

GE  
Alstom Pensions



# Dimension

For members of the Alstom Pension Scheme  
October 2016





# Welcome

## **Welcome to the Autumn edition of Dimension, the newsletters for members of the Alstom Pension Scheme (the Scheme).**

In this edition we have provided an update on the conclusion of the Scheme's triennial valuation.

Since the last edition of Dimension there has been a change in the appointment of Company nominated Trustee Directors. Mark Steadman has resigned and Simone Macmillan-Binns has been appointed as his replacement with effect from 11 August 2016. Simone has over 20 years' experience in pensions in various roles and is the UK Pensions Manager for GE.

Following completion of the valuation and based on the strength of the new GE guarantee, the Trustee has reviewed the 'cash equivalent transfer value basis' and is pleased to report that with immediate effect the reduction factor of 20% will no longer apply to cash equivalent transfer values.

And finally, following the takeover of Alstom's Energy and Corporate businesses by GE, Alstom Limited (the sponsoring employer of the Scheme) changed its registered Company name to General Electric Energy UK Limited.

We hope you enjoy reading this edition, and as ever, welcome any feedback you have.

# Scheme valuation

## How we work out how much money is needed

The Trustee's role is to ensure there is enough money in the Scheme to pay members' benefits now and in the future. To do this we regularly check how much money has been built up in the Scheme and how much might be needed in the future to pay benefits as they fall due.

How much we need is based on a variety of factors, such as future inflation, investment returns and life expectancy. The Scheme Actuary carries out this full review (known as an actuarial valuation) every three years, with a yearly update.

The valuation as at 5 April 2015 was underway when you received the last newsletter and has since been completed so the Trustee can now share the results of this with you. The change in ownership of the sponsoring employer, Alstom Limited, has improved the security of members' benefits as the covenant provided by GE is strong.

## The Scheme's financial position

The latest valuation showed that on 5 April 2015 the ongoing funding position was:

### Valuation as at 5 April 2015

#### Scheme liabilities

£2,287.3 million

#### Scheme assets

£1,691.2 million

#### Funding position

£596.1 million  
(shortfall)

Funding level  
73.9%

# Scheme valuation (cont.)

## How the funding position has changed over time

The annual funding update as at 5 April 2014 showed that the funding level was 79%. The funding level at 5 April 2015 is 73.9%.

This reduction is largely due to the liabilities increasing as a result of large falls in government bond yields (which drive the financial assumptions used to value liabilities). In addition, the valuation assumptions for members' life expectancy and the approach taken for putting a current value on future liabilities were updated in the 2015 valuation, which also resulted in an increase in liabilities. These factors have been offset to some extent by the Company paying additional contributions to help address the shortfall and asset returns being higher than expected.

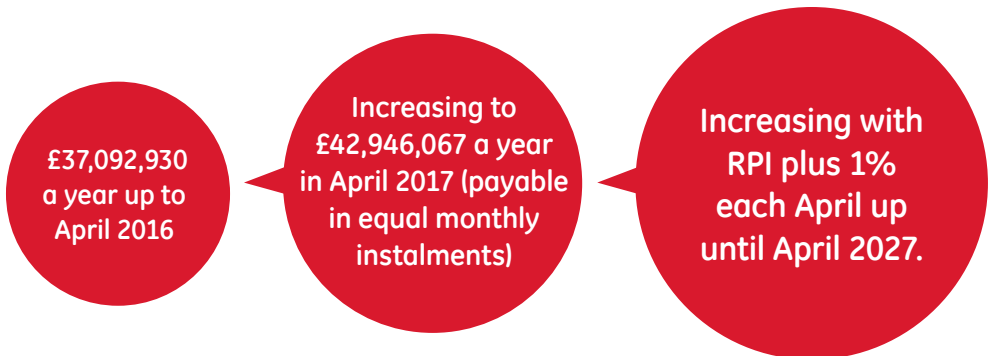
With effect from 5 July 2016, the GE group has provided a guarantee, guaranteeing the contributions to the Scheme. The guarantee is unlimited as to time and amount and improves the covenant supporting the Scheme.

The latest funding update as at 5 April 2016 showed that the ongoing funding level was 70.6%, with a shortfall of £657.8 million. This reduction in the funding level since the valuation as at 5 April 2015 is mainly due to a slight fall in gilt yields which has increased the value put on the liabilities and because the estimated return on the Scheme's assets was lower than expected. These factors have been offset to some extent by the Company paying additional contributions to help address the shortfall.

## How we aim to improve the funding level

As part of the valuation, the Trustee and the Company have agreed a revised plan which is intended to restore the funding level to 100%.

The following contributions have been/will be paid into the Scheme:



It is expected that a combination of these contributions and investment performance will restore the Scheme to full funding by 2027.



## What does this mean for me and my pension?

The Scheme's money is invested to target long-term growth and changes in the funding level over time are to be expected. Even when there is a shortfall the Scheme will continue to pay benefits in full.

## What would happen if the Company was not able to continue to pay for the Scheme?

The Trustee expects the Scheme will continue to be supported by the Company, backed by the GE guarantee. The ability of the Company to support the Scheme has been assessed as 'strong' by the Trustee's advisors, Ernst & Young. However, as part of each valuation the Scheme Actuary must also look at what would happen if the Scheme was forced to wind up. We are required to provide this information to you each year, but **it does not mean that the Company is thinking of winding up the Scheme.**

If the Scheme had started to wind up on 5 April 2015, the Scheme Actuary estimated that there would have been a shortfall of £1,767m between the assets and the amount needed to ensure benefits were paid in full (the 'solvency position'). This is higher than the figure shown on page 3 because if the Scheme winds up the money has to be used to buy policies from an insurance company and these can be more expensive.

## Other information

The Pensions Regulator has the power to change the Scheme or give directions about how it is funded. We are pleased to confirm that it has not needed to use its powers in this way on the Scheme. The Trustee can also confirm that there have not been any payments from the Scheme to the Company over the last year.

# New Friends Life AVC member website

The Trustee is pleased to announce that a new member website is available for members who have invested additional voluntary contributions (AVCs) with Friends Life (now part of the Aviva group).

On the new member website AVC members will be able to:

- Check the value of their AVC fund(s)
- Check when payments have been made
- Access fund factsheets

If you would like to access the member website you will need to register to activate your account. You can do this by visiting [www.friendslife.co.uk/membersite](http://www.friendslife.co.uk/membersite) and selecting 'Register'.

Please note that if you change address you need to notify JLT and not Friends Life. This is because JLT is responsible for sending you information about your AVCs.

## 2016 Budget changes

The 2016 Budget included announcements about a number of changes that will take effect from April 2017. Here's a quick summary of the highlights.

### Increased ISA limit

The limit on the amount you can save tax-free in an ISA (Individual Savings Account) will increase from £15,240 to £20,000 a year.

£450,000), or you can take out your savings tax-free from age 60. You can access your money before age 60 but you will lose the Government bonus and there will be a 5% charge (other than for buying a first home).

### Lifetime ISA for under 40s

The new 'Lifetime ISA' (or LISA) was big news in this year's Budget. From April 2017 you'll be able to open a Lifetime ISA if you are aged between 18 and 40. You can put up to £4,000 a year in, and you'll receive a Government top up of 25% of whatever you put in, up to the age of 50. Your LISA can be used as a deposit on your first home (as long as it's not worth more than

### Increase to the personal tax allowance

The personal tax allowance is going up from April 2017 – this means that you won't pay tax on earnings under £11,500. At the moment this limit is £11,000. The higher rate threshold (where the 40p tax rate kicks in) will also increase from April 2017, to £45,000.

# Pension Changes

## Annual Allowance (AA)

The AA is the annual limit on the amount of savings you can pay into a registered pension scheme without tax consequences.

From April 2016 it is £40,000. If your pension savings for the year exceed the AA, then you may be subject to a tax charge.

**High earners** - From 6 April 2016, tax relief is reduced for people with 'income' (broadly, all UK taxable income (e.g. shares, rental property) plus pension contributions) of more than £150,000 per year. The current AA of £40,000 will be reduced by £1 for every £2 of income over this amount. For those with 'income' of above £210,000, the AA is set at £10,000.

## Lifetime Allowance (LTA)

The LTA is the amount of pension savings that you can build up over your lifetime that benefit from tax relief, which includes all your benefits in all pension arrangements apart from the State Pension. From April 2016 it is £1 million, reduced from £1.25 million.

If your pension savings are worth more than £1 million, you will be able to apply to HMRC for one of two new protections known as Fixed Protection 2016 and Individual Protection 2016. You can find out more at [www.gov.uk/tax-on-your-private-pension/lifetime-allowance](http://www.gov.uk/tax-on-your-private-pension/lifetime-allowance).

These are complicated areas. If you think you might be affected by these changes it is strongly recommended that you seek independent financial advice. You can find an adviser near you at [www.unbiased.co.uk](http://www.unbiased.co.uk), but you should bear in mind that you will be responsible for paying any fees incurred.

## State Pension changes

During April 2016 some changes were made to the State Pension. The two-tier system (Basic and State Second Pension (S2P)) was replaced by a single-tier State Pension (STP).

If you reached State Pension Age before 6 April 2016 you won't be affected by the changes.

If you reach State Pension Age on or after 6 April 2016, a test will be carried out by the Government to see if your benefits are higher under the:

- two-tier State Pension for pension built up to 5 April 2016; or
- the new STP, had that been in place at the start of your working life.

You will receive the higher of the two, called your 'starting amount', plus any additional STP you earn from the National Insurance (NI) contributions that you pay from April 2016. More details about the State Pension changes can be found at [www.gov.uk/new-state-pension](http://www.gov.uk/new-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 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:

8.30am to 5.30pm Monday to Friday.

## The Trustee

If you would like to contact the Trustee please contact the Scheme Secretary.

## Address:

Sara Fisher  
Secretary to the Trustee of the  
Alstom Pension Scheme  
25 Southampton Buildings  
London  
WC2A 1AL

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**Tel:** 020 3709 9035



You can also find out information  
about the Scheme on the  
pensions website

[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.