Lockheed Martin UK Pension Plan ('the Plan')

Annual Governance Statement for the Scheme Year Ending on 5th April 2022

Prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (The "Regulations")

Introduction

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Administration Regulations"), amended by the Occupational Pension Scheme (Charges and Governance) Regulations 2015 (the "Regulations") which introduced new minimum governance standards that apply to all trust-based Defined Contribution (DC) schemes, requires the Trustees to prepare an annual statement regarding governance, which should be included in the annual report.

This is the seventh such statement issued by the Plan covering the period from 6th April 2021 to 1st July 2022, as on the latter date the DC scheme was closed and replaced by a Master Trust managed by Legal and General, and signed on behalf of the Trustee board by the Chair.

This statement covers governance and charge disclosures in relation to the following:

- Closure of the Defined Contribution Scheme and transfer of assets to the L&G Master Trust
- Impact of COVID-19
- Statement of Investment Principles (SIP)
- The Default Arrangement
- Review of Default Strategy
- Processing of core financial transactions
- Self-Selection Options
- Member borne charges and transaction costs
- Member Illustrations
- Value for Members assessment
- Trustees
- DC Governance
- Trustee knowledge and understanding

During the Plan year the Defined Contribution Scheme was closed, and all of its assets were transferred to the Legal and General Master Trust. This will therefore be the last statutory required Chairman's statement to be produced under this scheme.

No significant changes or activity were undertaken on the associated closed DB scheme other than that required by statute and deemed good practice by the regulator as Trustee and company resources were focussed on the DC scheme closure and movement to a Master Trust. The performance of the closed DB scheme was regularly monitored and there was no need (or opportunities) to change the risk profile of the fiduciary arrangement, this was therefore maintained as a 50:50 split between liability matched and growth assets.

The default DC arrangement during the Plan year was managed by Fidelity International Limited. The value of the DC scheme stood at £178.0M when the scheme closed, and the assets were transferred to L&G on 22nd September 2021 for comparison on the 5th April 2021 the value of funds stood at £159.5M. During the 6months of the scheme year, there was a change in scheme DC membership from 3,398 on 5th April 2021 to 3,342 (member records) when the scheme closed. Most members were invested through the default Lifestyle strategy.

Until the scheme closed members continued to take advantage of the pension freedoms available to them, this included tax-free and taxable withdrawals. This was monitored by the Trustees on a regular basis at their Quarterly Trustee Meetings (QTMs).

The performance of Fidelity was regularly monitored including video meetings with the client manager at the QTMs during the pandemic. There is a separate closed DB scheme managed by the Trustees which AON has been appointed to manage.

The Trustees believe that good governance is key to ensuring that a framework exists and is actively in use to help achieve the Trustees' key objective of delivering better outcomes for Plan's members. The Trustees therefore regularly review and update their governance processes and procedures to make sure that these meet industry's best practice. These reviews are documented in Trustee Minutes which are stored along with updated procedures in the Trustee SharePoint site.

The Trustees regularly monitor the strength of the Company covenant. A formal quarterly meeting (was bi-yearly prior to the Pandemic) has been set up between senior financial and HR representatives of the Company and the Trustees, during these meetings the Trustees are provided pertinent information on the US Corporate and UK Company performance. Positive dialogue has enabled the Company and Trustees to establish a professional working relationship and a detailed assessment of the strength of the Company covenant. The briefing material and meeting minutes are saved in the Trustee records.

Closure of the Defined Contribution Scheme and transfer of assets

At the beginning of the scheme year the Company indicated that they were looking to move the Plan to a Master Trust and a consultation and selection process was undertaken by the company and supported by members of the Trustee board acting as ordinary members. The company presented a compelling argument around member options and value for money for the closure of the DC scheme and movement to the Master Trust. A competitive down selection process, supported by external professional advisors, was undertaken and the Legal and General Master Trust was selected for the default arrangement and members started contributing to this from July 2021. The Trustees were able to ensure that the link between the closed DB scheme and the DC arrangement was maintained by the move to the Master Trust, as this was seen as an important member benefit enabling more flexibility in members' ability to take tax free cash at retirement.

The Trustees assessed the merits of a bulk transfer of assets from the Fidelity DC arrangement to the Legal and General Master Trust, and this was assessed as important in maintaining value for members. The bulk transfer took place on 22nd September 2021 and was completed several weeks later. As part of the negotiations with the Master Trust the bulk transfer was prefunded by Legal and General, members therefore did not experience any out-of-market costs and all transaction costs were born by Legal and General. After considering advice all members were moved to the new default arrangement.

Impact of COVID-19

Following the significant impact of the pandemic on a wide range of aspects, including but not limited to the global and UK economic effects, social and workplace restrictions and investment market volatility, the Lockheed Martin Trustee Board took immediate steps to identify where possible, the implications, effects, and repercussions of the pandemic on the Company covenant and the operational capability of the Plan's administrators. These actions have been maintained and strengthened during this Plan year.

Key aspects of Trustees focus, were as follows:

1. Company covenant, impact of COVID-19 on employer's business
2. Funding position
3. Impact of COVID -19 on investment valuations
4. Operational resilience – ability of the Plan's administrators to continue to operate, and be able to pay future benefits and pensions – for both DB and DC sections
5. Concluding on whether the Trustees believe the Plan to be a going concern

Company Covenant

During the Plan year the Trustee Board continued to monitor the strength of the sponsoring companies and the impact of the COVID-19 outbreak on the strength of Lockheed Martin operational capabilities, financial resilience, current programme performance and future opportunities. This was a regular topic of discussion in the biweekly Trustee/Company meeting. The strength of the Company covenant was also discussed by the Trustees and the Company during the quarterly Company Trustee meetings. Key events taking place during this scheme year (mentioned in the last Chairman's statement) was the termination of the AWE contract with its impact on cash flow and also the cancellation of the WCSP contract and the resultant redundancies at the LMUK Ampthill facility. The Company briefed the Trustees that these were transitory impacts and the future business opportunities are strong. This will continue to be monitored in future Company/Trustee meetings. The Trustees note that the LMUK Ampthill facility has recently won a number of strategic opportunities and is now actively recruiting staff. The Trustees monitored all transactions and noted that all pension contributions, whether DC were paid to members accounts significantly ahead of all statutory obligations.

Funding

As a result of the impact of the global stock market falls in Q1 2020 the actuarial valuation of the Plan as at 5 April 2020 revealed a funding shortfall (technical provisions minus value of assets) of £39.7M. However, during the year, the funding position of the Plan improved significantly. When the triennial valuation was signed off in June 2021 it was estimated that there was no longer a funding shortfall. However, the Trustees and the Participating Employers have agreed that additional contributions (i.e. contributions over and above those needed to cover benefits being earned in the future) of £280,833 per month will be paid to the Plan to December 2023 to support the aim of targeting a future scheme buyout and to mitigate any Trustee concerns in relation to the strength of the Company covenant.

The funding level on the Technical Provisions basis as at 5 April 2022 was estimated to be 103.5% (surplus of £11M). This was a significant improvement from the previous year (5 April 2021) when there was a deficit of £38.6M. Note the 2022 figures are estimated as the formal Annual Actuarial Report has not yet been issued as this uses the asset value from the audited accounts.

Operational resilience

The Trustees sought reassurances early from our administrators, Fidelity (DC) and AON (DB) that they were able to maintain key operational activities throughout the pandemic. These reassurances were quickly forthcoming from both suppliers and performance levels have been maintained despite the significant disruption to the organisations. Performance, as measured by the established Service Level criteria, had been acceptable prior to the COVID-19 outbreak and whilst the administrators have been required to implement contingency plans, the impact on processing DC transactions, DC transfers and other critical and high-profile tasks and activities appears to have been minimal/zero. The Trustee Board will continue to monitor this aspect including any Member complaints, that come to our attention.

Conclusion

The Trustee Board believe that Lockheed Martin UK (and its US parent) remains a resilient Employer and consequently is well placed to withstand the long term and deep effects of the crisis. The Covenant was assessed as strong before the Covid outbreak however this weakened last year with the cancellation of two key contracts. However, new contracts are being won and the Company is actively recruiting new staff. As a major UK defence supplier, the Company is well placed to take advantage of UK Government investment in defence. This is an ongoing focus of the Trustee board and will continue to be monitored in future Company/Trustee meetings.

The Company has continued to meet all of its requirements to the DC scheme (payments and support) during the period and has demonstrated its commitment to Members by looking to enhance Value for Members through moving to a Master Trust.

The impacts of Covid19 on society as a whole have been unprecedented and it is too early to truly assess the full ramifications of this pandemic on a wide range of effected aspects. Unfortunately, global defence uncertainty has continued with significant impacts resulting from the Russian invasion of Ukraine and expansionist posturing by China in the Far East. This has resulted in significant increases in global defence spending, which Lockheed Martin is well placed to take advantage of. The investment decisions made by the Trustees during the Covid Pandemic mitigated much of the market losses seen by other similar pension schemes, which ensured that the Plan was well positioned to take benefit of the recovery. This resulted in the DB section of the Plan becoming fully funded under technical provisions, when the triennial valuation was signed off. The Trustees are therefore confident that the Plan remains a going concern.

The Trustee Board will continue to maintain high levels of focus on any perceived impacts of the pandemic on the Plan and remain committed to protect the interests of our members and fulfil our fiduciary responsibilities.

Statement of Investment Principles

The Trustees had separate Statement of Investment Principles governing the decisions about investments for both the DC and DB parts of the pension scheme. These SIPs are regularly reviewed and updated as required to reflect the current investment strategy and philosophy and to incorporate required regulator guidance. The last formal review and update was in November 2021 (signed on 14th March 2022). Note as this review was after the closure of the DC scheme only the DB SIP was updated. The extant SIP for the partial DC scheme year was therefore the version dated July 2020. Summaries of the key elements of the DC SIP are included in the following sections. Issued copies are held on the Trustee SharePoint site and also attached to this Chairman's statement.

DC Default arrangement

The Plan is used by the Company for auto-enrolment and therefore the Trustees are required to design default arrangements in members' interests and keep them under review. The Trustees are required to take account of the level of costs and the risk profile that are appropriate for the Plan's membership considering the overall objective of the default arrangement strategy.

The default investment arrangement is provided for members who join the Plan and do not choose an investment option for their funds. Members can also choose to invest in the composite funds under self-select. The default strategy for the Plan is a lifestyle arrangement aligned to accessing benefits through flexible income drawdown, where dependent on the member's age and selected retirement date their funds will be invested in up to 3 different white label funds (Equities, Diversified and Bonds). The transition points for the lifestyle were set up in agreement between the Trustees and Company on the advice of the Plan's investment advisors.

The default strategy aims to:

- Provide Members with the opportunity to increase the value of their benefits with investment growth.
- Serve as an investment which manages risk in an appropriate and considered way over time.
- Offer a portfolio commensurate with how Members may take their benefits when they retire.

Review of Default Strategy

The Trustees carry out a formal review of the default Lifestyle periodically, at least every three years and immediately following any significant changes in the demographic profile of the relevant members, as required by regulation. The most recent strategy review was completed on 26 July 2018. This review comprised analysis of the underlying membership profile (stage one) followed by modelling work (stage two), with changes implemented during March 2019. The key changes made to the strategy as a result of the review was to increase the strategy's equity allocation and reduce the strategy's de-risking period to provide members with the opportunity for higher growth. No further review was undertaken as the Plan moved to a Master Trust arrangement during 2021 (commencing in July with Transfer of current member investments in September 2021). However, member profile and investment strategy were considered as part of the Master Trust selection process.

Details of the investment strategy and investment objectives of the default arrangement are recorded in the Statement of Investment Principles (SIP), which is attached to this statement.

The performance of the default arrangement, including performance of underlying funds relative to their respective benchmarks, was monitored by the Trustee investment sub-committee and main Trustee board. Quarterly investment performances are scrutinised by the ISC with support of their Aon Financial advisors. A further scrutiny was undertaken during the Quarterly Trustee meetings when the DC admin report was presented by Fidelity to the full board. Performance, during the partial scheme year, was consistent with the aims and investment objectives as described in the Statement of Investment Principles for the default option.

Self-Selection Options

Some members require additional flexibility above that given in the default arrangement. When the DC scheme was created advice was sought on the range and types of funds that should be available. The take-up and performance of these funds is regularly reviewed by the Trustees with their AON DC investment advisor and with the Fidelity account manager. If funds underperform their benchmarks this is flagged up to the Trustees and if it continues an investigation and report is commissioned. Where appropriate, an underperforming fund will be removed or replaced. No changes to the range of funds available on the self-select platform took place during the scheme year.

The default arrangement for the Master Trust agreed between the Company, consultative body (including Trustee representation) and L&G uses Target Date Funds (TDFs). In additional a range of optional lifestyles (Annuity, Cash and Drawdown) and self-select funds (31 unique including the range of TDFs). During discussions with L&G, the Trustee Body, the consultative body and advisors it was agreed that all Self-Select members would be mapped to the default lifestyle. The agreed logic for this was that there was no clear 1-2-1 map between existing Fidelity Self-Select funds and those provided by L&G and that more options were available on the L&G platform. There was also no indication that the majority of existing self-selections had been recently reviewed. It was also noted that a number of members were invested 100% in cash and some had apparently chosen this towards the bottom of the recent market crash and had not taken advantage of the subsequent market recovery.

Processing of Core Financial Transactions

The Trustees have a specific duty to ensure that core financial transactions (including the investment of contributions, transfer of Member assets into and out of the Plan, transfers between different investments within the Plan and payments to and in respect of Members) relating to DC schemes are processed promptly and accurately. These transactions are undertaken on behalf of the Trustees by Fidelity, as the Plan administrator and platform provider. Prior to the closure of the DC Scheme the Trustees met with Fidelity at every QTM and examined the Quarterly Report in detail. During this examination Technical Performance Measures (TPMs) and performance against Service Level Agreements (SLAs, shown below) were also assessed.

Type	SLA (Days)
Contributions	2
Maintenance	5
General Enquiries	2 (Via email at the service centre) 5 (Ad-hoc statements and projections) 10 (Received in writing
Retirements and Benefits	5
Special Communications	30
Transfers in/out	5
Non-Vested Leavers	10
Vested Leavers	5

In relation to payment of regular contributions, the Company met requirements, with payments typically being received by the provider as soon as they are deducted, which is more than 5 weeks before their 'due date' (in accordance with Section 49(8) Pensions Act 1995 this is the 22nd day of the month following deduction).

During Investment Sub-Committee meetings and Quarterly Trustee Meetings DB and DC aspects are reported on separately and are supported by unique advisors and supplier reports.

The Trustee Board appointed Fidelity to provide administration services. To enable the Trustees to monitor the processing of core financial transactions, the Board received quarterly administration reports from Fidelity on key aspects of the administration which includes; Scheme Metrics, Membership Data, Member Contacts, Switch and Future Fund Choice Activity, Breaches and Complaints, Service Standard Reporting and Team Structure. The Scheme Metrics details Valuation Summary, Plan Transactions, Retirement Transactions and details of Regular Contributions Received. The Membership Data report details Membership Growth, Age Band Analysis, Investment Choice and Forthcoming Retirements. Within the Member Contacts section this is discriminated between use of PlanViewer (Fidelity's online member access portal) and through the Pensions Service Centre. A breakdown of contacts through the Service Centre is also analysed with reasons for contact noted. This report was reviewed by the Trustees at each Board meeting to ensure Fidelity compliance with agreed and regulatory timescales. The Trustees have requested that an explanation be included in the admin report for any reported Breaches or Complaints no matter how small.

A number of measures were in place to ensure that Core Financial Transactions were promptly and accurately processed.

- Regular contribution checks were undertaken by the Lockheed Martin Rewards Team, these are overseen and reviewed by the Trustees.

- All Trustee investment and banking transactions required at least 2 Trustee signatures and transactions above a threshold amount trigger a call back to an independent senior member of the LM Reward Team.

- Annual data and financial transaction reviews are undertaken during the annual Plan audit and a sample of the financial transactions are assessed by the external auditors (Ernst and Young).

- Process maps are in place for all core processes to ensure that these are consistently implemented. These are regularly reviewed by the Audit Sub-committee to ensure that they are up to date. Process walkthrough with the HR Reward Team is also undertaken, when feasible to ensure the robustness of the processes. The Trustees have worked with the Company to ensure that appropriate training and knowledge capture is in place to support handover new staff.

- The Audit committee have also worked with the Company, Aon and Fidelity to ensure that a business continuity plan is in place. The Trustees are very pleased to report that during the Pandemic there were no disruptions to prioritised core financial transactions during this period.

- The Trustees are pleased to confirm that all Documentation and operations were in line with quality assurance policies and procedures when the DC scheme closed.

The Plan administrator provided regular reports to the Trustees which allows them to assess how quickly and effectively the core financial transactions are completed. Any mistakes or delays were investigated thoroughly, and action taken to put things right as quickly as possible. In this reporting period there have been no material administration service issues which need to be reported here by the Trustees.

During the scheme's existence the Trustees continued to review the implemented processes and controls and consider them to be suitably designed to achieve the scheme objectives.

Contribution payments were monitored by both the Company Rewards team, Fidelity and the Trustees. The Value for Members assessment provides additional evidence of Aon's assessment of the scheme against the TPR DC Code of practice in the following areas with specific emphasis of the following criteria:

- Schemes should provide good administration and record keeping
  - All Trustee and Company/Trustee meetings are Chaired and run in a professional manner and are minuted. All minutes are distributed to attendees and copies stored in the Trustee SharePoint site and actions monitored to closure.
- Members should expect to receive a good quality of service from the administrator
  - Any member queries or complaints are given a high priority by the trustees and there is a zero tolerance of any poor performance by Fidelity or Aon.
- Administrators should hold accurate and complete data for all members of the scheme
  - The Trustees regularly task Aon and Fidelity on improving the conditional and common data. When required external tracing agents are used to provide updates. The quality of the records held by both parts of the scheme have been assessed by Aon and Fidelity to exceed the regulator requirements.

Member borne charges and transaction costs

The Trustees should regularly monitor the level of charges borne by members through their investment funds. These charges comprise:

- Explicit charges, such as the Annual Management Charge (AMC), and additional expenses that are disclosed by the fund managers as part of the Total Expense Ratio (TER);

- Transaction costs borne within the fund for activities such as buying and selling of particular securities within the fund's portfolio.

Since 6 April 2018, the Trustees are also required to produce an illustration of the cumulative effect of the costs and charges on members' retirement fund values.

The TER information is normally readily available as these charges are explicit and are deducted as a percentage of members' funds.

Transaction costs are costs which are incurred within the day-to-day management of the assets by the fund manager. This covers such things as the cost of buying and selling securities within the fund. Transaction costs are incurred on an on-going basis and are implicit within the performance of the fund.

The Financial Conduct Authority rules on disclosure for transaction costs in a standard format came into effect for investment managers on 3 January 2018.

The transaction costs shown below are calculated using the standardised method set by the Financial Conduct Authority. As defined by the Financial Conduct Authority, explicit transaction costs are the costs that are directly charged to, or paid by, the fund and may include taxes and levies (such as stamp duty), broker commissions (fees charged by the executing broker in order to buy and sell investments) and costs of borrowing or lending securities.

Implicit transaction costs are calculated as the difference between the actual price paid (execution price) and the quoted "mid-market" price at the time the order was placed (arrival price). This method, although reasonable if observed over a long period of time, can result in a volatile measure from one year to another and can even result in a profit, known as "negative costs".

This can happen, for example when buying an asset, if the actual price paid ends up being lower than the mid-market price at the time of placing the order, because something has happened in the market that pushes the price of the asset down - such as some negative publicity or a big sell order by someone else.

As the scheme closed and moved to a Master Trust during the scheme year, the transaction costs were not recalculated. The data provided in the previous year's Chairman's statement, for the year to 31 March 2021, have been included in this report. This information was calculated and provided by Fidelity.

As the Plan is used for auto-enrolment, the charge cap of 0.75% on the default strategy applies. The following table identifies the TER for the funds offered under the plan. The white label funds used for the default strategy are identified as 'Fidelity Lockheed Martin ..', the remaining funds were available for members to self-select. In line with regulatory requirements, the TER of the default strategy did not exceed the charge cap at any point during the year.

Fund	**Gross return assumption (% p.a.)**	**TER (% p.a.)**
Fidelity Lockheed Martin Equity Fund	6.50	0.34
Fidelity Lockheed Martin Diversified Fund	4.00	0.73
Fidelity Lockheed Martin Bond Fund	1.30	0.35
Fidelity Mellon Long Term Global Equity Fund Class 8	N/A	1.10
Fidelity Threadneedle Pensions Property Fund Class 8	5.40	1.15
Lockheed Martin Majedie UK Equity Fund	N/A	0.92
Fidelity ASI Life Global Real Estate Fund Class 8	N/A	0.85
Fidelity BlackRock Cash Fund Class 8	0.80	0.30
Fidelity BlackRock Corporate Bond Index Fund All Stocks Class 8	N/A	0.35
Fidelity BlackRock Emerging Markets Fund Class 12	N/A	0.50
Fidelity BlackRock Over 15 Years UK Gilt Index Fund Class 8	N/A	0.30
Fidelity BlackRock Over 5 Years Index Linked Gilt Fund Class 8	N/A	0.30

Member illustrations

The Trustees have set out below illustrations of the impact of charges and transaction costs assuming investment in the default strategy. The illustrations have been prepared in accordance with the DWP's statutory guidance on "Reporting costs, charges and other information: guidance for Trustees and managers of occupational pension schemes" on the projection of an example member's pension savings. As each member has a different amount of savings within the Plan and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustees have had to make assumptions about what these might be. These assumptions are explained below the illustrations.

Most Plan members invest in the default lifestyle strategy. When members are 15 years away from retirement, this strategy starts to switch members' funds from the LM Equity Fund into a mix of the LM Diversified Fund and the LM Bond Fund.

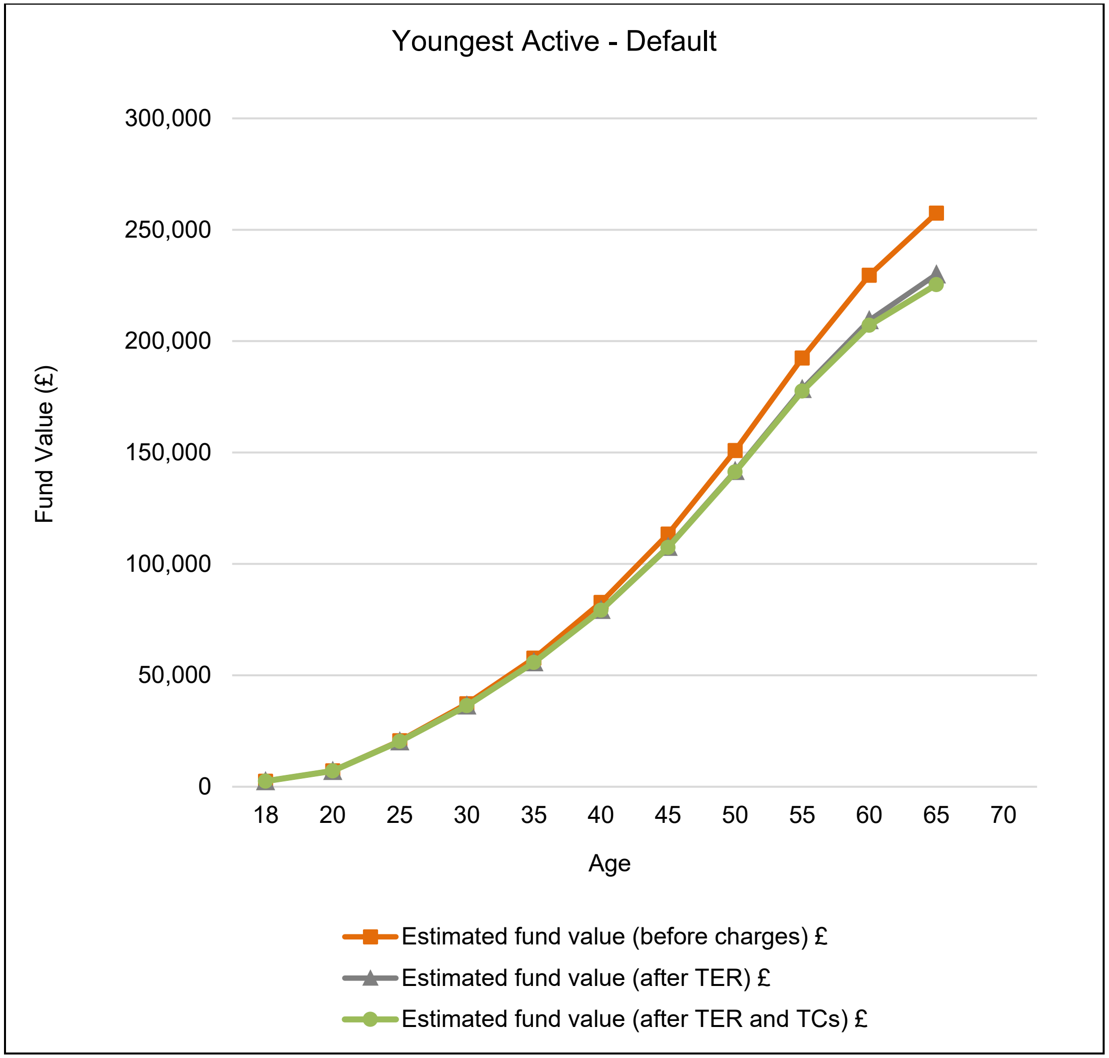
The tables and charts below illustrate the effect of the costs and charges at different ages on members' projected retirement pots, for example members broadly reflective of the youngest active member, a typical active member and a typical deferred member of the Plan, invested in the default lifestyle strategy.

Youngest Active Member

For the youngest active member invested in the default lifestyle strategy, the estimated impact of costs and charges on a member's accumulated fund value is shown in the table and chart below. The amounts shown relate to an example member aged 18, current fund value of £2,500, salary of £14,400, total contributions of 15% p.a. of salary, and a Normal Retirement Age of 65.

For comparison purposes, we have demonstrated the effect on the projected values if the member were invested in a lower risk profile fund (Fidelity BlackRock Cash Fund) which has a lower cost and lower expected return as well as the Fidelity Threadneedle Pensions Property Fund, which has a higher cost.

	Fidelity BlackRock Cash Fund			Lockheed Martin UK Member Lifestyle Strategy			Fidelity Threadneedle Pensions Property Fund		
Age	Estimated fund value before charges £	Estimated fund value after charges (TER and TCs) £	Effect of charges (TER and TCs) £	Estimated fund value before charges £	Estimated fund value after charges (TER and TCs) £	Effect of charges (TER and TCs) £	Estimated fund value before charges £	Estimated fund value after charges (TER and TCs) £	Effect of charges (TER and TCs) £
18	2,500	2,500	0	2,500	2,500	0	2,500	2,500	0
20	6,560	6,532	28	7,144	7,110	34	7,042	6,896	146
25	16,076	15,883	193	20,634	20,345	289	19,765	18,572	1,193
30	24,774	24,303	471	37,265	36,394	871	34,681	31,285	3,396
35	32,750	31,915	835	57,707	55,802	1,905	52,123	45,109	7,014
40	40,094	38,828	1,266	82,771	79,216	3,555	72,479	60,125	12,354
45	46,882	45,137	1,745	113,439	107,408	6,031	96,191	76,417	19,774
50	53,185	50,925	2,260	150,903	141,294	9,609	123,769	94,075	29,694
55	59,063	56,264	2,799	192,481	177,599	14,882	155,800	113,196	42,604
60	64,571	61,218	3,353	229,619	207,144	22,475	192,959	133,882	59,077
65	69,759	65,843	3,916	257,448	225,389	32,059	236,021	156,244	79,777

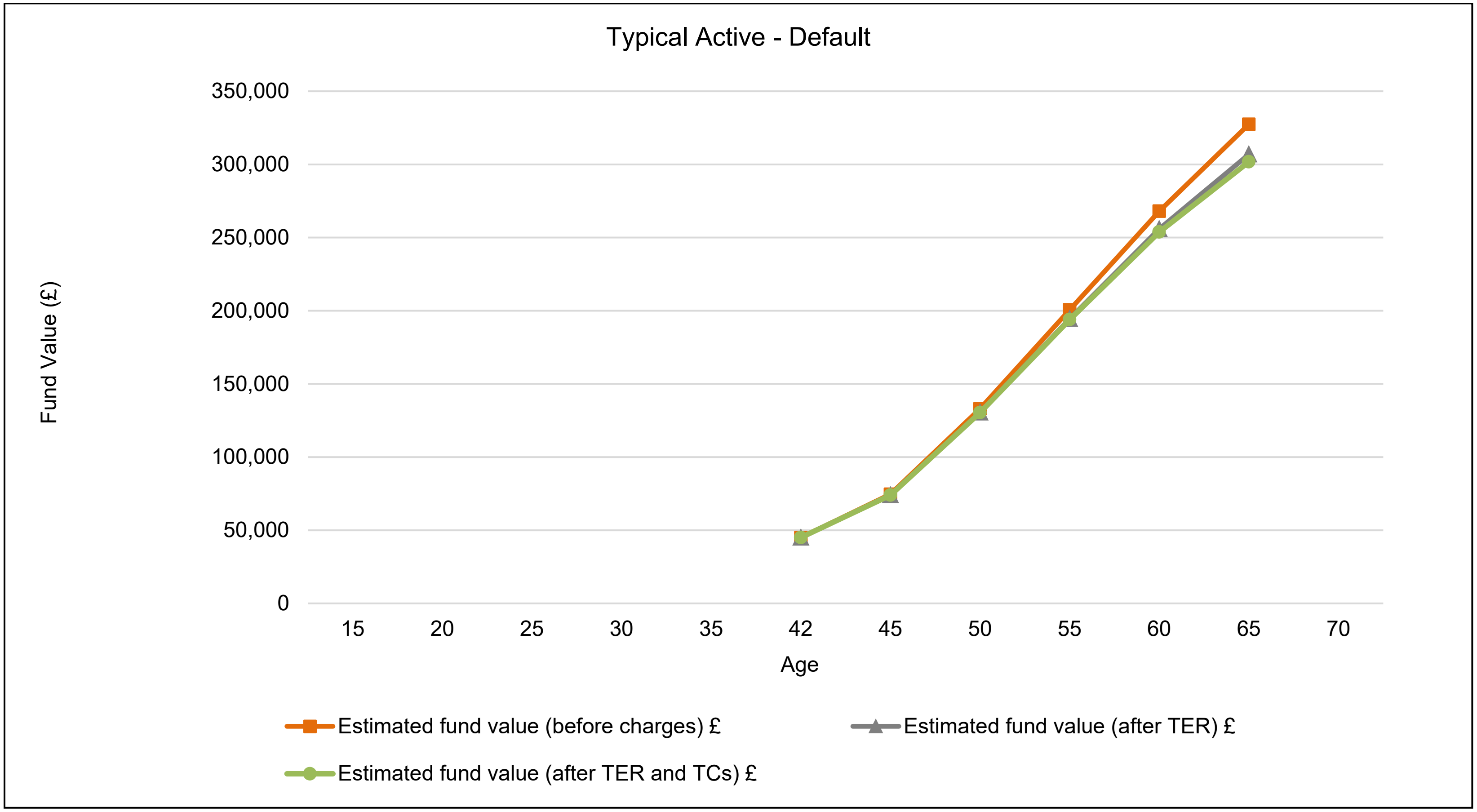

Youngest Active - Default
300,000
250,000
200,000
150,000
100,000
50,000
0
Fund Value (£)
18
20
25
30
35
40
45
50
55
60
65
70
Age
Estimated fund value (before charges) £
Estimated fund value (after TER) £
Estimated fund value (after TER and TCs) £

Typical Active Member

For a typical active member invested in the default lifestyle strategy, the estimated impact of costs and charges on members' accumulated fund values is shown in the table and chart below. The amounts shown relate to a member aged 42, current fund value of £45,000, salary of £51,000, total contributions of 15% p.a. of salary and a Selected Retirement Age of 65. These demographics are considered to reflect a typical active member based on the Plan's current membership.

For comparison purposes, we have demonstrated the effect on the projected values if the member were invested in a lower risk profile fund (Fidelity BlackRock Cash Fund) which has a lower cost and lower expected return as well as the Fidelity Threadneedle Pensions Property Fund, which has a higher cost.

	Fidelity BlackRock Cash Fund			**Lockheed Martin UK Member Lifestyle Strategy**			**Fidelity Threadneedle Pensions Property Fund**		
Age	Estimated fund value before charges £	Estimated fund value after charges (TER and TCs) £	Effect of charges (TER and TCs) £	Estimated fund value before charges £	Estimated fund value after charges (TER and TCs) £	Effect of charges (TER and TCs) £	Estimated fund value before charges £	Estimated fund value after charges (TER and TCs) £	Effect of charges (TER and TCs) £
42	45,000	45,000	0	45,000	45,000	0	45,000	45,000	0
45	63,870	63,376	494	74,611	73,976	635	72,685	69,952	2,733
50	93,175	91,584	1,591	132,997	130,352	2,645	125,096	114,464	10,632
55	120,079	117,117	2,962	200,636	193,946	6,690	186,375	162,861	23,514
60	144,874	140,337	4,537	268,043	253,812	14,231	257,875	215,420	42,455
65	167,821	161,559	6,262	327,431	301,790	25,641	341,153	272,436	68,717

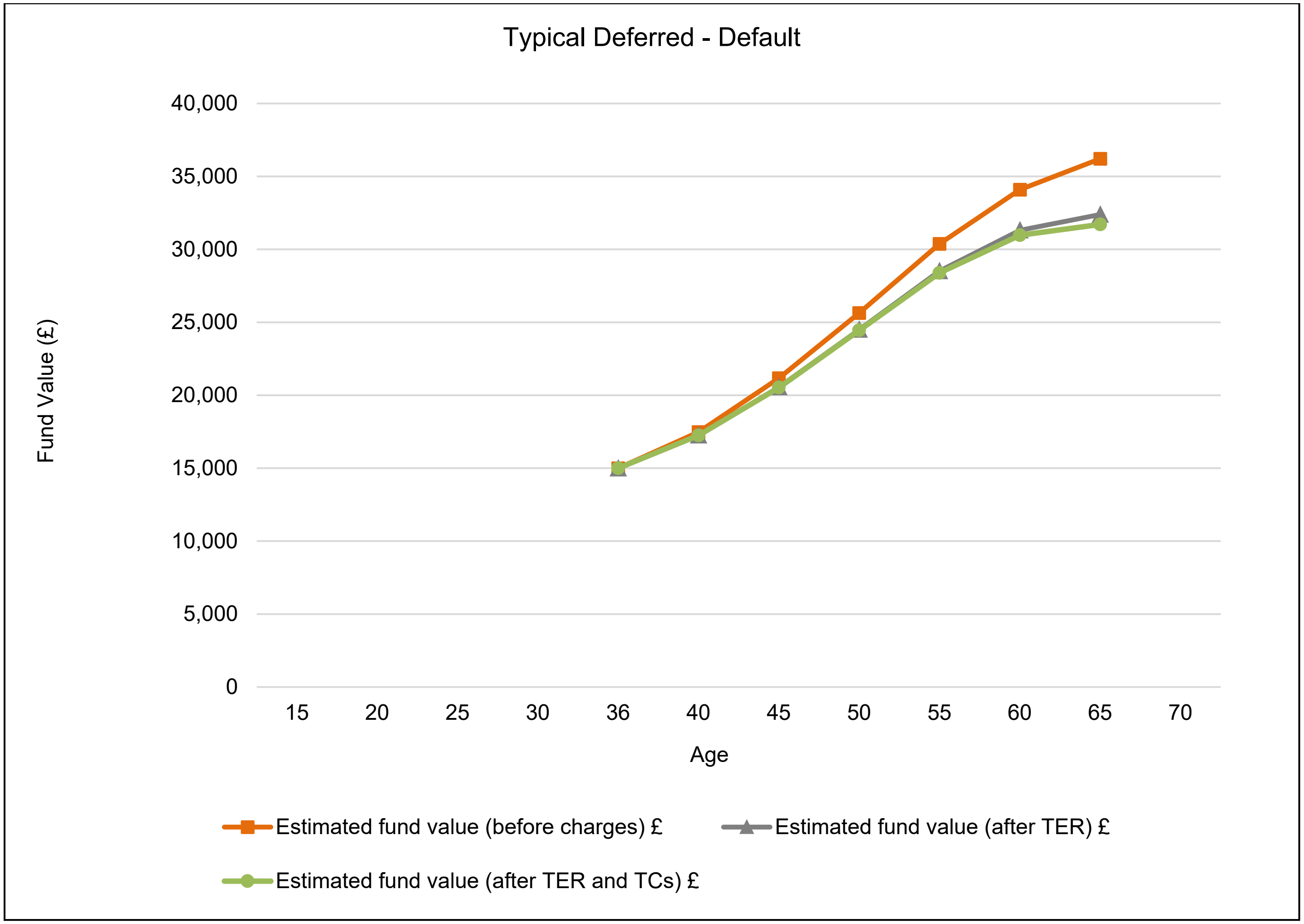

Typical Active - Default
Fund Value (£)
350,000
300,000
250,000
200,000
150,000
100,000
50,000
0
15
20
25
30
35
42
45
50
55
60
65
70
Age
Estimated fund value (before charges) £
Estimated fund value (after TER) £
Estimated fund value (after TER and TCs) £

Typical Deferred Member

For a typical deferred member invested in the default lifestyle strategy, the estimated impact of costs and charges on members' accumulated fund values is shown in the chart and table below. The amounts shown relate to a member aged 36, current fund value of £15,000, and a Selected Retirement Age of 65 (note that salary and contribution details are not applicable for deferred members who have left the firm). These demographics are considered to reflect a typical deferred member based on the Plan's current membership.

For comparison purposes, we have demonstrated the effect on the projected values if the member were invested in a lower risk profile fund (Fidelity BlackRock Cash Fund) which has a lower cost and lower expected return as well as the Fidelity Threadneedle Pensions Property Fund, which has a higher cost.

	Fidelity BlackRock Cash Fund			**Lockheed Martin UK Member Lifestyle Strategy**			**Fidelity Threadneedle Pensions Property Fund**		
Age	Estimated fund value before charges £	Estimated fund value after charges (TER and TCs) £	Effect of charges (TER and TCs) £	Estimated fund value before charges £	Estimated fund value after charges (TER and TCs) £	Effect of charges (TER and TCs) £	Estimated fund value before charges £	Estimated fund value after charges (TER and TCs) £	Effect of charges (TER and TCs) £
36	15,000	15,000	0	15,000	15,000	0	15,000	15,000	0
40	13,633	13,463	170	17,482	17,247	235	16,771	15,777	994
45	12,098	11,761	337	21,170	20,534	636	19,282	16,805	2,477
50	10,735	10,274	461	25,636	24,447	1,189	22,168	17,900	4,268
55	9,527	8,976	551	30,380	28,392	1,988	25,486	19,066	6,420
60	8,454	7,841	613	34,094	30,972	3,122	29,302	20,308	8,994
65	7,502	6,850	652	36,212	31,711	4,501	33,688	21,632	12,056


Typical Deferred - Default
40,000
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
Fund Value (£)
15
20
25
30
36
40
45
50
55
60
65
70
Age
Estimated fund value (before charges) £
Estimated fund value (after TER) £
Estimated fund value (after TER and TCs) £

Ilustration assumptions:

Return assumptions for the lifestyle funds used within the projections are based upon Aon Capital Market assumptions for the relevant (or blended, where applicable) asset class at 31 March 2021.

Rates reflect 10-year annualised returns (gross of fees and costs) and are summarised in the table in the Member borne charges and transaction costs section above.

Inflation and salary growth assumption
We have adopted an inflation assumption of 2.5% p.a. Salaries are assumed to increase at 0.5% above this level.

Contributions
As noted in the illustrations, contributions are assumed to continue at a fixed 15% of salary from current age to age 65.

Lifestyle
The projections for all members are based on the Plan's current default lifestyle, with the matrix as set out in the table below. Totals may not sum to exactly 100% due to rounding.

Transaction Costs

The transaction costs, as defined in regulation 2(1) of the Occupational Pension Schemes (Charges and Governance) Regulations 2015, should be based on an average of the previous 5 years' transaction costs or, where data is available for fewer than 5 years, an average of transactions costs over the years for which data is available.

Currently, less than 5 years of transaction cost information is available from the Plan's platform provider, Fidelity, which may result in greater volatility in these costs in the short term.

Minimum transaction costs are assumed to be zero in any specified period for modelling purposes.

Value for Members assessment

The Trustees are required to undertake a 'Value for Members' (VFM) assessment to ensure that the costs and charges borne by members represent good value. This is an ongoing monitoring exercise collated each year by the Trustees as part of a DC Code of Practice evidence pack. This took input from the Company, providers and advisors and followed published Pensions Regulator guidance to ensure that this important requirement was met. During the scheme year a VFM assessment was undertaken on behalf of the Trustees by AON. The output of this review from previous years is located on the Trustee SharePoint site. However, as the company had indicated that the scheme was to be closed during the scheme year and moved to a Master Trust this was not undertaken in this scheme year. The results from the previous Scheme year Value for Members Assessment have therefore been included for completeness.

Each of the benefit categories and the cost analysis has been given a Red / Amber / Green (RAG) rating considering the costs/benefit analysed and the value members may place on each area. All categories would have to individually pass for the Trustees to conclude that the Plan delivers value for members, therefore:

All Greens indicates a pass;

1 or more Reds would indicate a fail;

No Reds and 1 or more Ambers would indicate a pass to the extent that an action plan is developed for the aspects rated Amber.

The following chart shows that the overall summary of the VFM analysis was that the Lockheed Martin Pension Plan is well run for its size and offers good value for members.

The following chart summarises the performance in each of the assessment categories.

Member borne costs and charges		
Costs versus market rates	We believe that the charges (TERs) are competitive when compared to current market rates on a like for like basis and adjusting to take account of the benefits of the Plan membership. The transaction costs on the Plan's funds also appear to be reasonable.	

Benefits		
Governance	In our view the governance arrangements in place are robust, with the right structures in place to support effective risk management.	
Investments	The Plan offers a lifestyle strategy and freestyle funds covering a range of member risk profiles and asset classes. The investment funds available have been designed, following advice from the Plan's investment adviser, with the specific needs of members in mind.	
Administration	The Trustees have appointed Fidelity to provide administration services to the Plan and are satisfied that Fidelity has sufficient checks in place to monitor and report on the standard of the administration service and to ensure that if administrative errors do occur, rectifying action is completed promptly and members are not disadvantaged as a result.	
Retirement support	We consider the Plan to have a suitable retirement offering which offers members access to appropriate information and support.	
Communications and engagement	We consider communications issued to members to be relevant, clear, easy to understand and engaging. We believe the Plan's communications help members better understand their DC savings and take appropriate actions.	

Further details of the assessment in the areas of Plan's governance and management, investment management, administration and member communications are detailed below. The costs and charges paid by members have been considered in the light of available information on costs and charges paid by members in similar schemes.

(i) Scheme governance and management

- The Trustees believe in having robust processes and structures in place to support effective management of risks and ensure members interests are protected, increasing the likelihood of good outcomes for members.
- The Trustees have put in place several specialist sub-committees to help support good governance of the Plan.

(ii) Investments

- The Trustees believe that a well-designed investment portfolio that is subject to regular performance monitoring and assessment of suitability for the membership will make a large contribution to the delivery of good member outcomes.
- The Plan offers a variety of funds covering a range of member risk profiles and asset classes. The investment funds available have been designed, following advice from the Trustees' investment adviser, with the specific needs of members in mind.

(iii) Administration

- The Trustees believe that good administration and record keeping play a crucial role in ensuring that scheme members receive the retirement income due to them. In addition, that the type and quality of service experienced by members has a bearing on the level of member engagement.
- The Trustees obtain information to assess the member experience through quarterly administration reports and discussions with the administrator

(iv) Member communications

- The Trustees believe that effective member communications and delivery of the right support and tools helps members understand and improve their retirement outcomes.
- The Trustees have a communication strategy in place and makes use of a variety of communication media, including facilitating access to online tools to support members.

The Trustees believe that the Plan offered good value for members whilst it ran, however acknowledge that movement to a DC Master Trust provided additional benefits to both the Company and Members.

Responsible Investing

The Trustees fully support the aims of Responsible investment to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns.

The Trustees have worked with their advisors to help them to incorporate appropriate wording into the DB and DC SIPs to reflect their consensus policies and beliefs.

Trustees

The Trustee Board has a good representation of both DB and DC members which covers a wide demographic and age range. During the reported scheme year there was two changes to the membership of the Trustee board.

At the beginning of the scheme year (April 2021), the Trustee board consisted of;

Andrew Underwood	–	Company Nominated - Chair of Trustees
Gemma Cowan	–	Company Nominated
Clare Nicholas	–	Company Nominated
Sally Cranstone	–	Member Nominated
Tim Speakman	–	Company Nominated
Ryan Johnson	–	Member Nominated

At the end of the scheme year (April 2022), the Trustee board consisted of;

Andrew Underwood	–	Company Nominated - Chair of Trustees
Samantha Edgar	–	Company Nominated
Clare Nicholas	–	Company Nominated
Garry Davis	–	Member Nominated
Tim Speakman	–	Company Nominated
Ryan Johnson	–	Member Nominated

DC Governance

Since 2015, the Pensions Regulator has required DC scheme Trustees to assess and document their processes against the DC Code of Practice. The Company is fully supportive of this and provides admin and professional help in its undertaking. An annual review process was successfully completed in the previous scheme year which found the Plan to be well governed and is documented on the Trustee SharePoint site. A further review was not conducted during the partial scheme year because of the scheme closure and move to a Master Trust.

Trustee Knowledge and Understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for Trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Plan assets and other matters to enable them to exercise their functions as Trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice.

A record of the training completed by each Trustee is kept and this training record is reviewed and updated at each Quarterly Trustee meeting to identify any gaps in the knowledge and understanding across the Trustees as a whole. This allows the Trustees to work with their professional advisers to fill in any gaps.

The Trustee board confirm that they have a working knowledge of the key areas of Trustee Knowledge and Understanding (knowledge of scheme rules, SIP, pensions law, governance processes, etc.) and that this is regularly monitored to identify areas for further training.

All of the Trustees have completed the Trustee Toolkit made available by the Pensions Regulator. The Toolkit includes modules on trust and pensions law. Newly appointed Trustees are expected to complete the Trustee Toolkit and have formal induction training within 6 months of becoming a Trustee. A new Trustee was appointed during 2020, he has successfully completed the induction process (shown below) and has completed the Trustee Toolkit training.

Structured Induction Process for new Trustees
New Trustees will be provided with access to the LMUK Pension Plan SharePoint site and key documents identified to them. This includes the Trust Deed and Rules, DB and DC Statements of Investment Principles (SIPs), and DC Code of Practice evidence. If a new Trustee cannot have access to the SharePoint area because of IT limitations or they are a retired member, uncontrolled hard copies may be provided.
Pension sub-committees will be identified to the new Trustee and they will be asked to join a minimum of two. It is anticipated that once they have developed a sufficient level of competence, they will take a lead role in at least one of the committees.
When a new Trustee joins the following must be completed-
Within 6 months. * The Pension Regulator Trustee toolkit * Complete a Trustee self-assessment/competency check * Declare any and all conflicts of Interest and new risks they are aware of * They must join one or two subcommittees and attend Quarterly Trustee meetings
Further arranged training will include a full day DC and two-day DB course currently with Aon Hewitt
Within a year. * Attendance at a pensions function, Pensions and Benefits UK (PBUK) or Aon conference.
Ongoing from day 1. * Expected to sign up for pension publications and remain up-to-date and conversant with current pensions issues. * Attendance at all Quarterly Trustee meetings, and Subcommittee meetings they have committed to. * Regular contact and dialog when necessary regarding urgent issues, member discretionary cases. * Provide details of relevant training to the scheme secretary, when this has been undertaken.

As a result of the training activities which have been completed by the Trustees individually and collectively and taking into account the professional advice available to the Trustees, the Trustees consider that their combined knowledge and understanding enables them to exercise properly their function as Trustees of the Plan. During the scheme year this has been demonstrated by;

- Holding 4 Trustee meetings with professional adviser present (during the pandemic this was undertaken by video conferencing)
- Review and updating of the risk and opportunities register
- Regular meetings with administrators and financial advisors to discuss and review performance
- Updates to the Statement of Investment Principles for fund changes
- Signoff of the Trustees' Report and Accounts
- Review of Trust Deed & Rules for decisions taken in light of COVID-19 (e.g. additional pension flexibilities, changes permitted to pension contributions, quorum rules)
- Review of quarterly administration reports to monitor service delivery against agreed service levels standards and assessing the member experience
- Reviewing quarterly investment reports to assess fund performance against benchmarks, and funds against overall Plan aim and objectives, as set out in the statement of Investment Principles.

The Trustees also considered the impact of the COVID-19 pandemic on the Trustees board and put in place appropriate plans to ensure that the board could continue to perform effectively during this time. Specifically, the Trustees reviewed the regularity of their Trustees meetings and the format (virtual, shorter Trustees meetings will be held more regularly during this time), identified key man risks, Trustees decision making protocols, and approvals processes and taken steps to mitigate these risks through appropriate identification of designated alternates on the Trustees board and all advisers and providers to ensure business continuity and appropriate Plan governance during the pandemic.

The Trustee board is made up of 6 Trustees with varying skill sets. The Chair of Trustees has been a Trustee for approximately 20 years and is a Chief Engineer and Programme Manager in one of the contributing companies. The other Trustees provide significant and diverse professional backgrounds including; Legal, Financial, Communications, Pensions, Information Technology, Commercial Management and Risk Management. The Trustee board demonstrates broad demographics with members ranging from early careers through to a retired member. The Trustees regularly review the skills of the board and look to identify any gaps. Potential new Trustees are identified and mentored where appropriate. An identified gap identified by the trustee board in professional communications was directly addressed in a recent company nominated trustee appointment.

The Trustees consider that they meet the Pension Regulator's Trustee Knowledge and Understanding requirements and are confident that their combined knowledge and understanding, together with the support of their advisers, enables them to properly exercise their functions as the Trustees of the Plan

Signed for and on behalf of the Trustees

Andrew Underwood

Chairman of LMUKPP