

# Smart Pensions

April 2024

# SMART Pensions could mean more take home pay

The Company operates an arrangement known as SMART Pensions which the majority of the Company's eligible employees have joined.

SMART Pensions results in employees and the Company paying lower National Insurance (NI) contributions. The majority of employees receive higher take home pay as a result. Eligible employees are automatically enrolled into SMART Pensions, with the option to opt-out if they wish.

## Part 1 – About SMART Pensions

This section will tell you how SMART Pensions works.

## Part 2 – How will SMART Pensions work for me?

This section will give you more detail on what SMART Pensions means for you. SMART Pensions is designed so that virtually all employees will see a benefit. However, there are a small number of employees who may potentially be worse off and this section explains this in more detail.

## Part 3 – Is there anything else I need to know?

This section will answer common questions about SMART Pensions, including its effect on your State Pension.

The majority of employees receive higher take home pay



## Further Information

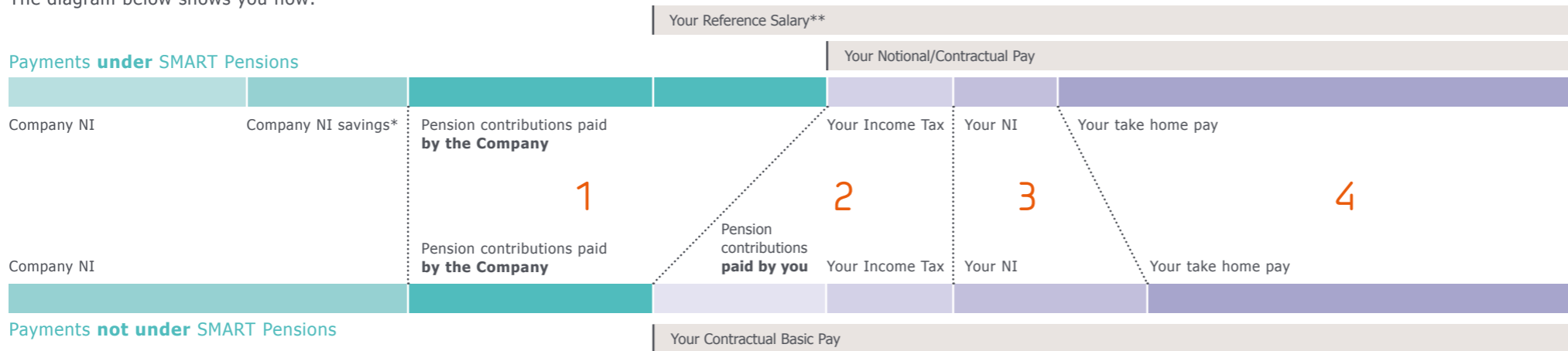
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# Part 1 About SMART Pensions

It works by eliminating the National Insurance (NI) contributions that you and the Company would otherwise have to pay on the amounts paid into your pension scheme. Under SMART Pensions, the overall amount of money going into your pension scheme does not decrease and your pension scheme benefits are unaffected.

It works like this; if you do not participate in the SMART Pensions arrangement then both you and the Company pay NI contributions on your total salary, including the part you pay into your pension scheme. Participation in SMART Pensions will reduce these NI contributions.

The diagram below shows you how:



Simply a more efficient way of paying contributions to your pension scheme

## 1 The Company pays your pension contributions

When you participate in SMART Pensions, you will not make contributions to your pension scheme. Instead, the Company will pay an additional amount into your pension scheme which is exactly the same as the amount of money that you will otherwise pay if you do not participate in the SMART Pensions arrangement.

## 2 Your Contractual Basic Pay reduces

Your Contractual Basic Pay will then be reduced by an amount equal to your pre SMART Pensions contributions.

## 3 Your NI payments reduce

The reduction in your Contractual Basic Pay will result in lower NI payments.

## 4 Your take home pay increases

The lower NI payments will reduce the deductions on your pay which means your take home pay is higher.

### \* The Company benefits too

Because of these changes the Company pays lower NI on employees' salaries with these savings then being paid into the pension schemes to help safeguard their future.

### \*\* Other benefits are not affected

Your salary before the SMART Pensions reduction will become your 'Reference Salary'. Your Reference Salary will be used to determine other salary related benefits such as bonuses, overtime, shift payments and pension scheme benefits. The value of these benefits will therefore be unaffected by SMART Pensions.

## Further Information

Visit: [baesystems.com/pensions](https://baesystems.com/pensions)

## Part 2 How will SMART Pensions work for me?

### Who can't benefit from SMART Pensions?

There are a few employees who are not eligible to participate in SMART Pensions including:

- > Any employees whose hourly rate\* would fall below the National Living Wage as a result of the salary sacrificed under SMART Pensions.
- > Expatriate or overseas employees, other than those on short term assignments, for whom different taxation and/or social security arrangements apply.
- > Employees not in BAE Systems pension schemes.

Employees whose annual gross rate of pay is less than the Lower Earnings Limit (£6,396 pa for 2024/25) or who fall below this level at any time during the year, may not benefit from SMART Pensions, as they may lose entitlement to certain state benefits.

If you believe you may be adversely affected by SMART Pensions we recommend that you take independent financial advice.

\*Limit will be prorated based on contractual hours.

### How much am I going to save?

The amount of extra money you will take home depends on your individual circumstances. The 'Savings Table' on [page 5](#) will give you an idea of the difference SMART Pensions will make to you.

The savings illustrated throughout this booklet are based on current NI rates and the Upper Earnings Limit (UEL) which is set by the Government for each tax year. For the tax year 2024/25, the UEL is £50,270.

Remember, your participation will allow the Company to make savings which will be invested for the long-term future of all the pension schemes.

### How to use the Savings Table

#### Step 1

Find out your monthly pension contribution to the nearest £10 (excluding AVCs for all employees except those employed by Digital Intelligence). You will find this on your payslip. Look for this amount in the 'contribution per month' column of the Savings Table on [page 5](#).

#### Step 2

If your gross pay is less than the UEL (£50,270 for 2024/25) you can use the green columns to see how much you would save each month and each year and how much BAE Systems would save each month and each year.

**Example** (based on the UEL for 2024/25 of £50,270)

If your gross pay is less than the UEL and your monthly contribution is £200, you will save £192 a year and the Company saving, which will go into the pension schemes, will be £331. If your gross pay is more than the UEL then, even though your personal saving may seem low, the Company saving will be much higher and these savings will be invested for the long-term future of all the pension schemes.

If your gross pay is above the UEL you can use the purple columns to see how much you would save each month and each year and how much BAE Systems would save each month and each year.

Savings will depend on your actual earnings and pension scheme contributions in each pay period. Savings in future tax years will depend on NI contribution rates at that time. Savings are calculated using NI rates for 2024/25.

Remember that the savings you make go into your take home pay.



Savings will depend on your actual earnings and pension scheme contributions in each pay period

### Further Information

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# Part 2 How will SMART Pensions work for me?

## Savings Table

Contribution per month (£)	If you are earning below the UEL				If you are earning above the UEL				Contribution per month (£)	If you are earning below the UEL				If you are earning above the UEL			
	Employee savings (£)		Employer savings (£)		Employee savings (£)		Employer savings (£)			Employee savings (£)		Employer savings (£)		Employee savings (£)		Employer savings (£)	
	per month	per annum	per month	per annum	per month	per annum	per month	per annum		per month	per annum	per month	per annum	per month	per annum	per month	per annum
10	1	10	1	17	0	2	1	17	260	21	250	36	431	5	2	36	431
20	2	19	3	33	0	5	3	33	270	22	259	37	447	5	5	37	447
30	2	29	4	50	1	7	4	50	280	22	269	39	464	6	7	39	464
40	3	38	6	66	1	10	6	66	290	23	278	40	480	6	10	40	480
50	4	48	7	83	1	12	7	83	300	24	288	41	497	6	12	41	497
60	5	58	8	99	1	14	8	99	310	25	298	43	513	6	14	43	513
70	6	67	10	116	1	17	10	166	320	26	307	44	530	6	17	44	530
80	6	77	11	132	2	19	11	132	330	26	317	46	546	7	19	46	546
90	7	86	12	149	2	22	12	149	340	27	326	47	563	7	22	47	563
100	8	96	14	166	2	24	14	166	350	28	336	48	580	7	24	48	580
110	9	106	15	182	2	26	15	182	360	29	346	50	596	7	26	50	596
120	10	115	17	199	2	29	17	199	370	30	355	51	613	7	29	51	613
130	10	125	18	215	3	31	18	215	380	30	365	52	629	8	31	52	629
140	11	134	19	232	3	34	19	232	390	31	374	54	646	8	34	54	646
150	12	144	21	248	3	36	21	248	400	32	384	55	662	8	36	55	662
160	13	154	22	265	3	38	22	265	410	33	394	57	679	8	38	57	679
170	14	163	23	282	3	41	23	282	420	34	403	58	696	8	41	58	696
180	14	173	25	298	6	43	25	298	430	34	413	59	712	9	43	59	712
190	15	182	26	315	6	46	26	315	440	35	422	61	729	9	46	61	729
200	16	192	28	331	7	48	28	331	450	36	432	62	745	9	48	62	745
210	17	202	29	348	7	50	29	348	460	37	442	63	762	9	50	63	762
220	18	211	30	364	7	53	30	364	470	38	451	65	778	9	53	65	778
230	18	221	32	381	7	55	32	381	480	38	461	66	795	10	55	66	795
240	19	230	33	397	8	58	33	397	490	39	470	68	811	10	58	68	811
250	20	240	35	414	8	60	35	414	500	40	480	69	828	10	60	69	828

## Further Information

Visit: [baesystems.com/pensions](https://baesystems.com/pensions)

# Part 3 Is there anything else I need to know?

## How will SMART Pensions affect my State Pension?

SMART Pensions does not impact your ability to build up the single-tier new State Pension. Information on the new State Pension is available at:

> [gov.uk/new-state-pension/overview](https://www.gov.uk/new-state-pension/overview)

## Does the more you earn mean the more you save?

Only to a certain extent. Once earnings exceed the UEL (£50,270 in the tax year 2024/25), NI rates reduce on the balance of earnings above the UEL from 8% to 2% for members of the BAE Systems pension schemes. People earning above this amount will therefore save proportionately less.

## Would SMART Pensions affect my income tax position?

No, SMART Pensions only affects NI payments. Income tax payments would be unaffected.

## Would SMART Pensions affect any other BAE Systems benefits I receive?

SMART Pensions does not reduce any salary related payments or any other benefits you receive directly from the Company.

Pension scheme benefits, overtime, shift premium and discretionary redundancy severance payments continue to be based on your Reference Salary (your salary before the SMART Pensions reduction).

Any future salary increases and all other related benefits, such as pay reviews, will be calculated on your Reference Salary, and are therefore unaffected by SMART Pensions.

The Reference Salary is used for mortgage reference letters and therefore should not impact the amount of any mortgage you take out, or your credit rating.

## Are AVCs included in SMART Pensions?

For all employees your core contribution and, for members of the MMT - BAE Systems Retirement Savings Plan who pay matching contributions, these are included in SMART Pensions.

AVCs are not included for most employees, except if you are employed by Digital Intelligence where AVCs are included in SMART Pensions.

## What happens to benefits where these are linked to contributions paid?

For the purpose of benefit calculations, benefits are calculated as if you had not participated in SMART Pensions.

## How long will SMART Pensions last?

There is no end date planned. However, if the tax/National Insurance regime or the law changes, or it is no longer viable for BAE Systems to operate this arrangement, BAE Systems reserve the right to withdraw SMART Pensions.

Should this happen, your pay will be adjusted back to your Reference Salary (less any other salary sacrifices that you participate in). Pension contributions will then be deducted from your pay, however you will not have to pay back any of the additional take home pay received from the reduction in NI contributions.

## What should I do if I decide to opt out of SMART Pensions?

Paying your contributions through SMART Pensions is not compulsory.

Employees can opt in or out of SMART Pensions during September each year by submitting an online request via the BAE Systems Employee Service Centre portal (search 'SMART'). If you are a BAE Systems employee and are unable to access the portal please call on 0208 068 2868. If you are employed by a participating employer other than BAE Systems, please contact your HR team for further assistance.

In exceptional circumstances (for example, a change in working hours or earnings) employees will be able to, at the Company's discretion, opt in or out of SMART Pensions during the course of the year. If this applies to you please contact your Scheme administrator (see 'further information' in the right hand column).

## Would SMART Pensions impact any benefits I get from the State?

Entitlement to some State benefits, such as statutory sick pay, incapacity benefit and job seekers allowance are based on the amount of NI that has been paid.

Provided you continue to earn more than the Lower Earnings Limit (£6,396 pa for 2024/25) on a regular basis after the introduction of SMART Pensions, your entitlement to these benefits will not change.

Although SMART Pensions could reduce the amount of statutory entitlement to maternity, paternity and adoption payments, BAE Systems will ensure that employees are no worse off by adjusting the amount paid by the Company.

## Would SMART Pensions impact the income tax credits I get from the State?

No, SMART Pensions does not affect any income tax credits that you may receive.

## The personal savings for me are small – why should I support SMART Pensions?

The more people who participate in SMART Pensions, the more the Company contributes to help safeguard the future of the BAE Systems pension schemes.

This would apply, for example, once you are over State Pension age when you will not pay NI contributions and so you will make no savings yourself. As employer NI contributions are still payable, your participation in SMART Pensions means the Company makes savings, which it pays into the pension schemes.