

Chairman's Report

On behalf of the ROPA Council, may I wish each and every one of you a very happy and trouble free New Year.

A couple of months ago, I placed a message to members on the ROPA website under the heading of "Troubled Times". This gave my personal thoughts about the financial crisis, the rising levels of inflation at the time and the spectre of a looming worldwide recession. Regrettably, many of our greatest fears have come to fruition or worse and, for those of you still working, the risk of a major rise in unemployment in the UK and possible job loss in the coming year will be causing concern. In October, the Governor of the Bank of England, Mervyn King, commenting on the growing financial crisis said that "the past 2 weeks have been somewhat too exciting, a little boredom would be a good thing." It seems strange to be hoping for boredom but the past year has certainly been a bit too frenetic and Mr King did not get his wish!

As RO pensioners, we may be able to escape the worst effects of the financial crisis but it remains worrying as it could affect our families and thus each of us indirectly. In my role as an Adviser for Citizens Advice, I see more and more clients with serious debt problems which will undoubtedly be exacerbated if they or a partner or both were to lose their jobs. Government help in the form of mortgage rescue packages, debt relief and in requiring lenders to delay house

repossessions ought to help at least in the short term. Let us all hope that the recession does not turn out to be as bad as many are predicting and that it is only a short-term event.

Of particular interest in the next year or two will be how the Board of Trustees thinks the Pension Fund ought to be invested in the future i.e. the split between equities and bonds etc. Your Council continues to monitor developments in these areas on behalf of all members.

(There is) ... "no reason to believe payment of your pension is at all threatened but we do live in troubled times and it is accordingly imperative that ROPA, the only independent representative of RO pensioners, remains strong and united, and is able to speak to the company on your behalf."

Turning to the parent company, it is well known that BAE Systems is now a major supplier in the USA to the US Department of Defense and certain commentators have speculated during the year that BAE Systems might become a primarily US company in future. What that might mean for the future

security of our Pension Fund is something the ROPA Council is watching very closely.

I have no reason to believe payment of your pension is at all threatened but we do live in troubled times and it is accordingly imperative that ROPA, the only independent representative of RO pensioners, remains strong and united, and is able to speak to the company on your behalf.

Finally, a word of apology: I understand that a number of copies of the last Newsletter were wrongly addressed and this caused some consternation amongst the members affected. I should like to apologise for this error which has now been addressed.

Eric Goulding

Up for Sale?

A number of events in 2008 provoked some head-scratching, particularly the rumours circulating in the summer about a possible sale of the Royal Ordnance part of BAE Systems which might have included the pension scheme. This situation arose following the success of the Land Systems business in winning a major munitions order from the UK MoD. In the light of these concerns, Chairman of ROPA sought on your behalf assurances that there was no substance to these rumours. Acting in concert, the Networkers also questioned it, our Joint Pensioner Consultative Committee representatives (Rod Rawson, Frank Spencer and Brian Johnson) pursued it at the JPC and Brian Johnson also raised it at the Trustee Board. The Chairman of the RO Pension Fund Trustees has since confirmed that no discussions have taken place with potential buyers and said "It is unrealistic to contemplate the transfer of the RO Pension Fund with the divestment of any part of BAE Systems (other than the sale of BAE Systems plc itself)." This assurance is very welcome to us all

Report from Brian Johnson, Pensioner Nominated Trustee.

In my report for the summer newsletter, I made reference to the 31.12.2007 triennial review and indicated that "there is no doubt that the fund will still be in deficit". You will all have recently received a letter from Malcolm Green, Chairman of the Trustee Board, indicating that the review revealed a funding deficit at 31.12.2007 of £103m and detailing the 10-year recovery programme agreed with the Company. You will not be surprised to hear that since the review date the value of the fund's assets has fallen. Like any other corner of the World economy the fund has suffered from credit crunch and recessionary influences. In particular the equity and property investments have suffered. I must stress however that there is no suggestion of pensions in payment being affected. The scheme has the backing of a company which is riding the current economic storm very well and the Trustee Board are considering the opportunities for future investment changes. As a long term advocate of moving funds out of equities

into gilts, bonds and other less risky investments, I could say "I told you so", but I believe the message has now gone home and we should now see a gradual move to an investment strategy which is more appropriate to a "mature" scheme (i.e. one which is closed to new entrants and which has far more pensioners than contributing members).

Brian Johnson

Member Nominated Trustees

In the July newsletter we reported that Malcolm Phillis, the ROPA Nottingham Secretary was using the scheme's dispute procedure to complain that the trustees had acted unfairly in deciding that there should be five (now reduced to three) employee nominated trustees but only one pensioner nominee. After a lengthy delay Malcolm has been advised that his submission to the trustees has been rejected. He is now in the process of seeking the assistance of The Pensions Advisory Service in preparing a submission to the Pensions Regulator. You may have noticed in the recent *PensionsUpdate* the publication of the ballot results for the employee nominated trustees. The ballot was limited to the 1,400 employee members with each member able to exercise three votes. The three successful candidates polled 730 votes between them. So much for employee interest in their pension scheme. When Brian Johnson was elected to the JPC (the ballot was limited to the North of England and Scotland), over 1100 pensioners voted and Brian received over 800 votes. The whole process for determining our MNTs does not seem very fair and democratic to us.

Pensions Increase for 2009

The increase in pensions from 6.4.2009 is determined by the Retail Price Index (RPI) for September 2008. It will be 5%. In the past some members have expressed the view that governments have manipulated the index to give a low figure – state pensions are also based on this figure. Well this year RPI peaked in September and over the following two months it fell to 3%. So a good increase for 2009 but if inflation continues to fall the increase in 2010 might

be next to nothing. If we have deflation (e.g. -1%) the good news is that pensions are not reduced.

Links Report

ROPA's concerns on scheme governance are shared by others. A survey conducted by the OPA published in the pensions press found that as many as 32% of its member schemes did not consider that their present arrangements for nominating and selecting MNTs were "fair, transparent and proportionate" as required by the Code of Practice.

Pensioner members were often found to be restricted from becoming MNTs by the manipulation of the nominating constituencies.

The OPA has suggested that any alleged recruitment difficulties for MNTs could be best addressed by utilising more of the recently retired members. These members very often make the best trustees because, in contrast with the active members, they have the time necessary to acquire the degree of knowledge and understanding required.

The OPA also advocates improving scheme governance by encouraging the appointment of an independent chairman.

Furthermore believes that it is not fair that in many schemes deferred members cannot become involved in the nomination of trustees.

Gordon Williams

Annual General Meeting

The ROPA Annual General Meeting will be held at Alsager Golf Club (near Radway Green) at 11.00am on Thursday, 23rd April 2009.

Anyone wishing to attend should complete the tear-off slip below and send it to the address shown before 1st March 2009. The agenda and directions to the Golf Club will be issued 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.

Annual Subscription

The last Annual General Meeting approved a £5 subscription for 2009. This is now due and members who do not pay by standing order or bank transfer should complete the form attached and send it together with their remittance to the Treasurer at the address shown.



Subscription Payment for 2009

Name.....

Address.....

.....Tel No:

Please select one of the following three options:

- I enclose a cheque or Postal Order for £5 payable to ROPA.
- I would prefer to pay by Standing Order
- I would prefer to pay by internet bank transfer

Also:

- I am happy to receive future newsletters (in pdf) from ROPA by E-mail. My E-mail address is –
.....

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

✂-----



Annual General Meeting

I would like to attend the ROPA AGM at the Alsager Golf Club on Thursday, 23rd April 2009 commencing at 11.00am.

Name.....

Address.....

.....

Please return to Norman Cowdrey, ROPA Treasurer, 13 Burns Drive, Crewe, CW1 5JP