

**PENSIONS CONSULTATIVE COMMITTEE  
REPORT TO MEMBERS FOLLOWING THE MEETING ON 20 JULY 2010**

A meeting of the Pensions Consultative Committee (PCC) took place in London on 20 July 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
Jim Cull	Edinburgh	
James Fordyce	Edinburgh	
Christopher Guertin	Basildon	
Martin Johnson	Basildon	
Scott McMillan	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	
Andrew Letton	HR – SELEX Galileo	
Mike Nixon	Head of Pensions	
Rachael Skuse	Pensions Manager	

Apologies were received from:-

Paul Murrell	Christchurch
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The meeting was held to receive feedback from the Trustee meeting held on 29 June 2010.

Quarterly Funding Update

The quarterly funding update showed that the Scheme's estimated deficit had decreased from £41 million at 31 December 2009 to £31 million at 31 March 2010. Since the end of March the deficit is expected to have increased to between £40-50 million.

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

The estimated cost of future accrual, which is separate from the deficit and looks at the cost of funding each year's pension into the future, has increased significantly since the valuation on 5 April 2008.

The level of the deficit and the cost of future accrual are two items which will need to be considered during the Scheme's next actuarial valuation as at 5 April 2011.

Longevity

The Scheme Actuary provided an update on recent developments in mortality assumptions. He explained that new tables had been released to use for projecting life expectancy and these were based on data from occupational pension schemes, rather than insurance company data as has historically been the case. The characteristics of the members in the new tables are therefore likely to be more reflective of the SELEX population.

### 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. This means that Main section members do not build up an entitlement to S2P and instead have a protected rights account in the SELEX Pension Scheme which acts as an underpin to their pension benefits.

The Government has decided to cease contracting-out on a defined contribution basis from 2012. The Scheme will need to decide whether to contract back into S2P or contract out on the alternative "reference scheme" basis. The Company will contact affected members regarding how it proposes to deal with this change in legislation in due course.

### 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 March 2010 was £203 million.
- The value of the swaps at 31 March 2010 was £38 million.

#### Strategy review

The strategy review and risk analysis of the Scheme's investment strategy is progressing and the Trustee will consider the initial results at the end of July 2010. As a result of this review, the Trustee will need to decide whether any changes to the Scheme's investment strategy would be appropriate.

#### Administration

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

Aon have received thirteen member satisfaction surveys since the last meeting, six of which rated their service as very good or excellent. A new feedback form is now being used which encourages members to provide additional comments regarding Aon's service and to provide a contact number if they would be happy to discuss their views with Aon.

#### Scheme website

The upgrade to the SELEX Pension Scheme website has now been completed which will make the system easier to maintain and upload documents to.

#### Aon Annuity Service

The new Annuity Service was launched on 1 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 have been put on the Scheme's website at [www.selexpensions.co.uk](http://www.selexpensions.co.uk).

#### Early retirement from active service

The 2000 Section factors have not yet been changed to the cost neutral basis previously announced 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.

#### BAE Systems Pensions Administrator

BAE Systems have announced that they have selected a new supplier of pension administration services, Xafinity Paymaster, with effect from 27 November 2010. Please visit their website at [www.baesystemspensions.com](http://www.baesystemspensions.com) for further information. The SELEX Scheme has been advised that there will be no changes to the contact details for the BAE administrators at this time and members should therefore continue to use the same contact details when seeking information about their BAE pension.

#### Date of the Next Meeting

The next meeting of the PCC will be held on 14 October 2010.

#### **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
Paul Murrell	Christchurch	<a href="mailto:Paul.Murrell@selex-comms.com">Paul.Murrell@selex-comms.com</a>	01268 823595
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	