



# intouch

News and information for members of the AgustaWestland UK Pension Scheme

## WELCOME TO THE WINTER EDITION

### CHANGES TO THE LEONARDO BUSINESS IN THE UK

It is planned that the Leonardo\* businesses in the UK will be restructured to form one UK legal entity. Whilst this means big changes for the company, there is much less change for the Scheme. The Trustee is taking advice to ensure that these changes do not adversely affect the security of your benefits.

In brief, the Scheme will operate as follows:

- The Scheme will continue in its current form, with the same active members, pensioners, and deferred members.
- There will be no change to the Trustee board and they will continue to manage the Scheme assets in your best interests.
- Leonardo MW Ltd will become a participating employer so that the current active members can continue to earn benefits when they are employed by Leonardo MW Ltd.

What will change?

- The Scheme will change its name to Leonardo Helicopters Pension Scheme on 1 January 2017. A new website address and contact details will be shared in the first half of 2017.
- There will be changes to the participating employers
  - Leonardo MW Ltd will become the Principal Employer of the Scheme
  - Before the change the following employers participated in the Scheme:
    - AgustaWestland Limited (Principal Employer), AgustaWestland Holdings Limited and ATIL
  - After the change the following employers will participate in the Scheme:
    - Leonardo MW Ltd (Principal Employer) and ATIL.

### ALSO IN THIS EDITION...

**Annual report and accounts** – we share a summary of the Scheme accounts on page 2. A more detailed summary of the Report and Accounts can be found on the Scheme website.

**Summary Funding Statement** – turn to page 3 for an update on the funding position as at 5 April 2016. A full copy of the Summary Funding Statement can be found on the Scheme website.

**Benefit statements** – Benefit statements were sent out in October this year.

**Pension increases & revaluation** The 2017 rates for pension increases and revaluation are set out on page 4

**PIE** – you may be aware that the employer has written to some of our pensioners offering them the ability to redesign their benefits. Turn to page 4 to find out more about this project.

\* formerly called the Finmeccanica business

# TRUSTEE REPORT AND ACCOUNTS

The annual Trustee Report and Accounts were signed on 6 October 2016.

A summary of the key information from the Scheme accounts can be found in the Summary Report and Accounts which can be downloaded from the Publications Section of the Scheme website.

The table below summarises the Scheme accounts for the year to 5 April 2016

	5 April 2016 £m	5 April 2015 £m
<b>Value of Scheme at start of year</b>	<b>1,140.2</b>	<b>922.0</b>
<b>+ Income</b>		
Company contributions	21.5	22.8
Smart contributions	9.5	9.6
Member contributions	0.1	0.1
AVCs	2.1	1.7
Other income	0.6	0.3
	+33.7	+34.5
<b>- Outgoings</b>		
Pensions	22.5	20.6
Lump sums	12.1	7.7
Other benefits	6.3	3.4
Administration expenses	1.4	1.6
Death benefits	0.8	0.4
	-43.1	-33.7
<b>+ Net returns on investments</b>		
Investment income and change	34.6	220.3
Less investment expenses	-1.5	-2.9
	+33.1	+217.4
<b>Value of Scheme at end of year</b>	<b>1,163.8</b>	<b>1,140.2</b>

*Figures may not add up due to rounding*

## HIGHLIGHTS

The Trustee would like to highlight:

- The Scheme continues to mature, with more benefits being earned by members and more pensions being paid. Income is marginally lower because there are less contributing members and outgoings are higher because more people are drawing their pension.
- It has been a demanding year for the Scheme's return seeking investment portfolio which, in challenging economic circumstances, has not achieved its return objective over the year. The Scheme's total investment strategy (including return seeking assets and the liability hedge) has produced a positive return of 2.86% over the year, although this was behind the overall objective.
- The latest 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 2015 showed that the funding ratio fell to 84% and the deficit was estimated to have increased to £224 million. This worsening situation is largely due to falls in long term interest rates over the year, and affects many Schemes in the UK. The Trustee Board will continue to monitor the funding position of the Scheme on a quarterly basis and is working with the employer to manage the Scheme's liabilities although it is expected that the position has worsened further. Since signing off the Trustee Report and Accounts, the Trustee has received details of the funding position in 2016 (see page 3).

A full copy of the Trustee Report and Accounts can be downloaded from the Scheme website ([www.awpensions.co.uk](http://www.awpensions.co.uk)) or requested from Aon Hewitt.

## FUNDING IN 2016

The Trustee board recently received their annual actuarial report as at 5 April 2016. The report showed the Scheme has an estimated deficit of £343 million. This is higher than the £224 million deficit that was identified in the last annual update in 2015.

You will see that the Scheme assets have continued to grow as a result of positive investment returns and deficit repair contributions. However the liabilities have grown too, mainly because swap yields have fallen. The increase in assets was more than offset by the increase in liabilities and therefore the funding deficit has increased since 2015 (and the 2014 valuation).

This increase in the deficit and fall in funding is a concern and the Trustee is taking steps to consider if the assumptions used in the 2014 valuation remain appropriate in the current market conditions. After a review of the covenant and in light of the Leonardo corporate restructuring in the UK, the Trustee believes that the sponsoring employers remain able and committed to meet the obligations to fund the Scheme over the long term. The next formal actuarial valuation of the Scheme is due to be carried out as at 5 April 2017.

A full copy of the Summary Funding Statement can be downloaded from the Scheme website ([www.awpensions.co.uk](http://www.awpensions.co.uk)) or requested from Aon Hewitt.

### KEY FIGURES

	5 April 2014	5 April 2015		5 April 2016	
<b>Assets</b>	£915m	Grew to	£1,132m	Grew to	£1,155m
<b>Liabilities</b>	£1,038m	Grew to	£1,356m	Grew to	£1,498m
<b>Shortfall</b>	£123m	Increased to	£224m	Increased to	£343m
<b>Funding level</b>	88%	Fell to	84%	Fell to	77%

## BUY UP (MAIN SECTION ONLY)

In early 2017 we will write to members of the Main Section regarding whether you wish to start or continue to Buy Up. As in previous years you will continue at the accrual rate you have currently selected unless you return the Buy Up form to select a different rate. Members can choose between the normal accrual rate of 1/75th or Buy Up to a 1/70th or 1/65th accrual rate.

The Trustee, upon the advice of the Scheme Actuary, will set the Buy Up rates late in 2016. Letters and forms will be sent to members notifying you of the Buy Up rates in early 2017. As in previous years, it is planned that modellers will be available to assist you in making your decision.

## STATE PENSION FORECASTS (ACTIVE MEMBERS ONLY)

Unfortunately the DWP is no longer able to provide the data needed for the Scheme to share your State Pension forecast on Pensionline. If you would like to find out about your State Pension entitlement, you can visit [www.gov.uk/check-state-pension](http://www.gov.uk/check-state-pension)

# PENSION INCREASES AND REVALUATION RATES

## REVALUATION

Your Career Salary benefits will increase by 1.0% on 6 April 2017.

The effect on your pension will be shown in your 2017 benefit statement.

## PENSION INCREASES

Pension increases will be awarded to all pensioners on 1 April 2017. This year your pension will increase as follows:

GMP earned before 1988	0%
GMP earned after 1988*	1.0%
Pension & supplement earned before 2005 (1)	2.0%
Pension & supplement earned after 2005 (2)	2.0%

Letters will be sent to all pensioners setting out the increase that will apply to your pension in March 2017.

Members who opted for a Pension Increase Exchange under the recent PIE Offer will receive (1) no increase on their pre 1997 excess, (2) 1.0% increase on their pension earned between 1997 and 2005, (3) 1.0% increase on pension earned after 2005 and (4) 2.0% increase on their supplement.

## PENSION INCREASE EXCHANGE (PIE) OFFER

A PIE offer involves exchanging future annual pension increases for a one-off increase (or uplift) to your pension.

If a member accepts the offer, they would receive a one-off 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 intends to make this offer to all current pensioners of the Scheme. However, it is planning to do this in two separate exercises due to the numbers involved.

The first group of pensioners were offered the opportunity to select this option from September to November this year. It is planned that the second group of pensioners will be offered the opportunity in mid 2017. From mid 2017, it is planned that members will be offered this opportunity when they retire.

## GETTING IN TOUCH

If you have questions about your benefits you can speak to our third party administrators, Aon Hewitt,

Telephone:  
0345 600 8796

Email:  
[westland@aonhewitt.com](mailto:westland@aonhewitt.com)

Post to:  
AgustaWestland  
UK Pension Scheme,  
Aon Hewitt Limited,  
PO Box 196,  
Huddersfield,  
HD8 1EG

Alternatively for questions to the Trustee you can contact the Pensions Department on 01935 705353, by email: [pensions@leonardocompany.com](mailto:pensions@leonardocompany.com) or on the Yeovil site on the ground floor of the Dallas building.

**AON** Hewitt

