



Martin-Baker

Pension Scheme

Pension Schemes Registry No. 10090466

Trustees' Annual Summary Report to Members 2023



Engineering for life

1965



Notes

1972



MARTIN-BAKER PENSION SCHEME

TRUSTEES' ANNUAL REPORT TO MEMBERS 2023

INTRODUCTION

The Trustees of the Martin-Baker Pension Scheme (“the Scheme”) are pleased to publish their twenty ninth Report, which is being issued for the year ended 30 September 2023. 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.martinbakerpensions.com, which is available to all interested parties.

This Report is only of relevance to pensioners, deferred members and 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. The financial statements are available on the website or a copy can be obtained by submitting a written request to the Pensions & Life Assurance Business Partner at the address given on page 13.

The Scheme was closed to future accrual at the end of September 2013. A salary link was been retained up to the age of 65 for the accrued benefits of pension members who remain in Company employment. 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 His 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.

1980



2022/2023 SCHEME YEAR OVERVIEW

A number of significant changes have been implemented during recent years. The investment performance during recent years has been affected significantly by Brexit, the Covid-19 pandemic and more recently by the “mini-budget” in September 2022. During the year the Trustees commissioned another investment review, with the aim of reducing the effects of investment volatility on the funding level of the Scheme. A new investment strategy was introduced in May 2023.

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 had shown an actuarial surplus in the full valuations at 1 October 2014 and 2017. The results of the valuation at 1 October 2020 showed an actuarial deficit, but the Trustees and the Company shared the view that this may be a temporary situation. The main reason for the deficit was the high value placed on the liabilities due to the level of gilt yields at the time. Indeed, the approximate annual funding updates as at 1 October 2021 and 1 October 2022 prepared by the Scheme Actuary showed that the Scheme was back to having an actuarial surplus. 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 the next full valuation, i.e. 1 October 2023.

BUY OUT

Since the Scheme year end, the Scheme Actuary has been working on the full valuation as at 1 October 2023. Although the figures have not been finalised, the preliminary indication is that the Scheme has an actuarial surplus. This surplus is after recognising the impact of the discretionary increase to pensions in payment which was implemented with effect from 1 August 2023. The variable funding position of the Scheme has been a cause of concern to the Trustees and the Company over many years. The Trustees and the Company are reviewing the possibility of securing the benefits payable from the Scheme in the insurance market, a process known as a “buy-out”. A communication will be issued to all members of the Scheme concerning this possibility.



MEMBERSHIP INFORMATION

The number of members of the Scheme at 30 September 2023 is given below, along with the figures for 2022 in brackets:

| | | |
|--------------------------------------------------------------------------|------------|--------------|
| Members who are employees: | | |
| With pension benefits: | 238 | (246) |
| Members or their dependants receiving a pension under the Scheme: | 698 | (705) |
| Former employees entitled to a pension when they retire: | 225 | (240) |

FUNDING INFORMATION

The Trustees are required to give members an update of the Scheme's funding position at least once each year. This report covers the period ending 30 September 2023.

The Scheme is subject to a valuation by an independent actuary every three years. The latest full Valuation was prepared as at 1 October 2020. The Valuation as at 1 October 2023 is currently in progress.

The Valuation as at 1 October 2020 showed that the funding position was as follows:

| | |
|------------------------------------------|-----------------------|
| Assets | £117.0 million |
| Amount needed to provide benefits | £121.5 million |
| Deficit | £ 4.5 million |
| Funding Level | 96% |

The Scheme's funding position deteriorated from 107% to 96% over the 3 year intervaluation period to 1 October 2020. In monetary terms, the ongoing surplus changed from £8.2m to a deficit of £4.5m.

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 had deteriorated, the Trustees and the Company remain confident of their ability to meet members' benefits as they fall due.

Due to the security of the Escrow account dated 12 November 2019, which ensures that the Scheme will be fully funded on a technical provisions basis as at the 1 October 2023 valuation (provided the deficit is below £15m), no deficit reduction contributions were requested from the Employer at the 2020 valuation.



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During the year a revised Schedule of Contributions was produced which was certified by the Scheme Actuary on 19 December 2022. The Schedule of Contributions states that no contributions are payable by Martin-Baker Aircraft Company Limited during the period 1 January 2023 to 30 December 2027. During this period all expenses and the Pensions Protection Fund levy will be paid by the Scheme. The Schedule also states that the Employer may pay additional contributions to the Scheme at any time.

The Trustees obtained an update of the approximate funding position of the Scheme as at 1 October 2022. This showed that although the asset value had decreased to approximately £102m, the liabilities had decreased to approximately £76m. The surplus at that date was approximately £26m, representing a funding level of 134%. The main reason for the improvement in the funding level is that the rise in gilt yields has led to a significant decrease in the value placed on the liabilities. This was partially offset by the increase in inflation expectations and the invested assets performing less well than expected. The Scheme Actuary is currently producing the full Actuarial Valuation as at 1 October 2023. The preliminary results show that the funding level is similar to the position at 1 October 2022.

The Trustees are also required to include information to members on the cost of securing benefits if the Scheme were to be wound up. 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. The Scheme Actuary has, however, estimated that the current cost of securing the benefits with an insurance company would be less than the current value of the assets held by the Scheme.

If the Scheme were to wind-up, the Company would be required to pay enough into the Scheme to enable members' benefits to be completely secured with an insurance company. 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.

2012



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 |
| | M Drygierczyk | | |
| Member Nominated Trustees | P A Carpenter | G R Ward | |

Administration is undertaken by: Miss C E Guest

The advisers to the Scheme during the year were:

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

2014



INVESTMENT INFORMATION

The Trustees are responsible for ensuring that the assets of the Scheme are properly invested. A Statement of Investment Principles can be viewed at the address given on page 13 or on the Scheme's website at www.martinbakerpensions.com.

The Trustees' investment profile targets as at 30 September 2023 were:

- 20-30% in the LGIM Over 5 Year Index-Linked Gilts Fund
- 5-15% in the LGIM Under 15 Year Index-Linked Gilts Fund
- 5-15% in the LGIM Over 15 Year Gilts Index Fund
- 10-20% in the LGIM Buy & Maintain Credit Fund
- 20-30% in the M&G Long Dated Corporate Bond Income Fund
- 10-20% in Cash

The Scheme also has a holding in the M&G UK Property Fund, which is in liquidation.

The investments are accumulation units, except for the M&G Fund, which are distribution units. The Trustees receive interest on any cash holdings and deposit accounts.

The annualised returns on the current investments for periods of one, three and five years ending 30 September 2023 are as follows:

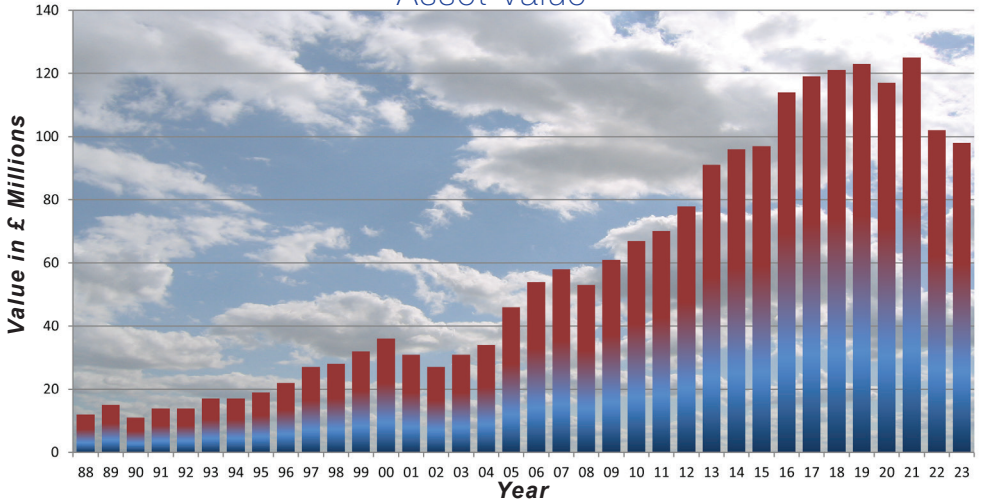
| | 1 Year | 3 Years | 5 Years |
|---------------------------------------------------|----------|----------|---------|
| LGIM Over 5 Year Index-Linked Gilts Fund | - 12.79% | - 20.68% | - 8.37% |
| LGIM Under 15 Year Index-Linked Gilts Fund | + 3.55% | - 1.88% | + 0.53% |
| LGIM Over 15 Year Gilts Index Fund | - 16.21% | -15.94% | - 6.41% |
| LGIM Buy & Maintain Credit Fund | + 7.66% | - 5.63% | - 1.21% |
| M&G Long Dated Corporate Bond Fund | + 2.85% | -13.62% | - 3.62% |
| M&G Property Fund | + 0.14% | + 9.23% | + 4.46% |

During recent years there has been considerable volatility in all financial markets. The effects of Covid 19 and the mini-Budget of 23 September 2022 have been particularly marked. The effect on gilts and corporate bonds is clearly shown in the table above. The Trustees' current investment strategy aims to minimise the impact of this volatility on the Scheme, so that movements in the valuation of the liabilities should be matched by movements in the value of investments.

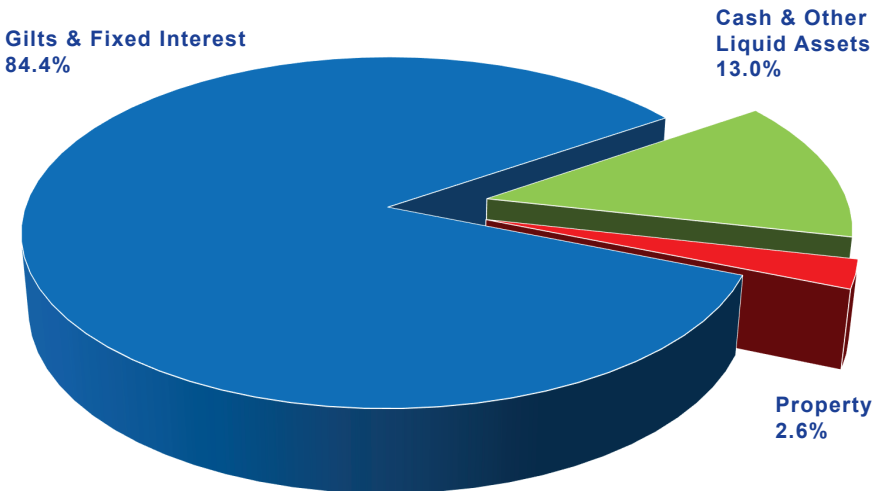


The chart below shows how the Scheme's assets have changed. Each column relates to the position at 30 September each year.

Asset Value



Asset Distribution - 30 September 2023





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 2022 £101.6 Million

MOVEMENTS IN YEAR

| | |
|-------------------------------------------|---------------|
| Investment Income | +£1.5 Million |
| Pensions Paid | -£3.3 Million |
| Lump Sums on Retirement | -£0.6 Million |
| Net Change in Market Value of Investments | -£1.5 Million |

VALUE OF FUND AT 30 SEPTEMBER 2023 £97.7 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.moneyhelper.org.uk/pensionwise>.
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 has introduced a tax charge on certain transfers to Qualifying Recognised Overseas Pension Scheme

2021



(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 Payments

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). 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 is currently 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. The Lifetime Allowance that restricted the total value that could be built up in pension funds has been abolished, but might be reintroduced by a future government. If you have concerns, you should seek independent financial advice.

Change in Normal Minimum Pension Age

The Normal Minimum Pension Age (NMPA) is the lowest age at which most members of registered occupational pension schemes can draw benefits without being subject to unauthorised payment charges, unless in ill-health. Currently the NMPA is 55. The NMPA will increase to 57 on 6 April 2028.

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.

We 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 & Life Assurance Business Partner c/o Martin-Baker Pension Scheme, Higher Denham, Nr. Uxbridge, Middlesex, UB9 5AJ, Email: 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 & Life Assurance Business Partner.

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
Mail Handling Site A
WOLVERHAMPTON
WV98 1AF

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 & Life Assurance Business Partner 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

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:

The Office of the Pensions Ombudsman
10 South Colonnade
Canary Wharf
London E14 4PU

Helpline No. 0800 917 4487
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
Telecom House
Brighton
East Sussex BN1 6AF

Tel. No. 0345 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 2022 was 12.6%, so LPI increases were applied to pensions in January 2023.

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 2023. Those members who were entitled to an increase were supplied with details of how their increase had been calculated.

Similar discretionary increases were implemented during 2015 and 2018. Members entitled to those increases were supplied with details of how their increases were 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 (including the Group SIPP) should contact the Pensions & Life Assurance Business Partner for further information.



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