



Update on Scheme funding

During the past 12 months, the combination of a pessimistic outlook for investment markets and uncertainty about future inflation has not been good for pension schemes. The Trustee has been addressing these risks actively during 2008 and will continue to do so in 2009.

The Trustee, assisted by the Investment Committee, has made a number of changes to the Scheme's investment arrangements during 2008:

- The investment with Goldman Sachs suffered badly when the credit crisis first appeared and a decision was taken to withdraw it.
- The Trustee has been concerned about the value that is added by active investment management of equities and decided to terminate the contract with Capital and replace these investments with less expensive index-tracking funds run by Barclays Global Investors.
- The investment management arrangements for bonds have been changed with the aim of capturing the benefit of the particular skills of different types of bond manager.
- The Trustee also carried out a review of its investment consultants and decided to replace Watson Wyatt with Mercer.

As at 30 November 2008, the Scheme's assets amounted to £1,108 million, a considerable reduction compared with the value as at 5 April 2008. This reflects the dramatic fall in stock market values in the second half of the year. However, the value of the Scheme's liabilities also fell, due largely to the recent lower expectations of future inflation, so the overall financial condition of the Scheme has not been affected as badly as might first appear.

The Trustee's Actuary will carry out a valuation (a formal 'financial health check') of the Scheme as at April 2009. During this exercise, the Actuary will compare the value of the Scheme's assets with its liabilities to work out the funding level and the future level of contributions that might be required. Details of the results will be communicated to members later in the year.

Move to MNPA

As was announced last year, MNPA is going to take over the day-to-day administration of the Scheme (the assets of the Scheme are not being transferred to MNPA, only the administration). The Trustee has been working closely with Alstom and its advisers to ensure that the quality of the service which members have enjoyed in the past will be maintained under the new arrangements. The handover to MNPA will take place on **2 March 2009** and members should contact MNPA with any queries after this date.

MNPA began many years ago as the in-house pensions department of the Merchant Navy Pension Schemes. It is now a wholly owned subsidiary of MNOPT Trustees Limited, with a growing portfolio of external clients. It has invested in modern technology to develop a top class pensions administration service ahead of its competitors.

There will be two teams at MNPA looking after Alstom members – one dealing with members whose pension has not yet started and the other dealing with pensioners who are already in receipt of their Alstom pension. Contact details for the two teams are shown below:

Address (Administration team and Pensioner Payroll team)

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

Administration team (if your pension has not started yet)

Telephone: 01372 200 363

Email: alstom.pensions@mnpa.co.uk

Pensioner Payroll team (if you are receiving a pension)

Telephone: 01372 200 333

Email: payroll.team2@mnpa.co.uk

Remember, there will still be a small team in the Alstom UK Pensions Department at Rugby who will be able to liaise with MNPA in case you experience any problems. They can be contacted on 01788 557 402 or 01788 557 403 or at Alstom UK Pensions, Newbold Road, Rugby, CV21 2NH. If you have access to Alstom's intranet or the internet, further information can be found at:

www.pensions.alstom.com (from the intranet) or

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

You may like to keep a copy of these details for reference by tearing off the new contact information on the perforated section of this Dimension.



Accounts in brief

Every year, the Trustee publishes a detailed Annual Report and Accounts for the Scheme. Our auditors, Deloitte & Touche 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 2008.

Fund account for the year ended 5 April

| | 2008 £ million | 2007 £ million |
|--|-------------------|-------------------|
| Net assets at the start of the year | 1,399.1 | 1,327.4 |
| Coming into the Scheme | | |
| Contributions received | 31.1 | 51.9 |
| Transfer in (bulk transfer) | 7.6 | 0 |
| Total received | 38.7 | 51.9 |
| Going out of the Scheme | | |
| Benefits paid | 72.6 | 64.7 |
| Transfer values paid | 9.7 | 1.1 |
| Administration expenses | 2.5 | 1.2 |
| Total paid | 84.8 | 67.0 |
| Return on investments | | |
| Investment income | 30.9 | 28.7 |
| Investment management expenses | (2.3) | (3.1) |
| Change in market value of investments | (42.0) | 61.2 |
| Net return on investments | (13.4) | 86.8 |
| Net increase/(decrease) in the Fund during the year | (59.5) | 71.7 |
| Net assets at the end of the year | 1,339.6 | 1,399.1 |

Split of Scheme membership

| | Number at 5 April 2008 | Number at 5 April 2007 |
|--------------------------------|---------------------------|---------------------------|
| Contributing members | 1,546 | 1,725 |
| Deferred members | 11,289 | 12,048 |
| Pensioner members | 11,235 | 11,023 |
| Total Scheme membership | 24,070 | 24,796 |



New Trustee Director

The Trustee is pleased to welcome the UK Finance Director, Robert Purcell, to the Trustee Board. Robert is a Fellow of the Association of Chartered Certified Accountants (FCCA) and was appointed Alstom UK Country Finance Director on 1 November 2008.

He started his career with Alstom in 1986 in the Industrial Gas Turbine Business in Lincoln and has since held a number of senior finance positions within the Group in the UK, Paris, Oslo and most recently Beijing.

Robert is a Director of a number of Alstom UK companies, including ALSTOM UK Holdings Ltd and ALSTOM Ltd and was appointed to the Board of ALSTOM Pension Trust Ltd on 1 November 2008.

The Trustee would also like to take this opportunity to thank James Milner for his invaluable contribution to the Trustee Board. James retired from the Board on 31 March 2008.

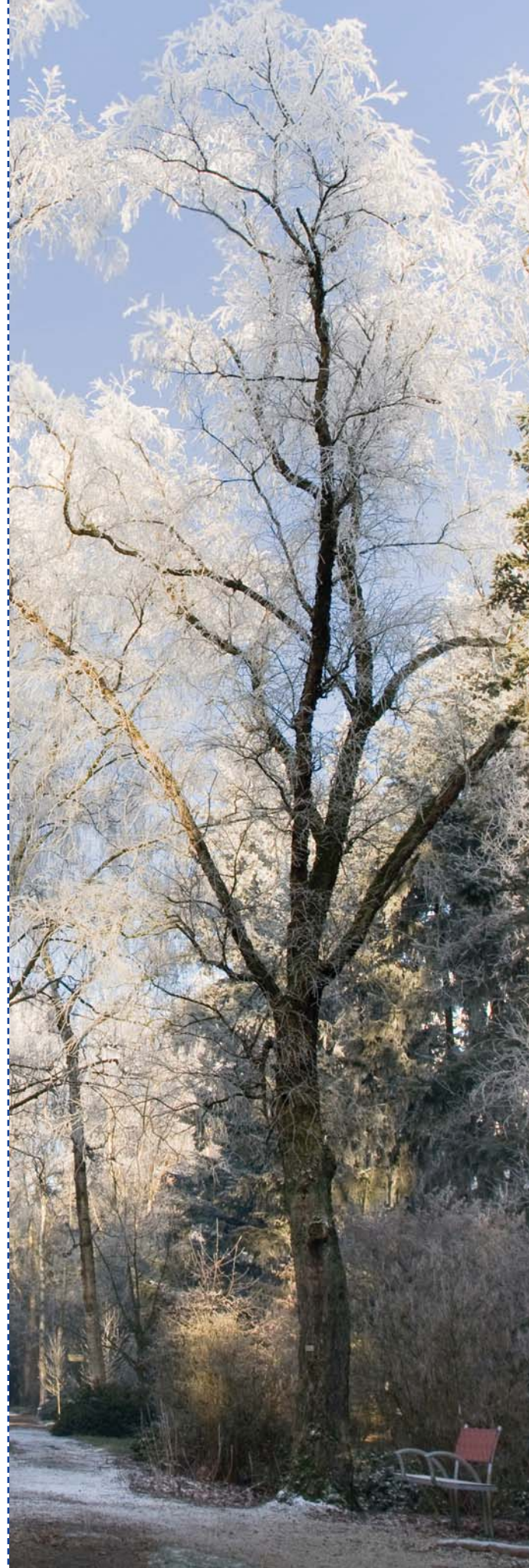
Reminder for contributing members of the 2006 Section

The amount of pension you earn in the 2006 Section each year is based on the percentage of Pensionable Earnings you pay as ordinary member contributions, as set out in the following table:

| Contribution rate | Accrual rate |
|------------------------------|--------------|
| 4% of Pensionable Earnings | 85ths |
| 5.5% of Pensionable Earnings | 75ths |
| 7% of Pensionable Earnings | 65ths |

This means that for each year you pay contributions at the rate of 4% of Pensionable Earnings you earn an annual pension amount equal to 1/85th of your Final Pensionable Earnings. Alternatively, for each year you pay 7% contributions you earn an annual pension amount equal to 1/65th of your Final Pensionable Earnings.

Every year you have the opportunity to change your contribution rate and therefore the rate at which your pension is building up for the forthcoming scheme year. The Alstom UK Pensions Department will write to you shortly with the option to change tier for the 2009/10 scheme year. If you wish to change tiers you will be required to complete and submit a form to Human Resources by 27 February 2009.



Further information

From 2 March 2009, MNPA will be taking over the day-to-day administration of the Scheme from Alstom. MNPA will be happy to help with any questions you have about your pension and is open from 8.30am to 5.00pm, Monday to Friday. MNPA's contact details are shown below, you may like to tear off this slip and keep it for future reference.

Address

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**

If you have access to Alstom's intranet or the internet, further information can also be found at:

iwv.pensions.alstom.com
(from the intranet) or

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, then the Trust Deed and Rules will prevail.

Topical pension news

Change to statutory deferred pension revaluation basis

Under current legislation deferred pensions under the Alstom Pension Scheme change in line with the movement in the Retail Prices Index (RPI), subject to a cap of 5% a year, for the period between date of leaving and retirement date.

However, a change in the legislation will affect those members who leave the 2006 Section after 5 April 2009. This change will mean that any pension built up after 5 April 2009 will be subject to a cap of 2.5% a year, rather than the 5% cap mentioned above. The existing cap of 5% will continue to apply to that part of the deferred pension built up before 6 April 2009.

This change will not affect anyone who left the Scheme before 6 April 2009.

Change in the lowest age at which members can take early retirement

The Normal Minimum Pension Age (NMPA) is the lowest age at which a registered (tax approved) pension scheme such as the Alstom Pension Scheme can normally allow a member to take pension benefits without incurring tax penalties. Prior to 6 April 2010 the NMPA is 50 and on 6 April 2010 this increases to 55. The effect of this change in legislation means that anybody born between 6 April 1955 and 5 April 1960 who has not started to draw benefits from a pension scheme by 6 April 2010 will then have to wait until they reach 55. These members will have a window of opportunity to start drawing pension benefits before the NMPA increases, should they wish to do so (subject to any consents required under the rules of the Scheme). People born after 5 April 1960 will also be affected by this change but can do nothing to pre-empt it. They will not reach age 50 until after the increase in NMPA and so will have no window available to start drawing benefits should they so choose.

Note - this change does not affect early retirement through ill health or incapacity.

Information for pensioners

Pensions in payment will be increased on 1 May this year, as usual. MNPA will be writing to all pensioners around this time to confirm the increased amounts to be paid for the following year. A P60 will also be sent to all pensioners.

Expert help

Here are the current Trustee Directors and professional advisers to the Trustee

Administrators

Alstom UK Pensions Department
(up until 2 March 2009)

MNPA Limited (with effect from
2 March 2009)

Auditors

Deloitte & Touche LLP

Bankers

HSBC Bank plc

Custodians

State Street Bank & Trust Company

Current Directors

P Bradshaw

R Dean

S Jones

N Khalife

X Langlois d'Estaintot

D O McKenzie

H Perkins

R Purcell

T M Ross (Chairman)

Investment Committee

R Dean

Y Hassouna

X Langlois d'Estaintot

D O McKenzie

B Radford (Secretary)

T M Ross

Investment Consultant

Mercer Ltd

Investment Managers

Analytical Investors Inc.

Barclays Global Investors Limited

CB Richard Ellis Investors Limited

Credit Agricole Asset Management

Equitable Life

European Credit Management

Friends Provident

Insight Investment Management
(Global) Limited

Rogge Global Partners

Standard Life

Investment Adviser

Mercer Ltd

Medical Adviser

Dr Stuckey

Pensions Services

Alstom UK Pensions Department

Scheme Actuary

Ian Skinner, Watson Wyatt Ltd

Secretary to the Trustee

K Hoodless

Solicitors

Lovells

Pinsents

Wragge & Co LLP

Trustee

ALSTOM Pension Trust Ltd
Newbold Road
Rugby
Warwickshire
CV21 2NH

Keeping you informed

This document is designed to keep you informed of developments in the Scheme. If you require more detailed information, or you would like a copy of one of the following documents, you should contact the Alstom UK Pensions Department:

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

