

# DIMENSION EXTRA

For members of the Alstom Pension Scheme



## **SUMMARY FUNDING STATEMENT**

May 2014

**ALSTOM**

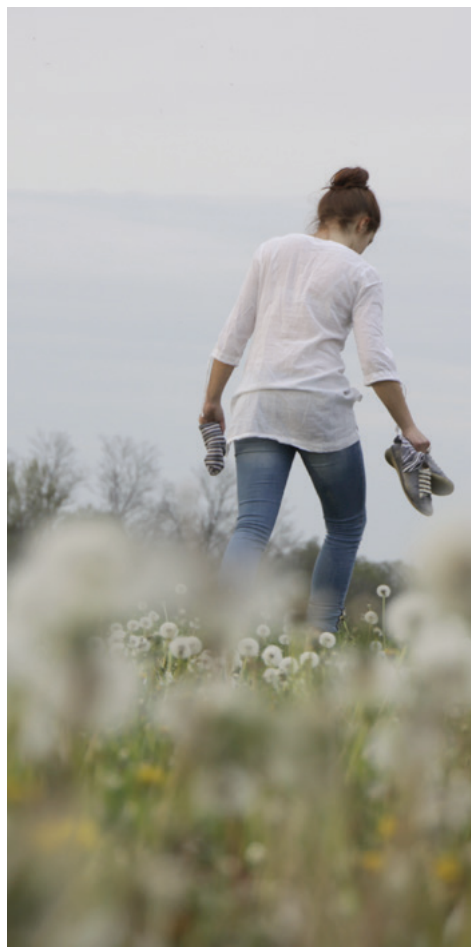
# THE SCHEME'S FINANCIAL HEALTH

**The Trustee is responsible for making sure that a full valuation of the Scheme is carried out every three years. The Actuary also provides an interim update on the Scheme's funding position in the years between valuations. (This update is called an Actuarial Report.)**

This document includes a reminder of the information the Trustee shared in last year's Summary Funding Statement. It also gives a summary of how the Scheme's funding

position has developed since then, including the results of the latest interim update at 5 April 2014.

**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' in this document we mean the five UK sponsors of the Scheme which includes ALSTOM Transport UK Limited and ALSTOM Renewable UK Limited, who were admitted as participating employers in March 2014 and November 2013 respectively following a reorganisation within the UK. 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 holdings 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.

## The funding position at a glance

	Valuation 5 April 2012	Actuarial Report 5 April 2013	Actuarial Report 5 April 2014
<b>Scheme liabilities</b>	£1,948.4 million	£2,143.8 million	£1,989.5 million
<b>Scheme assets</b>	£1,418.3 million	£1,552.3 million	£1,575.8 million
<b>Funding position</b>	Shortfall of £530.1 million	Shortfall of £591.5 million	Shortfall of £413.7 million
<b>Funding level</b> (on-going basis i.e. if the Scheme continues as it is now into the future)	73%	72.4%	79.2%

### 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, is 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.

## How the funding position has changed since April 2013 and April 2012 (the position reported in last year's Summary Funding Statement)

The funding shortfall at 5 April 2014 has decreased since 5 April 2012 and 5 April 2013 for a number of reasons including:

- a small increase in gilt yields and hence discount rates between 5 April 2012 and 5 April 2014 which has reduced the liability (albeit gilt yields were lower at 5 April 2013 which increased the liabilities at 5 April 2013);
- the rate of return received on investments has exceeded expectations;
- the Company contributions have exceeded the cost of providing the expected benefits accrued for active members since the last valuation.

The above factors have been partially offset by inflation exceeding expectations.

## Position on winding up

The valuation at 5 April 2012 estimated the funding level if the Trustee were required to wind up the Scheme and buy insurance policies to meet the liabilities (known as 'full solvency') to be 47%. A more detailed explanation of what winding up means can be found on page 6.

### Other information

The Trustee can confirm that there have not been any payments to the Company out of Scheme funds since the last Summary Funding Statement was issued.

The Pensions Regulator can, in certain circumstances, make orders regarding the benefit provisions or funding of a pension scheme. The Pensions Regulator has not made any orders in relation to the Scheme.

We are required to confirm that there has been no modification of the Scheme by the Pensions Regulator, that the Scheme is not subject to directions from the Pensions Regulator, and that the Scheme is not bound by a schedule of contributions imposed by the Pensions Regulator, under Section 231 of the Pensions Act 2004.

# THE FUNDING AGREEMENT: A RECAP

**Here is a reminder of the main points of the Funding Agreement the Trustee and Company signed in May 2013.**

## **To make up the funding shortfall**

From 6 April 2013, the Company increased the additional contributions it pays to the Scheme from £20 million to £35 million a year. These contributions increase each year in line with the Retail Prices Index plus 1%. (This means that when the first increase took effect from 6 April 2014, the amount of additional contributions went up to £36.33 million).

- Under the prudent plan that the Trustee and Company agreed, these contributions will continue until April 2027, as it is the Trustee and Alstom's joint intention that the shortfall should be eliminated by April 2027.
- However, if economic conditions in future years are in line with expectations, the shortfall is expected to be eliminated four years earlier than this – by 2023, whereupon payments under this agreement would cease.

If the funding level falls below its expected position at future valuations, the Company will pay up to £50 million at each valuation to improve the funding position. Note that currently the funding level is above the expected position.

As the funding level improves, the Trustee and the Company will look to move to a more conservative funding approach.

Starting in 2015, subject to certain financial triggers in the financial performance of ALSTOM Ltd, the Trustee and Company will discuss the possibility of making up the shortfall over a shorter timeframe.

The Company agreed to retain the restriction on the ability of ALSTOM Ltd to pay any dividend unless it makes a profit and the Total Shareholders' Funds are not reduced below £362 million.

In April 2014, the Trustee appointed KPMG as its covenant adviser to help it monitor the financial strength of the UK sponsors.

## **To meet the cost of the benefits members are building up**

The Company has increased its regular contributions to the Scheme from 13% to 17.5% of Pensionable Earnings.

The Company also continues to pay the Pension Protection Fund levy and Trustee indemnity insurance, and contributions towards the Scheme's expenses.

## **To guarantee the Scheme**

ALSTOM Holdings extended its guarantee from 31 March 2026 to 31 March 2027 by which time it is estimated that the shortfall will have been eliminated.

# YOUR QUESTIONS ANSWERED

## What does 'winding up' mean?

Winding up is one of the possible outcomes if the Scheme were to be discontinued. This could happen if Alstom went out of business or decided to stop contributing to the Scheme.

In these circumstances, either benefits would be provided from the Scheme which would continue to be run, or the Scheme would be wound up. If this did happen, Alstom would owe a sum of money to the Scheme equal to the amount needed to ensure that the Scheme had enough money to be able to buy all the benefits, secured and paid through an insurance company.

## So why have you shown the 'winding up' position?

We are required by law to show you this information. The provision of this information does not mean that Alstom is thinking of winding up the Scheme but we hope it will help you understand the financial security of your benefits.

## What would happen if the Scheme were wound up and there was not enough money to pay for all my benefits?

The Government has set up the Pension Protection Fund (PPF) to pay benefits to members of schemes that wind up where the employer has gone out of business and the scheme does not have enough money to cover the cost of buying members' benefits with an insurance company to at least the level that the PPF would provide.

The pension paid from the PPF would often be less than the full benefit to which the member would be entitled, depending on their age and when their benefits were earned.

Further information is available on the PPF website at [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk). Or you can write to the Pension Protection Fund at Knollys House, 17 Addiscombe Road, Croydon, Surrey CR0 6SR.

## Where are the Scheme funds invested?

The Trustee sets and monitors the Scheme's investment strategy with the help of its professional advisers. The Trustee invests in a broad range of assets to get the best return possible while taking account of the liabilities of 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 Alstom 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).

## Contact us

Visit the Pensions Website to find useful information about the Scheme:  
**[www.pensions.uk.alstom.com](http://www.pensions.uk.alstom.com)**

If you have a question about the Scheme or the information in this Statement, please contact the Pensions Department at:

UK Pensions Department  
ALSTOM Limited  
Newbold Road  
Rugby  
Warwickshire CV21 2NH

01788 557400

**[alstom.ukpensions@chq.alstom.com](mailto:alstom.ukpensions@chq.alstom.com)**

If you have any other query regarding your pension please contact Ensign Pensions at:

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Leatherhead  
Surrey KT22 7ET

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## Keep in touch

Please help us to keep in touch with you by telling Ensign Pensions if you change your address.

If, for any reason, you are considering leaving the Scheme you should consult an appropriate independent financial adviser, before taking any action.

