

Pensioner Trustee's Report

Members will no doubt have noted various press reports concerning BAe's massive pension debts. At its annual general meeting on the 4th May 2005, the Company was forced to respond to questions on the subject and the Chairman indicated that agreements had been reached with the trustees and employee representatives for the 2000 Plan (ex-GEC employees) and those for its shipbuilding scheme. It was also reported that "officials are about to open talks with a third large group - employees at units that once belonged to another legacy company, Royal Ordnance - but officials are optimistic an agreement can soon be reached there." To my knowledge those talks have not yet commenced.

The RO Fund's Actuary has presented his initial review findings to the Trustees and they have been passed onto the Company. Due to Trustee Board confidentiality, I cannot tell you what the findings were but details will no doubt appear in the press once the Company starts discussions with the Trade Unions. Since the Company Chairman is likely to face further questions on pensions when half year results are issued in early September, I imagine he will want to report some progress on either the RO or the BAe Main Scheme discussions.

Annual General Meeting

The seventh ROPA annual general meeting was held at Radway Green on 6 April 2005. Thirty four members attended, including eight Council members. Brian Johnson, Bernard Potter, and Norman Cowdrey, (all having agreed to serve another term) were re-elected as Chairman, Secretary, and Treasurer respectively. As you know, Brian is our Pensioner Trustee, and also sits on the BAe Joint Pensioners Committee (the JPC). Your other Council members are: Doug Llanwarne (President), Frank Spencer (Member Secretary, and JPC member),

Gordon Williams ('Links man' and Webmaster), Rod Rawson (JPC member), Ray Smith, and Les Spencer. Barry Kingdon retired during the year. Our thanks go to Barry for his attendance, and his invaluable input at meetings. A plea for additional Council members was responded to by Malcolm Phillis, of Nottingham, and Maureen Sawtell, who served in several RO establishments. Both have now been co-opted onto the Council.

The Pensions Act 2004

The requirements of the Act will be 'enforced' by a series of Codes of Practice, with which Employers will be expected to comply. The sanctions of non-compliance do not seem to the layman particularly onerous, with the ultimate sanction being declaration of a 'Statutory Debt', but the better employers may be expected to comply, and others may have important credit ratings to maintain, so it may be reasonably effective.

RO fund deficit of

£100+ million?

See Crystal Ball Gazing..

Draft Codes of Practice are currently being formulated and issued for consultation. ROPA, via the Occupational Pensioners Alliance (OPA), will be monitoring these and responding as necessary.

Crystal Ball Gazing

With the aid of an Actuary, Bernard Potter has developed computer software which enables us to give broad predictions on scheme funding. Using this and figures taken from the 2001 actuarial review and recent scheme reports, we believe that a funding deficit of more than £100M will be revealed for the RO Scheme when the Actuarial Review for 31.12.2004 is finally issued. Of BAe's four UK pension schemes, the RO fund is the smallest but, because it has the lowest percentage of contributing employees (10%), recovery of any funding deficit by simply increasing the employer/employee contribution rate would be inappropriate in

ROPA's opinion. Gordon Williams represents ROPA on the Independent Pensions Review Group and noted that in recent evidence to the Pensions Regulator the IPRG stated:-

“ Guidance should also be clear about the position of closed schemes where there are relatively few active members. In such schemes it is not appropriate to base deficiency contributions on the pensionable payroll but, instead, should be defined as a series of cash payments.

Expressing deficit payments as a percentage of payroll gives the incorrect impression that these costs are related to benefits for current employees. This can mean that employers wrongly argue that continuing benefits are unaffordable.”

We totally agree with this view and have indicated this to the Company.

BAe Joint Pensioners Committee

Our three representatives (Frank Spencer, Rod Rawson and Brian Johnson) have indicated that the BAe Main Scheme and 2000 Plan members are now starting to join with them in posing important questions to the Company.

Local Groups

Several areas find local groups useful, and a pleasant way of keeping in touch with old colleagues. Some are mainly social, and others are more formally constituted and run. Either way, these are considered important to the well-being and future of ROPA, and we are happy to provide advice, and some initial funding, towards the setting up of local groups. For details contact Bernard Potter.

Links to Other Organisations

Occupational Pensioners Alliance (OPA) -

This is possibly our most important link. Gordon Williams sits on the Council as the official ROPA representative. Bernard Potter has become its Treasurer during the year, independently of ROPA, but handy if the

ROPA viewpoint on any issue needs bolstering. Both attended OPA's Annual General Meeting on 9 May 2005 and noted that whilst Brian Marks as Chairman stressed the limitations and constraints of the Pensions Act and the challenges that face us, Roger Turner as Executive Officer, highlighted OPA's achievements in its first year, with it now being nationally recognised, with it having several mentions in Hansard and having achieved several amendments to the Act. Both these aspects are important to understand and recognise. After a year in which the main focus has been lobbying for improvements in the Pensions Act, OPA has decided to produce its own Manifesto, and to continue to press for a strengthening of various clauses in the Act which, on the face of it, are beneficial to pensioners.

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BAe Group Link - Through OPA, we have now

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with one of the BAe Pensioner groups, and are sharing information and ideas on how to get the company to make good the deficits in all their pension funds. One source reckons the total pensions deficit to be £3.8bn, and the market value of the company £8.1bn. BAe has recently borrowed £2.2bn to purchase the US company, United Defence Industries. Our joint concern is that pension fund deficits have the same status as unsecured creditors, and are therefore of very low priority in the event of insolvency. We have also heard suggestions that the company wishes to amalgamate its pension funds...

One Healthy BAe Pension Fund.

Recent press reports indicate that during 2004 £1.3M was added to Mike Turner's pension pot bringing it up to a very respectable £7.2M. Who is Mike Turner? BAe's Chief Executive.

Brian Johnson

Bernard Potter