

**PENSIONS CONSULTATIVE COMMITTEE
REPORT TO MEMBERS FOLLOWING THE MEETING ON 12 JULY 2011**

A meeting of the Pensions Consultative Committee (PCC) took place in London on 12 July 2011.

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	
Scott McMillan	Basildon	
Phil Slade	Capability Green	
Ken Thompson	Pensioner Representative	
Jim Thomson	Edinburgh	
Scott Wallace	Edinburgh	
Colin Wyllie	Edinburgh	
Martin Flavell	HR – Finmeccanica UK Ltd	
Andrew Letton	HR – SELEX Galileo	
Mike Nixon	Head of Pensions	
Angela Weston	Pensions Manager	
Helen Pass	Pensions Advisor	
Jon Bowden	Aon Hewitt	

Apologies were received from:-

Paul Murrell	Christchurch
Stuart Rushworth	Capability Green
Paul Wilton	Southampton

The meeting was held to receive feedback from the Trustee meetings held on 29 March and 28 June 2011. The meeting scheduled for 5 May 2011 had been cancelled due to unforeseen circumstances.

Quarterly Funding Update

The quarterly funding updates showed that the Scheme's estimated deficit of £29 million at 30 September 2010 had been replaced by a surplus of £11 million at 31 March 2011. Performance throughout the period has remained ahead of the recovery plan which is encouraging as the 2011 formal valuation is now underway.

Revaluation

The Government recently consulted on changing the revaluation of deferred pensions and pensions in payment. The consultation has now ended and the Trustee has taken legal advice on how this affects the Scheme. The current understanding is that:

- Retail Prices Index increases apply to pension increases for all sections.
- Consumer Prices Index increases will apply to deferred increases for the Main and 100+ Sections.
- The better of the Consumer Prices Index and the Retail Prices Index will apply to deferred increases for the 2000 Section. The Consumer Prices Index figure is as at September each year and the Retail Prices Index figure at January.

Members should note that the increases described above are subject to the caps detailed in the Member Booklets.

Valuation

The Scheme Actuary has done some preliminary work in relation to the 2011 valuation. He has updated the mortality assumptions and reviewed the strength of the employer covenant. The employer covenant remains broadly unchanged when compared to the previous valuation.

Abolition of contracting-out of the State Second Pension on a defined contribution basis

The Main Section of the SELEX Pension Scheme is currently contracted-out of the State Second Pension (S2P) which is the earnings related part of the State Pension benefit. This means that Main Section members do not build up an entitlement to S2P and instead have a protected rights account in the SELEX Pension Scheme which acts as an underpin to their pension benefits.

From April 2012 the Government has decided to cease contracting-out on a defined contribution basis. The Company is currently considering whether to contract back into S2P or contract out on the alternative "reference scheme" basis. The Company will contact affected members to confirm how it proposes to deal with this change in legislation in due course.

Investment Performance

- It was a good quarter for investment returns with TIGS outperforming its benchmark over the quarter by 0.7%. Over 12 months outperformance is 6%..
- The market value of the assets within TIGS at 31 March 2011 was £249 million.
- The value of the swaps at 31 March 2011 was £57 million.
- An additional performance measure has been developed to assess the investment success of the total investment strategy (both the return-seeking and the matching assets). Over 12 months the total return was 11.8% which is 10.9% ahead of the increase in liabilities.

Administration

Work levels at Aon Hewitt remain high and they continue to perform at or above agreed service levels.

Express of Wish forms

Following a review by the Trustee, Aon Hewitt have issued letters to members of the Scheme who have not completed an Expression of Wish form. Although there has been a positive response to this request the PCC would like to remind members that they need to keep their forms up to date if their personal circumstances change.

Pilot Mid-life Pension Planning Seminars

The Pilot Mid-life Pension Planning Seminars have now completed. The team from Aon Hewitt and Pensions Management have visited Edinburgh, Southampton, Luton, and Basildon and feedback has been positive. The Company are now reviewing the feedback and considering the arrangements for the future programme.

Training Session – BAE Offset

Jon Bowden from Aon Hewitt delivered a training session to PCC members on the BAE offset and how it can affect the net SELEX pension.

Pensions Management Team

Rachael Skuse (Pensions Manager) will be returning from maternity leave on 1 August 2011. The PCC would like to thank Angela Weston for all her help while covering for Rachael.

Date of the Next Meeting

The next meeting of the PCC will be held on 18 October 2011.

Contact Details

Name	Location	Email Address	Phone Number
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Ken Thompson	Pensioner Representative	Contact via Tony Kingsbury	