

**PENSIONS CONSULTATIVE COMMITTEE  
REPORT TO MEMBERS FOLLOWING THE MEETING ON 13 MAY 2010**

A meeting of the Pensions Consultative Committee (PCC) took place in London on 13 May 2010.

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
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	HR – Finmeccanica UK Ltd (by telephone)	
Andrew Letton	HR – SELEX Galileo	
Rachael Skuse	Pensions Manager	
Helen Pass	Pensions Adviser	

Apologies were received from:-

Scott McMillan	Basildon
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The meeting was held to receive feedback from the Trustee meeting held on 23 March 2010.

Quarterly Funding Update

The quarterly funding update showed that the Scheme's estimated deficit had decreased from £49.5 million at 30 September 2009 to £41.1 million at 31 December 2009.

There have been higher than expected returns on the Scheme's assets over the quarter and the swaps have also outperformed their benchmark.

Annual Rates

The Trustee has set the 2010 annual rates as follows:

- 2000 Section Credited Interest rate: 4.25%
- Main Section Revaluation for Individual Pension Account: 19.1%
- Main Section Revaluation factor for Protected Rights Account: 19.1%
- Shadow earnings cap for 2010/11: £123,600.

Pension increases

The pension increases in the Scheme from 1 May 2010 for benefits which use the annual increase in the RPI figures to January 2010 are:

- For service before 6 April 2006, 3.71%
- For service on and after 6 April 2006, 2.5%.

### Investment

#### Investment Performance

- It was a good quarter for investment returns with TIGS outperforming its benchmark over the quarter.
- The market value of the assets within TIGS at 31 December 2009 was £186 million.
- The value of the swaps at 31 December 2009 was £30.4 million.

#### Swaptions

The Trustee has entered into a portfolio of interest rate Swaptions with Credit Suisse.

Swaptions are options with a bank to enter into interest rate swaps at a date in the future. As interest rates rise, the Trustee will want to build up the number of interest rate swaps it currently holds and Swaptions will enable them to do this. The premium received from the bank for entering into the Swaptions has been invested in TIGS.

#### Strategy review

The Trustee has decided to undertake a strategy review and risk analysis of the Scheme's investment strategy. This will involve an analysis of a range of future financial market scenarios (i.e.: inflationary, depression, rapid recovery) that could occur and then consider the financial implications on the current investment strategy. There will also be an analysis of a number of short term sensitivities and what might happen to the Scheme's funding position.

#### Administration

Work levels at Aon have remained high with an increase in the number of members requesting retirement quotations.

Aon have received five member satisfaction surveys since the last meeting, two of which rated their service as very good or excellent. The Trustee is currently reviewing the feedback form to encourage members to provide additional comments regarding Aon's service.

The Pensions Regulator has issued updated guidance on pension scheme record keeping, which is still under consultation. Aon are currently investigating the options for testing the Scheme data against the Regulator's guidance.

#### Tax codes

HMRC have changed their computer system and this has resulted in a number of pensioners receiving incorrect tax codes. Aon have written to all SELEX pensioners advising them of this issue and giving details of where they can obtain further information.

#### Scheme website

The Trustee has approved an upgrade to the SELEX Pension Scheme website which will make the system easier to maintain and upload documents to.

## Aon Annuity Service

The Trustee is introducing an annuity service from June 2010 for members purchasing an open market annuity with their voluntary savings. The Trustee will fund one use of the Aon Annuity Service for each member wishing to purchase an external annuity. Members will also be given access to the Aon Annuity Finder website to use in advance of their retirement and then when they approach retirement they will receive a written recommendation from Aon on the best annuity quotations available. Further details, including a member explanation document, will be put on the Scheme's website at [www.selexpensions.co.uk](http://www.selexpensions.co.uk).

## Pensions Management

The Scheme's Pensions Manager, Rachael Skuse, will be going on maternity leave towards the end of August 2010.

## Communications

Edition 10 of In Focus was issued to member's home addresses in March 2010.

Members who pay Additional Voluntary Contributions (AVCs) or contributions to the Selected Benefits Scheme (SBS) have received letters regarding their AVC/SBS contributions and been asked to confirm that the current contributions on Aon's records correctly reflect the contributions the member wishes to pay. Any members who have not yet returned their forms will need to do so as soon as possible.

## Early retirement from active service

In the Report to Members from the last PCC meeting, it was noted that the early retirement factors would change to a consistent cost neutral basis for all Sections on 1 May 2010.

The new factors were introduced for Main and 100+ Section members a month early on 1 April 2010. The new factors for the Main and 100+ Sections are more generous than the previous factors in place.

The 2000 Section factors have not yet been changed as the factors are also applied in the BAE Systems offset calculation and the implementation arrangements have yet to be agreed with BAE Systems. The Company has confirmed that the 2000 Section factors will be amended as soon as possible.

## Date of the Next Meeting

The next meeting of the PCC will be held on 20 July 2010.

## **Contact Details**

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