

## Scheme News continued

### Capita Hartshead completes its move to the new Sheffield HQ

Capita Hartshead completed the move of over 450 of its Sheffield-based employees to a new purpose-built, eco-friendly headquarters. Hartshead House has seven storeys plus a basement and its 61,500 sq ft of floor space will accommodate 700 people.

Mike Addenbrooke, Capita Hartshead's Managing Director commented: "Although we are now a UK-wide business, Capita Hartshead started out in Sheffield and we have always had very close links with the city. There is a real feeling of optimism about our new HQ. As well as excellent staff facilities and plenty of room for growth, the building is in a commanding position and offers a panoramic view of Sheffield and the surrounding hills. We hope that this building will quickly become an iconic symbol of Sheffield's continuing re-generation and we very much look forward to welcoming clients and guests to our new offices."

The move took place in February 2010, and the new address you will need to send correspondence to is:

#### PRIVATE SECTOR PENSIONS (SIPS)

Capita Hartshead  
Hartshead House  
2 Cutlers Gate  
Sheffield  
S4 7TL

This address replaces the old Ecclesall Road address, but if you have sent post to the old address in the last few weeks, your post will have been forwarded to the new office.

**You should continue to telephone and email the pensions team using the details provided below.**

### Don't forget to keep your Expression of Wish forms up-to-date

If you die as a member of SIPS, a lump sum death benefit may be payable from the pension scheme. The Trustee Directors, together with the Local Pensions Committee, have discretion to decide who should receive such benefits, but you can help them 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 pensions office, or alternatively download one from the SIPS website, [www.sips-pensions.co.uk](http://www.sips-pensions.co.uk).

## 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:

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

**Tel:** 0845 601 0607

**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)



# VIEWPOINT

Shipbuilding  
Industries  
Pension Scheme

## Welcome to the first edition of Viewpoint in 2010

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## Managing Director's Introduction

**Welcome** to the first edition of Viewpoint in 2010.

The latter part of 2009 and early 2010 witnessed a remarkable recovery in world stock markets following the financial crisis of 2008. Both equity and bond markets have staged a dramatic upturn – developed equity markets have shown gains of 25%+, whilst emerging markets and certain types of bonds returned upwards of 50%. However, the reality of the global economic downturn and its impact on the world is still being felt and there is still volatility and risk, and uncertainty as to whether the improvements can be sustained.

The value of the Fund at 28 February 2010 was £1.554 billion, compared with £1.223 billion at 31 March 2009. There is an update on the Scheme's investments on pages 2 and 3.

I am delighted to report that the Trustee launched a brand new investment platform for the SIPS Money Purchase Plan from April 2010. The new investment platform is provided by Standard Life with Capita Hartshead continuing to provide administration services. As well as providing wider investment choices, the new investment platform

offers daily pricing and daily dealing, giving members greater flexibility and control over the investment of their SIPS Money Purchase Plan Account. Further information is provided on page 5.

I am also pleased to report that the three valuations due at 31 March 2009 have been agreed by the Trustee. Work has commenced on a further six actuarial valuations due at 31 March 2010.

I would like to take this opportunity to thank my fellow Trustee Directors and our team of advisers for their continued hard work and support.

I look forward to another challenging, but successful year in 2010.

**Roger Buttery**  
Managing Director  
Hadrian Trustees Limited  
SIPS TRUSTEE BOARD

## Update on Investments

### Value of the Scheme's investments

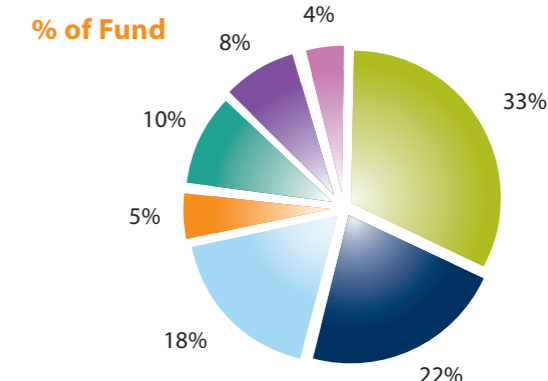
Set out below is a summary showing the value of the Scheme's investments, excluding additional voluntary contributions, between 31 March 2009 and 31 December 2009:

Date	Value of Scheme investments £million
31 March 2009	1,214
30 June 2009	1,301
30 September 2009	1,508
31 December 2009	1,519

As at 31 December 2009, the investment asset allocation for the Scheme as a whole was as follows:

#### Asset Class

- UK Equities
- Overseas Equities
- Fixed Interest Securities
- Index-Linked Gilts
- Absolute Return
- Property
- Private Equity



The investment strategy is customised for each section of SIPS taking into account the different funding positions and levels of maturity in terms of benefit liabilities. The investment approach for each section is considered in depth following completion of each 3-yearly actuarial valuation and is actively monitored on an ongoing quarterly basis.

## Investment Performance and Outlook

2009 saw considerable returns across the major asset classes. After the fall-out from the financial crisis of 2008 continued into March 2009, equity and credit markets subsequently staged a very significant recovery. Developed equity markets finished the year with gains in excess of 25%, whilst emerging market equities returned upwards of 50%.

The Trustee continued to monitor the investment position throughout the year, and on the back of the substantial returns in equity markets, effected a "de-risking" approach for the two largest sections (BAE Systems (VSEL) and VT Group), involving moves from equities into bonds.

The table below summarises the performance of the principal investment asset classes over the year to 31 December 2009 and also since inception of the multi-manager investment arrangements introduced in March 2001:

	Year to 31 December 2009		Since inception to 31 December 2009	
	Actual return %	Benchmark return %	Actual return % p.a.	Benchmark return % p.a.
<b>Equity Unitised Pool</b>	26.6	24.7	4.2	3.1
<b>Fixed Interest Unitised Pool</b>	12.8	5.6	4.8	4.6
<b>Index-Linked Gilts Unitised Pool</b>	5.6	5.6	6.5	6.5
<b>Combined Equity and Bond Unitised Pools</b>	22.7	19.8	4.3	3.3

The Trustee is confident the diverse multi-manager approach will continue to stand the Scheme in good stead going forward. As was evidenced over the years to 31 December 2008 and 31 December 2009 there can be periods of extreme volatility and it is, therefore, important for investment performance to be considered and reviewed over a longer timescale. Since the start of 2010, equity markets have continued to be steady and a further update regarding investment performance will be included in the next edition of Viewpoint.

## Your Scheme Trustee Directors

As reported in the previous edition of Viewpoint, there were a number of outstanding vacancies on the Trustee Board as at September 2009. There have subsequently been several appointments to the Board, together with one departure. The following table sets out the Trustee Directors in office as at 1 April 2010:

<b>Chairman</b>	Nigel Tinsley Pensions Director, BAE Systems
<b>Deputy Chairman</b>	Dave Cole Employee Director, BAE Systems Marine
<b>Managing Director</b>	Roger Buttery Hadrian Trustees Limited

Other Employee Appointed Directors:

<b>Alan Clarke</b>	BAE Systems Surface Ships (Portsmouth)
<b>Derrick Dewhurst</b>	BAE Systems Marine
<b>Gareth Parry</b>	A&P Falmouth
<b>Harold Samms</b>	BAE Systems Marine
<b>Jamie Webster</b>	BAE Systems Surface Ships (Govan)

Other Employer Appointed Directors:

<b>Richard Bonnie</b>	Group Personnel Director, A&P Group
<b>Rowland Cooper</b>	HR Director, BAE Systems: Submarine Solutions
<b>Ian Hancock</b>	Finance Director, BAE Systems Surface Ships Support
<b>Zara Loughrey</b>	Reward Director, VT Group Services
<b>Neal Misell</b>	Finance Director, VT Government and Critical Services
<b>Jackie Peel</b>	Pensions Director, VT Group Services

Rowland Cooper, Gareth Parry and Zara Loughrey were all appointed to the Board in December 2009, whilst Ian Hancock was appointed in March 2010.

There is currently one vacancy on the Trustee Board for an Employee Appointed Director. The vacancy arose following the resignation of George Clair in February 2010, and a nomination from the CSEU is currently awaited.

## Meet the Trustee Directors



**This issue, Rowland Cooper, HR Director for BAE Systems: Submarine Solutions tells us why he joined the Trustee Board.**

"A good pension scheme is one of a company's greatest assets in attracting, retaining and looking after employees – I recognised this with SIPS and wanted to play my part in the running of the Scheme.

As a new Trustee and only two meetings into the role, I know that I have a great deal to learn. To this end, I have plenty of trustee training to attend over the coming year and I am enjoying learning new skills. As well as sitting on the Trustee Directors

Board I will be a member of the Audit, Accounts and Administration Committee.

I joined Submarine Solutions in June 2009 having previously worked in Military Air Solutions on the Typhoon Programme within BAE and I am thoroughly enjoying the move into the shipbuilding (or in my case boatbuilding) business. Plus, the move means I get to live on the edge of the beautiful Lake District!"

## Scheme News

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

### The SIPS Money Purchase Plan (MPP) review

Readers will be aware from previous reports in Viewpoint that the Trustee, in conjunction with Hymans Robertson (the Scheme's Actuary and Investment Adviser for MPP), has been reviewing the SIPS MPP. The review has examined the way the Plan is administered, the operation of the investment platform and the charges incurred by the members and employers. We are delighted to inform you that a brand new investment platform for the SIPS MPP was launched from 1 April 2010. This means that employer and member contributions from April onwards are paid into the new investment platform (with the exception of VT employees who are being allowed to remain in the "old" SIPS MPP until the Company has reviewed its future DC arrangements).

The new investment platform is provided by Standard Life with Capita Hartshead continuing to provide administration services. As well as wider investment choices, the new investment platform offers daily pricing and daily dealing, giving members greater flexibility and control over the investment of their SIPS MPP Accounts.

The following investment funds replaced the current investment vehicles on 1 April 2010. These new funds were recommended to the Trustee by their appointed investment advisers, Hymans Robertson.

Asset class	Fund name
<b>Core passive funds:</b>	
<b>Global Equities</b>	BGI Global Equity 50:50 Index
<b>UK Equities</b>	BGI UK Equity Index
<b>Fixed Interest Gilts</b>	BGI Over 15 Years UK Gilt Index
<b>Index-Linked Gilts</b>	BGI Over 5 Years Index-Linked Index
<b>Active managed funds:</b>	
<b>Global Equities</b>	Standard Life Pension International One Newton International Growth
<b>Corporate Bonds</b>	Standard Life Pension Corporate Bond One
<b>Property</b>	Standard Life Pension Property One
<b>Absolute Return</b>	Schroder Diversified Growth
<b>Cash</b>	Standard Life Managed Cash

## Scheme News continued

### The SIPS Money Purchase Plan (MPP) review continued

Following advice from Hymans Robertson, the Trustee has decided to offer two Lifestyle options. The Lifestyle options are intended to assist members who are unsure about where their contributions should be invested. They reflect the fact that members' investment needs change as their working lives progress. Both options are based on a target retirement age of 65.

#### Option One

The first option uses the BGI Global Equity 50:50 Index fund until 10 years from retirement, at which point it switches assets into an equally weighted blend of the BGI Over 15 Years UK Gilts Index fund and the Standard Life Pension Corporate Bond One fund, alongside the Standard Life Managed Cash fund, the aim being to have 75% of assets invested in bonds and 25% in cash at retirement. This structure is equivalent to the old lifestyle option.

#### Option Two

Option Two is lower risk by nature and may appeal to members who do not wish to have all of their assets invested in equities during the growth phase. This option uses the Schroder Diversified Growth fund until 5 years from retirement at which point it switches into the BGI Over 15 Years UK Gilt Index fund and the Standard Life Pension Corporate Bond One fund, alongside the Standard Life Managed Cash fund. As with Option One, the aim is to have 75% of the assets invested in bonds and 25% in cash at retirement.

Option One is also the default fund for the Scheme, which means that members who do not actively select where their contributions should be invested, will be automatically invested in the default fund. This seeks to ensure that members are invested in the appropriate types of funds at different stages of their working life; using funds designed to generate growth for the majority of the period, then switching into bonds and cash as retirement approaches to match the annuity purchase and drawing of tax-free cash that takes place (in most cases) at retirement.

Letters have been sent to all members of the SIPS MPP (except those from VT) advising them of the launch of the new investment platform. The transfer of existing funds will take place in August 2010.

## Abolition of contracting out for money purchase schemes

It is the Government's intention to abolish money purchase contracting out from 6 April 2012. From this date contracting-out certificates in relation to contracted-out money purchase schemes and appropriate scheme certificates for personal pensions will cease to have effect. Active members will automatically cease to be contracted-out of the State second pension and will not accrue any further protected rights. Protected rights already accrued in the Scheme will be treated, for the most part, in the same way as other pension benefits.

From 6 April 2012 most of the restrictions regarding the uses of protected rights will be retracted. However, the requirement obliging members with spouses or civil partners to purchase pensions or annuities providing 50% survivors' pensions will remain.

## Equitable Life

The trustee continues to monitor the position with the campaign for Government compensation for those members who have funds with Equitable Life.

By way of background, the Parliamentary Ombudsman (PO) began an investigation into the prudential regulation of Equitable Life in July 2004. The final Report was laid before Parliament on 16 July 2008. The PO's central recommendation was that the Government should establish and fund an independent compensation scheme.

The Government announced its response to the Report in a statement by the Chief Secretary to the Treasury, Yvette Cooper, in the House of Commons on 15 January 2009. It accepted some of the PO's findings of maladministration and injustice, but rejected others.

In relation to the PO's recommendation that a compensation scheme be established, the Government rejected the proposal for a scheme, but instead proposed setting up an ex gratia payment scheme. The Government asked Sir John Chadwick, a former Lord Justice of the Court of Appeal, to advise the Government regarding the design of the proposed scheme.

In July 2009, the Equitable Members Action Group (EMAG) began judicial review proceedings challenging the response of the Government. EMAG was successful in its challenge, with the Court ruling that the Government had not provided sound

reasons for rejecting certain findings of the Report. The Court also ruled that the Government was entitled to seek advice from Sir John Chadwick. As a result, the Government decided to accept the additional relevant findings and amend Sir John's Terms of Reference accordingly on 27 November 2009.

In January 2009, the Government instructed Chadwick to assess:

- The extent of relative losses suffered by Equitable Life policyholders;
- The proportion of those losses which should properly be attributed to a) the maladministration accepted by the Government; and b) the actions of Equitable Life and others;
- Which classes of policyholder had suffered the greatest impact as a result of the maladministration accepted by the Government; and
- The factors arising from this work which the Government might take into account when reaching a final view on determining whether disproportionate impact has been suffered.

The Minister has confirmed that Sir John's report containing his final advice will be delivered to the Government in May. The Minister has undertaken to respond to that report within two weeks and to include a timetable for compensation as part of that response.

## Have you visited the Scheme website?

Why not go to [www.sips-pensions.co.uk](http://www.sips-pensions.co.uk) and see what you think of the website for yourself? If you have any comments about the website, you can click on the "Contact Us" link at the top left of every page and leave feedback for us, or contact the SIPS team at the address on the back page. This feedback will help us improve the web service we offer you.