

**PENSIONS CONSULTATIVE COMMITTEE  
REPORT TO MEMBERS FOLLOWING THE MEETING ON 16 OCTOBER 2012**

A meeting of the Pensions Consultative Committee (PCC) took place in London on 16 October 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 currently thirteen 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 Rushworth	Capability Green	
Phil Slade	Capability Green	
Scott Wallace	Edinburgh	
Paul Wilton	Southampton	
Colin Wyllie	Edinburgh	
Martin Flavell	HR – Finmeccanica UK Ltd	
Mike Nixon	Head of Pensions	
Helen Pass	Acting Pensions Manager	

The meeting was held to receive feedback from the Trustee meeting on 25 September 2012 and the Annual Report and Accounts.

Annual Report and Accounts

The Scheme Report and Accounts as at 5 April 2012 have been signed and a copy is available on the Scheme website at [www.selexpensions.co.uk](http://www.selexpensions.co.uk). In Focus, issued on 8 October 2012, included a summary of the key information.

The PCC members have received a presentation detailing the highlights of the Annual Report and Accounts.

Quarterly Funding Update to 30 June 2012

The quarterly funding update showed that the Scheme had a surplus of £39 million. This was an increase in the surplus of £5 million since 31 March 2012 mainly due to positive experience relative to salary assumptions. The employer's cost of future accrual had increased further over the quarter.

Auto-enrolment certification

Employers have a duty to automatically enrol their eligible jobholders in a qualifying pension scheme. This will come into effect for Finmeccanica employers in July 2013. To be a qualifying pension scheme, an occupational pension scheme must satisfy minimum quality requirements:

- There must be a contracting-out certificate in force in relation to the Scheme; or
- The Scheme must satisfy a test scheme standard.

There is a contracting-out certificate in force in relation to the Main Section of the Scheme and therefore this section satisfies the minimum requirement.

For the 100+ and 2000 Sections, it was necessary to verify that the pensions provided under each of these sections are broadly equivalent to, or better than, the pensions which would be provided under a test scheme.

Punter Southall have confirmed that the pensions provided under the SELEX Pension Scheme are expected to be higher than or equal to those provided under the test scheme and the Scheme satisfies the test scheme standard. Therefore it can be used as a qualifying pension scheme for the purposes of automatic enrolment.

The next step is for Punter Southall to provide a signed test scheme standard certificate for each of the employers, which will be done in early 2013.

#### New Actuarial Funding Tool

The Trustee has received a demonstration of a new funding calculation tool from Punter Southall. Currently, the funding updates which the Trustee receives from the Actuary between formal valuations are based on assumptions as to membership movements and experience. The new tool, PFaroe, has the potential to be updated with more regular member movements and experience and therefore provide more accurate funding reports. Punter Southall will use this tool for the next Scheme valuation but consideration is now being given as to whether this tool should be adopted in advance of the next valuation.

#### Investment Performance

- The market value of the total assets of the Scheme at 30 June 2012 was £414 million.
- Performance of the return-seeking assets over the quarter was -1.18%, which was 2.18% behind of the objective.
- The total investment strategy (both the return-seeking and the matching assets) returned 0.6% over the quarter which was 1.8% behind a liability benchmark. Over three years performance is 7.1% per annum ahead of liabilities.

#### Allocation of Assets

At 30 June 2012 the Trustee held 80% of the Scheme's assets "on-risk" and 20% "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). Given the current position of surplus, the Trustee has taken an additional 10% of assets "off-risk" whilst the economic conditions remain uncertain.

#### Additional Voluntary Contributions review

The Trustee intends to adopt P-Solve's delegated solution for AVCs which is similar to the TIGS investment product used for the main scheme assets, but designed for "money purchase" investments. There will be a change to the preferred supplier for the investment

platform and once the new supplier is in place, planning for the transition of the SELEX AVCs will begin.

#### Liability hedge – tactical hedging levels

The long term strategic target for liability hedging is 100% with a short term target of 75% interest rate and 90% inflation rate hedging. Levels are currently 75% interest rate and 89% inflation rate hedging.

The Trustee has decided to increase the interest rate hedge to 83% subject to further advice from P-Solve on timing of the trade in current market conditions.

#### Benefit Statements

The annual benefit statements for active members were issued on 28 September 2012. However due to issues with the postal service some members did not receive their statements until around 4 October.

#### Consolidated SELEX Pension Scheme Rules

The Trustee and Company have signed a set of consolidated Rules incorporating all the changes made by the various deeds of amendment since the Scheme's inception.

#### Administration

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

The member helpline number for Aon Hewitt has changed to 0845 603 5660 however the old number will continue to work for the next few months.

#### Trivial commutation factors

The Trustee has adopted a new set of trivial commutation factors following new legislation. Members with a pension of less than £100 per annum within the Scheme, or total pension benefits worth less than £18,000, can now commute their pension for a lump sum.

#### Scheme of the Year Awards

The Scheme was shortlisted for the DB Communications award in the 2012 Professional Pensions "Scheme of the Year" Awards.

#### Date of the Next Meeting

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

## Contact Details

<b>Name</b>	<b>Location</b>	<b>Email Address</b>	<b>Phone Number</b>
Jim Cull	Edinburgh	<a href="mailto:James.Cull@selexgalileo.com">James.Cull@selexgalileo.com</a>	0131 343 8768
James Fordyce	Edinburgh	<a href="mailto:James.Fordyce@selexgalileo.com">James.Fordyce@selexgalileo.com</a>	0131 343 4658
Christopher Guertin	Basildon	<a href="mailto:Christopher.Guertin@selexgalileo.com">Christopher.Guertin@selexgalileo.com</a>	01268 887378
Martin Johnson	Basildon	<a href="mailto:Martin.h.Johnson@selexgalileo.com">Martin.h.Johnson@selexgalileo.com</a>	01268 887074
Tony Kingsbury	Capability Green	<a href="mailto:Tony.Kingsbury@selexgalileo.com">Tony.Kingsbury@selexgalileo.com</a>	01582 886052
Scott McMillan	Basildon	<a href="mailto:Scott.McMillan@selexgalileo.com">Scott.McMillan@selexgalileo.com</a>	01268 887094
Stuart Rushworth	Capability Green	<a href="mailto:Stuart.Rushworth@selexgalileo.com">Stuart.Rushworth@selexgalileo.com</a>	01582 886258
Phil Slade	Capability Green	<a href="mailto:Phil.Slade@selexgalileo.com">Phil.Slade@selexgalileo.com</a>	01582 886580
Jim Thomson	Edinburgh	<a href="mailto:Jim.Thomson3@selexgalileo.com">Jim.Thomson3@selexgalileo.com</a>	0131 343 5551
Scott Wallace	Edinburgh	<a href="mailto:Scott.Wallace@selexgalileo.com">Scott.Wallace@selexgalileo.com</a>	0131 343 4134
Paul Wilton	Southampton	<a href="mailto:Paul.Wilton@selexgalileo.com">Paul.Wilton@selexgalileo.com</a>	02380 316775
Colin Wyllie	Edinburgh	<a href="mailto:Colin.Wyllie@selexgalileo.com">Colin.Wyllie@selexgalileo.com</a>	0131 343 8136
Ken Thompson	Pensioner Representative	Contact via Tony Kingsbury	