

PENSION matters

Issue 1 | February 2021

A new website for you

We'll be launching a new website for all members of the Scheme in the Spring. There's a section dedicated to you, our retired members.

Your pension through the Covid-19 crisis

We explore the impact of the global crisis on the Scheme's investments and report back on the finances.

Find out more inside...



A new year and a fresh start

I'm delighted to start our 2021 newsletter with some good news for you. We'll be launching a new website and secure portal, giving you online access to your own pension information in the Spring. We'll continue to write to you about your pension increases, but the website will mean you can see your latest increase and your P60 at anytime. You can read about our plans on the following pages.

Despite a disruptive year in 2020 as we all learned to cope with the impact of Covid-19, I am pleased to say that your Scheme pension has remained stable throughout. The administration team at Buck has continued to operate whilst working from home and has ensured that urgent queries, retirement requests and pensions in payment have been dealt with in as timely a manner as possible. We, your Trustees, and all our advisers have continued to look after the Scheme, switching to online meetings and making sure that your benefits in the Scheme are protected.

You may have heard about the merger of Raytheon and United Technologies, which was successfully completed in April 2020. There is no immediate impact on the Scheme resulting from this merger. The Trustees continue to monitor the ability of Raytheon Systems Limited (the company) to support the Scheme and are reassured by how the company has managed through the pandemic. We continue to view their support to the Scheme as strong.

I hope you enjoy our new approach to communicating with you. You'll be hearing from us again when we're ready to launch our new website in the Spring.

Wishing you all a healthy and safe year ahead.

Steve Southern

Independent Chair of the Trustees



Open for business

Ever since the first lockdown in March 2020, the teams supporting the Scheme have moved to home-working where possible. Buck, the Scheme's administrators, have been prioritising handling your queries and needs and they have successfully:

- ensured that pensions have been paid on time
- managed new retirements and set up pension payments in a timely fashion
- supported families with dependants' pensions
- processed requests for retirement quotes and transfer value quotes as normal.

Email communication

The events of 2020 have demonstrated just how important it is to be able to communicate with you quickly and effectively. Although we'll continue to send you this newsletter and important letters through the post, it would make a big difference if we could email you with timely updates and links to materials that will help you feel more connected with your Scheme pension.

You'll receive a letter in the near future about the launch of our new website which will include your login details for 'My Pension Portal' run by Buck. When you register you'll be asked for your preferred email address and we'll use this to communicate with you about your pension – unless you tell us otherwise. You can be assured we'll only send you information that's relevant to you and is about your pension benefits in the Raytheon Scheme. We will never send information containing your personal financial details by email.

Sign up for email communication when you register for our new member portal to make sure you stay connected with your Scheme pension.

Stable finances

The Scheme itself was in a strong financial position ahead of the Coronavirus outbreak, with sufficient funds to pay out the benefits promised under the Scheme rules. You can find out more about the financial position of the Scheme on page 10. This still remains the case and the Trustees have continued to work with the Scheme's advisers to monitor and assess the Scheme's investment strategy and funding position.

So, despite the world being somewhat topsy-turvy, your Scheme pension has remained in good hands and has continued pretty much as usual.

Opening a new door to your pension

In the Spring we'll be launching our new pension website which will become the new doorway to your pension.

Full of information for all members of the Scheme, it's split into different sections to make it easy for you to find the information that's relevant to you.

- **Open up your pension**

This is all about how the Scheme works and is primarily for active members and those who are a way off retirement.

- **Open up your future**

For anyone planning or thinking about their retirement, this takes members through their choices and the support available to help them through.

- **Already retired**

For you, our pensioners. In this section we remind you of how your pension is increased each year, the death benefits that may be payable and what to do if you have a tax query.

There are also other sections for Scheme documents like this newsletter and a contact page so it's easy for you to find out who to get in touch with at any time.

It's personal to you

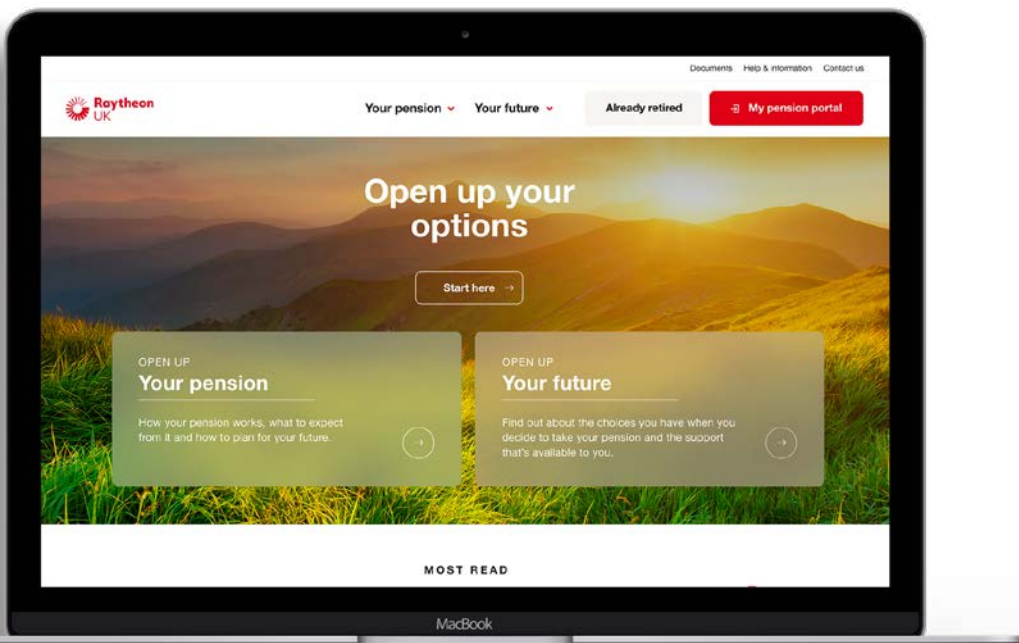
The My Pension Portal button on the website will take you straight through to the secure area – run by Buck – where you'll need to log in to access all your personal information and details about your pension in payment.

The first step is to register with My Pension Portal and you'll be sent a unique PIN, which along with your personal information like your NI number will ensure that only you can register to see your personal details on the portal. You'll then be able to set up your own log in and password.

Once you've sorted out your log in, you'll be able to see copies of your payslips, your P60 and your pension increase letter online.



Look out for your letter from the Scheme in March so that you can register to get full access to your own pension benefit information.



The people behind your pension

The Scheme is managed on your behalf by us, your Trustees. We work with a range of professional advisers through the year to ensure that the investments, administration of your benefits, communication and financials are all well run. It's a role with a high level of responsibility and commitment that involves looking after £600m worth of assets for over 4,000 people. To ensure we have a good team and in keeping with the requirements of the Trust Deed and Rules, we make sure that we have regular training so that we maintain a good understanding and grounding in pensions and keep up to date with any changes in legislation that may impact you or the Scheme.

Last year one of our Trustees, who was appointed by the company, resigned from the role. We already had a vacancy for a Member Nominated Trustee which we'd been unable to fill for some time. This prompted us to agree to reduce the number of Trustees from the original seven, down to five which meant that we could maintain the correct balance between those of us appointed by the company and those appointed by the members.

Your five Trustees are:

20-20 Pension Services Limited (represented by Steve Southern)	INDEPENDENT TRUSTEE CHAIR Company appointed
Andrew Hosier	COMPANY APPOINTED Head of Commercial
Sharon Richards	COMPANY APPOINTED Tax and Financial Reporting Manager
Nigel Deeks	MEMBER NOMINATED TRUSTEE Lead Engineer, Mechanical Systems Design
John Norbury	MEMBER NOMINATED TRUSTEE Retired Configuration Data Controller

Secretary to the Trustees

David Pert	Head of Benefits, Compensations and Pensions
-------------------	--

Appointment of our member nominated trustees

Under our rules, Member Nominated Trustees stay in office for six years – unless they leave or resign earlier. At the end of this period, we then need to open up the opportunity to our active members and pensioners to see if anyone else would like to be considered for this role.

Both Nigel and John's six year term has ended, but they have both confirmed that they will be putting themselves forward as part of this nomination process.

If you think this is something you'd be interested in too, then please get in touch and we can forward you the relevant forms and information.

Contact david.pert@raytheon.co.uk with a subject header of '*Member Nominated Trustee request*'. Closing date for us to receive your completed nominations is: **Friday 19 March 2021**. If you'd like to find out more about trusteeship go to: www.thepensionsregulator.gov.uk

To be eligible you need to:

- be an active member (i. e. a current employee who is still building up a pension) or a pensioner of the Scheme;
- be nominated for election by an eligible member;
- give written consent to your nomination and provide a declaration of your eligibility in accordance with legislation:
 - be age 18 or over;
 - not be an undischarged bankrupt or have entered into certain voluntary arrangements with creditors;
 - not be disqualified from being a company director;
 - not have been convicted of an offence involving dishonesty or deception (unless the conviction is spent); and
 - not have been prohibited from acting as a trustee by the Pensions Regulator or disqualified by law from being a Member Nominated Trustee.



Opening up the finances

Here's our regular summary from the Report and Accounts showing the income and outgoings for the Scheme during the financial year up to 5 April 2020.

Year ending	5 April 2019	5 April 2020
	£s	£s
Value at the start of the year	586,567,068	608,433,195
Income		
Employer contributions	12,142,823	9,848,088
Employee contributions	178,848	138,373
Other income	698,630	744,516
Total income	13,020,301	10,730,977
Outgoings		
Retirement and death benefits	(17,184,397)	(17,793,696)
Transfers out to other pension schemes	(10,338,735)	(5,475,295)
Premiums for life assurance	(663,460)	(663,460)
Scheme expenses	(1,153,741)	(1,227,320)
Total outgoings	(29,340,333)	(25,159,771)
Investment returns (net of expenses)	38,186,159	36,044,541
Value at the end of the year	608,433,195	630,048,942

Who's in the Scheme?



Numbers correct at 5 April 2020.

What we're doing with investments

Investing a pension scheme's money isn't all about making more money through the investment returns. It requires a balance between protecting the value of the assets and investing in areas that will bring in a return closely linked to the cost of providing the benefits promised by the Scheme.

When deciding on the investment strategy for the Scheme, we weigh up how we will ensure the Scheme:

- is able to meet the benefit payments when they become payable, and
- keeps the funding position at an acceptable level.

Changing the balance

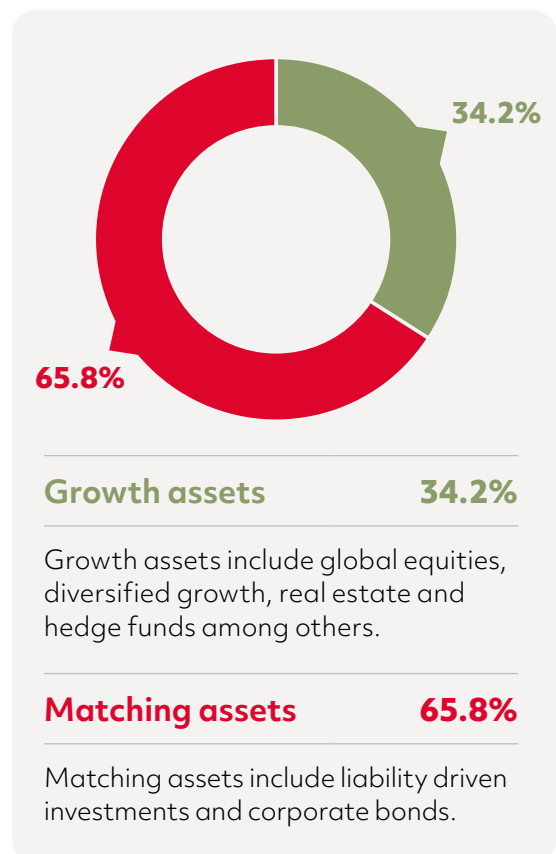
With this in mind, we made a change to where the money is invested during the financial year, switching some of the Scheme's investments from global equities into liability driven investments, corporate bonds and diversified growth assets.

Liability driven investments or LDI are investments whose value is expected to move in line with the cost of providing the benefits promised by the Scheme. This is known as 'matching' the assets with the liabilities and reduces the volatility in the funding level of the Scheme.

Corporate bonds bring in a steady return at a higher return than government bonds, but the interest rate is still linked to the rise in the cost of providing benefits.

Diversified growth assets still look for growth across a wide range of assets and look for a certain level of return over inflation. In the long term they are expected to typically bring in a similar level of return to equities but with less volatility.

The chart on the right shows the Scheme's asset split at 5 April 2020. You can see here how the Scheme's investments now have a much greater emphasis on the matching assets than on growth. Over the last 3 years, the allocation to growth assets has reduced from 60% to 34%. This is good news for members, as it means there is a lower risk of the Scheme's assets falling relative to the liabilities. The changes in our investment strategy have been made to increase the stability of the Scheme and maintain our strong funding position. The changes were implemented in a strategic manner, with a number of gradual changes taking place at opportune times in investment markets. We have a plan in place to reduce growth assets further when the time is right.



The investment changes are good news for members as they will increase the stability of the Scheme.

Investment returns compared to the benchmark

Investment markets had the worst quarter since the end of 2008 at the start of 2020, which had an impact on the investment returns overall. The shutdown across the world driven by the pandemic meant that many areas of investment were hit hard. However there were some positives in the year to April 2020 with some strong returns in areas like real estate and modest positive returns in the corporate bond portfolio. The LDIs brought in returns in line with expectations. The Scheme's growth assets did fall in value over the year, mainly due to Covid-19 and the impact the crisis has had on the global economy.

Over 1 year to April 2020		Over 3 years (return per year)		Since 31 December 2002 (return per year)	
Scheme	Benchmark	Scheme	Benchmark	Scheme	Benchmark
4.3%	7.8%	4.9%	6.3%	8.5%	8.6%

Influencing business decisions for good

As more than half the money invested in companies around the world is pension money, investment managers often have voting rights as shareholders and can influence how companies use the money that's being invested. They can also choose to invest in companies that are working towards becoming more environmentally friendly, treat their employees well and follow good business ethics.

We have been through a training programme with the Scheme's investment consultant to understand more about responsible investment and how to take account of things like stewardship and climate change when making investment decisions. Coming out of this, we have discussed with the investment managers the approach the Scheme should be taking towards the companies it invests in. The investment managers are briefed to:

- consider the Environmental, Social and Governance ratings of companies when choosing new investments. For example, engaging with companies on climate change to ensure they are making progress and aligning themselves with the wider objectives on climate change in the economy e.g. the Paris agreement.
- discuss the voting and engagement activities they carry out on our behalf – although the ability of the investment managers to vote is limited now that the Scheme is no longer investing in so many equities.

The overall priority is to invest the Scheme's money in the interests of members and bring in a healthy return for the Scheme, whilst considering good stewardship.

The Scheme's Statement of Investment Principles or SIP includes the Scheme's policy on Environmental, Social and Governance factors and was most recently reviewed in August 2020. This is available online at: <https://tinyurl.com/RaytheonSLPSSIP>.

We welcome your views on our approach to environmental, social and governance priorities for the Scheme's investments. Use the contact details on the back page to let us know your thoughts.

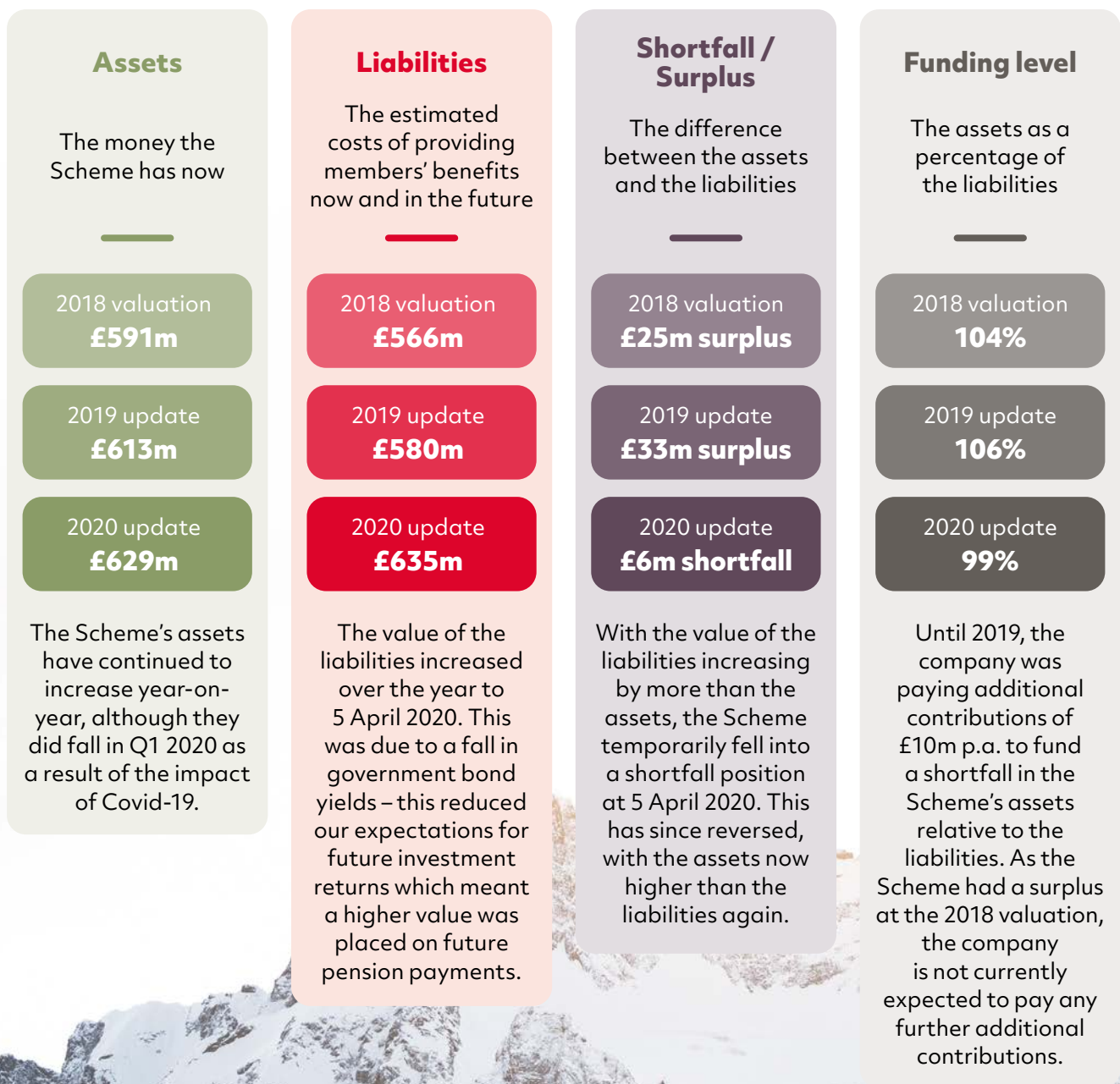
Summary funding statement

The following information gives you an overview of the Scheme's financial health. It's a legal requirement that we share this information with you and we hope you will be suitably reassured by the Scheme's current funding level.

The Scheme must have a full financial check (called a valuation) from an independent expert (called an actuary) at least every three years. Our last valuation was carried out at 5 April 2018. The actuary also has to carry out annual updates.

We have to report the valuation results to the Pension Regulator and inform them that we've communicated with you about the financial position of the Scheme.

How's the Scheme doing?

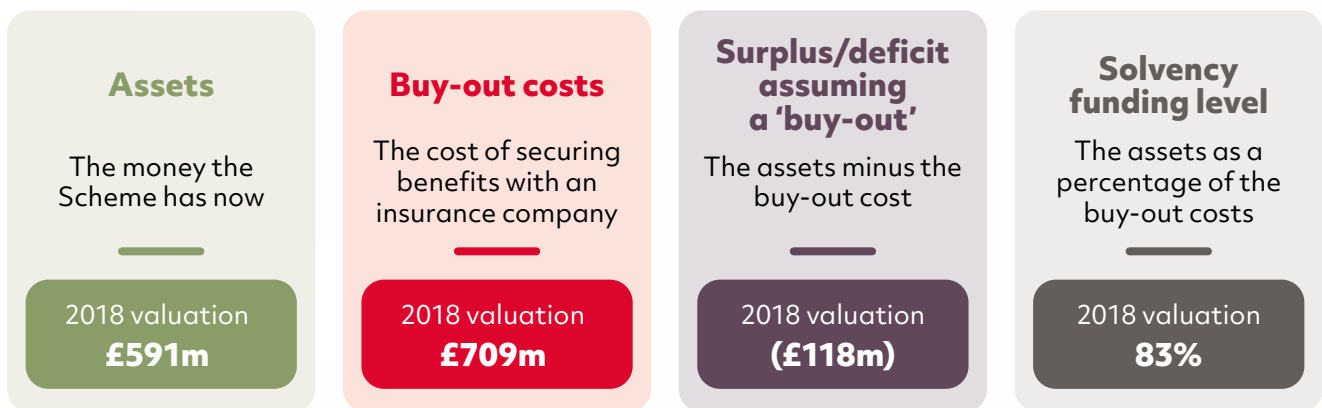


Is my pension secure?

Our aim is to have enough money in the Scheme to pay pensions and other benefits to members. So long as the company continues to support the Scheme, your benefits will be paid in full when they become due.

The Actuary also works out how much money the Scheme would need if the company could no longer support it, the Scheme was wound up and we then secured members' benefits by buying an insurance policy. Securing benefits in this way is expensive because the insurance company pays members' benefits in full in exchange for a one-off payment. The insurance companies have to invest in 'low risk' assets with low future investment returns and they also have to hold reserves to demonstrate they have enough money to pay out the benefits.

At the 2018 valuation, the estimated position for buying members' benefits with an insurance company was as follows:



Please note: Including this information does not mean that the company or the Trustees are planning to wind up the Scheme. We are required by law to give you this information.

The calculation estimates the cost of providing the promised benefits if the Scheme ended on 5 April 2018 and the responsibility of paying the benefits was transferred to an insurance company.

If there was not enough money in the Scheme to buy out all the benefits with an insurance policy, the company would have to make up the shortfall. For cases where a company goes out of business and doesn't have the money to pay the benefits promised the Government has set up the Pension Protection Fund (PPF) which can pay compensation to members. You can find out more about the PPF on its website: www.ppf.co.uk. To contact them please email: information@ppf.co.uk or call **0345 600 2541** (International callers: **+44 (0)20 8633 4902**).

And finally

Legally, we have to confirm that the company has not taken any surplus payments out of the Scheme in the last 12 months. We can also confirm that The Pensions Regulator has not intervened to change the way that benefits build up, the way valuations are calculated, or the way the funding shortfall is met.



Questions?

If you have any questions about this newsletter or would like any more information about the Scheme, please contact the Scheme administrators Buck. If you change address please also let the administrators know or update your information online once our new website has gone live.

We recommend that you email them or call the helpline while we continue coping with lockdowns and different levels of restrictions across the country.

Email: raytheonpensions@buck.com

Helpline: **0330 123 0355**

You can write to them at:
Buck (Edinburgh)
PO Box 321
Mitcheldean
GL14 9BG