

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 24 March 2010.

The following subjects were discussed:-

1. Trustee Board

The Board noted the resignation of Mr George Clair as an Employee Trustee Director. A nomination for a replacement is awaited from the CSEU.

The Board noted the appointment of Mr Ian Hancock of BAE Systems Surface Fleet Support as an Employer Trustee Director, as nominated by BAE Systems.

2. Business Plan and Administration Expenses

The Managing Director reported progress against the agreed Business Plan for 2009/2010. The Board received and noted details of administration expenses incurred in the nine months to 31 December 2009.

The Board considered and approved a Business Plan for 2010/2011, incorporating strategic objectives, targets for 2010/2011 and an administration cost budget.

3. Investment Matters

The Board received a report on the Investment Committee Meeting held on 16 February 2010.

As at 31 January 2010, the total fund value (excluding the US property investment in API, AVCs and current assets/liabilities) was £1,503 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 2010 was 4.2% per annum compared with the benchmark of 3.0% per annum.

A reorganisation of the Fixed Interest Unitised Pool is to take place in April 2010, and in this context the appointment of an additional Manager (Loomis Sayles & Co LP) has been approved.

4. Audit, Accounts & Administration Matters

The Board received a report on the AAA Committee Meeting held on 4 March 2010.

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

- ◆ Contributions collection.
- ◆ Benefit calculations and procedures.
- ◆ VAT Review.

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

A data validation/integrity exercise has been carried out by Capita Hartshead and the results of this are being assessed by the AAA Committee.

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

5. SIPS Money Purchase Plan

The "new" SIPS Money Purchase Plan is to be launched from 1 April 2010. This is to include the provision of an investment platform from Standard Life, with Capita Hartshead retaining the day to day administration.

6. Employer Covenants

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

7. Actuarial Valuations

The results of the 2009 actuarial valuations for the Ferguson Shipbuilders, Flagship Training and Fleet Support Sections were approved; these included revised Schedules of Contributions and Recovery Plans.

The Board considered the principal assumptions to be adopted when carrying out the 2010 actuarial valuations for the A & P Falmouth, BAE Systems (VSEL), Capita Hartshead, NNC and VT Group Sections and the BAE Systems Surface Ships (BVT) Sub-Section. The provisional valuation results are scheduled to be presented to the Trustee Board at its next quarterly meeting.

8. Rathbone Training Section

The Board received a progress report on the buy-out and winding-up of the Rathbone Training Section.

9. Appledore Shipbuilders Section

The Board noted that the completion of the winding-up of the Section continues to be delayed pending receipt of required input from the Financial Assistance Scheme.

10. Trustee & LPC Training

The LPC training sessions are to take place as follows:-

- ◆ 13 April 2010 in Wetheral, near Carlisle.
- ◆ 28 April 2010 in Fareham.

11. LPC Meetings

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

12. Date for next Board Meeting

The next quarterly Trustee Board Meeting is to be held on 30 June 2010.

Distribution:-

Trustee Directors
Elaine Darroch, Capita Hartshead
Murray McDowall, Capita Hartshead
LPC Members (via Elaine Darroch)

MWB/SJK
April 2010