

**PENSIONS CONSULTATIVE COMMITTEE  
 REPORT TO MEMBERS FOLLOWING THE MEETING ON 1 MAY 2012**

A meeting of the Pensions Consultative Committee (PCC) took place in London on 1 May 2012.

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 fourteen 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	
Christopher Guertin	Basildon	
Martin Johnson	Basildon	
Stuart McMillan	Basildon	
Paul Murrell	Christchurch	
Stuart Rushworth	Capability Green	
Phil Slade	Capability Green	
Ken Thompson	Pensioner Representative	
Scott Wallace	Edinburgh	
Paul Wilton	Southampton	
Colin Wyllie	Edinburgh	
Andrew Letton	HR – SELEX Galileo Ltd	
Mike Nixon	Head of Pensions	
Rachael Skuse	Pensions Manager	
Helen Pass	Pensions Advisor	

The meeting was held to receive feedback from the Trustee meeting on 27 March 2012 and provide training on the new auto-enrolment requirements.

Quarterly Funding Update to 31 December 2011

The quarterly funding update showed that the Scheme had a surplus of £21 million. This was an increase in the surplus of £10 million since 30 September 2011. Over the quarter there had been a higher than expected return on the Scheme's assets and the value of the liability hedge had increased by more than the value of the liabilities.

Annual Rates

The Trustee has set the 2012 annual rates as follows:

- 2000 Section Credited Interest rate: 5.5%
- Main Section Revaluation for Individual Pension Account: 3.5%
- Main Section Revaluation factor for Protected Rights Account: 3.5% (if required following the abolition of protected rights contracting-out from 6 April 2012)
- Shadow earnings cap for 2010/11: £137,400.

Pension Increases

The pension increases in the Scheme from 1 May 2012 for benefits which use the annual increase in the RPI figures to January 2012 are:

- For service before 6 April 2006, 3.93%
- For service on and after 6 April 2006, 2.5%.

### Transfer Value Assumptions

Following each valuation, the Trustee reviews the transfer value assumptions used in quotations for transferring benefits out of the Scheme. These quotations are primarily used for assessing the value of a pension for the purposes of divorce.

Two changes were made to the transfer value assumptions, one relating to inflation assumptions and one relating to mortality assumptions.

### Scheme Factor Review

Following each valuation, the Trustee reviews the Scheme factors and considers whether any changes are appropriate. The Trustee has decided to retain the current factors, except in relation to the cash commutation factors (which determine how much pension you must give up to receive a cash lump sum).

The Trustee has decided to improve the cash commutation factors across each age with effect from 1 May 2012. This change reflects the recent falls in interest rates.

The factors are subject to review at any time and in the event of a rise in interest rates, the Trustee is likely to review the commutation factors again.

### Abolition of DC Contracting out

The Main Section of the SELEX Pension Scheme is contracted-out of the State Second Pension (S2P) which is the earnings-related part of the State Pension benefit. As previously communicated, from April 2012 the Government has decided to cease contracting-out on a defined contribution basis.

From 6 April 2012, members of the Main Section are now contracted-out on the alternative "reference scheme" basis. The Scheme Actuary has confirmed that the Scheme fulfils the Reference Scheme Test as at 5 April 2012.

The Company's payroll provider has updated their systems to allow for the change. The Trustee is seeking advice regarding how the Scheme Rules will need to be changed to reflect the new legislation.

### Investment Performance

- The market value of the total assets at 31 December 2011 was £395.1 million.
- Performance of the return-seeking assets over the quarter was 4%, which was 3% ahead of the objective.
- The total investment strategy (both the return-seeking and the matching assets) returned 19.3% over 12 months and 19% per annum over 2 years.

### Pension Protection Fund (PPF) Levy

The PPF have made changes to how they calculate the PPF Levy payable by pension schemes. It now includes investment risk information. The Trustee has submitted additional bespoke investment information and it is expected that the Scheme will have a "zero" risk-based levy for 2012/13 due to the positive funding position and the use of liability hedging, which is very good news.

## AVC review

The Trustee has reviewed a number of different options for improving the AVC fund selection available. This has included consideration of other providers, consideration of alternative investment strategies (involving asset diversification and rotation) and consideration of P-Solve's delegated solution (which is very similar to the TIGS investment product used for the main scheme assets, but is designed for AVC "money purchase" investments).

The Trustee will be considering the options further at the next investment committee meeting.

## Administration

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

The latest edition of the Scheme newsletter, In Focus, was issued in April 2012.

The Trustee has upgraded the Scheme website to restructure the site map, refresh the design and include an e-mail alerts function. You can view the upgraded site at [www.selexpensions.co.uk](http://www.selexpensions.co.uk).

## Auto enrolment

The PCC members received a training session on the new employer responsibilities around auto-enrolment. Further information on this will be provided to members towards the end of 2012 and in to 2013.

## Date of the Next Meeting

The next meeting of the PCC will be held on 10 July 2012.

## **Contact Details**

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