



HELICOPTERS PENSION SCHEME



INTOUCH

December 2017

WELCOME

Dear Member

Following the recent Member Nominated Director selection process, we are pleased to advise that Malcolm Gillam and Steve Jenkins will each serve another six-year term.

The Trustee Board currently consists of five Company Nominated Directors: Martin Flavell, Caroline Beaumont, Simon Jones, Simon P Jones and Nicola McKenzie; and four Member Nominated Directors: Rebecca Ward (term expires 31 October 2020), Mike Bird (term expires 31 October 2020), Malcolm Gillam (term expires 31 October 2023) and Steve Jenkins (term expires 31 October 2023).

It will be a busy period for the Trustee and our advisers over the next few months as we progress the valuation and ensure a smooth transition of our administration service to PSAL.

I am pleased to advise that benefit statements were sent out to active members in November this year.

Martin Flavell

Chair of Trustee Board



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PIE OFFER

You may be aware that the employer has written to some of our pensioners offering them the ability to redesign their benefits. Find out more about this project on page 10.

ABOUT THE SCHEME

Changes to the administrator

The new Scheme administrator, PS Administration Limited, also known as PSAL, will be in place from 1 February 2018. Watch out for a postcard and welcome letter which will be sent out nearer the time providing their contact details.

PSAL has provided administration solutions for occupational pension schemes for over 20 years and was ranked as the No. 1 Third Party Administrator in the 2017 Professional Pensions survey.

Its team of around 270 pension administrators provide services to a wide range of pension schemes.

Its main administration centres are in Birmingham, Bristol, Chelmsford, Edinburgh, London, Newcastle and Wokingham. The Leonardo Helicopters Pension Scheme will be serviced from the Bristol office and Leonardo FuturePlanner will be serviced from the Wokingham office.

As well as the day to day service provided to members, PSAL will also prepare the Scheme's Annual Report and Accounts and run the pensioner payroll.





Pensions Council

Management and employee representatives regularly meet to review pension issues at the Pensions Council. The Pensions Council exists to represent members' interests and is made up of:

- Up to 12 Trade Union and employee representatives;
- Up to five employer representatives; and
- The secretaries to the Leonardo Helicopters Pension Scheme and Leonardo FuturePlanner.

The employer will propose any changes to the Pensions Council and the Pensions Council can make counter-proposals to the employer. The Pensions Council is also the forum for selecting new Member Nominated Directors.

The current members of the Pensions Council are:

Trade Union and employee representatives:

James Hawke, Martin Bailey, Glen Graham, Brian Heal, Graham Jackson, Nick Pugsley, Len Watkins, Ben Clarke, Alan Pilton, Chris Burton, James Nutt and Rob Sawford.

Employer representatives:

Claire Ellis (chair), Mike Nixon, Clive Higgins

Trustee secretaries:

Rachael Skuse, Mike Nixon

REPORT AND ACCOUNTS

The annual Report and Accounts were signed on 6 October 2017. The table opposite summarises the Scheme accounts for the year to 5 April 2017, but you can view more of the detail by downloading the full Report and Accounts from the Publications Section of the Scheme website.

Highlights from the Report and Accounts

- The Scheme continues to mature, with more benefits being earned by members and more pensions being paid. Income is higher because the employer is paying more in deficit contributions and also paid a one-off contribution in relation to the recent transfer in of liabilities from the Hadland Pension Fund and Life Assurance Scheme. Outgoings are marginally higher because more people are drawing their pension.
- It has been a good year for the Scheme's return-seeking investment portfolio, which exceeded its objective and achieved a return of 14.8% over the year. The Scheme's total investment strategy (including return-seeking assets and the liability hedge) produced a positive return of 28.7% over the year.
- The last valuation as at 5 April 2014, which was concluded in June 2015, showed the Scheme had a deficit of £123 million and the Scheme funding ratio was 88%. However, the annual funding update as at 5 April 2016 showed that the funding ratio fell to 77% and the deficit was estimated to have increased to £343 million. This worsening situation was largely due to falls in long-term interest rates over the year, and affects many pension schemes in the UK. The Trustee Board has continued to monitor the funding position of the Scheme on a quarterly basis and is working with the employer to manage the Scheme's liabilities and ensure the 2017 valuation gives an appropriate estimate of the deficit. The strong investment returns this year will have helped to improve the deficit position since April 2016.

	5 April 2017 £m	5 April 2016 £m
Value of Scheme at start of year	1,163.9	1,140.2
+ Income		
Company contributions	30.3	21.5
Smart contributions	9.5	9.5
Member contributions	0.1	0.1
AVCs	2.3	2.1
Other income	0.4	0.6
	+42.6	+33.7
- Outgoings		
Pensions	24.2	22.5
Lump sums	13.9	12.1
Other benefits	3.5	6.3
Administration expenses	1.7	1.4
Death benefits	0.8	0.8
	-44.2	-43.1
+ Net returns on investments		
Investment income and change	333.1	34.6
Less investment expenses	-0.7	-1.5
	+332.4	+33.1
Value of Scheme at end of year	1,494.6	1,163.9

Please note, figures may not add up due to rounding.

VALUATION UPDATE

The Trustee Board recently received an initial indication of the actuarial results as at 5 April 2017.

The Trustee Board will now liaise with the employer regarding an appropriate deficit recovery plan. The assessed future service rate (which is the cost of earning benefits in the future) has increased since the 2014 valuation date and the employer is looking at how to best deal with this increased cost.

The employer will be in contact with the active members should there be any proposal to change benefits for the future.

The results are likely to be shared with the membership in Spring 2018 and the valuation process must be concluded by July 2018.



PENSION INCREASES AND REVALUATION RATES

Pension increases

Pension increases will be awarded to all pensioners* on 1 April 2018. This year your pension will increase as follows:

GMP earned before 1988	0%
GMP earned after 1988	3.0%
Pension & supplement earned before 2005	3.9%
Pension & supplement earned after 2005	2.5%

Letters will be sent to all pensioners setting out the increase that will apply to your pension in March 2018.

Revaluation

Your Career Salary benefits will increase by 3.0% on 6 April 2018. The effect on your pension will be shown in your 2018 benefit statement.

*Members who opted for the Pension Increase Exchange under the recent PIE offer will receive increases as follows:

GMP earned before 1988	0%
GMP earned after 1988	3.0%
Pension earned before 1997	0%
Pension earned between 1997 and 2005	3.0%
Pension earned after 2005	2.5%

Increases to any supplement payable are not affected by the PIE offer.

PENSION INCREASE EXCHANGE (PIE) OFFER

A PIE offer involves opting for different future annual pension increases in exchange for an increase (or uplift) to your pension.

If a member accepts the offer, they would receive an uplift to their pension. Thereafter, their pension would be increased in line with statutory minimum requirements rather than in line with the higher requirements of the Scheme's current Rules.

The Company approached a group of 350 pensioners and offered them the opportunity to select this option from September to November this year. About one third of those offered this opportunity have chosen to take it up. It is planned that a third group of pensioners will be offered the opportunity in the future but not until at least late 2018 due to the change in the Scheme administrator.



GETTING IN TOUCH

If you have questions about your benefits before February 2018, please contact the current Scheme administrator, Aon Hewitt.

Telephone: 0345 600 8796

Email: leonardohelicopters@aonhewitt.com

Write to: Leonard Helicopters Pension Scheme
Aon Hewitt Limited
PO Box 196
Huddersfield
HD8 1EG

From February 2018, you should contact our new Scheme administrator, PSAL.

Alternatively, for questions to the Trustee, you can contact the Pensions Department on **01935 705353**, or by email: **pensions@leonardocompany.com**



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