



FUTURE FOCUS

Looking towards your future.....

WELCOME TO YOUR ANNUAL NEWSLETTER

1. Statement from the Chairman

Dear members, welcome to FutureFocus 2019, the annual newsletter for members of the Thales UK Pension Scheme.

I'm pleased to report that, in March 2019, we agreed and finalised the 2017 actuarial valuation with the Company. While the Scheme assets continue to post healthy returns the growth in Scheme liabilities resulted in the deficit not reducing by as much as planned at the previous valuation. There was a resulting deficit of £846m at the valuation date of 31st December 2017. Following constructive discussions between the Company and the Trustees, the Company agreed to increase their deficit repair contributions to £75m pa and to continue to provide a guarantee from Thales SA to support the Scheme. With these measures in place the plan remains to remove the deficit by 2028.

During the year work continued on reviewing the Scheme administration. Various data audit exercises were completed, including an extensive tracing exercise for missing members. The reconciliation of members' Guaranteed Minimum Pension (GMP) entitlement is nearing completion and this will enable us to start work on equalisation of GMPs in 2020. Another major project planned for 2020 is the revamp of the Scheme's web page. The aim is to provide you with an improved more interactive service that lets members check their benefits and update their records online.

During the year the Trustees and Company successfully completed the Pension Exchange Exercise (PIE) which was offered to some of our existing pensioner members. The members were offered the opportunity to exchange some of their future pension increases for a higher initial pension payment. The response to the offer was good, with 444 members accepting the offer. Following the success of this exercise the Company and Trustees are considering the possibility of running other exercises offering members' options in 2020.

I hope as ever, that you find the information in this newsletter informative. I would encourage all members to visit the Scheme web site (thales.xpmemberservices.com), where you will find further information which is updated throughout the year.

I wish all of our members a healthy and prosperous 2020

Yours Sincerely

Peter Rowley

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2. Valuation Conclusion & Funding Update

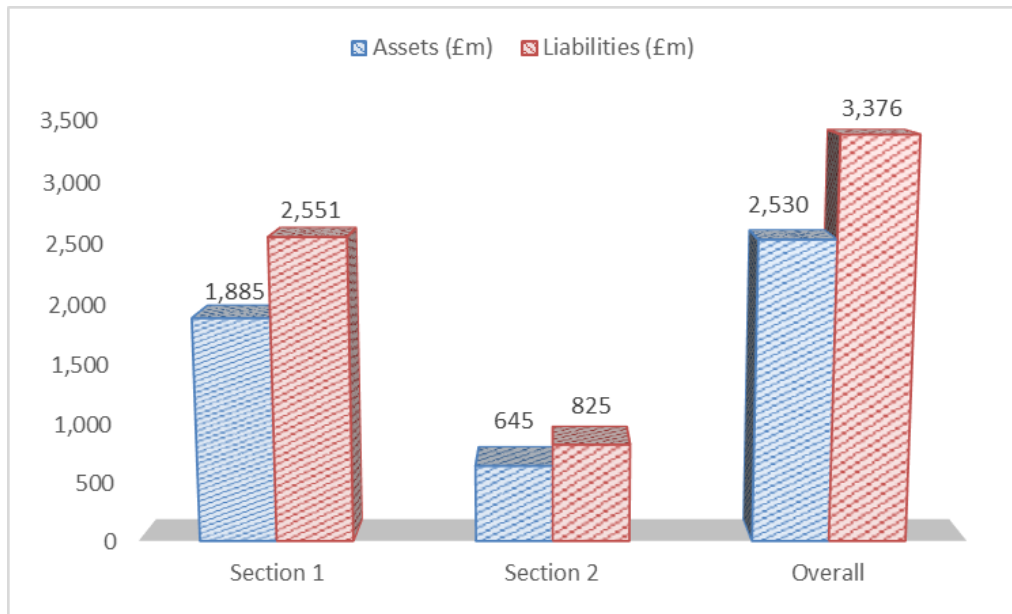
The 31 December 2017 Actuarial Valuation

The Trustees carry out an in-depth examination of the Scheme's finances at least every three years. This is called an actuarial valuation. The Trustees ask a qualified, independent professional, known as an actuary, to help to undertake this task.

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 (and each Section's) financial position we compare the value of its liabilities to its assets. If the Scheme/Section has fewer assets than liabilities, it is said to have a "deficit".

The formal actuarial valuation of the Scheme as at 31 December 2017 was completed in March 2019.

The financial position of the Scheme at 31 December 2017 was as follows:

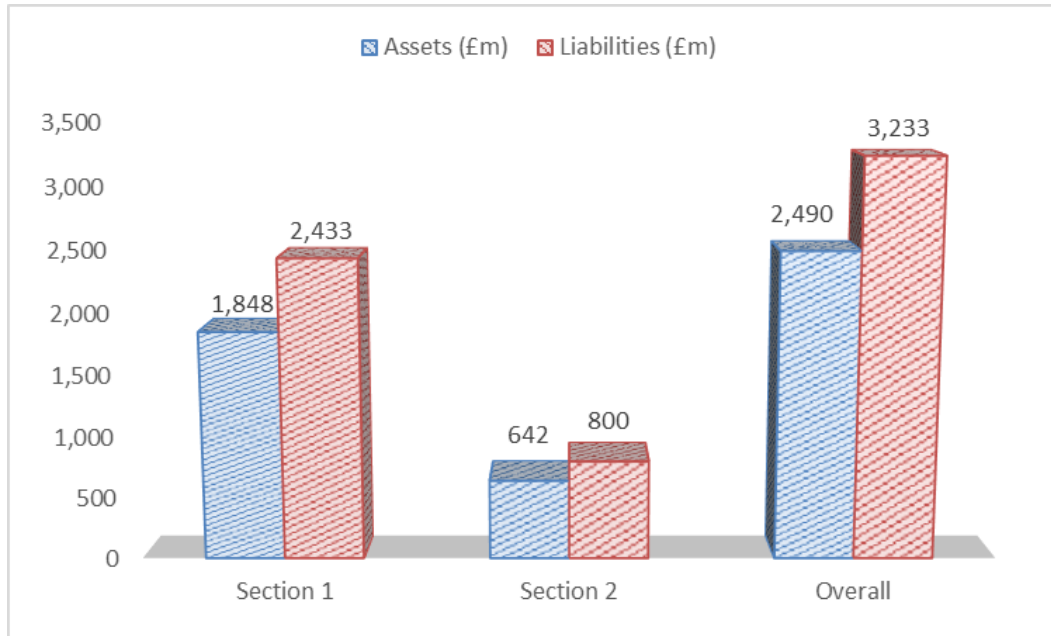


	Section 1	Section 2	Overall
Assets (£m)	1,885	645	2,530
Liabilities (£m)	2,551	825	3,376
Deficit (£m)	666	180	846
Funding Level (%)	74	78	75

The Company agreed to make "recovery plan" payments of £75 million each year until the end of 2028 (split £59.7 million for Section 1 and £15.3 million for Section 2) in addition to their regular contributions for benefits in respect of future service and expenses of running the Scheme.

The 31 December 2018 Funding Update

The Scheme Actuary has also provided the Trustee with an update of the position as at 31 December 2018:



	Section 1	Section 2	Overall
Assets (£m)	1,848	642	2,490
Liabilities (£m)	2,433	800	3,233
Deficit (£m)	585	158	743
Funding Level (%)	76	80	77

The above information forms part of your “Summary Funding Statement” which you should have received separately.

3. Employers participating in the Scheme

During the year, four employers¹ that participate in the Scheme ceased to employ any active members in the Scheme. As a result, these employers have ceased to be employers participating in the Scheme. Arrangements have been put in place to so that other employers that continue to participate in the Scheme assume the Scheme liabilities attributable to the exiting employers.

4. An Update on GMP Equalisation

Guaranteed Minimum Pensions ("GMPs") paid from contracted-out occupational pension schemes like the Scheme are, in effect, a substitute for part of the State Pension. The legacy final salary schemes which were transferred into the Scheme provided such GMPs and so, as a result of the merger of those schemes to form the Scheme, GMPs are provided through the Scheme for some members.

In order to ensure the Trustee pays the correct GMP benefits, it has been necessary for the Trustee to check the GMP data that it holds is the same as the data which HMRC holds in relation to Scheme members – this is known as "*GMP reconciliation*". The Trustee has now nearly finished its GMP reconciliation project.

An important court case relevant to all pension schemes with GMPs has confirmed that there are some inherent inequalities in GMPs as between men and women and that, as a result, Scheme benefits for the period of May 1990 to April 1997 may need to be adjusted to address the inequalities – this is known as "*GMP equalisation*". This applies to the Scheme as it holds GMPs, but it is a very complicated process. GMP equalisation can only be implemented once GMP reconciliation has been completed.

The Trustees are currently hoping to move to a position where GMPs have been reconciled and equalised by the end of 2020, but further information will be provided to affected members as the work progresses.

5. Environment, Social & Governance ("ESG") Considerations

In September 2018, new regulations came into force requiring the Trustees to update their Statement of Investment Principles ("SIP") by 1 October 2019 to set out their policy in relation to Environmental, Social and Governance ("ESG") considerations and to publish a copy of the SIP on the internet.

The Trustees carried out some initial work to consider their policy around ESG issues and have updated the SIP to document the current policy; a copy of the SIP can be accessed (thales.xpmemberservices.com/documents/investment). The Trustees view ESG considerations as an important part of the future sustainability of the Scheme and its investments, and will be considering the matter further. Any further revisions to the SIP will be uploaded to the webpage.

¹ At the date of writing this newsletter

6. The State Pension

Most working people from the age of 16 through to State Pension Age (SPA) pay contributions into the National Insurance Scheme. These contributions are earnings related and collected by payroll just like income tax.

The State Pension is calculated using years of National Insurance Contributions when you reach SPA. If you have 35 years of contributions when you retire you will get the full amount (currently £8,767.20 a year). If you have fewer than 35 years when you reach SPA you will get a pro-rata amount. You will need a minimum number of qualifying years when you reach SPA otherwise you will not get a State Pension.

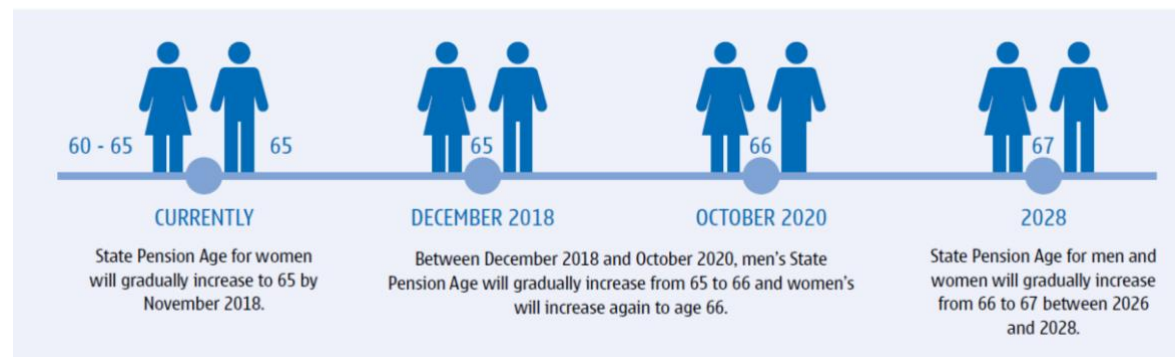
Some members of the Scheme were “contracted out” of an element of the State Pension under membership of their former scheme within the Thales group, prior to their transfer into the Thales UK Pension Scheme. This means that you paid a lower rate of National Insurance Contributions and in return the Scheme agreed to provide a minimum level of pension. This may affect the level of State Pension you receive at SPA.

If you would like further information on this topic then please visit the Government’s website at <https://www.gov.uk/new-state-pension>.

You can obtain a forecast of how much State Pension you might receive by going to <https://www.gov.uk/check-state-pension>.

When can I take my State Pension?

The SPA is rising as you can see in the graphic (below). It will reach age 65 for both men and women by November 2018 and is expected to increase further in future.



As the gap between the SPA and the Scheme’s Normal Retirement Age (65) widens, you will need to plan carefully for how you can “fill the gap” if you wish to stop working when you reach the Scheme’s Normal Retirement Age or earlier.

7. Beware Pension Scams

In recent years there has been a rise in pension scams, also known as “pension liberation” fraud, where companies claim that they can help you cash in your pension early. In some limited cases it is possible to access pension scheme funds before age 55 (the current standard minimum retirement age) but, for most people, promises of early cash will be bogus and are likely to result in serious tax consequences. This remains the case even though there is now more flexibility in how you can access your pension savings when you reach retirement age.

These scams are often advertised as ‘one off investment opportunities’, ‘free pension reviews’ and ‘legal loopholes’. However, if something sounds too good to be true, it usually is.

- **You may lose all your savings.** By entering into an agreement with companies offering a pension liberation scheme you risk losing most, if not all, of your savings.
- **You may be poorer in retirement.** You can only use your pension fund once. If you liberate your pension, there will be much less (or no) income from it when you retire.
- **You may be hit by unexpectedly high fees.** As part of the transaction, you are likely to have to pay the organisers a ‘commission’ or ‘arrangement fee’, which can typically range from 10% - 30% of the value of your pension.
- **You could face a huge tax bill and other penalties.** If you liberate your pension, you need to tell HMRC and will have to pay tax, which could add up to more than half your pension savings. If you don’t inform HMRC and HMRC contacts you first, you could be charged penalties and interest in addition to the tax.

Be alert to offers like this and if in any doubt, take advice from a registered adviser. If you think you are being targeted there are a few things you should do:

- Don’t be rushed into making any decisions or signing anything.
- Check that the person you are dealing with is authorised by the FCA at www.fca.org.uk/register
- Call the Pensions Advisory Service (TPAS) on 0300 123 1047 for guidance
- Check the details using the online pension scam identifier (further details below).

If you have already accepted an offer and believe you may be a victim, contact Action Fraud on 030012302040 or via www.actionfraud.police.uk

Online pension scam identifier

The Pensions Advisory Service (TPAS) has developed a guidance tool to help pension scheme members identify a potential pension scam. The tool, which is available on the TPAS website (<https://www.pensionsadvisoryservice.org.uk/my-pension/online-tools?moreInfo=4>) was developed with the support of Project Bloom, the Government-led task force that was set up to tackle pension fraud.

When you access the tool you will be asked a series of questions before being guided through the steps you should take if your answers correspond with some of the identifiers of a possible scam. Although the online tool does not give definitive answers or regulated financial advice, it does provide useful guidance.

8. Expression of Wish Form – a reminder

A completed Expression of Wish form indicates to whom you wish any lump sum death benefit to be paid in the event of your death.

If you are unsure if you have completed an Expression of Wish form in the past, or if you think a previously completed form may no longer reflect your current circumstances, you should complete and submit a current form which would supersede any previously completed form. A blank form for completion is available to print from the Scheme website (under “Member Info” then “Member Forms”) at <http://thales.xpmemberservices.com/Member-Info/Member-Forms>. Alternatively, a form can be supplied on request to Equiniti, the Scheme administrator, whose contact details are shown at the end of this newsletter. The original signed form should be submitted to Equiniti by post (e-mailed copies are not accepted).

9. Changes of Address

Do our administrators hold your correct address?

If you have moved since you last notified us of your address, please contact our administrators, Equiniti, using the contact details at the end of this newsletter.

10. Scheme Details

List of Trustees

Peter Rowley (Chairman)

Helen Depree (Operations Sub-committee (OSC) – Section 2 Trustee)

John Twigg (OSC – Section 2 Member-nominated Trustee)

Joelle Dumetz (Governance Sub-committee (GSC) – Section 2 Member-nominated Trustee)

Phil Naybour (GSC – Section 1 Trustee)

Ken McSweeney (Investment Sub-committee (ISC) – Section 2 Trustee)

Nigel Baldwin (ISC – Section 2 Trustee)

Paul Corris (ISC – Section 1 Member-nominated Trustee)

Niall Mitchell (ISC – Section 2 Member-nominated Trustee)

Robert Trotter (OSC – Section 1 Member-nominated Trustee)

Steve Murray (Section 1 Trustee)

Robert Preston (GSC - Section 1 Member-nominated Trustee)

Service Providers

EQUINITI PENSION SOLUTIONS – Scheme Administrator
– based in Crawley

GOWLING WLG (UK) LLP – act as the legal adviser to the
Scheme – based in London

MERCER LIMITED – Actuaries and Consultants (Andy
Cook – Scheme Actuary) – based in Woking

MOMENTUM INVESTMENT SOLUTIONS & CONSULTING
– Investment Advisers – based in Windsor

DELOITTE LLP – Scheme Auditor – based in Crawley

Pensions Department

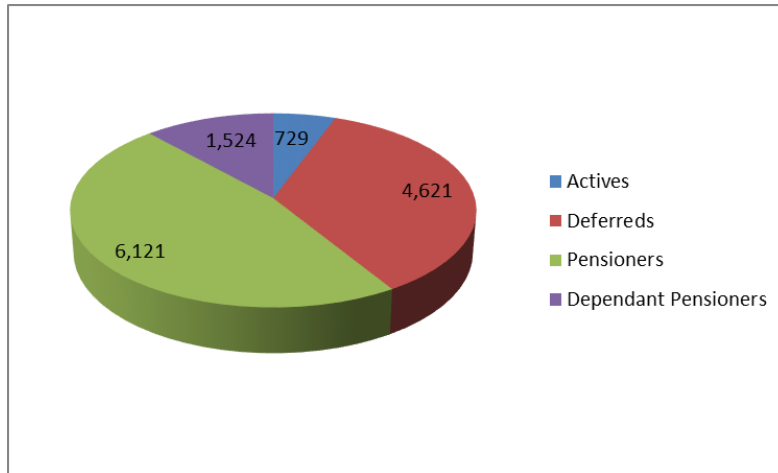
Philip Cameron – Secretary to the Trustees

James Carrell – UK Pensions Manager

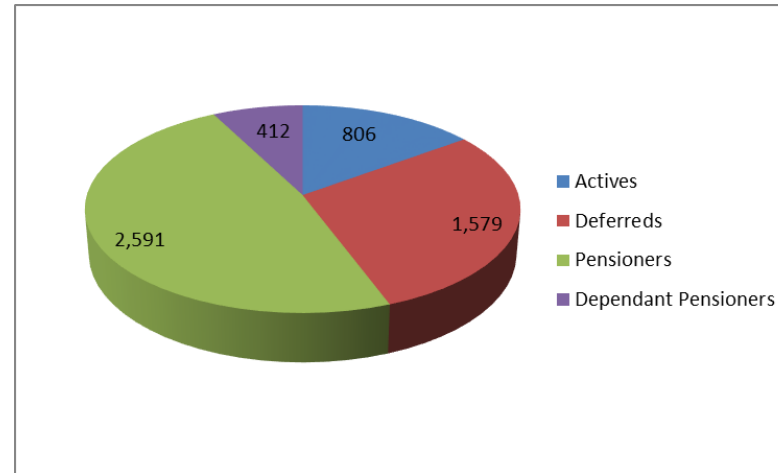
These two employees of Thales provide in-house support for the Trustees.

11. Membership Details as at 31 December 2018

Section 1



Section 2



12. Scheme Accounts as at 31 December 2018

	(£'000)	(£'000)	(£'000)
	Section 1	Section 2	Total
Net assets at 31 December 2017	1,876,860	660,837	2,537,697
Contributions & Other Income	76,203	28,674	104,877
Benefits and expenses	112,680	32,387	145,067
Net additions (reductions) from dealing with members	(36,477)	(3,713)	(40,190)
Net returns on investments	(320)	(1,742)	(2,062)
Net increase in the fund during the period	(36,797)	(5,455)	(42,252)
Net assets at 31 December 2018	1,840,063	655,382	2,495,445

These asset values differ slightly from those used for the funding update as they include AVC and defined contributions investments and exclude the value of certain insurance policies.

13. Who to contact

In the event of a query regarding your benefits please contact Equiniti in the first case. You can access Member Web directly via <http://thales.xpmemberservices.com>, or alternatively contact the helpline on 01293 603060, or by email at thales@equiniti.com. If you would prefer to contact them by post then please write to:

Thales UK Pension Scheme
C/o Equiniti
Sutherland House
Russell Way
Crawley
West Sussex
RH10 1UH

If Equiniti are 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