

Chairman's Annual Report for 2003

I note that the opening sentence of my report for 2002 began "2002 was a bad year for pensions....". I am pleased to say that 2003 was better. Better, but still not good. World investment market values have generally improved and there has been a related improvement in the value of the RO Pension Fund. Members will have noticed from the recently circulated outline of the 2002 accounts for the Fund that the value of its assets at 31.12.2002 was £627M. This represented a £109M. deficit on the Actuary's assessed requirement at 31.12.2001. We know that during the first half of last year the deficit grew even greater, before recovering in the second half of the year. We understand that in September the deficit had fallen to around £50M. and by the end of the year it should have reduced a little more. As I indicated above, "better, but still not good". The next Actuarial Review is scheduled for 31.12.2004. We hope that by then, continued strengthening of financial markets, will bring the Fund's revenues and asset value back into line with its requirements. As we indicated in the 2003 Summer Newsletter, the trustees have adopted some welcome changes to investment policy which in the long term will make the Fund less susceptible to equity market fluctuations.

I am pleased to announce that ROPA has been successful in having its nominees accepted to fill the three RO seats on the Company's new Pensioner Consultative Committee. Both Rod Rawson (East of England) and Frank Spencer (Wales and West of England) were returned unopposed and I was successful in a ballot to represent Scotland and the North of England. My thanks to those of you who voted for me. Rod and Frank have agreed that I should fill the pensioner trustee vacancy on the RO Trustee Board .

Finally, Bernard Potter and Gordon Williams have continued to cement and extend our links with other pensioner associations and have generally made our views on pension reform known to Government bodies and opposition parties in Parliament.

Government Reviews and Related Matters

After all the reviews and deliberations of the Parliamentary Select Committee, firm proposals in respect of Occupational Pensions have now been published by the Government. As expected, these include good news and not so good news for pensioners. There is to be a **New Pensions Regulator**. This ought to be good news, but what is planned is not a new set of regulations, but a Code of Practice, to which pensions providers should adhere. If they do not, they will be considered naughty boys, and

threatened with the (remote) possibility of legal action.

Other provisions include: a **Pensions Protection Fund** - Good news, but drawbacks include: it is to be based on the USA model, which is in deep trouble; no contribution is to be made into it by the Government; and it will have to be funded by pension providers, thus giving further disincentive to companies to continue with final salary schemes; **Changes to the Priority Order on Company Wind-up** - this is mainly to benefit employees approaching retirement age who, in the past, stood to get no pension; **Full Buy-out** - This is a welcome measure, and is already in effect. It protects scheme members from solvent companies closing pension schemes in deficit - from now on, the company has to ensure the fund can purchase appropriate annuities for all members; **Scheme Specific Funding Requirements** - this will replace the old MFR, which was never an adequate measure of the funding requirements of schemes, typically falling short by about 20%. This should be an improvement, but will be more expensive to pension funds, due to its lack of uniform conditions; **Reduction of Mandatory Indexation** - The ceiling on mandatory indexation of pension increases is to be reduced from 5% to 2.5%, but only to new pensioners. (OK for us, but bad news for future pensioners). **TUPE**. Although the introduction to the Action Plan states that this is to be extended to cover pension schemes, the actual proposal limits requirement on employers to matching employee contributions to Stakeholder Schemes (only), up to a level of 6%. This leaves the ROPS without TUPE. protection, which would be important to us if BAE were to be taken over.

ROPA has submitted a lobby letter to the Minister for Work and Pensions, and to Opposition Spokesmen, commenting on the above proposals and a few other matters, which include: **Council Tax** - Increases in recent years have massively outstripped the RPI increase we get on our pensions - these need to be challenged; **State Retirement Pension** - For the majority of RO pensioners, this a higher proportion of their income than the RO pension. It is set too low, and the link to earnings should be restored. Lobbying is important, and occasionally effective. If any of you would like a copy of the ROPA submission in order to lobby your own MP, please ask Bernard Potter for a copy, or download one from the ROPA website.

House of Lords Enquiry into Aspects of the Economics of an Ageing Population.

This has now been concluded, and the results published. As ROPA contributed to the study, we have

been sent a copy. Its major conclusion is that the Government should urgently investigate the option of providing a decent non-means tested basic citizenship pension based on years in residence, rather than on full contribution record. It demands that age discrimination be ended, and a re-think of the role of older people in the economy and society.

Links to other Associations

After much debate the amalgamation of the two separate organisations, COPAS and AoP, was completed in October and the new organisation, the Occupational Pensioners' Alliance (OPA) was created. It has 39 member associations representing a total of almost a million pensioners. Speaking with one voice, the Alliance will be able to influence government policy on pensions with greater effect. Gordon Williams represents ROPA's interests on the new governing council of 12.

The COPAS regional meetings, which are open to all pensioners, will continue under the new umbrella. The London & SE Region meeting in September was addressed by the new Minister for Work and Pensions, Malcolm Wicks and the officers of OPA have also had a private meeting with the Secretary of State for Work and Pensions, Andrew Smith. OPA will also be actively lobbying for further changes to the proposed Pensions Act to be presented to parliament in the next few months.

All Party Parliamentary Group on Pensioner Incomes

This has been formed on the initiative of Roger Turner, Executive Officer of the Occupational Pensioners' Alliance. The inaugural meeting took place in the House of Commons on 11 November 2003, and Bernard Potter and Gordon Williams attended. Labour MPs were heavily in the majority, but most other parties were represented. Non-parliamentarians included David Laverick, (the Pensions Ombudsman), Rodney Bickerstaffe (President of the National Pensioners' Convention) and several other interested parties such as Help the Aged and Pensioner Associations, so there was a good balance to the discussions. Nevertheless it soon became clear that this APPG intended to concentrate mainly on the state retirement pension(s) and related benefits. For the time being ROPA will maintain an interest in this Group, as the State Pension affects all of us.

The new BAE Pensioners Consultative Committee

As indicated in the Chairman's Annual Report the three ROPA nominees – Rod Rawson, Frank Spencer and Brian Johnson – will be the RO representatives to this committee. The first meeting is scheduled for 2nd March and they will report back to you in our Summer Newsletter. Brian Johnson will also sit on the editorial committee for the Company's "Pension Update" publication. If you would like to suggest future articles, please contact him at: 21, Rectory Close, Croston, Leyland, Lancs. PR26 9SH. Perhaps

someone would like to write about their ROF experiences; it would make a change from page after page of letters about aeroplanes!

The ROPA Website

We indicated in the 2003 Summer Newsletter that the Company and Trustees had sought legal opinion on the content of our website. We now know that the solicitor's advice was to consult ROPA before thinking about possible legal action.

We reviewed and revised the website and asked the Pensions Manager to identify any sections which were incorrect or objectionable to them. We received no reply, so we pressed for a response and were asked to include the following wording on each web-site page – "RO plc, BAE Systems and the scheme trustees have not edited this web-site. They disagree with some of the content and opinions expressed by ROPA". We politely declined to do as requested and again asked them to detail their concerns. Again we received no reply, but at a recent meeting we were told that "one or two trustees objected to web-site statements that proposals, made by ROPA, had subsequently been adopted by the trustees without any acknowledgement of ROPA's role". They (the one or two trustees) had indicated that they had been thinking along the same lines before we even raised the subjects. We have looked at the references again and are of the opinion that in all cases the Company and the Trustees had ample opportunity to say, "We are considering that already". They did not do so and therefore the references will remain.

ROPA Membership.

An annual subscription of £5 is now due for 2004. Would you please send your payment and the tear-off renewal application attached to our Treasurer, at the address shown. Membership of ROPA is seen by your Council as being extremely important, and we urge you to persuade any ex-colleagues you are in contact with to join.

ROPA is committed to protect our scheme benefits, seek improvements when possible and to making our views known at Company and Government level.

E-mails.

Some members have experienced difficulties in downloading newsletters and reports as attachments to E-mails. We have therefore decided to only send out manuscript copies of this report. We will however send out future correspondence to those members who indicate on their subscription form that they can download attachments in portable document format (pdf). If you have not got the software necessary to read such documents, it can be downloaded free of charge from the Adobe website (www.adobe.co.uk), simply click on "Get Adobe Reader" and follow the instructions.

Brian Johnson
Chairman.

Bernard Potter
Secretary

Annual General Meeting

ROPA's sixth AGM will be held at the Proprietary Bowls Club in Nottingham on Wednesday, 7th April 2004, commencing at 11.00hrs. Anyone wishing to attend should complete and return the tear-off slip attached before the end of February. The Agenda, papers and directions to the venue will be sent out in March.

Members are reminded that formal motions to be proposed at the meeting must be submitted to the Secretary by the 1st March, signed by the Proposer and Seconder

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Annual General Meeting

I would like to attend the ROPA AGM at the Proprietary Bowls Club in Nottingham on Wednesday, 7th April 2004.

Name.....

Address.....

Please return to Mr. N. Cowdrey, ROPA Treasurer, 13 Burns Drive, Crewe, CW1 5JP.

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Subscription Payment for 2004

I enclose a PO / Cheque for £5 (payable to ROPA).

Name.....

Address.....

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I am happy to receive future reports (in pdf) from ROPA by E-mail. Yes No

My E-mail address is -.....

Please return to Mr. N. Cowdrey, ROPA Treasurer, 13 Burns Drive, Crewe, CW1 5JP.