

# pension points

April 2000

## Off to a good start

The Messier-Dowty Pension Scheme has got off to an excellent start. Since it started, to the end of its financial year on 31 March 1999, the value of the assets including transfers in from the TI Pension Scheme has grown to over £56 million. All the employees who were eligible to become members at 1 August 1998 chose to join the Scheme. Since then, membership has increased and benefits of over £150,000 have been paid out to members.

Establishing the Scheme was a considerable undertaking. Scheme rules had to be agreed and formalised, various professional advisers had to be carefully selected, Trustee Directors (Trustees) had to be chosen or nominated and many administrative matters had to be settled. All of the key elements are now firmly in place, the Trust Deed and Rules have been completed and the Trustees and the Company are pleased with the way in which the Scheme is running.

Communication will be given a high priority in the Scheme and this *pension points* newsletter has been produced to keep you in touch with how your Scheme is progressing. It covers items from the formal report and accounts, news about the Scheme, and other information which the Trustees believe will be useful to members. If there is anything you would like to see in future issues, please let us know. Your feedback is very valuable.

We hope you enjoy reading *pension points*. Please pass your comments or any queries you may have about pensions to your Human Resources Department.



### Membership profile

As at 31 March 1999 the Scheme had a total membership of 1,013, an increase of 69 since the Scheme started on 1 August 1998. The way this figure breaks down into different categories of membership is shown below.

#### Active members

- those who currently make contributions to the Scheme

999

#### Deferred members

- former members who have left their benefits in the Scheme

8

#### Pensioners

- those who are now receiving a pension from the Scheme

6

# financial facts



## From the accounts

The figures shown here have been taken from the Scheme's formal accounts which have been audited by Ernst & Young. If you are interested in seeing the full accounts, copies are available from your Human Resources Department.

<b>Paid into the Scheme:</b>	<b>£</b>
Company contributions	1,164,742
Members' contributions	551,573
Members' AVCs	85,634
Transfers in	54,745,557
Investment income	18,432
<b>Total</b>	<b>56,565,938</b>

<b>Paid out of the Scheme:</b>	
Benefits to members	152,826
Payments to and on account of leavers	2,187
Other payments	8,000
Administrative expenses	48,622
<b>Total</b>	<b>211,635</b>

### **In summary**

Income less expenditure	56,354,303
Change in market value of investments	10,610
<b>Value of Scheme as at 31 March 1999</b>	<b>56,364,913</b>

## Accounting for the future

The Scheme Actuary will be reviewing the finances of the Scheme on a regular basis to try to ensure that there will be enough money to pay all the benefits promised to members. The reviews carried out by the Scheme Actuary are called actuarial valuations and they will take place at least every three and a half years.

The first valuation has now been completed. It showed that the Scheme is in a good financial position. The Scheme Actuary also certified that the Scheme met the minimum funding requirement laid down by the Pension Act 1995.

## Investing wisely

As you can see from the accounts, the Scheme is in good financial health. To help it to stay that way, the Scheme's assets are invested. The aim is to generate further income for the Scheme without exposing it to too much risk.

The Trustees use a firm of professional investment managers to invest the Scheme's assets, Barclays Global Investors Limited (BGI). BGI manage a common pool of assets on behalf of different schemes. This pooled arrangement allows the Trustees to invest in a greater range of asset types. These range from company shares which offer potentially higher growth over the long term, to fixed-interest investments, which offer a more secure income over the shorter term. The Trustees review performance regularly, to ensure your Scheme's funds are being invested wisely.

## Stakeholder Pensions

The Welfare Reform and Pensions Act 1999 and the new Child Support, Pensions and Social Security Bill introduce Stakeholder pensions and a new State second pension. Through these proposals, the government aims to encourage everyone to save for retirement.

The new Stakeholder pensions will be available from 2001. They will be aimed at people who cannot join an employer's pension scheme. Once Stakeholder pensions are available, the government aims to replace the earnings-related State second pension with a flat-rate pension. So the message is clear. Providing for your retirement, with generous help from your employer through the Messier-Dowty Scheme, has never been so important.

# pension news

## Boosting your benefits

The Messier-Dowty Pension Scheme provides a good range of benefits at a guaranteed level. However, to get the maximum possible pension from the Scheme you would have to be in service for at least 40 years and retire on your 65th birthday – and not many people manage that. To help you to increase the level of benefits you will receive from the Scheme, you have the opportunity to make extra contributions known as Additional Voluntary Contributions or 'AVCs'.

You make AVCs on top of your normal contributions to the Scheme, up to a maximum of 15% of your gross earnings in any one tax year. Your AVCs are invested by the Equitable Life Assurance Society in one of a range of different funds. At retirement your AVCs can be used to buy extra pension for yourself or for one of your dependants.

If you are interested in making AVCs, you need to decide how much you want to pay and how you would like your contributions to be invested. To help you to make these decisions, the Scheme has a special program called VECTOR. This program gives you the opportunity to look at the effects of paying different levels of AVCs and investing them in different options. The results can be printed out so that you can take them home and discuss them with your family.

If you are interested in making AVCs or if you would like to make an appointment to use VECTOR, please contact your Human Resources Department.



## Flexible pensions

The Government is currently looking at ways to give people more flexibility in the age at which they retire. The scheme being discussed would allow people to retire and take their State pension at any age between 60 and 65. People who chose to retire earlier than their State Pension Age would receive their pension at a lower level initially.

There are other proposals being discussed, including the possibility of allowing people to continue working until age 70. It is not clear at this stage whether companies would be compelled to let their employees take this option.

All of these proposals are linked with the fact that people are living longer and so the numbers claiming State pension are increasing. As a member of the Messier-Dowty Pension Scheme it's good to know that you already have some flexibility in the date you decide to take your Scheme pension. If the Government proposals go ahead, you will have even more opportunity to plan your retirement income.

## Meet the team

Running a growing pension scheme like the Messier-Dowty Scheme takes a lot of hard work from many different people and organisations. Here we give an overview of how the Scheme is run and enable you to put names to faces for the Trustees, Actuary and Administrator.

The day-to-day running of the Scheme is the responsibility of the Trustees. There are six Trustees, three are appointed by the Company, two are appointed by the members and one is an independent Trustee. To help them with some of the

financial and legal aspects of running the Scheme, the Trustees use the services of various professional advisers. The work of all the Scheme's advisers is monitored by the Trustees and, in many cases, they meet regularly with them to discuss their performance.

Photographs of the key individuals involved in running the Scheme are shown here. Below is a list of all the Scheme's other professional advisers.

### Trustees



**Geoff Capps**  
Company appointed  
Trustee  
Finance Director  
Messier-Dowty



**Bernard Lebrun**  
Company appointed  
Trustee  
Corporate Director  
Sneema



**Pauline Janin**  
Company appointed  
Trustee  
HR Manager  
Messier Services



**Michael Bircher**  
Member-nominated  
Trustee  
Facilities Fitter  
Messier-Dowty



**Maxwell Gough**  
Member-nominated  
Trustee  
Snr. Engineer  
Messier-Dowty



**David Barrow**,  
Independent Trustee  
The Law Debenture  
Pension Trust  
Corporation plc

### Advisers

**Scheme Actuary**  
Amanda Turner,  
Bacon & Woodrow

**Administrator**  
Fiona Ewing-Stanford,  
Bacon & Woodrow



**Auditor** Ernst & Young

**Investment Manager** Barclays Global  
Investors Limited

**AVC Investment Manager** The Equitable Life Assurance  
Society

**Legal Adviser** Slaughter & May

**Bankers** Barclays Bank plc

## Finding out more

If you would like more information on any of the subjects covered in this issue of *pension points* or if you have any queries about pensions, please contact your Human Resources Department.