

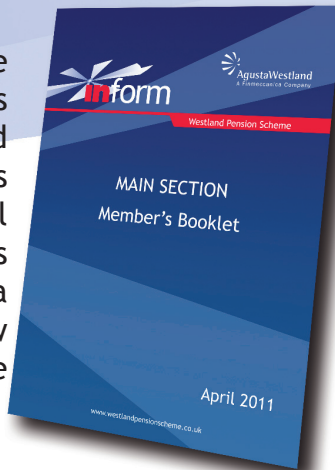
Westland Pension Scheme

Welcome

Benefit changes

Benefit changes were announced by the Company at the end of August 2010. The changes will take effect on 6 April 2011.

A new Scheme booklet has been produced which explains the changes. All active members will be sent a copy of the new booklet in the coming weeks.



In addition, further information about the changes will be provided on the Scheme website in the coming months - www.westlandpensionscheme.co.uk

Deferred members and pensioners will not be affected by the changes.

Funding update

The Trustees have recently commissioned an annual valuation update: this looks at the funding position of the Scheme on 5 April 2010. We are pleased to report that the funding position has improved from 78% to 84%. See page 2 for more information.

Retention of powers

In the October 2010 edition of **intouch** the Trustees notified you of their intention to pass a resolution to retain existing powers in the Rules. The Trustees have now passed the resolution. For more information, please go to the Latest News section of the website: www.westlandpensionscheme.co.uk

Pensions in the news

Pensions have been in the news a lot recently as the new government develops its pensions policies. See page 4 for more information about:

- the new limits on pension savings;
- the changes to the measure of inflation;
- working past your normal retirement date.

Adviser update

Our administrators, Aon, and our actuaries, Hewitt, have merged to create Aon Hewitt.



Services will not be affected by this merger. Please note the new email address for queries: westland@aonhewitt.com

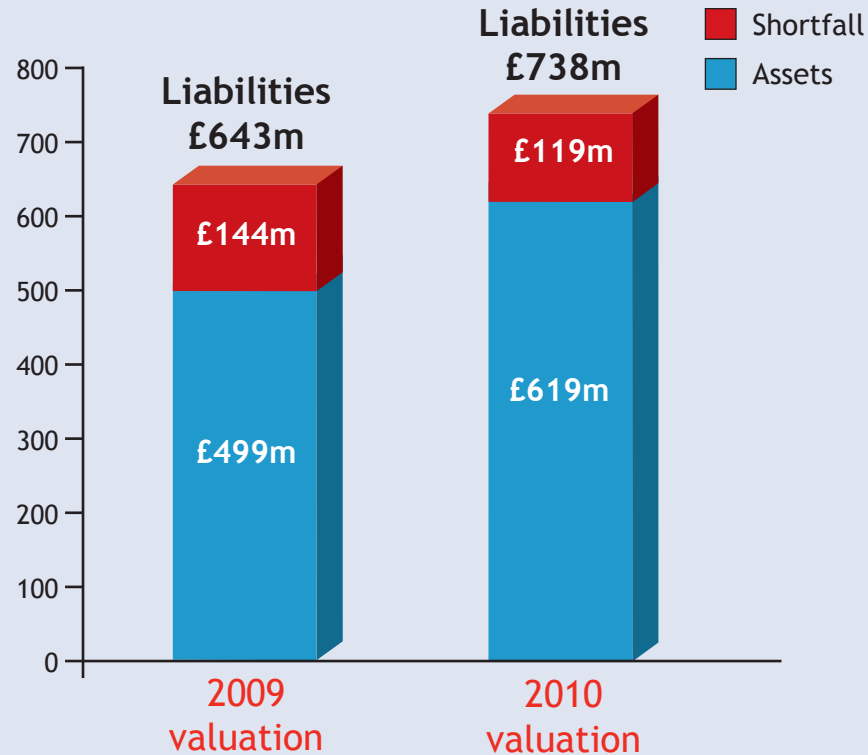
Funding Update

The Trustees have recently commissioned an annual valuation update: this looks at the funding position of the Scheme as at 5 April 2010.

We are pleased to report that the funding position has improved from 78% to 84%.

The Scheme deficit is currently measured at £119 million.

The improvement is primarily because the return on Scheme assets was higher than anticipated in the last valuation.



The current Trustees of the Westland Pension Scheme are:



Alan Ladd, Chairman of the Trustees



Janie Beizsley, Company Trustee



Martin Flavell, Company Trustee



Malcolm Gillam, Member Trustee



Colin Grindle, Company Trustee



Jim Hawke, Member Trustee



Steve Pym, Member Trustee



Richard Smith, Company Trustee

A vacancy exists for a Member Trustee

Recovery plan

- It has been agreed that the deficit identified in the 2009 valuation will be paid over 10 years.
- The amount to be paid each year is set out in the recovery plan. A payment of £15.8 million was paid by the Company towards the deficit in January 2011.
- Approval of the recovery plan has been received from the Pensions Regulator.
- The Trustees are currently reviewing the investment strategy.
- The next formal valuation of the Scheme is due on 5 April 2012.

Further funding information

The Trustees are required by law to give you the following information.

What if?

The funding numbers we have shown you on page 2 are from the “on-going” valuation. It assumes that the Scheme will continue with the support of AgustaWestland.

In addition the Trustees are required to review the position if that support was no longer available.

The “solvency” position is what might happen if the Scheme stopped and the benefits were instead passed to an insurance company. The solvency position is worse than the ongoing one because an insurance company would manage the money much more cautiously than the Trustees are currently able to do with the ongoing support of AgustaWestland. A margin is also built in for the insurance company’s expenses and profit.

At the last valuation date (5 April 2009) the estimated funding ratio on this measure stood at 45%.

The Covenant

The Trustees are able to manage the Scheme on the “on-going” basis because of the continuing support of AgustaWestland. This is crucial because in a defined benefit scheme like ours, all of the money is held in a common fund and ultimately, if there is not enough money to pay the benefits, the Company is required by law to put more in. This means that we can carry on paying benefits in full while the funding level is below the target.

As part of the research for the valuation the Trustees reviewed AgustaWestland’s financial strength. To do this we looked at lots of information from different sources. This year we will obtain independent analysis of the accounts of both AgustaWestland and its ultimate parent company, Finmeccanica.

For the avoidance of doubt, the Trustees have made no payments to the Company out of Scheme funds other than those required for the pension administration services provided by employees of Westland Helicopters Limited.

Worst case scenario

The “solvency” position illustrates the amount of money the Company would need to pay to the Scheme if ever it wanted to wind up the Scheme. The Trustees are also required to pay levies to the Pension Protection Fund (PPF).

In the unlikely event that the Company became insolvent, the Trustees could call upon the PPF to compensate members, which currently provides up to 90% benefit protection in most cases.

If you would like more information about the Pension Protection Fund you can visit their website at www.pensionprotectionfund.org.uk.

The Pensions Regulator has various powers which it can exercise if it thinks that the Scheme’s recovery plan is not appropriate. These powers include (1) ordering modifications to future benefits, (2) giving directions on how liabilities are measured and (3) ordering a change to the schedule of contributions. The Trustees can confirm that the Pensions Regulator has not used any of its powers in relation to the Scheme.

Buy up

All members of the Main Section who opted to “buy up” at any time between 1 May 2007 and 6 April 2011 received a letter in December.

The letter explained that the Trustees want to ensure that you receive “value for money” for your “buy up” benefits. As the Scheme is moving to a career salary benefit structure your “buy up” benefit entitlement needed to be increased.

In effect, a member who bought up to 1/60th will actually receive a little more than 1/59th and someone who bought up to 1/65th will receive just short of 1/64th for that period.

This change will automatically take effect on 6 April 2011. Your 2011 benefit statement will show how your entitlement has changed.

Pensions in the news

Pensions have been in the news a lot recently as the new government develops its pensions policies.

Changes to the measure of inflation

It has been reported in the news that there are to be changes in the way inflation is measured. In the past, pension schemes were required to use the RPI (retail prices index). Now some schemes are required to use the CPI (consumer prices index).

The Scheme rules set out what measure should be used. We will be required to apply the following rates:

Benefit	Measure used
Increase paid on pensions in payment (excluding GMPs)	RPI
Increase paid on GMP pensions in payment	CPI
Increase paid on benefits for deferred members	CPI
Increase paid on "Protected Salary" when calculating your Final Pensionable Salary	CPI

Rates for April 2011: RPI = 4.6%*, CPI = 3.1%**

*Increases on pension earned on or after 6 April 2005 are limited to 2.5%

**Increases on deferred benefits earned on or after 6 April 2009 are limited to 2.5%

Working past age 65

You will need to make a decision about your pension if you work after your Normal Retirement Date (which is age 65 for most members). Please contact the Pensions Department to discuss the options available to you.

New limits on pension savings

There is a limit on how much you can save into pensions each year in a tax efficient manner. The limit is called the Annual Allowance. The Government has reduced the Annual Allowance to £50,000 for each tax year from 6 April 2011. If you exceed the Annual Allowance, a tax will be charged on the pension savings made in excess of the Annual Allowance.

? How do I know how much I am saving into pensions?

A help sheet has been put on the Scheme website: www.westlandpensionscheme.co.uk, (in the Latest News section) which explains how to value your pension savings.

? Should I be concerned about this change?

This change may affect the following groups of members:

- Very high earners - by that we mean those earning in excess of £100,000;
- Members making large regular AVC payments - we would suggest that members regularly saving in excess of £1,000 per month consider their position; and
- Members making a large one off payment to their pension.

Getting in touch

If you have questions about your benefits you can speak to our third party administrators, Aon Hewitt, direct on 0117 945 3517 or you can email them at westland@aonhewitt.com

Alternatively for questions to the Trustees or other matters you can contact the Pensions Department on 01935 705353, by email to pensions@agustawestland.com or on the Yeovil site in building 212.

The Scheme address is: Westland Pension Scheme, Lysander Road, Box 205, Yeovil, BA20 2YB