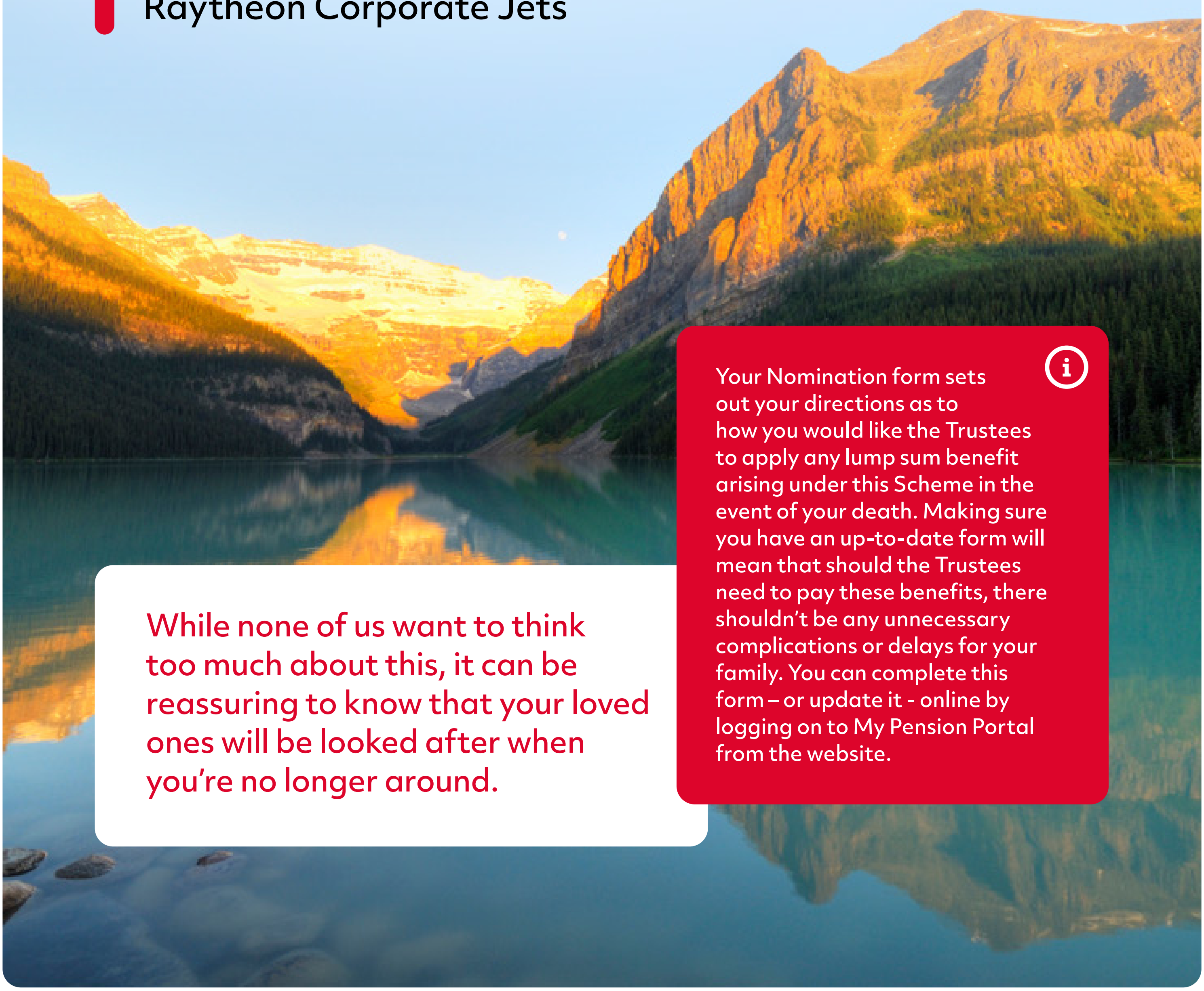
Raytheon UK

Raytheon Systems Limited
Pension Scheme

What happens if you die?

Raytheon Corporate Jets



While none of us want to think too much about this, it can be reassuring to know that your loved ones will be looked after when you're no longer around.

Your Nomination form sets out your directions as to how you would like the Trustees to apply any lump sum benefit arising under this Scheme in the event of your death. Making sure you have an up-to-date form will mean that should the Trustees need to pay these benefits, there shouldn't be any unnecessary complications or delays for your family. You can complete this form – or update it - online by logging on to My Pension Portal from the website.

What your loved ones receive from the Scheme when you die

1. If you die while contributing to the Scheme

The benefits paid would be:

Lump sum

- A lump sum of three times your basic annual salary at the 6 April before your death.
- A refund of your contributions to the Scheme (including any paid by your employer on your behalf) and the value of any Additional Voluntary Contributions (AVCs) you have paid.

Pension

A pension for your spouse or civil partner (or other dependant if the Trustee agrees) of the higher of:

- Half the pension you earned to the date of your death, based on your Final Basic Salary when you die, or
- 20% of your **Contribution Earnings** over the last year to 5 April.

2. If you die after leaving the Scheme but before retiring

The benefits paid would be:

Lump sum

The benefits that would be paid depend on when you die.

If it's before the minimum pension age of 55 (which is currently the earliest you're allowed to take pension benefits) your family would receive:

- The value of your Personal Pension Account, minus the value of your spouse's pension. The total amount will not be less than the value of your contributions to the Scheme.
- The value of any Additional Voluntary Contributions (AVCs) you have paid.

If it's after the minimum pension age of age 55, they will receive the greater of:

- Five years' payment of the pension you'd have received if you had retired the day before you died.
- A refund of your contributions and the value of any Additional Voluntary Contributions (AVCs) you have paid.

Pension

Regardless of your age when you die, your spouse or civil partner (or other dependant if the Trustee agrees) would receive a pension broadly equal to half your pension. The statement you receive on leaving the Scheme will confirm what your spouse or civil partner's pension is.

3. If you die in retirement

Your pension guarantee

If you die within five years of retiring, a lump sum would be payable that's equal to the amount you would have received in pension over the rest of those five years (assuming no pension increases).

For example, if your pension was £10,000 a year and you died after one year, a lump sum of £40,000 would be paid.

If you die within five years of retiring but after age 75 (i.e. you retire after age 70), instead of a lump sum as described above, your family will continue to receive a pension until the end of the guarantee period, as if you were receiving it.

Spouse's pensions

A pension for your spouse or civil partner (or other dependant if the Trustee agrees) that's half of your full pension at retirement – so before any exchange of pension for a cash lump sum, or extra dependant's pension - plus any pension increases since you retired.

Spouse's pensions increase each year to help them keep their value against inflation, in the same way as your pension does.

Jargon buster

Contribution Earnings

These are your earnings on which you pay pension contributions. They are calculated as:

- For service before 6 April 2006: Your gross earnings for each Scheme year minus £1,800.
- For service from 6 April 2006: Your basic earnings minus an amount equal to the Basic State Pension for that year.
- For service from 1 May 2011: A cap was introduced. This means that **Contribution Earnings** and Basic Salary for pension purposes can't increase by more than 1% a year.

Personal Pension Account

The Trustees add your contributions and a contribution from the Company of 3% of your **Contribution Earnings** to your **Personal Pension Account** each month. The Trustees will also add interest each year. When you come to retire, the Scheme will provide benefits at least as good as you would receive from this Account.

Please note that the minimum pension age will increase from age 55 to age 57 in 2028.

Case study

Eric retires at age 65 with a pension of £20,000 a year from the Scheme, taking a tax-free cash lump sum of £100,000. His pension increases by 1.2% in the first year of his retirement, so his pension is then worth £20,240. When he dies just 18 months into retirement, his wife Jenny receives:

A lump sum of £70,840:

Eric was entitled to receive 5 years' worth of pension payments, but in fact received only 1.5 years' payments.

So Jenny is entitled to receive a lump sum payment for the remaining 3.5 years' worth of payments:

£20,240 x 3.5 = **£70,840**

+

A pension for life of £12,687.50:

This is based on half of the pension Eric would have received if he hadn't taken a tax-free cash lump sum at retirement.

This pension would have been:

£25,000 and with an annual increase of 1.2% would have been worth **£25,375** at the time he died.

So Jenny's pension is:

£25,375 / 2 = **£12,687.50** a year for the rest of her life.

Notes

Occasionally, evidence as to your state of health may be required for benefits to be paid and/or restrictions may be put on death benefits – you'll be told if you're affected by this.