

HADRIAN TRUSTEES LIMITED

TRUSTEE FOR THE SHIPBUILDING INDUSTRIES PENSION SCHEME

THE SHIPBUILDING INDUSTRIES PENSION SCHEME ('SIPS')

BRIEFING NOTE FOLLOWING TRUSTEE BOARD MEETING

A Meeting of the Board of Hadrian Trustees Limited took place on 25 March 2009.

The following subjects were discussed:-

1. Governance Document

The Board approved an updated Governance Document, incorporating a Terms of Reference for the newly formed Audit, Accounts & Administration Committee (AAA Committee).

2. Business Plan 2008/2009

The Board received a report from the Managing Director setting out progress against the targets for 2008/2009, incorporating a comparison of actual administration costs against budget.

3. Business Plan 2009/2010

The Board considered and approved a Business Plan for 2009/2010, incorporating strategic objectives, targets for 2009/2010 and an administration cost budget.

4. Trustee Board

A nomination is still awaited from the CSEU in respect of the vacancy on the Trustee Board for an Employee Trustee Director.

5. Investment Matters

The Board received a report on the Investment Committee Meeting held on 17 February 2009.

The Board ratified the appointment of George Clair to the Committee, replacing Alan Clarke who has transferred to the newly formed AAA Committee.

As at 31 January 2009, the total fund value (excluding the investment in API, AVCs and current assets/liabilities) was £1,196 million.

Since the inception of the multi-manager investment arrangements in March 2001, the return on the Combined Equity and Bond Unitised Pools to 31 January 2009 was 1.4% per annum compared with the benchmark of 0.4% per annum. January 2009 had been a particularly difficult month for investment markets, with the combined SIPS equities and bond unitised pools returning -5.8%% compared with the benchmark of -7.3%.

A reorganisation of the SIPS Bond fund was approved by the Board, involving the split of the fund into two, separating the STW and State Street gilts portfolios.

6. **Audit, Accounts & Administration Matters**

The Board received a report on the AAA Committee Meeting held on 5 March 2009.

The initial composition of the Committee is as follows:-

- ◆ **Employee Trustee Directors** : Dave Cole (Chairman), Alan Clarke and Jamie Webster.
- ◆ **Employer Trustee Directors** : Christian Elliott, Mary Garner, together with Neal Misell and Jackie Peel who will attend in rotation.
- ◆ **The Managing Director**

Details of Capita Hartshead's quarterly Administration Report were noted.

The next edition of the Viewpoint Newsletter is scheduled to be issued before the end of April.

A timetable/project plan is in place for the 2009 Report & Accounts, and the year end Accounts are due to be presented for approval at the next quarterly Trustee Board Meeting.

Details of the reports produced by KPMG on the internal audit of the following areas were noted:-

- ◆ Follow-up audit on electronic document management.
- ◆ The unitisation process.
- ◆ Benefit calculations and procedures.

7. Review of Money Purchase Plan

Proposals for the Money Purchase Plan going forward are in the process of being discussed with relevant Employers; complications have arisen relative to contracted-out/contracted-in issues and further consideration is required.

8. 2009 Actuarial Valuations

The Board considered the principal assumptions to be adopted when carrying out the 2009 actuarial valuations for the Ferguson Shipbuilders, Flagship Training and Fleet Support Sections. The provisional valuation results are scheduled to be presented to the Trustee Board at its next quarterly Meeting.

9. Late Retirement Factors

On the recommendation of the Actuary, the Board approved the implementation of updated late retirement factors.

10. BVT Surface Fleet Joint Venture

The Board noted that the required transfer of assets to the BVT Sub-Section had taken place on 31 December 2008.

11. Rathbone Training Section

The Board received a progress report on the buy-out and winding-up of the Rathbone Training Section. The responsibility for the pensioner payroll had been passed from SIPS to Legal & General during February.

12. Employer Covenants

The Board received an update report from the Managing Director on Employer covenant issues.

13. Trustee and LPC Training

LPC training sessions are to take place as follows:-

- ◆ 21 April 2009 in Wetheral for BAE Systems.
- ◆ 28 April 2009 in Fareham for all other LPCs.

14. Local Pensions Committee (LPC) Meetings

The Board received a report on issues arising at recent LPC Meetings.

15. Appledore Shipbuilders Limited Section

The Board received a progress report on the winding-up of the Appledore Shipbuilders Section.

16. Naiad Dynamics UK Limited

The Board approved an application from Naiad Dynamics UK Limited to become a Member of Hadrian Trustees Limited, in relation to the Company's participation in the SIPS Money Purchase Plan.

17. Date for next Board Meeting

The next quarterly Trustee Board Meeting is to take place on 1 July 2009.

Distribution:-

Trustee Directors

Elaine Darroch, Capita Hartshead

Scott Gray, Capita Hartshead

LPC Members (via Elaine Darroch)

**MWB/SJK
April 2009**