

25 October 2015

# Dear Member

## ALSTOM PENSION SCHEME (THE SCHEME) ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs) – CHANGES TO YOUR INVESTMENT OPTIONS

**This letter sets out key changes to the AVC arrangements of the Alstom Pension Scheme.**

### WHAT IS CHANGING?

The Trustee of the Scheme, having taken investment advice, intends to both update the Lifestyle strategy (which is the default AVC fund and where the majority of members are invested) and widen the range of individual investment funds currently offered to members. Please take the time to read this update.

Currently, the Lifestyle strategy is aimed at members who intend to use their AVCs to buy additional pension (an annuity) at retirement either through the Scheme or from an insurance company.

The Lifestyle strategy will be changed so that it is more suited to members who intend to take their AVCs in the form of a cash lump sum. Under the revised structure by the time members retire, the AVC account will be held in cash-based investments. Some of the initial investments in the strategy are also being changed.

Members currently invested in the Lifestyle strategy will automatically change to the new approach around January 2016. You do not need to take any action. However, if you are currently invested in the Lifestyle strategy and do not wish to be part of the changes, you will need to make an active choice as to where you would like your savings to be invested, before the change is implemented.

In addition to changes to the Lifestyle strategy, the range of funds on offer to members who select their own investment options will be increased, so you may wish to take this opportunity to review your choices and let us know if you want to make a change.

Further information is provided in the Appendix.

Yours sincerely



**Stuart Field**  
Pensions Manager



If you want to find out more about AVCs and your AVC investment options, please read the AVC Booklet and AVC Investment Guide available at [www.pensions.uk.alstom.com/quickfind\\_APS.htm](http://www.pensions.uk.alstom.com/quickfind_APS.htm)

# APPENDIX

## A QUICK RECAP ABOUT AVCS

AVCs are contributions that you can choose to pay on top of your normal contributions. Paying AVCs is a straightforward, tax-efficient and cost-effective way to increase your Alstom Pension Scheme benefits.

The AVC arrangements for the Alstom Pension Scheme are administered by Friends Life (now part of the Aviva Group), who invest your AVCs in your own personal account.

To manage your AVCs, you should be aware of how they are invested so that you can make sure the investments suit your needs.

If you are a deferred member of the Alstom Pension Scheme, you are no longer able to pay AVCs to the Scheme, however, you can still make changes to the way your AVCs are invested.



The AVC Scheme offers you a choice of individual investment funds that invest in equities, bonds, cash and alternative investments. There is also a Lifestyle investment strategy.

The Lifestyle strategy is a long-term investment strategy that manages your money for you. You do not have to make day-to-day investment decisions. The Trustee invests your contributions for you in a mixture of investment funds, which varies according to your age.

You can check on page 4 of your most recent AVC statement to see if you are in Lifestyle and for details of the funds where your account is currently invested.

## CHANGES TO THE INVESTMENT FUND CHOICE

The table below sets out the current range of funds and the new funds that will be added. It also shows the annual charge applicable to each investment fund. This is the charge on your account for investing your AVCs, for example 1.00% equates to £10 p.a. assuming your account was valued at £1,000 over the year.

	Fund name	Type of fund	Manager	Active or passive	Total annual charge (% pa)
	Global Equity (50:50) Index	Global equity	BlackRock	Passive	0.35
	UK Index-Linked Gilt Index	Index-linked gilt	BlackRock	Passive	0.35
	Institutional Sterling Liquidity	Cash	BlackRock	Active	0.35
	Aquila Life Market Advantage*	Diversified growth fund	BlackRock	Active	0.57
	Intermediated Diversified Growth	Diversified growth fund	Schroders	Active	1.05
	Absolute Return Bond Fund*	Diversified bonds	Kames	Active	0.90

\*New fund to be made available to you.

Each of the total annual charges above includes a reduction of 0.05% that the Trustee has negotiated with Friends Life effective from 1 October 2015.

Note that many of the AVC investment funds are intended for long-term investment and, because the value of these long-term investments can fall as well as rise, you may not get back the full value of your contributions.

## CHANGES TO THE LIFESTYLE STRATEGY

Currently the Lifestyle strategy is aimed at members who intend to use their AVCs to buy additional pension (an annuity) at retirement. By the time a member retires, all of their AVC account is invested in funds suited to maintaining the purchasing power of their investments against any changes in the cost of buying an annuity.

The Lifestyle strategy will be changed so that it is more suited to members who intend to take their AVCs in the form of a cash lump sum. Under the revised structure by the time members retire, the AVC account will be invested in cash-based investments.

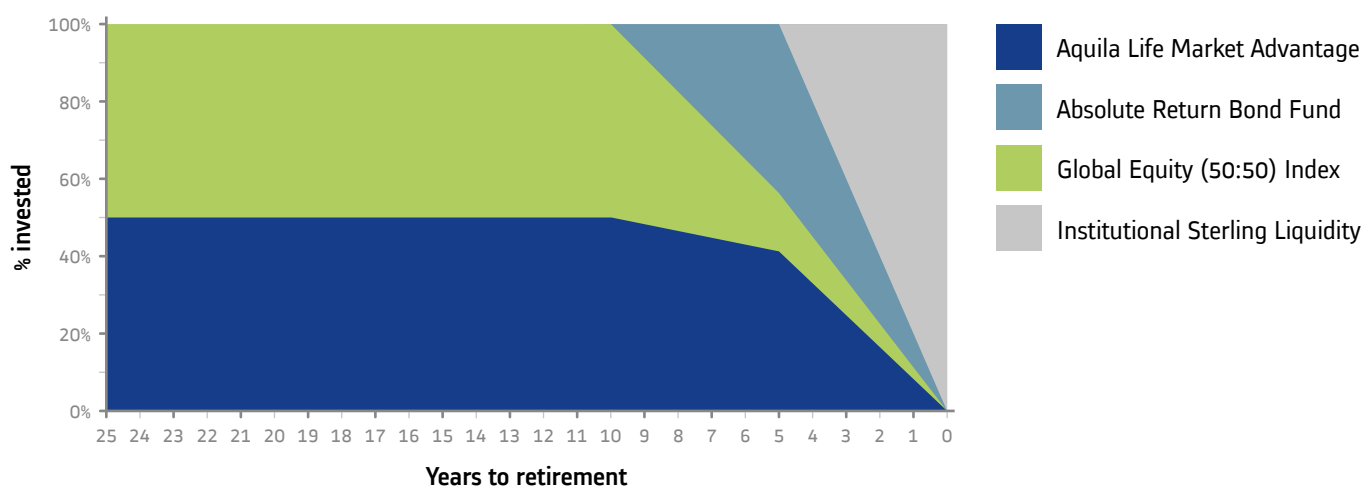
The reason for this change is to reflect that most members currently choose to take their AVCs as cash rather than buy an annuity. The Trustee expects that in the future an even greater proportion of members will choose to take their AVC savings as cash.

A further change being made to the Lifestyle strategy is to change where the initial investments are held. Currently the Trustee invests all of your AVCs into equities that offer potentially higher returns, but at greater risk. After the changes to the Lifestyle strategy some of your initial investments will also be held in more diversified investments, with the intention of still achieving good long-term returns, but at the same time seeking to provide some degree of protection against loss in the event of a significant equity market fall. An example of such a fund is the Aquila Life Market Advantage Fund mentioned opposite.

Under the revised Lifestyle strategy, the Trustee will initially invest 50% of AVCs in the Aquila Life Market Advantage Fund and 50% in the Global Equity (50:50) Index Fund. Although the Scheme already has a diversified fund option available (Schroders Intermediated Diversified Growth Fund), the Aquila Life Market Advantage Fund has been added because it is a better complement to global equities and has a lower fee structure which is more appropriate for a default fund.

Ten years before a member reaches their Target Retirement Age (TRA), Friends Life will gradually switch AVCs into the Absolute Return Bond Fund (a diversified portfolio of bonds). From five years Friends Life will also gradually switch AVCs into the Institutional Sterling Liquidity Fund. The graph below shows how the funds change over time.

## NEW LIFESTYLE STRATEGY



Members currently invested in the Lifestyle strategy will automatically change to the new approach, unless they inform Alstom Pensions before the change is implemented (see back page). Please note that if you choose to opt out of these changes you will need to make an active choice as to where you would like to invest your AVCs. **If you are happy to be part of the changes you do not need to take any action.**

## WHY IS THE TRUSTEE MAKING THESE CHANGES?

As explained earlier, changes are being made to the Lifestyle strategy because most members already take their AVC savings as cash. Further, following the introduction of the Pensions Freedom changes in April 2015, fewer members are expected to purchase annuities in the future. (For a reminder of how the Pensions Freedom changes affect members of the Alstom Pension Scheme, please refer to your July 2015 copy of the Dimension newsletter.) The Trustee has also taken this opportunity to diversify the initial investments in the Lifestyle strategy, with the intention of achieving good long-term returns but while providing protection against loss in the event of equity market falls.

The new funds in the Lifestyle strategy will also be available to members who select their own investments. The Trustee has decided to widen the investment options so that those members who wish to make their own investment choices are better able to find investments that are suited to their needs; the investment choices also better reflect newer types of funds that have become available.

## WHEN WILL THE CHANGES TAKE EFFECT?

The Trustee anticipates that the Lifestyle strategy will be revised around January 2016.

The actual fund transfer process will take a little time to implement, so in order to minimise any possible overlap with the process, there will be a restriction on other fund changes for the period from 8 January to 12 February 2016 (inclusive). During this time no other investment switches or disinvestments will be processed. However, if you are due to take retirement benefits between 8 and 29 January and have notified the Scheme administrator, JLT, of this by 7 January, then your AVC funds can still be processed on your retirement date. Any retirement requests received after 7 January will be actioned as soon as possible after 12 February.

## WHAT IS TARGET RETIREMENT AGE (TRA)?

This is when members are expected to take their benefits from the Scheme and determines the timing of when the gradual fund switches take place under the Lifestyle strategy. The default TRA is 65 but members can change their TRA at any time.

## WHAT DO YOU NEED TO DO?

You don't need to do anything. However, if:



You are in the Lifestyle strategy and don't wish to be part of the changes planned by the Trustee



You are in the Lifestyle strategy and want to change your Target Retirement Age



You have selected your own combination of investment funds and want to make a change

Then you will need to complete the enclosed **Investment Switch and Target Retirement Age Change Form** and return this to the Alstom Pensions Department using the freepost envelope provided, **by 11 December 2015 at the latest**.

More generally it is important to consider from time to time whether your investments continue to be suitable for your needs.



If you wish to change where your account is invested in the future then details are available at [www.pensions.uk.alstom.com](http://www.pensions.uk.alstom.com).

Please note that switches can only be made before or after the period when the restrictions referred to on the previous page will apply to member requests.

## IF YOU HAVE ANY QUESTIONS

**For questions about this letter, please contact Alstom Pensions Department on:**



01788 557400



[alstom.ukpensions@chq.alstom.com](mailto:alstom.ukpensions@chq.alstom.com)



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**General enquiries about the Scheme should be referred to the administrators, JLT Employee Benefits, on:**



01372 200363



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The Trustee of the Alstom Pension Scheme is unable to give you advice on these matters. If you are unsure about the investment choices and would like advice, then we recommend you seek professional financial advice.



Financial advisers local to your home or workplace can be found at <https://directory.moneyadviceservice.org.uk/en>

You might also find these websites helpful when making your decision:



The Money Advice Service: [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk)



The Pensions Advisory Service: [www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)



You can access the Government's free and impartial guidance service called Pension Wise via [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk)