ALSTOM Pension Scheme 2006 Defined Benefit Section

Member Booklet

ALSTOM

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Introduction

Being in a healthy financial position is important to us all, both now and in the future. The 2006 Section of the ALSTOM Pension Scheme ("the Scheme") has been designed to help you save for your retirement. The Scheme will provide you with an income when you retire and benefits for your family in the event of your death.

This guide explores the Scheme and explains how it works. A number of words in this guide have a special meaning and these are capitalized. You can find an explanation of what they mean on pages 22 and 23.

The Scheme is contracted-in to the State Second Pension. This means that, as a member of the Scheme, you will build up an additional State pension as well as your Basic State Pension.

The Trust Deed and Rules of the ALSTOM Pension Scheme set out your rights to benefits. If there is any conflict between this guide and the Trust Deed and Rules, we will follow the Trust Deed and Rules.

If you have any questions about your benefits or about the Scheme in general, please contact ALSTOM UK Pensions at:

contact.ukpensions@chq.alstom.com

or on:
01788 557402 or 01788 557403

or at:
ALSTOM UK Pensions
PO Box 2229, Rugby, CV21 2YP.

How does the Scheme work?

The Scheme is set up and run as a trust. This means that the Scheme's assets are held entirely separately from the Company.

Each month, you contribute a percentage of your Pensionable Earnings to the Scheme. The Trustees invest these contributions together with the contributions from your employer, which go towards the cost of your Scheme benefits. You can choose to build up extra benefits by paying Additional Voluntary Contributions (AVCs).

You have a choice of benefit levels and member contribution rates under the Scheme. When you retire, you will receive a pension. This will be based on your length of Pensionable Service and your pay close to when you retire. It will also depend on the tier of the Scheme that you decide to join each year.

The other main features of the Scheme are:

- Your employer makes up the difference between the money you pay in and the cost of providing your benefits.
- You get automatic tax relief on your contributions through payroll.
- You can give up some of your pension in exchange for a tax-free cash sum at retirement.
- Your pension increases each year after retirement if price inflation has gone up over the previous year.
- Your Dependants will receive benefits if you die.
- You may receive a pension if you become ill.
- Your benefits are paid in addition to the Basic State Pension and State Second Pension.

Joining

Your Scheme benefits are valuable. Please bear this in mind if you are considering opting-out of the Scheme.

Who can join?

This section of the Scheme is for members who joined the Scheme on or before 30 September 2002 and are still contributing to the Scheme at 6 April 2006.

It allows you to build up benefits for service on or after 6 April 2006. Before this date, you have been building up benefits in another section of the Scheme. These are explained in a previous booklet.

Your choice

You may stop contributing to the Scheme at any time while still working for ALSTOM. This is called opting-out. Before making your decision to opt out, please think about the valuable benefits you and your Dependants will be giving up.

If you opt-out of the Scheme, you will no longer be able to make contributions to,

or build up further benefits under, the Scheme. If you opt-out, you will not be able to rejoin the Scheme.

If you wish to opt-out of the Scheme, please fill in and return an 'opting-out' form. You can get one from ALSTOM UK Pensions or print it from the pensions website. You will need to give a full month's notice, and you will stop making contributions at the end of the month following completion of this notice period.

How much will it cost?

You and the Company both contribute to the cost of your benefits from the Scheme.

Your contributions

From April 2006, each time you are paid you contribute a set percentage of your Pensionable Earnings into the Scheme. You can choose between three tiers:

	Contribution rate (% of Pensionable Earnings)	Rate at which your pension builds up
Tier 1	4%	$1/85^{th}$
Tier 2	5.5%	$1/75^{th}$
Tier 3	7%	$1/65^{th}$

If you do not complete the enclosed application form before joining this section, then the Trustees will assume that you wish to join tier 1 and will deduct a contribution rate of 4%.

You will not be able to change your tier under any circumstances until April 2007.

The real cost to you is less than this. Under current legislation, you receive full tax relief at your highest rate on these contributions.

For example, if you pay basic rate tax (currently 22%) every £100 you contribute only costs you £78. If you pay higher rate tax (currently 40%), every £100 you contribute only costs you £60.

You do not have to do anything in order to benefit from this tax relief, it happens automatically through payroll.

You stop paying contributions when you retire, leave the Company, leave the Scheme or if you opt out (see page 5).

Company contributions

The Company, and other employers, who have employees in the Scheme, meet the balance of the cost of the Scheme, after taking your contributions into account.

Switching between the tiers

You have the option of switching between the tiers on 6 April each year. If you switch, you must remain in your chosen tier until the following 5 April.

To switch tiers you need to complete a final salary switch form before the end of February in the year you wish to switch.

(You can get a final salary switch form from ALSTOM UK Pensions or print it from the pensions website.)

Extra contributions

You can choose to build up extra benefits by making Additional Voluntary Contributions (AVCs) on top of your normal Scheme contributions. Paying AVCs can be a straightforward, tax-efficient and cost-effective way to increase your Scheme benefits.

You may find them useful if you:

- Think you need a greater pension to enjoy the life you want when you retire;
- Joined the Scheme late on in your career so don't have long to build up your ALSTOM Pension.

There is a guide that explains how you can increase your retirement savings through AVCs. This guide is available on the pensions website. You can also get copies from ALSTOM UK Pensions.



What do I get when I retire?

The benefits you receive will depend on which tiers you have contributed to.

At Normal Retirement Age

When you retire, you will receive your Scheme pension for the rest of your life.

Your Normal Retirement Age is 65. At this age, your pension will be worked out as follows:

Tier 1	1/85th of Final Pensionable Earnings for each year of Pensionable Service completed in tier 1
Tier 2	1/75th of Final Pensionable Earnings for each year of Pensionable Service completed in tier 2
Tier 3	1/65th of Final Pensionable Earnings for each year of Pensionable Service completed in tier 3
Plus	Any pension you built up in the Scheme before 6 April 2006

Here's an example...

Example

If your **Final Pensionable Earnings** are £20,000 and you were in tier 1 for three years, tier 2 for eight years and tier 3 for six years, your normal retirement pension would be:

1/85 x £20,000 x 3	=	£706 a year
1/75 x £20,000 x 8	=	£2,133 a year
1/65 x £20,000 x 6	=	£1,846 a year
Total	=	£4,685 a year

Plus any pension built up in the Scheme for Pensionable Service before 6 April 2006

If you retire early

The Scheme allows early retirement between age 55 and age 65.

You will need the agreement of the Company and the Trustees to retire early.

Your pension is worked out in the same way as if you had retired at Normal Retirement Age, except that:

- Your Pensionable Service and Final Pensionable Earnings at the day you retire are used, and
- The resulting pension is reduced, because you are taking your pension early.

The size of the reduction will depend on your age.

The Trustees, with agreement from the Company, set the amount of the reduction following advice from the Scheme actuary. This is reviewed regularly and can change at any time.

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Ill-health early retirement

Serious Ill Health

If you are unable to work because of Serious Ill-Health, you may apply for Serious Ill-Health early retirement.

If the Trustees agree that you qualify for Serious Ill-Health early retirement, you will receive an immediate pension. This pension will be based on your potential Pensionable Service until Normal Retirement Age, using your Final Pensionable Earnings at the date you retire, with no reduction for early payment. The pension build up rate for your past service will be the rate or rates you chose at the time. The pension build up rate for your future potential service will be the rate that applied to you in the last complete Scheme Year before retirement.

Partial Ill Health

If you are unable to work because of Partial Ill-Health, you may apply for Partial Ill-Health early retirement.

If the Trustees agree that you qualify for Partial Ill-Health early retirement, you will receive an immediate pension. This pension will be based on your Pensionable Service and your Final Pensionable Earnings at the date you retire.
The Trustees will reduce your pension because you are taking it early.

Review of ill health pensions

The Trustees may review any ill-health pensions that the Scheme is paying.

If there is evidence that your health has improved and your circumstances have changed, the Trustees may reduce or stop your ill-health pension.

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If you retire late

If the Company agrees, you may continue working after Normal Retirement Age up to age 75.

At that time you must start to receive any remaining pension. You stop building up any future pension, and you stop paying contributions to the Scheme, at Normal Retirement Age. Your pension is increased to reflect the fact that you are taking your pension later.

Alternatively, you may choose to draw your pension at Normal Retirement Age and continue working for your employer.

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Drawing a pension while still working

If you retire early or late, you will be able to start drawing your pension while continuing to work for the Company.

But you must draw your entire pension and you will no longer build up any future benefits in the Scheme.

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Pension increases

Your pension is reviewed each year to help protect its value against price inflation.

Your pension built up after 5 April 2006 will increase on 1 May each year by any increase in the Retail Prices Index (RPI) up to a limit of 2.5%. A proportionate increase will be paid if you have been receiving your pension for less than one year.

In times of high inflation, and if Scheme resources allow, additional increases may be payable with the approval of the Company and Trustees.

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Pension payments

Your pension will be paid monthly in advance and is taxed in the same way as your salary (i.e. through the Pay As You Earn (PAYE) system).

The payments will start on the first day of the month after you retire. Your pension will be paid directly into your bank or building society account.

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Cash option

At retirement, you can take a cash sum as an alternative to some of your pension.

Under current tax laws, subject to the amount of cash being within the maximum described here, you do not pay tax on this cash sum.

Your pension will be reduced to reflect the cash sum you take, using factors set by the Trustees which can be changed at any time. The maximum cash sum you can take is 25% of the Capital Value of your benefits. Broadly speaking, the Capital Value is the cash sum you take plus 20 times the annual amount of the remaining pension. This calculation of Capital Value is the one that applies for the purpose of the Lifetime Allowance.

Example

A man at age 65 exchanges £13.53 of cash* for each £1 of annual pension
His annual pension before taking cash is £1,000
The maximum cash he can take is £4,466
His remaining pension is £670 (£1,000 – (£4,466/£13.53))

The Capital Value is worked out as follows:
4,466 + (20 x 670) = 4,466 + 13,400

Capital Value = £17,866
25% of the Capital Value = £4,466 (cash sum)

* The cost of exchanging pension for a cash is linked to economic conditions and can change regularly.

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What will my family get if I die?

The Scheme provides valuable benefits on your death. The benefits will depend on when you die and whether you are still working for ALSTOM.

In service before Normal Retirement Age

The Scheme provides the following benefits if you die in service before Normal Retirement Age:

Lump sum

Four times your Pensionable Earnings in the last complete Scheme Year before your death. Your Pensionable Earnings may be capped at the Death Benefits Earnings Limit.

This lump sum will be tax-free below the Lifetime Allowance, but any lump sum payment above the Lifetime Allowance will be subject to tax. You will find further information on the Lifetime Allowance in 'Some information about tax' on page 20.

Dependant's pension

Your Dependant will receive a pension of 50% of the pension you could have built up had you stayed in the Scheme until Normal Retirement Age. This pension will be based on your Final Pensionable Earnings, which may be capped at the Death Benefits Earnings Limit, at the date of your death.

The pension build up rate for your past service will be the rate or rates you chose at the time. The pension build up rate for your future potential service will be the rate that applied to you in the last complete Scheme Year before the date of your death.

The Trustees have the power to reduce this pension if your Dependant is more than 10 years younger than you.

Children's pensions

A pension equal to 25% of the Dependants' pension for each Child (up to a maximum of four children) will be paid.

Additional Voluntary Contributions (AVCs)

Your AVC fund can either be paid out as a lump sum or used to purchase a pension for your Dependants.



In service after Normal Retirement Age

The Scheme provides the following benefits if you die in service after Normal Retirement Age:

Lump sum

Your retirement pension is worked out assuming both that you retired immediately before death, and that you took the maximum retirement cash sum. The lump sum payable on your death is equal to the first five years' pension payments plus the maximum retirement cash sum.
No allowance will be made for any future pension increases.

Dependant's pension

Your Dependant will receive a pension of 50% of your pension, assuming that you retired immediately before death and had not taken any retirement cash sum.

The Trustees have the power to reduce this pension if your Dependant is more than 10 years younger than you.

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After you retire

If you die after you retire, your Dependants continue to benefit from protection.

Lump sum payment

If you die within five years after you retire, the outstanding pension instalments for the remainder of the five years will be paid as a lump sum.
No allowance will be made for the future pension increases.

Please note that different provisions may apply if you retire after age 70.

Dependant's pension

Your Dependant will receive an annual pension of 50% of your ALSTOM Pension before any reductions made as a result of exchanging some of it for a cash sum. It includes all the increases to your pension between the date you retired and the date of your death.

The Trustees have the power to reduce this pension if your Dependant is more than 10 years younger than you.

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Expression of wish forms

The Trustees have the discretion to decide who should receive any lump sum paid when you die. They will normally consider any of your beneficiaries together with anybody named in your will. They will also consider your wishes, as shown on your 'expression of wish' form. However, the Trustees do not have to follow your wishes.

Please make sure that you fill in an 'expression of wish' form, so that the Trustees know who you would like to receive the lump sum.

You should check your form regularly to ensure that it is up to date.

You should always fill in a new form if your personal circumstances change (for example, if you get married).

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What happens if I stop contributing to the Scheme?

If you leave the Company or opt-out of the Scheme, you can either:

- **Leave your benefits in the Scheme – this is known as a 'deferred pension'; or**
- **Transfer your benefits to another registered pension scheme.**

Deferred pension

Your deferred pension is worked out in the same way as a retirement pension. In other words, it is based on your Pensionable Service to date of leaving, your Final Pensionable Earnings at that date and the tiers that you have contributed to.

Your deferred pension is increased in line with increases in the Retail Prices Index, subject to a maximum increase of 5%, for each complete year from the date you leave until you retire. Your Normal Retirement Age is 65.

The Scheme allows early retirement between age 55 and age 65. You will need the agreement of the Company and the Trustees to retire early and your deferred pension will be reduced, because you are taking it early.

The size of the reduction will depend on your age. The Trustees, with agreement from the Company, set the amount of the reduction following advice from the Scheme actuary. This is reviewed regularly and can change at any time.

You are not eligible for the ill-health early retirement benefits described on page 9 once you have stopped contributions to the Scheme.

Once your pension comes into payment, it is increased each year as described on page 10.

If you choose to keep your deferred pension in the Scheme, it is important that you keep ALSTOM UK Pensions informed of your address.

This avoids any delay in paying your benefits when you retire.

Please also keep your 'expression of wish form' up to date if your circumstances change in the future. Details of this form can be found on page 12.

Transferring your benefits to another scheme

You can transfer your benefits to another registered pension arrangement.

This might be your new employer's scheme, or a personal or stakeholder pension. Please note that such transfers require the approval of the receiving scheme. The value of your transfer will be equivalent in value to the benefits you would have received from the Scheme, although the value may be reduced if the Scheme's assets are insufficient to provide the full value without disadvantaging the remaining Scheme members.

ALSTOM UK Pensions will work out the transfer value as required by law, using assumptions (such as future investment returns, future pension increases etc.) set by the Scheme actuary.

The transfer value will not allow for any discretionary benefits that may be granted in the future.

If you have stopped contributions to the Scheme and are considering transferring your pension benefits:

- **Please contact ALSTOM UK Pensions and ask for a statement that shows the transfer value.**

The transfer value will be guaranteed for three months from the date it is worked out. You will lose the right to this guaranteed transfer value if you do not take it within the three month period.

- **You can ask ALSTOM UK Pensions to work out your transfer value once a year.**

You can transfer your benefits at any time before they are paid, even if it is several years since you stopped contributions to the Scheme.

- **You may wish to take independent financial advice.**

Neither the Company nor the Trustees can provide this advice.

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Death after leaving the Scheme

If you die after leaving the Scheme, there are benefits for the people who matter to you.

These benefits will not be paid if you have transferred your benefits to another pension scheme.

If you die before you retire and before age 65

Your Dependant will receive a pension equal to 50% of your deferred pension at your date of death. If your Dependant is more than 10 years younger than you, the Trustees have the power to reduce this pension.

If no Dependant's pension is payable, a refund of your Scheme contributions, with interest of 3% per annum compound, will be paid.

Your AVC fund can either be paid out as a lump sum or used to purchase a pension for your Dependant.

If you die before you retire but after age 65.

Your Dependant will receive a pension equal to 50% of your deferred pension, assuming you had retired immediately before your death and had not taken any retirement cash sum. If your Dependant is more than 10 years younger than you, the Trustees have the power to reduce this pension.

A lump sum is also payable equal to the first five years' pension payments, plus the maximum retirement cash lump sum that you could have taken, assuming you had retired immediately before your death and had taken the maximum retirement cash lump sum.

If you die after you retire

The benefits payable will be those described on page 12.

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Keeping you informed

The Trustees are keen to ensure that members have all the information they need about the Scheme.

Online

ALSTOM UK Pensions maintain an up-to-date pensions website for the Scheme.

It contains detailed information about how the Scheme works, along with the forms you need to make the most of your membership.

It also has details of the people involved in running the Scheme and all the latest pensions news.

Information for members

In addition to this guide, the following items are issued to members:

- **Benefit statement** - an illustration of the benefits that are building up for your retirement and for your family following your death which is issued each year.
- **Dimension** - a newsletter issued by the Trustees from time to time, designed to update you on information about the Scheme and pension issues generally. You can look up past issues on the pensions website.

In future, the Trustees will also issue information each year about the funding of the Scheme.

You have the right to request further information about the Scheme. For example, you may ask to see the annual report and accounts and the Statement of Investment Principles drawn up by the Trustees.

If there is anything else you would like to know about your benefits, or about the Scheme in general, please contact ALSTOM UK Pensions at the address on page 3.

State Pensions

As well as the benefits provided by the Scheme, you may be entitled to a State pension.

There are two parts to the State pension:

- The Basic State Pension; and
- The State Second Pension (S2P).

The Basic State Pension

The Basic State Pension is a weekly benefit paid from State pension age.

Everyone who has paid sufficient National Insurance contributions receives the Basic State Pension.

In the tax year 2005/2006, the full annual Basic State Pension for a single person is £4,266.60.
It typically increases each year by the increase in the Retail Prices Index (RPI).

The State Second Pension

In addition to the Basic State Pension, there is a further State pension called the State Second Pension (S2P).

S2P is payable from State Pension Age and is related to your earnings.

The Scheme is "contracted-in" to S2P. This means that whilst you are a member of the Scheme your build up of benefits in S2P will be unaffected.

Finding out what your State pension might be

To find out what your State pension might be, fill in the 'State pension forecast' form (BR19).

If you call the Government's Retirement Pension and Forecasting Team on **0845 3000 168**, they will fill in the form for you over the phone.

The form is also on the Government's Pension Service website at **www.thepensionservice.gov.uk**

General details

This section contains general information about the Scheme to help you to answer any questions you may have.

About the Scheme

The Scheme is set up under trust and is managed according to a Trust Deed and Rules. The Scheme assets are kept entirely separate from Company investments. The Scheme is approved by the HM Revenue & Customs under the Income and Corporation Taxes Act 1988. This gives the Scheme some valuable tax advantages.

The Trustees

The trust is administered by a corporate Trustee (ALSTOM Pension Trust Limited). There are currently nine directors (or Trustees). The Trustees have a legal duty to act in the best interests of you and your Dependants at all times and to ensure that the Scheme is operated in accordance with the Trust Deed and Rules.

The Trustees appoint professional advisers to help run the Scheme. These include actuaries, administrators, investment managers and solicitors. Each year the Scheme is audited by independent accountants.

Scheme actuary

The Trustees work with the Scheme actuary to monitor the relationship between the Scheme's assets and its liabilities. The Scheme actuary is a financial expert in pension scheme assets and liabilities and is appointed by the Trustees.
The Scheme actuary's role includes carrying out a regular financial health check of the Scheme (actuarial valuation), at least once every three years.

Changing or ending the Scheme

The Company has the power to end the Scheme at any time, in accordance with the Trust Deed and Rules. With the Trustees' permission, the Company also has the power to change the Trust Deed and Rules of the Scheme. Any changes must satisfy legal restrictions.

Transfers in

If you wish to transfer the value of a pension from a previous personal or company pension plan to the Scheme, you can apply to ALSTOM UK Pensions. The Trustees have discretion to decide whether or not to accept such transfers-in. At present the Trustees are not allowing any transfers-in.

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Part-time employees

If you work part-time, you will receive pension benefits on a pro-rated basis. Your Pensionable Earnings will be grossed up to a full-time equivalent and your Pensionable Service will be pro-rated. This will maintain continuity if you change working hours.

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Maternity leave, paternity leave and family leave

If you are absent on statutory maternity, paternity or family leave (or the period during which pay is received, if longer), your membership of the Scheme will continue.

You will continue to pay contributions, but these will be based on your pay during your period of leave.

You will continue to be covered for the death in service benefits described on pages 11 and 12 and the ill-health retirement benefits throughout your period of absence, as long as you are expected to return to work.

Any further unpaid maternity, paternity or family leave (up to six months) may be treated as pensionable, if you return to work. Whether or not such a period is pensionable will be decided by the Company.

If you do not return to work at the end of your maternity, paternity or family leave, you will be treated as leaving service and benefits will be payable as described on page 13.

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Temporary absence

If you have a period of temporary absence, you should consult ALSTOM UK Pensions regarding your options and their impact on your benefits.

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Pensions and divorce

If you divorce, the court has the option to split your pension between you and your former spouse. This can happen even if you are already receiving a pension. Part of your pension will then belong to your former spouse. This process is known as 'Pensions Sharing'. Your pension will be reduced to reflect the amount transferred to your former spouse.

You can obtain further details from the Citizens Advice Bureau or your legal adviser.

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Sorting out problems

If you have a question about the Scheme, ALSTOM UK Pensions will usually be able to answer it.

However, if you are not satisfied with the response, there is a formal procedure for sorting it out. You can get a copy of the full procedure from ALSTOM UK Pensions at the address on page 3.

If you wish to make a complaint under this procedure, please contact the secretary to the Trustees at the address on page 3.

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Other organisations that can help

These organisations can help you and your family with any questions or worries that you have about your pension arrangements:

The Pensions Advisory Service (TPAS)

TPAS is an independent and voluntary organisation. It provides free help and advice to members and beneficiaries who have a problem with a personal or company pension plan.

Pensions Ombudsman

The Pensions Ombudsman can investigate and make a decision about any complaint or dispute of fact or law about pension schemes if TPAS has not been able to resolve the issue.

Both TPAS and the Pensions Ombudsman can be contacted at:
11 Belgrave Road
London
SW1V 1RB.

The Pensions Regulator

The Pensions Regulator is a regulatory body. It is able to intervene in the running of schemes. The Pensions Regulator can be contacted at:
Napier House
Trafalgar Place
Brighton
East Sussex
BN1 4DW.

The Pensions Tracing Service

You may have previously been a member of other pension arrangements, but no longer have the contact details. The Pensions Tracing Service, operated by the Pensions Regulator, has been set up to help people who have lost contact with their former scheme.

If you think you have a benefit that you need to trace you can fill in a 'pensions tracking' form available from the Pensions Regulator direct or from their website at **www.thepensionservice.gov.uk**

The Pension Schemes Tracing Service can also be contacted at:
Pensions Tracing Service,
The Pensions Service
Tyneview Park
Whiteley Road
Newcastle upon Tyne
NE98 1BA.

Information about the ALSTOM Pension Scheme has been supplied to the Pensions Tracing Service.

Looking after your data

Data about you is held for the purposes of administering and operating the Scheme and paying benefits. The Trustees may pass this data to the Company and to other relevant parties such as the Scheme's actuary, auditor and administrator.

It is a condition of membership of the Scheme that you agree to this. If you want to know more about the details held, please contact ALSTOM UK Pensions.



Some information about tax

You receive tax relief on all the payments you make to the Scheme. The cash sums paid out when you retire, or if you die before retirement, are normally tax-free. The Scheme also benefits from reduced tax on some of its investment income. In return, the HM Revenue & Customs has rules about the amounts you can pay into the Scheme and the benefits that the Scheme can pay out.

The HM Revenue & Customs has registered the Scheme under the Income and Corporation Taxes Act 1988 and this gives the Scheme some valuable tax advantages.

New tax rules

The Government is introducing a new single tax regime for all registered UK pension arrangements, from April 2006. **The main features of the new regime are:**

- You will have a Lifetime pension saving allowance. This will start at £1.5 million, but will increase to £1.8 million by April 2010. The 'Lifetime Allowance' will be in respect of all your tax advantaged pension funds. In addition to your Scheme benefits, this will include;

  - any other occupational pension arrangements in which you have participated with previous employers,
  - any personal or stakeholder pensions you may have, or
  - any such arrangements that you may join in the future.

  However, it excludes State pension entitlements. If your total pension funds are greater than the Lifetime Allowance when you retire, you will have to pay an additional tax on the amount above the Lifetime Allowance.

  The Capital Value of your benefits, to compare against the Lifetime Allowance, can normally be worked out as:

  - 20 times any final salary or defined benefit pensions; plus
  - the value of any defined contribution accounts.

- The 'Annual Allowance' is the increase in the value of an individual's pension entitlement each year without an immediate tax charge arising. This will initially be set at £215,000, increasing to £255,000 by April 2010.

The value of benefits you have built up during the year, to compare against the Annual Allowance, can be worked out as:

- 10 times the increase over the year in any final salary or defined benefit pensions; plus
- the amount of any contributions paid over the year to defined contribution arrangements.

- You can get tax relief on your pension contributions up to 100% of your total earnings each year (subject to the 'Annual Allowance' detailed above).
- Roughly 25% of the value of your benefits within the Lifetime Allowance may be taken as a tax free cash sum at retirement.

Remember, these limits do not apply to your payments to, and benefits from, the State pension schemes.

The Legal background

Where statements are made in this booklet relating to legislative or tax issues, those statements are based on the Trustees' understanding of these issues as at the date of this edition of this booklet. These statements are subject to both changes in legislation and to changes in HM Revenue & Customs practice.

The Company's obligation to contribute to the Scheme is as provided for in the Trust Deed and Rules and by overriding legislation. Nothing in this booklet imposes any requirement on the Company to contribute to the Scheme to any greater degree than required by the Trust Deed and Rules or by overriding legislation.

A participating employer in the Scheme may terminate participation of the Scheme in accordance with the Trust Deed and Rules.

The Company reserves the right to amend or discontinue the Scheme in accordance with the Trust Deed and Rules.

In case of conflict between this guide and the Trust Deed and Rules, the Trust Deed and Rules will prevail.



Words with a special meaning

Additional Voluntary Contributions (AVCs):

Extra member contributions which can be tax efficient and which you can choose to pay into the Scheme to increase your future pension benefits.

Annual Allowance:

The maximum increase in the value of an individual's pension entitlement each year, without an immediate tax charge. This will initially be set at £215,000 in April 2006, increasing to £255,000 by April 2010. (See "Some information about tax" on page 20 for further details.)

Basic State Pension:

The flat rate pension paid by the Government to all pensioners who have paid sufficient National Insurance Contributions.

Capital Value:

Each benefit must be expressed as a Capital Value, to allow it to be compared against the Lifetime Allowance and the Annual Allowance:

- The Capital Value of your Scheme benefits for comparison with the Lifetime Allowance is the cash sum you take plus 20 times the annual amount of the remaining pension, plus any AVC balance.
- For comparison with the Annual Allowance, the Capital Value of your Scheme benefits is any AVCs paid during the year plus 10 times the increase over the year in the annual pension, payable from Normal Retirement Age, that you have earned for service completed.

(See "What you need to know about tax" on page 20 for further details.)

Child:

Any Child, stepchild, adopted Child or other Child who, in the opinion of the Trustees, was dependent upon you and is either:

- Under age 18; or
- Under age 21 and still in full-time education
- Under age 21 and has a physical or mental disability and relied on you for support.

Company:

ALSTOM Ltd, the Scheme's principal employer.

Dependant:

If you are married when you die, your Dependant is your legal spouse. If you are in a registered civil partnership when you die, your Dependant is your civil partner in relation to pension benefits accrued and lump sum benefits payable on or after 5 December 2005. If you are not married or in a civil partnership or are living apart when you die, your Dependant is another adult who, in the opinion of the Trustees, was financially dependent or interdependent with you at the time of your death. There may be no Dependant if the Trustees do not believe that any individual satisfies this test.

Death Benefits Earnings Limit:

If you joined the Scheme on or after 1 June 1989, a limit will be applied to the Pensionable Earnings and the Final Pensionable Earnings used to calculate your death in service benefits.

The limit that will be applied will, initially, be based on the Earnings Cap calculated annually by HM Revenue & Customs. For the tax year ending April 2006, the Earnings Cap is £105,600.

This limit will be reviewed annually having regard to any increase in the Retail Prices Index.

Final Pensionable Earnings:

The average of your best three consecutive Scheme Years' Pensionable Earnings in the last ten Scheme Years of membership.

Lifetime Allowance:

This starts at £1.5 million from April 2006, and will rise to £1.8 million by April 2010. The 'Lifetime Allowance' covers of all of an individual's tax advantaged pension funds. Total benefits valued below this level are tax-free to the member until benefits are paid, but a tax charge must be paid on the value of benefits above the Lifetime Allowance. (See "Some information about tax" on page 20 for further details.)

Normal Retirement Age:

65.

Partial Ill-Health:

This is any physical or mental illness that the Trustees agree is permanent and is serious enough to stop you doing your normal work or any other work which you could be expected to do with the Company.

Pensionable Earnings:

Your basic pay plus other fixed allowances decided by the Company from time to time. You can get an up to date list of the allowances included from the pensions website or from ALSTOM UK Pensions.

Pensionable Service:

The number of years and complete months of Scheme membership. The benefits set out in this guide are those for Pensionable Service on or after 6 April 2006.

Retail Prices Index (RPI):

The official Government index of retail prices inflation, often referred to as the rate of headline inflation.

Scheme:

The ALSTOM Pension Scheme.

Scheme Year:

6th April to the following 5th April.

Serious Ill-Health:

Any physical or mental illness that the Trustees agree will stop you permanently from doing any work.

State Second Pension (S2P):

The additional State pension which replaced the State Earnings Related Pension Scheme (SERPS) in April 2002.

State Pension Age:

The age when people start to receive the Basic State Pension and any State Second Pension benefits. It is currently 65 for men and 65 for women born after 5 April 1955. It is 60 for women born before 6 April 1950. For women born between 6 April 1950 and 6 April 1955, the State Pension Age falls between ages 60 and 65.

Trust Deed and Rules:

This document, as amended from time to time, is the document under which the Scheme operates and sets out the full details of your benefits. If there is any conflict between this guide and the Trust Deed and Rules, we will follow the Trust Deed and Rules.

Trustees:

These are the directors of ALSTOM Pension Trust Limited, the corporate Trustee that manages the ALSTOM Pension Scheme.

Alstom Pension Scheme
2006 Defined Benefit Section

Salary Sacrifice for pension contributions:
an addendum to your Member Booklet

An efficient way for contributions to be paid to the Scheme

UNITED KINGDOM
Pensions

ALSTOM

ALSTOM Ltd (the 'Company') provides Salary Sacrifice for pension contributions. This is an efficient way for contributions to be paid to the Alstom Pension Scheme (the 'Scheme') designed to help save you money as you save for retirement.

This guide tells you what you need to know about Salary Sacrifice for pension contributions, and supplements the information in your Member Booklet about the Scheme. This guide should be read together with your Member Booklet.

How Salary Sacrifice **WORKS**

Salary Sacrifice arrangements allow companies to provide employees with certain pension benefits in a way that reduces the amount of National Insurance that has to be paid.

If you are taking part in Salary Sacrifice for pension contributions, you will not pay regular contributions to the Scheme, as set out on page 6 of the Member Booklet, – instead, the Company will pay additional contributions equal to the contributions that you would otherwise have paid. Your basic contractual annual salary and pensionable fixed allowances will be reduced by an amount equal to the pension contributions that you would have paid if you had not been taking part in Salary Sacrifice.

Only regular pension contributions can be made through Salary Sacrifice (ie ordinary contributions and any regular extra, or Additional Voluntary Contributions (AVCs), as set out on page 6 of the Member Booklet). One-off AVCs cannot be made through Salary Sacrifice – you can pay these out of your salary instead.

How you **BENEFIT**

If you are eligible for Salary Sacrifice and have not reached State Pension Age, you will pay less National Insurance by taking part in Salary Sacrifice. This is because you pay National Insurance on your gross pay and when you take part in Salary Sacrifice your pay is reduced. (Remember that the reduction to your gross pay does not mean you are losing out. You have simply agreed to give up some of your contractual salary and pensionable fixed allowances in return for you not paying certain pension contributions and the Company paying the same amount as additional contributions to the Scheme instead.)

As a result of paying less National Insurance, your take home pay should be higher than if you were not taking part in Salary Sacrifice.

The savings that result from Salary Sacrifice will vary from member to member. Broadly members earning below the Upper Earnings Limit will benefit from a higher rate of National Insurance contribution savings than those members earning above this limit. (For the 2011/12 tax year, the Upper Earnings Limit is £42,484 a year.)

Salary Sacrifice and **OTHER ALSTOM BENEFITS**

Taking part in Salary Sacrifice for pension contributions results in a reduction in your pay. However it will not affect the amount of pension benefits you are building up in the Scheme or any other payments or benefits that the Company provides based on your salary.

A Pre-Sacrificed Annual Salary (which is what your basic salary would have been if you had not taken part in any salary sacrifice arrangement) is recorded and used to calculate salary related payments and benefits that the Company provides.

Your Pensionable Earnings under the Scheme will be calculated based on what your basic salary and pensionable fixed allowances would have been if you had not been taking part in any salary sacrifice arrangement.

The Company will also explain that you are participating in a Salary Sacrifice arrangement and provide your Pre-Sacrificed Annual Salary if you are applying for a mortgage or loan.

If you are **ABSENT FROM WORK**

The Company will continue to make pension contributions to the Scheme during any period when you are receiving an absence related payment. These pension contributions will be based on your Pensionable Earnings immediately before you went on leave.

Salary Sacrifice and **STATE BENEFITS**

Contribution based benefits

Some State benefits (such as the basic state pension, employment and support allowance, and jobseeker's allowance) are based on the National Insurance contributions you pay. This means that taking part in Salary Sacrifice might affect your entitlement to these benefits, either while you are working for the Company or in the future.

To build up an entitlement, you need to earn over the Government's Lower Earnings Limit (which in the 2011/12 tax year is £5,304 a year).

In an effort to ensure that no one's entitlement to contribution based State benefits will be adversely affected by taking part in Salary Sacrifice for pension contributions, the Company will not let an employee take part if his or her annual basic salary is below a minimum threshold (£7,500 as at April 2011). This minimum threshold will be reviewed each year.

Earnings related benefits

Certain State benefits such as the State Second Pension are based on your level of earnings after any Salary Sacrifice has taken place.

If your pay (after reduction as a result of Salary Sacrifice) is between the Government's Lower Earnings Threshold (£14,100 in the 2011/12 tax year) and the Upper Accrual Point (£40,040 in the 2011/12 tax year), taking part in Salary Sacrifice for pension contributions may reduce the amount of the State Second Pension you build up.

Although the Company cannot give a guarantee, for most members it is expected that the savings in National Insurance contributions as a result of taking part in Salary Sacrifice will be greater than the value of the loss in State Second Pension.

Work related payments

Certain state benefits (such as statutory maternity, paternity, adoption and sick pay) are based on average weekly earnings. Taking part in Salary Sacrifice reduces these earnings, meaning the amount of these work related payments could be reduced as a result of taking part in a Salary Sacrifice arrangement.

However, the checks the Company has built into Salary Sacrifice mean that the only payments likely to be affected are the first six weeks of Statutory Maternity Pay (which is based on 90% of average weekly earnings.)

If you are taking part in Salary Sacrifice you can ask the Company to allow you to opt out if you become pregnant. If you would like further details please contact your HR partner.

SIGNING UP to Salary Sacrifice for pension contributions

Members of the Scheme who initially chose not to take part in Salary Sacrifice can choose to enrol for ordinary pension contributions from 6 April each year by completing and returning the **Annual Tier Change form for the 2006 Defined Benefit Section of the Alstom Pension Scheme (Scheme)**.

All members can elect from 6 April each year for regular AVCs to be made through Salary Sacrifice. If this is something you want to do, please complete and return the **Additional Voluntary Contributions (AVCs) – APS14 Form**.

If you are one of the very small number of employees who are not eligible to take part in Salary Sacrifice for pension contributions the Company will contact you separately. There are two situations where this might apply:

1. If the Company is aware that taking part would adversely affect your entitlement to contribution-based State benefits (see the section headed 'Salary Sacrifice and State benefits').
2. If the Company is aware that taking part would reduce your pay below the UK National Minimum Wage. In this case, the Company would have to exclude you from Salary Sacrifice in order to comply with the minimum wage legislation.

CHANGING your Salary Sacrifice arrangements

The occasions on which you may be able to change the amount of contributions being made through Salary Sacrifice are as follows.

Lifestyle Events

If you experience one of the lifestyle events listed below, you can request a change to the level of regular AVCs that you may be making through Salary Sacrifice or opt out of Salary Sacrifice (you will need the Company's consent to either of these changes). Please contact your HR partner for more details.

Lifestyle events involve a major change in your life or working pattern and include:

- Getting married, entering into a civil partnership or moving in with a partner
- Going through a separation, getting divorced, having a civil partnership dissolved
- Becoming pregnant or on the birth or adoption of a child
- The death of a partner or dependant
- Going on, or returning from, leave with reduced pay (or no pay at all)
- A significant change to your working hours or pay
- Your husband, wife or partner losing their job
- Moving overseas to work
- Moving back to the UK to work

If the Company has previously informed you that you are not eligible to take part in Salary Sacrifice, but your situation changes and you subsequently become eligible, this also counts as a lifestyle event.

At annual renewal

You can only change your chosen rate of ordinary contributions from 6 April each year.

Unless you experience a lifestyle event, you will only be able to change your chosen rate of regular AVCs from 6 April each year if you choose to make these through Salary Sacrifice. If you want to increase your AVCs during the year (either on a regular basis or as a one-off), you can do so by paying additional AVCs out of your salary rather than through Salary Sacrifice.

Each year, in advance of the annual renewal date (6 April), the Company will review members' eligibility to take part in Salary Sacrifice for pension contributions.

- If you are already taking part in Salary Sacrifice for pension contributions the arrangements in place at that time will continue automatically, unless you indicate that you want to change ordinary contribution rates or the level of AVCs being made through Salary Sacrifice. You will not be allowed to opt out of Salary Sacrifice for ordinary pension contributions unless you experience a lifestyle event or fail an eligibility condition.
- If you want to switch ordinary contribution rates for the following Scheme year or change the level of any regular AVCs being made through Salary Sacrifice, you can do so by completing and returning the appropriate forms. (The Company will write to remind you of your options around February of each year.)

If you need more information

If you have any questions about Salary Sacrifice for pension contributions or the Scheme, please contact your HR partner and, for general queries about the plan, please contact the administrators MNPA.

More detailed information about salary sacrifice arrangements is available on the HM Revenue & Customs website. www.hmrc.gov.uk/specialist/salary_sacrifice.htm

If you want some advice

It is not possible for the Company to know each member's circumstances and the law does not allow anyone employed by the Company to provide individual financial advice.

If you feel that financial advice would be helpful, www.unbiased.co.uk provides details of independent financial advisers (IFAs) in your area. It is important to check that whoever advises you on financial services and products is qualified and authorised to do so. Visit the Financial Services Authority website at www.fsa.gov.uk/register/home.do or phone their consumer helpline on 0845 606 1234.

The Money Advice Service – an independent organisation set up by the Government and funded by the financial services industry – provides free, unbiased information about all aspects of financial planning. This includes information on how to find an adviser and what questions to ask. Visit their website at www.moneyadviceservice.org.uk or phone 0300 500 5000 (call rates may vary).

Please remember that you may have to pay for any advice that you receive.

The Company intends to keep providing the Salary Sacrifice arrangement for pension contributions as long as it continues to reduce the National Insurance contributions that you and the Company pay. However, the Company may alter or end this Salary Sacrifice arrangement at any time.

If there is a conflict between this booklet and the Scheme's Trust Deed and Rules, the Trust Deed and Rules will override this booklet.

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