

**PENSIONS CONSULTATIVE COMMITTEE (PCC)  
REPORT TO MEMBERS FOLLOWING THE MEETING ON 18 JANUARY 2022**

A meeting of the PCC took place via Webex conference call on 18 January 2022.

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:-

Imran Bashir	Capability Green (Deputy Chair)
James Fordyce	Edinburgh
Adam Hedley	Capability Green
Martin Johnson	Pensioner Representative
Scott McMillan	Basildon
Scott Wallace	Edinburgh
Paul Wilton	Southampton
Colin Wylie	Edinburgh
Andrew Letton	HR – Leonardo UK Ltd
Mike Nixon	Head of Pensions
Rachael Skuse	Pensions Manager
Louise Dale	DC Pensions and Benefits Manager

The meeting was held to receive feedback from the LEPS Trustee meeting on 7 December 2021.

#### Quarterly Funding Update to 30 September 2021

The quarterly funding update showed that the estimated surplus had increased from £229m at 30 June 2021 to £234m at 30 September 2021.

The cost of new benefit accrual had decreased slightly during the period from 30 June 2021 (35.7%) to 30 September 2021 (34.9%) due to 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 30 September 2021 was £1.229bn.

Investment performance of the return-seeking assets over the quarter had been challenging and was 0.3% which was -0.5% behind the benchmark. The returns over three years and since inception were 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 0.9% over the quarter which is 0.4% ahead of the benchmark (which looks at the change in the Scheme's liabilities).

Following the improvements in the funding position the Trustee has taken actions to de-risk the investment portfolio by 10% initially followed by a further 13% (from a 60% on-risk allocation to 50%, then to 37%). This has helped reduced risk and bank some of the investment gains achieved.

An assessment of River & Mercantile's (our investment advisors) performance against stated objectives has been carried out with improvements in a number of key metrics. Shareholder approval has also been given for the sale of R&M's Solutions business to Schroders. This is expected to complete in Q1 2022.

### Buy Up

The Buy Up rates for 2022/23 have been set:

Main & 2000 Buy Up to 1/60th = 4.1% of Pensionable Salary (compared to 4.1% for 2021/22)  
100+ Buy Up to 1/95th = 1.8% (compared to 1.7% for 2021/22)  
100+ Buy Up to 1/90th = 3.7% (compared to 3.5% for 2021/22)

Letters were issued to eligible members on 20 January 2022 and loaded onto MyPension.com/LEPS. If you do not return the Buy Up election form you will continue on your current accrual rate, and 100+ Section members buying up will see a small increase in their contribution rate.

### Administration

*MyPension.com/LEPS*

75.26% 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.** Members can log onto MyPension.com/LEPS to view and update personal details, update Expression of Wish forms, view DC savings and make investment switches as well as run retirement quotations (active members only).

For misplaced login details please contact XPS Administration by emailing [LEPS@xpsgroup.com](mailto:LEPS@xpsgroup.com).

### *Pension Transfers*

New legislation came into force from 30 November 2021 giving Trustees more powers to prevent transfers out of the Scheme where there are signs of pension scam activity.

There is a list of schemes where no further checks are required (public sector schemes, authorised master trusts) but transfers to another occupational scheme now require evidence of an employment link. Transfers overseas require evidence of employment link or overseas residency in the same country as the receiving scheme is based.

There are a list of 'red flags' which the Trustee must be satisfied are not present otherwise no transfer can proceed, and a list of 'amber flags' which, if present, necessitate the member obtaining guidance for the external MoneyHelper service before the transfer can proceed.

XPS Administration have updated their transfer processes to reflect the new requirements.

### Joint DC investment committee meeting

A Joint DC investment committee meeting of the Leonardo UK pension schemes was held on 6 December 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.

Whilst the quarter to 30 September 2021 was a challenging one to achieve returns, the return over 12 months has been excellent, with the long-term growth fund returning 17.9% against the long term target of 8.1%. The investment position continues to be closely monitored.

### *Investment strategy*

R&MS are reviewing the suitability of our current default DC investment strategy, which has been in place since 2011. The Trustee will be discussing proposed options at their next meeting.

### *Membership*

59% of active pension scheme members across Leonardo UK Ltd are now in FuturePlanner, with 67% of the active FuturePlanner members working within the Electronics division.

### *Member Nominated Trustee elections*

Three Member Nominated Trustee vacancies were part of a selection process. We are pleased to confirm Brian Airlie and Craig Weston have been reappointed, and a further candidate has been selected to fill the third position. This will be confirmed and communicated in the next update.

### Date of the Next Meeting

The next meeting of the PCC is scheduled for 5 April 2022.

## Contact Details

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