

11.11.11



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UKAEA Ltd  
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Oxfordshire  
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3 November 2011

Ref: BS/KLH

Direct line: 0161 333 2915

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Email: [khancox@uk.ey.com](mailto:khancox@uk.ey.com)

Dear Tristan

**GPS Pension Scheme – year ended 31 March 2011**

Please find enclosed a copy of the Annual Report for the year ended 31 March 2011, duly signed. We have retained one copy for our records.

Thank you for your assistance during the audit.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'KHANCOX'.

Karen Hancox  
Audit Manager



# GPS PENSION SCHEME

## ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2011

Scheme registration number: 10211128

# **GPS Pension Scheme Annual Report For the year ended 31 March 2011**

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# GPS Pension Scheme

## Scheme Advisers and Principal Employer

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<b>Trustee</b>	GPS Pension Scheme Trustee Company Ltd Herdus House Ingwell Drive Westlakes Science & Technology Park Moor Row Cumbria CA24 3HU  Company number 6501678
<b>Trustee Directors</b>	P Vaughan <sup>(1)</sup> (Chair from 1 April 2010) J Bamforth <sup>(2)</sup> T Cooper <sup>(1)</sup> J Ford <sup>(2)</sup> J McLaughlin <sup>(1)</sup> (appointed 1 April 2010)  (1) Appointed by principal employer (2) Appointed by members
<b>Scheme Actuary</b>	Paul Middleman FIA Mercer Limited
<b>Investment Managers</b>	Insight Investment Management (Global) Ltd MFS International (UK) Ltd Legal and General Investment Management BlackRock Investment Management (UK) Ltd (appointed April 2011) Threadneedle Investment Services Ltd (appointed April 2011) Prudential Assurance Company Ltd (DC Section)
<b>Legal Adviser</b>	Sacker and Partners LLP
<b>Investment Adviser</b>	Towers Watson
<b>Secretary to the Trustee</b>	Babcock International Group Ltd
<b>Independent Auditor</b>	Ernst & Young LLP
<b>Additional Voluntary Contribution Provider</b>	Prudential Assurance Company Limited
<b>Scheme Administrators</b>	Babcock International Group Ltd Prudential Assurance Company Ltd (DC Section)
<b>Banker</b>	Royal Bank of Scotland plc
<b>Principal Employer</b>	Nuclear Decommissioning Authority
<b>Contact for further information and complaints about the Scheme</b>	Babcock International Group Pensions Brims House Forss Business & Technology Park By Thurso Caithness KW14 7UZ

# **GPS Pension Scheme Trustee's Report For the year ended 31 March 2011**

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## **Introduction**

The Trustee of the Scheme is pleased to present its report together with the financial statements for the year ended 31 March 2011. The Scheme, which is predominantly a defined benefit arrangement, includes an Additional Voluntary Contribution (AVC) Scheme, Bonus Waiver Scheme, Shift Pay Pension Plan and Defined Contribution Scheme, which are all defined contribution arrangements. The defined contribution section was introduced on 1 April 2007 and had 51 members at 31 March 2011.

## **Management of the Scheme**

The Scheme is managed by the Trustee Company through the Trustee's board of directors comprising of company nominated and member nominated directors.

As at 31 March 2011 five directors are appointed to the Board; three are selected by the Principal Employer (company nominated directors) and two are selected by the members of the Scheme (member-nominated directors). The company nominated directors are appointed for an indefinite term. One of the three company nominated directors is appointed as Chair of the Trustee. The member-nominated directors are appointed by election of the members, for a fixed period of 4 years and are eligible for re-election at the end of that term.

The Directors of the Trustee Company who held office throughout the year are set out on page 1.

Further information about the Scheme is given in the Member Handbook which is issued to all the relevant members.

## **Principal and Participating Employers**

The Scheme is provided for all eligible employees of the participating employers. Employees of the Principal Employer, NDA, are not eligible to join the Scheme. The participating employers share the cost of administration on a pro-rata membership basis. Details of participating employers can be found on page 4.

## **Changes to the Scheme**

On 1 April 2010 active Springfields Fuels employees participating in SLC Section were transferred to the WEC/UAM Section. This occurred following the change in ownership of Springfields Fuels. A quasi GN16 Certificate was issued by the Actuary to the Scheme confirming that benefits provided for each member at transfer would be, broadly, no less favourable after transfer.

On 1 April 2010, the Project Services Section was merged with the SLC Section. The Trustee received a GN16 Certificate from the Actuary to the Scheme confirming that benefits provided for each member of the Project Services Section prior to merger continued to be, broadly, no less favourable after merger.

These transfers represent transfers between sections of the Scheme. The overall effect on the Net Assets as at 31 March 2011 is Nil.

# **GPS Pension Scheme Trustee's Report For the year ended 31 March 2011**

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## **Proposed Merger of the GPS with the CNPP**

The NDA as sponsoring employer has requested a merger of the GPS and Combined Nuclear Pension Plan (CNPP) in order to achieve cost saving benefits in the administration of the schemes, whilst maintaining the status quo for the GPS members' benefits and protections.

The GPS Trustee is obliged to give proper consideration to the merger proposal. The Trustee can only give its consent to the proposal if it is satisfied that the GPS membership's interests are fully safeguarded. In the context of a merger, this means that the GPS Trustee must satisfy itself that the proposals do not prejudice members' GPS benefits, and that the protections in place for those benefits remain as strong post-merger as pre-merger.

The GPS Trustee will be liaising with the NDA and with the Trustee's advisers in order to address these matters. If after completion of its analysis, the GPS Trustee considers that the interests of the GPS membership are fully protected under the merger proposal, then the Trustee can take into account the interests of the sponsoring employer in seeking to provide benefits in as cost effective a manner as possible.

The Trustee is required to satisfy itself that proper consultation takes place between employers and employees, and to take account of any members' concerns which are raised as part of its ongoing considerations on the merger proposal. The GPS Trustee's final decision on whether to merge or not will only be taken once all the above processes are complete.

## **Sectionalisation**

The Scheme is sectionalised and each participating employer or associated group of participating employers has their own discrete section of the Scheme. Assets continue to be held by the three current investment managers and fees are calculated as if the funds were one. However, the assets are deemed to belong to specific sections and as such are not available to any other section. All financial transactions have been allocated to the appropriate section of the Scheme, and separate cash books and records maintained.

The Trustee agreed to the formal sectionalisation of the Scheme's investments with the investment managers managing each section's assets separately under the fund umbrella. This exercise was completed in June 2010.

# GPS Pension Scheme Trustee's Report For the year ended 31 March 2011

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## Participating Employers

Section Lead Employer	Section	Other employers in the section
NNL	Nexia	None
Sellafield Limited	SLC	Magnox Limited International Nuclear Services Limited Low Level Waste Repository (SLC) Limited
WEC UK Limited	WEC/UAM	Uranium Asset Management Limited Springfields Fuels Limited
Reactor Sites Management Company Limited	Reactor Sites	None
Direct Rail Services Limited	DRS	None

As part of the discussions with the NDA, the Trustee agreed to the creation of a 'Defined Contribution' structure within the Scheme. As such, each newly created section of the Scheme has the ability to admit new members on a defined contribution membership basis. The GPS defined contribution structure has been set up to mirror the defined contribution structure set up by the NDA in the Combined Nuclear Pension Plan (CNPP).

Springfields Fuels Limited transferred participation from the SLC Section to the WEC/UAM Section with effect from 1 April 2010. Benefits for members were transferred on a compulsory basis. The Actuary issued a quasi GN16 Certificate certifying that benefits for members were no less favourable upon transfer.

## Pensions Protection Fund

The 2010/11 Pension Protection Fund (PPF) Levy amounting to £151,092 and was paid by the employers. Individual levies have been funded by the participating employers.

## Financial development and actuarial status

The financial statements on pages 25 to 35 have been prepared and audited in accordance with the Regulations made under Sections 41 (1) and (6) of the Pensions Act 1995.

The actuarial position of the Scheme is disclosed in the triennial Actuarial Valuation Report as at April 2010.

## Scheme Funding Valuation

The last formal valuation was in April 2010, the results of which will be conveyed in the Summary Funding Statements to be issued to members later in 2011. Further details on the 2010 valuation can be provided upon request.

The Scheme's Summary Funding Statements have been appended after page 40.

**GPS Pension Scheme  
Trustee's Report  
For the year ended 31 March 2011**

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**Employer DB Normal Contributions as a Percentage of Members' Pensionable Earnings**

<b>Section</b>	<b>DB Contribution</b>
SLC	20.0%
DRS	24.1%
NNL	27.6%
Reactor Sites PBO	29.9%
WEC/UAM	22.5%

The current Schedules of Contributions for each section have been certified as adequate to meet the Scheme Specific Funding Requirement. The relevant certificates are included in this Annual Report.

**Employer DC Normal Contributions – linked to contribution chosen by member**

Employee (as a percentage of Pensionable Pay)	3%	Employer (as a percentage of Pensionable Pay)	8%
	4%		9.5%
	5%		11%
	6%		12.5%
	7% or more		13.5%

The Scheme's next full three-yearly actuarial valuation is due as at 31 March 2013.

**GPS Pension Scheme  
Trustee's Report  
For the year ended 31 March 2011**

**Scheme membership**

	<b>Defined Benefit 2011</b>	<b>Defined Contribution 2011</b>	<b>Total 2011</b>	<b>Total 2010</b>
<b>Active members</b>				
At start of year	1,040	40	1,080	1,111
New entrants	10	12	22	17
Active Incorrectly Shown as Deferred in 2010	2	–	2	–
Retirements	(34)	–	(34)	(9)
Deaths in service	(1)	–	(1)	(1)
Leavers with deferred benefits	(73)	(1)	(74)	(18)
Leavers with transfers out/refunds	–	(2)	(2)	–
Leavers with options pending	–	–	–	(20)
<b>At end of year</b>	<b>944</b>	<b>49</b>	<b>993</b>	<b>1,080</b>
<b>Options Pending</b>				
At start of year	–	–	–	4
Adjustment to Opening Number	–	–	–	–
New	–	–	–	20
Now in payment	–	–	–	(10)
Now deferred benefits	–	–	–	(9)
Transfers out/refunds	–	–	–	(5)
<b>At end of year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Deferred Benefits</b>				
At start of year	468	1	469	457
Options pending now deferred benefits	–	–	–	9
New	73	1	74	18
Deferred reverted back to Active member	(2)	–	(2)	–
Now in payment	(8)	–	(8)	(14)
Transfers out/refunds	(3)	–	(3)	(1)
Deaths	(1)	–	(1)	–
<b>At end of year</b>	<b>527</b>	<b>2</b>	<b>529</b>	<b>469</b>
<b>Pensioners</b>				
At start of year	222	–	222	192
Retirements	34	–	34	9
Deferred benefits now in payment	8	–	8	14
Options pending now in payment	–	–	–	9
Child ceased/deaths	(1)	–	(1)	(2)
<b>At end of year</b>	<b>263</b>	<b>–</b>	<b>263</b>	<b>222</b>
<b>Dependants</b>				
At start of year	23	–	23	22
New	5	–	5	2
Deaths	(1)	–	(1)	(1)
<b>At end of year</b>	<b>27</b>	<b>–</b>	<b>27</b>	<b>23</b>
<b>Total membership at end of year</b>	<b>1,761</b>	<b>51</b>	<b>1,812</b>	<b>1,794</b>

# **GPS Pension Scheme Trustee's Report For the year ended 31 March 2011**

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Dependants include individuals receiving a pension upon the death of their spouse or adult dependants or childrens pension.

## **Custodial arrangements**

The Scheme invests in Managed Funds. Custodians for each of the asset managers are as follows:

Legal and General Investment Management	HSBC, Euroclear Citigroup
Insight Investment Managers (Global) Limited	Northern Trust Company
MFS International (UK) Limited	State Street Bank Luxembourg S.A.

The Trustee is responsible for ensuring that the Scheme's assets continue to be securely held.

The Royal Bank of Scotland has been appointed by the Trustee as custodian of the cash held in connection with the administration of the Scheme carried out by Babcock International Group.

The Trustee's more detailed investment report, covering investment performance during the year, is set out on pages 9 to 22.

## **Discontinuance of the Scheme**

If the Scheme is discontinued, the assets will be used for securing the benefits of the members and beneficiaries and their dependants in accordance with the Trust Deed and Rules and the relevant legislation. If there are insufficient assets to provide the specified benefits, the shortfall may in certain circumstances become a liability of the relevant section's participating employers.

## **Statement of Trustee's Responsibilities**

The Scheme's Trustee is responsible for obtaining audited financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for making available certain other information about the Scheme in the form of an Annual Report.

The financial statements are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of that year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year, and
- contain the information specified in the Schedule to The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice 'Financial Reports of Pension Schemes' (Revised May 2007).

**GPS Pension Scheme  
Trustee's Report  
For the year ended 31 March 2011**

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The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

The Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of normal contributions payable towards the Scheme by or on behalf of the employers and the active members of the Scheme and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the Employer, in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the Members.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Signed on behalf of the GPS Pension Scheme Trustee Company Limited.

..... P. A. Van ..... Trustee Director

Date 20/10/2011

..... T. Coffey ..... Trustee Director/Secretary

Date 20/10/2011

# GPS Pension Scheme

## Investment Report

### For the year ended 31 March 2011

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#### General

All investments, except AVCs, Bonus Waiver, Shift Pay Pension Plan and Defined Contribution Funds, have been managed during the year under review by Insight Investment Management (Global) Limited, MFS International (UK) Limited and Legal and General Investment Management.

Following the year-end, two additional managers, Threadneedle Asset Management and BlackRock Advisors were appointed to manage UK property and diversified growth fund mandates, respectively.

The Scheme's investment strategy is agreed by the Trustee after taking appropriate advice from the Investment Adviser. The investment strategy specifies the target proportions of the fund which should be invested in the principal market sectors. It is the responsibility of the Investment Managers to manage the Scheme's assets day to day and to invest within the confines of the agreed investment strategy. The management of the Scheme's assets at 31 March 2011 was split as follows:

	<b>Legal &amp; General Investment Management</b>	<b>Insight Investment Management (Global)</b>	<b>MFS International (UK) Limited</b>
Role	Passive Multi Asset	Bonds	Overseas Equities
Proportion of assets	32.3%	43.1%	24.6%

The Scheme's strategy, which applies to all sections, as at 31 March 2011 is outlined below:

<b>Asset Class</b>	<b>Total %</b>	<b>Ranges</b>	<b>Benchmark Index</b>
UK Equities	24.0	+/-5	FTSE All Share Index
Overseas Equities	26.0	+/-5	FTSE W US Index (35%), FTSE AW Developed Europe (ex UK) Index (35%), FTSE W Japan Index (20%) and FTSE AW Developed Asia Pacific (ex Japan) Index (10%).
North America	8.5		FTSE W USA Index
Europe (ex UK)	8.5		FTSE AW Developed Europe (ex UK) Index
Japan	6.0		FTSE W Japan Index
Pacific Basin	3.0		FTSE AW Developed Asia Pacific (ex Japan) Index
Bonds	50.0	+/-5	
Index Linked Gilts	17.5		FTSE A UK Index Linked Gilts Over 5 Year Index
Fixed Interest Gilts	12.5		FTSE A UK Fixed Interest Gilts All Stocks Index
Corporate Bonds	20.0		iBoxx £ Non Gilts Bond All Maturities Index

Legal & General Investment Management, the passive manager is responsible for maintaining the overall asset allocation within given ranges.

AVCs, Bonus Waiver, the Shift Pay Plan and Defined Contribution funds are managed by the Prudential Assurance Company Limited.

# **GPS Pension Scheme Investment Report For the year ended 31 March 2011**

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## **Investment principles**

The Trustee has produced a Statement of Investment Principles in accordance with Section 35 of the Pensions Act 1995 (as amended). The latest Statement of Investment Principles was issued in October 2009. A copy of the Statement is available to all members on request. Post year end, the Statement of Investment Principles was subsequently revised and is in the process of being agreed by the Trustee and the Principal Employer. The main priority of the Trustee when considering the investment policy is to ensure that the commitments made about members' benefits may be fulfilled.

Investments are spread, both by type of investment (equities and bonds) and geographically to reduce the risk of a sharp fall in one particular market having a substantial impact on the whole fund.

## **Twelve Month Market Commentary to 31 March 2011**

### *Market background*

### *Market background*

Over the twelve months to 31 March 2011, economic growth has been largely positive. The recovery of the real economy seemed to slow down at the beginning of the period, raising concerns that the economy could fall back into recession (a "double dip"). Nevertheless, real GDP continued to grow over the period as monetary policy remained loose, emerging markets exhibited strong economic performance and volatility in the financial markets subsided. The investment landscape was dominated by concerns around the sovereign debt crises in peripheral Europe, high unemployment, rising inflation and political unrest in various middle eastern countries. These geopolitical risks together with risks from rising commodity prices were particularly pronounced during the first quarter of 2011.

### *Equity markets*

Global equity markets generally rose over the year, with the FTSE All-World Index delivering a return of 8.4% (in sterling terms). The Asia-Pacific (ex Japan) region and emerging markets delivered the strongest performance with returns of around 14% and 12% respectively (as measured by FTSE). Much of the growth in emerging markets was attributable to the so called "BRIC" nations (Brazil, Russia, India, China), highlighting their importance to institutional investors and economists as centres of economic growth. Japan was the only major equity market to deliver a negative return over the year (-4.0% in sterling terms as measured by FTSE) driven by the damage and disruption caused by the Tohoku earthquake in March 2011.

In terms of UK equities, the FTSE All-Share Index returned 8.7% over the year. However, medium and small companies delivered much stronger returns with the FTSE 250 Index returning 16.7% and the FTSE SmallCap Index returning 14.5%.

### *Bond markets*

Major bond markets produced positive returns over the year. In the UK, corporate bonds returned 5.2% (as measured by the iBoxx Sterling Non-Gilts Index), but were held back by investors' concerns over Europe's sovereign debt crisis and the potential impact on the economic recovery. Index-linked gilts returned 6.5% outperforming fixed interest gilts which return 5.2% (both

## **GPS Pension Scheme Investment Report For the year ended 31 March 2011**

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measured by FTSE), as investors sought protection from the risk of rising inflation. Emerging market debt and high yield bonds generated the highest returns.

### *Alternative investment markets*

The UK property market continued to recover over the year as investor confidence rose. Rental growth fears subsided and yields stabilized with UK commercial property returning 10.7% for the period, as measured by the IPD Monthly Index.

### **Total Scheme – Investment Performance**

The Scheme's total fund performance is a reflection of the total assets of the Scheme excluding AVC, Bonus Waiver, Shift Pay Plan and Defined Contribution investments and cash held on account. The Scheme's overall performance for periods to 31 March 2011 is set out in the table below:

	<b>Investment Return</b>	
	<b>1 year to 31/03/2011</b>	<b>3 years to 31/03/2011</b>
	<b>%</b>	<b>% p.a.</b>
Scheme	7.1	8.1
Benchmark	7.0	6.5
Relative to benchmark	0.1	1.6

# GPS Pension Scheme Investment Report For the year ended 31 March 2011

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## Insight Investment Management (Global) Limited Investment Report for the year ended 31 March 2011

The Scheme invests its bond assets with Insight Investment Management Limited indirectly via investment in a range of Clerical Medical Pooled Funds where the management of the underlying assets are delegated to Insight. Part way through the year, Insight proposed that the Scheme's bond investments were switched to an alternative pooled fund structure whereby investment was made directly in an Insight compliant fund, access to these funds being via an Open Ended Investment Company (OEIC). The fund offered under the OEIC structure was identical to that currently operated by Clerical Medical. In October 2009, the Trustee consented to a transfer of the bond portfolio as proposed by Insight. Insight's responsibility for the management of the Scheme's assets are unchanged. Insight Investment Management Limited are authorised and regulated by the FSA and are part of BNY Mellon.

The GPS Pension Scheme is managed by Insight Investment according to a fixed income scheme specific benchmark set by the Trustee which allows the scheme to have its own tailored investment strategy within the Insight pooled fund service. The GPS Pension Scheme holds units in the funds listed in the table below.

- UK Index Linked Funds
- UK Government Bond All Maturities
- UK Corporate Bond All Maturities

Units are usually realisable daily.

### *Performance Objective*

To outperform the benchmark by 0.9% per annum gross of fees over rolling three year periods.

### *Investment Guidelines*

The table below outlines the investment guidelines as at 31 March 2011.

<b>Investment</b>	<b>Central Target %</b>	<b>Permitted Range %</b>	<b>Benchmark Index</b>
Index-Linked Gilts	35.0	25-45	FTSE A Index Linked Gilts (Over 5 Years)
Fixed Interest Gilts	25.0	15-35	FTSE A Fixed Gilts All-Stock
Corporate Bonds	40.0	30-50	iBoxx £ Non-Government All Maturities Index

### *Asset Value*

On 31 March 2011 the GPS Pension Scheme had a total realisable value of £188.1 million with Insight Investment Management (Global) Limited.

# GPS Pension Scheme

## Investment Report

### For the year ended 31 March 2011

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#### *Fund Activity*

Much of the performance came from the index-linked bonds segment of the portfolio as the inflation pressures grew across the emerging and developed economies, with strong gains in oil and other commodity prices over the period. Duration and yield curve positioning were managed tactically, with both positive for performance. We reduced exposure to European credit and focused more on emerging market debt in the index-linked segment of the Fund.

In our view, emerging markets not only represent a good source of portfolio diversification but also look attractive on macroeconomic fundamentals at current yields. We expect local currency emerging market bond markets to act as a safe haven while the eurozone sovereign crisis continues. Furthermore, as many emerging market countries have already increased interest rates, there is scope for these markets to rally.

Corporate bonds also performed well, despite severe bouts of market dislocation as concerns over the fiscal deficits and funding requirements of Greece and other peripheral eurozone countries gathered pace. Overweight positions in transport, basic industrials and property lifted relative returns, with the sectors offering attractive valuations and likely to benefit from a cyclical upswing in the global economy.

Towards the end of the period under review, the Fund had a bias to US credit. Returns also benefited from exposure to emerging market bonds, with flows to emerging market debt holding up well in late 2010 and early 2011 as investors looked to reallocated funds from troubled developed markets. Within government bonds, yield curve positioning was generally neutral for performance.

The Fund's overweight position in long-dated government bonds and underweight in short-dated bonds hurt relative returns as the prospects of an interest rate rise in the UK and US receded over the year on weakening economic data. In terms of currencies, overweight exposure to the Australian dollar, Canadian dollar and emerging market currencies while being underweight the US dollar was positive for performance.

#### *Investment Funds Performance*

The rate of return on the Bond Funds are calculated on an offer to offer basis, gross of management charges and according to the movement in the Single Unit Price. The returns for the periods to 31 March are as follows:

<b>Investment SLC Section</b>	<b>3 months to 31/03/2011</b>	<b>1 year to 31/03/2011</b>	<b>3 years to 31/03/2011</b>
	<b>%</b>	<b>%</b>	<b>%</b>
UK Corporate All Maturities Fund – Portfolio	1.94	6.14	7.85
UK Corporate All Maturities Fund - Benchmark	0.91	5.21	6.09
UK Government All Maturities Fund - Portfolio	-0.40	5.56	6.46
UK Government All Maturities Fund - Benchmark	-0.79	5.16	5.35
UK Index-Linked - Portfolio	-0.20	7.36	7.62
UK Index-Linked - Benchmark	-0.21	6.69	4.60
<b>Total Portfolio</b>	<b>0.60</b>	<b>6.43</b>	<b>7.86</b>
<b>Total Benchmark</b>	<b>0.09</b>	<b>5.75</b>	<b>5.86</b>

**GPS Pension Scheme  
Investment Report  
For the year ended 31 March 2011**

<b>Investment RSMC Section</b>	<b>3 months to 31/03/2011 %</b>	<b>1 year to 31/03/2011 %</b>	<b>3 years to 31/03/2011 %</b>
UK Corporate All Maturities Fund – Portfolio	1.94	6.14	7.85
UK Corporate All Maturities Fund - Benchmark	0.91	5.21	6.09
UK Government All Maturities Fund - Portfolio	-0.40	5.56	6.46
UK Government All Maturities Fund - Benchmark	-0.79	5.16	5.35
UK Index-Linked - Portfolio	-0.20	7.36	7.62
UK Index-Linked - Benchmark	-0.21	6.69	4.60
<b>Total Portfolio</b>	<b>0.59</b>	<b>6.43</b>	<b>7.86</b>
<b>Total Benchmark</b>	<b>0.09</b>	<b>5.75</b>	<b>5.86</b>

<b>Investment DRS Section</b>	<b>3 months to 31/03/2011 %</b>	<b>1 year to 31/03/2011 %</b>	<b>3 years to 31/03/2011 %</b>
UK Corporate All Maturities Fund – Portfolio	1.94	6.10	7.90
UK Corporate All Maturities Fund - Benchmark	0.91	5.20	6.10
UK Government All Maturities Fund - Portfolio	-0.40	5.60	6.50
UK Government All Maturities Fund - Benchmark	-0.79	5.20	5.40
UK Index-Linked - Portfolio	-0.20	7.40	7.60
UK Index-Linked - Benchmark	-0.21	6.70	4.60
<b>Total Portfolio</b>	<b>0.60</b>	<b>6.40</b>	<b>7.90</b>
<b>Total Benchmark</b>	<b>0.09</b>	<b>5.80</b>	<b>5.90</b>

<b>Investment NNL Section</b>	<b>3 months to 31/03/2011 %</b>	<b>1 year to 31/03/2011 %</b>	<b>3 years to 31/03/2011 %</b>
UK Corporate All Maturities Fund – Portfolio	1.90	6.10	7.90
UK Corporate All Maturities Fund - Benchmark	0.90	5.20	6.10
UK Government All Maturities Fund - Portfolio	-0.40	5.60	6.50
UK Government All Maturities Fund - Benchmark	-0.80	5.20	5.50
UK Index-Linked - Portfolio	-0.20	7.40	7.70
UK Index-Linked - Benchmark	-0.21	6.70	4.60
<b>Total Portfolio</b>	<b>0.59</b>	<b>6.40</b>	<b>7.90</b>
<b>Total Benchmark</b>	<b>0.09</b>	<b>5.80</b>	<b>5.90</b>

**GPS Pension Scheme  
Investment Report  
For the year ended 31 March 2011**

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<b>Investment SLC Section</b>	<b>3 months to 31/03/2011 %</b>	<b>1 year to 31/03/2011 %</b>	<b>3 years to 31/03/2011 %</b>
UK Corporate All Maturities Fund – Portfolio	1.94	6.10	7.85
UK Corporate All Maturities Fund - Benchmark	0.91	5.20	6.10
UK Government All Maturities Fund - Portfolio	-0.40	5.60	6.50
UK Government All Maturities Fund - Benchmark	-0.79	5.20	5.40
UK Index-Linked - Portfolio	-0.20	7.40	7.60
UK Index-Linked - Benchmark	-0.21	6.70	4.60
Total Portfolio	0.60	6.40	7.90
Total Benchmark	0.09	5.80	5.90

Source: Insight Investment

# GPS Pension Scheme Investment Report For the year ended 31 March 2011

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## MFS International (UK) Limited Investment Report for the year ended 31st March 2011

### *Strategy*

MFS maintains a disciplined investment approach, based on the belief that stocks which provide sustainable, above-average earnings growth and trade at a discount to their expected growth rates should outperform the market. We believe fundamental bottom-up research is the best method of identifying such stocks. Although we are benchmark aware, our sector and country weightings are a by-product of this bottom-up stock selection process.

### *Performance Objective*

To outperform the benchmark return by 2.0% per annum, gross of fees, over rolling three year periods.

The benchmark index for MFS is a composite of the FTSE W US Index (35%), FTSE AW Developed Europe (ex UK) Index (35%), FTSE W Japan Index (20%) and FTSE AW Developed Asia Pacific (ex Japan) Index (10%).

### *Asset Value*

At 31st March 2011, the value of the Scheme's investments was £107.3 million. At 31st March 2011, the distribution of the Fund was as follows:

<b>Asset Class</b>	<b>% of Fund</b>
North American Equities	51.6
European (ex-UK) Equities	39.1
Japanese Equities	5.1
Pacific (ex-Japan) Equities	0.4
Emerging Markets Equities	2.9
Cash	0.9
	<hr/>
	100.0

### *Investment Fund Performance*

The performance of the GPS Pension Scheme for period ending 31st March 2011 was as follows:

	<b>Fund (% p.a.)<sup>(1)</sup></b>	<b>Benchmark (% p.a.)<sup>(2)</sup></b>
3 Months to 31 March 2011	+1.65	+1.91
12 Months to 31 March 2011	+7.87	+6.63
Since inception to 31 March 2011 <sup>(3)</sup>	+9.26	+6.41

(1) Fund returns are shown gross of fees

(2) Benchmark is a fixed weight blend of 4 FTSE All World indices: 35% Europe ex UK, 35% US, 20% Japan, 10% Asia Pacific ex Japan

(3) Inception date was 17th November 2005, returns are annualised

Source: MFS

### *Fund Activity*

# **GPS Pension Scheme Investment Report For the year ended 31 March 2011**

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Over the year to 31st March 2011, the portfolio outperformed the benchmark return. Our underweight position and stock selection in financial services as well as stock selection in retailing added value. Conversely, our overweight position in health care detracted from relative performance over the year.

As at 31st March 2011, the top ten holdings within the Fund were as follows:

<b> Holding</b>	<b> % of Fund</b>
Nestlé	3.5
Linde	3.4
Heineken	3.0
Walt Disney	2.6
Oracle	2.2
Schneider	2.2
3M	2.1
State Street	2.1
BoNYM	2.0
Canadian National Railway	2.0
	<hr/>
	25.1

# GPS Pension Scheme Investment Report For the year ended 31 March 2011

## Legal and General Investment Management Investment Report for the year ended 31 March 2011

Some assets of the Scheme are invested in an insurance policy with Legal & General Assurance (Pensions Management) Limited, part of the Legal & General Group, which is one of the largest financial institutions in the United Kingdom.

The policy is designed for corporate and public sector Pension Schemes and takes full advantage of the tax exemptions available to an insurance policy of this type. It is a unitised policy and the value of the units fluctuates directly in relation to the value of the underlying assets. All units are redeemable at bid prices that are calculated from independent, external pricing sources. The assets underlying the units are held by independent corporate custodians which are regularly reviewed by external auditors.

### *Performance Objective*

Legal & General's investment objective is to maintain the Scheme's distribution, allowing for the assets managed by Insight and MFS close to the benchmark and within the ranges shown below. Changes to the distribution of the funds (which are sections within the policy) are achieved by the application of cash flows and, if necessary, by switches between the investment sector funds.

Legal & General also has an objective of tracking to a reasonable degree the underlying index within each of their own Funds that the Scheme invests in.

### *Investment Guidelines*

The Funds invested in by Legal & General are outlined in the next table. The central benchmark that Legal & General managed against was outlined earlier in this report.

### *Asset Value*

The value of the units held under the policy at the beginning and end of the reporting period, on a middle market price basis were:

Investment Sector	At 1 April 2011		At 1 April 2010	
	Value	Distribution	Value	Distribution
<i>Mid Market prices</i>	£000	%	£000	%
UK Equity Index	105,620	74.9	96,455	75.4
North America Equity Index	5,193	3.68	4,737	3.70
Europe (ex UK) Equity Index	4,437	3.15	4,133	3.23
Japan Equity Index	6,845	4.85	7,116	5.56
Asia Pac exJap Dev Eqty Index	5,131	3.64	4,484	3.50
Overseas Equities	21,606	15.32	20,470	15.99
All Stocks Gilts Index	2,984	2.12	2,730	2.13
Invnt Grade Cp Bnd All Stks Ind	6,075	4.31	4,671	3.65
Over 5y Index-Linked Gilts	4,728	3.35	3,623	2.83
Bonds	13,787	9.78	11,024	8.61
<b>Total Assets</b>	<b>141,013</b>	<b>100.00</b>	<b>127,949</b>	<b>100.0</b>

# GPS Pension Scheme

## Investment Report

### For the year ended 31 March 2011

On 9 June 2011, the investments were split into five separate managed funds corresponding to each section. The following tables show the closing asset value per section.

SLC Section Investment Sector	At 1 April 2011	
	Value	Distribution
<i>Mid Market prices</i>	£000	%
UK Equity Index	88,848	75.29
North America Equity Index	4,385	3.72
Europe (ex UK) Equity Index	3,746	3.17
Japan Equity Index	5,781	4.90
Asia Pac exJap Dev Eqty Index	4,335	3.67
Overseas Equities	18,247	15.46
All Stocks Gilts Index	2,425	2.06
Invt Grade Cp Bnd All Stks Ind	4,794	4.06
Over 5y Index-Linked Gilts	3,690	3.13
Bonds	10,909	9.25
<b>Total Assets</b>	<b>118,004</b>	<b>100.0</b>

WEC/UAM Section Investment Sector	At 1 April 2011	
	Value	Distribution
<i>Mid Market prices</i>	£000	%
UK Equity Index	5,941	74.1
North America Equity Index	291	3.6
Europe (ex UK) Equity Index	249	3.1
Japan Equity Index	383	4.8
Asia Pac exJap Dev Eqty Index	286	3.6
Overseas Equities	1,209	15.1
All Stocks Gilts Index	166	2.1
Invt Grade Cp Bnd All Stks Ind	392	4.9
Over 5y Index-Linked Gilts	305	3.8
Bonds	863	10.8
<b>Total Assets</b>	<b>8,013</b>	<b>100.0</b>

**GPS Pension Scheme  
Investment Report  
For the year ended 31 March 2011**

<b>DRS Section</b>	<b>At 1 April 2011</b>	
	<b>Value</b>	<b>Distribution</b>
<i>Investment Sector</i>	£000	%
<i>Mid Market prices</i>		
UK Equity Index	7,244	71.4
North America Equity Index	341	3.4
Europe (ex UK) Equity Index	292	2.9
Japan Equity Index	450	4.4
Asia Pac exJap Dev Eqty Index	337	3.3
Overseas Equities	1,420	14.0
All Stocks Gilts Index	294	2.9
Invt Grade Cp Bnd All Stks Ind	646	6.4
Over 5y Index-Linked Gilts	539	5.3
Bonds	1,479	14.6
<b>Total Assets</b>	<b>10,143</b>	<b>100.0</b>

<b>NNL Section</b>	<b>At 1 April 2011</b>	
	<b>Value</b>	<b>Distribution</b>
<i>Investment Sector</i>	£000	%
<i>Mid Market prices</i>		
UK Equity Index	562	74.4
North America Equity Index	28	3.6
Europe (ex UK) Equity Index	24	3.1
Japan Equity Index	36	4.8
Asia Pac exJap Dev Eqty Index	27	3.6
Overseas Equities	115	15.1
All Stocks Gilts Index	15	2.0
Invt Grade Cp Bnd All Stks Ind	35	4.7
Over 5y Index-Linked Gilts	29	3.8
Bonds	79	10.5
<b>Total Assets</b>	<b>756</b>	<b>100.0</b>

**GPS Pension Scheme  
Investment Report  
For the year ended 31 March 2011**

RSMC Section Investment Sector	At 1 April 2011	
	Value	Distribution
<i>Mid Market prices</i>	£000	%
UK Equity Index	3,025	73.8
North America Equity Index	148	3.6
Europe (ex UK) Equity Index	126	3.1
Japan Equity Index	195	4.8
Asia Pac exJap Dev Eqty Index	146	3.6
Overseas Equities	615	15.1
All Stocks Gilts Index	84	2.0
Invt Grade Cp Bnd All Stks Ind	208	5.1
Over 5y Index-Linked Gilts	165	4.0
Bonds	457	11.1
<b>Total Assets</b>	<b>4,097</b>	<b>100.0</b>

Legal & General's market values are calculated from unit prices that were based on market closing prices on the previous working day. The values are at mid price whereas the accounts show the valuation at bid price. The values shown include any activity that took place on the valuation days.

*Performance*

The time-weighted investment returns on the Scheme's assets managed by Legal & General to 31 March 2011 were as follows:

Investment Sector Fund	Last twelve months		Last three years		Last five years	
	Fund %	Index %	Fund %	Index %	Fund %	Index %
UK Equity Index	8.9	8.7	5.7	5.4	3.9	3.7
North America Equity Index	9.6	9.5	10.6	10.5	5.0	4.9
Europe (ex UK) Equity Index	7.4	7.0	3.3	2.8	4.9	4.5
Japan Equity Index	-3.8	-4.0	3.8	3.6	-3.1	-3.3
Asia Pac exJap Dev Eqty Index	14.4	4.0	15.1	14.4	14.9	14.3
All Stocks Gilts Index	5.2	5.2	5.4	5.3	4.8	4.8
Invt Grade Cp Bnd All Stks Ind	5.2	5.2	6.2	6.1	3.8	3.7
Over 5y Index-Linked Gilts	6.8	6.7	4.6	4.6	6.0	5.9
<b>Total Assets</b>	<b>8.0</b>	<b>n/a</b>	<b>6.5</b>	<b>n/a</b>	<b>4.2</b>	<b>n/a</b>

**GPS Pension Scheme  
Investment Report  
For the year ended 31 March 2011**

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**Post Year End Transition of Investments**

Taking advice from the Investment Advisor, the Trustee decided to review its investment strategy at the same time as the triennial actuarial valuation was undertaken. As a consequence, significant changes in the allocation of the Scheme's assets to the various asset classes and investment managers have now taken place. The Scheme's investments have been allocated to each section of the Scheme. This allows the Trustee to focus the investment strategy for each section on the particular needs of that section, and is in line with the approach to funding the Scheme, which is also carried out section by section.

Further details of the post year end transition of investments can be found in Note 10 on page 33.

# **GPS Pension Scheme Independent Auditor's Report to the Trustee For the year ended 31 March 2011**

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## **Independent Auditor's Report to the Trustee of the GPS Pension Scheme**

We have audited the financial statements of the GPS Pension Scheme for the year ended 31 March 2011 which comprise the Fund Account, the Net Assets Statement and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Trustee, as a body, in accordance with Regulation 3(c) of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body, for our audit work, for this report, or the opinions we have formed.

### **Respective responsibilities of Trustee and auditor**

As explained more fully in the Statement of Trustee's Responsibilities set out on pages 7 and 8, the Scheme's Trustees are responsible for the preparation of financial statements which show a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

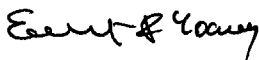
**GPS Pension Scheme  
Independent Auditor's Report to the Trustee  
For the year ended 31 March 2010**

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**Opinion on the financial statements**

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2011, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and,
- contain the information specified in Regulation 3 of, and the Schedule to, The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.



Ernst & Young LLP  
Statutory Auditor  
Manchester

26 OCT 2011

**GPS Pension Scheme  
Fund Account  
For the year ended 31 March 2011**

	Note	Defined Benefit Structure 2011 £000	Defined Contribution Structure 2011 £000	Total 2011 £000	Total 2010 £000
<b>Contributions and benefits</b>					
Contributions receivable	3	18,294	304	18,598	15,737
Transfers in	4	–	–	–	178
Other income	5	64	–	64	55
		<b>18,358</b>	<b>304</b>	<b>18,662</b>	<b>15,970</b>
Benefits payable	6	(7,915)	–	(7,915)	(5,385)
Payments to and on account of leavers	7	(157)	(3)	(160)	(359)
Other expenditure		(1)	–	(1)	(1)
		<b>(8,073)</b>	<b>(3)</b>	<b>(8,076)</b>	<b>(5,745)</b>
<b>Net additions from dealings with members</b>		<b>10,285</b>	<b>301</b>	<b>10,586</b>	<b>10,225</b>
<b>Returns on investments</b>					
Investment income	8	275	–	275	198
Investment management expenses	9	(147)	–	(147)	(115)
Change in market value of investments		28,690	57	28,747	97,627
<b>Net returns on investments</b>		<b>28,818</b>	<b>57</b>	<b>28,875</b>	<b>97,710</b>
<b>Net increase in fund during year</b>		<b>39,103</b>	<b>358</b>	<b>39,461</b>	<b>107,935</b>
Net assets at 1 April		406,399	469	406,868	298,933
Transfer between sections	14	6	(6)	–	–
<b>Net assets at 31 March</b>		<b>445,508</b>	<b>821</b>	<b>446,329</b>	<b>406,868</b>

The notes on pages 27 to 35 form part of these financial statements.

**GPS Pension Scheme  
Net Assets Statement  
At 31 March 2011**

	Note	Defined Benefit Structure 2011 £000	Defined Contribution Structure 2011 £000	Total 2011 £000	Total 2010 £000
Investments	10	444,356	811	445,167	405,559
Current assets	12	1,413	10	1,423	1,779
Current liabilities	13	(261)	–	(261)	(470)
<b>Net assets</b>		<b>445,508</b>	<b>821</b>	<b>446,329</b>	<b>406,868</b>

The notes on pages 27 to 35 form part of these financial statements.

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Trustees' Report, actuarial certificate and statement included in the Annual Report and these financial statements should be read in conjunction with them.

The financial statements on pages 25 to 35 were approved on 20/10/2011 and signed on behalf of the GPS Pension Scheme Trustee Company Limited by:

P A Vary Trustee Director

Date 20/10/2011

T. Coffey Trustee Director/Secretary

Date 20/10/2011

# **GPS Pension Scheme**

## **Notes to the Financial Statements**

### **For the year ended 31 March 2011**

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#### **1 Basis of preparation**

The financial statements have been prepared in accordance with The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, in accordance with the Statement of Recommended Practice 'Financial Reports of Pension Schemes' (revised May 2007).

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year.

#### **2 Accounting policies**

The financial statements are prepared on an accruals basis, except as stated below.

##### **2.1 Contributions and benefits**

Contributions and benefits are accounted for in the period in which they fall due. Normal contributions are accounted for at rates agreed between the Trustee and the employer based on the Schedule of Contributions.

Augmentations relate to the cost of augmenting benefits of certain retiring members, as advised by the Actuary. Employer deficit funding contributions are accounted for under the terms of the agreement under which they are being paid and the Schedules of contributions.

Additional contributions are accounted for in accordance with the employment contracts and flexible benefit arrangements under which they are payable.

##### **2.2 Transfers**

Individual transfer values are accounted for when the transfer has been agreed by both parties and the receiving scheme has accepted liability for the transfer.

Group transfers are accounted for in accordance with the terms of the transfer agreement.

##### **2.3 Administrative expenses and investment management expenses**

Administrative expenses are met by the participating employers. Investment management expenses are met by the Scheme.

# GPS Pension Scheme

## Notes to the Financial Statements

### For the year ended 31 March 2011

#### 2.4 Valuation of investments

Units in pooled investment vehicles are stated at the bid price at the accounting date where bid and offer prices are published, or at the single unit price, as advised by the Investment managers.

The Additional Voluntary Contributions, Bonus Waiver and Shift Pay Plan funds are shown as the total of the insurance policies valued by the insurance company at the year end.

The changes in investment market values are accounted for in the year in which they arise and include profits and losses on investments sold as well as unrealised gains and losses in the value of investments held at the year end.

Income arising from the underlying investments of the pooled investment vehicles that is reinvested within the pooled investment vehicles is reflected in the unit price. Such income is reported within the change in market value.

#### 3 Contributions receivable

	Defined Benefit Structure 2011 £000	Defined Contribution Structure 2011 £000	Total 2011 £000	Total 2010 £000
<b>Employer contributions</b>				
Normal	10,449	191	10,640	10,670
Deficit funding	296	–	296	296
Augmentation	1,281	–	1,281	752
Shift Plan	1	–	1	1
Bonus Waiver	243	–	243	303
	<b>12,270</b>	<b>191</b>	<b>12,461</b>	<b>12,022</b>
<b>Employee contributions</b>				
Normal	2,478	113	2,591	2,597
Purchase of Added Years	207	–	207	201
State Scheme Premiums	–	–	–	4
Additional Voluntary	3,339	–	3,339	913
	<b>6,024</b>	<b>113</b>	<b>6,137</b>	<b>3,715</b>
<b>Total contributions</b>	<b>18,294</b>	<b>304</b>	<b>18,598</b>	<b>15,737</b>

Westinghouse Electric UK Ltd was required to pay additional contributions of £24,700 per month from April 2008 to March 2011 in accordance with the schedule of contributions. A payment of £395,200 was paid into the Scheme in June 2009 for the period 1 April 2008 to 31 July 2009. A further deficit contribution of £395,200 was paid into the Scheme in December 2009 for the period 1 August 2009 to 31 March 2011. These payments to the WEC/UAM Section were in respect of liabilities falling on the Scheme as a result of a bulk transfer from the Combined Pension Scheme.

Augmentation contributions are due from employers when employees are granted voluntary premature retirement. The contributions required from employers relate to the cost of the voluntary premature retirement benefits being provided by the Scheme. This includes a proportion of lump sum payments, all continuing annual payments (monthly payments made whilst under normal retirement age) and pension payments relating to enhanced service.

**GPS Pension Scheme**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2011**

**4 Transfer in**

	<b>Defined Benefit Structure 2011 £000</b>	<b>Defined Contribution Structure 2011 £000</b>	<b>Total 2011 £000</b>	<b>Total 2010 £000</b>
Individual transfers in from other schemes	–	–	–	154
Transfers In – AVC Fund	–	–	–	24
	<b>–</b>	<b>–</b>	<b>–</b>	<b>178</b>

**5 Other income**

	<b>Defined Benefit Structure 2011 £000</b>	<b>Defined Contribution Structure 2011 £000</b>	<b>Total 2011 £000</b>	<b>Total 2010 £000</b>
Claims on term insurance	63	–	63	54
Interest on cash deposits held by Trustee	1	–	1	1
	<b>64</b>	<b>–</b>	<b>64</b>	<b>55</b>

**6 Benefits payable**

	<b>Defined Benefit Structure 2011 £000</b>	<b>Defined Contribution Structure 2011 £000</b>	<b>Total 2011 £000</b>	<b>Total 2010 £000</b>
Pensions payable	4,074	–	4,074	3,590
Lump sums on retirement	2,157	–	2,157	1,192
Death Benefit Lump sums	226	–	226	187
AVC Scheme funds used to purchase benefits	1,458	–	1,458	411
Funds used to Purchase Annuities	–	–	–	5
	<b>7,915</b>	<b>–</b>	<b>7,915</b>	<b>5,385</b>

**GPS Pension Scheme  
Notes to the Financial Statements  
For the year ended 31 March 2011**

**7 Payments to and on account of leavers**

	<b>Defined Benefit Structure 2011 £000</b>	<b>Defined Contribution Structure 2011 £000</b>	<b>Total 2011 £000</b>	<b>Total 2010 £000</b>
Refunds to members leaving service	11	3	14	22
Payments for members joining state scheme	–	–	–	9
Individual transfers to other schemes	146	–	146	317
Transfers - AVC	–	–	–	10
Transfers - Shift Pay Plan	–	–	–	1
	<b>157</b>	<b>3</b>	<b>160</b>	<b>359</b>

**8 Investment income**

	<b>Defined Benefit Structure 2011 £000</b>	<b>Defined Contribution Structure 2011 £000</b>	<b>Total 2011 £000</b>	<b>Total 2010 £000</b>
Fee rebate	275	–	275	198

**9 Investment management expenses**

	<b>Defined Benefit Structure 2011 £000</b>	<b>Defined Contribution Structure 2011 £000</b>	<b>Total 2011 £000</b>	<b>Total 2010 £000</b>
Investment management expenses	126	–	126	101
AVC administration charges	21	–	21	14
	<b>147</b>	<b>–</b>	<b>147</b>	<b>115</b>

**GPS Pension Scheme  
Notes to the Financial Statements  
For the year ended 31 March 2011**

**10 Investments**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
<b>Insight - Pooled investment vehicles</b>		
Index-Linked Fund	66,387	60,556
UK Government Bonds	46,260	42,253
UK Corporate Bonds	75,462	70,491
	<b>188,109</b>	<b>173,300</b>
<b>Legal and General - Pooled investment vehicles</b>		
UK Equity Fund	105,357	96,212
Overseas Equity Funds	21,533	20,399
Fixed Interest Funds	13,759	10,958
	<b>140,649</b>	<b>127,569</b>
<b>MFS - Pooled investment vehicles</b>		
Global Equity Fund	<b>107,283</b>	<b>98,377</b>
<b>Prudential</b>		
AVC/Bonus Waiver & Shift Plan Funds	8,315	5,850
Defined Contribution Funds	811	463
	<b>9,126</b>	<b>6,313</b>
<b>Total investments</b>	<b>445,167</b>	<b>405,559</b>

The movements in investment during the year were as follows:

	Market Value at 1 April 2010 £000	Cost of Investments purchased £000	Proceeds of sales of investments £000	Change in market value £000	Market value at 31 March 2011 £000
<b>Defined Benefit Structure</b>					
Insight	173,300	179,501	(175,400)	10,708	188,109
Legal and General	127,569	20,881	(18,222)	10,421	140,649
MFS	98,377	93,069	(91,351)	7,188	107,283
Prudential SPPP	87	1	(1)	2	89
Prudential AVC	5,763	3,583	(1,491)	371	8,226
<b>Defined Contribution Structure</b>					
Defined Contribution Funds	463	300	(9)	57	811
	<b>405,559</b>	<b>297,335</b>	<b>(286,474)</b>	<b>28,747</b>	<b>445,167</b>

The companies managing the pooled investment vehicles are registered in the United Kingdom.

The change in market value of investments during the year comprises all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

# GPS Pension Scheme

## Notes to the Financial Statements

### For the year ended 31 March 2011

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Indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Scheme.

#### Concentration of investments

The following investments represent greater than 5% of the net assets of the Scheme at 31 March 2011:

	2011 %
Insight Index-Linked	14.9
Insight UK Government Bonds	10.4
Insight UK Corporate Bonds	16.9
Legal and General UK Equity	23.6
MFS Global Equity Fund	24.0

**GPS Pension Scheme  
Notes to the Financial Statements  
For the year ended 31 March 2011**

**Post Year End Transition of Investments**

Taking advice from the Investment Advisor, the Trustee decided to review its investment strategy at the same time as the triennial actuarial valuation was undertaken. As a consequence, significant changes in the allocation of the Scheme's assets to the various asset classes and investment managers have now taken place. The Scheme's investments have been allocated to each section of the Scheme. This allows the Trustee to focus the investment strategy for each section on the particular needs of that section, and is in line with the approach to funding the Scheme, which is also carried out section by section.

Details of the post year end transition of investments is detailed in the table below.

<p><b>20 April 2011</b></p>	<p><b>SLC</b> - £35.8m transferred from LGIM to Blackrock (£25.8m) and Threadneedle (£10m received on 28 April 2011). £47.5m transferred from Insight into Blackrock. And £16.5m transferred from MFS to LGIM.</p> <p><b>DRS</b> - £6.5m transferred from LGIM to Blackrock (£4.1m) and Threadneedle (£2.4m received on 28 April 2011). £3.7m transferred from MFS to Blackrock (£0.6m), LGIM (£1m) and Insight (£2.1m).</p> <p><b>WEC/UAM</b> - £5m transferred from LGIM to Blackrock (£3.1m) and Threadneedle (£1.9m received on 28 April 2011). £3m transferred from MFS to Blackrock (£0.6m), LGIM (£0.7m) and Insight (£1.7m)</p> <p><b>RSMC</b> - £2.4m transferred from LGIM to Blackrock (£1.9m) and Insight (£0.5m). £0.9m transferred from MFS to Insight (£0.4m) and LGIM (£0.5m)</p> <p><b>NNL</b> - £0.4m transferred from LGIM to Blackrock. £0.2m transferred from MFS to Insight (£0.1m) and LGIM (£0.1m)</p>
<p><b>24 May 2011</b></p>	<p><b>SLC</b> - £15m transferred from LGIM to Threadneedle (received on 31 May 2011)</p>
<p><b>22 June 2011</b></p>	<p><b>SLC</b> - £11.7m transferred from LGIM to Threadneedle (received on 30 June 2011).</p>

**GPS Pension Scheme**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2011**

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**11 AVC, Shift Pay and Defined Contribution Funds**

The Trustee holds assets which are separately invested from the main fund, in the form of an insurance policy for individual members. These secure additional benefits, on a money purchase basis, for those members who have elected to pay additional voluntary contributions, take Bonus Waiver, those who are in the Shift Pay Plan and members of the Defined Contribution Scheme. Members participating in these arrangements receive an annual statement made up to 31 March each year, confirming the amounts held to their account and the movements during the year. The values of these funds are as follows:

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Prudential - AVCs & Bonus Waiver	8,226	5,763
Prudential - Shift Pay Pension Plan	89	87
Prudential – Defined Contribution Funds	811	463
	<b>9,126</b>	<b>6,313</b>

Defined Contribution Funds held with Prudential are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. These do not form part of the common pool of assets available to members generally.

**GPS Pension Scheme  
Notes to the Financial Statements  
For the year ended 31 March 2011**

**12 Current assets**

	Defined Benefit Structure 2011 £000	Defined Contribution Structure 2011 £000	2011 £000	2010 £000
Contributions receivable:				
– employer	725	7	732	754
– members	173	3	176	181
– augmentations	57	–	57	95
– added years	12	–	12	12
Investment fee rebate	140	–	140	105
Cash deposits held with Scheme Administrator (DB)	302	–	302	4
Family benefit deductions	4	–	632	–
	<b>1,413</b>	<b>10</b>	<b>1,423</b>	<b>1,779</b>

Contributions receivable relate to March 2011 and have been paid to the Scheme subsequent to the year end in accordance with the Schedule of Contributions.

**13 Current liabilities**

	Defined Benefit Structure 2011 £000	Defined Contribution Structure 2011 £000	2011 £000	2010 £000
Deficit funding received In advance	–	–	–	296
PAYE	68	–	68	59
Retirement lump sum benefits	–	–	–	35
Death benefits due	161	–	161	–
Audit and professional fees	32	–	32	54
Cash In Transit	–	–	–	26
	<b>261</b>	<b>–</b>	<b>261</b>	<b>470</b>

**14 Transfers between sections**

The transfers between sections is in respect of the employer element of a refund which was re invested in the DB section.

**15 Related party transactions**

Two of the Trustee Directors at 31 March 2011 were contributing members of the Scheme and their contributions have been paid in accordance with the Schedules of Contributions.

# GPS Pension Scheme

## Summary of Contributions

### For the year ended 31 March 2011

During the year ended 31 March 2011 the contributions payable to the Scheme under the Schedules of Contributions were as follows:

	Defined Benefit Structure 2011 £000	Defined Contribution Structure 2011 £000	Total 2011 £000
<b>Employer</b>			
Normal contributions	10,449	191	10,640
Deficit funding contributions payable	296	–	296
Augmentations	1,281	–	1,281
Shift Plan	1	–	1
<b>Employee</b>			
Normal contributions	2,478	113	2,591
<b>Total contributions payable under the Schedule of Contributions</b>	<b>14,505</b>	<b>304</b>	<b>14,809</b>
Other contributions:			
<b>Employer</b>			
Bonus waiver	243	–	243
<b>Employee</b>			
Purchase added years	207	–	207
Additional Voluntary Contributions	3,339	–	3,339
As reported in Note 3 to the financial statements	<b>18,294</b>	<b>304</b>	<b>18,598</b>

Signed on behalf of the Trustees:

P A Van

T. Coffey  
SECRETARY

Date 20/10/2011

**GPS Pension Scheme  
Independent Auditor's Statement about Contributions to the Trustee of  
the Group Pension Scheme  
For the year ended 31 March 2011**

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We have examined the summary of contributions to the GPS Pension Scheme for the Scheme year ended 31 March 2011 to which this statement is attached.

This statement is made solely to the Trustee, as a body, in accordance with regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Trustee those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body, for our work, for this statement, or the opinion we have formed.

**Respective responsibilities of Trustee and auditor**

As described more fully in the Statement of Trustee's Responsibilities, set out on pages 7 and 8, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Scheme's Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the scheme and for monitoring whether contributions are made to the scheme by the employer in accordance with the schedule of contributions.

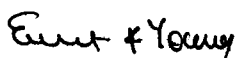
It is our responsibility to provide a statement about contributions paid under the schedule of contributions and to report our opinion to you.

**Scope of work on statement about contributions**

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached summary of contributions have in all material respects been paid at least in accordance with the schedule of contributions. This includes examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the schedule of contributions.

**Statement about contributions**

In our opinion contributions for the Scheme year ended 31 March 2011, as reported in the attached summary of contributions, have, in all material respects, been paid at least in accordance with the schedule of contributions certified by the Scheme actuary on 27 March 2008 and 31 March 2008, and the revised schedule of contributions certified on 31 October 2010 (SLC Section only), for the Defined Benefit section and in accordance with the Scheme rules for the Defined Contribution section.

  
Ernst & Young LLP  
Statutory Auditor  
Manchester

Date 26 OCTOBER 2011

# **GPS Pension Scheme Compliance Statement For the year ended 31 March 2011**

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## **Constitution**

The Scheme was established on 30 March 1995 and is governed by a definitive trust deed dated 31 March 2008. A Deed of Change dated 31 March 2008 amended the Scheme name from the BNFL Group Pension Scheme to the GPS Pension Scheme.

## **Taxation status**

In accordance with the provisions of Schedule 36 of the Finance Act 2004, the Scheme became a registered pension scheme under Chapter 2 of part 4 of the Finance Act 2004 with effect from 6 April 2006.

## **Pension increases**

The Trustee agreed no increase to all pensions in payment and preserved benefits in force at 1 April 2010. Guaranteed Minimum Pensions are increased separately as required by legislation. The increase of 0% represents the annual change in the Retail Prices Index measured to September 2009. No discretionary increases were awarded during the year.

## **Calculation of transfer values**

Transfer values paid during the year in respect of transfers to other pension schemes have been calculated in accordance with the Pension Schemes Act 1993. No allowance is made in the calculation of transfer values for discretionary pension increases.

## **Employer-related investment**

There were no directly held employer-related investments during the year.

## **TPAS, Pension Ombudsman and the Pensions Regulator**

If Scheme members have any queries or complaints they should contact the Secretary to the Trustee at Babcock, Manor Court, Chilton, Didcot OX11 0RN.

If a Scheme member is not able to resolve a complaint about the Scheme informally, there is a two-stage Internal Dispute Resolution procedure that can be used. Full details can be obtained from the Scheme Secretary.

