

**PENSIONS CONSULTATIVE COMMITTEE
REPORT TO MEMBERS FOLLOWING THE MEETING ON 15 OCTOBER 2013**

A meeting of the Pensions Consultative Committee (PCC) took place in London on 15 October 2013.

The PCC has been set up to discuss, co-ordinate, advise and represent the views of the members of the Selex Pension Scheme. There are currently twelve representatives on the Committee and their contact details are attached to this Report.

The meeting was attended by:-

Tony Kingsbury	Capability Green	Chairman
Jim Cull	Edinburgh	
James Fordyce	Edinburgh	
Martin Johnson	Basildon	
Stuart Rushworth	Capability Green	
Phil Slade	Capability Green	
Ken Thompson	Pensioner Representative	
Jim Thomson	Edinburgh	
Scott Wallace	Edinburgh	
Paul Wilton	Southampton	
Colin Wyllie	Edinburgh	
Martin Flavell	HR – Finmeccanica UK	
Mike Nixon	Head of Pensions	
Rachael Skuse	Pensions Manager	
Helen Pass	Pensions Management Team	

The meeting was held to receive feedback from the Trustee meeting on 24 September 2013 and to elect four Member Nominated Trustees.

Member Nominated Trustee election

The PCC representatives have elected Jim Cull, Martin Johnson, Stuart Rushworth and Scott Wallace as Member Nominated Trustees. Jim Cull and Stuart Rushworth will serve for a three year period and Martin Johnson and Scott Wallace will service for a six year period. The split in term of office is for the purpose of better continuity in trustee appointments.

Jim Thomson, who decided not to stand for re-election, will continue as a Trustee director until December 2013 when Scott Wallace will be appointed in his place.

The PCC representatives would like to thank Jim Thomson for all his hard work as a Trustee director.

Covenant review

The Trustee monitors the “covenant” of the employers which support the Scheme. The “covenant” is the employer’s legal obligation and ability to fund the Scheme now and in the future. Ernst & Young have provided the Trustee with a review of the covenant of Selex

ES Ltd and a training session on potential covenant trigger points and actions. The Trustee is now working with Ernst & Young to update its ongoing covenant monitoring plan.

Quarterly Funding Update to 30 June 2013

The quarterly funding update showed that the Scheme had a surplus of £52 million. This was an increase in the surplus of £2 million since 31 March 2013, and is the highest surplus to date. The employer's cost of future accrual had decreased over the quarter, however it is still 3.1% ahead of the rate at the last valuation (which means that the cost of providing pensions is higher than the cost assumed at the last valuation).

Investment Performance

- The market value of the total assets of the Scheme at 30 June 2013 was £470 million.
- Performance of the return-seeking assets over the quarter was -0.9%, which was -1.76% below the objective. However, in the longer term the assets were outperforming by 5.4% over twelve months and 3.05% per annum over three years.
- The total investment strategy (both the return-seeking and the matching assets) returned 7.2% over 12 months which was 5.3% ahead of the increase in liabilities. Over three years performance is 5.3% per annum ahead of liabilities.

Allocation of Assets

At 30 June 2013 the Trustee held 71.2% of the Scheme's assets "on-risk" and 28.8% "off-risk". On-risk assets are those seeking to generate an investment return (e.g. equities, commodities, high yield bonds). Off-risk assets are those seeking to manage risk and match Scheme liabilities (e.g.: Government gilts, cash).

AVC review and smart voluntary contributions

The transfer of Retirement Accounts (for 100+ members) and Additional Voluntary Contributions from Standard Life to Skandia has taken place. AVCs are also now payable through the Smart salary sacrifice arrangement with effect from the July 2013 payroll.

Aon Hewitt now provide administration services for the AVC/Retirement Account arrangements. The Trustee and Aon Hewitt are working together to offer members an online facility to view their AVC/Retirement Accounts.

Annual Report and Accounts

The Scheme Report and Accounts as at 5 April 2013 have been signed and a copy is available on the Scheme website at www.selexpensions.co.uk. In Focus, issued on 5 October 2013, included a summary of the key information.

Administration

Work levels at Aon Hewitt have increased over the quarter resulting in a slight reduction in service levels. The Trustee is monitoring this and it is expected the service levels will rise again over the next quarter.

Benefit Statements

Benefit statements for active (employed) members have been issued to home addresses.

State Pension changes

The PCC discussed the changes to a 'single tier' State pension and the potential implications for the Scheme.

New payroll provider

As you may be aware, the Company has appointed a new payroll provider, Northgate Arinso. Aon Hewitt are working with the new provider to ensure that they receive the pensions information they need on a regular basis.

Website

The Trustee has decided to upgrade the Scheme website to make it compatible with smart phones and tablets.

PCC Report to Members

The PCC has noted that the Report to Members from the July 2013 meeting was delayed. Pensions Management will endeavour to ensure that future Reports are produced as quickly as possible after the meeting.

Date of the Next Meeting

The next meeting of the PCC will be held on 14 January 2014.

Contact Details

Name	Location	Email Address	Phone Number
Jim Cull	Edinburgh	James.Cull@selex-es.com	0131 343 8768
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Ken Thompson	Pensioner Representative	Contact via Tony Kingsbury	