

DIMENSION

December 2013



**WIN
£25!**
See inside

UNITED KINGDOM
Pensions

ALSTOM

WELCOME

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

As part of our continued commitment to make our pension communications clear and simple, we have divided this edition into four sections, 'Pensions news', 'Financials', 'Investments' and 'Focus on'. In this edition, the Scheme lawyer, Robert West, focuses on the reform of the State Pension system.

If you have any feedback about the content or design of Dimension, we would love to hear from you. Simply contact the Alstom Pensions Department in Rugby using the details on the back page.

COMPETITION

In this edition, we are delighted to bring you another competition, with the chance to win a £25 shopping voucher.

All Scheme members can enter the competition. Simply answer the following question – the answer is somewhere in this newsletter!

How much did the Company pay to the Scheme in shortfall contributions between 6 April 2012 and 5 April 2013?



Email your answer along with your name and home address to contact.ukpensions@chq.alstom.com

All answers are to be received by **31 January 2014**.

The winner will be selected at random. Terms and conditions apply and are available from the Alstom Pensions Department on request.

The winner of the prize for the competition in Dimension October 2012 was Carrie Jones.

SCHEME FACTOR REVIEW

Following the latest actuarial valuation, as at 5 April 2012, the Trustee carried out a review of the Scheme's factors, taking advice from the Scheme Actuary.

As a result of this review, the Trustee decided to change the cash commutation factors (used to convert pension to cash at retirement) that the Scheme uses. This change was effective from 1 August 2013.

When you take your benefits, you have the option to exchange part of your pension for a tax-free cash sum. The amount of pension you have to give up in exchange for the cash sum depends on the cash commutation factor, which will vary depending on the age that you take your benefits. The change to the cash commutation factors means that when members take a tax-free cash sum, they will need to give up slightly less annual pension in order to receive the same amount of cash.

In other words, they will receive a slightly higher pension than they would have done before the factors changed.

The change to the commutation factors has been made to reflect the improved longevity of members.

Please note the Trustee reviewed and decided to retain the existing early retirement factors the Scheme uses, as well as other factors (such as late retirement, AVC conversion, additional dependant's pension and the reduction applied to cash equivalent transfer values).

If you are a pensioner, the Scheme factor review does not affect you.

TRUSTEE UPDATE

Steve Burgin, a Company Nominated Director, left the Trustee Board on 30 June 2013 and was replaced by Bruce Ball, who took up his position on 9 August 2013. Bruce is the Human Resources Director, UK and Ireland.

The Trustee Board would like to thank Steve for the work he has completed whilst a Trustee and welcomes Bruce to the team.

ALLOWANCES UPDATE

The Government has announced that its maximum limits for building up pension, the Lifetime Allowance (LTA) and Annual Allowance (AA), will be reduced from 6 April 2014. From this date, the AA will reduce from £50,000 to £40,000, and the LTA will reduce from £1.5 million to £1.25 million.

The reduction in the allowances is unlikely to affect many members as they are still set at a high level. The allowances will not affect you if your pension is already in payment. Please contact the Alstom Pensions Department or Ensign Pensions if you would like further information.

PENSION LIBERATION FRAUD

Pension liberation fraud is the process of accessing your pension benefits in a way that is not authorised by HM Revenue & Customs (HMRC). Pension liberation typically involves a scheme member being given the opportunity to obtain money from a pension before age 55 (the current minimum retirement age).

It involves transferring the value of pension benefits from an existing arrangement to a new provider that allows the member to take all or part of their pension funds as an immediate cash sum.

What's the catch?

Converting pension into cash may sound attractive if you need the money quickly. However, there are serious consequences of accessing your pension early:

- You are likely to be **worse off in retirement** as you will have less (or even no) pension left.
- You will probably have to **pay 'commission' or an 'arrangement fee'** to the organisers of the transaction. This may mean that the value of your pension fund in the new arrangement is likely to be only 70-80% of its original transfer value. From this new arrangement you will be offered a cash lump sum, which is often only 50% of the value of your reduced pension fund.
- If you take a cash lump sum you will be **liable for tax of 55%** of its value. This is because the payment of pension monies to you prior to your minimum retirement age would be treated by HMRC as an 'unauthorised payment'.
- The remaining pension fund is often **invested inappropriately** by the provider and never seen again.

Case study – Mike gets a text message asking if he wants to release money from his pension. He has a £10,000 transfer value and decides to transfer this amount to a new arrangement. Mike receives only £7,000 in the new arrangement after commission has been deducted. He is then offered a cash lump sum of £3,500, and is liable for tax on this amount up to £1,925. Mike is unlikely to see the remaining £3,500 in his arrangement again, as it is usually invested inappropriately.



Is pension liberation illegal?

Yes, if individuals are misled about the consequences of the transfer and not informed of the tax charges, fees involved or how the remainder of their savings will be invested then the new provider could be acting illegally. This is referred to as 'pension liberation fraud'.

“Look out for adverts that use words that you wouldn't normally associate with pensions...”

How are people targeted?

Pension liberation arrangements are often promoted through texts, cold calls, emails and adverts on the internet. The adverts often look plausible so it's easy for people to be taken in.

Look out for adverts that use words that you wouldn't normally associate with pensions, such as 'pension loans', 'cash back' or 'loop holes'. You should also be wary of pushy advisers wanting you to complete a transfer early.

Are there legitimate circumstances that allow you to take your pension before age 55?

Very few people can take money out of their pensions before the minimum age of 55. If you can, it's usually because you're retiring on the grounds of ill health and you must meet strict criteria to do this.

Don't let your pension become prey



What is the Trustee's role?

Where the Trustee receives a request for a transfer payment from a member, the Trustee will not want to make the transfer where there are good reasons for thinking that the transfer is part of a pension liberation fraud. This is because of the adverse financial consequences for the member but also because the Trustee will not want the Scheme to incur potential tax charges. Consequently, the Trustee will take appropriate steps to seek to ensure that any transfer payment is only made to a genuine registered pension scheme.

Who should I contact?

You can contact the TPAS helpline on 0845 601 2923 for more information or visit www.pensionsadvisoryservice.org.uk. You can also contact Action Fraud on 0300 123 2040 to report a suspected scam.

You should also consider taking independent financial advice before transferring your pension benefits.

FINANCIALS IN BRIEF

The table below provides an overview of what came into the Scheme and what went out for the years ended 5 April 2012 and 2013.

	2013 £ million	2012 £ million
Net assets at the start of the year	1,418.3	1,374.6
Coming into the Scheme		
Contributions received	31.8	31.9
Total received	31.8	31.9
Going out of the Scheme		
Benefits paid	(84.4)	(81.6)
Transfer values paid	(1.4)	(1.6)
Administration expenses	(2.8)	(2.1)
Total paid	(88.6)	(85.3)
Return on investments		
Investment income	34.1	31.5
Investment management expenses	(2.6)	(2.7)
Change in market value of investments	137.4	68.3
Net return on investments	168.9	97.1
Net increase in the Fund during year	112.1	43.7
Net assets at the end of the year	1,530.4	1,418.3

Did you know?

The Company paid £20.0 million to the Scheme in shortfall contributions between 6 April 2012 and 5 April 2013 in order to improve the Scheme's funding position. This is included in the contributions received figure of £31.8 million above.

In addition, the Company made the following payments to the Scheme during the year:

- Regular employer contributions of 13% of active members' Pensionable Earnings;
- The Pension Protection Fund levy and administration expenses of £2.7 million;
 - Costs associated with running the Alstom Pensions Department;
 - A contribution towards the advisers' fees.

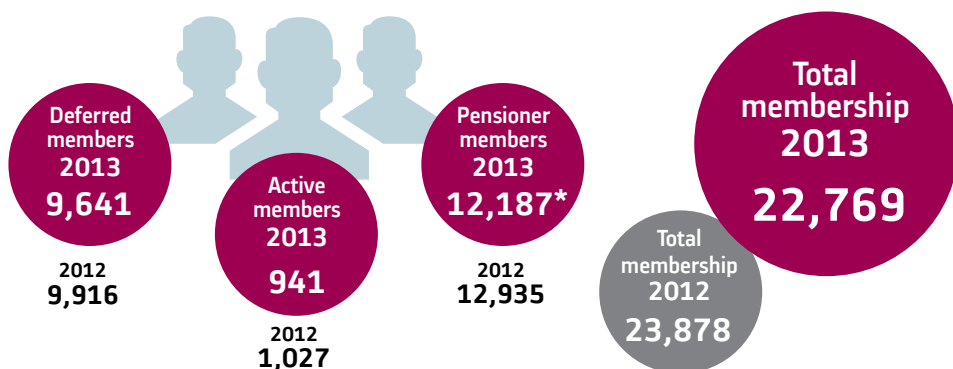
Shortfall
contributions of
£20 million
were paid in
the year

Scheme membership

The table below shows the Scheme membership (split by Section) at 5 April 2013.

	Active	Deferred	Pensioner
2006 Defined Benefit Section	941	522	406
Main Section	-	7,493	10,510
Retirement Capital Plan (RCP) Section	-	391	27
Basis 4 Section	-	15	38
Electricity Section	-	253	102
Babcock Section	-	18	16
Cegelec Section	-	802	1,010
ABB Section	-	122	78
Additional Savings Plan (ASP) Section	-	25	-
Total Scheme membership	941	9,641	12,187

The change in membership between 5 April 2012 and 5 April 2013 is shown below:



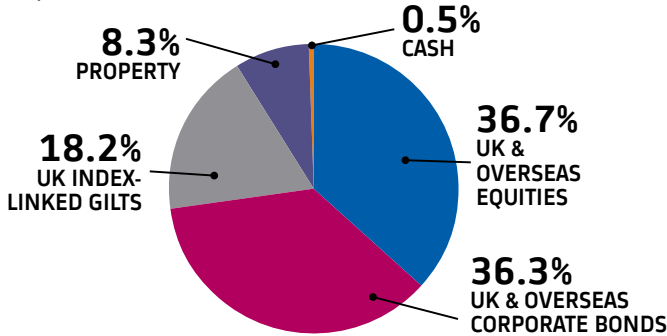
*The large reduction in pensioners over the year is due to the consolidation of member records for those pensioners with more than one period of service with the Company.

You can view a copy of the full 2013 Annual Report and Accounts for the Scheme on the Pensions Website at www.pensions.uk.alstom.com/quickfind_APS.htm

INVESTMENT OVERVIEW

Where are the Scheme assets invested?

The Scheme's assets are invested in a range of investment types and as at 30 June 2013 the investments were split as follows:



How are the investments performing?

The Trustee's independent investment performance measurer, WM Performance Services, is responsible for comparing the performance of the Scheme's investments against their benchmarks. Overall, in the twelve months to 30 June 2013, the Scheme's investments had a positive return of 9.9%, compared with the benchmark return of 10.2%.

Over the longer term (three years to 30 June 2013), the Scheme produced a positive return of 9.0% a year, compared with the benchmark return of 10.0% a year.

In October 2012, the Trustee diversified the Scheme's bond holdings to include a small proportion of sub-investment grade corporate bonds (also known as high-yield debt), which offer the prospect of higher investment returns. From 31 October 2012 to 30 June 2013, the high-yield debt portfolio returned 4.4% (net of fees) against a benchmark index return of 4.1%, the asset value of which was £73.2 million.

Investment performance

Year to 30 June 2013

Actual	9.9%
Benchmark	10.2%

3 years to 30 June 2013

Actual	9.0%
Benchmark	10.0%

The table below summarises the performance of the Scheme's investments by manager and investment type compared to the benchmark over a one-year and a three-year period:

Manager & investment type	Year to 30 June 2013		Three years to 30 June 2013	
	Return %	Benchmark return %	Return % a year	Benchmark return % a year
BlackRock Advisors				
– UK & Overseas Equities	20.8	20.9	12.2	12.2
CB Richard Ellis – Property	5.0	8.3	6.0	8.7
M&G – UK & Overseas Corporate Bonds	5.4	6.5	7.0	6.9
M&G – UK Index-Linked Gilts	2.5	3.5	9.1	10.7
BlackRock Qualifying Investor Fund (QIF)				
– UK Index-Linked Gilts	3.1	3.5	8.5	10.7
Wellington – High-Yield Debt*	–	–	–	–
Total fund	9.9	10.2	9.0	10.0

*Held for less than one year

ABOUT RISK

The Trustee has to consider carefully the level of risk associated with the Scheme's investments. There are three key sources of risks:

- **Market risk** – the risk of equity, property and high-yield debt markets delivering returns less than the rate of the increase/decrease of the Scheme's liabilities;
- **Interest risk and inflation risk** – the risk that the assets respond differently to changes in real and nominal interest rates, compared with the liabilities; and
- **Active manager risk** – the risk that the active investment managers underperform against their benchmark.

Each of the risks above plays an important role when making a decision about how to invest the assets.

The Trustee Board works with its investment adviser, Mercer, to ensure that it has a full understanding of the risk characteristics before making an investment decision.



FOCUS ON: THE SCHEME LAWYER

A pensions lawyer for over 20 years, Robert West of Baker & McKenzie has watched the pensions legal landscape transform. In this article, Robert focuses on an area that continues to be the centre of much discussion, the reform of the State Pension system.

What's the situation now?

Before I tell you what's changing, it's probably helpful to provide some background on how the State Pension system works at the moment. Currently, your State Pension is made up of two main parts:

1. **The 'basic State Pension'** – set at £110.15 a week for this tax year.
2. **The 'Additional State Pension'** – paid on top of your basic State Pension, and depends on the level of National Insurance contributions you've made.

Neither part can be paid until you reach your State Pension age (see below). The State Pension is payable to you in addition to your pension from the Alstom Pension Scheme.

What's changing?

Here are some of the key changes that you should be aware of:

Increasing the State Pension age

The State Pension age will rise gradually to 66 for both men and women by 2020, and recent proposals mean that it would increase up to age 67 by 2028. After that, it is proposed that the State Pension age is reviewed every five years to ensure that it remains consistent with life expectancy forecasts.

You can find out your projected State Pension age under the current rules by going to www.gov.uk/calculate-state-pension/y

Changes to the State Pension age (SPA)

By Dec 2018



SPA = 65

By 2020



SPA = 66

By 2028



SPA = 67

“The State Pension age will rise gradually to 66 for both men and women by 2020, and recent proposals mean that it would increase up to age 67 by 2028.”

Introduction of the single-tier pension

Earlier this year, the Government announced that, from 2016 at the earliest, it is intending to introduce a 'single-tier' pension to replace the basic State Pension and the Additional State Pension. What this means is that individuals who reach State Pension age after the introduction of the new system will receive one pension payment from the Government in respect of their State Pension entitlements.

“The full single-tier pension is estimated to be around £144 a week.”

Pensioners will only receive the full single-tier pension amount if they have made a minimum of 35 years' worth of National Insurance contributions, although certain exceptions will apply. In today's terms, the full single-tier pension is estimated to be around £144 a week.

Please note these changes are subject to Parliamentary approval.

Why is the Government making these changes?

The Government has said that it wants to make the State Pension system “simpler and fairer”, but has also given other reasons for the changes, such as millions of people not saving enough for retirement, increasing life expectancy and growing pension costs.

An interesting statistic was cited recently to illustrate the Government's concerns; in 1926 (when the first contributory State Pension was introduced) only 33% of men and 40% of women were expected to live until their 65th birthday. Fortunately, life expectancy has improved in the last 90 years!

Can I request a State Pension statement?

Yes, you can ask for a State Pension statement at any time before your retirement. This can be done online at www.gov.uk/state-pension-statement or you can call 0845 3000 168.

Alternatively, you can obtain an estimate of your future basic State Pension by visiting www.gov.uk/calculate-state-pension. The estimate will not include your Additional State Pension.

Who can I contact with questions?

The Pension Service (part of the Department for Work and Pensions) runs the State Pension system and should be able to answer any questions you have about the State Pension. You can contact The Pension Service at www.gov.uk/contact-pension-service or telephone 08456 060 265.

The Pensions Advisory Service (TPAS) also gives free help and advice about pension-related issues. You can contact TPAS at www.pensionsadvisoryservice.org.uk or telephone 0845 601 2923.

Contact us

Ensign Pensions (formerly MNPA) is your first point of contact if you have any queries about the Scheme or your benefits.

Address:
Alstom Pension Scheme
Ensign Pensions Administration Ltd,
Leatherhead House,
Station Road, Leatherhead
Surrey, KT22 7ET

If your pension has not started yet

Tel: 01372 200363

Email: alstom.pensions@ensignpensions.com

If you are receiving your pension

Tel: 01372 200333

Email: payroll.team2@ensignpensions.com

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

The Alstom Pensions Department is able to liaise with Ensign Pensions if you experience any problems.

Address:
Pensions Department
ALSTOM Ltd, Newbold Road,
Rugby, CV21 2NH

Tel: 01788 557402

or 01788 557403

Email: alstom.ukpensions@chq.alstom.com

Normal office hours are 8.30am to 5.00pm Monday to Thursday and 8.30am to 4.30pm Friday.

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Visit the Pensions Website for information about the Scheme
www.pensions.uk.alstom.com

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.

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