

Important news for members of the
Alstom Grid Group Personal Pension Plan

A communication on behalf of Alstom (the 'Company')

Looking forward

We wish to make changes to the pension arrangements we provide for you, which includes the opportunity to increase the contributions the Company pays to your retirement savings.

This document explains:

- Why we are taking this step,
- The changes we wish to make,
- What the changes might mean for you, and
- How the consultation process will work, including where to find out more about the proposals and how to give us feedback.

UNITED KINGDOM |
Pensions

ALSTOM

The **BACKGROUND**

Pensions are an important part of the reward package that the Company provides for employees in the UK.

The Company's aim is to use its resources as effectively as possible to make sure that employees have the opportunity to plan and save for retirement in a good-quality pension arrangement.

We regularly review these arrangements to check that they remain fair and competitive and following the integration of ALSTOM Grid we have undertaken a full review of pension provision provided in the UK with the objectives of:

1. Integrating as soon as possible the membership of the Alstom Grid Group Personal Pension Plan (your current Plan), the Alstom Defined Contribution Plan, and future joiners into one pension arrangement;
2. Providing an arrangement that is capable of delivering first class benefits without the need for intense hands-on management and other in-house resources; and,
3. Ensuring the arrangement provides an equitable level of benefits for all Alstom members.

As a result, we intend to make a number of changes. Importantly, these include introducing a competitive new Group Personal Pension Plan (GPP) in place of your current Plan from 1 July 2012.

You can read more about the new arrangements on the following pages.

We are consulting with all employees who will be affected by these changes. The consultation period starts on 1 February 2012 and ends on 30 April 2012. This is your opportunity to find out more about the proposals and give us feedback. We explain the consultation process on the back page.

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What you **NEED TO KNOW**

Here are the key features of the changes we intend to make to your pension arrangements.

The new GPP will work in the same way as the current GPP.

GPPs are an effective way for employers to help their employees plan and save for retirement in a good quality pension arrangement.

When Areva established your current Plan in 2004, it was a market-leading arrangement with the highest levels of service available at that time.

However, there have been a number of developments in the pensions market in recent years and our advisers believe that it is possible for us to provide members with access to better all-round service.

The Company with member input, including two members of Grid's ICC, is currently engaged in a rigorous process to select the provider for the new GPP. This involves assessing all aspects of the improved service that we want this company to provide for members. We hope to be in a position to announce the outcome of this process in February.

Effective governance

The Company will establish a governance committee to oversee the running of the new GPP. This Committee will closely monitor such areas as investment performance, administration, and the information and resources that are available to members. The Company intends the committee to include Company and member representatives to ensure the GPP is managed effectively on your behalf.

Under the new arrangement there will be a change to the calculation of pay on which your pension contributions are based.

In your current Plan, the contributions you and the Company pay into your individual GPP account are based on your Pensionable Salary. This is effectively your gross earnings, a figure which includes your basic pay, allowances, overtime and contractual bonus payments.

The definition of Pensionable Earnings in the new GPP will include your basic pay and any fixed allowances, such as shift premium, which the Company will confirm are pensionable.

This change is consistent with the one made by Alstom in 2006 which applied to the Alstom Pension Scheme and the Alstom Defined Contribution Plan.

For some members, this means that the contributions you and the Company pay into the new GPP will be based on a lower level of Pensionable Earnings.

However, you will have scope to select a contribution level, which means your individual account could receive a higher overall level of contributions than is available in your current Plan (see below). This will be of particular interest to those of you currently saving more than 4%.

Under the new arrangement the Company will introduce a more generous contribution structure. Under this proposal, you could benefit from a higher level of Company contributions towards your retirement savings.

In your current Plan, the member contribution rate is 4% and the Company contributes a further 6% towards your retirement savings.

Under the new GPP, members will choose a contribution rate of between 3% and 8%. Whatever member contribution rate you select, the Company will match this and add an extra 2%, up to a maximum of 10% (as shown in the table below).

You could choose a member contribution of more than 8%, but the maximum Company contribution would not go higher than 10%.

You will be able to change your chosen contribution rate at each annual renewal (on 6 April).

Contribution structure in the new GPP	
Member contribution	Company contribution
3%	5%
4%	6%
5%	7%
6%	8%
7%	9%
8%	10%

We recognise that some members might want time to adjust to the new definition of Pensionable Earnings that will apply in the new GPP.

Therefore, you will have the option to keep your current contribution rate and definition of Pensionable Earnings and life cover up to 31 March 2014.

For more details, see 'Your options' on page 7.

What the changes explained on page 3 might mean for you

Everyone's situation is different and the impact that this change will have depends on a number of factors.

We have prepared a couple of examples to illustrate the effect that the change will have on two 'typical' members.

Example A

The member in this example has basic pay of £27,000 and receives overtime of £3,500.

Under the current definition, their Pensionable Salary is £30,500.

Under the definition in the new GPP, their Pensionable Earnings will be £27,000.
(Remember, overtime will not be pensionable.)

Assuming that there are no changes to the member's pattern of earnings and they choose to maintain the same current 4% contribution level in the new GPP the actual amount of contributions going into their individual account will go down (see table right); it does mean their take-home pay will be higher than it is at present.

However, the member has scope to select a higher contribution level in the new GPP. This means their individual account might potentially receive a higher overall level of contributions than is available in the current Plan.

	Member contribution (4%)	Company contribution (6%)	Total contributions to their individual account	Actual cost to member (after tax relief at 20%)
Under the current Plan	£1,220	£1,830	£3,050	£976
Under the new GPP	£1,080	£1,620	£2,700	£864

The table below summarises their contribution options. (The figures are based on the lower Pensionable Earnings figure of £27,000 that will apply in this example in the new GPP.)

Member contribution		Company contribution		Total contributions to their individual account	Actual cost to member (after tax relief at 20%)
Percentage	Amount	Percentage	Amount		
3%	£810	5%	£1,350	£2,160	£648
4%	£1,080	6%	£1,620	£2,700	£864
5%	£1,350	7%	£1,890	£3,240	£1,080
6%	£1,620	8%	£2,160	£3,780	£1,296
7%	£1,890	9%	£2,430	£4,320	£1,512
8%	£2,160	10%	£2,700	£4,860	£1,728

Under the current Plan, this member's individual account receives a total overall contribution of £3,050 a year at a cost to the member of £976 after tax relief.

If they want to take advantage of the maximum Company contributions available under the new GPP, they will need to select a member contribution rate of 8%. This means the cost of their membership will go up to £1,728 a year after tax relief (an increase of £752). However, their individual account will receive a total annual contribution of £4,860 (an increase of £1,810).

Example B

This member's basic pay is £50,000 and they receive no further earnings.

Under the current definition, their Pensionable Salary is £50,000.

Under the definition in the new GPP, their Pensionable Earnings is also £50,000.

Assuming that there are no changes to the member's pattern of earnings and they choose to maintain the same current 4% contribution level in the new GPP the actual amount of contributions going into their individual account will remain the same (see table right).

However, as with the member in example A, this individual has scope to select a higher contribution level in the new GPP. This means their individual account can receive a higher overall level of contributions than is available in the current Plan.

	Member contribution (4%)	Company contribution (6%)	Total contributions to their individual account	Actual cost to member (after tax relief at 40%)
Under the current Plan	£2,000	£3,000	£5,000	£1,200
Under the new GPP	£2,000	£3,000	£5,000	£1,200

The table below summarises their contribution options. (The figures are based on the Pensionable Earnings figure of £50,000 that will apply in this example in the new GPP.)

Member contribution		Company contribution		Total contributions to their individual account	Actual cost to member (after tax relief at 40%)
Percentage	Amount	Percentage	Amount		
3%	£1,500	5%	£2,500	£4,000	£900
4%	£2,000	6%	£3,000	£5,000	£1,200
5%	£2,500	7%	£3,500	£6,000	£1,500
6%	£3,000	8%	£4,000	£7,000	£1,800
7%	£3,500	9%	£4,500	£8,000	£2,100
8%	£4,000	10%	£5,000	£9,000	£2,400

Under the current Plan, this member's individual account receives a total overall contribution of £5,000 a year at a cost to the member of £1,200 after tax relief.

If they want to take advantage of the maximum Company contributions available under the new GPP, they will need to select a member contribution rate of 8%. This means the cost of their membership will go up to £2,400 a year after tax relief (an increase of £1,200). However, their individual account will receive a total annual contribution of £9,000 a year (an increase of £4,000).

We are looking for a GPP provider who will give you access to an appropriate range of investment options with more competitive annual management charges.

The decisions you make about how and where to invest your retirement savings will have a direct impact on the benefits that you might receive when you retire. While the Company cannot advise you on what might be best for your situation, as part of the GPP selection process, we are looking to make sure you have access to an appropriate range of investment options from the outset. This includes options that work in the same way as those available in your current Plan. We also want the flexibility to be able to make improvements to this range in future if the governance committee decides that it is in members' interests to do so.

Just as importantly, the selection process will ensure that the investment options available to you carry competitive annual management charges.

As is the case in your current Plan, you will receive straightforward information about your different investment options and what each of these could offer you. This will help you decide on the level of security you want for your investments and the level of growth you want to aim for. You will also receive an annual benefit statement to help you keep track of how your individual GPP account is building up.

As explained on page 3, we hope to be in a position to announce further details later in February once we have selected the preferred provider for the GPP.

There will be financial support for your dependants and beneficiaries if you die in service.

Under the current Plan, there is a cash sum of six times your basic salary for your dependants and beneficiaries if you die while working for the Company and before starting to draw your Plan pension. Under the proposal the benefit will be as follows:

- four times your Pensionable Earnings in the last complete Plan year (6 April to 5 April)
plus
- a lump sum equal to the contributions the proposed GPP would have received until your 65th birthday or, if later, your State Pension Date (calculated using the rate of contributions that you and the Company paid in the last complete Plan year)
plus
- the fund value of your GPP.

We are introducing Salary Sacrifice for pension contributions – a more efficient way for member contributions to be paid to the new GPP that is designed to help you save money as you save for retirement.

Salary sacrifice arrangements allow companies the opportunity to provide employees with certain benefits, such as your pension, in a way that reduces the amount of National Insurance that has to be paid. The result is that your take-home pay would be higher than if you did not take part in Alstom's Salary Sacrifice for pension contributions which was launched for the other Alstom pension arrangements in 2011.

The Company already provides a Salary Sacrifice arrangement for the cycle to work benefit and Salary Sacrifice for pension contributions would work in the same way. We will send you more detailed information during February.

Key dates 2012

February

1 February

The consultation period starts.

This is your opportunity to find out more about the Company's proposals and give us feedback (see back page).

We are also planning to run presentations throughout the UK (including specific presentations for Grid employees in Stafford) during February.

We plan to provide monthly updates throughout the consultation period, giving answers to the kinds of questions members are asking. These updates will be posted on noticeboards around the Company.

April

30 April

The consultation period ends.

Your **OPTIONS**

What will happen to the personal GPP account you have built up in your current Plan?

It will not be possible for your personal GPP account to receive any further contributions through the Company's payroll after 30 June 2012.

At this point, you will have the option to transfer the money you have built up in your personal account to the new GPP or leave it with Prudential.

As explained on page 3, we recognise that some members might want time to adjust to the new definition of Pensionable Earnings that would apply in the new GPP.

The Company intends to give you the option to keep your current definition of Pensionable Earnings, current contribution rates and life cover up to 31 March 2014.

Here is a summary of the options you would have on joining the new GPP from 1 July 2012, and what each would mean for you.

	If you choose to join under the new contribution structure set out on page 3	If you choose to keep the contribution arrangements that apply under your current Plan up to 31 March 2014
Pensionable Earnings	This would be your basic pay and any fixed allowances that the Company has confirmed are pensionable.	Up to 31 March 2014, this would be effectively your gross earnings including overtime and contractual bonus payments.
Contribution options	You would be able to choose from the member contribution rates set out on page 3 (and benefit from the accompanying Company contribution).	Up to 31 March 2014, the member contribution rate would stay at 4% of your Pensionable Earnings (as set out in the first paragraph above) and the Company contribution would stay at 6%.
Life cover	This will be four times your Pensionable Earnings in the previous Plan year plus the contributions you and the Company would have paid (based on your rate of contributions that you and the Company paid in the last complete Plan year) up to the later of your 65th birthday or State Pension Date.	Up to 31 March 2014, this will remain at the six times basic salary cover applying under your current Plan.

From 1 April 2014, the arrangements set out in the column on the left will apply to all members.

May

We will consider the feedback we have received from you during the consultation period before establishing the new arrangements. We will then confirm the final arrangements. We intend to write to you and invite you to join the new GPP shortly afterwards.

We would also invite you to start arranging contributions through Salary Sacrifice.

June

The Company anticipates that this will be the last month that contributions are paid from the Company's payroll into your individual GPP account in your current Plan.

July

1 July

The Company anticipates that the new GPP will start on 1 July. Your personal account in the new GPP would start receiving contributions from the July payroll.

The **CONSULTATION PROCESS**

The Company is consulting with all employees who are affected by the proposals explained on pages 3 to 7. This means you have an opportunity to ask questions and give feedback. This section explains the process that we have put in place to consult with you and contains the contact details you need.

If you want to give feedback on the Company's proposals

You can give us feedback at any time between 1 February 2012 and 30 April 2012 when the consultation period closes. We have set up a dedicated e-mail address and phone number for this purpose.

E-mail:
alstom.helpline@aonhewitt.com

Phone: **0845 6062841**

These are being operated by a company called Aon Hewitt, the professional advisers we have appointed to help us with this exercise.

If you want to find out more

Get in touch

If you want more information about the proposals, please get in touch using the phone number or e-mail address on the left.

Come to a presentation

We are planning to run specific presentations for Grid employees during February. Our aim is that we will have selected the preferred provider for the proposed GPP by this time. This will enable us to provide you with more detailed information about the new GPP. The presentations will also be an opportunity for you to ask any questions you might have. Please look out for details.

Watch for updates on your noticeboard

We plan to provide monthly updates throughout the consultation period, giving answers to the kinds of general questions that members are asking. These updates will go up on noticeboards around the Company.

If you have a question about the current Alstom Grid Group Personal Pension Plan or your benefits

Please contact the Plan provider, Prudential.

Secure e-mail: http://www.pru.co.uk/contact_us/prumail

Phone: 0845 075 2244

Write to: Customer Service Centre
Prudential
Stirling FK9 4UE

If you want advice

Our aim is to provide you with the information you need to understand the Company's intended changes and what they might mean for you, but the law does not allow anyone employed by the Company to provide individual financial advice.

The Money Advice Service is an independent organisation that provides free, unbiased information about all aspects of financial planning, including pensions and how to find an independent financial adviser (IFA) and what questions to ask. Visit their website at **www.moneyadvice.service.org.uk** or phone their helpline on **0300 500 5000** (call rates may vary).

You can find details of IFAs in your area online at **www.unbiased.co.uk**.

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**.

You should also find out how much the adviser will charge for any advice they give.

We will make every effort to ensure we consult with you as required under pension law. However, if you have any questions or concerns about the process you are entitled to contact the Pensions Regulator. Their helpline is 0845 600 0707.