

# DIMENSION EXTRA

For members of the Alstom Pension Scheme



## **SUMMARY FUNDING STATEMENT**

August 2013

**ALSTOM**

# THE SCHEME'S FINANCIAL HEALTH

It is part of the Trustee's responsibility to make sure that a full valuation is carried out every three years. In addition, the Trustee must provide you with an annual update on the funding position. The update is achieved via this Summary Funding Statement.

## THE PURPOSE OF THIS SUMMARY FUNDING STATEMENT:

To summarise the Scheme's funding position at the most recent actuarial valuation which took place as at 5 April 2012 and explain changes to the position since then. The Trustee is also required to explain how members' benefits would be covered if the Scheme were ever to wind up (i.e. come to an end immediately).

The Trustee has been in discussions with ALSTOM Ltd over the last few months regarding an updated funding plan following the actuarial valuation as at 5 April 2012. The Trustee is pleased to let members know that these discussions were successfully concluded in May this year and all of the formal documents and agreements associated with the actuarial valuation were signed on 21 May 2013.

The documentation has received approval by the Pensions Regulator.



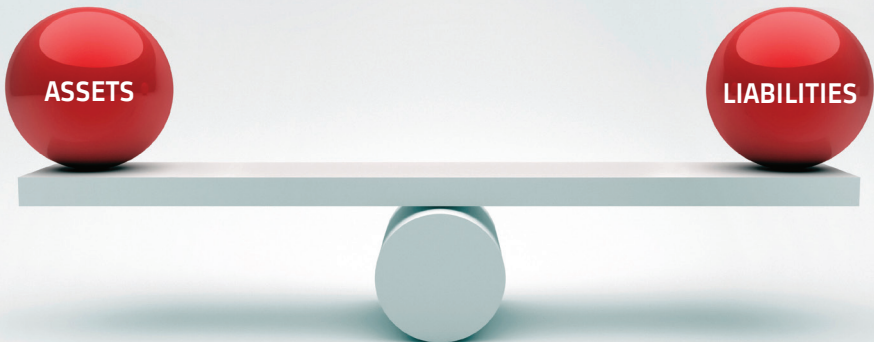
# HOW YOUR PENSION IS FUNDED

**Contributory members and Alstom 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 Alstom on the amount of contributions needed to keep the Scheme's funds on track to pay pensions and other benefits.

## THE TRUSTEE'S OBJECTIVE

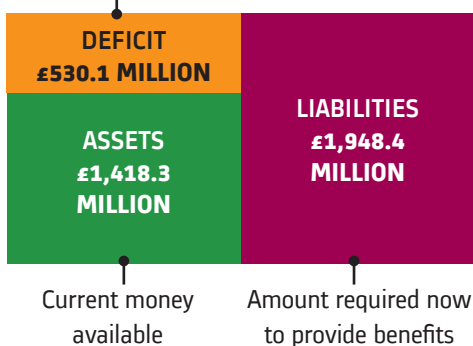
The Trustee's objective is to ensure that funding is available to meet all pension obligations in full as they fall due and to protect benefits that the Company has promised to pay to members.



# WHAT ARE THE RESULTS OF THE LAST FULL VALUATION?

The latest valuation showed that on 5 April 2012, the funding position on an ongoing basis was:

Shortfall because liabilities are higher than assets



On an ongoing basis the funding level was 73%.

## Position on winding up

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

## Change in funding position since April 2011

The funding position is monitored annually. The annual funding update as at 6 April 2011 showed that the funding level was 78%, with a shortfall of £384 million.

The funding shortfall has increased between April 2011 and April 2012 for a number of reasons including:

- The tough global economic conditions have lowered the expectations of future growth in many assets, including those held by the Scheme. This means that the Scheme needs to hold more money than it did in previous years to meet the benefits.
- Life expectancies continue to rise in the UK and this has been reflected in the Scheme's funding at the 5 April 2012 actuarial valuation.

These effects have been offset to some extent because:

- Alstom paid extra contributions over the year since 5 April 2011.
- Asset growth since April 2011 has exceeded expectations.

## Change in funding position since April 2012

The annual funding update as at 6 April 2013 showed that the funding level was 72%, with a shortfall of £592 million. The funding shortfall has increased since the last valuation due to a reduction in bond yields, which has increased the liabilities. However, this was partially offset by the assets returning significantly higher returns than expected, and Company contributions exceeding the cost of benefit accrual.

# DISCUSSIONS WITH THE COMPANY

There are currently three UK sponsors of the Scheme, of which the principal employer is ALSTOM Ltd.

When we refer to ‘the Company’ we mean the UK sponsors who have regulatory responsibility for the Scheme. ALSTOM Holdings has also provided support and accepted some responsibilities for the funding of the Scheme.

The Trustee held discussions with the Company over the last 12 months to discuss the appropriate level of contributions and the guarantee provided by ALSTOM Holdings.

**The Trustee believes that the agreement reached with the Company has substantially improved its ability to meet its primary objective: 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.**

**The main points of the agreement are:**

- 1** Contributions to meet the funding shortfall have been increased from £20 million to £35 million a year from 6 April 2013. These payments have been extended by a year to 2027 and, additionally, will increase in line with the Retail Prices Index (RPI) plus 1% from 1 April 2014 and in future years;
- 2** In addition to the above, if the Scheme’s funding level falls below its expected position at future actuarial valuations, then up to £50 million will be paid at each valuation, to improve the funding position. The additional contributions agreed between the Trustee and the Company have, in broad terms, halved the level of risk in the Scheme (where risk is measured as how large a funding shortfall could develop in future years). This is a marked improvement in the protection of members’ benefits;
- 3** The duration of the guarantee provided by ALSTOM Holdings was extended from 31 March 2026 to 31 March 2027;
- 4** The Trustee and the Company have agreed that as the Scheme’s funding position improves, discussions will be held to move to a more conservative funding approach;
- 5** If financial triggers are met after 2015, such as specific improvements in ALSTOM Ltd’s financial position, there will be discussions on accelerated funding with a view to agreeing an appropriate increase in deficit funding aimed at reducing any recovery plan, if possible, to ten years;
- 6** The specific restriction on ALSTOM Ltd’s ability to pay any dividend unless it clearly makes a profit and the Total Shareholders’ Funds are not reduced below £362 million has been retained;
- 7** Alstom has increased its regular contributions to the Scheme from 13% to 17.5% of Pensionable Earnings (which are to meet the cost of benefits accruing to members) and will continue to pay the cost of the Pension Protection Fund (PPF) Levy, the Trustee indemnity insurance and continue its contribution towards Scheme expenses, increased each year.

# YOUR QUESTIONS ANSWERED

## Is the shortfall going to be paid off?

As explained on page 5, Alstom will be making additional annual contributions and it is the Trustee and Alstom's joint intention that the shortfall be eliminated by April 2027. This plan, however, is a prudent one and if economic conditions over future years are in line with expectations, it is expected that the funding shortfall will be met by 2023, whereupon payments under this agreement would cease.

## 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, benefits would be either 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.

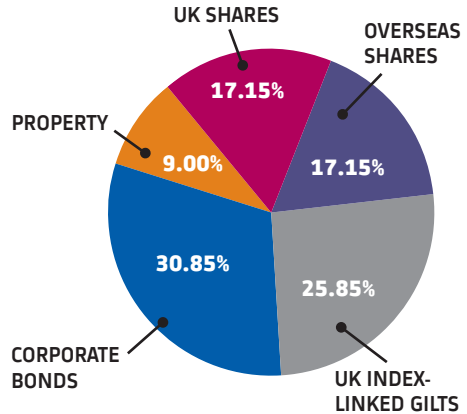
## Where are the Scheme funds invested?

The Trustee invests in a broad range of assets to get the best return possible while taking account of the liabilities of the Scheme.

## How is the Scheme invested?

The Trustee sets and monitors the Scheme's investment strategy with the help of its professional advisers.

As at 31 May 2013, the Scheme benchmark asset allocation was as follows:



## 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).

## Keep in touch

Please help us to keep in touch with you by telling Ensign Pensions (formerly MNPA) 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.

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.

**This document is available in large print on request.**



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## 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:

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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 (formerly MNPA) at:

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