

June 2009

## Announcement from the Trustees of the Alvis Pension Scheme

This announcement is to advise in-service members of the Alvis Pension Scheme of some changes to the increases in deferred pensions for anyone leaving the Alvis Pension Scheme (“the Scheme”) after 5 April 2009 and sets out the Trustees’ duties and the regulatory requirements for monitoring the Scheme’s funding position, including the Trustees’ statutory aim to achieve full funding in relation to the Scheme’s liabilities

### Deferred Pension Increases

The following legislative change has been brought in by the Pensions Act 2008. This change will only apply to pensionable service after 5 April 2009 and will only affect any member who leaves service after this date and has earned a deferred pension in the Scheme. **This change does not affect pension increases after retirement.**

When members leave the Alvis Pension Scheme without immediately drawing their Scheme pension they become entitled to a deferred pension which is then payable at the date of their retirement (the Scheme’s normal retirement age is 65 but a deferred member can apply to retire before this age, subject to the minimum legal retirement age and Trustee consent).

Whilst in deferment pensions increase annually until retirement and this announcement is to advise you of a change to the maximum amount of those annual increases for members leaving the Scheme after 5 April 2009.

Pensions relating to service before 6 April 2009 will continue to be increased by any rise in the Retail Prices Index up to a maximum (a cap) of 5% a year. Pensions relating to service after 5 April 2009 will increase by any rise in the Retail Prices Index up to a maximum of 2.5% a year.

A Scheme booklet incorporating these changes will be sent to in-service members later this year.

### Scheme Funding

The Trustees’ duties include exercising due diligence and care in the management of the Scheme “as men of ordinary prudence and vigilance would use in the management of their own affairs” and to act impartially in their execution of the Trust, i.e. not to confer advantage to one class of the Scheme’s beneficiaries over another.

A formal valuation of the Scheme’s liabilities must be carried out at least every three years (the “triennial valuation”). When this formal valuation reveals a shortfall (or ‘deficit’) the Trustees engage with the Company to agree the manner and period within which to eliminate any shortfall. The Pensions Regulator requires that these decisions and a record of all the assumptions used in the valuation must be recorded in a ‘Statement of Funding Principles’. The related ‘Recovery Plan’ sets out how the Trustees aim to achieve full funding in relation to the Scheme’s liabilities.

The Trustees must also put in place a Schedule of Contributions, setting out how the agreed contribution rates are payable to the scheme and the dates by when those contributions should be paid.

In addition to these triennial valuations the Pensions Regulator requires the Trustees to commission an annual actuarial report between formal valuations. The purpose of this annual actuarial report is to provide an approximate update of the funding position of the scheme. The actuary can use information about the scheme that is readily available, together with relevant general economic and financial information, to update the calculation of the Scheme’s liabilities and will allow for any significant changes in the scheme’s membership since the last valuation.

In addition to the statutory triennial and annual valuations, at the quarterly Trustee Board meetings a standing agenda item is for the Trustees to receive an approximate funding update from the Scheme Actuary, so that they may give some consideration to the Scheme's current funding position at more regular intervals.

Another standing agenda item at the quarterly Trustee Board meetings is a review of the Scheme's investments. Again, the Trustees employ professional investment advisers and investment managers to facilitate these discussions. The Trustees will duly consider prevailing market conditions, investment manager performance, emerging asset classes and investment strategies to help mitigate risks to the Scheme's funding level, having taken account of the advice received from their professional investment adviser.

All members of the Scheme, whether in-service, retired or leavers with a preserved pension, must by law receive an annual Summary Funding Statement, giving updated information about the funding of the Scheme. Members are also sent an abridged version of the Scheme's annual Trustee Report and Accounts, which includes details regarding the Scheme's assets and current investment strategy. Both of these documents are issued in the autumn of each year.

In the event of any queries on this announcement please contact the Scheme administrators, Aon Consulting – contact details below:

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