



**Martin-Baker**

# Pension Scheme

Pension Schemes Registry No. 10090466

## ***Trustees' Annual Summary Report to Members 2020***



***Engineering for life***



## Notes



# MARTIN-BAKER PENSION SCHEME

## TRUSTEES' ANNUAL REPORT TO MEMBERS 2020

### INTRODUCTION

The Trustees of the Martin-Baker Pension Scheme ("the Scheme") are pleased to publish their twenty sixth Report, which is being issued for the year ended 30 September 2020. The purpose of this annual report is to provide members with information about the Scheme and its development over the year.

The Report is only being mailed to pensioners and members with a deferred pension entitlement. The Report is available to current employees on the Pension Scheme's website at [www.martinbakerspensions.com](http://www.martinbakerspensions.com), which is available to all interested parties.

This Report is only of relevance to current employees who joined the Company before September 2013 and have legacy Final Salary and/or Cash Balance entitlements under the Scheme. We hope this report and the information contained in the membership booklet issued to members before September 2013, together with the annual benefit statement, provides an understanding 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 13.

The Scheme was closed to future accrual at the end of September 2013. A salary link has been retained up to the age of 65 for the accrued benefits of pension members who remained in Company employment after that date. Reports will continue to be available each year in future, as benefits will still be payable from the Scheme for many years to come.

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 continues 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.



## 2019/2020 SCHEME YEAR OVERVIEW

A number of significant changes were implemented during the last two years. This is the first year where the investments are in line with the new strategy and Life Assurance is covered under a separate arrangement. The investment performance during the year has been affected significantly by the Covid-19 pandemic and Brexit.

The current investment profile appears in the Investment Information section of this report on page 8. The performance figures, which appear on page 8, show how the individual investments have performed. Further comments on this performance appear in the investment information on pages 8 and 9.

The Scheme has shown an actuarial surplus in the last two full valuations, i.e. 1 October 2014 and 2017. The preliminary results of the valuation at 1 October 2020 show an actuarial deficit, but the Trustees and the Company share the view that this may be a temporary situation. The main reason for the deficit is the high value placed on the liabilities due to the level of gilt yields during the year. The funding position is discussed further on page 5. In order to provide comfort for the Trustees and the members of the Scheme, the Company has made available, in a special, protected bank account (an escrow account), a sum of £15 million. The Trustees are able to call on these funds if there is an actuarial deficit in both of the next two full valuations, i.e. 1 October 2020 and 2023.

The change in the insurance arrangements mean that no Life Assurance benefits are provided by the Martin-Baker Pension Scheme. This means that the membership figures appearing in this report relate solely to members entitled to a pension benefit under the Scheme.

All of the administration costs associated with the Martin-Baker Pension Scheme continue to be paid directly by the Company.



## MEMBERSHIP INFORMATION

The number of members of the Scheme at 30 September 2020 is given below, along with the figures for 2019 in brackets:

|  |            |              |
|--|------------|--------------|
| <b>Members who are employees:</b>  |            |              |
| <b>With pension benefits:</b>  | <b>281</b> | <b>(300)</b> |
| <b>Members or their dependants receiving a pension under the Scheme:</b> | <b>714</b> | <b>(718)</b> |
| <b>Former employees entitled to a pension when they retire:</b>          | <b>263</b> | <b>(278)</b> |

## 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 2020.

The Scheme is subject to a valuation by an independent actuary every three years. The latest full Valuation was prepared as at 1 October 2017. At the time of preparation of this report, the full Valuation as at 1 October 2020 is in progress.

The Valuation as at 1 October 2017 showed that the funding position was as follows:

|  |                       |
|--|-----------------------|
| <b>Assets</b>                            | <b>£119.2 million</b> |
| <b>Amount needed to provide benefits</b> | <b>£111.0 million</b> |
| <b>Surplus</b>                           | <b>£ 8.2 million</b>  |
| <b>Funding Level</b>                     | <b>107%</b>           |

The Scheme's funding position improved from 102% to 107% over the 3 year intervaluation period to 1 October 2017. In monetary terms, the ongoing surplus increased from £1.6m to £8.2m. This was mainly due to better than expected returns on the Scheme's assets, partially offset by changes in market conditions (and in particular lower future expected bond yields leading to a higher value being placed on the liabilities).

The preliminary results of the 1 October 2020 Actuarial Valuation show that the asset value had decreased slightly to approximately £117m, but that the liabilities had increased to approximately £121.5m. The deficit at that date was approximately £4.5m, representing a funding level of 96%. The deterioration in the funding level was largely due to the increase in liabilities resulting from the change in financial conditions during the period since 1 October 2017. Although the funding position has deteriorated, 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 2017 to 30 September 2022. 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 2017. The schedule did, however, require Martin-Baker Aircraft Company Ltd to pay the cost of insuring death in service benefits (for those Pension Scheme members who remain in employment with the Employers) the Pension Protection Fund levy and the expenses associated with administering and operating the Scheme. The Company is no longer required to pay to the Pension Scheme the cost of insuring death in service benefits, as these are now provided under the separate arrangement mentioned in the Overview of the previous Scheme Year. The schedule also states that the Employer may pay additional contributions to the Scheme at any time. The funding requirements are being reviewed as part of the full Actuarial Valuation exercise as at 1 October 2020. Although the Scheme appears to be in deficit, the Trustees are unlikely to request any contributions from the Company because of the existence of the escrow account.

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 2020, 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 £38 million in addition to the assets already held by the Scheme. As mentioned in previous years, current financial conditions are very volatile, making it difficult to assess the buyout position with any accuracy.

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:

|                                   |               |            |            |
|-----------------------------------|---------------|------------|------------|
| <b>Company Nominated Trustees</b> | P W Badman    | J W Martin | R J Martin |
| <b>Member Nominated Trustees</b>  | P A Carpenter | G R Ward   |            |

**Administration is undertaken by:** Miss C E Guest

The advisers to the Scheme during the year were:

|  |   |
|--|---|
| <b>Actuary:</b>                                    | Ms. V Smart, F.I.A.<br>Barnett Waddingham LLP   |
| <b>Auditors:</b>                                   | Ward Williams Limited   |
| <b>Bankers:</b>                                    | National Westminster Bank PLC   |
| <b>Investment Managers:</b>                        | Legal & General Investment Management Ltd<br>M&G Pooled Funds<br>Aberdeen Standard Investments<br>Santander |
| <b>Legal Advisers:</b>                             | Pinsent Masons LLP  |
| <b>Pension Consultants<br/>and Administrators:</b> | Barnett Waddingham LLP  |

## INVESTMENT INFORMATION

The Trustees are responsible for ensuring that the assets of the Scheme are properly invested. The choice of investments and investment managers was reviewed during the year. A new Statement of Investment Principles has been produced and can be viewed at the address given on page 13.

The Trustees' investment profile targets were revised during the year. The targets as at 30 September 2020 were:

- 25-35% in the Legal & General Global Equity 60:40 Index Tracker Fund
- 10-20% in the Legal & General Over 5 Year Index-Linked Gilts Fund
- 20-30% in the M&G Long Dated Corporate Bond Fund
- 5-15% in the M&G Property Fund
- 15-25% in the ASI Life Diversified Growth 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 accumulation units, except for the two M&G Funds, which are now both distribution units. The Trustees 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 current investments for periods of one, three and five years ending 30 September 2020 are as follows:

|   | 1 Year | 3 Years | 5 Years |
|---|--------|---------|---------|
| <b>Legal &amp; General Global Equity 60:40 Index Tracker Fund</b> | - 8.5% | + 1.0%  | + 7.5%  |
| <b>Legal &amp; General Over 5 Year Index-Linked Gilts Fund</b>    | + 0.4% | + 7.0%  | + 8.3%  |
| <b>M&amp;G Long Dated Corporate Bond Fund</b>                     | + 7.2% | + 8.5%  | + 9.9%  |
| <b>M&amp;G Property Fund</b>                                      | - 4.3% | + 1.3%  | + 3.0%  |
| <b>ASI Life Diversified Growth Fund</b>                           | - 1.7% | + 0.4%  | + 3.4%  |

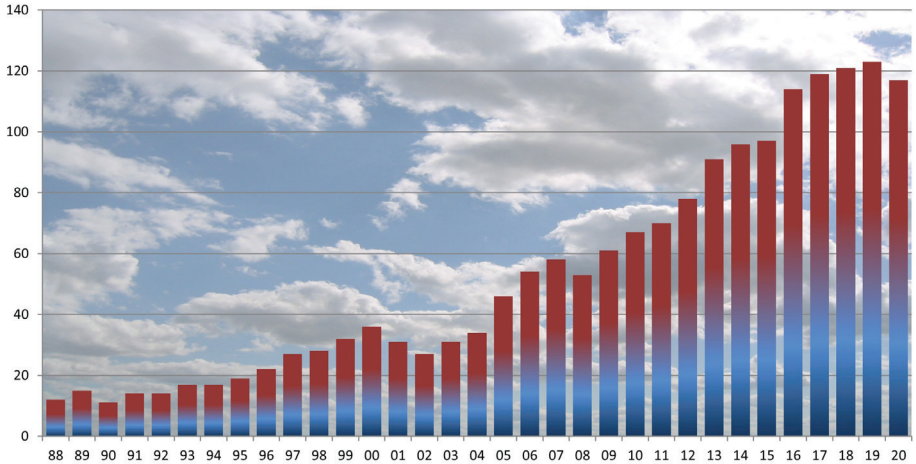
During the year Covid-19 affected the performance of all financial markets. The impact on the Scheme was a significant adverse effect on the performance of the L&G Global Equity Fund, the M&G Property Fund and the ASI Life Diversified Growth Fund. It is likely that there will be volatility in the future value of the Scheme's investments.





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 2020

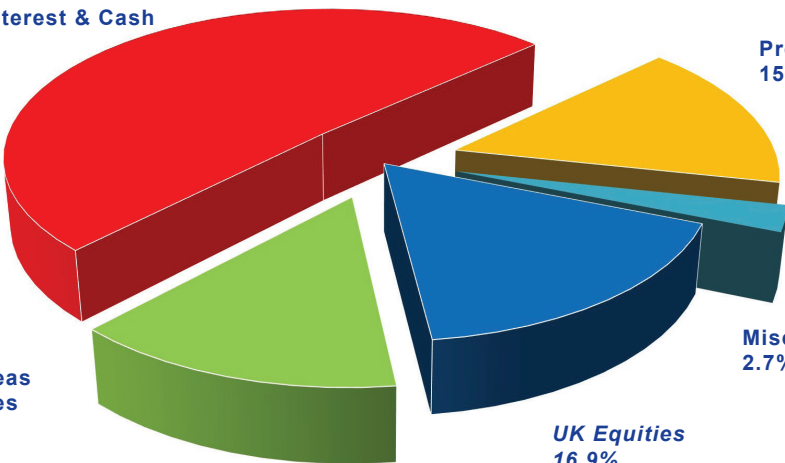
**Fixed Interest & Cash**  
50.9%

**Property**  
15.5%

**Overseas Equities**  
14.0%

**Miscellaneous**  
2.7%

**UK Equities**  
16.9%





## 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 2019 £123.0 Million**

### MOVEMENTS IN YEAR

|   |               |
|---|---------------|
| Investment Income                         | +£1.2 Million |
| Pensions Paid                             | -£3.2 Million |
| Lump Sums on Retirement                   | -£0.7 Million |
| Transfers Out                             | -£0.3 Million |
| Net Change in Market Value of Investments | -£3.0 Million |

**VALUE OF FUND AT 30 SEPTEMBER 2020 £117.0 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 <https://www.fca.org.uk/firms/financial-services-register>



4. Check the FCA's list of known scams at: <https://www.fca.org.uk/scamsmart>
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:

<https://www.thepensionsregulator.gov.uk/en/pension-scams>

## GENERAL PENSION INFORMATION

There have been many changes in the rules associated with pensions benefits since the membership booklets were issued. There are a few changes that affect Defined Benefit (DB) schemes, such as the Martin-Baker Pension Scheme, but the changes mainly affect members of Defined Contribution (DC) pension schemes. Although the 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.

### Transfers out of the Scheme

Since April 2015, DB members who wish to transfer their benefits out of the Scheme (for example, to access their pension in a flexible manner) are required to obtain appropriate independent advice, unless the value of their Defined Benefits is £30,000 or less.

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



# PENSION

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.

## Small Lump Sum Payment

In certain circumstances, members with relatively small pensions or benefits in the Scheme can take the value of their entire benefit (including any dependant's pension) as a one-off cash lump sum. 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.

## 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.

## GDPR – PROTECTING DATA PRIVACY



The General Data Protection Regulation (GDPR) came into effect on 25 May 2018. The legislation continues to apply after "Brexit". These rules require the Pension Scheme to handle personal data according to specific guidelines and processes. These include far stricter mechanisms for obtaining consent for personal data sharing, for example with IFAs. The Trustees have issued a Privacy Notice to all members of the Scheme, setting out how members' personal data will be handled. This Privacy Notice can be viewed on the Martin-Baker Pension Scheme website at [www.martinbakerpensions.com](http://www.martinbakerpensions.com).

We will work on a continuing basis to ensure that all third parties with whom we share your data commit to compliance with GDPR.



## 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  
The Pension Service 9  
Mail Handling Site A  
WOLVERHAMPTON  
WV98 1LU

Tel. No. 0800 731 0193

Tel. No. from abroad +44(0) 191 215 4491

<https://www.gov.uk/find-pension-contact-details>

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:

Money and Pensions Service  
120 Holborn  
London EC1N 2TD

Pensions helpline: 0800 011 3797

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

# Pension

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  
10 South Colonnade  
Canary Wharf  
London E14 4PU

Helpline No. 0800 917 4487  
[enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)  
[www.pensions-ombudsman.org.uk](http://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. 0345 600 7060  
[wb@tpr.gov.uk](mailto:wb@tpr.gov.uk)  
[www.thepensionsregulator.gov.uk](http://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 2019 was 2.4%, so LPI increases were applied to pensions in January 2020.

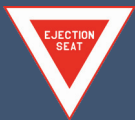
### **Discretionary**

The Trustees and Company wished to provide a discretionary increase on pensions earned before 6 April 1997, based on an agreed formula. This increase was applied with effect from 1 August 2019. Those members who were entitled to an increase were supplied with details of how their increase had been calculated.

A similar discretionary increase was implemented during 2015. Members entitled to that increase were supplied with details of how their increase was 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.



**Martin-Baker Pension Scheme,**

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**Email: [pensions@martin-baker.co.uk](mailto:pensions@martin-baker.co.uk) Web: [www.martinbakerpensions.com](http://www.martinbakerpensions.com)**

**2020**