

Pensions News *continued*

The State Pension is no longer simply a cheque that you pick up when you reach a certain age. There are options around when you take the benefits that can offer some good

marginal benefits to your personal financial plans. You can find more information about the State Pension and the recent reforms by visiting www.thepensionsadvisoryservice.gov.uk.

Have you visited the SIPS website yet?

We want to take this opportunity to remind you that you can visit the new-look member website at www.sips-pensions.co.uk. Here, you will find information about the Scheme, including investment information, Frequently Asked Questions (FAQs)

and contact details. You will also be able to download Scheme documentation and forms – for example, an Expression of Wish Form, or previous editions of *Viewpoint*.

SIPS Member records

As part of its ongoing governance and audit arrangements, SIPS is to participate in an exercise run by the Audit Commission that will enable checks to be made between the Scheme's pensioner and deferred member records and the Register of Deaths.

The exercise will help to provide the Trustee with certainty regarding the status of the Scheme's pensioner and deferred members. The exercise will involve the disclosure of certain personal data currently recorded in the SIPS member records to the Audit Commission.

Expression of Wish Form Reminder

As you will be aware, in the event of your death there may be a lump sum benefit payable from the pension scheme. Due to the discretionary nature of this lump sum payment, the decision as to who will actually benefit is made by Hadrian Trustees Limited as the Trustee of the Scheme. Members can assist the Trustee in making that decision by completing and maintaining an Expression of Wish Form.

the document is kept up-to-date, and in particular you should complete a new form if your personal circumstances change, for example, through marriage or divorce.

If you wish to complete an Expression of Wish Form or to make changes to your existing one, please contact your Human Resources Department or pensions office, who will be pleased to assist.

The completion of an Expression of Wish Form will ensure that members' wishes are taken into account by the Trustee when considering the settlement of benefits. It is very important that

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:

Capita Hartshead, **PRIVATE SECTOR PENSIONS (SIPS)**, 257 Ecclesall Road, Sheffield S11 8NX.

Tel: 0141 221 8665

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

Website: www.sips-pensions.co.uk

VIEWPOINT

Shipbuilding
Industries
Pension Scheme

Report and Accounts Newsletter

As we move into the final quarter of 2008, I am pleased to present this second edition of *Viewpoint* in 2008.

It has been a mixed year for the investment markets. Global equity markets began the year on a positive note. However, there was a downturn in August 2007 and despite a partial recovery in the middle of the financial year, by early 2008, stock markets around the world were in turmoil, fuelled by the problems in credit arising from the collapse of the US sub-prime housing market. The volatility in the equity market has continued into the new financial year. The Scheme has not been immune to the changing investment climate, and despite a diversified portfolio, the fund value decreased slightly to £1.48 billion at 31 March 2008, compared to £1.55 billion at 31 March 2007. This included a net disinvestment of almost £10 million for the payment of pension benefits during the year.

With the exception of the Absolute Return Fund, the investment performance for the year has been disappointing. The SIPS Combined Unitised Pools returned -6.1% over the year to March 2008, compared with a -3.6% return for the SIPS bespoke benchmark. Further information on investment performance appears on page 3.

There were 16 IPEs at 31 March 2008. During the year, membership increased to almost 27,000 – over 7,700 active members, over 9,000 deferred members and almost 10,000 pensioners.

During the year, six sections – A&P Falmouth, BAE, Capita Hartshead, NNC, Rathbone Training, and VT – had valuations carried out as at 1 April 2007. These were undertaken under the new scheme-specific funding regime with the production of the associated recovery plans, where applicable. Along with this edition of *Viewpoint*, defined benefit section members will receive their annual Summary Funding Statement, which details the funding level of their section.

As part of its ongoing governance process, the Trustee Board carried out reviews of several of its advisers, including the External Auditor and the AVC Provider. After a formal tendering exercise, PricewaterhouseCoopers (PwC) were re-appointed. The Trustee decided to replace Clerical Medical as AVC Provider with Prudential from 1 April 2008.

At a corporate governance level, the Trustee Board has continued to review and update its Governance Document and Risk Register on a regular basis. The Trustee Directors receive training on different topics after each Board Meeting in order to address the “knowledge and understanding” requirements arising from the Pensions Act 2004.

I would like to express my thanks and best wishes to George Middleton who has retired from VT, and to Haydn Clulow, following his promotion within BAE, for their valued input as Trustee Directors, and to welcome Mary Garner and Christian Elliott to the Board. A full list of Trustee Directors is provided on page 2.

A significant announcement was made after the year end with the creation of a shipbuilding joint venture, to be known as BVT Surface Fleet (BVT). BVT combines the naval surface shipbuilding and naval support businesses of BAE Systems and VT Group. BVT will play a lead role in the building of two new aircraft carriers. Whilst there is no change to benefits or contributions for members of SIPS, there is a change in the way benefits are provided within SIPS. The shipbuilding members of the VT Group section have transferred to a new segregated section (the BVT section) within the BAE section of SIPS.

I would also like to express my sincere thanks to our advisers for their advice and assistance, the Independent Participating Employers for their continuing support, and the Trustee Directors for their continuing input and support over the year. I look forward to working with you all for the rest of 2008 and into 2009, when I will contact you again with further pensions news.

Roger Buttery
Managing Director

Hadrian Trustees Limited
SIPS TRUSTEE BOARD

In this edition...

- Trustee Board
- Hymans Roberston News
- Scheme Investment Returns
- Pensions News
- Scheme Report and Accounts

Trustee Board

As at 1 September 2008 the Trustee Directors of SIPS were as follows:

Chairman	Dave Cole* Employee Appointed Director, BAE Systems Marine
Deputy Chairman	Nigel Tinsley* Pensions Director, BAE Systems Plc
Managing Director	Roger Buttery* Hadrian Trustees Limited

Other Employee Appointed Directors:

Alan Clarke*	BVT Surface Fleet
George Clair	BVT Surface Fleet
Derrick Dewhurst*	BAE Systems Marine
Tony Paull	A&P Falmouth
Harold Samms*	BAE Systems Marine
Jamie Webster	BVT Surface Fleet

Other Employer Appointed Directors:

Richard Bonnie*	Group Personnel Director, A&P Group
Christian Elliott	HR Director, BAE Systems Marine
Mary Garner*	HR Director, VT Support Services
Neal Misell	Finance Director, VT Education and Skills
Nola Waller	VT Flagship
Jerry Wells*	BVT Surface Fleet Support

* Also members of the Investment Committee

George Clair, Tony Paull, Nola Waller and Jerry Wells are to retire by rotation in accordance with the Trustee Company's Articles of Association at the close of the Company's Annual General Meeting to be held on 23 September 2008.

Christian Elliott and Mary Garner were appointed to the Trustee Board in March 2008, replacing Haydn Clulow and George Middleton respectively.

Trustee Directors are appointed and removed in accordance with the Trustee Company's Articles of Association. The Trustee Board comprises 15 Directors as follows:

- A Managing Director appointed by the Trustee Directors.
- 7 Directors appointed by Employers participating in SIPS.
- 7 Directors nominated by the Shipyard Negotiating Committee of the Confederation of Shipbuilding & Engineering Unions.

Scheme Investment Returns

The year to 31 March 2008 represented a very difficult time for global equity markets. Whilst the year began on a positive note, a significant reversal took place from August 2007; the initial downturns were largely a consequence of the collapse of the housing market in the United States as defaults on sub-prime mortgage loans reached unprecedented levels, and the ensuing tightening of lending requirements stifled further borrowing. Investors' confidence deteriorated as many markets retreated with fears of rising inflation and slowing economic growth.

Subsequent to the year end, the volatility in the UK equity market has continued, as investor sentiment was plagued by further evidence of problems in the financial system (Bear Stearns' collapse and rights issues for large UK banks), poor UK housing market data and weak Sterling. In contrast, materials companies which represent 11% of the FTSE All Share Index continued to perform well as did energy companies which represent a further 17%. As a consequence, the negative performance of the FTSE All Share Index hid even steeper declines in most areas of the market.

The majority of the SIPS assets are invested in three unitised pools. The annualised returns to 31 March 2008 covering one and three year periods are summarised below, showing comparisons with the benchmark figures set by the Trustee:

Investment	One Year		Three Years	
	Actual Return %	Benchmark Return %	Actual Return %	Benchmark Return %
(a) Unitised Pools:				
Equities Unitised Pool	-7.6	-5.0	9.2	10.1
Bond Unitised Pool	-0.7	0.4	2.4	3.1
Absolute Returns Pool	3.7	-2.0	9.9	9.8
Combined Unitised Pools:	-6.1	-3.6	8.7	9.6
(b) Property Fund	-1.7	10.0	N/A	N/A
(c) Private Equity Fund	2.5	-2.0	17.0	9.8
(d) Fixed Interest Fund	5.1	5.1	4.8	4.8
(e) Index Linked Fund	13.6	13.4	8.3	8.3

With the exception of the Absolute Return Fund, the investment performance over the last one year and three years has been disappointing. Over the longer term the performance has been more encouraging; since inception of the Multi Manager investment arrangements introduced by the Trustee in March 2001, the return for the Combined Unitised Pools was +4.5% per annum against the benchmark of +3.7% per annum and this is considered to be significant out-performance. The Investment Committee continues to actively monitor the position with its Investment Adviser, and it is considered that over the longer term the fund is positioned to generate returns ahead of the benchmarks set.

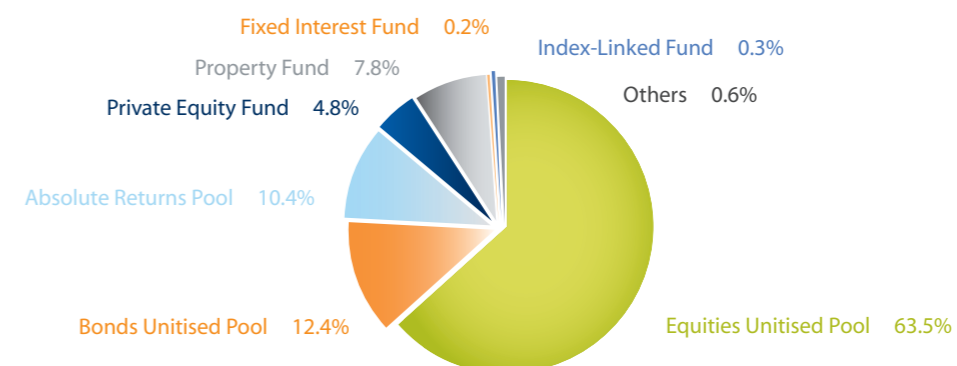
Scheme Report and Accounts

Summary Financial Statements

These are not the full financial statements of the Scheme, but are a summary of the fund account and net assets statement taken from the audited financial statements of SIPS, a copy of which may be obtained from the SIPS team at the address on the back page. The auditors have given an unqualified opinion on the financial statements and their statement about contributions payable to the Scheme is also unqualified.

	2008 £'000	2007 £'000
Summary Fund Account		
Net assets of the Scheme at 31 March previous year	1,553,031	1,444,973
Income		
Member contributions	3,840	3,437
Member AVC contributions	488	519
Employer contributions	41,355	39,895
Individual transfers in	1,700	578
Bulk transfers	1,343	144
Age-related rebates	1,550	89
Insurance receipts	516	888
Other income	-	214
Total income	50,792	45,764
Expenditure		
Pensions	(41,637)	(39,819)
Lump sums on retirement	(7,185)	(5,929)
Death benefits	(1,465)	(1,133)
Refunds to members	(118)	(7)
Transfers to other schemes	(5,118)	(1,641)
Group insurance premiums	(1,272)	(1,766)
Administration expenses	(2,707)	(2,448)
Total expenditure	(59,502)	(52,743)
Income less expenditure	(8,710)	(6,979)
Change in value of investments	(97,086)	88,214
Investment income less expenses	30,178	26,823
Investment returns	(66,908)	115,037
Net assets of the Scheme at 31 March this year	1,477,413	1,553,031
<i>Summary net assets statement</i>		
Investments	1,470,819	1,549,491
Net current assets	6,594	3,540
Net assets of the Scheme	1,477,413	1,553,031

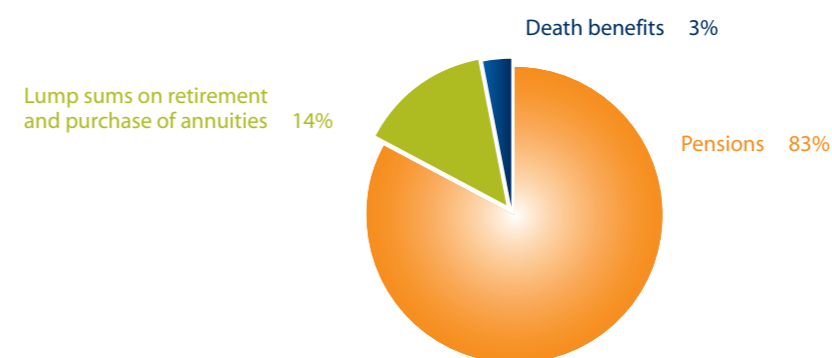
The net assets of the Scheme are invested as follows:



Contributions to the Scheme increased by over £1.5 million this year:

	2008 £'000	2007 £'000
Members: Normal	3,840	3,437
AVCs	488	519
Total member contributions	4,328	3,956
Employers: Normal	40,285	38,758
Deficit Recovery	400	236
Special	670	901
Total employer contributions	41,355	39,895
Total contributions	45,683	43,851

The Scheme paid £50,287,000 in benefits, as follows:



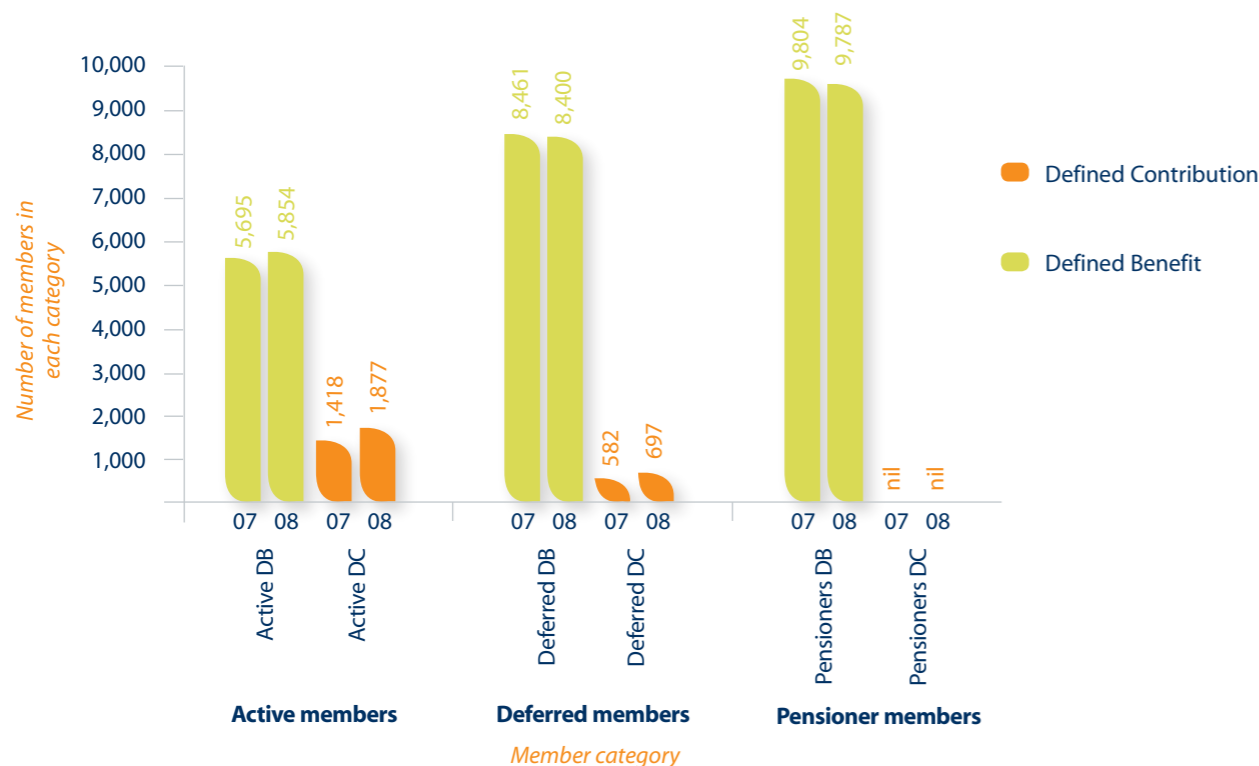
Scheme Report and Accounts *continued*

Membership figures for SIPS as a whole

	2008 £'000	2007 £'000
Active members at 31 March previous year	7,113	6,750
<i>Add</i>		
New entrants	1,109	894
<i>Less</i>		
Retirements	(175)	(196)
Early leavers	(307)	(326)
Deaths	(9)	(9)
Active members at 31 March this year	7,731	7,113
Deferred pensioners	9,097	9,043
Current pensioners	9,787	9,804
Total membership at 31 March this year	26,615	25,960

Scheme membership for SIPS as a whole has grown this year:

Membership statistics (2007 and 2008)



Hymans Robertson News

Martin Potter of Hymans Robertson became SIPS Scheme Actuary with effect from 1 July 2008.

Hymans Robertson was appointed by the Trustee in December 2005 as Scheme Actuary and strategic funding adviser. The lead consultants since then have been Douglas Anderson as Scheme Actuary, supported by Martin Potter, with Ronnie Bowie and John Walbaum providing the related investment advisory input. During this time SIPS has continued to be part of the constantly changing pensions world, and Hymans Robertson has been at the Scheme's side throughout.

Scheme Actuary role

After initial discussions with the Chairman, Deputy Chairman and Managing Director, the Trustee agreed to our proposal of a hand-over of the Scheme Actuary role from Douglas Anderson to Martin Potter.

Douglas has spent much of the last year launching a new study of mortality experience for occupational pension schemes. The analysis goes much beyond the standard mortality tables that have to date been used by actuaries. We were delighted that SIPS has agreed to participate in an early trial of the project.

Douglas will now devote his time to this project, and has handed over the reins to Martin, who, over the past year, has taken on an increasing amount of the actuarial responsibilities – including the substantial task of the 2007 actuarial valuations.

Martin is a partner at Hymans Robertson based in the Glasgow office. He qualified as an actuary in 1997 and moved up to Scotland to join the firm in 2004. His working experiences on both sides of the border have equipped him well for advising a major industry-wide scheme such as SIPS. Martin became Scheme Actuary from 1 July 2008 and we have reassured the Trustee that Douglas' experience of SIPS matters will not be lost. We hope that Trustee Directors will have the opportunity to hear about Douglas' continued research from time to time.

Other Team Developments

We also welcome Eddie McAuley as the new support actuary to SIPS. Eddie is a qualified actuary and a partner of the firm. He has been with Hymans Robertson since 1999.

Other developments at Hymans Robertson over the year have been...

- In June, Ronnie Bowie had the honour of taking on a two-year appointment as the President of the Faculty of Actuaries. He will remain as Guardian Partner to SIPS.
- We are very proud to report that Hymans Robertson won two awards at the prestigious 2008 UK Pensions Awards, namely Actuarial Consultancy of the Year and Investment Consultancy of the Year.
- Our success continues to be marked by the number of prestigious new clients who appoint us and the qualified and highly skilled people who work for us.



Pensions News

Happy 100th birthday, State Pension.

In 1908, under the Old Age Pensions Act introduced by David Lloyd-George, the new State Pension paid 5 shillings a week to men and women aged over 70 - approximately 20% of average earnings at that time. This year, the State Pension celebrates its 100th birthday. The State Pension will factor into your retirement plans somehow, whether you are relying on it as the basis for your retirement or are treating it as a potential bonus, dependent on future government policy.

John Davies, head of business law at the Association of Chartered Certified Accountants, said: "The State Pension has been the cornerstone of the UK's system of social security for a century and has contributed hugely to the achievement of a decent quality of life by those of retirement age. Nonetheless, people today are, on average, spending much more time in retirement than was the case in 1908. Because of this, the cost to the state of improvements in longevity inevitably increases. The UK Government has needed to adapt to these changing circumstances - just recently we have seen plans approved to raise the State Pension Age from 65 to 68. But such is its significance that the State Pension is likely to survive, in one form or other, for many years to come."