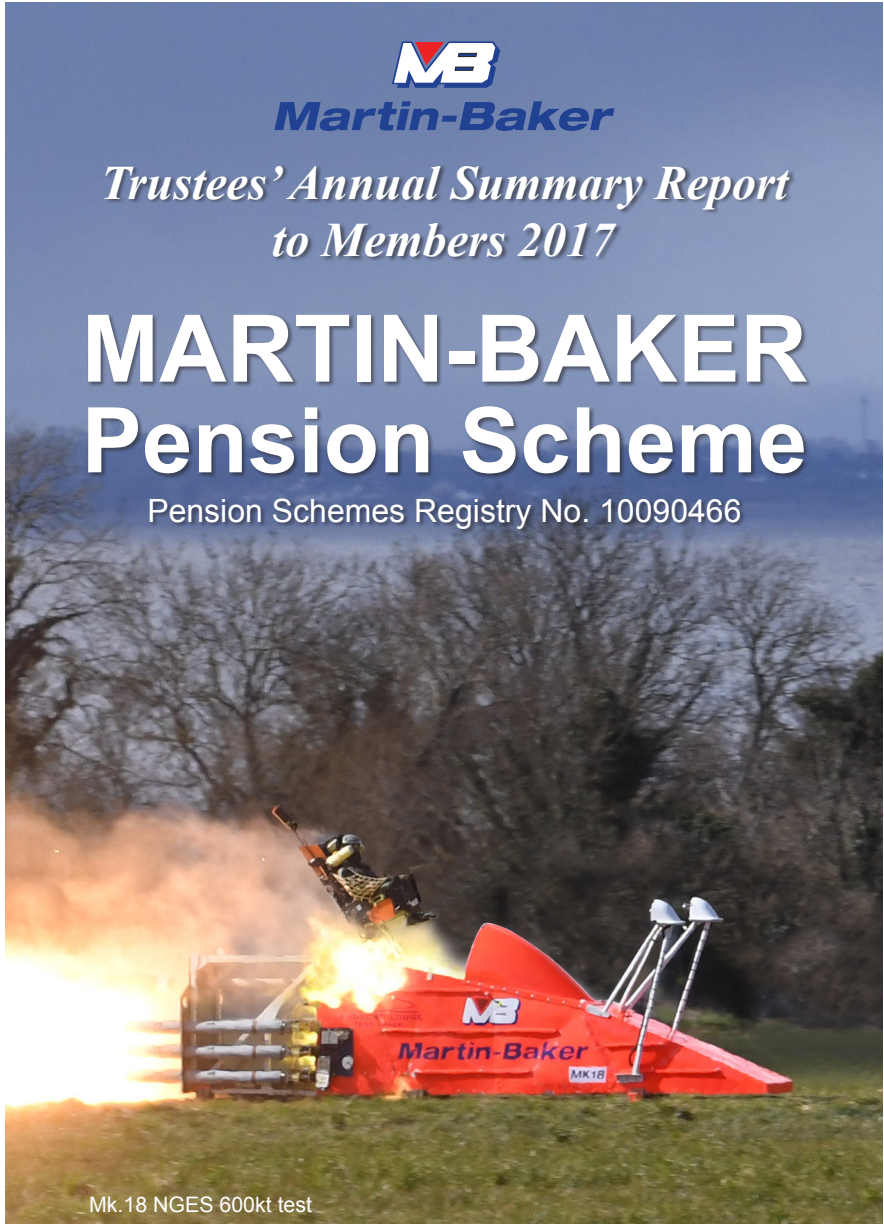


**Martin-Baker**

*Trustees' Annual Summary Report  
to Members 2017*

# MARTIN-BAKER Pension Scheme

Pension Schemes Registry No. 10090466



Mk.18 NGES 600kt test

**22 LIVES SAVED IN 2017**

## ***MARTIN-BAKER PENSION SCHEME***

### ***TRUSTEES' ANNUAL REPORT TO MEMBERS 2017***

#### **INTRODUCTION**

The Trustees of the Martin-Baker Pension Scheme ("the Scheme") are pleased to publish this their twenty third Report, which is being issued for the year ended 30 September 2017. The purpose of this annual report is to provide members with information about the Scheme and its development over the year. Employees who joined Martin-Baker Aircraft Company Ltd (the Company) after September 2013 have been entitled to join the Scheme for Life Assurance benefits only. Employees who joined the Company before that date were given the option of joining the Scheme for Life Assurance benefits and pension benefits. We hope this report and the information contained in the membership booklet issued to members before September 2013, together with your annual benefit statement, provide you with an appreciation of the value of the Scheme and the benefits it extends to members and their dependants. Some of the information contained in this report is covered in more detail in the formal report and financial statements which the Trustees produce each year. A copy of this can be obtained by submitting a written request to the Pensions Administrator at the address given on page 11.

The Scheme was closed to future accrual at the end of September 2013. A salary link has been retained for the accrued benefits of pension members who remained in Company employment after that date. Reports will continue to be circulated each year in future, as benefits will still be payable from the Scheme for many years to come. This report will be circulated to all members and Company employees, who are eligible to join the Group Life Assurance Scheme, which is administered by the Pension Scheme Trustees.

The Scheme is established under a Trust Deed. The Scheme is a Registered Scheme with Her Majesty's Revenue and Customs following the changes to the legislative framework from 6 April 2006.

The Scheme will continue to be managed on behalf of the members and other beneficiaries by Trustees. Some of the Trustees are appointed by the Company and some are nominated by the members. The Trustees' main responsibilities are to ensure that an adequate level of assets is available in the Scheme, that the benefits paid under the Scheme are calculated in accordance with the Rules and that the assets of the Scheme are properly managed. The level of benefits payable under the Scheme was determined by the Company.

This Report incorporates the information needed to satisfy the requirements to issue a Summary Funding Statement to all members each year.

## 2016/2017 SCHEME YEAR

### OVERVIEW

The investment performance this year has been strong overall, with an increase in total value, although the performance of the Corporate Bond Fund was disappointing. The performance figures which appear on page 6 show how the individual investments have performed. Further comments on this performance appear in the investment information on pages 6 and 7. The variation during the year in the factors which are used as the basis for the valuation of the Scheme's liabilities has meant that there has been a decrease in the total value of the Scheme's liabilities during the year (see page 4).

During the year, the Company made payments to meet the cost of the Life Assurance cover. All of the administration costs are now paid directly by the Company. The Company will continue to fund the cost of the Life Assurance cover via the Scheme to preserve the favourable tax treatment currently available when Death in Service benefits are distributed. In addition, the Company made a final payment to cover the cost of the discretionary increase to pensions in payment which was granted in 2015.

### MEMBERSHIP INFORMATION

The number of members of the Scheme at 30 September 2017 is given below, along with the figures for 2016 in brackets:

Members who are employees:	731	(682)
Members or their dependants receiving a pension under the Scheme:	716	(727)
Former employees entitled to a pension when they retire:	308	(311)

In addition, there were 96 (110) pensioners in receipt of pensions from insurance companies. The majority of these pensioners now also receive pensions paid by the Scheme as a result of the discretionary increases granted in recent years and are, therefore, included in the numbers quoted above.

## FUNDING INFORMATION

The Trustees are required to give you an update of the Scheme's funding position at least once each year. This report covers the period ending 30 September 2017.

The Scheme is subject to a valuation by an independent actuary every three years. The latest full Valuation was prepared as at 1 October 2014. A full Valuation as at 1 October 2017 is currently being carried out by the Scheme Actuary.

The Valuation as at 1 October 2014 showed that the funding position was as follows:

Assets	£95.9 million
Amount needed to provide benefits	£94.4 million
Surplus	£ 1.5 million
Funding Level	102%

The Trustees have obtained updates of the approximate funding position of the Scheme as at 1 October 2015 and at 1 October 2016. These showed that the funding position, based on market conditions at those dates, had deteriorated to 88% at 1 October 2015 and 85% at 1 October 2016. The preliminary results of the full Valuation show that over the year to 1 October 2017, the assets had increased to approximately £119m and the liabilities had decreased to approximately £111m, leaving a surplus at that date of approximately £8m, representing a funding level of 107%. Further details of the final Valuation results will be included in next year's Annual Report. Although the funding position may deteriorate again in future, the Trustees and the Company remain confident of their ability to meet members' benefits as they fall due.

The Scheme Actuary produced a Schedule of Contributions to be paid by the Employers from 1 October 2014 to 30 September 2019. This schedule stated that no contributions were required in respect of future accrual, as the Scheme had closed to future accrual and that no deficit reducing contributions were required, as the Scheme was in surplus at 1 October 2014. The schedule does, however, require the Company to pay the cost of insuring death in service benefits, the Pension Protection Fund levy and the expenses associated with administering and operating the Scheme. The schedule also states that the Employer may pay additional contributions to the Scheme at any time. The funding requirements will be reviewed as part of the full Actuarial Valuation exercise as at 1 October 2017.

The Trustees are also required to include information on the cost of securing benefits if the Scheme were to be wound up. However, this does not imply that the Company is thinking of winding up the Scheme. At 1 October 2014, the Scheme Actuary's estimate of the amount needed to ensure all members' benefits could be paid in full by an insurance company if the Scheme started winding up was £31 million in addition to the assets already held by the Scheme. As mentioned last year, current financial conditions are very volatile, making it difficult to assess the buyout position with any accuracy. The preliminary results of the Actuarial Valuation indicate that a lower payment would have been required if the Scheme had been wound up at 1 October 2017.

If the Scheme were to wind-up, the Company is required to pay enough into the Scheme to enable members' benefits to be completely secured with an insurance company. Although a wind-up is most unlikely, should the Company be unable to pay this amount, it is expected that the Pension Protection Fund would take over the Scheme and continue to pay a significant proportion of your benefit entitlement.

Members should consider obtaining professional financial advice should they be considering leaving the Scheme at any time before their normal retirement date. Members are reminded that they should inform the Trustees of any change of address or change in their marital status.

The Occupational Pension Schemes (Disclosure of Information) Regulations 1996 (SI 1996/1655) require disclosure of the following information:

The Regulator has not exercised any of its powers in relation to directions or the Schedule of Contributions.

No payment of surplus has been made to the Sponsoring Employer since the previous Summary Funding Statement.

## WHO'S WHO

The names of the Trustees who served during the year are:

### Company Nominated Trustees

P W Badman

J W Martin

R J Martin

### Member Nominated Trustees

P A Carpenter

G R Ward

Mr Carpenter and Mr Ward were reappointed as Member Nominated Trustees during the year.

Administration is undertaken by: Miss C E Guest

The advisers to the Scheme during the year were:

Actuary:	P Houghton, F.I.A. (until 3 November 2017) Ms. V Smart, F.I.A. (appointed 6 November 2017) Barnett Waddingham LLP
Auditors:	Ward Williams Limited
Bankers:	National Westminster Bank PLC
Life Insurers:	Aviva
Investment Managers:	Legal & General Investment Management Ltd M&G Pooled Funds Santander
Legal Advisers:	Pinsent Masons LLP
Pension Consultants and Administrators:	Barnett Waddingham LLP

## INVESTMENT INFORMATION

The Trustees are responsible for ensuring that the assets of the Scheme are properly invested. The choice of investment managers is reviewed regularly. A Statement of Investment Principles has been produced and can be viewed at the address given on page 11.

The Trustees' investment profile targets are still:

50% in the Legal & General Global Equity 60:40 Index Tracker Fund

35% in the M&G Long Dated Corporate Bond Fund

15% in the M&G Property Fund

The Legal & General fund invests 60% in the UK stock market and 40% in overseas (North American, European, Japanese and Far Eastern) stock markets.

These investments are all accumulation units, so there is no investment income from these funds. The Trustees do, however, receive interest on any cash holdings and deposit accounts, but this has been insignificant in recent years, because of low interest rates.

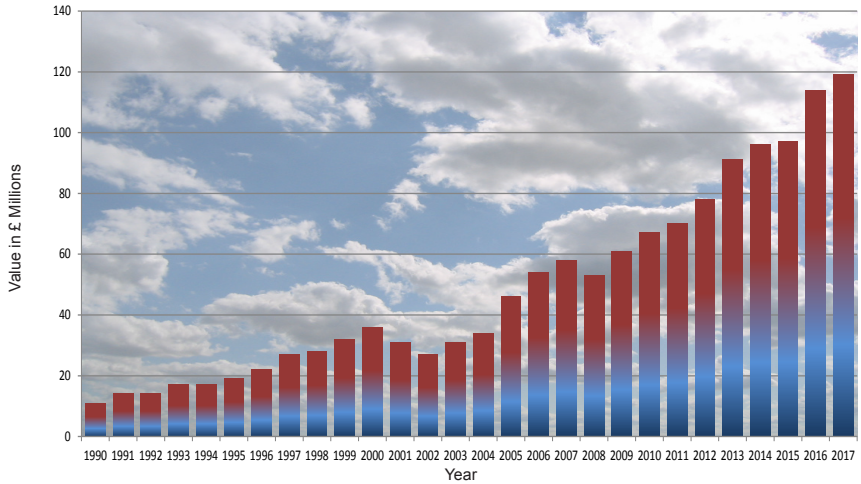
The annualised returns on the three investments for the three periods ending 30 September 2017 are as follows:

	1 Year	3 Years	5 Years
Legal & General Global Equity 60:40 Index Tracker Fund	+14.3%	+11.4%	+12.4%
M&G Long Dated Corporate Bond Fund	- 1.4%	+ 9.6%	+ 8.4%
M&G Property Fund	+ 7.7%	+ 8.4%	+ 8.5%

The relative performance of the current investments in recent years means that the percentages continue to diverge slightly from the targets. The Trustees are continuing to take professional advice concerning future investment strategy. It should be noted, however, that the Trustees continued the disposal of investments during the accounting year in order to have funds available to pay pensions as they fall due. There is now a regular disposal of investments, which will continue throughout the remaining life of the Scheme. Additional sales are required from time to time to meet the cost of transfers out of the Scheme and some lump sums on retirement. The disposal of investments will be used to reduce the divergence from the investment targets.

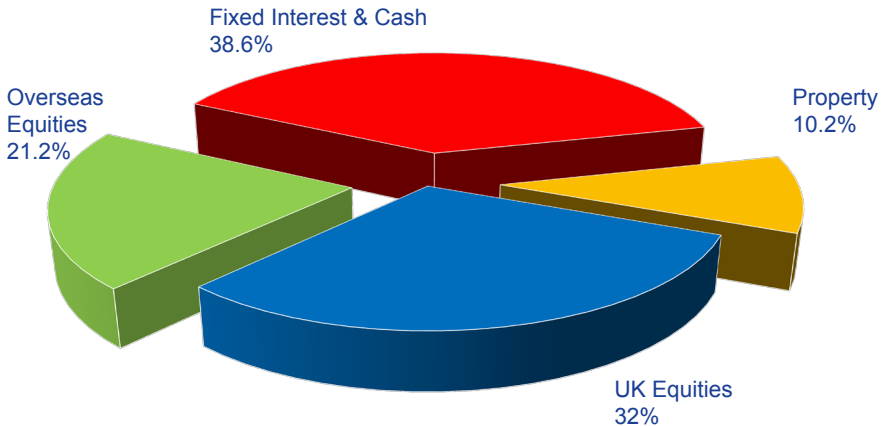
The chart below shows how the Scheme's assets have changed. Each column relates to the position at 30 September each year.

### Asset Value



### Asset Distribution - 30 September 2017

The distribution of assets at the end of the year is shown in the chart below.



## ACCOUNTS

The Trustees prepare detailed financial statements annually at the Scheme year end and these were audited by Ward Williams Ltd (WW). WW issued an unqualified audit opinion on the financial statements and an unqualified audit statement about the contributions. The following is a summary of the main points of the Accounts at 30 September:

### VALUE OF FUND AT 30 SEPTEMBER 2016

£114.3 Million

PLUS		LESS	
Employer's Contributions		Pensions paid	£2.9
Regular (re Life Assurance)	£0.2	Lump sums on retirement	£0.5
Re Discretionary increases	£0.2	Risk premiums	£0.3
Claims on insurance policies	£0.3	Death in service benefits	£0.3
Receipt of AVC funds	£0.1	Transfers out	£0.6
Change in market value of investments	£8.7		

### VALUE OF FUND AT 30 SEPTEMBER 2017

£119.2 Million

## PENSION SCAMS

Please continue to be aware that you could be the target of a pension scam, especially since the new pension flexibilities have been introduced, making it harder to tell the difference between genuine and bogus opportunities.

Pension scams can take many forms, but may offer a free pension review, access to your pension funds before age 55, or the temptation of a "unique investment opportunity". If you were to be taken in, as well as losing most, if not all, of your savings, you could also receive tax charges of over half the value of your pension.

The Pensions Regulator gives the following advice for protecting yourself against pension scams:

1. Never give out financial or personal information to a cold caller and be wary of unsolicited calls, texts and emails, even from those purporting to be genuine pensions bodies such as Pensions Wise or other government-backed bodies.
2. Check everything for yourself – even if the adviser is recommended to you by a friend, for example.
3. Make sure your adviser is authorised by the Financial Conduct Authority (FCA) at: [www.fca.org.uk/firms/systems-reporting/register](http://www.fca.org.uk/firms/systems-reporting/register)



4. Check the FCA's list of known scams at: <http://scamsmart.fca.org.uk/>.
5. Be wary of overseas investment deals, for example in a hotel, vineyard or other overseas opportunities.
6. Don't fall for "guaranteed returns", or professional-looking websites or brochures.
7. Don't be rushed into a decision – scammers often try to pressure you and may even send couriers to your door to sign documents.
8. If you are over 50 and have a DC pension, talk to Pension Wise to help you investigate your retirement options: <https://www.pensionwise.gov.uk/>.
9. Ask the Pensions Advisory Service for help if you have doubts: <https://www.pensionsadvisoryservice.org.uk/>.
10. Contact your pension provider and call Action Fraud on 0300 123 2040 if you have already signed and think you have been scammed. They may be able to stop a transfer that hasn't taken place yet.

Further information can be found at the following website:

<http://www.thepensionsregulator.gov.uk/individuals/dangers-of-pension-scams.aspx>

## RECENT BUDGET PENSION CHANGES

There have been many changes in the rules associated with pensions benefits in recent Budgets. The changes mainly affect members of Defined Contribution (DC) pension schemes, but there are a few changes that affect Defined Benefit (DB) schemes, such as the Martin-Baker Pension Scheme. Although these changes have not adversely affected your benefits under the Scheme, you may have more flexibility over how you can access them in the future. Below is a brief summary of some of the changes.

### One-off lump sum payment instead of small pensions

In certain circumstances, members with relatively small pensions or benefits in the Scheme can take the value of their entire benefit (including any dependent's pension) as a one-off cash lump sum, even if they are already receiving the pension. To qualify for this option, **the value of** the member's pension or cash balance from the Scheme must be less than £10,000; or **the value of** the member's pension from the Scheme and from all other pension arrangements must be less than £30,000 in total.

### Transfers out of the Scheme

Members who have not yet retired may transfer their pension or benefits out of the Scheme to a DC arrangement. Since April 2015, it has been possible to draw money from a DC arrangement in a more flexible manner, if you are over age 55. **If the transfer value is over £30,000, you are required to take independent financial advice** before you will be allowed to transfer. Even if the transfer amount is below this, it is recommended to take independent financial advice.

## Annual and Lifetime Allowances

There are complex rules covering annual contributions to pension schemes (Annual Allowance) and the total value that can be built up in pension funds (Lifetime Allowance). The Annual Allowance is the maximum amount of tax-privileged pension savings an individual can make in a single tax year. Although the Martin-Baker Pension Scheme has closed to future accrual, a salary link has been retained for the accrued benefits of members who continued in Company employment after 30 September 2013 and so the change in your pension in this Scheme could be taken into account for Annual Allowance purposes.

If any money purchase pension savings in a registered pension scheme are drawn flexibly and income is taken, this will trigger the Money Purchase Annual Allowance (MPAA). If triggered, the MPAA restricts the total amount of contributions that can be paid to money purchase arrangements (without incurring a tax charge).

These allowances are subject to change and current allowances are listed on many websites. If you have concerns, you should seek independent financial advice.

There are special rules which apply to certain transfers to and from overseas pension schemes, which may affect individuals who intend to retire overseas. In a move to combat tax avoidance, the government has introduced a tax charge on certain transfers to Qualifying Recognised Overseas Pension Scheme (QROPS). Transfers to QROPS will be taxed at a rate of 25%, unless certain exemptions apply, e.g. the member is resident in the same country as the receiving QROPS or the QROPS is an occupational pension scheme sponsored by the member's employer. The tax charge can also apply where funds are transferred from a QROPS, where funds originated in a UK scheme. If you are thinking of retiring overseas, you should seek independent financial advice.

## GDPR – PROTECTING DATA PRIVACY

The General Data Protection Regulation (GDPR) is set to come into effect on 25 May 2018. It was adopted by the EU Parliament in April 2016 and has been designed to harmonise data protection legislation across all its member states, including the UK. The legislation will continue to apply after Brexit.

The new data rules will require the Scheme to handle personal data according to specific guidelines and processes. They will include far stricter mechanisms for obtaining consent for personal data sharing, for example with IFAs. The Trustees are issuing a Privacy Notice to all members of the Scheme, setting out how members' personal data will be handled.

## INFORMATION TO MEMBERS

If you require any further information about the Scheme or your rights under the Rules, then this can be obtained from the Pensions Administrator c/o Martin-Baker Pension Scheme, Higher Denham, Nr. Uxbridge, Middlesex, UB9 5AJ, Email: [pensions@martin-baker.co.uk](mailto:pensions@martin-baker.co.uk). A copy of the Trust Deed and Rules, Scheme Accounts, Actuarial Reports and any other formal documents can also be inspected on application to the Pensions Administrator.

You should also be aware that there are outside bodies from whom you can seek either help or information in regard to your rights under the Scheme.

This information is given below:

1. A pension scheme tracing service has been set up by the Government to collect information about pension schemes which will enable individuals to trace their past pension rights. Information about the Scheme (including the address at which the Trustees may be contacted) has been given to the Service in accordance with the appropriate regulations.

The Service's contact details are:

Pension Tracing Service	Tel. No. 0800 731 0193
The Pension Service 9	Tel. No. from abroad +44(0) 191 215 4491
Mail Handling Site A	<a href="http://www.gov.uk/find-pension-contact-details">www.gov.uk/find-pension-contact-details</a>
WOLVERHAMPTON	
WV98 1LU	

2. The Scheme has a formal procedure in place for the resolution of disputes between members (and their dependants) and the Trustees. This procedure complies with legal requirements and details of the procedure can be obtained from the Pensions Administrator at the address given at the top of this page.

3. The Pensions Advisory Service is available to assist members and beneficiaries of the Scheme in connection with any difficulties which they may have experienced and failed to resolve with the Trustees or administrators of the Scheme. The Pensions Advisory Service may be contacted locally via offices of the Citizens Advice Bureau (which keeps a register of local advisers) or by contacting:

The Pensions Advisory Service	Pensions helpline: 0300 123 1047
11 Belgrave Road	<a href="http://www.pensionsadvisoryservice.org.uk">www.pensionsadvisoryservice.org.uk</a>
London SW1V 1RB	

4. The Government has appointed a Pensions Ombudsman, who may investigate and determine any complaint or dispute of fact or law in relation to occupational pension schemes which has been made or referred to him in accordance with relevant legislation.

The contact details are:

Office of the Pensions Ombudsman  
11 Belgrave Road  
London SW1V 1RB

Tel. No. 020 7630 2200  
enquiries@pensions-ombudsman.org.uk  
www.pensions-ombudsman.org.uk

Please note that any complaints should first be referred to the Scheme's own dispute resolution procedure and then to the Pensions Advisory Service (see above).

5. The Pensions Regulator, appointed under the Pensions Act 2005, has powers to intervene in the running of pension schemes where trustees, employers or professional advisers have failed in their duties. Its address is:

The Information Team  
The Pensions Regulator  
Napier House  
Trafalgar Place  
Brighton  
East Sussex BN1 4DW

Tel. No. 0845 600 7060  
wb@tpr.gov.uk  
www.thepensionsregulator.gov.uk

The Pensions Regulator does not deal with queries about individuals' pension benefits. It has issued a number of Guidance Notes and Codes of Practice, which can be viewed on the website

## **INCREASES TO PENSIONS IN PAYMENT**

### **Statutory**

Pension benefits arising from service after 5 April 1997 have been increased in payment by Limited Price Indexation (LPI), which is the annual change in UK inflation subject to a maximum. For service between 5 April 1997 and 5 April 2005, the maximum increase is 5%. For service after 6 April 2005, the maximum increase is 2.5%. The measure of inflationary change in September 2017 was 3.9%, so LPI increases were applied to pensions in January 2018.

### **Discretionary**

A discretionary increase was implemented during 2015 in accordance with a formula agreed between the Company and the Trustees. Those members who were entitled to an increase were supplied with details of how their increase had been calculated.

## **PENSION INPUT PERIOD**

The Pension Input Period for all UK registered pension schemes is aligned with tax years. This is only likely to be of relevance when a member is paying large contributions to another pension arrangement. Any member who makes large contributions to another arrangement should contact the Pensions Administrator for further information.