

A large graphic composed of several overlapping circles in various shades of blue, green, and orange. The circles are arranged in a way that they overlap each other, creating a complex, multi-colored shape. The word 'Viewpoint' is written across the center of this graphic in a large, white, sans-serif font.

# Viewpoint

Autumn 2011

Shipbuilding Industries  
Pension Scheme

## Welcome

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## Welcome

As expected, the 25th Anniversary for SIPS is proving to be a challenging year.

Since the start of the new financial year, the stock market has suffered a great deal of volatility. As an example, equities were down 14% during a short period in late July/early August. Sovereign debt issues in the United States and Europe have dominated the headlines during the summer months. Governments in many countries are finding it difficult to stimulate growth.

The value of the SIPS fund at 31st March 2011 was £1.719 billion compared with £1.613 billion last year. Further details appear on page 4 and 5. However, the impact of the recent falls in the stock market during the summer has seen the value of the SIPS fund reduce to £1.593 billion as at 31 August 2011.

As at 31st March 2011, there were 16 IPEs. However, the Appledore Shipbuilders and the Rathbone sections of SIPS are in the final stages of winding-up. As previously reported, the Babcock section of SIPS will be merged with

the Babcock International Group Pension Scheme; this is expected to take place on the 1st November.

The six valuations started in 2010 were all completed and the Schedule of Contributions and Deficit Recovery Plans signed off accordingly.

There is a separate report for applicable members on the first year of the "new" SIPS Money Purchase Plan. The new investment platform is provided by Standard Life with Capita Hartshead continuing to provide administration services.

Finally, I should like to thank my fellow Trustee Directors and our team of advisers for their continued hard work and support.

Roger Buttery  
Managing Director

Hadrian Trustees Limited  
SIPS TRUSTEE BOARD

## The people looking after the Scheme

The Trustee Directors of SIPS (as at 1 October 2011) are as follows:

Chairman	Ian Hancock <sup>*</sup> , Employer Director, BAE Systems Surface Ships Support
Deputy Chairman	Dave Cole <sup>**</sup> , Members' Representative, BAE Systems Marine
Managing Director	Roger Buttery <sup>**</sup> , Hadrian Trustees Limited

Other Employer Appointed Directors:

Ian Carey	A & P Group
Rowland Cooper <sup>†</sup>	BAE Systems Submarine Solutions
Neal Misell	Babcock
(three vacancies)	–

Other Employee Appointed Directors:

Derrick Dewhurst	BAE Systems Marine
Malcolm Lovejoy <sup>†</sup>	BAE Systems Surface Ships Support
Gareth Parry <sup>†</sup>	A & P Falmouth
Harold Samms <sup>*</sup>	BAE Systems Marine
Jamie Webster <sup>*</sup>	BAE Systems Surface Ships (Govan)
(one vacancy)	–

<sup>\*</sup>Investment Committee member <sup>†</sup>Audit, Accounts & Administration Committee member

Trustee Directors are appointed and removed in accordance with the Trustee Company's Articles of Association.

## Composition of the Trustee Board

Following the resignation of Nigel Tinsley as a Trustee Director on 21 September 2011, Ian Hancock has been elected as Chairman of the Trustee Board. Under the Articles of Association, the position of Chairman and Deputy Chairman alternates every two years between an Employer Appointed Director and an Employee Appointed Director, and the next

change is due to take place on 17 November 2011, the date of the Trustee's Annual General Meeting (AGM). At the AGM a proposal is to be made to reduce the ongoing composition of the Trustee Board from 15 to 9 Trustee Directors (4 Employer Appointed, 4 Employee Appointed, together with the Managing Director).

## Show me the money

### Summary accounts

The summary accounts shown on pages 3, 4 and 5 are not the statutory accounts of the Scheme but are a summary of the fund accounts and net assets statement taken from the audited accounts of SIPS, a copy of which can be obtained from SIPS team at the address on the back page.

### Membership statistics

Of the active members for 2011, 4,610 are members of the Defined Benefit Section and 2,036 members of the Defined Contribution plan.

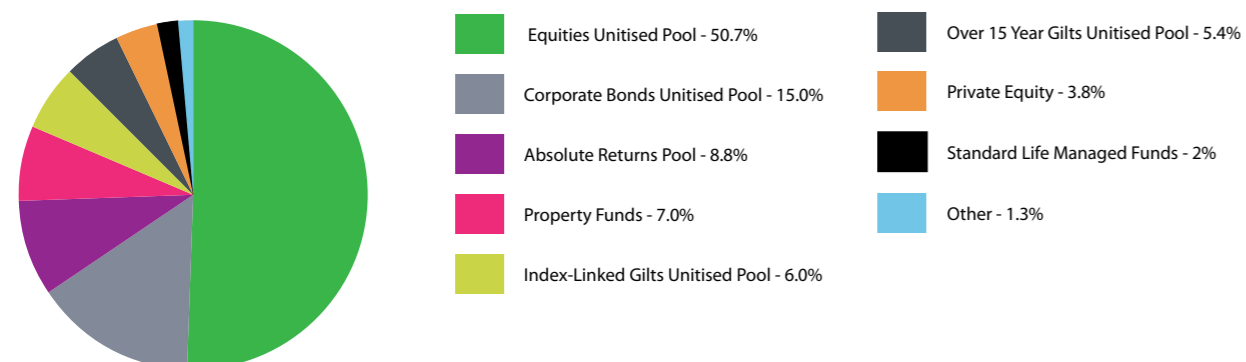
	2011	2010
Active members as at 1 April 2010	7,201	7,620
<b>Add</b>		
New entrants	241	339
<b>Less</b>		
Retirements	(315)	(220)
Early leavers	(466)	(526)
Deaths	(12)	(9)
Transfers	(3)	(3)
Active members at 31 March 2011	6,646	7,201
Deferred pensioners	9,187	9,445
Current pensioners	10,570	10,239
<b>Total membership at 31 March 2011</b>	<b>26,403</b>	<b>26,885</b>

## Income and expenditure

	2011 £'000	2010 £'000
<b>Net assets of the Scheme at 1 April previous year</b>	<b>1,613,259</b>	<b>1,223,214</b>
<b>Income</b>		
Contributions	65,863	60,012
Age-related rebates	595	190
Transfers in	299	7,901
Insurance receipts	735	373
Other income	5	30
<b>Total income</b>	<b>67,497</b>	<b>68,506</b>
<b>Expenditure</b>		
Pensions	(49,574)	(46,033)
Lump sum and annuities	(20,012)	(13,057)
Death benefits	(2,199)	(1,228)
Refund of contributions	(21)	(35)
Transfers to other schemes	(3,815)	(4,107)
Payment for members joining State Scheme	-	(1)
Winding-up lump sums	(119)	-
Group insurance premiums	(571)	(449)
Administration expenses	(2,344)	(2,049)
<b>Total expenditure</b>	<b>(78,655)</b>	<b>(66,959)</b>
<b>Income minus expenditure</b>	<b>(11,158)</b>	<b>1,547</b>
<b>Investments</b>		
Investment income minus expenses	28,975	25,732
Change in market value of investments	87,442	362,766
<b>Total investment return</b>	<b>116,417</b>	<b>388,498</b>
<b>Net increase in the fund during the year</b>	<b>105,259</b>	<b>390,045</b>
<b>Net assets of the Scheme as at 31 March this year</b>	<b>1,718,518</b>	<b>1,613,259</b>

## Assets split

The net assets of the Scheme are invested as follows:



## Scheme investment return

During the year to 31 March 2011 stock markets stood up well to a number of concerns and all developed markets showed positive returns over the period except for Japan. The retreat in Japan was a direct result of the catastrophic earthquake in March and as a result that benchmark index declined 3.2% in Sterling terms (9.2% in local currency terms).

Despite the ongoing debt concerns throughout the Eurozone, and in the UK, Sterling bond markets held up well over the period, with both corporate bond issues and government issues generating aggregate returns of over 5% during the period. Despite a stubbornly high rate of inflation, the Bank of England resisted pressure to tighten monetary policy, favouring instead a "wait and see" approach as the UK economy remained weak with personal debt levels still high,

and the full effect of the Coalition Government's spending cuts yet to be seen.

Commercial property continued to recover during the period, the revival in the UK being led by Central London's prime locations.

For SIPS, the performance of the equities, fixed interest, index linked and absolute return unitised pools is measured against a composite benchmark based on the performance of the relevant market index in each asset class in which the fund invests. A summary of investment performance to 31 March 2011 for the main investment vehicles in SIPS is set out below:

Investment category	1 Year		3 Years		5 Years	
	Actual Return %	Benchmark Return %	Actual Return % p.a.	Benchmark Return % p.a.	Actual Return % p.a.	Benchmark Return % p.a.
Equities Unitised Pool	9.4	8.4	7.9	6.3	5.0	4.3
Corporate Bonds Unitised Pool	6.4	6.3	6.1	5.5	4.2	4.0
Index-Linked Gilts Unitised Pool	6.8	6.7	4.7	4.6	6.0	5.9
Over 15 Year Gilts Unitised Pool	8.7*	8.6*	-	-	-	-
Combined Equities & Bonds Unitised Pools	8.4	7.7	6.7	5.3	4.4	3.8
Absolute Returns Unitised Pool	3.3	8.5	(1.1)	8.4	1.3	5.1
Property Unitised Pool	5.1	11.6	(9.4)	9.3	(4.4)	9.8
Private Equity	9.1	-	0.3	-	5.8	-

\*Performance figures relate to the period since inception to 31 March 2011.

The specialist multi-manager structure and strategy adopted by the Trustee has delivered excess returns since its inception in March 2011. The cumulative return since inception to 31 March 2011 was 5.1% per annum compared with 4.2% per annum for the composite benchmark.

Since the year end, there has been some significant volatility in stock markets throughout the world. The Eurozone sovereign debt crisis refuses to go away and the political

tensions in the Middle East and Africa continue to unsettle markets. The SIPS Trustee and its Investment Committee continue to monitor developments and the investment strategy adopted for each section of the Scheme; the Trustee remains confident that over the long term the structure in place will continue to generate returns ahead of the various benchmarks.

# What's happening in the Scheme?

This section keeps you up-to-date with news and reminders from across the Scheme.

## Tier changes

Under the current SIPS Rules, a contributing member may elect to change from Tier A to Tier B, or from Tier B to Tier A, with effect from any 1st April.

Tier A members earn pension at the rate of 1/60th of Final Pensionable Pay for each year of service, while Tier B members earn pension at the rate of 1/80th for each year of service. The member contributions to Tier A are higher than those required in Tier B.

If you wish to switch from Tier A to Tier B or vice versa then please notify Capita Hartshead (0845 601 0607) at least six weeks prior to the effective date to enable the appropriate arrangements to be put in place.

## Website reminder

If you have not yet had the chance to see our website, it only takes a few clicks and will provide you with a range of useful links and information relating to your pension.

This site is a great way to access pensions information - whether you are a member of one of the Defined Benefit Sections or the Money Purchase Plan.

Simply go to [www.sips-pensions.co.uk](http://www.sips-pensions.co.uk) where you will find current news, FAQs and contact details on how to quickly contact the teams involved in taking care of your retirement savings.

If you're a DC member visit [www.hartlinkonline.co.uk/sips](http://www.hartlinkonline.co.uk/sips) to keep tabs on your investments and see how much your pension is likely to be when you retire. If you haven't already registered to use the site, it's really quick and easy, so don't delay, log on today!

## Expression of Wish form reminder

If you die as a member of SIPS, a lump sum death benefit may be payable from the pension Scheme. The Trustee Directors have discretion to decide who should receive such benefits, but you can help them with their decision by completing an Expression of Wish form. This will ensure that your wishes are taken into account in the distribution of benefits.

You should always ensure that your Expression of Wish form is up-to-date, particularly if your personal circumstances have recently changed - for example if you have been married or divorced. You can request a new form from your Human Resources Department or pensions office, or alternatively download one from the SIPS website, [www.sips-pensions.co.uk](http://www.sips-pensions.co.uk).

## Update on pensions taxation

Following our Spring Viewpoint earlier this year, the pension changes announced by the Government have now come into force.

One of the main changes is the reduction in the Annual Allowance, which is the amount of pension that you can build up in a pension scheme over a defined period called a Pension Input Period (PIP), before it being subject to a tax charge. On 6 April 2011 the Annual Allowance reduced from £255,000 to £50,000.

The Scheme's PIP runs from 1 April to 31 March each year. It is important therefore to review the benefits that you have accrued in the Scheme since 1 April 2011 to check if you may exceed the new Annual Allowance in this PIP. If you think that you may exceed the Annual Allowance you may wish to seek independent financial advice.

## How to get more information

If you have any questions about the Scheme or if you need more information about your benefits, please contact the SIPS team at:

Capita Hartshead  
PRIVATE SECTOR PENSIONS (SIPS)  
2 Cutlers Gate,  
Sheffield, S4 7TL

Tel: 0845 601 0607 (or +44 141 353 7000 if calling from overseas)  
Email: [member.enquiries@sips-pensions.co.uk](mailto:member.enquiries@sips-pensions.co.uk)  
Website: [www.sips-pensions.co.uk](http://www.sips-pensions.co.uk)