

**PENSIONS CONSULTATIVE COMMITTEE (PCC)
REPORT TO MEMBERS FOLLOWING THE MEETING ON 6 JULY 2021**

A meeting of the PCC took place via Webex conference call on 6 July 2021.

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 eleven representatives on the Committee and their contact details are attached to this Report.

The meeting was attended by:-

Jim Cull	Edinburgh (Chair)
Duncan Charlick	Basildon
James Fordyce	Edinburgh
Adam Hedley	Capability Green
Martin Johnson	Pensioner Representative (Deputy Chair)
Scott McMillan	Basildon
Scott Wallace	Edinburgh
Paul Wilton	Southampton
Alan Good	HR – Leonardo UK Ltd
Mike Nixon	Head of Pensions
Rachael Skuse	Pensions Manager
Louise Dale	DC Pensions and Benefits Manager
Helen Thompson	Pensions Administration Manager

The meeting was held to receive feedback from the LEPS Trustee meeting on 15 June 2021.

Quarterly Funding Update to 31 March 2021

The quarterly funding update showed that the estimated surplus had increased from £195m at 31 December 2020 to £203m at 31 March 2021. The returns on the investment fund assets over the quarter exceeded their targets, which improved the funding position.

The cost of new benefit accrual had decreased during the period from 31 December 2020 (39.7%) to 31 March 2021 (34.3%) due to material movements in real interest rate expectations. The cost remains volatile and is significantly higher than the contributions being paid to the Scheme with the surplus supporting this shortfall.

Investment Performance

The market value of the total assets of the Scheme as at 31 March 2021 was £1.153bn.

The quarter was positive, continuing the market bounce back post the COVID-19 outbreak. Investment performance of the return-seeking assets over the quarter had been 1.5% which was 0.7% ahead of objective. The returns over three years and since inception were also ahead of benchmark.

The total performance measure (both the return-seeking and the matching assets) had been strong over all periods with a return of -7.3% over the quarter which is 0.8% ahead of the benchmark (which looks at the change in the Scheme's liabilities). Whilst the return was negative, this was due to a reduction in the liability hedging assets to match the fall in the Scheme's liabilities, such that the growth in on risk assets improved the funding position.

Following recent improvements in the funding position, the Trustee has taken action to de-risk the portfolio by 10% (from a 60% on-risk allocation to 50%). This helps protect the funding position by reducing risk and banking some of the gains achieved.

The Trustee has agreed to make an investment in Infrastructure, which is a longer-term illiquid investment. The funds have good ESG (environmental, social and governance) properties with investment in energy from waste, and technology improvement such as fibre networks. It is intended 5% of the investment portfolio will be invested in infrastructure over time.

Annual Actuarial Funding Report as at 5 April 2021

The Scheme Actuary reports on the funding position each 5 April in an annual actuarial funding report.

The position as at 5 April 2021 showed a surplus of £204m and a funding level of 121%. The increase in surplus of c.£79m since the valuation date is a result of the positive investment performance ahead of the rate assumed for the valuation.

Administration

MyPension.com/LEPS

67.8% of active members have now logged onto MyPension.com/LEPS, the interactive website provided by XPS Administration. **We would encourage all members, including deferred and pensioner members, to register for an online account.** If you log onto MyPension.com/LEPS you can view and update your personal details, update your Expression of Wish form, view your DC savings and make investment switches, and run retirement quotations (active members only).

If you have misplaced your login details please contact XPS Administration by emailing LEPS@xpsgroup.com.

Electronic communications

The Trustee has moved to electronic communications. Paper benefit statements or newsletters will no longer be issued unless you have opted-in to continuing to receive paper communications. Benefit Statements will be loaded onto your MyPension.com/LEPS record for you to view. The InFocus newsletter will be loaded onto the Scheme website www.lepensions.co.uk.

XPS Administration

XPS Administration have been administering the Scheme for a 3 year period and the Trustee has undertaken a review of the services provided and fees charged. Following the review, the Trustee has entered into a further five year contractual agreement with XPS and as part of the negotiation process has reduced the overall administration fee spend.

Cyber Security Review

The Trustee has taken part in a Cyber security process review and phishing email simulation exercise. Follow up work will ensure key areas of risk are identified and mitigation will be put in place.

Trustee changes

Following Stuart Rushworth's retirement, Scott McMillan has been formally appointed as a member-nominated director on the Trustee Board from 14 May 2021. We thank Stuart for his longstanding contribution to the Scheme's management and welcome Scott to the Board.

Joint DC investment committee meeting

A Joint DC investment committee meeting of the Leonardo UK pension schemes was held on 9 June 2021. 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.

During Quarter 1 2021 markets had recovered well and were more stable compared to the unprecedented volatility seen in March 2020. The investment position continues to be closely monitored.

Membership

57% of active pension scheme members across Leonardo UK Ltd are now in FuturePlanner, with 66% of the active FuturePlanner members working within the Electronics division.

Sharia fund

An Islamic global equity fund, compliant with Sharia law, has been introduced into the Pick & Mix options with effect from 1 June 2021.

Mobius Life micro-site

A new DC investment 'micro site' has gone live on 1 June 2021.

The new microsite will allow members to access current data on all the Leonardo Defined Contribution (DC) investment funds, including unit prices, historic performance and asset allocation. It also includes functionality to compare different funds in graphical form.

To access the new site, login into the DC investments section of www.MyPension.com and click on the "Compare Funds" tab.

Date of the Next Meeting

The next meeting of the PCC is scheduled for 19 October 2021.

Contact Details

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