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10 February 2011

Dear <Title> <Name>

## **ALSTOM DEFINED CONTRIBUTION (DC) PLAN**

### **ANNOUNCEMENT TO ACTIVE MEMBERS REGARDING EARLY RETIREMENT AND POSSIBLE ANNUITY RATE CHANGE**

#### **Background**

Under the Rules of the Alstom Defined Contribution (DC) Plan, early retirement is subject to the consent of the Trustee and Company.

The Trustee will consent to all early retirement requests from members aged 55 or over. Previously, the Company's consent was only given if the member was aged 60 or over. However, the Company has agreed that, with immediate effect and until further notice, its policy on consenting to early retirement will be as follows:

#### **Early Retirement from Employment**

The Company will consent to early retirement for all employees who leave Alstom's employment aged 60 and over.

The Company has also advised that it will consider, on an individual basis, requests for early retirement from employees who leave Alstom's employment aged between 55 and 60. Members should apply in writing, via their Human Resources department.

#### **Early Retirement for Former Employees (ie Deferred Members)**

The Company will consent to early retirement for any former employee aged 55 or over.

#### **Flexible Retirement (early payment of pension whilst remaining in employment with Alstom)**

The Company will continue to consent to employees taking their pension benefits early whilst remaining in employment with the Company provided that the employee is aged 60 or over. Employees taking flexible

retirement can, if they wish, re-join the DC Plan for future pensionable service. Where an employee does elect to re-join the DC Plan, they will not be covered for Death in Service or Income Replacement benefit.

### **Possible Annuity Rate Change**

You may have seen or heard news coverage over the last week about a forthcoming European Court ruling that may affect annuity rates. Hargreaves Lansdown, the Plan's appointed annuity consultants, has prepared the attached briefing on the possible implications of the ruling. Hargreaves Lansdown has told the Trustee that the European Court may make its ruling as early as 1 March 2011 (although this date is not definite).

The attached briefing has already been sent to Plan members who are in the process of purchasing an annuity.

The Trustee has decided to send a copy of that briefing to all Plan members because it contains information that may be of interest to them.

If you decide that you would like to take immediate early retirement, you should contact dc-Link, the administrator of the Plan. (Do not call the number on the Hargreaves Lansdown briefing.) However, members need to be aware that it can take several weeks to set up an annuity and therefore it might not be possible for dc-Link to process an early retirement request before the European Court's ruling is made.

Neither the Trustee, Alstom, nor dc-Link can offer any financial advice. If you are unsure whether early retirement might be right for you, you should consider taking independent financial advice. Visit the Financial Services Authority website at [www.fsa.gov.uk/register/home.do](http://www.fsa.gov.uk/register/home.do) or phone their helpline on 0845 606 1234 to find an adviser near you.

The result of the European Court's ruling will be detailed on dc-Link's website [www.dc-link.co.uk/alstom](http://www.dc-link.co.uk/alstom) and will also be communicated in the June edition of the Trustee's newsletter.

Should you have any queries regarding this announcement please contact the administrators at: dc-Link, Churchgate, 1 New Road, Peterborough, PE1 1TT.

Tel: 01733 353430 or email: [pensionsadmin@dc-link.co.uk](mailto:pensionsadmin@dc-link.co.uk)

Yours sincerely



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# How your annuity could be affected by new EU rules

**New equality rules from Europe could affect your annuity. You may want to act now. Here's why ...**

Men and women currently receive different rates for most annuities.

Male annuity rates are generally higher. This is because women tend to live longer than men meaning their annuities need to pay out for longer.

This could be set to change. The use of gender in annuity pricing is the subject of an upcoming European Court of Justice (ECJ) ruling this spring.

The Association of British Insurers (ABI) and leading UK insurers believe the outcome may be a ban on different rates for men and women. We do not know what the outcome will be. The judgement is expected on 1 March 2011.

## How could this impact you?

Once set up, an annuity income is paid for life. Male annuity incomes will almost certainly go down if gender pricing is found to be unlawful. Female annuity income could potentially go up. Joint life annuities could also be affected. We do not know if any changes will be made or indeed to what extent.

**One thing will not change. The biggest advantage of an annuity is the secure income it offers. It will not run out. Most people will still need this secure income.**

**If you're ready to go ahead, why not get things moving today?**



*Straight bananas were a euro-myth. But it is true that annuities could be affected by equality rules from Europe*

## The outcome: Three possible scenarios

- 1** No change. The European Court may decide that the use of gender in insurance pricing remains legal.
- 2** The court may decide gender pricing is unlawful. Annuity quotations will then not be able to use different rates for men and women. It is not known how long insurers will be given to comply with the ruling. They may have to change their rates straight away (including not being able to honour existing quotes or business not completed), or they may be given a grace period.

- 3** If the use of gender pricing is found unlawful, there is a small chance that retrospective changes to existing annuities will have to be made. We believe this is unlikely.

## Are you at the point of buying your annuity? Consider acting now

If you have decided to set up your annuity, you may want to act sooner rather than later to take advantage of current annuity pricing. Men in particular could find rates go down.

We will help you set up the annuity as quickly as we can. To proceed, return the application forms to us as soon as possible. Please remember we are telling you about this ruling so you can make your own decision. We do not know what the outcome will be.

This update is based on Hargreaves Lansdown's understanding as at January 2011. It is not advice. If you are not sure about the suitability of your annuity or retirement options you may want to speak to an adviser, although they won't be able to advise you on the judgement.

*Want to go ahead? Call 0117 980 9940 to get things moving.*

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