

Time for a spring clean

Get your finances in order

The bigger picture

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Viewpoint

Spring 2011

It's all about teamwork

The administration team
at Capita Hartshead

Get the complete picture

Your Scheme and State
pensions combined

plus much more...

Welcome

6 April 2011 will be a special day for SIPS as it marks the 25th anniversary of the Scheme. Over that time the shipbuilding industry has seen a lot of change and this is reflected in the Scheme's long history. In 1986, SIPS had a total membership of over 75,000 and assets of over £500 million. Today's membership is over 27,000 with asset values of over £1,700 million. To mark the anniversary, a commemorative brochure is enclosed – I hope you enjoy reading through the history of your Scheme.

Despite continuing worries over the economic recovery, both in the UK and globally, most equity markets delivered double digit returns in 2010, pushing the value of the Fund at 31 December 2010 to £1,700 million. You can find an update on the Fund's investments on page 3.

It is disappointing to report that the Babcock International Group plc has given notice of its intention to withdraw from SIPS. The company propose to transfer the Babcock Section to the Babcock International Group Pension Scheme during 2011. The Trustee and its advisers are currently considering the implications and details

of the proposed exit. Please be assured that the impact of the transfer on the security of the members' benefits is of paramount importance to the Trustee and further information will be provided to affected members in due course.

Work continues on the six valuations carried out at 31 March 2010. Three have been agreed with the relevant participating employers, and the Schedule of Contributions and deficit recovery plans will be signed off shortly. Discussions continue on the other three which must be signed off by 30 June 2011.

The 25th anniversary year looks to be just as challenging as the last twenty-four. 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.

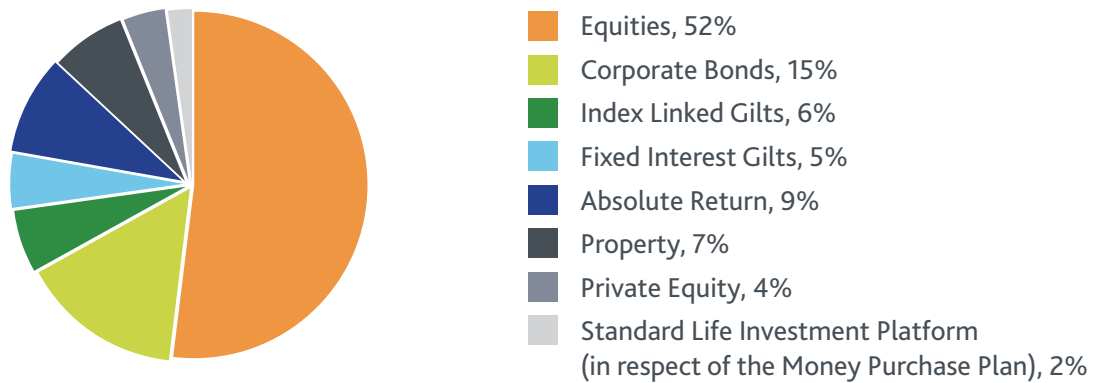
Roger BATTERY
Managing Director

Investing for your future

The value of the Scheme’s investments, excluding Additional Voluntary Contributions (AVCs), between 31 March 2010 and 31 December 2010 was:

Date	Value (£million)
31 March 2010	£1,603
30 June 2010	£1,526
30 September 2010	£1,631
31 December 2010	£1,696

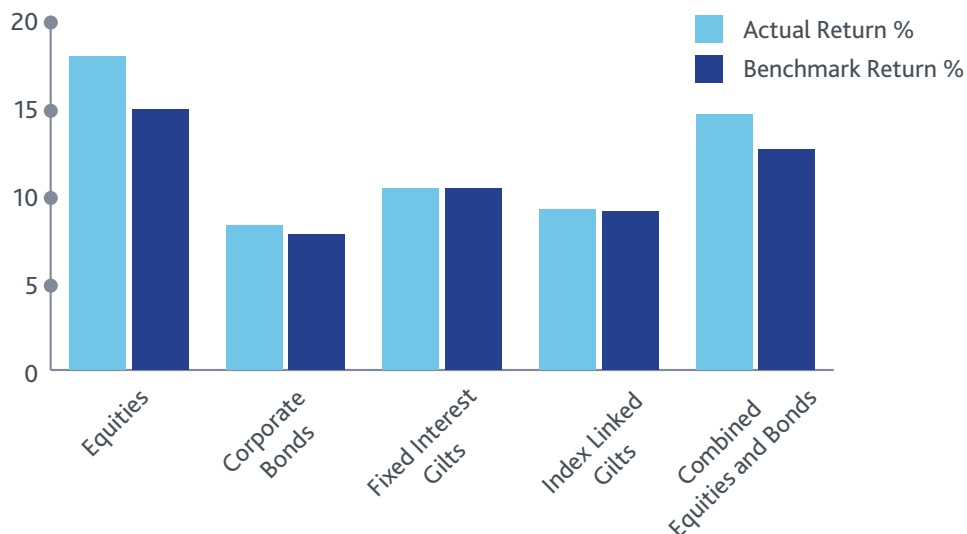
The chart below shows the investment asset allocation for the Scheme as a whole as at 31 December 2010. The investment strategy is customised for each Section of SIPS taking into account the different funding positions and benefit liability profiles.



Investment performance and outlook

Over the year to 31 December 2010 there continued to be much volatility in stock markets around the world. However, over the last six months of 2010 confidence returned to markets and equity markets enjoyed substantial returns. The general economic news towards the end of 2010 was generally better than expected, although markets continue to be fragile and prone to volatility.

Over the year to 31 December 2010, SIPS achieved some impressive investment returns and these are summarised below:



Since the inception of the multi-manager investment arrangements introduced in March 2001, the combined equity and bond unitised pools returned 5.3% per annum to 31 December 2010, compared with the benchmark of 4.2% per annum. The Trustee Board and its Investment Committee continue to review the investment strategy and investment performance on an ongoing basis, and have confidence in the underlying investment structure of the Scheme. A further update regarding investment performance will be included in the next edition of Viewpoint.

It's all about teamwork

They work hard all year round to answer all your pension queries, but who are the people at the end of the phone? Here's a bit of background about the team at Capita Hartshead in Glasgow.



Back row from left: Scott Sneddon, Ross Harrower, Joe McGettigan, Susan Wilson, Aileen Jeffrey, Dawn Watson, Melissa Murphy and Gemma McNeil.
Middle row from left: Susan Donnelly, Kevin Smith and Laura Kirkwood. Front row from left: Murray McDowall, Aileen Archibald, Kevin Stevenson and Elaine Darroch.

Des Lynagh

Des has overall responsibility for the SIPS contract and has over 20 years' experience in pensions.

Murray McDowall

Murray is Senior Operations Manager and has overall responsibility for the Glasgow Office (Private Pensions) which as well as SIPS, administers a number of other high profile clients. He has 20 years' experience in pensions.

Elaine Darroch

As Client Director, Elaine's role is to focus on all client related matters, communications and client satisfaction. Elaine also attends Local Pension Committee Meetings (LPCs) for SIPS in a secretarial capacity.

Joe McGettigan

Joe is Assistant Manager and has successfully passed the Retirement Provision Certificate.

Aileen Archibald

Aileen is now Deputy Assistant Manager and has over 10 years' experience working on smaller final salary schemes within Capita Hartshead.

Aileen Jeffrey

Aileen is a Pensions Administrator and is currently in the process of completing her Diploma in Pension Calculations.

Melissa Murphy

Melissa is a Pensions Administrator and is currently studying for the Diploma in Pension Calculations.

Laura Kirkwood

Laura has worked throughout her employment on the SIPS contract, and currently works as part of the Project Team, dealing with benefit statements, pension increases, distribution, and other Scheme events.

Dawn Watson

Dawn is a Senior Administrator and is currently studying for the Advanced Diploma in Retirement Provision with the Pensions Management Institute.

Ross Harrower

Ross has more than 10 years' experience in pensions and was recently promoted to Assistant Project Manager.

Susan Wilson

Susan joined Capita Hartshead in August 2010 and has already passed 3 assessments for the Certificate in Pensions Essentials from the Pensions Management Institute.

Kevin Stevenson

A Senior Pensions Administrator, Kevin is currently studying for the Advanced Diploma in Retirement Provision from the Pensions Management Institute.

Scott Sneddon

Scott joined Capita Hartshead as a Pensions Administrator in 2009. Scott is currently studying for the Retirement Provision Certificate.

Kevin Smith

Kevin joined Capita Hartshead in 2001 with 6 years' experience in pension administration. Kevin has passed the Qualification in Pensions Administration exams and the Retirement Provision Certificate.

Susan Donnelly

Susan is studying for the Diploma in Pension Calculations. She works in the Project Team, dealing with benefit statements, pension increases, distribution, and other Scheme events.

Gemma McNeil

Gemma worked in the pensions industry for 2 and a half years before joining Capita Hartshead. She is a Pensions Administrator and works on both defined contribution and defined benefit arrangements.

The bigger picture – news from outside the Scheme

Pensions taxation changes

The Government is reducing the amount of pension individuals can build up in a pension scheme registered with HM Revenue and Customs (HMRC) each tax year without being subject to tax charges. This limit is known as the "Annual Allowance" and it will be reduced from £255,000 to £50,000 from 6 April 2011.

For the purposes of defined benefit pension arrangements, the Annual Allowance is measured against your benefit accrual over the Pension Input Period (PIP). This is calculated as the pension that you accrue in any one PIP multiplied by a standard conversion factor of 16. If you pay Additional Voluntary Contributions (AVCs), the total amount of AVCs paid in the PIP will also be included. Any pension accrual in excess of the Annual Allowance will be subject to a tax charge at the highest marginal rate. For defined contribution pension arrangements, the Annual Allowance is simply measured against the total amount of contributions paid by both the employee and employer in any PIP.

The increase in the value of a member's pension is referred to as the "pension input" and the period over which it is measured is known as the "pension input period".

With effect from 6 April 2011, individuals who exceed the Annual Allowance due to one-off increases in pension built up (for example, payment of a large Additional Voluntary Contribution) will

be able to offset such excess pension input against their unused Annual Allowance from up to three previous tax years. The Government is consulting regarding options to enable tax charges resulting from exceeding the Annual Allowance to be met out of an individual's pension benefits.

Also, in the future, you will need to enter the pension inputs from any registered pension scheme of which you were a member into your annual self-assessment tax return. Your annual benefit statement and, if you pay Additional Voluntary Contributions (AVCs), your AVC statement will provide the basic information you need about the increase in your SIPS pension input(s).

Legislation allows scheme trustees to nominate the date on which the first and future pension input periods (PIPs) should start and end for contributions paid (in the case of defined contribution input) and benefits accrued (in the case of defined benefit input) in registered schemes.

The SIPS Trustee has selected the scheme year end date of 31 March as the end date for each member's first and subsequent PIPs; therefore the first PIP subject to the reduced annual allowance of £50,000 will apply for the period 1 April 2011 to 31 March 2012. Future years' PIPs will also run from 1 April to 31 March each year.

If you think that the new Annual Allowance will impact on you, you may wish to seek independent financial advice.

Laying down the law

The Pensions Bill 2011 is currently moving through the House of Lords. The Bill contains several key changes to the law which have recently been discussed in the media. Changes listed on the Bill include:

State pensions

- The Bill seeks to alter the timetable affecting the rise in State Pension Age to 66, in order to speed up the change.
- State Pension equalisation for men and women will complete in 2018 instead of 2020.

Auto-enrolment

- The Bill introduces an earnings trigger at the same level as the personal allowance for income tax, so that employees are automatically enrolled in a qualifying scheme if they earn this amount.

- It allows employers to introduce a 3 month waiting period for employees before they have to be automatically enrolled.
- More flexibility is given to employers over when they choose to re-enrol employees who have opted out.
- It makes it easier to approve defined contribution schemes as meeting the minimum auto-enrolment requirements.

Index used for revaluation of pensions

- The Bill will allow the movement from the Retail Prices Index (RPI) to Consumer Prices Index (CPI) for the revaluation of deferred pensions and pensions in payment. The SIPS Trustee is currently considering this matter in conjunction with its legal advisers and the provisions of the Scheme Rules.

Time for a spring clean

We all spring clean our homes, so why not our finances? Here are a few tips for getting your financial affairs in order.

Prepare a financial factsheet

Make sure you know where your money is going each month. Review your monthly direct debits and expenditure to ensure that you aren't paying for something that you don't use, for instance, a monthly cinema pass or gym membership. If you don't want to or can't cancel them it's a great reminder to get out there and use them.

Review your pension

Your financial factsheet will tell you how much you are spending and you may find that you could put a little more into your pension.

If you're an active member (you currently contribute to the Scheme), you could consider paying Additional Voluntary Contributions (AVCs) to boost your tax-free cash sum and/or pension at retirement; what's more, any contributions you make also receive tax relief (up to set limits).

Although it's never too late to start paying AVCs (some members pay AVCs for their last 3 to 6 months before retirement), the earlier you start the better if you are looking to take full advantage of the tax relief on your contributions and to make a significant difference to your pension benefits. Capita Hartshead is working with Prudential to provide you with further support on your AVCs - more information will follow in due course, but we've included an AVC leaflet for information in the meantime.

You'll receive your new-look benefit statement later this year, so remember to check how much your pension is worth – is it what you expected and is it enough?

Make the most of your tax relief

Have you made the most of your tax-free ISA savings? You do not need to declare any income from an ISA, meaning you will not lose any of the interest you receive to the taxman. More importantly, if you do not use all your allowance before the end of the tax year, it will be lost in the next tax year. You can save up to £10,200 per year, and of this allowance the maximum cash saving is £5,100. Remember you either use it or lose it.

Build a financial cushion

Consider setting up a fund where you can save enough money to cover household bills for 3 to 6 months in case of emergencies. The next time the boiler plays up or the car needs attention you will rest easy knowing the money is already in the bank.



Neveretiree: a growing trend

The Government is currently starting to phase out the default retirement age, a process that will finish in October 2011. It's good news for those who do not wish to retire at 65, as employers will no longer be able to automatically terminate the employment of those reaching the age of 65 without justification.

At present, an employer can enforce retirement for those employees reaching the age of 65. However, from 6 April 2011 employers will not be able to issue notifications for compulsory retirement, unless the worker was told before that date, and is due to retire before 1 October 2011. The move toward abolishing the default retirement age has been seen as a victory by campaigners and charities such as Age UK.

This news reflects the growing rise in Neveretirees - individuals in the UK that want to continue working and never retire reportedly favoured by 60% of high ranking professionals. Research shows the abolition of the default retirement age fits in well with current views of people worldwide who want to work later into life. A recent survey by Liverpool Victoria found that 4.5 million people over the age of 50 are planning to work beyond their State Pension Age. Are you a Neveretiree or are you looking forward to retiring as soon as you can?

Get the complete picture

Your benefit statement this year will include a State Pension Forecast – this means you'll get a fuller picture of your possible pension benefits at retirement.

What is a Combined Pension Forecast?

It is an estimate of the pension you may expect to receive from the State when you reach your State Pension Age based on your National Insurance contribution history to date and assumptions on your future contributions.

How do I get one?

Members of the Scheme will receive this information in this year's new-look annual benefit statement so you'll get a more complete picture of what you might receive when you retire.

Why do I need this?

The idea behind Combined Pension Forecasting is to give you more information regarding your potential pension benefits, to put you in a better position to:

- Make informed pension choices;
- Make you aware of what you may receive at retirement; and
- Assess whether or not you are saving enough now to provide for your future.

What if I have contracted-out of the State Second Pension in the past, will this be included?

The amount of additional State Pension you actually receive at State Pension Age may be different from that shown in your forecast if you have contracted-out for a period of time.

What if I get more than one Combined Pension Forecast?

If you receive more than one Combined Pension Forecast, do not add the amounts together. Always use the more recent forecast you have received.

What if I think the figures are wrong?

You can tell the Department for Work and Pensions by telephoning 0845 3000 168.

Where can I get more information?

The leaflet 'Your pension statement explained' (CPF5) gives more information about your State Pension. A copy of this leaflet can be found at: www.direct.gov.uk/en/Diol1/DoltOnline/DG_182356 or you can request a copy by calling 08457 31 32 33 (textphone 0845 604 0210).

Pensioner payslips - reminder

In the autumn Viewpoint we told pensioner members of the Scheme that paper payslips would no longer be issued. We'd like to remind you that the last automatically generated payslip will be issued this month.

The Scheme will stop posting paper payslips from April 2011 unless your net monthly pension payment changes by £5 or more. In this case, you would receive a one-off paper payslip confirming the revised amount. P60s will continue to be issued annually each

April, as will the annual pensions increase letter issued each July.

If you have any questions in connection with this matter please contact the SIPS team at Capita Hartshead on 0845 601 0607.

You will still receive a paper P60 posted to your home.

You will still receive a letter posted to your home each July explaining what increase will apply to your pension.

Move with the times and go online

We want you to get the most out of the valuable benefits the Scheme offers, so please take the time to visit the new-look websites.

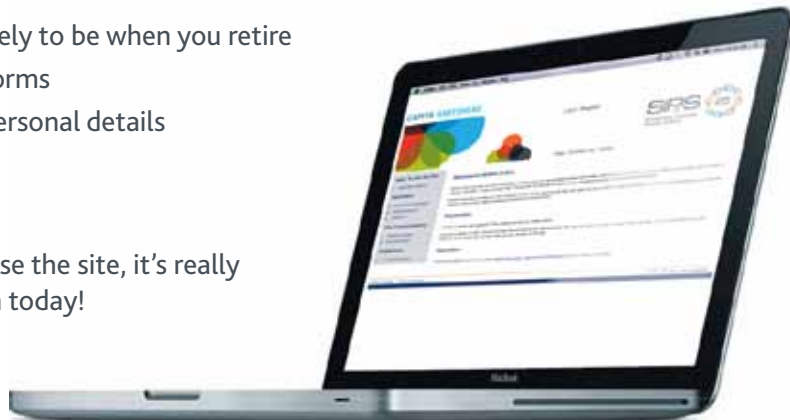
If you're a DB member visit www.sips-pensions.co.uk. The site contains lots of information about the Scheme, including the latest Scheme publications, details about the Scheme Trustee and advisers, and updated pensions news.



If you're a DC member visit www.hartlinkonline.co.uk/sips to start taking advantage of the following features:

- See how much your pension is likely to be when you retire
- Access Scheme documents and forms
- Update your address and other personal details
- Keep tabs on your investments
- Amend your investment choices

If you haven't already registered to use the site, it's really quick and easy, so don't delay, log on today!



How to get in touch

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 (or +44 141 353 7000 if calling from overseas)

Email: member.enquiries@sips-pensions.co.uk

Online: www.sips-pensions.co.uk; www.hartlinkonline.co.uk/sips