

## **PENSIONS CONSULTATIVE COMMITTEE REPORT TO MEMBERS FOLLOWING ADDITIONAL MEETINGS**

Additional meetings of the Pensions Consultative Committee (PCC) have taken place in London on 26<sup>th</sup> January and 9<sup>th</sup> February 2015.

The PCC exists to discuss, co-ordinate, advise and represent the views of the members of the Selex Pension Scheme. There are currently eleven representatives on the Committee and their contact details are attached to this Report. Those participating in the meetings have been:-

Tony Kingsbury	Capability Green	Chairman
Jim Cull	Edinburgh	
James Fordyce	Edinburgh	
Martin Johnson	Basildon	
Scott McMillan	Basildon	
Stuart Rushworth	Capability Green	
Phil Slade	Capability Green	
Ken Thompson	Pensioner Representative	
Scott Wallace	Edinburgh	
Paul Wilton	Southampton	
Colin Wyllie	Edinburgh	
Martin Flavell	HR - Finmeccanica	
Andrew Letton	HR – Selex ES	
Mike Nixon	Head of Pensions	
Rachael Skuse	Pensions Manager	

The additional meetings were arranged to discuss proposals from the Company for changes to the Selex Pension Scheme.

### Proposals for change

The actuarial valuation of the Scheme is being carried out, with an effective date of 5 April 2014. The valuation process is normally carried out every three years and looks at how much money the Scheme needs to be able to meet all its pension liabilities, and compares this with the assets currently held by the Scheme and the contributions being paid.

The Company have put forward the following reasons why it considers change to the current Scheme design to be necessary:

1. Address the Scheme funding challenges. The valuation results show that while the Scheme has a healthy surplus, there has been a large increase (5.6 per cent of earnings) in the cost of providing benefits for future service and this additional cost needs to be addressed.
2. Reflect State pension changes. The Government is changing the State pension to a 'single-tier' amount from 6 April 2016. The State pension is integrated into the design of certain sections of the Selex Pension Scheme, so changes are required to the Selex Scheme benefit structure to reflect this.

3. Remove the link to the BAE Systems pension. The 'top up' provision applied to date was well intended but has had some unforeseen consequences. In particular, the majority of members in the Scheme have not benefited from the link and, 10 years on from when the Scheme was first designed, the Company proposes to remove the link.

The Company has considered a number of alternative options to address the funding and structural issues set out above. It proposes that the introduction of a Career Salary scheme is the most beneficial and sustainable option. It considers that this method of pension benefit calculation would offer fairer pension outcomes to members of the Scheme and will address the issues identified above.

Under Career Salary, members will continue to enjoy a 'defined benefit' pension arrangement. The Company considers Career Salary to be a fairer way to provide defined benefit pensions because the amount of pension members receive more accurately reflects the earnings over their career and the amount of money they have contributed to the Scheme.

The Company will be writing to all active members with its detailed proposals to initiate a formal consultation process from 1 March to 1 May 2015.

The PCC believes that the Company recognises the importance of providing employees with a good quality pension and is looking to put in place arrangements which, despite the difficult economic background, will enable continued support for the Scheme. The Company is looking at changes to future benefits, but it must ensure that accrued pension rights are protected as required by law.

#### PCC position statement

The PCC have discussed the Company's proposals with company representatives and the PCC have robustly challenged them on many fronts. The PCC continues to consider members interests in attempting to achieve an agreeable outcome.

The PCC recognises that there are drivers for change to the current Scheme design – for example "zero" Selex pensions, increased cost of future accrual and benefit harmonisation. It understands that the Company would like to make changes.

The PCC are prepared to continue the consultation process to influence the changes to the design of the Scheme to maximise improvements to members' outcomes. If the PCC and the Company can reach an agreeable position in the future, the PCC would be prepared to support the Company in its proposals to the members.

#### Further meetings

Discussions between the Company and the PCC on these matters will continue during the consultation.

Members can provide feedback to [pensions@selex-es.com](mailto:pensions@selex-es.com) which will be discussed with the PCC.

**Contact Details**

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