



**WELCOME TO THIS EDITION OF DIMENSION,
WHICH IS A NEWSLETTER SENT FROM THE
TRUSTEE OF THE ALSTOM PENSION SCHEME.**

UPDATE ON SCHEME FUNDING

As we go to press we are undertaking a formal financial health check of the Scheme known as an “actuarial valuation”. A full actuarial valuation is required every three years, with additional actuarial reports in each intervening year covering developments since the last valuation. The last actuarial valuation at April 2006 showed a deficit (shortfall) in the assets needed to pay all the benefits when they become due for payment, common with UK pension funds. This resulted in a Recovery Plan under which ALSTOM Ltd pays additional annual contributions of £16.1 million to the Scheme until 2016 with the aim of eliminating the Scheme’s deficit, calculated on an accounting basis, by April 2016. These annual contributions are in addition to normal contributions and administration costs.

In addition to the Recovery Plan there is a parent Guarantee from Alstom Holdings of £500 million in the event that the UK Company, ALSTOM Ltd, cannot pay money owed to the Scheme until 2016. The amounts payable as additional annual contributions are reviewed against the progress being made to eliminate the funding deficit by April 2016 on the Company’s accounting basis.

April 2009 was a particularly bad time for schemes to undertake valuations and calculate resulting deficits. This was due to the turbulence in global financial markets leading to unprecedented movements in equity and bond prices and in interest rates. More time will be required to finalise this process and the Trustee and Company have jointly written to the Pensions Regulator to advise that we have been unable to reach agreement by the statutory deadline 5 July 2010 on the basis for the April 2009 actuarial valuation and the revision to the Recovery Plan needed to eliminate the shortfall.

Several meetings have taken place this year to discuss the valuation basis for April 2009 and the details of a new Recovery Plan to tackle the expected funding deficit. Although it has not been possible to reach agreement yet on the overall position, discussions are continuing with the aim of bringing these matters to a conclusion over the coming months. To reassure members, most of the discussions have centred on the extent of increased support to be provided by the Company in the current circumstances. The outcome of these discussions and the final agreement will be communicated to members via Dimension.

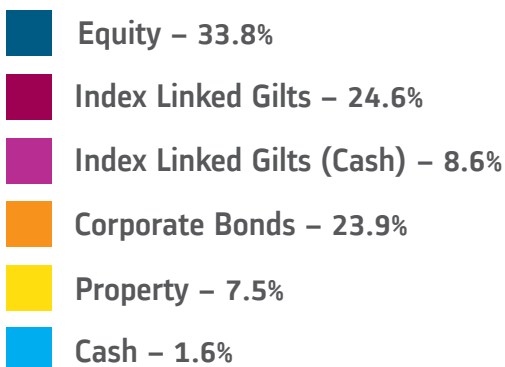
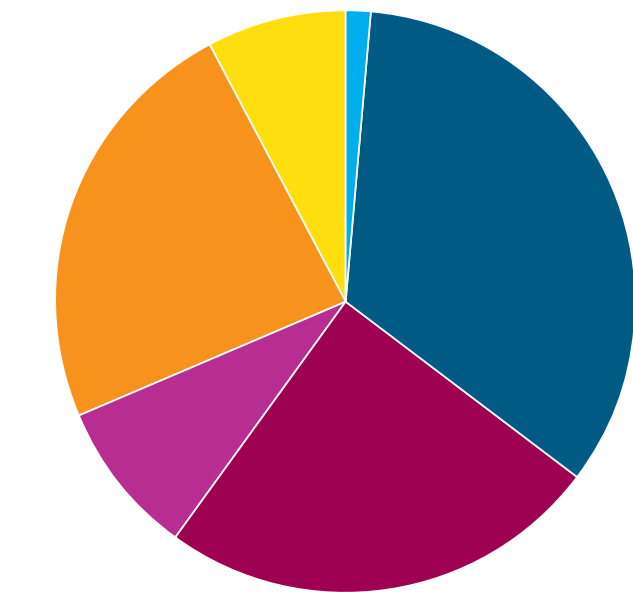
INVESTMENTS

Over the year the Trustee has continued to research and develop the Scheme's investment strategy in particular the bond portfolio, which represents some 57% of the Scheme's investments.

The bond portfolio now consists of corporate bonds issued by sound companies (investment grade or above) which are managed by M&G who expect to hold them until redemption. The remainder of the bond portfolio is held in index-linked gilts which are issued by the Government and where the payments are indexed by the Retail Prices Index (RPI). However, given advice that the long-dated index-linked stocks were highly over-valued, the Trustee currently holds a significant proportion of the gilt portfolio in cash while seeking a longer-term solution.

The performance of the Scheme over the last year, measured to 31 March 2010, has been particularly welcome, especially given the poor performance in the preceding year. The Scheme achieved a return of 23.9% compared to a benchmark return of 24.2%. The difference reflected the change to the bond portfolio and certainly gives the Trustee no cause for concern.

As at the end of the year the Scheme's investments of £1.3 billion were invested as follows:



ADMINISTRATION – MNPA

As reported last year, the day-to-day administration of the Scheme was outsourced to MNPA in March 2009. The standard of administration provided has been generally high but the Trustee is grateful that, as a safety net, there continues to be extensive knowledge of the Scheme benefit structures within the Alstom Pensions Department. MNPA is the first point of contact if you have any queries about the Scheme or your benefits and the contact details appear on the back page.



CHANGES TO THE TRUSTEE BOARD AND SECRETARIAT

Several changes have taken place over the last year. With effect from 1 January 2010, Brian Duffin was appointed as the independent Chairman of the Trustee, replacing Tom Ross. Brian is an actuary whose career roles have included Chief Executive at Scottish Life and Executive Director at Royal London. Brian currently holds the positions of Non-Executive Director for both the Scottish Equitable Policyholders Trust and for HM Treasury's Debt Management Office, Director of the Church of Scotland Investors Trust, and actuarial adviser to the former Coal Board pension schemes.

Stephen Burgin was appointed as a Company Nominated Director on 1 April 2009. Stephen is the UK Country President of ALSTOM Ltd and has previously held various management roles in the Company, both in the UK and France.

From 1 January 2010, Louise Mills was appointed Secretary to the Trustee, replacing Karen Hoodless. Louise is the Pensions Manager in Rugby.

The Trustee wishes to thank Tom and Karen for their significant contribution over the last few years and wishes Tom all the best in his retirement.

ACCOUNTS IN BRIEF

Every year, the Trustee publishes a detailed Annual Report and Accounts for the Scheme. Our auditors, Grant Thornton UK LLP, audit the Annual Report and Accounts to ensure that they present a true and fair view.

The following is a summary of the audited Annual Report and Accounts for the Alstom Pension Scheme for the year ended 5 April 2010.

FUND ACCOUNT FOR THE YEAR ENDED 5 APRIL

	2010 £ million	2009 £ million
NET ASSETS AT THE START OF THE YEAR	1,131.5	1,339.6
CONTRIBUTIONS AND BENEFITS		
Contributions	29.6	31.1
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Benefits	72.3	71.8
Leavers	0.8	8.9
Administrative expenses	2.9	3.1
	76.0	83.8
Net withdrawals from dealing with members	(46.4)	(52.7)
RETURN ON INVESTMENTS		
Investment income	18.3	14.2
Investment management expenses	(1.8)	(1.7)
Change in market value of investments	236.7	(167.9)
Net return on investments	253.2	(155.4)
Net increase/(decrease) in the Fund during the year	206.8	(208.1)
NET ASSETS AT THE END OF THE YEAR	1,338.3	1,131.5

“The performance of the Scheme over the last year, measured to 31 March 2010, has been particularly welcome”



SPLIT OF SCHEME MEMBERSHIP

	Number at 5 April 2010	Number at 5 April 2009
Contributing members	1,291	1,369
Deferred members	10,477	10,792
Pensioner members	12,566	12,366
TOTAL SCHEME MEMBERSHIP	24,334	24,527

TOPICAL PENSIONS NEWS

UPDATE ON STATE PENSION AGES

April 2010 saw a change in the State Pension Age (SPA). The SPA is the earliest age from which State retirement benefits are normally paid. If you were born after 5 April 1978, your SPA is 68. Otherwise, your SPA depends on your sex and when you were born. You can see the actual date of your SPA on DWP's calculator at:

www.direct.gov.uk/spacalculator

Your SPA refers to the age at which any State retirement benefits become payable to you. The Basic State Pension for the 2010/11 tax year is £97.65 a week for a single person, and £156.16 a week for a married couple. You can request a forecast of your Basic State Pension and additional State Pension by calling the State Pension forecasting team on 0845 3000 168, or by going online at:


www.direct.gov.uk/en/Pensionsandretirementplanning/StatePension

The SPA does not affect the age from which you can take your benefits under the Scheme.

In May 2010, the new coalition Government published its agreement to hold a review to set the date at which the SPA starts to rise. Members will be notified of any significant developments when details are known.

PRICE INFLATION

The Government has announced that from 2011 it plans to use the Consumer Price Index (CPI) rather than the Retail Prices Index (RPI) as the measure of price inflation for the purposes of determining the statutory minimum revaluation of deferred pensions and the statutory minimum increases to pensions in payment. The impact that this will have on the way in which pensions are revalued in deferment, and increased in payment, under the Scheme will depend on exactly how the Government decides to implement the change. The Government has not yet announced the amendments that it intends to make to the existing legislation regarding revaluation and indexation, so at the moment we cannot tell you whether you will be affected by the change from RPI to CPI. How the change impacts on you personally will also depend upon the Rules of the section of the Scheme of which you are a member. We will keep you up to date with developments.



“The Basic State Pension for the 2010/11 tax year is £97.65 a week”

MNPA CONTACT DETAILS

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

You can contact MNPA at:

Alstom Pension Scheme
MNPA Ltd
Leatherhead House
Station Road
Leatherhead
Surrey
KT22 7ET

Administration team (if your pension has not started yet)

Telephone: **01372 200363**

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

Pensioner Payroll team (if you are receiving a pension)

Telephone: **01372 200333**

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

The Alstom Pensions Department based in Rugby, is able to liaise with MNPA in case you experience any problems. They can be contacted on 01788 557402 or 01788 557403, or at:

Alstom Pensions Department

Newbold Road
Rugby
CV21 2NH

If you have access to the internet and/or Alstom's intranet, useful information regarding the Scheme can be found at:

ivww.pensions.alstom.com
(from the Alstom intranet)

www.pensions.uk.alstom.com
(from the internet).

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 will prevail.

KEEPING YOU INFORMED

This newsletter is designed to keep you informed of developments in the Scheme. If you require more detailed information, or would like a copy of one of the following Scheme documents, you should contact the Alstom Pensions Department, or view them on the Scheme's website – see the Contact details section.

- Trustee Reports and Accounts – the full, formal document;
- Statement of Investment Principles – sets out the Trustee's investment policy; and
- Trust Deed and Rules – the legal documents governing the Scheme.



IMPORTANT MESSAGE FOR MEMBERS

EXPRESSION OF WISH FORMS

It is important to keep the Trustee informed of your wishes regarding the lump sum benefit that may be payable in the event of your death.

Remember to complete an Expression of Wish form if your circumstances change, for example on marriage, co-habiting with a partner, separation/divorce, birth/adoption or an individual becoming financially dependent on you. Also complete an Expression of Wish form if it has been a while since you last completed one, to ensure that the Trustee knows your current wishes.

An Expression of Wish form can be obtained from MNPA or from the Scheme's website.



REMINDER FOR CURRENT CONTRIBUTORS TO THE AVC SCHEME

If you are currently paying Additional Voluntary Contributions (AVCs) into the Scheme, and you are not in the benefit tier of the Scheme which has the highest level of employee contribution (7% of Pensionable Earnings) which provides a benefit of 1/65 of Final Pensionable Earnings for each year of service, you may wish to consider changing to a higher benefit tier instead of, or as well as, paying AVCs. You may only change your benefit tier once a year, on 6 April. For further information please contact the Alstom Pensions Department.

TRIVIAL COMMUTATION OF PENSIONS

Trivial commutation involves exchanging a very small annual pension for a one-off tax-free cash lump sum payment at retirement. Schemes are not obliged to offer members the option of commuting small pensions and since April 2006, the Scheme has not offered this option.

However, following new regulations introduced in December 2009, which have simplified the administrative process to calculate trivial commutations, the Trustee has decided to reintroduce this option to members at retirement where applicable.



BENEFIT STATEMENTS

The annual benefit statements for April 2010 are due to be issued in October by MNPA to members in the Main and/or 2006 Sections of the Scheme.

Members who have funds in the Scheme's Additional Voluntary Contribution (AVC) arrangement with Friends Provident will receive their annual AVC statement as usual, with the benefit statements in October. The Statutory Money Purchase Illustration (SMPI) provided by Friends Provident includes assumptions for the growth rates used in the calculation of the projected fund value at retirement. These assumptions have been updated to take into account the expected rates of return for the different asset classes, for example AVCs held in a "cash fund" are expected to achieve lower returns over the long term than those held in an "equity fund". The changes will be explained in a covering letter, which is sent with the SMPI.

CHANGES TO THE ILL-HEALTH EARLY RETIREMENT RULES

The Trust Deed and Rules for the Scheme effective from 5 May 2010 included an amendment which applies to new applications for ill-health early retirement, for deferred members who joined the Scheme before 6 April 2000.

The amendment reduces the complexity of the ill-health rule for these members to a level consistent with that of other sections of the Scheme and is therefore easier for the Trustee to administer and for members to understand. A copy of the Trust Deed and Rules document is available to members to view – see the Keeping you Informed Section for details.

PENSION INCREASES

Pensions in payment were increased on 1 May this year in accordance with the Scheme rules. For the majority of members this meant that their pension was increased by 3.7%.