

**PENSIONS CONSULTATIVE COMMITTEE  
REPORT TO MEMBERS FOLLOWING THE MEETING ON 30 JULY 2013**

A meeting of the Pensions Consultative Committee (PCC) took place in London on 30 July 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	
Scott McMillan	Basildon	
Ken Thompson	Pensioner Representative	
Jim Thomson	Edinburgh	
Scott Wallace	Edinburgh	
Paul Wilton	Southampton	
Colin Wyllie	Edinburgh	
Martin Flavell	HR – Finmeccanica UK Ltd	
Andrew Letton	HR – Selex ES Ltd	
Mike Nixon	Head of Pensions	
Helen Pass	Pensions Management Team	

The meeting was held to receive feedback from the Trustee meeting on 25 June 2013 and to receive training.

Covenant review

The Trustee receives covenant advice from Punter Southall, but the Trustee felt it could be advantageous to engage a covenant advisor with greater resources and experience. The Trustee invited Ernst & Young to their June meeting to discuss the services they could provide. Ernst & Young are now preparing a quotation for providing covenant advice on both Finmeccanica and Selex ES, and some covenant scenario training.

Quarterly Funding Update to 31 March 2013

The quarterly funding update showed that the Scheme had a surplus of £50 million. This was an increase in the surplus of £6 million since 31 December 2012, and is the highest surplus to date. The employer's cost of future accrual had increased over the quarter and is now 5.3% ahead of the rate at the valuation.

Actuarial report

An actuarial report is obtained each year to provide information on the development of the funding position since the last formal valuation. The actuarial report as at 5 April 2013 showed the Scheme had an estimated surplus of £48.2 million.

### Benefit statement assumptions

The Trustee decided to keep the assumptions for the 2013 benefit statements as they were in 2012, apart from the future Credited Interest Rate assumption which has been increased from 5.5% to 6%.

### Conflict Management Plan

The Institute and Faculty of Actuaries has issued updated guidance relating to conflicts of interest. The review was a result of continued concerns expressed publically about the potential conflicts faced by actuaries and with the encouragement of the Financial Reporting Council (the body with regulatory oversight of the actuarial profession).

As a result of the new guidance, the Trustee and Company signed new appointment letters for the Actuary and agreed a Conflict Management Plan.

### Investment Performance

- The market value of the total assets of the Scheme at 31 March 2013 was £494 million.
- Performance of the return-seeking assets over the quarter was 4.44%, which was 3.58% ahead of the objective.
- The total investment strategy (both the return-seeking and the matching assets) returned 14.6% over 12 months which was 2.8% ahead of the increase in liabilities. Over three years performance is 3.3% per annum ahead of liabilities.

### Allocation of Assets

At 31 March 2013 the Trustee held 67% of the Scheme's assets "on-risk" and 33% "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).

### US withholding tax

P-Solve had identified a potential opportunity for the Trustee to reclaim US withholding tax on dividend payments from US-resident Exchange Traded Funds (US ETFs). In addition, it should also be possible to obtain Relief at Source from future US withholding tax on dividends distributed by these US ETFs. The Trustee has agreed to try to reclaim the withholding tax and obtain Relief at Source on future withholding tax, and steps have been taken to start the process.

### AVC investment strategy and smart voluntary contributions

The transfer of AVCs and Retirement Accounts from Standard Life to Skandia is progressing. The Investment Special edition of In Focus and the letters regarding the re-launch of SMART were issued on 20 June 2013.

The first monthly contributions to be paid to Skandia were deducted in the July payroll and the existing Standard Life funds will be moved during August.

### Administration

Work levels at Aon Hewitt have remained high over the quarter and they continue to perform at or above agreed service levels.

### Mid Life Planning Seminars

Mid life planning seminars have taken place in Luton, Basildon, Edinburgh, Southampton and Christchurch and feedback has been positive.

### Pension liberation fraud

The Pensions Regulator has produced a leaflet regarding pension liberation fraud, where people are encouraged to transfer their pensions in order to access their funds before age 55. However, large transfer charges are applied, and the payments could be unauthorised and therefore trigger a tax charge. This leaflet has been uploaded as a news item on the Scheme's website.

### Member feedback survey

Aon Hewitt will be introducing a feedback survey on Pensionline, their online early retirement pension modelling tool.

### Company Secretary

The Selex Pension Scheme (Trustee) Ltd company secretary, Hans Oskar Ekstrom has resigned and been replaced by Geoff Phillips.

### Pensions Manager

Rachael Skuse, the Pensions Manager, will be returning from maternity leave on 30 September 2013.

### State pension changes

The PCC members have received a training session on the changes to the State pension and the possible impact these may have on the Scheme.

### Auto enrolment

Members will receive a letter shortly confirming that the Selex Pension Scheme is a 'qualifying scheme' for auto enrolment purposes. Those not in a scheme will be automatically enrolled into Finmeccanica FuturePlanner.

### Trustee and Company responsibilities

The PCC have received a training session on the various responsibilities of the Trustee and the Company with regard to the Scheme.

### Date of the Next Meeting

The next meeting of the PCC will be held on 15 October 2013.

## Contact Details

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