

**PENSIONS CONSULTATIVE COMMITTEE
REPORT TO MEMBERS FOLLOWING THE MEETING ON 3 NOVEMBER 2009**

The nineteenth meeting of the Pensions Consultative Committee (PCC) took place in London on 3 November 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:-

| | | |
|---------------------|--------------------------|-----------------|
| Paul Murrell | Christchurch | Deputy Chairman |
| Jim Cull | Edinburgh | |
| 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 | |
| Andrew Letton | SELEX GALILEO | |
| Rachael Skuse | Pensions Manager | |
| Helen Pass | Pensions Adviser | |

Apologies were received from:-

| | | |
|----------------|------------------|----------|
| Tony Kingsbury | Capability Green | Chairman |
| Scott McMillan | Basildon | |

The meeting was held to receive feedback from the Trustee meeting held on 7 October 2009 and to receive training on the actuarial valuation process.

Training Session – Actuarial Valuations

Jan Thompson from Punter Southall gave a training session on actuarial valuations, which included details of the valuation documentation, the main assumptions used and the changes in the assumptions since 2005.

Trustee Report and Accounts

The Scheme auditor, Ernst & Young, has completed its audit of the annual report and accounts for 2009 and has given an unqualified opinion on the financial statements. The annual report and accounts have been signed and a copy is available on the website. A summary of the figures was included in the September edition of In Focus.

Actuarial Report as at 5 April 2009

The Trustee is required to produce an annual actuarial report. This showed the Scheme had a deficit at 5 April 2009 of approximately £76.5 million.

The next edition of In Focus (March 2010) will include a summary funding statement setting out the funding position as at 5 April 2009.

Quarterly Funding Update

The quarterly funding update showed that the Scheme's estimated deficit had decreased from £80.2 million at 31 March 2009 to £63.7 million at 30 June 2009.

There have been higher than expected returns on the Scheme's assets over the quarter and the swaps have fallen in value by less than the corresponding decrease in liabilities.

Cash Equivalent Transfer Value (CETV) basis

Deferred pensioners have the right to transfer their SELEX benefits out into another pension arrangement. The transfer value must provide fair value for the benefits the member has accrued in the Scheme. The Trustee has reviewed the CETV basis in light of the valuation results and adopted a very similar basis to that used previously.

Review of Factors

A review of Scheme factors has been undertaken to ensure they remain appropriate. It is advised that this is undertaken after each actuarial valuation.

Early Retirement from Active Service

The Trustee and the Company are finalising the changes to the SELEX early retirement factors to move to a consistent cost neutral factor across all sections of the Scheme. The principle of having 'cost neutral factors' is to give members fair value for the benefit which they are giving up. This reflects that the pension is payable for a longer period and the assets which would otherwise have been invested in the Scheme and producing a return have been used to provide benefits at an earlier date. The PCC have asked that the position is finalised as soon as possible.

Cash Commutation Factors

Commutation factors reflect how much cash you can receive for each £1 of pension given up at retirement. The factors previously differed between the sections and the Trustee has now adopted consistent commutation factors.

Investment performance to 30 June 2009

- It was a good quarter for the Scheme's investments with TIGS significantly outperforming its benchmark.
- The market value of the assets within TIGS as at 30 June 2009 was £146.2 million.
- The value of the swaps as at 30 June 2009 was £24.3 million. The liability hedge also outperformed its benchmark over the quarter.

Administration

Work levels at Aon have remained high with the benefit statement project and implementing changes following the actuarial valuation.

Member feedback has remained positive and Aon received eight member satisfaction surveys since the last meeting all of which rated the service as good, very good or excellent.

All the 2009 benefit statements for active members have been issued. Work is now progressing on the statements for deferred members.

Retirement quotations and voluntary savings

Retirement quotations will now show all voluntary savings as cash sums. You will still be able to request a quotation of the pension your voluntary savings could buy should you wish to do so, but as the majority of members take their voluntary savings as cash this new format will reflect the position in practice.

Life Cover

Aon's insurance brokers have carried out a review of the Scheme's life cover. The life cover policy will remain with Aviva and Aon have secured improved terms for the Scheme.

Pensions Manager

Kate Webber has taken up a new role as manager of another Finmeccanica group pension scheme on her return from maternity leave. Rachael Skuse will continue as Pensions Manager for the SELEX Pension Scheme.

Communications

Edition 9 of In Focus was issued to members in September 2009.

Date of the Next Meeting

The next meeting of the PCC will be held on 7 January 2010.

Contact Details

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