



intouch

News and information for members of the AgustaWestland UK Pension Scheme

WELCOME TO THE AUTUMN EDITION

CHANGES TO TRUSTEE DIRECTORS

In the Summer, Steve Pym retired from AgustaWestland and left the trustee board after 21 years of being a trustee. In addition, Colin Grindle retired from the trustee board in November.

We welcome Rebecca Ward as the new Member nominated trustee director and Simon Jones as the new employer nominated trustee director.



SIMON JONES,
COMPANY TRUSTEE



REBECCA WARD,
MEMBER TRUSTEE

The current trustee board is Martin Flavell (chairman), Caroline Beaumont, Mike Bird, Malcolm Gillam, Steve Jenkins, Simon Jones, Simon P Jones, Richard Smith & Rebecca Ward.

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 2 for an update on the funding position as at 5 April 2015. 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 2016 rates for pension increases and revaluation are set out on page 4

UPCOMING CHANGES TO BENEFITS & CONTRIBUTIONS

Due to changes in the State pension system and as part of changes made when the last valuation was agreed, your contributions and benefits will change on 6 April 2016. Turn to page 3 for more information about these changes.

EXPRESSION OF WISH FORMS

Turn to page 3 for more information about changes that will be made to Expression of Wish forms.

CHANGES TO PENSIONS LEGISLATION

The Government announced a number of changes to pensions legislation in its Summer 2015 budget. Turn to page 3 for more information.

NEW SCHEME ADDRESS

PLEASE NOTE THAT OUR ADMINISTRATORS, AON HEWITT, HAVE CHANGED THEIR CONTACT DETAILS, PLEASE SEE PAGE 4

TRUSTEE REPORT AND ACCOUNTS

The annual Trustee Report and Accounts were signed on 22 October 2015.

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 2015

	5 April 2015 £m	5 April 2014 £m
Value of Scheme at start of year	922.0	947.4
+ Income		
Company contributions	22.8	23.8
Smart contributions	9.6	9.6
Member contributions	0.1	0.1
AVCs	1.7	1.0
Other income	0.3	0.6
	+34.5	+35.2
- Outgoings		
Pensions	20.6	19.1
Lump sums	7.7	7.1
Other benefits	3.4	0.7
Administration expenses	1.6	1.4
Death benefits	0.4	0.6
	-33.7	-28.9
+ Net returns on investments		
Investment income and change	220.3	-30.0
Less investment expenses	-2.9	-1.7
	+217.4	-31.7
Value of Scheme at end of year	1,140.2	922.0

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.
- The Scheme's investment performance during this period has been good, contributing to the growth of the fund. The return seeking assets in the portfolio produced an 8.4% return. Overall the Scheme produced a return of 23.8% over the year. However, the liability matching portfolio moves broadly in line with Scheme liabilities, so liabilities increased by a similar amount. Overall, we have seen a worsening of the funding position over the year, with the funding ratio estimated to reduce from 88% at 5 April 2014 to an estimated 84% at 5 April 2015.

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

FUNDING IN 2015

The Trustee board recently received their annual actuarial report as at 5 April 2015. The report showed the Scheme has an estimated deficit of £224 million. This is higher than the £123 million deficit that was identified at the valuation in 2014.

You will see that the Scheme assets have continued to grow. However the liabilities have grown too, largely due to movements in long term interest rates. The deficit has therefore increased since 2014 although the increase in the value of the liabilities has been offset to some extent by deficit repair contributions and positive investment returns.

This increase in the deficit is unwelcome news. However, despite the deficit, the Trustee believes that AgustaWestland remains able and committed to meet its obligations to fund the Scheme over the long term. Therefore the Trustee board does not believe that any immediate action is required in advance of the next formal actuarial valuation of the Scheme as at 5 April 2017.

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

KEY FIGURES

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

UPCOMING CHANGES TO BENEFITS & CONTRIBUTIONS

Due to changes in the State pension system and as part of changes made when the last valuation was agreed, your contributions and benefits will change on 6 April 2016.

As part of changes being made to the State pension, you will pay higher National Insurance Contributions (NICs). Your rate of NICs on relevant earnings between the lower and upper earnings thresholds will increase from 10.6% to 12%.

Also, as part of changes agreed as part of the Scheme valuation, your employee contributions will increase by 0.75% of pensionable salary.

BUY UP (MAIN SECTION ONLY)

This year the process will be different so please read this carefully.

The normal process for Buy Up has been to continue at the rate you selected for the previous year unless you return a form to select a different rate. This year all members will be put on the normal accrual rate of 1/75th. If you want to buy up to a 1/70th or 1/65th accrual rate you must return the Buy Up form and select the appropriate accrual rate.

The reason for this change to the process this year is because members will be paying higher NICs and employee contributions so we would like you to think carefully before electing to Buy Up. Any decision made cannot be changed until the following April.

The Trustee, upon the advice of the Scheme Actuary, will set the Buy Up rates in late 2015. Letters and forms will be sent to members notifying you of the Buy Up rates in January 2016. Modellers will be available to assist you in making your decision.

EXPRESSION OF WISH FORMS

Your Expression of Wish form helps the Trustee decide who should benefit from death benefits payable should you die. In the last edition of intouch, we showed you that Pensionline now displays the date that you completed your Expression of Wish form. The Trustee has decided to store all Expression of Wish forms electronically on our administrators' computer system. As a result, it will be easier to store forms and quicker to process death benefits.

It is recommended that you keep your Expression of Wish form up to date.

PENSION CHANGES ANNOUNCED BY THE GOVERNMENT IN THE 2015 SUMMER BUDGET

The Chancellor presented the Government's Summer Budget on 8 July 2015. A summary of the pensions headlines is set out below (all of which are subject to confirmation by final legislation). Full details are available on the HMRC website at www.gov.uk/government/topical-events/budget-july-2015.

- There will be a full consultation on the future of pension tax relief. This ranges from maintaining the current system (giving tax relief on pension contributions and investment growth, and taxing pensions at retirement), through to switching to an ISA type regime (taxing pension contributions up front, and giving tax relief on investment returns and pension benefits at retirement). The Government initial consultation ran until 30 September 2015.
- The Lifetime Allowance, which sets out the overall amount of pension benefit you can save before an additional tax liability is incurred, will reduce from £1.25 million to £1 million from 6 April 2016.
- A new 'tapered Annual Allowance' will apply from 6 April 2016 affecting those with incomes (including pension contributions) in excess of £150,000. The £40,000 allowance is reduced by £1 for every £2 of income above £150,000 until it reaches a minimum of £10,000 (at earnings of £210,000).
- The period over which pension savings are tested against the Annual Allowance will be aligned with the tax year from April 2016 (the AgustaWestland UK Pension Scheme already uses this date). Transitional measures provide for two 'mini tax years' in 2015-16, resulting in an Annual Allowance of up to £80,000 (rather than the current £40,000). In effect, individuals have a new £40,000 Annual Allowance for the period 9 July 2015 – 5 April 2016, in addition to their pension savings from 6 April 2015 – 8 July 2015.
- The Government will actively monitor the growth of Salary Sacrifice schemes and their effect on tax receipts. The 'Smart' system through which the majority of our members pay their pension contributions is a Salary Sacrifice scheme.
- The Government is still planning a secondary annuities market (i.e. existing pensioners selling their annuity for a cash value) but implementation will be delayed until 2017 to ensure there is support for consumers in making their decision.

RETIREMENT COURSE

We run a two day retirement course for members approximately six months from retirement. There is advice on financial matters, legal matters and the transition to retirement. This course is usually run off site and your spouse/partner can attend with you.

A number of courses are run throughout the year, depending on demand. If you are interested in attending the retirement course, please let the Pensions Department know on x5353 or email pensions@agustawestland.com. Your name and intended retirement date will be added to the waiting list and you will be enrolled on a course near to your retirement.

NEW ADDRESS

When corresponding with our administrators, Aon Hewitt, please use the new contact details:

Email: westland@aonhewitt.com
Telephone: 0345 600 8796
Writing to: AgustaWestland
UK Pension Scheme,
Aon Hewitt Limited,
PO Box 196,
Huddersfield,
HD8 1EG

AON Hewitt



PENSION INCREASES AND REVALUATION RATES

REVALUATION

As the increase in CPI is a negative number this year, your Career Salary benefits will not increase on 6 April 2016.

PENSION INCREASES

Pension increases will be awarded to all pensioners on 1 April 2016. This year your pension will increase as follows:

GMP earned before 1988	0%
GMP earned after 1988	0%
Pension & supplement earned before 2005	0.8%
Pension & supplement earned after 2005	0.8%

Letters will be sent to all pensioners setting out the increase that will apply to your pension in March 2016.

