

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 7 December 2011.

The following subjects were discussed:-

1. Trustee Board and Sub-Committees

The Board approved the appointment of Mr C Baker of BAE Systems as an Employer Trustee Director. Following the reduction in the size of the Trustee Board from 15 to 9 Trustee Directors, Mr D Dewhurst and Mr G Parry had resigned as Employee Trustee Directors on 17 November 2011.

The Board elected Mr D Cole as Chairman and Mr I Hancock as Deputy Chairman.

Going forward the Board agreed that all Trustee Directors should serve on the Investment Committee, with the activities of the AAA Committee reverting back to the full Trustee Board.

2. Business Plan and Administration Expenses

The Managing Director reported progress against the agreed Business Plan for 2011/2012. The Board received and noted details of administration expenses incurred in the 6 months to 30 September 2011.

3. SIPS Governance Document

The Board carried out its annual review of the SIPS Governance document.

4. Trustee & LPC Training

The 2012 LPC Training sessions are to be held on 18 April in Fareham and on 24 April in Wetheral.

5. Babcock's Exit from the Defined Benefit Scheme

The Board received a report from the Managing Director on the exit of the Babcock Section of SIPS and its merger with the Babcock International Group Pension Scheme (BIGPS). The merger had proceeded at midnight on 31 October.

At the request of Babcock, Capita Hartshead had agreed to continue to administer AVCs for a temporary period until 31 January 2012.

6. Rathbone Community Industry Section

The Board noted that the winding-up of the Rathbone Community Industry Section had been completed on 17 November 2011.

7. Appledore Shipbuilders Section

The Board noted that the winding-up of the Appledore Shipbuilders Section had been completed on 24 November 2011.

8. Employer Covenants

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

9. Audit Accounts and Administration matters

The Board received a report on the AAA Committee Meeting held on 16 November 2011.

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

An agreed timetable is in place for the preparation and audit of the 2012 year end Report & Accounts.

10. Investment Matters

The Board received a report on the Investment Committee Meeting held on 17 November 2011.

As at 30 September 2011, the total fund value (excluding the US property investment in API, AVCs and current assets/liabilities) was £1,565 million.

Since the inception of the multi-manager investment arrangements in March 2001, the return on the Combined Equity and Bond Unitised Pools to 30 September 2011 was 4.5% per annum, compared with the benchmark of 3.5% per annum.

11. Flagship Training Section

The Board noted a proposal from Babcock to transfer the Flagship Training Section of SIPS to BIGPS. Subject to satisfactory completion of the required due diligence, the Board agreed in principle to the transfer (expected to take place during the summer of 2012).

12. 2012 Actuarial Valuations

The Board received a report from Hymans Robertson on the proposed process and timetable for those Sections where there will be a 2012 actuarial valuation.

13. Local Pensions Committee (LPC) Meetings

The Board received a report on issues arising at LPC Meetings. It was noted that the LPC for the Flagship Training Section had been disbanded.

14. Date for next Board Meeting

The next quarterly Trustee Board Meeting is to take place on 27 March 2012.

Distribution:-

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

MWB/SJK
December 2012