



## **PENSIONS CONSULTATIVE COMMITTEE REPORT TO MEMBERS FOLLOWING THE MEETING ON 2 APRIL 2009**

The seventeenth meeting of the Pensions Consultative Committee (PCC) took place in London on 2 April 2009.

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
Paul Murrell	Christchurch	Deputy Chairman
James Fordyce	Edinburgh	
Christopher Guertin	Basildon	
Martin Johnson	Basildon	
Stuart Rushworth	Capability Green	
Phil Slade	Capability Green	
Ken Thompson	Pensioner Representative	
Jim Thomson	Edinburgh	
Scott Wallace	Edinburgh	
Paul Wilton	Southampton	
Colin Wyllie	Edinburgh	
Martin Flavell	Finmeccanica UK	
Rachael Skuse	Assistant Pensions Manager	
Helen Pass	Pensions Adviser	

Apologies were received from:-

Jim Cull	Edinburgh
Scott McMillan	Basildon

The meeting was held to receive feedback from the Trustee meeting held on 16 December 2008.

### New PCC Representative

Christopher Guertin from Basildon has been appointed as a new PCC Representative following the resignation of Kevin Brooks. The PCC wish to thank Kevin for his service as a PCC Representative.

### Administration Update

Aon have received sixteen customer satisfaction surveys since the last meeting. Thirteen out of the sixteen respondents rated Aon's service as very good or higher.

### Benefit Statements

All active and deferred members should now have received their 2008 annual benefit statement.

### New Aon Website

Work is continuing on the new online facility which will provide members with additional information on the pension benefits they may expect to receive in the future. Further details will follow.

### Pension Increase

Pension increases from 1 May 2009, which use the annual increase in RPI to January 2009, will be:-

- For service before 6 April 2006, 0.14%
- For service on and after 6 April 2006, 0.14%.

### Investment

#### Investment performance to 31 December 2008

- TIGS underperformed its benchmark over the quarter. It has been a very difficult quarter across the market with almost all classes of return seeking assets falling in value significantly. The Trustee has considered a comparison with more conventional investments and has noted that this would not have performed any better than TIGS. The swaps portfolio has risen in value over the quarter.
- The market value of the assets within TIGS as at 31 December 2008 was £121.4 million.
- The value of the swaps as at 31 December 2008 was £43.3 million.
- The interest rate hedge was reduced to 75% on 30 January 2009 as the current interest rates are low. Should the interest rates rise, it is intended the hedging will be increased back to 100%. The inflation hedging has been topped up to 100% to hedge the additional accrual in the Scheme since the last review.

### Standard Life Sterling One Fund

In the current illiquid and volatile markets, Standard Life re-evaluated the market data which indicated that the value of some asset backed securities held within the Sterling One fund had fallen substantially. Standard Life took the decision to reduce the unit price of the Sterling One fund by approximately 5% on 14 January 2009. Following significant industry pressure, Standard Life reversed this re-price on 11 February thereby restoring individuals to the position before the 14 January reduction.

Following this action, the Trustee has decided to make some adjustments to the AVC/ABC funds offered.

It has replaced the Sterling One fund within the Lifestyle profile with the Managed Cash fund (for existing investments and future contributions). The Sterling One fund was used in the two years prior to retirement. All members who were invested within the Sterling One fund in the lifestyle strategy will be switched to the Managed Cash fund.

The Managed Cash fund will also be offered as an additional option in the self-select range. These members will have a choice regarding whether to stay in the Sterling One fund or change into the Managed Cash fund.

All members invested in the Sterling One fund have been sent a letter explaining the changes.

### Standard Life Pension Property One fund

Standard Life has also announced that they have introduced a waiting list of up to six months for customers wishing to take money out of their commercial property funds. The Scheme uses the Standard Life Pension Property One fund.

This is to assist in being able to control redemptions and sell property at a reasonable price. Many insurers have adopted this approach. Standard Life has confirmed this will not affect members wishing to withdraw from the funds at their chosen retirement date. It will affect transfers and switches.

### Actuarial

#### Quarterly Funding Update

The value of the ongoing deficit depends on the assumptions which are used to calculate the liabilities. These are currently under discussion by the Trustee and Company as part of the 2008 actuarial valuation, but on the current proposed basis the estimated deficit as at 31 December 2008 is approximately £80 million.

#### Annual Rates

The Trustee has set the annual rates with effect from 6 April 2009 as follows:

- Credited Interest rate: 2.5%
- Revaluation for Individual Pension Account: (-13.9%)
- Revaluation for Protected Rights Account: (-13.9%)
- The shadow earnings cap for 2009/10 will be £123,600

#### Employer Covenant Review

As part of the actuarial valuation process, as recommended by the Pensions Regulator, the Trustee is reviewing the strength of the companies sponsoring the Scheme. The Trustee received a presentation from an external consultant and from the Company. The Trustee has now commissioned an independent covenant review.

#### Date of the Next Meeting

The next meeting of the PCC will be held on 25 June 2009.

## Contact Details

<b>Name</b>	<b>Location</b>	<b>Email Address</b>	<b>Phone Number</b>
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