

SIPS

**Shipbuilding Industries
Pension Scheme**



**The Shipbuilding Industries Pension
Scheme (SIPS)**

**Report and Accounts for the year ended
31 March 2011**

**Supplement for the Fleet Support Section
of SIPS**

**The Shipbuilding Industries Pension Scheme
Fleet Support Section of SIPS**

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The Shipbuilding Industries Pension Scheme Fleet Support Section of SIPS

Summary

The net assets of the Section at 31 March 2011 were £68.0m, compared with £60.2m in 2010.

At 31 March 2011 there were 515 active members, 275 deferred pensioners and 422 pensioners.

An actuarial valuation of the section was undertaken at 31 March 2009 and signed off in March 2010. A new Schedule of Contributions and a Deficit Recovery Plan were implemented with effect from 1 April 2010.

**The Shipbuilding Industries Pension Scheme
Fleet Support Section of SIPS**

**Actuarial Statement
As required by Regulation 7(4)(a) of the Occupational Pension Schemes
(Scheme Funding) Regulations 2005**

Name of Scheme: The Shipbuilding Industries Pension Scheme (SIPS)
Fleet Support Limited Section

Effective date of valuation: 1 April 2009

Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 March 2006 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Scheme and set out in the Statement of Funding Principles dated 24 March 2010.

Signature:

Date: 24 March 2010

Name: Martin Potter

Qualification: Fellow of the Institute of Actuaries

Name of Employer: Hymans Robertson LLP
Exchange Plane One
1 Semple street
Edinburgh
EH3 8BL

**The Shipbuilding Industries Pension Scheme
Fleet Support Section of SIPS**

Actuarial Valuation Summary

An actuarial valuation for this Section was carried out as at 31 March 2009.

A summary of the 31 March 2006 results is detailed below.

Effective date of valuation	31 March 2009
Valuation Results Summary	
	£000
Market value of assets	£42,669
Actuarial method adopted to calculate technical provisions	Attained age method
Technical provisions – actives	£44,400
Technical provisions – deferreds	£8,210
Technical provisions – pensioners	£12,880
Total technical provisions	£65,490
Total Solvency liabilities (excluding expense allowance)	£99,762
Financial and Economic Assumptions	
Investment return pre-retirement (non-pensioners)	6.5%
Investment return post retirement (non pensioners)	5.0%
Investment return pensioners	3.9%
Pay increases – active members (excluding promotional scale)	5.0%
Price inflation – active/deferred members	3.5%
Price inflation – pensioner members	2.2%
Demographic Assumptions	
Male mortality assumption (current pensioners)	115% PMA00 YoB 85% medium cohort with a 10 year time lag and a 1% minimum underpin
Female mortality assumption (current pensioners)	115% PFA00 YoB 85% medium cohort with a 10 year time lag and a 1% minimum underpin
Male mortality assumption (after retirement for future pensioners)	107.5% PMA00 YoB 85% medium cohort with a 10 year time lag and a 1% minimum underpin
Female mortality assumption (after retirement for future pensioners)	107.5% PFA00 YoB 85% medium cohort with a 10 year time lag and a 1% minimum underpin

**The Shipbuilding Industries Pension Scheme
Fleet Support Section of SIPS**

**Actuarial Certification of the Schedule of Contributions
As required by Regulation 10(6) of the Occupational Pension Schemes
(Scheme Funding) Regulations 2005**

Name of Scheme The Shipbuilding Industries Pension Scheme (SIPS)
 Fleet Support Limited Section

Adequacy of Rates of Contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to be met by the end of the period specified in the recovery plan dated 24 March 2010.

Adherence to Statement of Funding Principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 24 March 2010.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing that Section's liabilities by the purchase of annuities, if the Section were to be wound up.

Signature:

Date: **24 March 2010**

Name: **Martin Potter**

Qualification: **Fellow of the Institute of Actuaries**

Name of Employer: **Hymans Robertson LLP**

Address: **Exchange Plane One
1 Semple Street
Edinburgh
EH3 8BL**

The Shipbuilding Industries Pension Scheme Fleet Support Section of SIPS

Schedule of Contributions

Under Section 227 of the Pensions Act 2004, the Trustee of the Shipbuilding Industries Pension Scheme ('SIPS') must put in place a schedule of contributions which is certified by the Scheme Actuary. This is the required schedule of contributions. The Scheme Actuary's certification is included in the Appendix.

This schedule replaces that dated December 2006.

This schedule applies to each employer participating in the Fleet Support Limited Section ('the Section') of SIPS as specified in the trust deed.

This schedule has been prepared after consultation with BAE Systems Surface Ships Support Limited ('the Company') and after taking the advice of Martin Potter (the 'Scheme Actuary').

PENSIONABLE PAY

A member's pensionable pay for contribution purposes is defined in the Section rules to be pay (i.e. yearly rate of basic salary or wages and any other fixed cash remuneration from the Company) at each 1 April.

MEMBERS' CONTRIBUTIONS

Members' contributions are at different percentages of pensionable pay as defined in the Section's rules. Such contributions and any voluntary contributions are due to be paid to the Section not later than 19 days after the end of the calendar month in which the deduction from pay is made.

Members have the option to contribute to the Section via a salary sacrifice arrangement. Members who opt to contribute in this way will pay no pension contributions to the Section. The Company will make contributions on the members' behalf. Members who do not participate in the salary sacrifice arrangement will pay contributions as set out in the Sections' rules.

COMPANY CONTRIBUTIONS: ORDINARY

A total contribution rate (inclusive of member contributions) of 30.8% of monthly pensionable salaries will be paid with effect from 1 April 2010 to meet the cost of future accrual of benefits. The company shall meet whatever the balance of this total contribution rate is after the members' contributions as described above.

COMPANY CONTRIBUTIONS: ADDITIONAL

The additional annual contributions to be paid by the Company to make good the funding shortfall revealed at the actuarial valuation carried out as at 31 March 2009 are as follows:

Period	Annual
01/04/10 to 31/03/25	£1,100,000

The Shipbuilding Industries Pension Scheme Fleet Support Section of SIPS

Schedule of Contributions (continued)

These additional Company contributions are payable by the 31 March at the end of the year to which they relate. For example the contribution for the period 1 April 2010 to 31 March 2011 will be due no later than 31 March 2011.

The company's ordinary contributions shall fall due to be paid to the scheme not later than 19 days after the end of the calendar month to which they relate.

The Company shall also pay to the Section any additional employer contributions required from time-to-time on the advice of the scheme actuary as required from time-to-time under the Section's trust deed and rules.

EXPENSES, LEVIES, FEES AND INSURANCE PREMIUMS

The Company's ordinary contributions include:

- such pension scheme levies as are payable by the Company or the Trustee but excluding the Pension Protection Fund levy;
- any premium required to obtain life insurance cover for Section member;
- any fees falling due to the SIPS administrator, investment manager or other professional advisors;
- investment charges and expenses and
- other expenses of the Trustee that are reasonably incurred in the course of performing its duties as Trustee.

The Company's contributions do not include the Pension Protection Fund levy which will be recharged to the Company at cost by the Trustee.

Prepared by the Trustee of SIPS

On behalf of the Trustee:

Roger BATTERY
Managing Director
Date 24 March 2010

Acknowledged by the Company

On behalf of the company:

Nigel TINSLEY
Pension Director
Date 24 March 2010

**The Shipbuilding Industries Pension Scheme
Fleet Support Section of SIPS**

Membership Statistics

	Active Members		Deferred Pensioners		Pensioners	
	2011	2010	2011	2010	2011	2010
At the start of the year	544	568	281	286	390	366
Retirements with pension	(26)	(20)	(5)	(6)	31	26
Retirements fully commuted	-	-	(1)	-	-	-
Leavers with deferred pension	(1)	(4)	1	4	-	-
Deaths	(2)	-	(1)	(2)	(4)	(5)
New widows and dependants	-	-	-	-	5	3
Transfers out	-	-	-	(1)	-	-
At the end of the year	515	544	275	281	422	390

Active members are further analysed as follows:

Defined benefits sections	2011	2010
New terms - Upper tier	515	544
	515	544

The Shipbuilding Industries Pension Scheme Fleet Support Section of SIPS

Independent Review Report To The Trustee Of The Shipbuilding Industries Pension Scheme

Introduction

We have been engaged by the Trustee to review the Section Accounts of the Fleet Support section of the Shipbuilding Industries Pension Scheme ("the Scheme") for the year ended 31 March 2011, which comprise the Section Fund Account, the Section Net Assets Statement and related notes. We have read the other information contained in the Supplement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Section Accounts.

Responsibilities of the Trustee

The Supplement, including the Section Accounts contained therein, is the responsibility of, and has been approved by, the Trustee. The directors of the Trustee are responsible for preparing the Section Accounts in accordance with the Principal Rules of the Scheme which show the income and expenditure of the Section and changes in its fund value during the year, as extracted from the audited annual financial statements of the Scheme.

As disclosed in note 1, the annual financial statements of the Scheme are prepared in accordance with The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and with the guidelines set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised May 2007). The Section Accounts included in this Supplement have been extracted from the audited financial statements of the Scheme. The Trustee is responsible for the allocation of assets between sections in accordance with sections 22.3 and 22.4 of the Principal Rules and the Unitisation Procedures adopted thereunder. In all other respects, the accounting policies of the Scheme also apply to the accounts of each Section.

Our responsibility

Our responsibility is to express to the Trustee a conclusion on the Section Accounts in the Supplement based on our review. This report, including the conclusion, has been prepared for and only for the purpose of assisting the directors to meet their obligations under Rule 22.5 of the Principal Rules of the Scheme and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Section Accounts in the Supplement for the year ended 31 March 2011 are not prepared, in all material respects, in accordance with the Principal Rules of the Scheme and the Unitisation Procedures set out in the Hadrian Trustees Limited Board meeting papers HTL 86/07 as amended by minute HTL 74/08.



PricewaterhouseCoopers LLP

Chartered Accountants

Sheffield

29 June 2011

**The Shipbuilding Industries Pension Scheme
Fleet Support Section of SIPS**

**Section Fund Account
For the year ended 31 March 2011**

	Note	2011 £'000	2010 £'000
Contributions and Benefits			
Contributions	2	5,606	4,161
Other income	3	-	3
		5,606	4,164
Benefits	4	(1,816)	(1,280)
Payments to and on account of leavers	5	-	(60)
Other payments	6	(42)	(64)
Administrative expenses	7	(110)	(104)
		(1,968)	(1,508)
Net additions from dealings with members			
		3,638	2,656
Returns on Investments			
Investment income		31	31
Change in market value of investments	8	4,285	15,077
Investment management expenses		(182)	(190)
Net returns on Investments		4,134	14,918
Net increase in the Section during the year			
		7,772	17,574
Net assets of the Section			
At 1 April 2010		60,243	42,669
At 31 March 2011		68,015	60,243

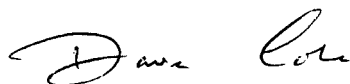
**The Shipbuilding Industries Pension Scheme
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**Section Net Assets Statement
As at 31 March 2011**

		2011 £'000	2010 £'000
Investment assets	8	67,595	59,963
Current assets	9	657	509
Current liabilities	10	(237)	(229)
Net assets of the Section at 31 March 2011		68,015	60,243

The Section Accounts summarise the transactions and net assets of the Section. Liabilities to pay pensions and other benefits which are expected to become payable after the end of the year are not dealt with in the Section Accounts. The actuarial position of the Section, which does take account of such liabilities, is dealt with on pages 3 to 5 of this Supplement and the Section Accounts should be read in conjunction with this information.

For The Trustee Company



D Cole



R Buttery

Directors – Hadrian Trustees Limited
29 June 2011

The Shipbuilding Industries Pension Scheme Fleet Support Section of SIPS

Notes to the Section Accounts

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements of the Scheme have been prepared in accordance with The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and with the guidelines set out in the Statement of Recommended Practice (SORP) 'Financial Reports of Pension Schemes' (revised May 2007). The Section Accounts have been extracted from the Scheme financial statements on an accruals basis using the same accounting policies as are used for the Scheme financial statements where applicable.

A summary of the more important Scheme accounting policies, and additional policies relating to matters not detailed in the Scheme financial statements, which have been applied consistently, is as follows:

a) Contributions

Normal contributions, both from the members and from the employer are accounted for on an accruals basis in the month that employee contributions are deducted from the payroll, in accordance with the Schedules of Contributions. All normal contributions in respect of members under salary sacrifice arrangements are treated as employer contributions.

Employers' augmentation contributions from the employer are accounted for in accordance with the agreement under which they are paid, or in the absence of such an agreement, when received.

Additional contributions from the employer are accounted for in accordance with the agreement under which they are paid, or in the absence of such an agreement when received. Additional voluntary contributions from the members are accounted for in the month they are deducted from the payroll.

b) Members' Additional Voluntary Contributions (AVCs)

AVCs have been invested for the individual Members' benefit, at their request, with Prudential. A number of Members hold funds with the Equitable Life Assurance Society and Clerical Medical. The market value of AVC investments have not been included in the individual Section Accounts as information by Section is not yet available. As a result, investments and disinvestments of AVCs are shown as payments from and income to the Section.

c) Transfers to and from other Schemes

Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers or payable to the pension schemes of new employers for members who have left the Scheme. They take account of transfers where the Trustees of the receiving scheme have agreed to accept the liabilities in respect of the transferring members before the year end, and where the amount of the transfer can be determined with reasonable certainty.

d) Benefits

Members can choose whether to take their retirement benefits either as a lump sum or a combination of lump sum and reduced pension. Pensions and lump sums are accounted for on an accruals basis from the date the option is exercised. Other benefits are accounted for from the date the member leaves the Scheme or on death.

**The Shipbuilding Industries Pension Scheme
Fleet Support Section of SIPS**

Notes to the Section Accounts continued

1. ACCOUNTING POLICIES continued

e) **Unitisation**

The net assets of the Section represent the Section's proportion of the net assets of the Scheme as a whole, excluding AVC investments as mentioned in note 1(b).

Units are invested in/disinvested from various investment pools in accordance with the strategy agreed for each Section on a strict cash received and paid basis. Unit prices are calculated in accordance with the Trustee's approved unitisation procedures.

2. CONTRIBUTIONS

	2011	2010
	£'000	£'000
Employers		
Normal	4,018	4,060
Special	410	-
Deficit funding	1,100	-
Members'		
Normal	36	37
Additional voluntary	42	64
	5,606	4,161

3. OTHER INCOME

	2011	2010
	£'000	£'000
Disinvestment of AVC funds	-	3

4. BENEFITS PAYABLE

	2011	2010
	£'000	£'000
Pensions	871	704
Commutation and lump sum benefits	721	556
Death in retirement	1	20
Death in service	223	-
	1,816	1,280

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Notes to the Section Accounts continued

4. BENEFITS PAYABLE continued

Under the rules of this section pensions in respect of service accrued before 6 April 1997 in excess of the GMP increase annually at the rate of 3%; since that date they have increased in accordance with the Limited Price Indexation. All members who transferred from the PCSPS receive increases in line with Limited Price Indexation on their total service. The Trustee has the discretion to award additional increases.

The relevant increases to the 2010 and 2011 financial years are shown below:

2009/10 – pre 97 0.0% post 97 0.0%
2010/11 – 5%

5. PAYMENT TO AND ON ACCOUNT OF LEAVERS

	2011 £'000	2010 £'000
Individual transfers to other schemes	-	60

6. OTHER PAYMENTS

	2011 £'000	2010 £'000
Members' AVCs invested	42	64

7. ADMINISTRATIVE EXPENSES

	2011 £'000	2010 £'000
Advisers' fees	2	15
Scheme Administrative costs	108	89
	110	104

The Trustee incurs various expenses in the administration and investment management arrangements for the Scheme. These include the fees of the pensions administrator, actuary, lawyer, internal and external audit, investment adviser, the custodian, the Managing Director and the expenses of the other Trustee Directors.

During the year PPF Levies of £54,000 (2010: £11,000) were paid by the scheme and recharged to IPE.

Investment manager and custodian fees (excluding those deducted at source by some managers) are included within investment management expenses.

**The Shipbuilding Industries Pension Scheme
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Notes to the Section Accounts continued

8. INVESTMENT ASSETS

	Value at 01.04.10 £'000	Purchases At Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Value at 31.03.2011 £'000
Equities Unitised Pool	36,744	1,033	(2,924)	3,127	37,980
Corporate Bond Unitised Pool	10,568	1,900	(2,545)	279	10,202
Index Linked Unitised Pool	3,766	-	-	251	4,017
Over 15 yr gilts Unitised Pool	-	5,701	-	306	6,007
Absolute Returns Unitised Pool	5,009	818	-	181	6,008
Property Funds:					
Property Unitised Pool	3,245	-	(636)	98	2,707
International Property Pool	631	-	-	43	674
	59,963	9,452	(6,105)	4,285	67,595

During the year, the Fixed Interest Bond Unitised Pool was renamed as the Corporate Bond Unitised Pool following the creation of a new pool, and the subsequent transfer of the over 15 year gilt to the new pool leaving the pool with a wholly corporate bond allocation.

9. CURRENT ASSETS

	2011 £'000	2010 £'000
Contributions due	316	329
Sundry debtors and prepayments		
Claims on life assurance policy	67	67
Other debtors	49	74
Cash at bank	225	39
	657	509

10. CURRENT LIABILITIES

	2011 £'000	2010 £'000
Benefit payments	26	-
Administrative expenses	18	20
Investment management expenses	143	209
Amounts due to HMRC	2	-
Sundry Creditors	48	-
	237	229