

# DIMENSION

For members of the Alstom Pension Scheme

July 2015



UNITED KINGDOM  
Pensions

**ALSTOM**

# WELCOME

Welcome to the latest edition of Dimension, the newsletter for members of the Alstom Pension Scheme (the Scheme).

## IN THIS EDITION YOU'LL FIND:



An update on the Scheme's funding position – see pages 4 and 5



An article on the implications of last year's Budget – see pages 6 to 9



A reminder about pension scams – see page 10

We hope you find this edition useful, and welcome any feedback you have.

## COMPETITION

For your chance to win a £25 shopping voucher, answer this question:



**At what level are you required to seek advice from an authorised financial adviser before transferring benefits from a DB Plan to a DC Plan?**

**Clue:** The answer is somewhere in this newsletter! All Scheme members are eligible to enter. Simply email your answer, along with your name and home address to [contact.ukpensions@chq.alstom.com](mailto:contact.ukpensions@chq.alstom.com). You can also enter by post – send your answer, along with your name and home address to: **Secretary to the Trustee, Alstom Pensions Department, Newbold Road, Rugby CV21 2NH.**

All entries must be received by **31 August 2015** and the winner will be selected at random and will be notified in September 2015. Terms and conditions apply, these are available from the Alstom Pensions Department on request.

The winner of the competition in the November edition of Dimension was Chris Flynn. Well done Chris!

# GENERAL NEWS

## GENERAL ELECTRIC ALLIANCE UPDATE

As you may be aware, Alstom has recently entered into a conditional agreement with General Electric to acquire Alstom's Thermal Power and Grid businesses. How and when the transaction will proceed and its impact on the Scheme has not yet been determined. The Trustee Directors are closely monitoring the position and are in regular dialogue with Alstom and General Electric. A new Trustee committee has also been established (the 'Assurance Committee') to consider all matters relevant to the Scheme arising from the General Electric offer. At present we are not therefore in a position to comment on the effect, if any, of the proposed acquisition on the Scheme, but we will keep you updated as matters progress.

### ADMINISTRATION UPDATE

With effect from 23 February 2015, Ensign Pensions Administration, the administrators of the Scheme, became part of JLT Employee Benefits. You should see no change to the delivery of administration services (which will be carried out by the same team from the same location), but if you do have any queries please contact JLT Employee Benefits using the contact details on the back page.



## NOTICE TO MEMBERS WITH AVCS – FRIENDS LIFE UPDATE



The Scheme's AVC provider, Friends Life, has now become part of the Aviva group. We have been assured that it is business as usual at Friends Life and so you should see no change in the way that your AVCs are managed.

Initially, you'll continue to see the Friends Life brand but as Friends Life and Aviva work to integrate the two businesses, eventually, Friends Life will trade solely under the Aviva brand.

If you would like information on your AVCs please contact JLT Employee Benefits using the contact details on the back page.

# SCHEME FUNDING

The Trustee is responsible for making sure that a full valuation of the Scheme is carried out every three years.

The Scheme Actuary has started work on the next full valuation which has an effective date of 5 April 2015. The output of this valuation will be an updated agreement between the Trustee and the Company, detailing how to fund the remaining shortfall in the Scheme. Early indications are that the funding level has moved broadly in line with expectations over the three years since the last full valuation in April 2012.

The Trustee's objective is to ensure that funding is available to meet all pension obligations in full as they fall due and to protect benefits that the Company has promised to pay to members.

When we refer to 'the Company' we mean the five UK sponsors of the Scheme, which are ALSTOM Ltd, ALSTOM Transport UK Ltd, West Coast Traincare Ltd, ALSTOM Renewable UK Ltd and ALSTOM NL Service Provision Ltd. The Scheme's principal employer is ALSTOM Ltd. ALSTOM Holdings has also provided support and accepted some responsibilities for the funding of the Scheme.

## HOW YOUR PENSION IS FUNDED

Contributory members and the Company pay contributions so that the Scheme can build up a fund to pay the pensions and other benefits to members.

Funds are pooled, so members do not have separate individual accounts within the Scheme, other than Additional Voluntary Contributions (AVCs). The Trustee obtains regular valuation reports from the Actuary which provide an estimate of the amount of assets needed today to meet the projected future benefit payments, known as liabilities. The estimate allows for future investment returns. If the Scheme has fewer assets than liabilities, it is said to have a 'shortfall' or 'deficit'. Using this information, the Trustee arrives at an agreement with the Company on the amount of contributions needed to keep the Scheme's funds on track to pay pensions and other benefits.

## SCHEME LIABILITIES

The estimated cost of providing the benefits earned to date by all the current members and those who have left the Scheme, together with the pension benefits already in payment. The liabilities of the Scheme, that is the present value of the benefit payments to be made in the future, are calculated by 'discounting' the future payments by a factor based on the yield on long-dated UK Government bonds (gilts). When gilt yields rise, the discounted value of the liabilities of the Scheme reduces.

## SCHEME ASSETS

The amount of money invested and held by the Scheme.

### WHERE CAN I GET FURTHER INFORMATION?

There are a number of documents available about the Scheme:

- » **Statement of Investment Principles**  
This explains how the Trustee invests the money paid into the Scheme.
- » **Statement of Funding Principles**  
This sets out the basis and assumptions used by the Trustee to value the assets and liabilities of the Scheme.
- » **Recovery Plan**  
This sets out how any shortfall revealed by the actuarial valuation will be eliminated.
- » **Schedule of Contributions**  
This shows how much money is being paid into the Scheme by the Company and active members.
- » **Annual Scheme Report and Accounts**  
This shows the Scheme's income and expenditure over the year.
- » **Formal Actuarial Valuation Report**  
This contains details of the Actuary's check of the Scheme's financial security at the triennial valuation date.
- » **Actuarial Report**  
This is an interim annual assessment of the Scheme's financial health prior to the next formal actuarial valuation.

These documents are all available on the Pensions Website at:

[www.pensions.uk.alstom.com/quickfind\\_APS.htm](http://www.pensions.uk.alstom.com/quickfind_APS.htm). If you would like a hard copy of any of these documents, please contact the Pensions Department (see back page for details).



# IMPLICATIONS OF LAST YEAR'S BUDGET

You may have seen in the news that significant changes to pensions were introduced in April 2015.

This included giving members of defined contribution (DC) pension plans more flexibility in how they use their pension savings at retirement.

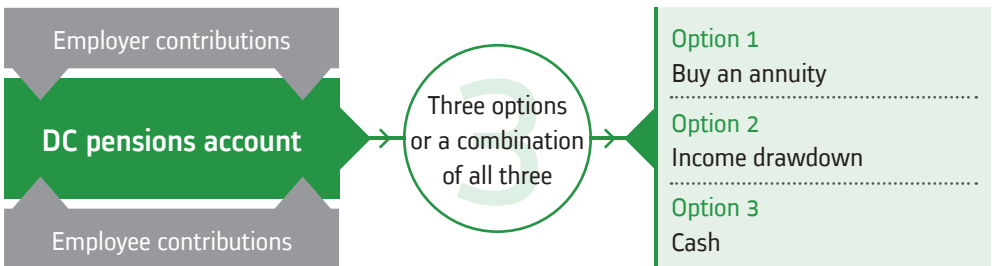
While the Scheme is a defined benefit (DB) arrangement (meaning that your benefits are based on your salary and length of service) and many of these changes won't be relevant to you, some of the changes could impact you, and details of these are provided below.

The Government is keen to help members of DC plans who, unlike DB members, do not receive a pension based on their salary and length of service. Instead they and their employer contribute to an account which is invested. At retirement this account was typically used to buy an annuity (a policy that pays an income for life).

The cost of buying an annuity has risen steadily over recent years, reducing the buying power of DC accounts. Although members can 'shop around' for the best deal, many do not do so and this has contributed to the Government's decision to announce these reforms.

In summary the reforms for members of DC plans mean that they may be able to (depending on the rules of their pension scheme) take their entire account as cash, they don't have to buy an annuity and they can take some or all of their money using 'income drawdown' (this is where your money is invested and you take a regular or varying income).

## CHANGES TO DC PENSIONS



You can find further general information at:

[www.gov.uk/government/news/pension-reforms-eight-things-you-should-know](http://www.gov.uk/government/news/pension-reforms-eight-things-you-should-know)

## HOW THIS AFFECTS YOU IN OUR SCHEME

### What if I've already reached my normal retirement date?

If you've already reached your normal retirement date or are currently drawing a pension from the Scheme then most of these changes will not apply to you – you will continue to receive your pension as usual.

## TAKING SMALL BENEFITS AS CASH

Some members who have earned only a small annual pension during their membership of the Scheme may prefer to take a cash lump sum instead of receiving an annual pension.

If the total value of your Alstom pension benefits is £10,000 or less, regardless of any other pension savings you may have, you may be able to take it all as cash from age 55.

You may also be able to take your Alstom pension benefits as cash from age 55 if the total value of your entire pension benefits (including benefits in other plans) is £30,000 or less\*.

If you would like to check the value of your pension benefits please contact JLT using the contact details on the back page.

\*Any benefits paid to you will be subject to income tax.



## OPTION TO TRANSFER BENEFITS TO A DC PLAN

You have the option of transferring your benefits to a DC pension plan to take advantage of the new flexibilities. That said, you should think carefully before giving up a DB pension. For example, the Pensions Regulator is of the view that it is likely to be in the best financial interests of the majority of members to leave their DB pension where it is. This is because a DB pension provides a promised level of benefits that are underwritten by an employer.



Can I transfer out at any stage?

To help with your retirement planning, we thought it would be useful to explain when you have a legal (statutory) right to transfer your Scheme benefits to another pension plan and when the transfer is subject to the agreement of the Trustee and the Company. See below for more information.



When do I have a statutory right to transfer my benefits to another pension plan?

If you are a deferred member (i.e. you are no longer employed by one of the participating employers and are not in receipt of your pension) you have the right to transfer your Scheme benefits to another pension arrangement if:

- you have completed at least two years of pensionable service; and
- you are more than 12 months away from reaching your normal retirement age (for most members this will be age 64 but this will depend on the section of the Scheme that you are a member of). If you have any questions about your normal retirement age please contact JLT.



If I do not have a statutory right to a transfer payment, can I still ask to transfer out my benefits?

If you do not satisfy the above criteria then you do not have a statutory right to a transfer payment. However, you can still ask to transfer out your benefits, but the transfer will be subject to the agreement of the Trustee and the Company. The Trustee and the Company will consider each application on a case by case basis, but either is free to refuse its consent, therefore please be aware that your transfer request may be declined.





## Do I need to seek advice before transferring my benefits?

Transferring pension benefits between schemes is highly complex and the Trustee has always recommended that members seek independent financial advice before taking any action. It is now a Government requirement that anyone transferring from a DB pension plan to a DC pension plan takes independent advice from a qualified financial adviser if the total value of the transfer is more than £30,000. In such cases you will not be able to transfer your DB entitlement out of the Scheme unless the Scheme has received a signed written confirmation from your Financial Conduct Authority (FCA) authorised financial adviser confirming their status and that you have been given advice on the DB to DC transfer.

If the total value is £30,000 or less we still strongly recommend that you seek independent financial advice, but it is not a legal requirement for you to do so.

A transfer payment from the Scheme will not be an appropriate option for all members and you should think very carefully before requesting and proceeding with a transfer. It is important to note that any transfer payment will be calculated in accordance with legislative requirements. Currently, transfer values paid from the Scheme are reduced by 20%, to reflect the fact that the Scheme's assets are not currently sufficient to pay the full amount of the cash equivalent in respect of all members of the Scheme. We strongly recommend that you obtain independent financial advice to assist you with making any decision in relation to your Scheme benefits.



## What if I have Additional Voluntary Contributions (AVCs) in the Scheme?

If you have DC AVCs in the Scheme you now have a statutory right to transfer those AVCs out of the Plan.



In addition, you should note that Pension wise, a free and impartial guidance service, is available to help you understand your options and what you can do with your defined contribution AVCs at [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk)



## Is there any cost to requesting a transfer out quote?

The Scheme is only required to give you one transfer out quotation in any given 12 month period. If you request more than one transfer out quotation in a year, you may be charged.

# PENSION SCAMS – BE AWARE OF THE CONSEQUENCES

If you're considering transferring out your benefits you should check that the arrangement that you're transferring to is legitimate.

Companies are targeting savers, like you, and claiming that they can help you cash in your pension early (for most people this is before age 55). If you agree to this you could face a tax bill of more than half your pension savings.

Five steps to avoid becoming a victim of a pension scam:

- 1** Never give out financial or personal information to a cold caller.
- 2** Find out about the company's background online using trusted sources. Any financial adviser should be registered with the Financial Conduct Authority (FCA) [www.fca.org.uk](http://www.fca.org.uk)
- 3** Ask for a statement showing how your pension will be paid at retirement or when you want to begin taking it, and question who will look after your money until then.
- 4** Speak to an independent financial adviser that is not associated with the proposal you've received, for unbiased advice.
- 5** Never be rushed into agreeing to a pension transfer.



You can read more about pension scams on the Pensions Regulator's website at [www.thepensionsregulator.gov.uk/pension-scams](http://www.thepensionsregulator.gov.uk/pension-scams).

# PENSION NEWS

This year's Budget, delivered on 18 March 2015, saw more changes for the pensions industry. Some of the key points are:

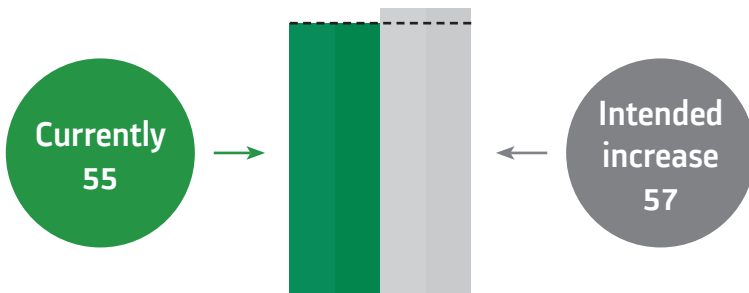
- The Government intends to legislate from 6 April 2016 to allow people who are already receiving an income from an annuity to agree with their annuity provider to assign their annuity income to a third party in exchange for a lump sum or an alternative retirement product.
- With effect from 6 April 2016, the Lifetime Allowance (the maximum amount that can be saved into a pension) will be reduced from £1.25 million to £1 million.



## NEW MINIMUM PENSION AGE OF 57

The Government intends to increase the minimum pension age (this is the earliest you can take your pension benefits, other than in ill-health) from 55 to 57 in 2028.

It is expected that this will continue to rise in line with scheduled increases in State Pension ages.



You can check your State Pension Age at [www.gov.uk/calculate-state-pension](http://www.gov.uk/calculate-state-pension)

## Contact us

JLT Employee Benefits (formerly Ensign Pensions Administration) is your first point of contact for the Scheme. If you have any queries about the Scheme or your benefits, or would like an up-to-date valuation of your spouse's pension, please contact JLT Employee Benefits.

**Address:**

Alstom Pension Scheme,  
JLT Employee Benefits,  
Leatherhead House,  
Station Road, Leatherhead,  
Surrey, KT22 7ET

**If your pension has not started yet**

**Tel:** 01372 200 363

**Email:** [alstom\\_pensions@jltgroup.com](mailto:alstom_pensions@jltgroup.com)

**If you are receiving your pension**

**Tel:** 01372 200 333

**Email:** [payroll\\_team2@jltgroup.com](mailto:payroll_team2@jltgroup.com)

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

The Alstom Pensions Department is able to liaise with JLT Employee Benefits 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](mailto:alstom.ukpensions@chq.alstom.com)

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

Visit the pensions website for useful information about the Scheme  
**[www.pensions.uk.alstom.com](http://www.pensions.uk.alstom.com)**

Full details of the Alstom Pension 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.



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