

**PENSIONS CONSULTATIVE COMMITTEE
 REPORT TO MEMBERS FOLLOWING THE MEETING ON 17 JANUARY 2012**

A meeting of the Pensions Consultative Committee (PCC) took place in London on 17 January 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	
Paul Murrell	Christchurch	
Phil Slade	Capability Green	
Jim Thomson	Edinburgh	
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 6 December 2011 and provide information on the new FuturePlanner investment options.

2011 Actuarial Valuation

The 2011 Actuarial Valuation of the SELEX Pension Scheme has been completed and the documentation signed.

Quarterly Funding Update to 30 September 2011

The quarterly funding update showed that the Scheme had a surplus of £11 million on the 2011 funding basis. This was a decrease in the surplus of £27 million since 30 June 2011. Over the quarter there had been unfavourable movements in interest and inflation rates and poor equity market conditions.

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. 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 will be 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 2011, and another test will need to be done on 6 April 2012.

Discussions are currently taking place with the Company's payroll provider to ensure processes are in place to make the switch to the contracting-out basis with effect from 6 April 2012.

Longevity Swaps

The Trustee has taken advice on the potential for the Scheme to invest in longevity swaps which aim to protect against adverse movements in life expectancy. This is not, however, an option at the current time as the Scheme still has a relatively small level of pensioner liabilities.

Investment Performance

- The market value of the total assets at 30 September 2011 was £347 million.
- The value of the swaps at 30 September 2011 was £101 million.
- Performance of the return-seeking assets over the quarter was -7.48% which was 8.45% behind the objective.
- The total investment strategy (both the return-seeking and the matching assets) returned -0.67% over 12 months and 5% per year over 3 years.

Custodian and AVC Review

The annual custodian and AVC review has been carried out. The review of the custodian was positive and there will be no change.

The Trustee has decided to carry out a further review of the AVC funds offered to members and to seek additional information on other fund options.

Administration

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

Deferred Benefit Statements were issued on 19 December 2011 and a special edition of In Focus was issued on 16 December 2011.

The Trustee has decided to upgrade the Scheme website to restructure the site map, refresh the design and include an e-mail alerts function. Further detail will be provided in due course.

FuturePlanner Investment Strategy

The PCC members received a training session on the new investment options available to members of FuturePlanner. Further detail is available on the FuturePlanner website at www.futureplanner.co.uk.

Date of the Next Meeting

The next meeting of the PCC will be held on 1 May 2012.

Contact Details

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