

THALES

Future Focus

The annual newsletter for members of the Thales UK Pension Scheme

2024

Chair's welcome

Welcome to Future Focus 2024, the newsletter for members of the Thales UK Pension Scheme (the Scheme).

The Trustee's primary focus during 2024 has been to continue progressing the work we are undertaking with Rothesay to get the Scheme in a position for a full buyout of all liabilities in 2025. A key element to this is ensuring that our records are correct. Having completed the buy-in policy with Rothesay in December 2023, we have been conducting detailed checks of all member records. Thank you to everyone who has responded to data verification requests. If all goes to plan, we expect to complete the buyout in the middle of 2025.

We have also been working closely with the Scheme administrator, EQ, throughout the year to improve the service delivery to members. EQ has put in a lot of effort this year with Rothesay to develop new processes that deliver a better member experience, and I am pleased to report that the service levels have improved significantly.

I realise that this is a time of great change for the Scheme but want to reassure all our members that the Trustee keeps the security of member benefits as the driving force behind all the decisions we are taking.

I hope, as ever, that you find this newsletter useful and informative. I would encourage you to visit the Scheme website at **thales.xpmemberservices.com**, where you will find further information, which is updated throughout the year.

I wish all our members a healthy and prosperous 2025.

Peter Rowley
Chair of the Trustee



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Scheme noticeboard

Moving to buyout

As you know, the Trustee concluded a buy-in with Rothesay in December 2023. The next stage of this insurance process is commonly called a buyout. This is where the buy-in policy held by the Scheme is converted into individual annuity policies for our members, each of whom will then become a Rothesay policyholder.

Once your benefits have transferred to Rothesay, you will no longer be a member of the Scheme, so this will be the last annual newsletter you will receive from the Trustee. Thales and the Trustee firmly believe that this buyout is in the best interests of our members.

We have been working with Thales and Rothesay towards this end point, including an extensive data checking and benefit audit to ensure that all the information passed to Rothesay is up to date and accurate. We will send you a statement in March detailing your pension benefits following this exercise.

Rothesay, a safe home for your pension

Rothesay is the UK's largest pensions insurance specialist, protecting over a million pensions.

Dedicated to providing financial security for policyholders, Rothesay invests over £68 billion according to a cautious, long-term investment strategy. Rothesay's number one priority is to make sure that policyholders are paid the correct amounts, at the right times, every time. Rothesay prides itself on very high levels of customer service, with 95% of policyholders who responded to a survey rating the service as good or excellent.



You can find out more about Rothesay and view the information and guidance for policyholders at www.rothesay.com

What the buyout will mean for you

Rothesay will take over responsibility for administering your pension benefits. They will send you a welcome letter, which will include the new contact details you should use in connection with your pension benefits. The welcome letter will also provide you with details of how you can log in to their online service.

Transfers

Deferred members of the Scheme will continue to have transfer rights once Rothesay takes over responsibility for the Scheme. These rights broadly reflect the statutory transfer rights members currently enjoy in the Scheme. Rothesay will also permit transfers in the last year before your normal retirement date (NRD), but not after NRD.

GTS sale (to Hitachi)

Ground Transportation Systems (GTS) formally ceased participation in the Scheme on 20 May 2024, in advance of its sale by Thales to Hitachi. As required by law, GTS paid its share of the underfunding debt (Scheme deficit) on exit.



GMP equalisation

We have written to you about GMP equalisation in previous newsletters. Work on this project is continuing, and any required increases to benefits as part of it will be made in due course. The Trustee is liaising with Rothesay to make sure that the appropriate adjustments are made, where applicable.

GMPs are paid from pension schemes in relation to contracted-out service before April 1997 and are, in effect, a substitute for part of the State Pension. Many of the legacy final salary schemes which transferred into the Scheme provided GMPs. As a result, some of our members have a GMP. Pension schemes must remove the inequality in the way that GMPs treat men and women. This is called GMP equalisation.



Make your wishes known

An up-to-date Expression of Wish form tells us who you would like to be considered for any lump sum benefit that would be paid in the event of your death.

Under current law, neither the Trustee (before buyout) nor Rothesay (after buyout) are obliged to follow your wishes as set out in an Expression of Wish form, but they will take them into account when deciding to whom any lump sum benefit payable on death should go to.

If you're not sure whether you've completed an Expression of Wish form in the past, or if your circumstances have changed, you should complete and submit a new form. You can request a form from EQ or download one from the Scheme website (under 'Member Info' and then 'Member Forms'). Go to **thales.xpmemberservices.com**

All Expression of Wish forms will be forwarded to Rothesay, once the buyout is completed.



Pensions news

Budget 2024

In the autumn budget, the chancellor announced plans to include unused pension funds and death benefits payable from a pension in a person's estate for inheritance tax purposes from 6 April 2027. This will be a very complex area, and the government is currently running a consultation.

There are no changes to the Lump Sum Allowance or Lump Sum and Death Benefits Allowance (which recently replaced the Lifetime Allowance). In addition, the State Pension triple lock remains in place, meaning the State Pension will increase by 4.1% on 6 April 2025.

Increase to minimum pension age

The government is raising the normal minimum pension age from age 55 to age 57 from 6 April 2028. If you intend to retire early, this may affect your plans. If you were born after 5 April 1973, you will have to wait until 57 to access your pension.

If you were born after 5 April 1971 but before 6 April 1973, you'll have a window to retire from your 55th birthday until 5 April 2028. If you don't take your pension in this window, you'll need to wait until your 57th birthday.

If you were born on or before 6 April 1971, you won't be affected by this change because you will already have reached age 57 by 6 April 2028.

The buyout and winding-up of the Scheme is expected to be completed well before 6 April 2028, but please note that any increase in the NMPA will apply to TUPS-related benefits put into payment by Rothesay on or after this date.

Scheme accounts

The Trustee produces a formal annual report and set of accounts for the Scheme, which are summarised below. If you would like to see the full copy, you can request one from EQ.

The accounts have been audited by Deloitte LLP, who confirm that our financial statements give a fair and true reflection of the Scheme's finances over the year.

	(£'000)	(£'000)	(£'000)
	Section 1	Section 2	Total
Net assets at 31 December 2022	1,524,735	578,410	2,103,145
Contributions & other income	706,911	234,745	941,656
Benefits & expenses	(113,318)	(40,887)	(154,205)
Net additions from dealings with members	593,593	193,858	787,451
Net returns on investments	125,471	63,081	188,552
Net increase in the fund during the period	719,064	256,939	976,003
Transfers between sections	130	(130)	-
Net assets at 31 December 2023	2,243,929	835,219	3,079,148

These asset values may differ slightly from those used for funding updates, as they include AVCs and defined contribution investments and exclude the value of certain insurance policies.

Membership

As you know, the Scheme closed to the future build-up of pension on 30 September 2023, so there are no longer any active members.

	31 December 2023	31 December 2022
Section 1		
Actives	0	489
Deferreds	3,931	3,761
Pensioners	5,969	5,966
Dependants	1,460	1,495
Total	11,360	11,711

Section 2		
Actives	0	542
Deferreds	1,634	1,263
Pensioners	2,896	2,802
Dependants	435	436
Total	4,965	5,043

Actuarial valuation 2023

The Trustee carries out an in-depth examination of the Scheme's finances at least every three years. This is called an actuarial valuation. The Trustee asks a qualified, independent professional, known as an actuary, to help carry out this task. The current actuarial valuation, looking at the position as at 31 December 2023, has been completed recently and the results are included here.



What does the valuation involve?

The estimated cost of providing the benefits you and other members have earned to date is known as the Scheme's 'liabilities'. To check the Scheme's financial position, we compare the value of the liabilities to its assets. This comparison is done for each Section of the Scheme. If the Scheme or Section has fewer assets than liabilities, it is said to have a 'deficit'. If it has more assets than liabilities, it has a 'surplus'.

As a reminder, the previous full actuarial valuation (looking at the position as at 31 December 2020) showed that the Scheme had a deficit. To remove the deficit, the Company agreed to make 'recovery plan' payments of £75 million each year until 2034 (split £57.8 million for Section 1 and £17.2 million for Section 2) in addition to its regular contributions for benefits in respect of future service and the expenses of running the Scheme.

Less detailed annual check-ups are carried out in the years between full valuations. The 2022 annual update showed that the deficit had reduced considerably since the 2020 valuation.

Securing benefits with an insurer

Following this improvement, and supported by a material contribution from the Company, the Scheme buy-in was completed with Rothesay on 1 December 2023. This means that the Scheme's liabilities are largely secured with a third-party insurer, Rothesay. This has been reflected in the 2023 valuation results on page 12, which show a significant improvement to the funding level.



The latest position

The table shows the results of the 2023 valuation, the 2020 valuation and the 2022 annual update.

	2023 valuation		2022 annual update		2020 valuation	
	Section 1	Section 2	Section 1	Section 2	Section 1	Section 2
Assets	£2,107m	£777m	£1,529m	£569m	£2,077m	£735m
Liabilities	£2,144m	£791m	£2,091m	£747m	£3,314m	£1,140m
Deficit	£36m	£14m	£562m	£178m	£1,237m	£405m
Funding level	98%	98%	73%	76%	63%	64%
Overall funding level	98%		74%		63%	

The 2023 valuation results have been calculated as the cost of fully buying insurance policies to meet the liabilities of the Scheme, known as the buyout (or wind-up) position. The Trustee is currently working with the Company to secure the remaining liabilities in full and complete the next stage of the transaction – the buyout. This will mean that the Scheme will be fully funded at a level of 100% at this point: as part of the transaction last year, the Company has committed to paying contributions to meet the additional cost of this. The Trustee and the Company are working towards completing the buyout in 2025.

Other information we need to tell you

We are required to tell you if a refund has been paid to the Company. Only if the Scheme had more than enough money to buy out the benefits in full could a refund be paid to the Company. To date, the Scheme has not been in this position and so no refunds have been paid.

We are also required to tell you whether the Pensions Regulator has used its legal powers to make directions as to any of:

- the level of benefits available from the Scheme going forward
- the method or assumptions used to calculate the liabilities or the length and structure of the recovery plan
- the contributions that should be paid under the Schedule of Contributions.

The Regulator has not used its powers in relation to the Scheme and, therefore, the Scheme is not subject to any directions.



Running the Scheme

The Scheme is managed by a Trustee company called Thales Pension Trustees Ltd. There are 12 Trustee Directors: six are appointed by the Company and six are nominated by the members of the Scheme. The Scheme is split into two sections, and the assets and liabilities of each section are considered separately for funding purposes.

The Trustee has three sub-committees which focus on key areas, reporting back to the main Trustee board.

- Operations sub-committee (OSC)
- Governance sub-committee (GSC)
- Investment sub-committee (ISC)

Trustee Directors

Appointed by the Company	Peter Rowley, Chair
	Nigel Baldwin (GSC – Section 2)
	Philip Cameron (ISC – Section 1)
	Matthew Guy (OSC – Section 2)
	Phil Naybour (ISC – Section 1)
	Vidett, represented by Jim Robson (OSC – Section 2)

Member nominated	Joelle Dumetz (GSC – Section 2)
	Ronald Fardell (OSC – Section 1)
	Alison Hexter (GSC – Section 1)
	Niall Mitchell (ISC – Section 2)
	Robert Preston (ISC – Section 1)
	John Twigg (OSC – Section 2)

Advisers

Scheme administrator	EQ Retirement Solutions
Legal adviser	Gowling WLG (UK) LLP
Actuary and consultants	Matt Smith (Actuary) and Mercer Ltd
Investment adviser	Momentum Investment Solutions & Consulting
Auditor	Deloitte LLP
Bulk annuity provider	Rothesay

Pensions Department

Philip Cameron, Secretary to the Trustee

James Carrell, UK Pensions Manager




Get in touch

If you have a question about your benefits, please contact EQ.

 01293 603060

 thales@equiniti.com

 Thales UK Pension Scheme, EQ Retirement Solutions, Sutherland House, Russell Way, Crawley, West Sussex RH10 1UH

If you are a deferred member, you can view your pension record by going to 'Member Info' and 'My Pension' on the member website at **thales.xpmemberservices.com**.

If EQ is unable to answer your query or you are in any way dissatisfied with the service you have received, please contact the Secretary to the Trustees at Thales UK Pension Scheme, c/o Philip Cameron, 350 Longwater Avenue, Green Park, Reading, Berkshire RG2 6GF

Please let us know!



If you have recently moved house or changed your details, please let us know so that we can get in touch with you about your pension.

If you've changed your address, phone number, email address or the bank account your pension is paid into, you need to tell EQ without delay.