

Issue 27 • Autumn 2019



IN FOCUS

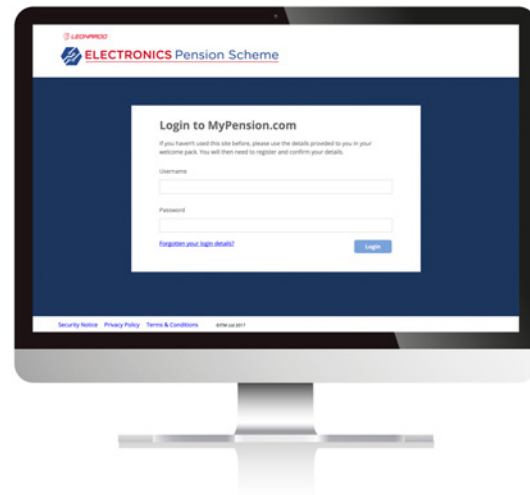


ELECTRONICS
Pension Scheme

ARE YOU MANAGING YOUR PENSION ONLINE?

The Trustee and XPS Administration have developed online tools available to members through **MyPension.com/LEPS**. The feedback received from members has been overwhelmingly positive, with many finding the tools useful in planning for retirement and keeping Scheme records up to date.

The online pension modeller, available at **MyPension.com/LEPS**, is available to active members of the Scheme to run online pension illustrations using a variety of retirement dates.



In addition to using the pension modeller, you can also:

- View your personal details, and provide us with any updates to your contact information (e.g. address, email address, phone number);
- View your salary and service history;
- View your recent active benefit statements;
- View any AVC fund holdings you have with Mobius Life, access fund factsheets and change how your AVCs are invested;
- View and manage your 100+ Retirement Account (100+ Section members);
- View any SBS voluntary savings you have (2000 Section members);
- Pensioners are able to access copies of their monthly payslips, and P60 statements;
- Update your Expression of Wish form to assist the Trustee with who you would like any benefits to be paid to in the event of your death.

All members have been sent **MyPension.com** login details – if you need a reminder of these please contact XPS Administration using the contact details on the back cover.

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WHEN DID YOU LAST UPDATE YOUR EXPRESSION OF WISH FORM?



In the event of your death, a benefit may be payable from the Scheme to your beneficiaries. The Trustee will need to make a decision on who to pay the benefits to and, whilst not binding, they will take into account any Expression of Wish form you have completed.

Where an Expression of Wish has been completed recently, this gives a clearer indication of your intention, and it is therefore important that you review and update your wishes regularly.

It is advisable to complete an updated Expression of Wish, even where the person(s) you are nominating are not changing. This reconfirms your decision, making it easier for the Trustee to determine what your wishes would be.

It is particularly important to update an Expression of Wish if you have had significant changes in your life such as having a child or a change in your relationship status or family circumstances.

If you are a member of more than one pension scheme, you will need to ensure you complete a separate Expression of Wish for each scheme.

The easiest way to update your Expression of Wish is online at **MyPension.com/LEPS**. Alternatively, you can download a form from **www.lepensions.co.uk/library**.



IS YOUR PENSION AT RISK OF A SCAM?

Anyone can be the victim of a pension scam, no matter how financially aware they think they are. It's important that everyone can spot the warning signs.

Defined benefit (salary-related) pension schemes, like the Leonardo Electronics Pension Scheme, give you a guaranteed pension income for life. Defined benefit pensions are valuable benefits so the Financial Conduct Authority (FCA) notes that most people are best advised to keep them.

Scammers try to persuade pension savers to transfer their entire pension savings, or to release funds from it, by making attractive-sounding promises they have no intention of keeping.

The Leonardo Electronics Pension Scheme Trustee has engaged a pension scam identification service through XPS Administration to help identify the signs of a scam. Members wishing

to transfer their benefits out of the Leonardo Electronics Pension Scheme will take part in a phone call with the scams service before the transfer goes ahead. The scams service has identified a number of concerns that members may not be fully informed when looking to transfer their pension savings.



IS YOUR PENSION AT RISK OF A SCAM? CONTINUED

DON'T LET A SCAMMER ENJOY YOUR RETIREMENT

Scammers are targeting pension pots of all sizes – make sure you know how to spot the signs

Pension scammers are targeting people like you with the average victim losing £91,000. Scams are hard to spot and are often disguised with credible websites, testimonials and materials which make them look like the real thing.

To help you spot the signs and protect yourself from a scam, the Financial Conduct Authority (FCA) and Pensions Regulator suggest following four simple steps.

SCAM TACTICS INCLUDE:



Contact out of the blue



Promises of high/
guaranteed returns



Free pension reviews



Access to your pension
before age 55



Pressure to act quickly



STEP 1 - REJECT UNEXPECTED OFFERS

If you're contacted out of the blue about a pension opportunity, chances are it's a scam. Pension cold calling is illegal, and you should be very wary. An offer of a free pension review from a firm you've not dealt with before is probably a scam.

STEP 2 - CHECK WHO YOU'RE DEALING WITH

Use the ScamSmart service at **www.fca.org.uk/scamsmart** to ensure your financial adviser is not on the FCA warning list, and check the FCA's register to make sure anyone offering you advice is authorised. If they are, check they're permitted to give specialist pension advice by calling the FCA Consumer Helpline on 0800 111 6768.

If you don't use an FCA-authorised firm, you risk not having access to compensation schemes.

The Pension Transfer Gold Standard

There are a number of financial advice firms who hold the 'Pension Transfer Gold Standard'. The Gold Standard is a code of best practice voluntarily adopted by regulated financial firms and advisers offering specialist advice on pension transfers. Financial firms and advisers who adopt the Gold Standard adhere to a set of principles over and above those they are required to follow by regulation.



IS YOUR PENSION AT RISK OF A SCAM? CONTINUED

STEP 3 - DON'T BE RUSHED OR PRESSURED

Take your time to make all the checks you need – even if this means turning down what seems to be an ‘amazing deal’. Make sure you understand all fees and charges payable both for your financial advice, and in the pension arrangement you are looking to transfer to.

STEP 4 - GET IMPARTIAL INFORMATION OR ADVICE

You should seriously consider seeking financial advice before changing your pension arrangements. In some cases, for example where you are looking to transfer more than £30,000 from a defined benefit scheme, there is a legal requirement for you to obtain this advice. Make sure you have spoken to/met the adviser who will sign off your advice form.

Consider using the Pensions Advisory Service (www.pensionsadvisoryservice.org.uk) which provides free independent and impartial information and guidance.

If you suspect a scam, report it.

You can report an unauthorised firm or scam to the FCA on 0800 111 6768.

If you suspect a scam, report it to Action Fraud on 0300 123 2040 or at www.actionfraud.police.uk.

To find out more, the following websites contain a host of information:

www.thepensionsregulator.gov.uk

www.moneyadvice.service.org.uk

www.fca.org.uk

www.pensionwise.gov.uk

CAN YOU SPOT A PENSION SCAM?

Take the FCA's quiz to find out:

www.fca.org.uk/scamsmart/pensions-scam-quiz

FINANCIAL HIGHLIGHTS

In the year to 5 April 2019, the Scheme's assets increased to £1,032 million. This primarily related to the positive investment returns on the Scheme's assets. The table below shows a summary of the financial transactions of the Scheme during the year.

Value of Scheme assets at 5 April 2018	£952m
+ income	£43m
- benefits and expenses	(£20m)
+ change in market value of investments	£57m
Value of Scheme assets at 5 April 2019	£1,032m

This information has been taken from the Trustee's Annual Report and Accounts 2019, which have been independently audited by RSM UK Audit LLP. If you would like to see a copy of the full Report and Accounts, it is available from the library on the Scheme website: www.lepensions.co.uk

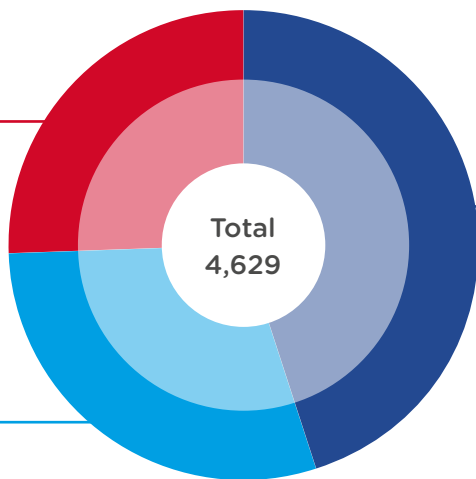
MEMBERSHIP

As at 5 April 2019, the membership of the Scheme was as follows:

1,177 (26%)
DEFERRED
MEMBERS

2,091 (45%)
ACTIVE
(EMPLOYED)
MEMBERS

1,361 (29%)
PENSIONERS





OUR INVESTMENTS

INVESTMENT STRATEGY

The Trustee is responsible for investing the Scheme's assets in order to pay pensions to members now and in the future. Taking advice from specialist advisers, the Trustee sets out its investment strategy in a document called the Statement of Investment Principles.

Following the 2017 actuarial valuation, the Trustee reviewed the investment strategy and increased the level of the Scheme's liability hedging strategy to match the movements in the Scheme's liabilities more closely. There was also a move towards de-risking the portfolio by reducing the proportion of assets which are 'on-risk'. The Scheme's liability hedging strategy is also designed to help protect a proportion of the funding surplus, which is being used to support the future service contribution rate.

The Scheme's return-seeking assets (£602m) are invested in the Total Investment Governance Solution (TIGS) managed by River & Mercantile Solutions, which covers a wide range of investment types. The Trustee has delegated the day-to-day management of the assets to the investment manager.

The 'off-risk' portion of the Scheme's assets (£407m) are in a mix of hedging instruments and Government bonds which track changes in the liability profile of the Scheme when long term interest rate and inflation expectations change. There is also £23m in AVCs and Retirement Accounts for members of the 100+ Section.



OUR INVESTMENTS CONTINUED

ALLOCATION OF ASSETS AS AT 5 APRIL 2019

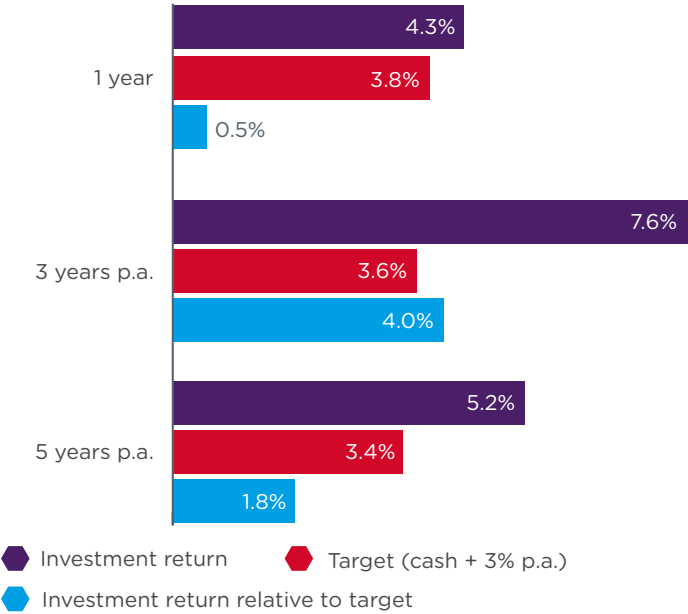
Asset class	Value	%
Overseas equities	£256m	25%
Alternatives	£126m	12%
Broad market bonds	£130m	13%
Property	£31m	3%
Cash	£58m	6%
Currency hedge	£1m	0%
Total on-risk	£602m	59%
Off-risk	£407m	39%
DC assets	£23m	2%
Total	£1,032m	100%

Further information about the Scheme's investments is available in the 2019 Report and Accounts.

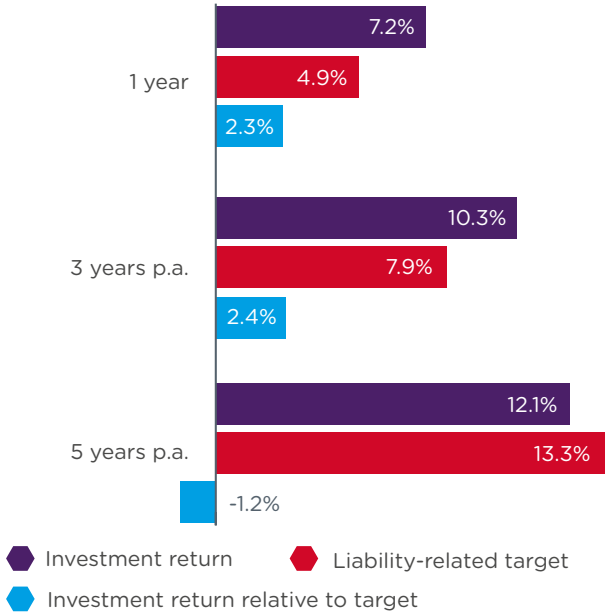
INVESTMENT PERFORMANCE

The year to 5 April 2019 saw volatile market conditions for the Scheme. The falls in returns experienced during the final quarter of 2018 were subsequently recovered during strong performance in the first quarter of 2019. Returns are shown to 5 April 2019, net of any fees paid from assets.

Looking first at the performance of the Scheme’s return-seeking portfolio alone, returns over the year were above the target benchmark, and remain ahead over longer periods:



The returns for the total portfolio (including the off-risk assets) have a slightly different profile, principally because of the significant movements in liability-related assets in recent years:



OUR INVESTMENTS CONTINUED

RISK MANAGEMENT

The Trustee and the Company, with the assistance of their professional advisers, are continually assessing the risks inherent in a pension scheme, and looking at ways to manage these risks. The Trustee has been exploring options for eliminating the risks associated with a proportion of the Scheme's liabilities. There are likely to be some changes to the Scheme's investment portfolio to facilitate the purchase of an insurance policy, through which the insurer would take on the risks in relation to a proportion of the Scheme's pension liabilities (known as a 'buy-in'). In this scenario, there would be no changes to how pensions are paid to our members.

SUMMARY FUNDING STATEMENT 2019

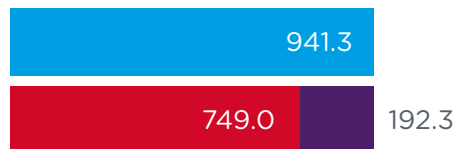
This is your update on the funding position of the Scheme, which the Trustee is required to provide to you each year. Set out on the next page are the details of the Scheme's funding position as at 5 April 2017 (the date of the most recent formal actuarial valuation), together with the interim updates as at 5 April 2018 (the position shown in the last summary funding statement) and 5 April 2019.

```
#selection at the end --add back the deselected mirror
mirror_ob.select=1
modifier_ob.select=1
bpy.context.scene.objects.active = modifier_ob
print("Selected" + str(modifier_ob)) # modifier ob is the active
```

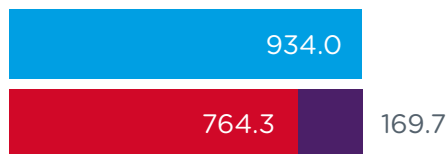
SUMMARY FUNDING STATEMENT 2019 CONTINUED

VALUES ARE IN £ MILLION

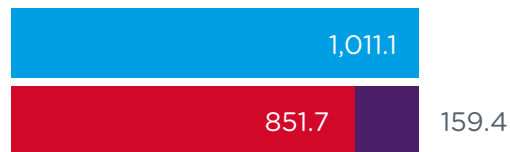
2017 Funding level - 126%



2018 Funding level - 122%



2019 Funding level - 119%



DEFINITIONS

Funding level %: the value of the assets, expressed as a percentage of the value of the liabilities.

⬡ **Assets:** the amount of money held by the Scheme in various forms. The assets include cash, equities, bonds, swaps and other investments.

⬡ **Liabilities:** the amount of money the Scheme is estimated to need to pay all of its future benefits.

⬡ **Surplus:** the amount by which the Scheme's assets exceed its liabilities.

CHANGE IN ONGOING FUNDING POSITION SINCE LAST SUMMARY FUNDING STATEMENT

As at 5 April 2018, there was an estimated surplus of £169.7 million. Since then, this has reduced to £159.4 million as at 5 April 2019. This was mainly due to a proportion of the surplus being used to support the cost of new benefit accrual over the year (agreed as part of the 5 April 2017 actuarial valuation), the impact of which was partially offset by the investment returns on the Scheme's 'return-seeking' assets being greater than expected over the year.

The value of the liabilities as at 5 April 2017 was calculated using assumptions agreed by the Company and Trustee as part of the actuarial valuation. The assumptions used to value the liabilities as at 5 April 2018 and 5 April 2019 are consistent with those in 2017, but reflect changes in the relevant interest and inflation rates.

The next detailed calculation of the Scheme's funding position will occur as part of the formal actuarial valuation as at 5 April 2020. The Trustee does, however, monitor the funding position of the Scheme on a regular basis and will take action if necessary.

SUMMARY FUNDING STATEMENT 2019 CONTINUED

BUYOUT/DISCONTINUANCE BASIS

This is the amount of money needed to buy an insurance policy to pay all the benefits due from the Scheme. This would only be relevant if it was decided to wind up the Scheme. As at 5 April 2017, the Actuary valued the Scheme at 92% funded on a discontinuance basis, which is equivalent to an £80 million deterioration in the funding position since the last formal discontinuance valuation (as at 5 April 2014). This is mainly due to a significant fall in the discount rates used to calculate the liabilities (due to changes in market conditions over the period), leading to a significant increase in the value placed on the liabilities. In addition (as agreed due to the Scheme's ongoing funding surplus), Company contributions into the Scheme were less than the assessed cost of new benefit accrual over the period.

It is a legal requirement to produce these discontinuance figures and it does not mean that there is any intention to wind up the Scheme.

HOW IS MY PENSION FUNDED?

Active members and the participating employers pay contributions to the Scheme based upon members' Pensionable Salaries. The Scheme holds the money in a common fund from which it pays members' pensions when they retire. If you pay voluntary contributions to the Selected Benefits Scheme (SBS), these contributions are also held in this common fund. Other Additional Voluntary Contributions and 100+ Retirement Accounts are held separately with Mobius Life.

HOW IS THE AMOUNT OF MONEY THE SCHEME NEEDS WORKED OUT?

The Trustee obtains regular valuations of the benefits earned by members. Using this information and recommendations from the Scheme Actuary, the Trustee and the Company must agree on the future contributions that are required to ensure there is sufficient money in the Scheme to pay the benefits.

WHICH FUNDING BASIS IS USED?

The ongoing funding basis is used to determine how much needs to be paid into the Scheme by participating employers and members. It assumes that the Company will continue in business and support the Scheme. The discontinuance basis is not used; however it would be relevant if the Scheme were to wind up.

WHAT IF THE SCHEME STARTED TO WIND UP?

We are legally required to tell you what would happen if the Scheme were to wind up. It does not mean there is any intention to wind up the Scheme in the foreseeable future. If the Scheme were to wind up, the Company is required to pay enough into the Scheme to secure the members' benefits with an insurance company. If the Company is not able to pay the deficit (if any), the Pension Protection Fund (PPF) might be able to take over the Scheme and pay compensation to members.

OTHER INFORMATION

No payments have been made from the Scheme to any participating employers in the last 12 months. If you are thinking of leaving the Scheme, you should consult a professional independent financial adviser first.



KEEP IN TOUCH

Please remember to let us know if any of your details change, such as your address. If you have any queries about your pension, please contact the administrator.

Leonardo Electronics Pension Scheme
XPS Administration
Queen's Quay
33-35 Queen Square
Bristol BS1 4LU

0117 440 2491

LEPS@XPSgroup.com

www.lepensions.co.uk

Disclaimer

The content of this newsletter is given for the purpose of providing you with information about the Scheme only and has no legal effect. The Rules of the Scheme govern how the Trustee must act and if there is any inconsistency between the Rules and the information given in this newsletter, the Rules will prevail.