Raytheon UK

Raytheon Systems Limited Pension Scheme

OPENING UP the finances

November 2022

Hello & welcome

Welcome to this year's financial update. Inside you'll find an update on the Scheme's finances as at 5 April 2022.

Since our March newsletter, the world has been experiencing a difficult economic outlook with significant cost-of-living increases here in the UK.

We'd like to reassure you that the Trustees keep the Scheme under regular review, and that, due to our investment strategy, the rising levels of inflation have not had a material impact on the Scheme's funding level.

You can read more about the Scheme's inflation protection strategy in our investment update on **page 4**, and you can find an update on the Scheme's funding level on **page 5**.

We always invite feedback from members, but in this edition we're taking it a step further and inviting you to complete a quick survey to let us know if we're really helping you know more about your pension. Find out more below.

Steve Southern
Independent Chair of the Trustees

Help us to help you

We really want you to get the most out of your Scheme pension. It would be great to know whether you have been finding our communications about the Scheme helpful – or if there are things we could do differently or better.

You can let us know by completing a short survey online. It's anonymous so please feel free to be honest – it'll help us to keep improving all the information we send to you.

Scan the QR code to visit the survey:

Or if you prefer, go to: **https://www.surveymonkey.de/r/raytheonpensions**

The cost of living and your pension

If you're a deferred member, your pension in the Scheme increases each year to help it keep up with inflation.

This pension increases in line with either the Consumer Price Index (CPI) or the Retail Prices Index, depending on which section of the Scheme you're in. The increase is up to a maximum of 5% a year for pension earned before 6 April 2009 and 2.5% a year for pension earned after 5 April 2009.

We know that the increases the Scheme gives can fall short of the actual rise in the cost of living. They do, however, give your pension some protection against the effect of inflation.

Money in and money out

Here's our regular summary from the Scheme's Report and Accounts showing the income and outgoings for the Scheme during the financial year to 5 April 2022.

Year ending	5 April 2021 £s	5 April 2022 £s
Value at the start of the year	**630,048,942**	**651,430,231**
Income		
Employer contributions	3,059,794	2,915,160
Employee contributions	145,495	142,652
Other income	211,732	156,544
Total income	**3,417,021**	**3,214,356**
Outgoings		
Retirement and death benefits	(18,857,284)	(18,278,625)
Transfers out to other pension schemes	(4,387,794)	(7,378,103)
Premiums for life assurance	(783,123)	(1,320,957)
Scheme expenses	(1,473,653)	(1,537,727)
Total outgoings	**(25,501,854)**	**(28,515,412)**
Investment returns (net of expenses)	**43,466,122**	**7,201,176**
Value at the end of the year	**651,430,231**	**633,330,351**

What we're doing with investments

There are two main aims for the Scheme's investments:

- to ensure that current and future benefits can all be paid out to members when needed, and
- to keep the funding position on track.

With this in mind, we have been reducing the risk level of our investments by switching from higher risk areas like global equities (company shares) into lower risk areas like bonds in 'liability matching' investments. These types of investments tend to bring in a level of return that matches the cost of providing pension benefits – hence the name.

We've been able to do this because the Scheme's funding position is in good shape, and has continued to improve over time.

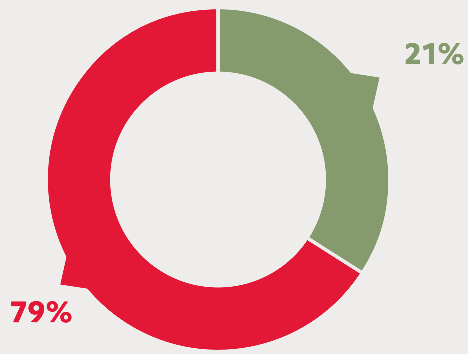
We also take into account environmental, social, and governance (ESG) considerations with our investments. For example, we'll discuss investment opportunities linked to the transition to a lower carbon world and we track the ESG ratings given to our fund managers and have seen these improve over recent months.

What's been going on in investment markets?

Concerns around the Ukraine crisis, inflation pressures, the ongoing impact of the pandemic, and more recently increases in interest rates have led to investment markets being extremely volatile – most types of investment have fallen in value over 2022 to date.

The good news is that whilst the Scheme is not completely immune from these events, our lower risk investment strategy has limited the impact.
For example:

- The Scheme no longer holds any investments in equities, so movements in the stock market don't hit the Scheme.
- An inflation protection strategy is in place whereby we have investments that "match" the inflation characteristics of your Scheme benefits, which largely mitigates the risks around higher inflation.



Growth assets **21%**

These include hedge funds, real estate and higher risk types of credit.

Matching assets **79%**

This category includes funds designed to match the inflation and interest rate changes that affect the Scheme's liabilities (members' benefits), along with bonds issued by governments and companies. We're also introducing a new investment fund, which invests in many different types of bonds aimed at generating attractive returns, with low risk and strong protection from market downturns.

Please note that the allocations shown are approximate, and they will vary with market movements.

Over the three years to 31 March 2022, a volatile period for investments, the Scheme's assets produced a return of 4.1% a year. Looking over the very long term, from 31 December 2002 up until 31 March 2022, a period of nearly 20 years, the assets returned 8.0% per annum.

Summary funding statement

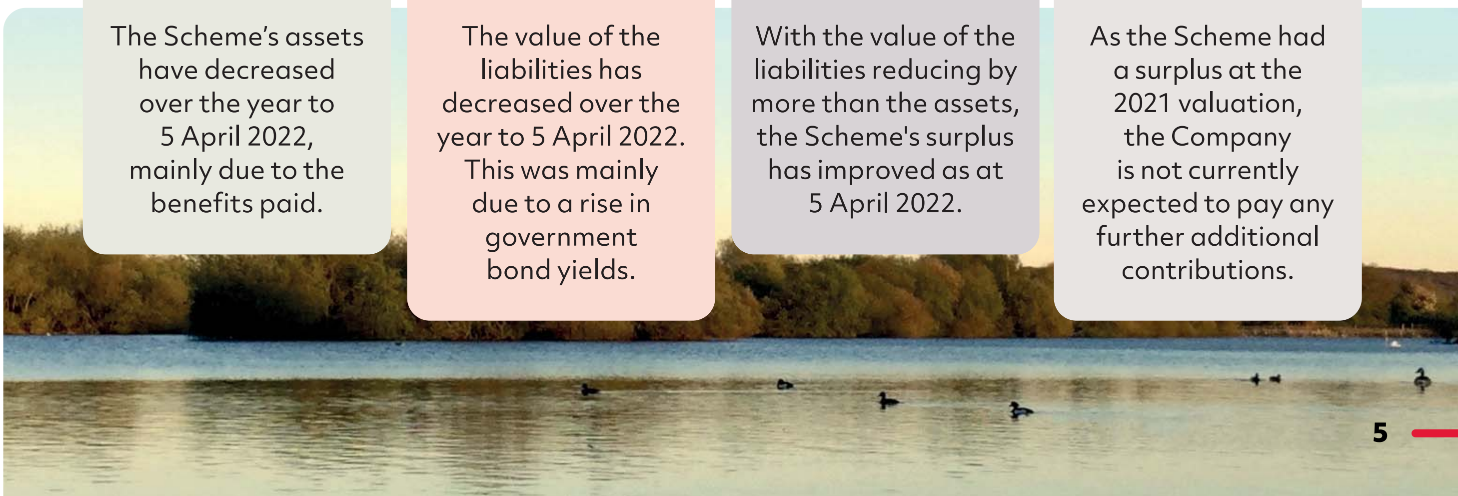
The following information gives you an overview of the Scheme's financial health. It's a legal requirement that we share this information with you and we hope you will be suitably reassured by the Scheme's current funding level.

The Scheme must have a full financial check (called a valuation) from an independent expert (called an actuary) at least every three years. Our most recent valuation was carried out at 5 April 2021. 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?

Assets	Liabilities	Shortfall / Surplus	Funding level
The money the Scheme has now	The estimated costs of providing members' benefits now and in the future	The difference between the assets and the liabilities	The assets as a percentage of the liabilities
2021 valuation **£649m**	2021 valuation **£588m**	2021 valuation **£61m surplus**	2021 valuation **110%**
2022 update **£633m**	2022 update **£552m**	2022 update **£81m surplus**	2022 update **115%**
The Scheme's assets have decreased over the year to 5 April 2022, mainly due to the benefits paid.	The value of the liabilities has decreased over the year to 5 April 2022. This was mainly due to a rise in government bond yields.	With the value of the liabilities reducing by more than the assets, the Scheme's surplus has improved as at 5 April 2022.	As the Scheme had a surplus at the 2021 valuation, the Company is not currently expected to pay any further additional contributions.



Is my pension secure?

Our aim is to have enough money in the Scheme to pay pensions and other benefits to members. With the current funding level at over 100%, your benefits are expected to be paid in full when they become due.

The Actuary also works out how much money the Scheme would need if the Scheme was wound up and we then secured members' benefits by buying an insurance policy. Securing benefits in this way costs more than the Trustees' estimate of paying the benefits – when an insurance company takes on responsibility for paying members' benefits it cannot go back to the Trustees or Raytheon for more money in the future, and so it will invest in 'low risk' assets (with low expected future investment returns) so that it can be sure that it will be able to pay benefits. It also has to hold additional reserves to demonstrate they have enough money to pay out the benefits. This is why the buy-out cost numbers and funding level differ from those on the previous page.

At the 2021 valuation, the estimated position for buying members' benefits with an insurance company was as shown below. In the same way as the position on the previous page improved from 5 April 2021 to 5 April 2022, the buy-out position is also expected to have improved.

Assets	**Buy-out costs**	**Surplus/deficit assuming a 'buy-out'**	**Solvency funding level**
The money the Scheme has now	The cost of securing benefits with an insurance company	The assets minus the buy-out cost	The assets as a percentage of the buy-out costs
2021 valuation **£649m**	2021 valuation **£735m**	2021 valuation **(£86m)**	2021 valuation **88%**

We are required by law to give you this information about Scheme wind-ups.

If there was not enough money in a 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**).

Insuring your future

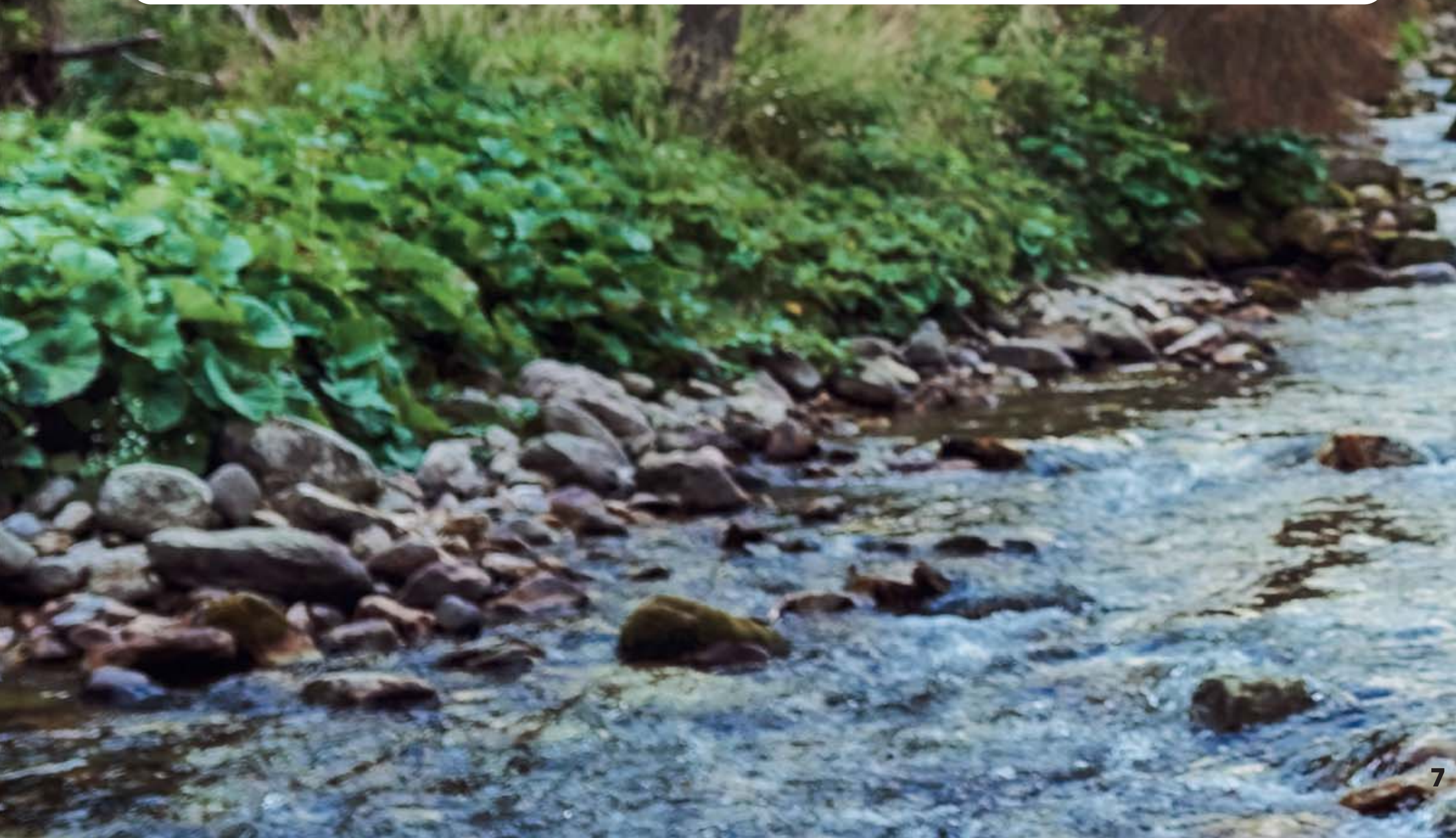
The calculation above estimates the cost of providing the promised benefits if the Scheme ended on 5 April 2021 and the responsibility of paying the benefits was transferred to an insurance company. It's important to work out the Scheme's funding level on this basis so that the Trustees can feel confident about the future funding of members' benefits under all circumstances.

Trustees will sometimes secure members' benefits with an insurance company without winding up the Scheme. This works like an insurance policy where the trustees and the company are ultimately responsible for meeting all members' benefits but the insurance policy carries the risk of things like inflation or investment returns affecting the cost of benefits. It helps make schemes more secure and ensures that there are always sufficient funds available to pay the benefits due.

A scheme can only take out an insurance policy like this - called a buy-out - when it's in a strong financial position. Given that the Scheme is now in a strong financial position, this is something the Scheme is starting to consider in conjunction with Raytheon.

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.



Raytheon UK

Who to contact and when

If you have a question about your pension in the Scheme, you've changed address or you need to update your Expression of Wish form:

Log on to My pension portal by clicking on the red button at **www.raytheonpensions.co.uk**

If you want to register on the portal but have lost your letter with your Unique ID or you want to speak directly to the administrators, please:

Email: **raytheonpensions@buck.com**

or call the Helpline: **0330 123 0355**

If you have a complaint about the Scheme that can't be resolved by Buck (the Scheme administrator), the Trustees or Raytheon, contact the Pensions Ombudsman:

Tel: **0800 917 4487**

Email: **enquiries@pensions-ombudsman.org.uk**

Website: **www.pensions-ombudsman.org.uk**