

DIMENSION

October 2012



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ALSTOM

WELCOME

Welcome to this edition of Dimension, the newsletter sent from the Trustee of the Alstom Pension Scheme (the Scheme).

Following positive feedback from Scheme members, we are pleased to present this year's updates once again in this bite-sized format.

Over 97% of those members who completed the questionnaire in April's issue of Dimension said they found this current format useful, clear and easy to understand. We would like to thank those members that gave their feedback (over 500) and we will incorporate it where possible into future communications you receive. If you would like to make any comments about this edition of Dimension, please contact the Alstom Pensions Department in Rugby (pictured right) using the details on the back page.

We hope that you enjoy this edition of Dimension and find this update helpful. Be sure to enter the competition below.



COMPETITION

We are delighted to be running another competition for all Scheme members. If you would like the chance to win a £25 shopping voucher, it really couldn't be easier!



Simply email us the answer to the following question, for which you can find the answer in this newsletter. Or fill out the form on the back page and post to us. Terms and conditions apply – these are available from the Alstom Pensions Department on request.

What was the net increase in the Alstom fund size for the year 5 April 2011 to 5 April 2012?

Email your answer along with your name and home address to contact.ukpensions@chq.alstom.com by 30 November 2012. The winning answer will be selected at random.

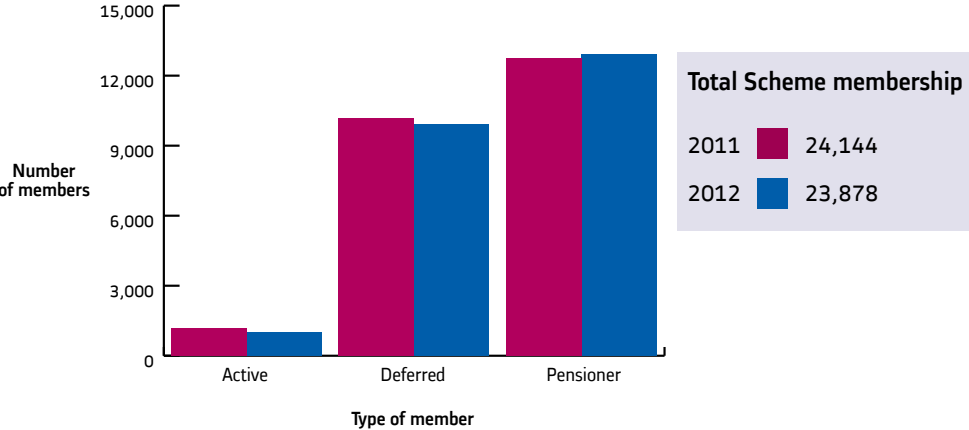


SCHEME MEMBERSHIP

This newsletter is distributed to members of all sections of the Scheme. In the table below you can find details of the Scheme membership at 5 April 2012.

	Active	Deferred	Pensioner
2006 Defined Benefit Section	1,027	499	346
Main Section	-	7,736	11,358
Retirement Capital Plan (RCP) Section	-	401	18
Basis 4 Section	-	18	35
Electricity Section	-	265	93
Babcock Section	-	19	15
Cegelec Section	-	829	992
ABB Section	-	123	78
Additional Savings Plan (ASP) Section	-	26	-
Total Scheme membership	1,027	9,916	12,935

The chart below reflects the changes in membership between 5 April 2011 and 5 April 2012.



FOCUS ON: THE SCHEME ACTUARY

In the last edition of Dimension, we introduced you to the advisers that help the Trustee to run the Scheme. Here we speak in more detail to the Scheme Actuary, Brian Nimmo, who talks about his role and focuses on a topic that has been in the news a lot recently and affects us all – life expectancy.

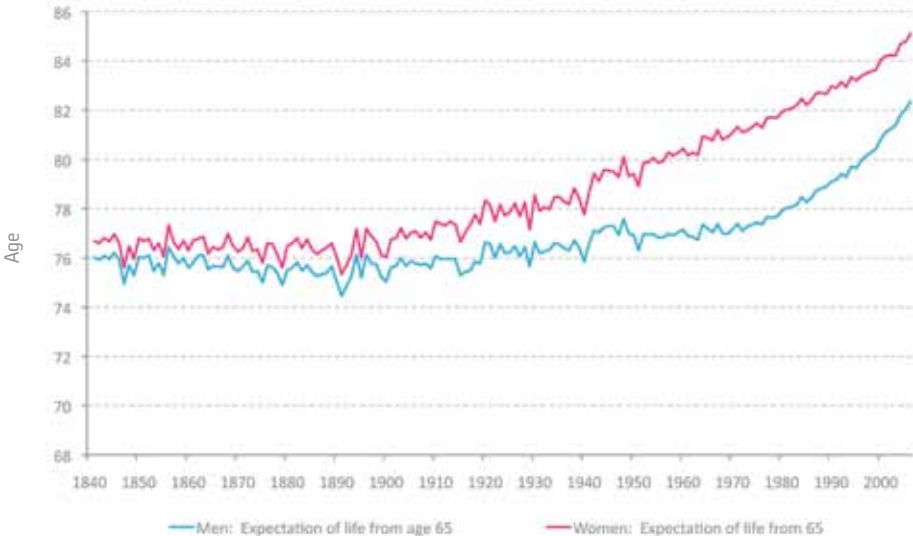
Why life expectancy?

Life expectancy affects us all in various ways, from increases in state pension age to the impact on the NHS. It is also a factor, amongst many others, that influences the funding of the Scheme which means that the Trustee and I need to form a view as to how this might change in the future.

An ongoing trend

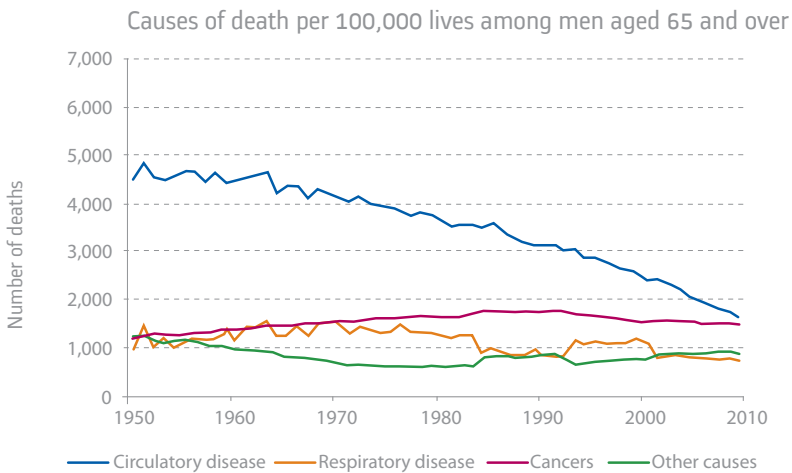
The fact that we are living longer is clearly evident in the wealth of statistics available; the key questions are will the increases continue and if so, until when? The chart below shows life expectancy from age 65. You can see that the increase has been continuous throughout the 20th century. On average, life expectancy has increased by 0.7 years per decade over the century, but crucially, life expectancy is now increasing at two years or more per decade. Another way of looking at this is that every day our life expectancy increases by 4.8 hours!

Increasing life expectancy



Why is life expectancy increasing?

The almost complete eradication of infectious diseases at the beginning of the century has played a major part. Since then, there have been reductions in deaths as a result of cardiovascular and circulatory diseases (see the chart below). These reductions are a result of us changing our behaviours (such as less of us smoking) and through medical advances. There is also considerable scope for further improvement; other countries, such as Japan, have half the rate of cardiovascular deaths as in the UK.



What does this mean for us all?

In short, it is now not unreasonable to expect that half of us will live to age 88 or beyond. What is good news for us as individuals, though, does pose its own wider issues for society. The Trustee and I also need to weigh up the evidence available and consider how to make an appropriate allowance for how long we will live when calculating the funding of the Scheme; work which is currently underway.

Latest valuation

Every three years the Scheme has a formal valuation. The valuation process is ongoing and once the process is complete members will be updated with the results.

ACCOUNTS IN BRIEF

We are pleased to share with you a summary of the Annual Report and Accounts for the Scheme.

The following two pages give you an overview of the Scheme's income and expenditure for the year ended 5 April 2012 and details of the investment performance.

Fund account for the year ended 5 April

	2012 £ million	2011 £ million
Net assets at the start of the year	1,374.6	1,338.3
Coming into the Scheme		
Contributions received	31.9	35.2
Total received	31.9	35.2
Going out of the Scheme		
Benefits paid	81.6	76.2
Transfer values paid	1.6	1.3
Administration expenses	2.1	4.4
Total paid	85.3	81.9
Return on investments		
Investment income	31.5	31.2
Investment management expenses	(2.7)	(2.8)
Change in market value of investments	68.3	54.6
Net return on investments	97.1	83.0
Net increase/(decrease) in the Fund during year	43.7	36.3
Net assets at the end of the year	1,418.3	1,374.6

The Report and Accounts 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.

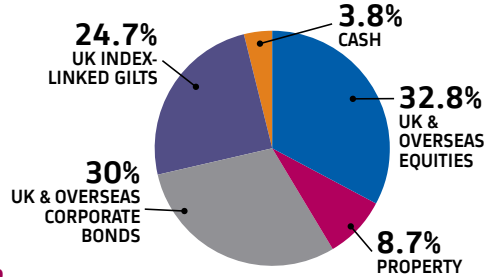
You can view a copy of the full Annual Report and Accounts document on the Pensions Website at: www.pensions.uk.alstom.com/pdf/SchDocs/APS_Trustee_Annual_Report_2012.pdf

INVESTMENT OVERVIEW

The Scheme invests its assets with the aim of increasing their value through investment returns so that there is sufficient money to pay members' benefits.

Where are the Scheme assets invested?

The Scheme's assets are invested in a range of investment types and as at 5 April 2012 the investments were split as shown to the right:



How are the investments performing?

The Trustee sets benchmarks (or targets) around the level of investment returns it wants to receive and the actual performance is compared to the benchmark to measure how successful the investment has been.

The table below summarises the performance of the Scheme's investments compared to their benchmark over a one-year and a three-year period:

Manager & investment type	Year to 31 March 2012		Three years to 31 March 2012	
	Return %	Benchmark return %	Return % a year	Benchmark return % a year
BlackRock Advisers				
– UK & Overseas Equities	-1.3	-1.2	17.0	17.1
CB Richard Ellis – Property	6.6	6.6	12.6	11.2
M&G – UK & Overseas Corporate Bonds*	11.9	8.8	-	-
M&G – UK Index-Linked Gilts*	17.2	23.9	-	-
BlackRock Qualifying Investor Fund (QIF)				
– UK Index-Linked Gilts*	17.2	23.9	-	-
Total fund	8.0	9.5	12.6	13.4

*Held for less than three years

Overall, the total investment return received for the year ended 31 March 2012 was 8.0% compared to the benchmark of 9.5%. Find out more about the Scheme's investments on the next page.

INVESTMENT UPDATE

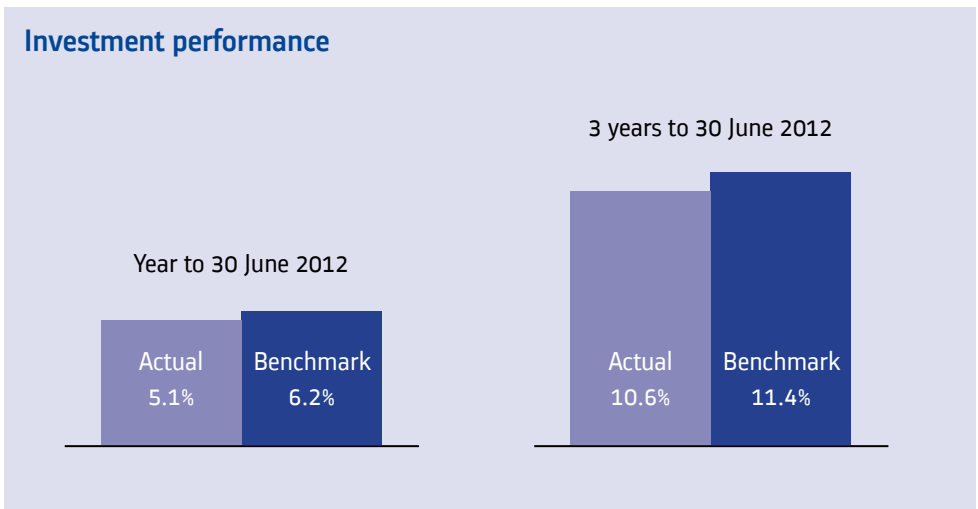
The Trustee's independent investment performance measurer, WM Performance Services, compares the performance of the Scheme's investments against their benchmarks. Overall, in the twelve months to 30 June 2012, the Scheme's investments had a positive return of 5.1%, compared with the benchmark return of 6.2%.

The overall underperformance of the investments (compared with the benchmark) over the 12 month period was largely due to the Scheme's assets being invested in different places to the benchmark allocation (where the assets were expected to be invested). In particular, the Scheme held fewer assets in longer-dated, index-linked Government bonds, which performed particularly strongly because of the uncertainties over inflation and the economic outlook.

Over the longer term (three years to 30 June 2012), the Scheme produced a positive return of 10.6% a year, which was also behind the benchmark return of 11.4% a year.

The Trustee has agreed to diversify its bond holdings to include a small proportion of sub-investment grade corporate bonds (also known as high yield debt) which offer the prospect of higher investment returns. The investment in high yield debt is due to be introduced before the end of 2012.

We will keep you updated with more information about the Scheme's investments in future editions of Dimension.



PENSION NEWS

Here we give you an update on some changes which affect all pension schemes.

Reduction in the Lifetime Allowance

In the last edition, we reported the reduction to the Annual Allowance to £50,000 for the 2011/2012 tax year. From the 2012/2013 tax year, the Lifetime Allowance (LTA) has also been reduced from £1.8 million to £1.5 million.

The LTA is the maximum amount of pension and/or lump sum that you can build up which can receive tax relief. If your pension exceeds the LTA, you would receive an extra tax charge based on the amount over the LTA.

The reduction in the LTA is unlikely to affect many members. It will not affect you if your pension is in payment. If you think you may be impacted, you should contact an independent financial adviser. Visit www.unbiased.co.uk to find one in your area.



The following two updates are mentioned as items of interest only, and are not directly relevant to your pension benefits.

Government announces possible pension scheme investment in infrastructure projects

In its 2012 annual budget, the Coalition Government announced its intention to support the establishment of a new Pension Infrastructure Platform owned and run by UK pension schemes, with the first wave of investment possibly being made as early as 2013. The Coalition Government is working with the TUC, the CBI and the National Association of Pension Funds to develop this new investment opportunity. ALSTOM Ltd is heavily involved with the CBI's input to the Government.

Pensions Regulator comments on pension scheme funding

In April 2012, the Pensions Regulator published its views on pension scheme funding in the current financial environment. Whilst the Pensions Regulator noted the challenges facing employers in the difficult economic circumstances, it reaffirmed its view that there is sufficient flexibility within the statutory funding framework to address these challenges. The Pensions Regulator will be more pro-active in identifying pension schemes where it finds the funding agreement to be not acceptable within the framework, and will get involved in the funding discussions with the company and the trustees of such schemes at an earlier stage.



THINKING ABOUT RETIREMENT?

As you approach retirement it is important that you consider your options and have an understanding of the retirement process. In this article we meet Stuart Field, the Pensions Administration Manager at Alstom, who talks about the retirement process and answers some of your frequently asked questions.

Retirement is important

Because I speak to members on a regular basis, I understand the importance of having an efficient retirement process in place. Members approaching retirement need to:

- get the right information at the right time;
- be kept fully informed; and
- have their benefits paid on time.

Part of my role is to periodically review the Scheme administrator, MNPA's, retirement process to ensure that it meets the needs of our members. I also recommend areas for improvement so that members continue to receive a first class service. When MNPA put your benefits into payment they will send you a feedback form – this gives you the opportunity to let them know how you found their service and to help them improve it.

Your questions answered

Q. How can I get an estimate of my retirement benefits?

- A.** You should contact the Alstom Pensions Administration Team at MNPA on 01372 200363 or email them at alstom.pensions@mnpa.co.uk. You will need to provide MNPA with three items of identification such as full name/address, national insurance number and date of birth. The estimate will be sent to your home address within 15 working days of your request.

Q. When will my pension begin?

A. Pensions are paid monthly, in advance, on the first working day of the month. If you retire on a day other than the first of a month, then the first payment will be made on the first working day of the following month, however, it does not include arrears going back to your actual date of retirement (unless you have benefits in the ABB, Cegelec or Electric Sections of the Scheme).

Q. I have paid Additional Voluntary Contributions (AVCs). How will these be paid to me?

A. Your AVCs form part of your overall benefits in the Scheme and these will be included in any retirement estimate that you receive. Your AVCs can be used to:

- Provide a pension from the Scheme; and/or
- Form part of your tax-free cash sum option; or
- Purchase an annuity of your choice on the open market.

Q. How will my tax-free cash sum be paid to me?

A. If you have chosen to receive part of your benefits as a tax-free cash sum, payment will usually be made directly into your bank account within five working days of your retirement date. If you have AVCs and have chosen to take these as part of your cash sum, payment of your cash sum will be made five to ten working days after your retirement date, as MNPA have to wait for your funds to be received from the AVC provider.

Q. My pension is due to go into payment shortly. Do I need to notify MNPA of my tax code?

A. MNPA have to deduct income tax from your pension on an 'emergency' code until they receive notification from HMRC of the correct tax code for you. Once MNPA receive this notification, any under or over payment of tax will be adjusted in your next pension payment. If you have any queries about tax on your pension you will need to contact HMRC.

Q. The first of the month falls on a weekend/bank holiday, when will my pension be paid?

A. If the first of the month falls on a weekend or a bank holiday your pension will be paid on the working day immediately before the weekend or bank holiday.

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Contact us

Visit the Pensions 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 or 01788 557403

Email: alstom.ukpensions@chq.alstom.com

Pensions Department

ALSTOM Ltd

Newbold Road

Rugby

CV21 2NH

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.



COMPETITION!

Use this page to tell us the answer to the following question, for which you can find the answer in this newsletter. Please note that terms and conditions apply – these are available from the Alstom Pensions Department on request.

Return this form by 30 November 2012 to be entered into a prize draw to win a £25 shopping voucher! You can also enter by email – see page 2.

Question – What was the net increase in the Alstom fund size for the year 5 April 2011 to 5 April 2012?

Answer

About you

Full name:

National insurance number:

Address:

Postcode:

You must provide this information to be entered into the competition.

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Louise Mills
Secretary to the Trustee of the Alstom Pension Scheme
Alstom UK Pensions
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