

**PENSIONS CONSULTATIVE COMMITTEE (PCC)  
REPORT TO MEMBERS FOLLOWING THE MEETING ON 31 October 2023**

A meeting of the PCC took place via video call on 31 October 2023.

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

The meeting was attended by:-

Adam Hedley	Capability Green
James Fordyce	Edinburgh
Martin Johnson	Pensioner Representative
Stephen Park	Edinburgh
Leigh Clarke	Basildon
Andrew Letton	HR – Leonardo UK Ltd
Alan Good	HR – Leonardo UK Ltd
Rachael Skuse	Head of UK Pensions
Mike Nixon	Pensions Projects Manager
Helen Thompson	Pensions Administration Manager
Laura Fox	Pensions Information and Investment Advisor
Kate Cunningham	Pensions Management Team

The meeting was held to receive feedback from the LEPS Trustee meeting on 3 October 2023.

Quarterly Funding Update to 30 June 2023

The quarterly funding update showed that the estimated surplus had remained at £98m at 30 June 2023 (£98m as at 31 March 2023).

The estimated cost of new benefit accrual had decreased during the period from 31 March 2023 (23.5%) to 30 June 2023 (18.9%) due to an increase in real interest rates (interest rates net of inflation) over the quarter. The cost remains volatile and is higher than the contributions being paid to the Scheme with the surplus supporting this shortfall.

The Scheme is also marginally in surplus on the ultimate low risk 'solvency' basis.

Investment Performance

The market value of the total assets of the Scheme as at 30 June 2023 was £710m.

Investment performance of the return-seeking assets over the quarter had been behind benchmark (-1.1% against a benchmark of 1.9%). The return over three years was also behind the benchmark (returning -1.5% against the benchmark).

The total performance measure (both the return-seeking and the matching assets) had been negative at -7.7% over the quarter. This is -0.3% behind the benchmark (which looks at the change in the Scheme's liabilities). The total performance had been 2.5% ahead of benchmark over three years.

The strong funding position and the closure to future accrual from 5 April 2024 means the Scheme is in a good position. The focus is now on maintaining the funding to the solvency level.

20% of the assets are in Buy and Maintain Credit and plans are underway to make this a larger focus of the strategy – known as ‘Cashflow Driven Investment’:

- Returns are more certain because they are contractual (provided the borrower does not default); and
- Assets are invested in a similar way to an insurance company (as the potential long term provider of the benefits).

#### *Annual Report and Accounts and TCFD*

The Annual Report & Accounts process has been completed with an unqualified audit opinion provided by the Scheme’s auditors, RSM.

**The final Annual Report and Accounts are available on the Scheme website ([www.lepensions.co.uk](http://www.lepensions.co.uk)).**

The Scheme has prepared and published its first TCFD (Task Force on Climate-Related Financial Disclosures) report. This is also available on the Scheme website.

#### Actuarial Valuation

The three yearly actuarial valuation is due as at 5 April 2023. A preliminary set of results has been proposed by the Trustee to the Company and this will be considered by Senior Management. The basis of the valuation, whilst a Trustee-led project, requires agreement between the Trustee and Company.

Following the Company consultation with active members of the Scheme during 2022, the Scheme Lawyers have prepared the deed for the closure to future accrual of benefits in the Scheme from 5 April 2024. This Deed of Amendment was signed on 1 September 2023 by the Company and the Trustee. This will be factored into the actuarial valuation results.

#### Administration

##### *MyPension.com/LEPS*

82.35% 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).

##### *Benefit Statements*

The 2023 Benefit Statements for active members have been uploaded onto MyPension.com, and posted to members who have requested paper copies.

##### *Smart Pension Master Trust*

The Smart Pension Master Trust is now available as an option for retiring members to transfer their excess DC savings in order to access various retirement options with their funds. More information can be found at [www.smartpension.co.uk/leonardo](http://www.smartpension.co.uk/leonardo).

The Smart Pension Master Trust has the same investment options as the LEPS AVC/Retirement Account funds. Members can transfer their funds to Smart Retire which allows them to invest in four separate 'pots':

- Income
  - Drawdown pot
  - Later Life pot (to potentially buy an annuity later in life)
- Savings
  - Inheritance pot
  - Rainy day pot

#### Joint DC investment committee meeting

A Joint DC investment committee meeting of the Leonardo UK pension schemes was held on 19 September 2023. 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 Long Term Growth fund had outperformed its target during the quarter. The Stable Growth, Cautious Growth and Retirement Focus funds had slightly underperformed against their benchmarks during the quarter. These are the Schrodgers 'blend funds' which make up the default fund in the DC investment strategy.

The investment position continues to be closely monitored.

#### *Annual Report and Accounts*

The Annual Report & Accounts process has been completed with an unqualified audit opinion provided by the Scheme's auditors, RSM.

**The final Annual Report and Accounts are available on the Scheme website ([www.futureplanner.co.uk](http://www.futureplanner.co.uk)).**

#### *Membership*

67% of active pension scheme members across Leonardo UK Ltd are now in FuturePlanner, with 70% of the active FuturePlanner members working within the Electronics division.

#### *Benefit statements*

The annual benefit statements as at 5 April 2023 have been uploaded to MyPension.com/FuturePlanner and posted to those members who have requested paper copies.

#### Date of the Next Meeting

The next meeting of the PCC is scheduled on 18 January 2024.

## Contact Details

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