

DIMENSION

October 2011



UNITED KINGDOM
Pensions

ALSTOM

WELCOME

Welcome to this edition of Dimension, the newsletter sent from the Trustee of the Alstom Pension Scheme (the Scheme). We hope you like the new format which gives you bite-sized updates about your pension from the Scheme and other pensions news.

This newsletter goes out to active (contributing), deferred and pensioner members in all sections of the Scheme. In the table below you can find a breakdown of the Scheme membership at 5 April 2011.

We hope you enjoy this edition. Remember to look out for further updates throughout the year.

Scheme membership

	Active	Deferred	Pensioner
Scheme membership (split by section) at 5 April 2011			
2006 Defined Benefit Section	1,195	425	261
Main Section	-	8,014	11,368
Retirement Capital Plan (RCP) Section	-	407	15
Electricity Section	-	279	81
Babcock Section	-	20	14
Cegelec Section	-	882	952
ABB Section	-	128	74
Additional Savings Plan (ASP) Section	-	29	-
Total Scheme membership	1,195	10,184	12,765

You may be aware that the Alstom Defined Contribution (DC) Plan was set up in 2006. The DC Plan is separate to the Scheme, therefore the detail included in this edition of Dimension does not relate to the DC Plan in any way.

TRUSTEE BOARD UPDATE

In April, Ross Trustees Ltd was appointed as the independent Chair of the Trustee of the Alstom Pension Scheme, with **Steven Ross** acting as its representative. Steven has over 35 years of pensions experience, acting as an independent trustee since 1992 and prior to that advising companies and trustees on pension issues.



Steven Ross
Chair of the Trustee of the
Alstom Pension Scheme



Iain Rutherford
Active Member
Nominated Director

In May, the Trustee wrote to members inviting applications for the role of Member Nominated Director (MND) of the Trustee. There were two vacancies for Active MNDs and one for a Pensioner MND. The process for appointing MNDs was completed in August and we are pleased to announce that the following members will complete a four-year term starting on 1 November 2011:

- **Don McKenzie** is appointed as a Pensioner MND. Don has served as an Active MND since 2004.
- **Richard Dean** is appointed for a second term of office as an Active MND.
- **Iain Rutherford** is appointed as an Active MND. Iain is the Core Technology Manager & Unit Director based in Rugby. He has been with Alstom since 1999.

Peter Bradshaw's term of office as MND will cease on 31 October 2011. We would like to take this opportunity to thank Peter for his important contribution over the last few years and wish him all the best in his retirement.

DO YOU WORK PART-TIME?

If you work part-time and are contributing to the Scheme, the contributions that you pay and the benefits that you build up are calculated on a pro-rata basis.

This means that to ensure an accurate and consistent calculation of your pension, your Pensionable Earnings are converted to a 'full-time equivalent' and your Pensionable Service is adjusted in respect of your actual hours of service. Your contributions are based on your actual Pensionable Earnings.

Let's have a look at how this works

Alison has Pensionable Earnings of £20,000 and is currently in Tier 2 (which has an accrual rate of 1/75 and a contribution rate of 5.5%). Since April 2010, Alison has been working part-time at 50% of her normal hours with actual Pensionable Earnings of £10,000.

Alison's pension contribution from April 2010 is calculated as:

$$\begin{array}{|c|} \hline \text{Pensionable Earnings} \\ \hline \text{£10,000} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Contribution rate} \\ \hline 5.5\% \\ \hline \end{array} \div \begin{array}{|c|} \hline 12 \\ \hline \text{(months)} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{£45.83 a month} \\ \hline \end{array}$$

Alison's pension in the 2006 Defined Benefit Section up to April 2011 is calculated by:

First calculating the Pensionable Service:

Period	Service	% of hours worked	Pensionable Service
April 2006 to April 2010	4 years x	100%	4.0 years
April 2010 to April 2011	1 year x	50%	0.5 years
Total			4.5 years

Then calculating the pension:

$$\begin{array}{|c|} \hline \text{Pensionable Service} \\ \hline 4.5 \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Full-time equivalent} \\ \text{Pensionable Earnings} \\ \hline \text{£20,000} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Accrual rate} \\ \hline 1/75 \\ \hline \end{array} = \begin{array}{|c|} \hline \text{£1,200 a year} \\ \hline \end{array}$$

Subject to the Rules of the Scheme, while you are working part-time and continue to build up Pensionable Service in the Scheme, you will be covered for death-in-service benefits as follows:

- The lump sum benefit of four times your Pensionable Earnings would be calculated using your actual Pensionable Earnings in the last complete Scheme year immediately before your death.
 - The dependant's pension, which is payable on your death, would be calculated as 50% of the pension you could have built up had you remained in the Scheme until Normal Retirement
- 4 Age, including adjustments for part-time service.

ACCOUNTS IN BRIEF

Each year, the Trustee publishes a detailed Annual Report and Accounts for the Scheme.

The following is a summary of these for the year ended 5 April 2011. This Report has been independently audited by Grant Thornton UK LLP, who has confirmed that they present a true and fair view of the financial transactions of the Scheme and its assets and liabilities.

You can view a copy of the full Annual Report and Accounts document on the Scheme's website at: www.pensions.uk.alstom.com/quickfind_APS.htm

Alternatively, you can request a copy from the Pensions Department – see back page for contact details.

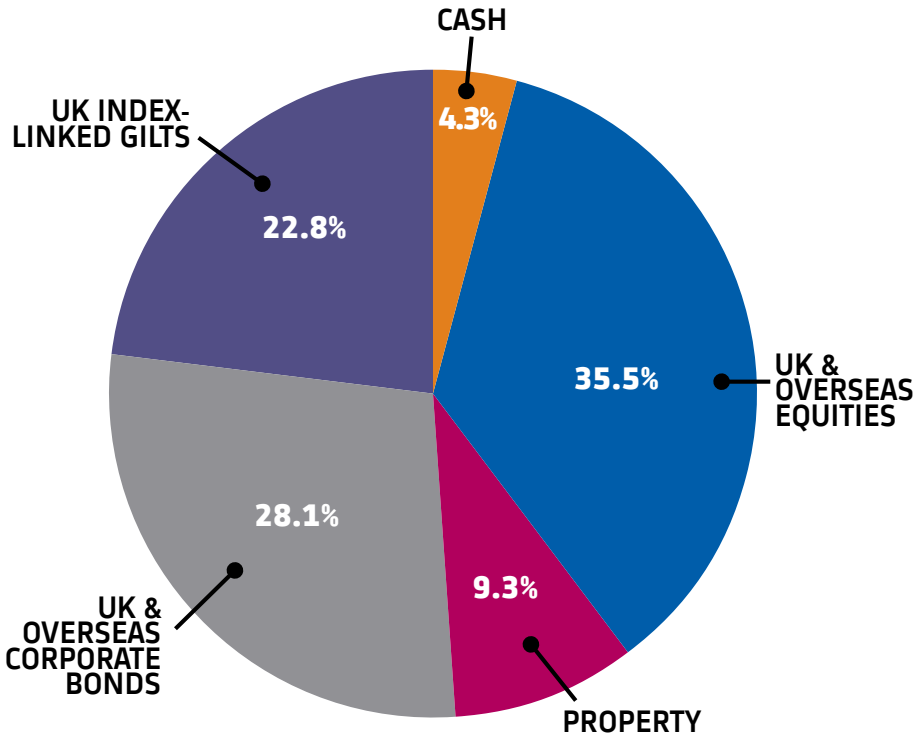
Fund account for the year ended 5 April 2011

	2011 £ million	2010 £ million
Net assets at the start of the year	1,338.3	1,131.5
Coming into the Scheme		
Contributions received	35.2	29.6
Total received	35.2	29.6
Going out of the Scheme		
Benefits paid	76.2	72.3
Transfer values paid	1.3	0.8
Administration expenses	4.4	2.9
Total paid	81.9	76.0
Return on investments		
Investment income	31.2	18.3
Investment management expenses	(2.8)	(1.8)
Change in market value of investments	54.6	236.7
Net return on investments	83.0	253.2
Net increase in the fund during year	36.3	206.8
Net assets at the end of the year	1,374.6	1,338.3

INVESTMENT SUMMARY

The Scheme invests in a variety of asset classes in order to generate investment returns to meet future member liabilities (benefits).

As at 5 April 2011 the Scheme's investments were split as follows:



Overall performance

The total fund investment return for the year ended 31 March 2011 was 6.8% (in 2010 this was 23.9%), compared to an accumulated benchmark ('target') return of 7.2% (24.2% in 2010).

INVESTMENT PERFORMANCE

Performance of the Scheme's investments, other than Property, has been measured by WM Performance Service, a State Street business.

State Street is custodian to the Scheme. The table below summarises the performance of the investments compared to their benchmark (or target) over a one-year and a three-year period:

Manager & investment type	Year to 31 March 2011		Three Years to 31 March 2011	
	Return %	Benchmark return %	Return % a year	Benchmark return % a year
BlackRock Advisers				
– UK & Overseas Equities	8.3	8.3	6.4	6.3
CB Richard Ellis – Property	10.9	10.4	0.0	8.1
M&G – UK & Overseas Corporate Bonds*	5.5	5.2	-	-
M&G – UK Index-Linked Gilts*	7.6	5.4	-	-
BlackRock Qualifying Investor Fund (QIF)				
– UK Index-Linked Gilts*	5.8	5.4	-	-
Total fund (including hedging)	6.8	7.2	5.3	5.5

*Held for less than three years

Unless explicitly deducted from funds, the fund returns are reported before the deduction of investment management fees.

This return is lower than the benchmark return because the Scheme was underweight (as per the strategic asset allocation policy set out in the Scheme's Statement of Investment Principles – 'SIP') in the best performing asset class (Property), and overweight in the lesser performing class (Corporate Bonds). Further information on the Scheme's investment policy can be found in the SIP document. You can request a copy from the Pensions Department – see back page for contact details.

RETIREMENT PLANNING

Taking your pension early

Some members choose to take their pension from the Scheme early – this means before the Scheme’s Normal Retirement Age (age 65 for the majority of members). If you choose to do this, your pension is reduced to take into account the fact that it will be paid for longer. The reduction is calculated using the number of years and months you take your pension early and an Early Retirement Factor. Following the annual review of the Scheme’s calculation factors, the Early Retirement Factors used in this calculation changed from 28 July 2011.

If you are thinking of taking your pension early, you can find out more about Early Retirement Factors on the Scheme’s website at:

www.pensions.uk.alstom.com/quickfind_APS.htm

Alternatively, you can request a copy from the Pensions Department – see back page for contact details.

Benefit statements

The annual benefit statements, which provide a snapshot of the value of your pension benefits at each 6 April, are due to be sent to members of the 2006 Section and Main Section of the Scheme at the beginning of October. If you are in one of the other sections and require an update of your benefits, please request this from MNPA – see back page for contact details.

Taking your State Pension

By 2020, the State Pension Age (SPA) – the age you can take your pension from the State – will rise to 66 for both men and women. This increase will be phased in between December 2018 and April 2020, six years earlier than originally planned.

Currently, the SPA for women is being increased from 60 to 65. The rate of this increase will quicken from April 2016 so that it reaches age 65 in November 2018. The Government is also considering revising the timetable for future increases to the SPA from age 66 to 68.



TOPICAL PENSION NEWS

Annual Allowance

From April 2011, the Government reduced the Annual Allowance (AA) from £255,000 to £50,000. The AA is the limit on the amount of tax-free pension savings you can pay into your pension each year (including pensions in other arrangements, except for State pensions). Pension savings over the AA may receive an additional tax charge. Although this is a significant reduction in the AA, the Government expects that for most people pension savings will be managed so that the AA is not exceeded.

For defined benefit arrangements, like the Scheme, pension savings are the value of benefits you have built up in the tax year (calculated as the increase in your accrued pension over the tax year, multiplied by sixteen) plus the amount of any Additional Voluntary Contributions you have paid that tax year.

Most members of the Scheme will not be affected by the reduction in the AA, which means that you can continue to benefit from tax savings on your contributions.

Lifetime Allowance

From April 2012, the Government will also reduce the Lifetime Allowance (LTA) from £1.8 million to £1.5 million. The LTA is the limit on the total amount of tax-free pension savings you can build up over your lifetime.

If you think you may be affected by the changes in the AA and the LTA, you should contact MNPA – see back page for contact details.



PENSION INCREASES

In June 2011, the Government's proposals to change the way statutory pension increases are calculated were approved. This means that from 1 January 2011, pension increases can be based on the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

How does this change affect your pension in the Scheme?

Deferred pensions

From 1 January 2011, deferred pensions will be revalued in line with increases in CPI each year (increases accrued up to 2010 will remain based on increases in RPI), subject to a cap.

If you have a deferred pension in the Main Section, your Basis 1 pension will continue to receive increases in deferment in line with RPI, subject to a cap, and will be subject to a minimum increase linked to CPI with effect from 1 January 2011. Basis 2 and 3 pensions are unaffected by this change.

Pensions in payment

If you are already receiving your pension from the Scheme, any pension in excess of any Guaranteed Minimum Pension (GMP) will increase in line with the increase in RPI (subject to a cap) and is therefore unaffected by this new legislation. However, as of 1 January 2011 any GMP benefits will increase in line with the increase in CPI (subject to a cap).

PENSION PAYMENT DATES

Alstom pensions will be paid on the following dates:

Friday 30 December 2011

Wednesday 1 February 2012

Thursday 1 March 2012

Friday 30 March 2012

Tuesday 1 May 2012

Friday 1 June 2012

Friday 29 June 2012

Wednesday 1 August 2012

Friday 31 August 2012

Monday 1 October 2012

Thursday 1 November 2012

Friday 30 November 2012

Pensioner members will receive a letter in April which will give details of the pension increase as at 1 May 2012.

SALARY SACRIFICE

From 6 April 2011, Alstom introduced Salary Sacrifice as a new way to make pension contributions to the Scheme. Salary Sacrifice gives members a more efficient way of making contributions to the Scheme by reducing the amount of National Insurance contributions that they pay.

Alstom wrote to all active members in February confirming details of the Salary Sacrifice arrangement and enclosed a guide with further information. In July, members were also sent an addendum to the Scheme booklet, which explained Salary Sacrifice in more detail. If you were included in the Salary Sacrifice arrangement, then this took effect from 6 April 2011.

If you opted out of the Salary Sacrifice arrangement, your next opportunity to opt in is from 6 April 2012.

Salary Sacrifice and AVCs

If you opted out of Salary Sacrifice in respect of Additional Voluntary Contributions (AVCs), then you can change the amount of AVCs you pay at any time. The maximum amount of AVCs you can pay in any one tax year is the lower of 25% of Pensionable Earnings or £25,000. If you opted into Salary Sacrifice for AVCs, then you can only change the amount of AVCs you pay at each 6 April.

If you have any queries regarding Salary Sacrifice for pension contributions please contact your local Human Resources partner.



Contact us

Visit the website to find useful information about the Scheme:

www.pensions.uk.alstom.com

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):

01372 200363

Email:
alstom.pensions@mnpa.co.uk

Pensioner payroll team (if you are receiving a pension):

01372 200333

Email:
payroll.team2@mnpa.co.uk

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

The Alstom Pensions Department is able to liaise with MNPA if you experience any problems. The department can be contacted on:

01788 557402

01788 557403

Alstom Pensions Department
Newbold Road
Rugby
CV21 2NH

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.

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.

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