

SUMMARY OF THE TRUSTEE REPORT AND ACCOUNTS 2015

The annual Trustee Report and Accounts was signed on 22 October 2015. This short summary highlights the key information from the Scheme accounts for the year.

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.

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. The return seeking assets in the portfolio produced a 8.4% return and, overall, the Scheme produced a return of 23.8% over the year. However, the liabilities of the Scheme increased substantially due to a fall in long term interest rates and swap yields. We expect to see a worsening of the funding position over the year.

THE YEAR IN FIGURES

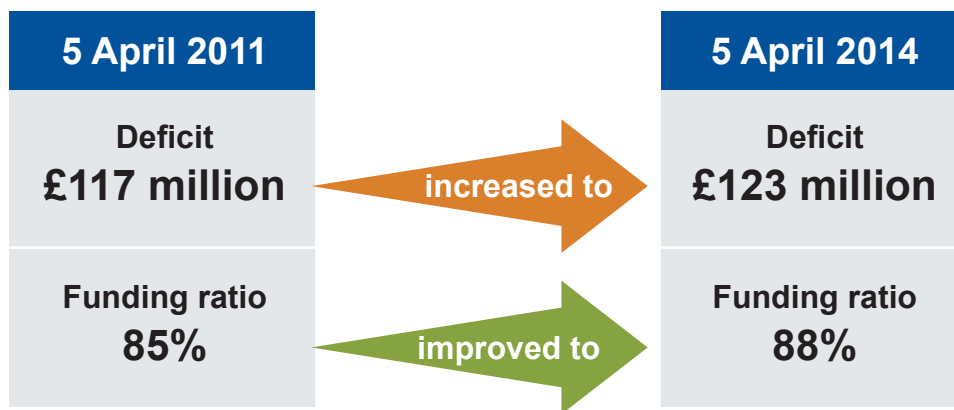
The table below summarises the Scheme accounts for the year to 5 April 2015

	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

2014 VALUATION

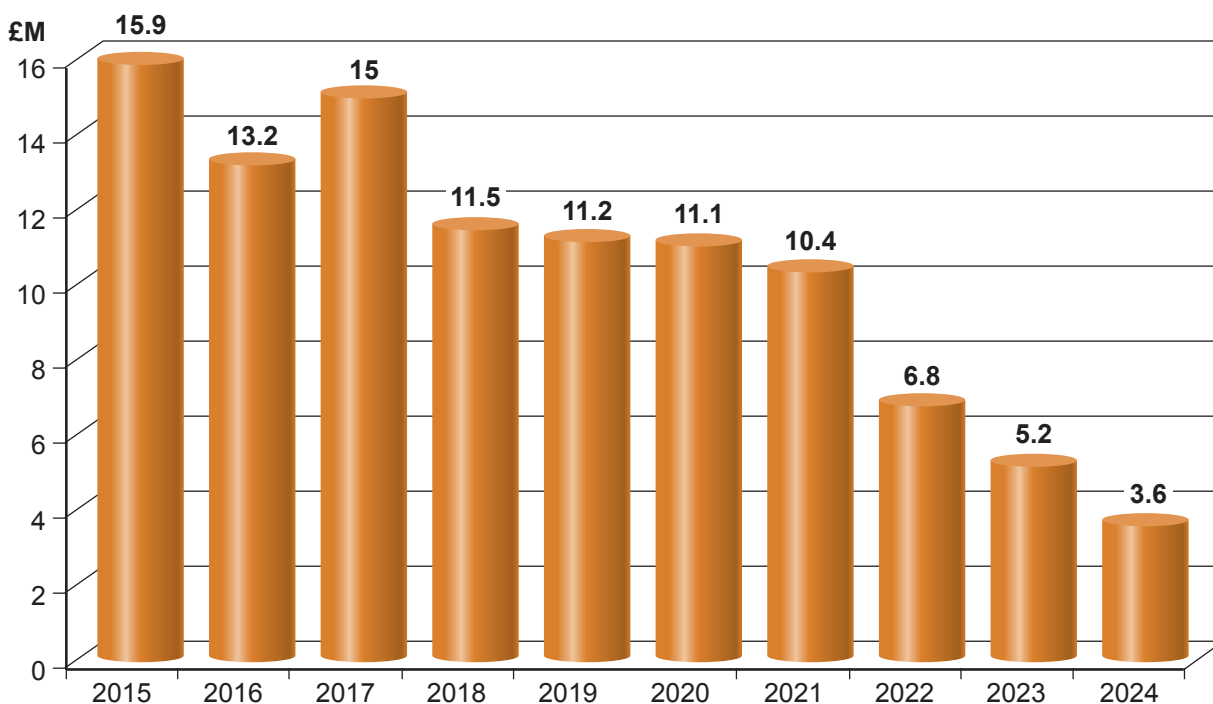
The last Scheme valuation was carried out with a reference date of 5 April 2014. The valuation showed that on 5 April 2014 the Scheme deficit was £123 million and the Scheme funding ratio was 88%.

We should note that we are expecting the 2015 annual funding update to show a substantial deterioration in the funding position, largely due to falls in long term interest rates.



PAYING THE DEFICIT

The Company has agreed to pay the following contributions to assist in making good the deficit



FACTS ABOUT YOUR TRUSTEE

- The Trustee Board is made up of nine Trustee Directors.
- Last year there were 19 trustee meetings, with a 95% attendance rate.
- Your trustee directors completed on average 21.7 hours of pensions training (their guidance requires them to complete 14 hours).
- All but the three newest trustee directors have completed formal training and been awarded external certification.

KEY CHANGES TO THE SCHEME

With effect from 6 April 2016, the changes that will be made to benefits are as follows:

- The pension accrual rate will be 1/75th for Main Section members. Other sections have been notified of their accrual rate. Please note that this change only affects pension accrual from 6 April 2016. Pension earned before 6 April 2016 will not be affected.
- Member contribution rates will increase by 0.75% (to 9.25% for Main Section members).
- Main Section members will be able to Buy Up to a 1/70th accrual rate or a 1/65th accrual rate. Further information about the cost of these options will be issued in early 2016.

In addition, the following changes have also been made:

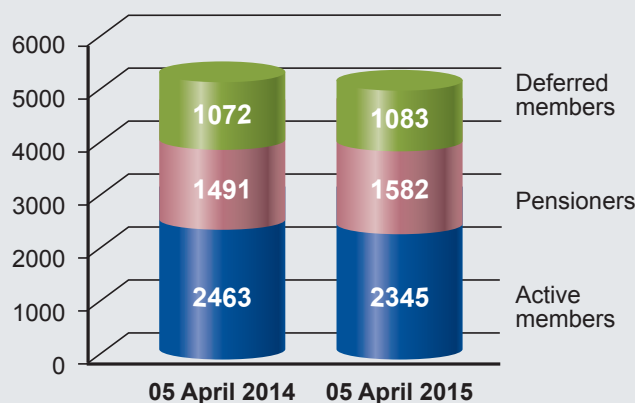
- Scheme limits: The historic Inland Revenue limits incorporated into the rules in 2006 will be removed. Broadly, this means that there will no longer be an overarching rule which limits your pension from the Scheme to 2/3 of your final remuneration.
- AVC changes: Following the increased flexibility for defined contribution benefits:
 - the requirement to take your AVCs by age 75 has been removed; and
 - the rules provide that if members who have deferred taking their AVCs die before drawing their AVCs, an amount equal to the value of their AVC fund will be paid to their beneficiaries.

VOLUNTARY SAVING

- Our members have total AVC savings of £8.2 million. Currently 13.3% of active members are paying AVCs to the Scheme to increase their retirement benefits.
- Members of the Main Section are able to “buy up” to a better accrual rate. Currently 45.2 % of eligible members are choosing to buy up.

MEMBERSHIP

The Scheme currently has 5,010 members. The number of active members is falling because the Scheme is closed to new members. The number of pensioner and deferred members is increasing.



COMMUNICATIONS DURING THE YEAR



The Trustee is committed to developing communications for the membership. The Scheme website continues to be well used and we have continued to develop modelling capabilities for active members, such as introducing State pension forecasts.

In addition to the website, we have provided the following information:

- Intouch – July 2014, Autumn 2014, Summer 2015
- Summary of Trustee Report and Accounts 2014 – November 2014
- Summary Funding Statement 2014 – July 2015
- Benefit statement – October 2015

Our pension workshops started in May 2014 and to date we have run 100 courses. The employer also runs a two day retirement course and, since October 2012, 18 courses have been held.

INVESTMENT REPORT

One of the most important things the Trustee has to do is invest the assets of the Scheme. The Trustee board seeks to achieve the best investment returns it can without taking unnecessary risks with the assets of the Scheme.

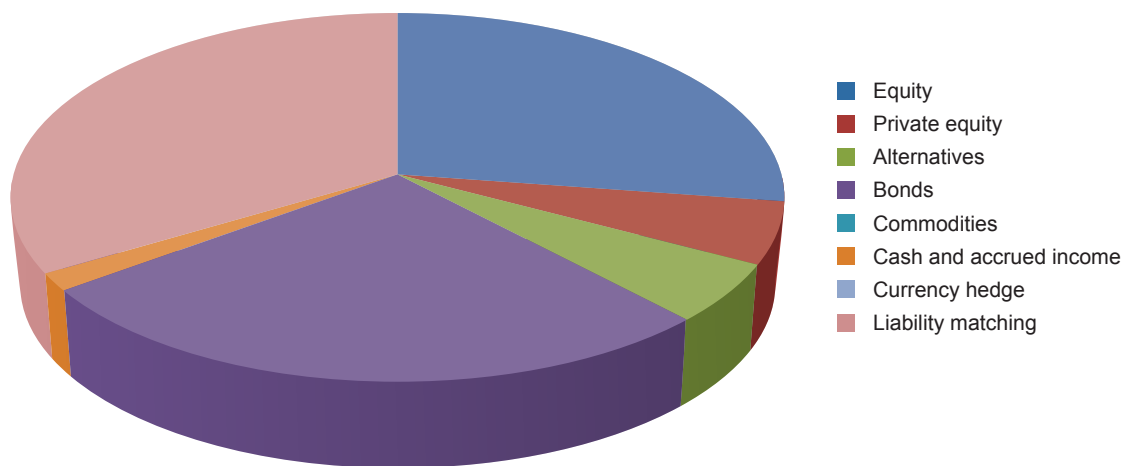
The investment strategy balances the wish to maximise the long-term return on investments whilst minimising short-term volatility and risk measured relative to liabilities.

The return seeking assets are held under an investment service called Total Investment Governance Solution (TIGS). TIGS is a fully delegated service. P-Solve invests and manages the Scheme’s assets on behalf of the Trustee. The service reduces the risks and costs of decision delay and provides access to a broad range of asset classes and increased investment specialisation.

The Trustee has put a hedging programme in place to reduce some of the unrewarded risks that the Scheme faces in relation to the value of the liabilities. The Trustee has decided to hedge 75% of the interest rate risk (although more recently this has increased to 80%) and 90% of the inflation risk of the liabilities.

ASSET ALLOCATION

At 5 April 2015 the assets were allocated like this:



The Trustee has a Statement of Investment Principles which sets out how it has decided to invest the assets of the Scheme.

HOW HAVE THE ASSETS OF THE SCHEME PERFORMED?

The Scheme’s investment performance during this period has been good with assets increasing by 23.8% over the year. The return seeking assets in the portfolio produced a 8.4% return. However, liabilities increased substantially mainly due to a fall in long term interest rates and swap yields. Overall, we expect to see a fall in the funding position identified in the 2014 valuation, which showed a funding ratio of 88% at 5 April 2014.

GETTING IN TOUCH

If you have questions about your benefits you can speak to our third party administrators, Aon Hewitt, direct on 0345 600 8796 or you can email them at westland@aonhewitt.com.

Alternatively for questions to the Trustee 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: AgustaWestland UK Pension Scheme, Lysander Road, Box 205, Yeovil, BA20 2YB