

**PENSIONS CONSULTATIVE COMMITTEE (PCC)
REPORT TO MEMBERS FOLLOWING THE MEETING ON 15 JANUARY 2019**

A meeting of the PCC took place in London on 15 January 2019.

The PCC has been set up to discuss, co-ordinate, advise and represent the views of the members of the Leonardo Electronics Pension Scheme (LEPS). There are currently twelve representatives on the Committee and their contact details are attached to this Report.

The meeting was attended by:-

Tony Kingsbury	Capability Green (Chair)
Imran Bashir	Capability Green
Jim Cull	Edinburgh
James Fordyce	Edinburgh
Martin Johnson	Pensioner Representative (Deputy Chair)
Scott McMillan	Basildon
Stephen Park	Edinburgh
Stuart Rushworth	Capability Green
Tony Sheehan	Basildon
Scott Wallace	Edinburgh
Paul Wilton	Southampton
Colin Wylie	Edinburgh
Andrew Letton	HR – Leonardo MW Ltd
Mike Nixon	Head of Pensions
Rachael Skuse	Pensions Manager
Helen Thompson	Pensions Administration Manager

The meeting was held to receive feedback from the LEPS Trustee meeting on 11 December 2018.

Quarterly Funding Update to 30 September 2018

The quarterly funding update showed that the Scheme had an estimated surplus of £180 million at 30 September 2018. The surplus had increased by £9m over the quarter.

The cost of new benefit accrual had reduced slightly during the period from 30 June 2018 and 30 September 2018. The cost remains significantly higher than the contributions being paid to the Scheme, and the surplus is supporting this shortfall.

Liability Management

The Scheme continues to explore liability management options. Having put in place a comprehensive hedging strategy to reduce interest rate and inflation risk, consideration is now being given to whether there are appropriate options for reducing longevity risk within the Scheme.

Investment Performance

- The market value of the total assets of the Scheme at 30 September 2018 was £938 million.
- Investment performance of the return-seeking assets over the quarter had been 2.2% which was 1.2% ahead of the objective. The returns over all periods are ahead of the objective.

- The total investment strategy (both the return-seeking and the matching assets) returned 0.8% ahead of the benchmark (which looks at the change in the Scheme's liabilities). The total fund return was behind the benchmark over 12 months and 5 years, but ahead over 3 years and since inception.
- The Trustee's investment advisers have maintained the lower risk strategy within the portfolio, reflecting their view that markets will remain within a period of volatility. This lower risk strategy has also been implemented within the blend funds available to members who pay AVCs.
- The Trustee's investment advisers are looking at ways to improve efficiency and reduce underlying fund management fees within the defined benefit investment portfolio.

Allocation of Assets

At 30 September 2018 the Trustee held 60.6% of the Scheme's assets "on-risk" and 39.4% "off-risk". On-risk assets are those seeking to generate an investment return (e.g. equities, commodities, high yield bonds). Off-risk assets are those seeking to manage risk and match Scheme liabilities (e.g.: Government gilts, cash).

Investment advisor review

The Trustee engaged LCP to carry out a review of the fiduciary management services provided by the Scheme's investment manager, River and Mercantile.

Overall, the review was positive and supported the structure the Trustee has in place with River and Mercantile. There were a number of suggested action points identified which will be considered further through 2019.

Buy Up rates

The Buy Up rates for 2019/20 have been set. The rates remain the same as last year:

Main and 2000 Buy Up to 1/60th = 3.4% of Pensionable Salary (compared to 3.4% for 2018/19)

100+ Buy Up to 1/95th = 1.4% of Pensionable Salary (compared to 1.4% for 2018/19)

100+ Buy Up to 1/90th = 2.9% of Pensionable Salary (compared to 2.9% for 2018/19)

Administration

Pension scam avoidance

A new XPS Administration service to help combat pension scams is being trialled by the Scheme. This will involve a phone call from an XPS Administration specialist with all members who complete their paperwork to transfer out of the Scheme, aimed at identifying scam activity which is not apparent from the completed written paperwork.

Additional option for AVCs

An additional option has been made available to members – allowing members who have chosen to defer taking their AVC funds until a later date to take their whole AVC pot as a one off lump sum (known as an Uncrystallised Funds Pension Lump Sum or UFPLS). 25% is payable tax free and 75% taxable as earned income. This extends the current options to transfer out to a drawdown provider, or take an annuity.

New MyPension.com/LEPS modeller

You can now model your retirement benefits on MyPension.com/LEPS. The modeller allows you to input a retirement date and receive an estimate of your pension benefits.

Your login details for MyPension.com/LEPS were issued in March 2018. However, if you have misplaced your login details you can obtain them by emailing XPS Administration on LEPS@XPSgroup.co.uk.

New Scheme website

A new Scheme website is being developed which will replace the existing website in late January 2019. The web address will be simplified to www.lepensions.co.uk.

Scheme specific pensions training

The PCC have undertaken training on the new MyPension.com/LEPS modeller.

Joint DC investment committee meeting

A joint DC investment committee meeting of the Leonardo UK pension schemes was held on 13 November 2018. The Leonardo Electronics Pension Scheme benefits which are invested in the common DC strategy are the Additional Voluntary Contributions and the 100+ Retirement Accounts.

Investment performance

All of the River and Mercantile 'blend funds' (which make up the default fund in the DC investment strategy) had out-performed their long term targets since the inception of the funds and over the quarter.

Change in platform provider

Old Mutual Wealth, which provides the investment platform for the DC assets, is withdrawing from the institutional platform market.

The joint DC investment committee has undertaken a detailed review of alternative providers and Mobius Life has been selected. Due diligence has been completed and the transition is scheduled for 30 January 2019. There will be a blackout period from 22 January to 7 February 2019. Letters have been issued to all members with FuturePlanner benefits, AVCs or a 100+ Retirement Account.

Deferred member 'buy-out'

269 deferred members of FuturePlanner with pots below £30,000 have been 'bought out' to a similar fund with Fidelity. Letters have been issued to affected deferred members and the transfer took place in November 2018.

Trustee board

Two new FuturePlanner Member Nominated Trustees have been appointed, Rob Sawford from the Helicopters Division and Sian Riches from Telespazio (based in Luton).

The Member Nominated Trustee terms of service have been extended to 6 years. The four positions will be staggered with 2 Member Nominated Trustee applications every three years. This will allow continuity and maintains board experience.

Date of the Next Meeting

The next meeting of the PCC is scheduled for 25 April 2019.

Contact Details

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