

Welcome to the Autumn 2006 edition of Pension news.

After we completed the funding arrangement with the Company, reported to you in detail in the Spring Pension news, I had hoped that we could move forward with a series of positive and helpful articles in our Autumn edition. Unfortunately this has not proved to be the case and your Trustee is once again involved in detailed discussions with the Company, this time regarding benefits and employee contributions for the active members.

At our September Board meeting the Company informed the Trustee that it wished to raise the rate of active member contributions with effect from 1 January 2007 with a further increase in July 2008. The Company considers it is no longer feasible for it to continue to meet all the increasing costs of funding future pension benefits for active members. This in no way affects the benefits already accrued by our members and the Company made it clear that it is fully committed to making the lump sum deficit payments that we agreed in March.

In order to clarify the relative position of the members, it may be helpful to explain some of the technical detail. The pension scheme has three types of members:

- a) pensioners; members who have retired and are no longer paying contributions and to whom pensions are being paid based on their entitlement at date of retirement.
- b) deferred members; members who no longer accrue further entitlement (normally because they have left the Company) and who no longer pay contributions. Such members' pension promise is calculated on leaving the Scheme to become payable when they reach retirement age.
- c) active members; members who work for the Company and are paying contributions from their salary to secure pension benefits in the future.

All members are therefore entitled to what is known as **past service pension accrual**, i.e. their benefit right is based on historic contributions. In addition, active members are still contributing in order to secure **future pension accrual**.

The requirement under law is that past service accrual must be protected. Hence the funding arrangement with the Company in March – this was to fund the deficit in the past service accrual – i.e. to ensure that the historic promise could be met.

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Chairman's statement (continued)

Future service accrual is a different matter; companies can alter the active members' contribution rate (and indeed the retirement age or accrual rate) in order to ensure that the future promise can be afforded.

The Company recognises that employees may not be able to afford the substantial increased contributions and have therefore proposed an alternative section to the Invensys Pension Scheme, for those members to accrue pension rights on a Defined Contribution basis. Further details of these proposals are included on page 3 and a separate leaflet is being prepared by the Trustee for all active members.

Under the Trust Deed and Rules, the Trustee is required to give its agreement to all changes made that affect members' contributions and the accrual of pension benefits. We have therefore spent considerable time speaking to our advisers, understanding the duties and responsibilities of the Trustee Board in this regard and discussing the proposal with the Company.

The Company informed active members on 27 September of the proposed changes and entered into a 60 day consultation period with employees. We understand finalised proposals will be made to the Trustee Board meeting in December for our agreement. In the meantime the Trustee will meet to consider the advice it has received and analyse the Company's proposals.

I can assure all members that the Trustee will not allow, and the Company does not intend, any change to past service pension accrual. The Company will continue to make the special contributions it agreed within the funding arrangement finalised in March, to eliminate the 2005 valuation deficit over the next eight years.

In addition to the details of this contribution change proposed by the Company, this edition of Pension news includes information with regard to the pensions received by members' spouses and also with regard to deferred members. I urge you all to review this information carefully and please feel free to contact the Administration team in Newcastle should you have any questions or queries.

I will keep you all updated with regard to our ongoing discussions with the Company about the active members' contribution rate.



A handwritten signature in blue ink that reads "Kathleen O'Donovan".

KATHLEEN O'DONOVAN
CHAIRMAN OF THE TRUSTEE OF THE
INVENSYS PENSION SCHEME

Active members: Company proposals

The Company made the following proposals to active employees on 27 September 2006.

1 Pension benefits that have already been built up are unaffected and the benefits that are yet to be accrued will continue as present. The Company is not asking members to contribute to the deficit and the proposed changes are not related to the deficit which the Company will meet in full.

- An active member will need to increase his contributions from 5% of pensionable salary to 10% with effect from 1 January 2007 and then to 15% effective from 1 July 2008.
- The Company will reduce its contribution from 24.3% to 19.3% with effect from 1 January 2007 and then to 14.3% with effect from 1 July 2008.
- Total contributions, both employee and Company, will therefore be 29.3% as agreed following the 2005 Valuation.
- Thereafter if future valuations show a total cost higher than 30%, members' contributions will need to be increased to cover this cost.
- If the active members are unable to or unwilling to pay the additional contributions there will be an option to join a Company defined contribution scheme.
- The defined contribution scheme will require a 5% contribution from pensionable salary, to which the Company will add a further 10%, making a total contribution of 15% to the defined contribution scheme.
- Both of these contributions may be increased by 5% with effect from 1 July 2008, i.e. member to 10% and Company to 15%, for a total contribution of 25%.

2 The defined contribution scheme will be a section of the current Invensys Pension Scheme and anyone joining will remain a member of that Scheme.

- The defined benefits pension already built up will not be affected. It will continue to be based on the member's final pensionable salary.
- Benefits for death-in-service and ill-health will be similar to those currently in place with the defined benefit scheme.
- Members can opt to join the Defined Contribution arrangement at any time on or after 1 January 2007, but then cannot rejoin the Defined Benefit Section.

The Trustee responsibilities and approach regarding these proposals will be included in a separate booklet, "Supplement for Active Members on the Company proposals".

We receive many requests for further information and details of how a spouse's pension is calculated and paid.

Spouse's pension

Following the death of a Scheme pensioner who is married, the Rules provide for a spouse's pension, (which will be paid to the member's widow or widower) to be put in place from the day following the pensioner's death. However, this does not happen automatically. It is essential that Invensys Pensions are informed of the death as soon as possible in order that the pensioner's payments can be stopped and replaced by payments to his or her spouse.

Once contact has been made the spouse will be asked to complete a payment form and send it with copies of the birth, marriage and death certificates to Invensys Pensions. The Benefits team will then calculate the spouse's pension and send a letter giving details of the pension entitlements and how they will be paid.

The minimum amount payable is 50% of the member's pension at the time of death, although certain sections of the Scheme may offer a higher percentage. The spouse's pension is increased if the member chose to take cash at retirement in lieu of a pension, and in some cases the pension may be reduced to take account of a significant difference in ages, i.e. if the surviving spouse is ten or more years younger.

Finally, if there is no legal spouse the Trustee has the power to pay a discretionary allowance to someone who is deemed to be financially dependent upon the deceased member.

Members who make a century

Pensions, once in payment, are paid to our members for life. In these times of greater life expectancy this can be for many years after retirement. In the year to 31 March 2006 alone 12 of our pensioners reached 100 years of age, to whom we offer our congratulations. In all there are now 29 Scheme pensioners who are 100 and over.

To encourage you to reach the century mark members should be aware that Invensys Pensions provides members with a small gift to help celebrate their 100th birthday.

Any member who has left the Company and is entitled to a pension from the Scheme, but has not yet started to draw that pension, is known as a deferred member.

Deferred members

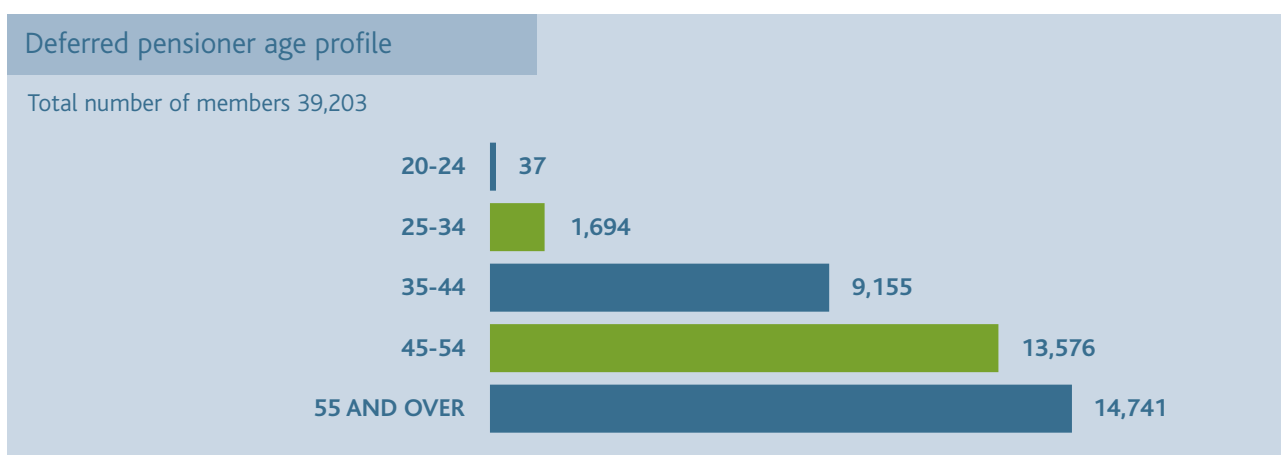
Deferred members will retain their accrued benefits in the Scheme and are entitled to a pension which is payable when the member reaches retirement age. The pension will include any additional voluntary contributions which the member has made. This deferred pension is sometimes referred to as a frozen or preserved pension.

Generally, a deferred pension increases in line with a limited inflation index. The deferred member has a number of choices available with regard to the pension.

- 1 Leave the benefits in the Scheme until normal pension age (generally age 65) when Invensys Pensions will write with the options. In most cases this will mean a full pension payable in monthly instalments or part of that pension exchanged for a cash lump sum with the remainder paid monthly.
- 2 A deferred member may apply to draw the benefit before normal pension age. This would produce a lower pension and may restrict the right to take a cash lump sum. Currently the minimum age for drawing a pension is 50, but following recent changes in legislation this will rise to age 55 in 2010 for some categories of membership. A deferred pension may only be taken early if it meets the minimum level set by the Government.
- 3 Up to one year before normal pension age the deferred member may consider a transfer of pension rights to another approved scheme, which could be that of their current employer or a private arrangement. A transfer illustration can, on request, be issued by Invensys Pensions but this is limited to one illustration per member per year.
- 4 If a married deferred member dies before retirement a spouse's pension is payable, and in the majority of cases a tax free death benefit of five times the deferred pension at the date of death.

Two final points:

- Deferred members should ensure that they have lodged a Nomination form with Invensys Pensions so that the Trustee can consider who should receive any death benefits due.
- Many of our deferred members have at sometime changed address and forgotten to tell us. Please ensure that you add us to any change of address forms that you send out and let us know of any change in your circumstances.



This is the Benefits team who ensure that all members receive their annual benefit statements and retirement information when active and deferred members are due to receive their pension.

Benefits team

The team also prepare transfer illustrations and deal with the calculation and payment of death benefits. To help them complete their regular work the team utilise a computerised administration system developed specifically for them in conjunction with the Scheme's Actuaries, Punter Southall.



Steve Foggin, Benefits Manager

Steve began his employment with the Company at National Tyre Service in 1975 as an Accounts Clerk, before moving to the Scheme's Benefits Section in 1980. His career progression led him to become Benefits Manager in 1988.

His main role is to manage the administration of the Scheme, which includes all retirement, early leaver and death benefit calculations, with six full time staff to assist him.

He ensures that all benefits are calculated and paid in accordance with Scheme Rules and Government legislation, and that strict timescales are met. Keeping up to date with legislative changes is a vital part of his job.



Carole Younger

Previously a Wages Clerk, Carole joined Invensys Pensions in 1981 as a Payroll Administrator and in 1983 moved onto the Benefits Section where she moved up to the position of Senior Benefits Administrator. Conversant in all areas of pensions, she was promoted again in 1990 to Benefits Co-ordinator and then to her current position of Benefits Controller.

Carole deals mainly with death benefits and helps to ensure the smooth running of this Section. She also reviews payments of child allowances and dependants' pensions as well as liaising with the Scheme's lawyers regarding the recovery of pension overpayments.

Over the years she has gained the knowledge and experience to perform her role efficiently within the running of the Scheme.



Josette Armstrong

Josette has over 25 years' experience of working in pensions. She joined Invensys Pensions in January 1998 as a Pensions Administrator, dealing with all aspects of the Scheme's day to day administration.

Currently, Josette specialises in the calculation and payment of death benefits for active members, deferred pensioners and pensioners. This also entails liaison with the families of the members involved, their legal representatives and Government departments.



Trevor Braithwaite

Trevor started with Invensys Pensions in 1989 as an Administrative Clerk and progressed through the Benefits Section to become a Senior Benefits Administrator. He deals with all calculations and enquiries for active and deferred members, ensuring that all requests are sent out within our strict guidelines. These enquiries are in the form of e-mails, letters, telephone enquiries and occasionally face to face meetings.

In 2005 he attained his National Vocational Qualification in Pensions Administration and is now a member of the Pensions Management Institute.



Martin Gudgeon

Martin began his career with Invensys Pensions in 1994 and has worked for the Scheme as a Benefits Administrator since 1996. He attained his National Vocational Qualification in Pensions Administration and is now a member of the Pensions Management Institute.

He very much enjoys working as part of a very efficient team enabling him to calculate, check and process spouses' benefits, whilst communicating with and assisting the bereaved in very difficult and sensitive times. Martin is always on hand and very willing to help both over the telephone and in the office and strives to provide a high level of service to our members at all times.



Sharon Self

Sharon joined Invensys Pensions in 1992 as a trainee Benefits Administrator, progressing to her current position of Senior Benefits Administrator. During her time with Invensys Pensions she has studied for and attained the Qualification in Pensions Administration and the Retirement Provision Certificate and is now a member of the Pensions Management Institute.

She undertakes all aspects of benefit work as part of the administration team and specialises in contracted-out enquiries.



David Whelan

David began his employment in the Benefits Section in August 1994 when he worked as an Assistant Benefits Administrator. He progressed within the section to become a Benefits Administrator and has since successfully attained his National Vocational Qualification in Pensions Administration and is now a member of the Pensions Management Institute.

David specialises in the day-to-day administration of members' benefits which includes answering and dealing with all manner of enquiries relating to active and deferred members. He is part of a team that ensures the smooth running of the Scheme, dealing with all queries quickly and efficiently.

During an average working month the team will deal with several hundreds of individual cases mainly involving:



If you require any information please write or send an e-mail to Steve Foggin, Benefits Manager, Invensys Pensions, Higham House, New Bridge Street West, Newcastle upon Tyne NE99 1TG. Please always quote your membership number (if known) together with your National Insurance number and date of birth. Any deferred member claiming a benefit should also enclose a copy of their birth certificate and if possible evidence of the benefit due.

FOR INFORMATION ONLY YOU DO NOT NEED TO TAKE ANY ACTION

In accordance with the Data Protection Act 1998 we are required to inform you that, along with other organisations, Invensys Pensions is taking part in the Audit Commission's National Fraud Initiative 2006/07. This initiative checks the data that we hold against registered deaths to identify cases where pensions are still being paid despite the pensioner's death. This data matching exercise meets the requirements of data protection law. The Audit Commission will be processing the data for this purpose only, and will comply with data protection principles.

Help us to help you

Change of bank details – Pensioners

PLEASE REMEMBER TO advise us of any change in your banking details, ALWAYS IN WRITING AND SIGNED BY YOU, and if possible well in advance. This avoids your payments going astray or being returned by your former bank or building society, which will automatically lead to a cessation of pension whilst enquiries are made.

Your current address – Deferred members and pensioners

All too frequently we receive correspondence returned to us by the Royal Mail marked "Gone Away", thus indicating an unreported change of address. If you are in receipt of a pension this means it will be stopped at once whilst enquiries are made. If you are a deferred member we may not be able to pay the pension due to you when the time comes.

IN ALL INSTANCES it is vital that you inform Invensys Pensions, ALWAYS IN WRITING AND SIGNED BY YOU, of any change of address.

WHEN WRITING, it is very much appreciated when you can quote your payroll or pension membership number. If you can't, then please let us have your date of birth and/or National Insurance number.

Tax codes

A final word to anyone who is being paid an Invensys Scheme pension regarding tax. PLEASE REMEMBER THAT we apply a tax code to your pension which is given to us by our local Inspector of Taxes in Newcastle. No other code can be used, and we are unable to tell you how or why the code has been worked out. If you have any queries regarding your tax you must get in touch with our local Inspector directly at the following address:

Inspector of Taxes
HM Revenue & Customs, Northumbria Area, Aidan House, All Saints Business Centre
Newcastle upon Tyne NE1 2TT

Telephone number: 0845 302 1456

To help the staff there identify your records always quote reference 504/8560 and your National Insurance number.

Closing dates over Christmas and New Year

For the information of all members Invensys Pensions will close on 22 December 2006 and re-open for business on 2 January 2007.

Feedback

We are always pleased to receive your views on Pension news or on any specific topic you would like us to cover. Please write to the Pensions Manager, Invensys Pensions, Higham House, New Bridge Street West, Newcastle upon Tyne NE99 1TG. Alternatively you can e-mail us on enquiries@invensyspensions.co.uk and we will do our best to answer your questions as quickly as possible and if necessary cover them in more detail in future newsletters.