PENSIONS CONSULTATIVE COMMITTEE (PCC)
REPORT TO MEMBERS FOLLOWING THE MEETING ON 23 APRIL 2024

A meeting of the PCC took place via video call on 23 April 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
James Fordyce	Edinburgh
Adam Hedley	Capability Green
Martin Johnson	Pensioner Representative
Stephen Park	Edinburgh
Andrew Letton	HR – VP, People Shared Services
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 20 March 2024.

Quarterly Funding Update to 31 December 2023

The quarterly funding update showed that the estimated surplus had increased to £62m at 31 December 2023 (£56m as at 30 September 2023).

The estimated cost of new benefit accrual had increased during the period from 30 September 2023 (16.4%) to 31 December 2023 (20.5%) due to a decrease 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 103% funded with a small surplus on the ultimate low risk 'solvency' basis.

The LEPS has closed to future pension accrual with effect from 5 April 2024, and all future pension provision will be through Leonardo FuturePlanner, Leonardo's defined contribution pension arrangement.

Investment Performance

The market value of the total assets of the Scheme as at 31 December 2023 was £749m.

Investment performance of the return-seeking assets over the quarter had been ahead of benchmark (7.4% against a benchmark of 2.1%). The return over three years was behind the benchmark (returning -2.7% against the benchmark).

The total performance measure (both the return-seeking and the matching assets) had been positive at 14.6% over the quarter. This is 2.4% ahead of the benchmark (which looks at the change in the Scheme's liabilities). The total performance was also 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 at the solvency level.

Performance over the quarter had been strong leading to improvements in the funding position, with Global Equity increasing by 9.4% over the quarter.

Following completion of the actuarial valuation, and the revised actuarial cashflows, the liability hedge has been updated to reflect the new valuation basis. LEPS is hedging a level between the technical provisions liabilities and buy-out funding level (gilts+0.25% p.a.).

The Trustee continues to work with Schroders to finalise the details for the move towards a cashflow driven investment (CDI) strategy. This involves investment in credit, which provides a more certain income to closely match liability payments out of the Scheme.

Schroders are continuing to develop their 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

89.6% 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.

Joint DC investment committee meeting

A Joint DC investment committee meeting of the Leonardo UK pension schemes was held on 12 March 2024. 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 positive quarter with the Schroders 'blend funds' had outperformed their target. These are 'blend funds' which make up the default fund in the DC investment strategy.

The investment position continues to be closely monitored.

Membership

70% 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.

Trustee Board change

A new single Trustee Board has been established with effect from 1 May 2024 – Leonardo Pension Schemes (Trustee) Ltd. The new single Trustee will manage the three Leonardo pension arrangements going forwards. The initial Trustee directors of the new board are drawn primarily from within the previous trustee bodies.

Date of the Next Meeting

The next meeting of the PCC is scheduled on 4 July 2024.

Contact Details

Name	Location	Email Address	Phone Number
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