

Westland Pension Scheme

News

New website



The Trustees are pleased to provide you with a Scheme website.

www.westlandpensionscheme.co.uk

See page 2 for more information.

Trustees' Report and Accounts

The annual Trustees' Report and Accounts was signed on 23 September 2010. A summary of the Trustees' Report and Accounts and a full copy of the Trustees' Report and Accounts can be downloaded from the 'Publications' section of the Scheme's website - www.westlandpensionscheme.co.uk

Changes to benefits

The Company has been consulting with members throughout 2010 about benefit changes. The benefit changes have now been agreed and the Company issued Pensions Bulletin 4 at the end of August 2010 which summarised the changes. The Trustees will be working over the coming months to provide further information to you, including issuing a new member booklet so you can understand the impact of the changes.

You will be able to find further information about the changes on the new website in due course - go to the 'Your Benefits' section of the Scheme's website - www.westlandpensionscheme.co.uk

Benefits statements

All active (contributing) members should have received their annual Benefits Statement, prepared by Aon, in September. If you are an active member and did not receive your statement, contact Aon.

Annual benefit statements are not issued to deferred members.

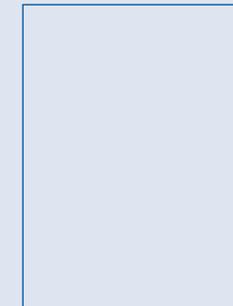
Actuarial valuation

The Scheme's triennial valuation, which measured the funding position of the Scheme as at 5 April 2009, is complete. The deficit has been measured at £144m, which means that the Scheme is 78% funded. The Scheme now has a new ten year recovery plan to deal with this deficit.

See page 3 and page 4 for more information.

Trustees

We would like to say thank you to our departing Trustee, Brian Edwards, for his services to the Scheme for nearly six years.



We welcome Janie Beizsley as an employer nominated trustee.

We also expect to appoint a new member nominated trustee in the coming months.

New Scheme website



The website provides you with:

- Scheme details - key information about your Scheme
- Your benefits - access to details of your benefits including online access to your pension records held by Aon (active members only at this time)
- Saving more - information on how to boost your pension
- Planning to retire - simple steps to help you prepare for retirement
- Changing circumstances - guiding you through changes to your personal circumstances
- Publications - a library of forms and publications

We hope you find the site easy to use. The Trustees welcome your feedback on the website, so please get in touch by emailing pensions@agustawestland.co.uk.

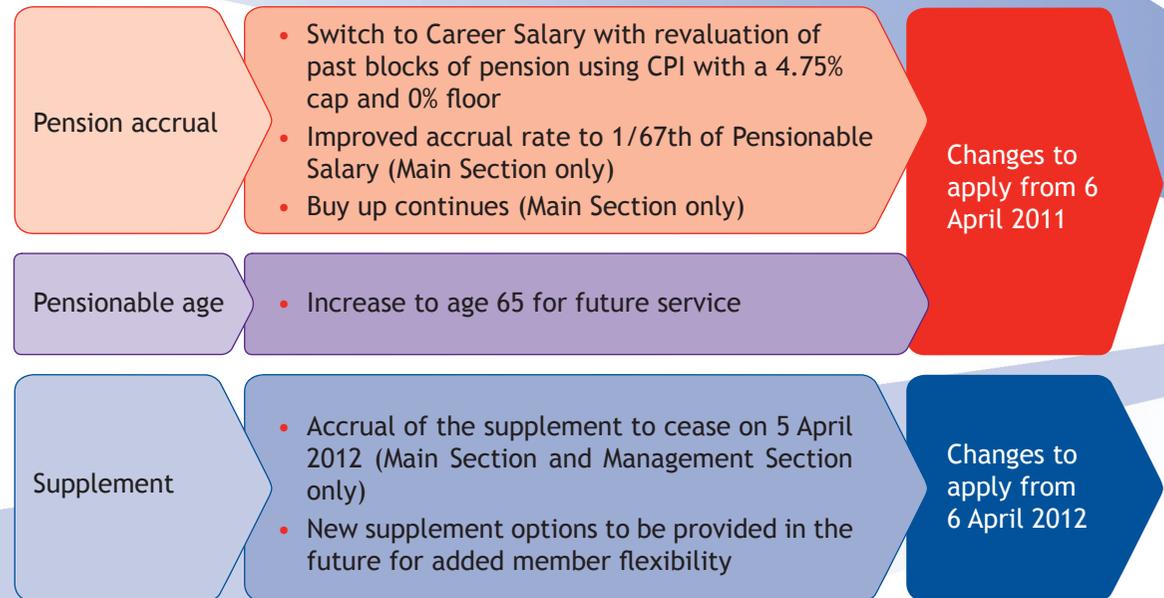
Online access to your pension records

Active (contributing) members will receive a letter from Aon with this newsletter which contains details about how to use the pages which allow online access to your pension records. The letter will contain your personal logon and password details.

Benefit changes and actuarial valuation

Benefit changes

The Company communicated to members in August 2010 that the following changes are to be made to benefits earned in future in the Scheme. The Trustees and Company have updated the rules of the Scheme to reflect the changes that the Company has announced. In brief, the changes are:



Understanding how the changes will affect you

The Trustees will be preparing a revised edition of the member booklet. It is expected that this will be available in the first half of 2011. This will explain how your benefits will be calculated. In addition, further information will be made available in due course through the Scheme's website - www.westlandpensionscheme.co.uk. Look for the 'Changes announced in 2010' pages in the 'Your Benefits' section.

2009 Valuation report

A major task for the Trustees over the past 18 months has been the 2009 triennial valuation.

The valuation is the very important process of determining the amount of money that needs to be paid into the Scheme to ensure there are sufficient funds to pay pensions and other benefits provided by the Scheme.

The first estimate completed by the Actuary found a significant funding shortfall estimated to be £244m and this led to a lengthy series of consultations between the Company and the Trustees and separately between the Company and the Pensions Council.

A number of changes to benefits will be made (see page 2).

During the valuation process, the Trustees' main responsibilities have been to:

1. Agree assumptions with the Company

Taking into account the agreed assumptions and the benefit changes, the Actuary finalised his valuation report and the key figures are:

Assets	£499m
Liabilities	£643m
Shortfall	£144m
Funding level	78%

2. Agree a recovery plan

- It has been agreed that the deficit will be paid over 10 years.
- The amount that will be paid each year is set out in the recovery plan - a payment of £15.8 million will be due on 1 January 2011.
- The Company has confirmed that it is paying the deficit as quickly as it can reasonably afford toward the deficit.
- Acceptance of the recovery plan from the Regulator is awaited.

3. Implement the benefit changes

- The Rules of the Scheme have been amended and the new benefit structure will take effect from 6 April 2011.
- The Trustees are now working with their administrators, Aon, to update systems.
- The Trustees are also working to provide information to members about how the benefit changes will affect you.

Next steps

The Trustees must now take steps to:

- Collect contributions as they fall due - this will include member contributions, employer contributions and payments under the recovery plan.
- Monitor the funding - the Trustees will be seeking annual funding updates to ensure the Scheme's recovery plan remains on track.
- Review the investment strategy - the Trustees will assess whether the investment strategy remains appropriate.

The Trustees review the Scheme's funding position on an annual basis and will shortly review the position at 5 April 2010. The next formal valuation of the Scheme is due as at 5 April 2012.

Retention of powers

The Scheme currently has Rules that permit the payment of surplus funding to the employers in very narrow circumstances. In order to keep those Rules in place after 5 April 2011, legislation requires the Trustees to resolve to do so by that date. Before they pass that resolution they must give notice to Scheme members of their intention. The Trustees are now giving you that notice that they have decided to retain the existing Rules that permit payments from the Scheme to the employers.

This is not a notice that a surplus is going to be paid to the employers - the prospect of having a surplus seems like a distant possibility today. However, the Trustees recognise that things can change and believe that it is in the interests of the Scheme to preserve the widest range of powers to manage the scheme under all circumstances. The existence of these powers can be seen by employers as a "safety valve" in case they over-fund the Scheme. Without a power to pay surplus to the employers, the employers might decide to be more cautious in their funding of the Scheme.

You should be aware that any payment of surplus to the employers would be subject to stringent statutory conditions. In particular, if the Scheme were being wound up at the time, a payment of surplus could only be made if the Trustees had first secured all member benefits; and if the Scheme were ongoing, a payment could only be made if the Scheme was fully funded at a level that would allow all benefits to be secured. In either case, members would have to be notified in advance and the Pensions Regulator would also be involved in the process.

Further funding information

Funding update

The last funding update provided to members as at 5 April 2008 was of a funding level of 78% and a deficit of £152m.

The preliminary funding position as at 5 April 2009 on a like-for-like basis was a funding level of 67% and a deficit of £247m. However the Company has made changes to benefits following a consultation with members and there has been discussion between the Trustees and the Company over the level of prudence that is appropriate for the assumptions. As a result of the benefit changes and revisions to the assumptions the final valuation position is a funding level of 78% and a deficit of £144m.

What if?

The funding numbers we have shown you on page 3 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 use more cautious investment strategies 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 2006) the estimated funding ratio on this measure stood at 50%. The estimated funding ratio at 5 April 2009 was 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 plan 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 obtained 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 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.

Getting in touch

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

Alternatively for questions to the Trustees or other matters you can contact the Pensions Department on 01935 705353, by email 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