

# DIMENSION

April 2012



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Pensions

**ALSTOM**

# WELCOME

## Welcome to this edition of Dimension, the newsletter from the Trustee of the Alstom Pension Scheme (the Scheme).

This issue brings you updates about your Scheme and other pensions news.

The Trustee would like to hear your views on this newsletter and other communications we send to you. Please fill in the form on page 11 to give us your feedback. This will help us to continue improving the information we send you.

We hope you enjoy this edition. You can also find useful information about the Scheme on the Pensions Website at [www.pensions.uk.alstom.com](http://www.pensions.uk.alstom.com)

## Contact us

Visit the Pensions Website to find useful information about the Scheme:

[www.pensions.uk.alstom.com](http://www.pensions.uk.alstom.com)

MNPA is the first point of contact if you have any queries about the Scheme or your benefits.

**Pensioner payroll team** (if you are receiving a pension): 01372 200333

**Email:** payroll.team2@mnpa.co.uk

**Administration team** (if your pension has not started yet): 01372 200363

**Email:** alstom.pensions@mnpa.co.uk

### You can contact MNPA at:

Alstom Pension Scheme

MNPA Ltd

Leatherhead House

Station Road

Leatherhead

Surrey

KT22 7ET

Normal office hours are 8.30am to 5.30pm  
Monday to Friday.

The Alstom Pensions Department is able to liaise with MNPA if you experience any problems. The department can be contacted on: 01788 557402 or 01788 557403

**Email:** alstom.ukpensions@chq.alstom.com

### Pensions Department

ALSTOM Ltd

Newbold Road

Rugby

CV21 2NH

Full details of the Scheme are contained in the Trust Deed and Rules. In the event of any discrepancy between the information contained in this newsletter and the Trust Deed and Rules, the Trust Deed and Rules and overriding legislation will prevail.

Dimension is also available in large print on request from the Alstom Pensions Department.

# WHO LOOKS AFTER THE SCHEME?

**ALSTOM Pension Trust Limited is the Trustee company that manages the Scheme. The Trustee consists of nine Directors nominated by Alstom, active Scheme members and Scheme pensioners. The Trustee is responsible for ensuring that the Scheme is run in the best interests of its almost 25,000 members and meets its statutory duties.**

The Trustee carries out many tasks, including looking after the Scheme's:



## **Investments**

The contributions made by you and Alstom are paid into the Scheme and invested on your behalf. With the help of specialist investment advisers, the aim of the Trustee is to ensure that sound financial decisions are taken regarding investments which protect and increase their value. The money in the Scheme is then used to pay members' benefits.



## **Governance**

Governance is about ensuring the effective management of the Scheme. The Trustee ensures it has the knowledge and skills required to run the Scheme by attending regular training courses and seminars. The Trustee also makes sure it has the right specialist advisers and has good risk-management processes in place.



## **Funding**

The Trustee is responsible for monitoring the Scheme's funding position to ensure that it has enough money to pay members' benefits both now and in the future. Every three years, the Scheme has a formal valuation which is conducted by the Scheme's actuary, but between formal valuations the Trustee reviews the position on a quarterly and annual basis. Find out more about the Scheme's funding on page 6.



## **Administration**

The Trustee delegates the administration of the Scheme to MNPA. Its tasks include calculating members' benefits and ensuring that they are paid correctly and on time, in line with the Trust Deed and Rules.

# WHO ADVISES THE TRUSTEE?

The Trustee, as required by law, appoints professional advisers to help it carry out its duties and these include a legal adviser, investment adviser, Scheme actuary and covenant adviser. Find out about each of the advisers and how they help the Trustee below.

## Legal adviser



BAKER & MCKENZIE

### Meet Robert West

Robert heads up the Pensions Department at Baker & McKenzie LLP, who replaced Wragge & Co with effect from January 2012. He has advised on pensions law for more than 20 years. His roles have included three years as a non-executive director of the Pensions Advisory Service, two years as Chairman of the Association of Pension Lawyers and a member of the Government-appointed panel to advise on new pensions legislation. Robert advises the Trustee on its legal duties about running the Scheme.

## Investment adviser



MERCER

### Meet Adam Taylor

Adam is a Senior Associate with Mercer. He advises on a wide range of defined benefit and defined contribution schemes and has been the investment consultant for the Scheme for the past two years. His role involves providing a full range of investment consulting services, including advice on investment strategy and the selection and performance monitoring of investment managers.

## Scheme actuary



### **Meet Brian Nimmo**

Brian is a partner at Hymans Robertson LLP and was appointed as Scheme actuary in January 2012, replacing Ian Skinner of Towers Watson. Brian is already busy with the preparation for the 2012 actuarial valuation. Brian's role is to help the Trustee understand and control the risks within the Scheme. This includes making sure that members' interests are best protected by building the optimum strategy with the Scheme's assets and the contributions Alstom makes.



## Covenant adviser

The Trustee is currently in the process of appointing a new covenant adviser. The covenant adviser will help the Trustee to assess and monitor the financial position of Alstom and its ability to continue to fund the Scheme in the future.

## Trustee update

Steve Jones, a Company Nominated Director, left the Trustee Board on 29 February 2012 and was replaced by Yacine Hassouna, who took up his position on 1 March 2012. Yacine is the Head of Asset and Liability Management, based in the Alstom Corporate Office in Paris, and has had a close involvement with the Scheme for four years as its Investment Officer. The Trustee Board would like to thank Steve for the work he has completed whilst a Trustee and welcomes Yacine to the team.

# SCHEME FUNDING

## What is a valuation?

A full actuarial valuation takes place every three years. The Trustee, with the help and advice from the Scheme actuary, assesses whether the current investment strategy and level of contributions remain appropriate to meet its primary objective; to pay members' benefits in full and on time.

The actuary makes an estimate of the future payments that the Scheme will make to members. An assessment will then be made to decide if the projected income and capital from the existing assets, together with future contributions, will be sufficient to meet these payments. The Trustee and Alstom will look at the options available, considering the level of risk being taken with the Scheme's investments and the level of contributions that need to be paid.

For instance, in the current climate where the Scheme is in deficit, the steps that might be taken could include negotiating an increase to the contributions paid by Alstom (which will better protect the security of the Scheme) and reduce the risk being taken with the investments. The Trustee will make these decisions to best protect all member benefits, while also considering affordability.

## When are the valuations carried out?

Full valuations are usually conducted every three years. The next valuation will be as at 5 April 2012.

## What is the Scheme's latest funding position?

The estimated funding position at 29 February 2012 on an ongoing basis was 68% (78% at 5 April 2011).

# INVESTMENT PERFORMANCE

The Trustee's independent investment performance reviewer, WM (which is also part of the Scheme's Custodian, State Street), monitors the performance of the Scheme's investments against a performance benchmark for each of the investment funds. These benchmarks are set by the Scheme's investment managers and the Trustee in conjunction with advice from its investment adviser (Mercer). Overall, in the nine months to 31 December 2011, the investments had a positive return of 4.6% compared with the benchmark of 6.8%.

The underperformance of the investments (compared with the benchmark) over the period was largely due to the Scheme's actual asset allocation being different to the benchmark allocation. In particular, the Scheme held fewer assets in longer dated, inflation-linked Government bonds which performed particularly strongly over the nine-month period given the increased demand for these assets as uncertainties over inflation and the economic outlook continued.

# DO YOU PAY ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)?

## Change in the AVC cash fund

In February this year, the Trustee replaced the existing cash fund (managed by F&C Investments) with a new cash fund – the BlackRock Institutional Sterling Liquidity Fund. This change was made following a performance review of the AVC funds. Members' funds were moved from the F&C fund to the BlackRock fund on 21 February 2012.

## Friends Provident changes to Friends Life

### FriendsLife

Friends Provident, the provider of the Scheme's AVC arrangement, has been re-branded as Friends Life. This change has not affected the AVC funds available to Scheme members or the charges for investing in those funds.

## Updated AVC Booklet and Investment Guide

The Scheme's AVC Booklet and Investment Guide have been updated.

The AVC Booklet contains useful information about making AVCs, including tax allowances, making contributions through the Scheme's tax-efficient Salary Sacrifice arrangement and taking your benefits. The Investment Guide includes an overview of different investment types and the investment funds available to you.

You can view or download the updated booklets from [www.pensions.uk.alstom.com/quickfind\\_APS.htm](http://www.pensions.uk.alstom.com/quickfind_APS.htm)



# OTHER NEWS

## Pension increases

Pensions in payment will be increased on 1 May this year. The Scheme generally increases pensions in payment in line with the Retail Prices Index (subject to a cap).

For the majority of pensioner members, this means that pensions will be increased by 3.9%.

## What is the Retail Prices Index (RPI)?

RPI is a measure of inflation that is calculated by estimating the change in the average price of goods and services in the UK. It includes mortgage interest payments, Council Tax and some other housing-related costs.

## Interest on contributions

Each year, interest is added to certain Scheme benefits as declared by the Trustee. This applies to benefits including:

- Basis 3 pensions in the Main section; and
- Funds in the Additional Benefits Scheme (ABS).

The amount of interest added to these benefits for the year ending 5 April 2011 is 2.5%. This is likely to remain at 2.5% while the Scheme has a deficit. See page 6 for more information about Scheme funding.







## Changes to the State Pension Age

Last year, the Government announced that the State Pension Age (SPA) for men and women would increase to age 66 by October 2020. This was previously expected to be by April 2020.

The original timescale for the increase meant that some women would be required to wait an extra two years before receiving their State Pension. By delaying the increase to October 2020, women affected by this will not have to wait more than an additional 18 months before they can receive their State Pension.

## Reduction in the Annual Allowance

In the last edition, we reported the decision by the Government to reduce the Annual Allowance (AA) from £255,000 to £50,000 for the 2011/12 tax year.

The AA is the limit on the amount of tax-free pension savings you can pay into your pension each year. If you think you will exceed the AA, you can carry forward any unused allowance from the previous three years.

The reduction in the AA is unlikely to affect the majority of members, however, if you think you might be affected you should contact an independent financial adviser.

# CHANGES TO THE COMPLAINTS PROCEDURE

The Internal Dispute Resolution Procedure (IDRP) is the formal complaints procedure for the Scheme. The IDRP is being changed later this year to streamline the process for both the Trustee and members. The change will reduce the overall time it takes to resolve a complaint, ensuring that any issues are dealt with quickly.

## How does it currently work?

Currently the procedure has two stages:

1. The Secretary to the Trustee investigates the complaint and makes a decision.



2. If the member wishes to pursue the complaint further then the Trustee considers the complaint and makes a decision.

## How will it work in future?

In future, the IDRP will only have one stage. A decision regarding the complaint will be made by the Trustee and notified to the member within four months.





# TELL US WHAT YOU THINK!



Please complete this form to let the Trustee know what you think of this edition of Dimension, and to tell us how you would like to receive this type of communication about the Scheme in the future.

**Return this form by 31 May 2012 to be entered into a prize draw to win a £25 shopping voucher!**

## About you

Full name:

National Insurance number:

**You must provide this information to be entered into the competition.**

Did you find this Dimension newsletter useful?

Yes  No

Comments:

Was the information clear and easy to understand?

Yes  No

Comments:

How often would you like to receive information about the Scheme?

Every 4 months  Every 6 months  Once a year

Please use the box below to make any general comments you may have about this newsletter and how the Trustee can improve its communications.

Thank you for completing the feedback form. Your comments will help the Trustee improve its communications to members in future. The winner of the prize draw will be notified by 8 June 2012 and will be announced in the next issue of Dimension. Terms and conditions apply and are available from Alstom Pensions Department on request (see page 2 for contact details).

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