



Dimensions extra

For members of the Alstom Pension Scheme

June 2008

A statement of the Scheme's financial health

Membership of the Alstom Pension Scheme (the Scheme) is an important and valuable benefit. So knowing how the Scheme is doing financially and what proportion of your benefits is covered by the Scheme assets, is of paramount importance.

Although we send you the annual Dimensions newsletter each year to update you on the Scheme's progress, we are also required to send you an annual statement showing the Scheme's financial health. The statement sent to you in June last year provided information about the Scheme as at 5 April 2006. This was when the last formal financial health-check – known as the 'actuarial valuation' – was carried out. Actuarial valuations are required every three years, with additional 'actuarial reports', covering developments since the last valuation, in each intervening year.

This year's statement provides information about the Scheme as at 5 April 2007 and as at 5 April 2008, which is when the latest actuarial report on the Scheme was carried out.

As you know, the 2006 valuation showed a shortfall in the assets needed to pay all the benefits when they become due for payment. **The actuarial reports as at 2007 and 2008, show a significant increase in the funding level to 91% (5 April 2007) and 95% (5 April 2008) from 85% in 2006.** The main reasons for the improvement are that the contributions paid by Alstom have been higher than necessary to pay for the accruing benefits and there were favourable changes in the assumed future interest rate.

The Trustee has a Funding Agreement in place with Alstom which sets out the contributions that will be paid by Alstom and includes a guarantee that Alstom has given about funding the Scheme.

The principles of this Funding Agreement have, alongside the results of the 2006 actuarial valuation, been incorporated into **the Statement of Funding Principles, Recovery Plan and a Schedule of Contributions.** These were all signed, along with the 2006 formal actuarial valuation, on 5 April 2007.

The following pages provide fuller details on the results of the actuarial report and contributions that will be paid into the future. Also included in this statement are answers to some of the questions you may have about the Scheme's financial health and what the figures included in this statement really mean.

This statement is for information only. The Trustee hopes that you find it interesting and informative.

The Trustee's Funding Objective

The objective of the Trustee is to ensure that funding is available to meet all pension obligations as they fall due and to maximise protection of the benefits that the Employer has promised to pay and that members are expecting.

To enable the Trustee to meet this objective it commissions actuarial valuations which provide a great deal of information on the funding position of the Scheme (whether there is a shortfall or surplus), the adequacy of the employee and employer contributions to meet the cost of benefits accruing for future service, how the Scheme's investments and liabilities are changing compared to what the Trustee assumed would happen, and the additional contributions that may be needed to meet any shortfall.

The latest actuarial report on the Scheme showed that on 5 April 2008:

The Scheme's financial health assuming that the Scheme will continue

The Scheme's assets amounted to £1,291 million as at 31 March 2008, and based on this the Actuary estimated that around 95% of the Scheme's **technical provisions** (liabilities) were covered as at 5 April 2008.

(The actuarial report for 2007, showed that the Scheme's assets of £1,360 million were 91% of the Scheme's **technical provisions** (liabilities) on 5 April 2007).

The reason for the improvement is due to two main factors; Alstom are paying extra contributions and future interest rates are assumed to be higher.

During the year ending 5 April 2008, Alstom paid regular contributions of 13% of pensionable earnings and paid an additional contribution of £16.1 million to the Scheme. Alstom also met the cost of the Pension Protection Fund (PPF) levy, the Trustee Indemnity Insurance and paid £468,900 to the Scheme towards expenses.

Even though the deficit is lower than that anticipated under the Funding Agreement and the Recovery Plan, Alstom will maintain the additional contribution for the 2008 / 2009 year at £16.1 million and will also pay the cost of the PPF levy and Trustee Indemnity Insurance and will make a £488,125 contribution to the Scheme towards expenses.

The next formal assessment of the Scheme is due at 5 April 2009.

The Scheme's financial health if the Scheme were to be wound up

The latest actuarial report on the Scheme at 5 April 2008 showed that if the Scheme were to be wound up at that date the Scheme's assets were estimated to have been enough to secure about 57% of the members' benefits with an insurance company. This is a decrease relative to the solvency position as at 5 April 2007, which was 66% based on the Scheme's assets of £1,360 million as at the same date.

The Trustees are required by law to provide you with this information on the Scheme's solvency position. It does not imply that there is any intention, on the part of either Alstom or the Trustees, to wind up the Scheme.

Payments to Alstom

There has not been any payment to Alstom out of Scheme funds in the period since the actuarial valuation or since the first summary funding statement.



Your questions answered

How is my pension paid for?

Contributory members pay contributions at the rate of 4%, 5.5% or 7% of pensionable earnings depending on whether they have chosen to accrue benefits at a rate of 85ths, 75ths, or 65ths. Alstom pays the balance of the contributions required by the Scheme.

All these contributions are held in a common fund, not in separate funds for each individual member.

The Trustee invests the contributions. The money built up in the Scheme through the contributions and investments is used to provide members' benefits.

How is the Scheme's financial security measured?

At least every three years, the Trustee asks the Scheme Actuary to carry out a thorough examination of the Scheme's financial health. This is called an 'actuarial valuation'. The actuary looks at the value of the Scheme's assets and the liabilities that have built up and compares the two. If the value of the Scheme's assets is less than its liabilities, it is said to have a 'shortfall' or 'deficit'. If the assets are more than the liabilities there is said to be a 'surplus'.

Is the shortfall going to be paid off?

As explained on page 2, despite the deficit reduction being ahead of that anticipated under the Funding Agreement and the Recovery Plan, the Company will maintain the additional contribution for the 2008/9 year at £16.1 million.

How much money is paid into the Scheme each year?

Following each actuarial valuation, the level of contributions that should be paid into the Scheme in order to meet the benefits being built up by members is calculated by the actuary and agreed by the Trustees and Alstom.

This agreed level of contributions is recorded in a document called the **Schedule of Contributions**. This is reviewed and updated at least each time the Scheme has an actuarial valuation.

What does 'winding up' mean?

Winding-up means that the Scheme would be discontinued. In this circumstance, benefits would either be provided from the Scheme, run as a closed scheme, or would be secured and paid through an insurance company. This could happen if Alstom went out of business or decided to discontinue the Scheme.

If this did happen, if it were able to do so, ALSTOM Ltd would have to pay enough money into the Scheme to buy all the benefits built up by members from an insurance company.

So why have you shown the 'winding up' position?

We are required by law to show you this information. Providing this information does not mean that Alstom is thinking of winding up the Scheme. It is just another piece of information we hope will help you understand the financial security of your benefits.

What would happen if the Scheme were wound up and there was not enough money to pay for all my benefits?

The Government has set up the PPF to pay benefits to members of schemes that wind-up where the employer has gone out of

business and the scheme does not have enough money to cover the cost of buying all members' benefits with an insurer.

For many members the pension paid from the PPF will be less than the full benefit that the member has earned, depending on their age and when their benefits were earned.

Further information is available on the PPF website at www.pensionprotectionfund.org.uk. Or you can write to the Pension Protection Fund at Knollys House, 17 Addiscombe Road, Croydon, Surrey CR0 6SR.

Does the Trustee always work out the Scheme's liabilities in the same way?

Each time the Trustee asks the actuary to calculate the Scheme's liabilities, it reviews the approach taken previously. This is to ensure that the calculation takes into account the most up-to-date information available.

The Government has introduced new funding rules for calculating the Scheme's liabilities and these applied to the Scheme for the first time for the 5 April 2006 valuation. The rules meant the Trustee has prepared a **Statement of Funding Principles** setting out how they will manage the funding of the Scheme to ensure it has enough money to pay members' benefits.

As the Scheme had assets valued at less than the liabilities (i.e. there was a shortfall), the Trustees also prepared a document, which shows more detail about how the shortfall will be paid off. This is called the **Recovery Plan**.

Explaining pensions

Actuary

The qualified, independent professional appointed by the Trustee who is responsible for examining the Scheme's finances and assessing the Scheme's financial health.

Actuarial report

A written report, prepared and signed by the Scheme Actuary, detailing the developments affecting the Scheme's funding position since the last actuarial valuation was prepared.

Actuarial valuation

An in-depth look at the Scheme's finances, carried out at least every three years by the Actuary.

Scheme's liabilities

The estimated cost of providing the benefits earned to date by all the current members and those who have left the Scheme, together with the pension benefits already in payment.

Scheme's assets

The amount of money invested and held by the Alstom Pension Scheme.

Shortfall

If the liabilities are greater than the assets, the Scheme is said to have a shortfall or deficit.

Surplus

If the assets are greater than the liabilities, the Scheme is said to have a surplus.



Your questions answered continued

Can I leave the Scheme before I am due to retire?

If you are an active member, you can leave the Scheme before you reach retirement and your pension will be based on your service and salary at your date of leaving. You will be able to leave your benefits in the Scheme to be paid at retirement or transfer them to another pension arrangement.

If you have already left the Scheme and decided to leave your benefits in the Scheme, you can, if you wish, transfer your benefits to another pension arrangement prior to retirement.

If you are thinking of leaving the Scheme, or transferring your pension benefits to another arrangement, you should speak to an independent financial adviser before taking any action, to ensure that you don't lose out.

How the Scheme is invested

The Trustee sets the Scheme's investment strategy with the help of their professional advisers. As at April 2008, the Scheme benchmark asset allocation was as follows:

UK shares	16.65%
Overseas shares	16.65%
UK Index-linked gilts	18.88%
UK Fixed-interest bonds	23.64%
Overseas Fixed-Interest bonds	14.18%
Property	10.00%

If you would like more information

There are a number of documents available about the Scheme.

- **Statement of Investment Principles:** This explains how the Trustee invests the money paid into the Scheme.
- **Statement of Funding Principles:** This sets out the basis and assumptions used by the Trustee to value the assets and liabilities of the Scheme.
- **Recovery Plan:** This sets out how any shortfall revealed by the actuarial valuation will be eliminated.
- **Schedule of Contributions:** This shows how much money Alstom and active members are paying into the Scheme.
- **Annual Scheme Report and Accounts:** This shows the Scheme's income and expenditure over the year.
- **Formal Actuarial Valuation Report:** This contains details of the actuary's check of the Scheme's financial security as at 5 April 2006.

If you would like a copy of any of these documents, or if you have a question about the Scheme or the information in this statement, please contact the Pensions Department at:

UK Pensions Department
ALSTOM Limited
Newbold Road
Rugby
Warwickshire
CV21 2NH

Telephone Number: 01788 557402 or 01788 557403

Please also remember to advise us in writing if you change address.

ALSTOM