

**PENSIONS CONSULTATIVE COMMITTEE (PCC)
REPORT TO MEMBERS FOLLOWING THE MEETING ON 28 JUNE 2022**

A meeting of the PCC took place via Webex conference call on 28 June 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:-

James Cull	Edinburgh (Chair)
Imran Bashir	Capability Green
Duncan Charlick	Basildon
Adam Hedley	Capability Green
Martin Johnson	Pensioner Representative
Scott Wallace	Edinburgh
Andrew Letton	HR – Leonardo UK Ltd
Alan Good	HR – Leonardo UK Ltd
Mike Nixon	Head of Pensions
Rachael Skuse	Pensions Manager
Helen Thompson	Pensions Administration Manager
Laura Fox	Pensions Information and Investment Adviser

The meeting was held to receive feedback from the LEPS Trustee meeting on 14 June 2022.

Quarterly Funding Update to 31 March 2022

The quarterly funding update showed that the estimated surplus had decreased from £248m at 31 December 2021 to £213m at 31 March 2022.

The cost of new benefit accrual had also decreased during the period from 31 December 2021 (37.3%) to 31 March 2022 (32.2%) due to an increase in real interest rates (interest rates net of inflation) over the quarter. The cost remains volatile and is significantly higher than the contributions being paid to the Scheme with the surplus supporting this shortfall.

The Scheme had reached full funding on the more prudent 'buy-out' measure of funding following improvements in the estimated buy-out pricing, and beneficial movements in the Scheme's liability hedging assets.

Funding conditions post-quarter end have shown falls in the surplus positions (both ongoing funding and buy-out bases). There has also been a further material decrease in the assessed cost of accrual amid increases in net interest rate expectations.

Investment Performance

The market value of the total assets of the Scheme as at 31 March 2022 was £1.172bn.

Investment performance of the return-seeking assets over the quarter had been poor and was -2.9% which was -3.8% 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 poor over all periods, with a return of -10.3% over the quarter which is -1.2% behind the benchmark (which looks at the change in the Scheme's liabilities).

Post quarter end, market conditions continue to be volatile with further falls in asset values through the period.

The Scheme remains 37% on-risk following the previous de-risking activity in Q4 2021. This de-risking activity helped protect the Scheme against further impact from the widespread market falls through Q1 2022 and into Q2. The investment portfolio remains defensive, with Schroders monitoring conditions and not currently looking to move back on-risk.

Actuarial report

The Scheme Actuary prepares an annual actuarial report in each inter-valuation year. This showed an ongoing funding surplus at 5 April 2022 of £215.8m (122% funded). The improvement on the previous year (£204.4m, 121% funded) results primarily from investment outperformance during 2021.

Administration

MyPension.com/LEPS

78.38% 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.

Member Nominated Trustee Directors

The Trustee has agreed to extend Jim Cull and Martin Johnson's terms of office as Member Nominated Trustee Directors until June 2023.

Bernard Walsh (Chair of the LEPS Trustee) had decided to retire from his duties as a Trustee. The Company has selected Martin Flavell as the new Chair.

Chair of the PCC

Jim Cull has stepped down as Chair of the PCC and the PCC has elected Imran Bashir as the new Chair. Martin Johnson has stepped down as Deputy Chair, and Jim has agreed to take the position temporarily to support Imran.

Joint DC investment committee meeting

A Joint DC investment committee meeting of the Leonardo UK pension schemes was held on 25 May 2022. 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

The majority of the Schroders '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 the quarter to 31 March 2022 performance was poor, reflecting the market reaction to the war in Ukraine. The poor quarter had dragged down the return over 12 months, with the long-term growth fund returning 7.1% against a target of 12.1%. The investment position continues to be closely monitored.

Membership

61% 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.

Date of the Next Meeting

The next meeting of the PCC is scheduled for 18 October 2022.

Contact Details

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