

**PENSIONS CONSULTATIVE COMMITTEE (PCC)  
REPORT TO MEMBERS FOLLOWING THE MEETING ON 18 January 2024**

A meeting of the PCC took place via video call on 18 January 2024.

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

The meeting was attended by:-

Dan Amy	Southampton
Imran Bashir	Capability Green
Leigh Clarke	Basildon
James Fordyce	Edinburgh
Adam Hedley	Capability Green
Martin Johnson	Pensioner Representative
Stephen Park	Edinburgh
Andrew Letton	HR – VP, People Shared Services
Alan Good	HR – Head of Employee Relations
Kate Cunningham	HR – Graduate Placement
Rachael Skuse	Head of UK Pensions
Mike Nixon	Pensions Projects Manager
Helen Thompson	Pensions Administration Manager
Laura Fox	Pensions Information and Investment Advisor

The meeting was held to receive feedback from the LEPS Trustee meeting on 5 December 2023.

Quarterly Funding Update to 30 September 2023

The quarterly funding update showed that the estimated surplus had reduced to £56m at 30 September 2023 (£60m as at 30 June 2023).

The estimated cost of new benefit accrual had decreased during the period from 30 June 2023 (18.9%) to 30 September 2023 (16.4%) 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.

Actuarial Valuation

The Trustee and Company have agreed the basis for the 5 April 2023 Actuarial Valuation, and the formal documentation has been completed. As at 5 April 2023, the Scheme had an ongoing funding surplus of £50m. This had reduced since the surplus position at the previous valuation of £125m primarily due to the surplus being used to support the cost of benefits being accrued and due to the de-risking of Scheme assets over the period. As assets are moved off-risk, the assumed investment return reduces and this reduces the surplus position.

Investment Performance

The market value of the total assets of the Scheme as at 30 September 2023 was £659m.

Investment performance of the return-seeking assets over the quarter had been behind benchmark (1% against a benchmark of 2.1%). The return over three years was also behind the benchmark (returning -2.6% against the benchmark).

The total performance measure (both the return-seeking and the matching assets) had been negative at -7.4% over the quarter. This is -0.6% behind the benchmark (which looks at the change in the Scheme's liabilities). The total performance had been 1.9% 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.

Markets have been volatile with growth assets falling and returns behind the liability related objective over the quarter. Gilt yields have been volatile and continued to rise. Active structured equity has performed well, diversifying the portfolio during periods of falling equities due to its 'downside protection' features.

The annual review against the investment objectives has been carried out with the Investment Committee scoring Schroders against the objectives, and Schroders also providing a self-assessment. The results were positive and broadly the views and scores were well aligned between the Committee and Schroders.

The Trustee has agreed with Schroders the parameters for the move to a cashflow driven investment (CDI) strategy. This strategy is intended to more closely match the Scheme's liabilities as an important step in the de-risking journey.

As part of the move to a CDI strategy, there has been a full review of investment fees payable by the Scheme, and the Trustee has agreed a new structure with Schroders which will result in lower fees payable. An independent review was carried out to ensure the new structure is competitive within the wider market.

Schroders are introducing more detailed reporting on Environmental, Social & Governance (ESG) aspects of investing which will assist the Trustee in monitoring and improving the ESG position of the portfolio.

### Administration

*MyPension.com/LEPS*

86.39% 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.

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

### Joint DC investment committee meeting

A Joint DC investment committee meeting of the Leonardo UK pension schemes was held on 29 November 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*

It had been a challenging quarter. In volatile market conditions, the Schroders 'blend funds' had underperformed their target during the quarter. These are 'blend funds' which make up the default fund in the DC investment strategy.

The investment position continues to be closely monitored.

### *Membership*

69% of active pension scheme members across Leonardo UK Ltd are now in FuturePlanner, with 71% of the active FuturePlanner members working within the Electronics division.

### Date of the Next Meeting

The next meeting of the PCC is scheduled on 23 April 2024.

## Contact Details

Name	Location	Email Address	Phone Number
Dan Amy	Southampton	Dany.amy@leonardo.com	02380 314418
Imran Bashir	Capability Green	<a href="mailto:Imran.Bashir@leonardo.com">Imran.Bashir@leonardo.com</a>	01582 795520
Leigh Clarke	Basildon	<a href="mailto:Leigh.Clarke@leonardo.com">Leigh.Clarke@leonardo.com</a>	07793 427518
James Fordyce	Edinburgh	<a href="mailto:James.Fordyce@leonardo.com">James.Fordyce@leonardo.com</a>	07523 921188
Adam Hedley	Capability Green	<a href="mailto:Adam.Hedley@leonardo.com">Adam.Hedley@leonardo.com</a>	01582 886344
Martin Johnson	Pensioner Representative	<a href="mailto:martin.h.johnson@gmail.com">martin.h.johnson@gmail.com</a>	01268 794601
Scott McMillan	Basildon	<a href="mailto:Scott.McMillan@leonardo.com">Scott.McMillan@leonardo.com</a>	07793 420130
Stephen Park	Edinburgh	<a href="mailto:Stephen.Park@leonardo.com">Stephen.Park@leonardo.com</a>	07813 369508