



December 2010

DIMENSION

from the Trustee of the Alstom Pension Scheme

**WELCOME TO THIS EDITION OF DIMENSION,
THE NEWSLETTER SENT FROM THE TRUSTEE OF
THE ALSTOM PENSION SCHEME (THE SCHEME).**

UPDATE ON SCHEME FUNDING

In the last edition of Dimension we provided an update on the progress of the 2009 actuarial valuation. The Trustee continues to discuss with the Company the funding position of the Scheme and the appropriate level of contributions required to tackle the deficit. The full details of the final agreement will be communicated to members in Dimension. In the meantime, to show its good faith and willingness to reach an agreement, the Company increased its additional contribution to the Scheme from £16.1 million to £20 million a year from 1 October 2010.

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ARE YOU APPROACHING RETIREMENT?

If you are, you may find the following information interesting.

If you are approaching your Normal Retirement Age (NRA), which is typically age 65 for most members, MNPA, the company that administers the Scheme, will provide you with a retirement benefits estimate. This will be sent to you approximately four months before your NRA, and will include details of the maximum tax-free cash sum and pension options, including the value of any Additional Voluntary Contributions (AVCs) you may have paid. The estimate will also include the forms you need to complete and confirm which certificates you need to send in order to claim your pension.

If you are thinking about drawing your pension before your NRA (i.e. taking early retirement), then you should contact MNPA on 01372 200363 or by email at alstom.pensions@mnpa.co.uk to request an early retirement estimate. Please quote your date of birth and National Insurance number in your request so that MNPA can easily identify you. Typically, you should expect to receive your estimate within two to three weeks.

If you have benefits in the Scheme but are no longer working for Alstom, please ensure that you keep MNPA up-to-date with your address, as failure to do so could result in a delay in paying your pension benefits at your NRA.

For members of the Scheme who are still working for Alstom and who have agreed their retirement date with the Company, there will also be an opportunity to attend a half-day Pre-Retirement Seminar. A representative from the Alstom Pensions Department in Rugby will cover the Alstom Pension Scheme and an independent financial consultant will provide an overview of the many aspects of financial planning. If you are close to retirement and are interested in attending a seminar, please contact your Human Resources Department for further details.

KEEPING TRACK OF YOUR PENSIONS

Have you got benefits from a previous employment, or in a personal pension, that you have lost track of? If so, the Pension Tracing Service may be able to help you.

The Pension Tracing Service is run by the Department for Work and Pensions (DWP) to help individuals trace company and personal pension benefits that they have lost track of. This could be because they have changed employment, changed address, lost their paperwork, or the employer has changed its name or closed down. The service uses a database with details of more than 200,000 pension schemes and aims to provide contact details to enable members to contact the scheme administrator and get details of their benefits.

The DWP has recently urged members to trace any benefits they have lost track of, to ensure they receive all of their entitlements in retirement. If you think the Pension Tracing Service may be able to help you, visit

www.direct.gov.uk/pensions or call 0845 600 2537 (lines open Monday to Friday, 8am to 6pm).



TOPICAL PENSIONS NEWS

CHANGES TO PENSIONS TAX RELIEF

In early October, the Government announced long-awaited changes to the pension taxation framework.

In summary, the Annual Allowance (AA), which limits the amount of tax relief available on the pension savings you build up each year, will reduce from £255,000 to £50,000 on 6 April 2011 for at least five years. The Lifetime Allowance (LTA), which limits the total amount of pension saving you can build up over your lifetime without paying an additional tax charge, will reduce from £1.8million to £1.5million in April 2012.

In practice, the revised AA is likely to affect only a very small proportion of the Scheme's contributory members as only individuals who see a very significant increase in their pension rights in a specific Scheme year will be affected. Deferred benefits and pensions in payment are exempt from the AA test.

To help you monitor your pension savings, information about individuals' pensionable pay, benefits and service will be sent to all contributory members once a year.



VALUING DEFINED BENEFIT (DB) ACCRUAL FOR CONTRIBUTORY MEMBERS OF THE SCHEME

The Alstom Pension Scheme aims to provide individuals with a future annual pension based on various factors. For current contributory members, generally the annual pension is calculated as:

Final Pensionable Earnings x years of service ÷ accrual rate

To value the DB benefits against the AA, a standard factor of 16 is applied to the increase in annual pension entitlement. The increase in annual pension entitlement is the difference between 1) the annual pension earned at the end of the year and 2) the annual pension earned at the beginning of the year, uprated or revalued to the amount it would be, if left to accrue until the end of the year.

To illustrate how DB contributions are deemed, consider an individual who has been a member of a DB scheme with a 1/65 accrual rate for 34 years. In his 35th year, he receives a pay rise which increases his Final Pensionable Earnings from £60,000 to £70,000. The deemed contribution at the end of the 35th year is calculated as follows:

Step 1

Opening annual pension entitlement

$$£60,000 \times 34 \div 65 = £31,385$$

Step 2

Revalued opening annual pension, uprated by the Consumer Prices Index (CPI, assumed to be 2.5%)

$$£31,385 \times 1.025 = £32,170$$

Step 3

Closing annual pension entitlement

$$£70,000 \times 35 \div 65 = £37,692$$

Step 4

The increase in annual pension entitlement is £5,522
(= £37,692 – £32,170)

Step 5

Multiply by the flat factor of 16 to get the deemed contribution of £88,352 (= 16 x £5,522)

This amount (£88,352) is then tested against the AA, taking into account any unused allowance from the previous three years. Any tax charge due can then be determined.



ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS) AND DEFINED CONTRIBUTIONS

If you are paying AVCs or are paying Defined Contributions into a personal pension plan or stakeholder pension, then contributions are calculated simply as the value of the contributions put in. This also needs to be tested against the AA together with the Defined Benefit scheme benefits, if any, as calculated opposite.

You will need to manage your affairs to avoid exceeding the AA if you do not want to be liable for a tax charge.

If you would like more information about these limits and allowances you can access HM Treasury's 'Restricting pensions tax relief through existing allowances' booklet online at

www.hm-treasury.gov.uk/d/restricting_pensions_summary141010.pdf

Alternatively, you can contact the Alstom Pensions Department for a copy.

BECOME A TRUSTEE DIRECTOR

Are you a pensioner who would be interested in becoming a Trustee Director?

On 28 June 2011, a vacancy on the Trustee Board for a Pensioner Nominated Director (PND) will become available. If you are in receipt of a pension from your membership of the Scheme, you may apply to become a PND. Under the nomination and selection process it is also possible for an existing PND whose term of office expires to stand for re-election.

The Trustee Board is responsible for ensuring that the Scheme is run properly and that all members' benefits are secure. You can get further information about the role of a Trustee Director at www.thepensionsregulator.gov.uk or by requesting a copy of the Pension Regulator's 'Guidance for Trustees' booklet, which can be requested from the Alstom Pensions Department (see address below).

The appointment of the PND will be for a four-year term. If you wish to apply, write to:

Secretary to the Trustee, Alstom Pension Scheme, Pensions Department, Newbold Road, Rugby CV21 2NH by 31 January 2011. You need to put in writing why you consider yourself to be a suitable candidate and describe the skills you would bring to the role. You must include a written endorsement of your nomination by two other pensioner members of the Scheme. In the event that two or more candidates apply, a selection panel will interview candidates and select a candidate to be approved by the Trustee Board.

PENSION INCREASES AND PAYMENT DATES

MNPA will pay Alstom pensions on the following dates in 2010/2011:

- Friday 31 December 2010
- Tuesday 1 February 2011
- Tuesday 1 March 2011
- Friday 1 April 2011
- Friday 29 April 2011
- Wednesday 1 June 2011
- Friday 1 July 2011
- Monday 1 August 2011
- Thursday 1 September 2011
- Friday 30 September 2011
- Tuesday 1 November 2011
- Thursday 1 December 2011

MNPA will send a letter to all pensioners in late April, which will give details of the pension increase as at 1 May 2011. Any pensions which commenced payment after 1 May 2010 will receive a proportionate increase.



CONTACT US

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

MNPA normal office hours are:
8.30am to 5.30pm, Monday to Friday

Christmas 2010 - MNPA's office will close at 1pm on Friday 24 December and will open again on Wednesday 29 December. It will also be closed for the New Year holiday on Monday 3 January 2011.

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

Alstom Pensions Department

Newbold Road
Rugby
CV21 2NH

Normal office hours are:

8.30am to 5.00pm, Monday to Thursday, 8.30am to 4.30pm Friday

Useful information regarding the Scheme can be found at:

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.

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TOPICAL PENSIONS NEWS

STATE PENSION AGE INCREASE BROUGHT FORWARD

The Government announced in the Spending Review 2010 in October that the State Pension Age (SPA) will rise to 66 for men and women by 2020. This increase will be phased in between December 2018 and April 2020, with the SPA rising by three months in every four during this period. This means the increase will take effect six years earlier than originally planned, and that SPA will now be up to two years later for some individuals.

For women whose SPA is currently being increased from 60 to 65, the rate of increase will quicken from April 2016 so that it reaches age 65 in November 2018. The Government is also considering further increases to the SPA to address the challenges posed by increasing life expectancy, and will bring forward proposals in due course. We shall continue to keep you updated on any developments. To find out how the Spending Review affects you, go online to

www.hm-treasury.gov.uk/spend_index.htm

or contact the Alstom Pensions Department to request a copy of the Spending Review document.



PRICE INFLATION

In the August edition of Dimension we mentioned that the Government has announced that from 2011 it plans to use the Consumer Price Index (CPI) rather than the Retail Price 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. As we explained, the impact that this will have on the way in which benefits are calculated under the Scheme will depend on exactly how the Government decides to implement the change. We are expecting the Government to publish draft legislation for consultation shortly and we will keep you up-to-date with developments.

MEET THE TEAM AT MNPA

Members of the Administration and Payroll teams at MNPA are pictured on the right. MNPA is responsible for the day-to-day administration of the Scheme, including paying pensions and dealing with members' queries. MNPA's Client Manager attends the quarterly Trustee meetings, and MNPA meets regularly with the Alstom Pensions Department to monitor the service being provided to Alstom and its Scheme members.

Many of the team have achieved or are studying for professional qualifications, and have been at MNPA for several years. The team has varied interests outside of the office – Andy Griffiths helped to coach Spelbound, the winners of Britain's Got Talent.

The team at MNPA prides itself on providing a high level of customer service to members, and won the Professional Pensions award for best Pension Scheme Administrator in 2009.



Left to right, on the back row Adam Potter, Graham Randall, Hilary Wrighton, Andy Griffiths, Sarah Boyle, Nadia Holliday and Craig O'Connell.

Front row Shaun Comer, Paul Vagado, Rebecca Summers, Sariah Ball, Briony Lapper and Charlotte Haviland.



REPAYING A PENSION SCHEME SURPLUS

The Rules of the Scheme allow the Trustee to make payments to the Company on the winding up of the Scheme (i.e. when it comes to an end). Although the Scheme's fund is currently operating with a deficit, the Trustee must pass a resolution before April 2011 in order to maintain the power in the Rules to make payments to the Company. The Trustee, having consulted with the Company, has decided that it would be in the best interests of members to pass such a resolution.

Passing this resolution will simply preserve a power that is already in place, and will give the Trustee full flexibility when administering the Scheme. Exercising such power at a later date is a separate matter which will continue to be subject to the Rules. Remember, the return of any future surplus would only be approved by the Trustee if it was considered to be in the best interests of members.