

AUTUMN 2007 EDITION OF IPS PENSION NEWS

pensionnews



As time moves on, we offer suggestions regarding the handling of your own affairs.

We recommend that you spend time reading the back page of this newsletter and consider which route is best for you. Act soon for your own peace of mind.

Inside

Restructuring of the
Trustee Board

Changes to our
investments since
April 2007

Information about
tax issues

Looking after your
affairs



Chairman's Review

Improving Scheme security

Welcome to the Autumn edition of IPS pension news. I hope you like the new format and the fact that we have incorporated an Annual Review, together with a Summary Funding Statement, in the same mailing. The Annual Review is a summary of the Scheme's Report and Financial Statements to 31 March 2007, and the Summary Funding Statement is one that we are now required by law to provide you with annually.

Since these accounts were prepared we have seen substantial volatility in the world financial markets, particularly in July and August. There have been dramatic shifts in world equity and bond markets. This movement justifies the Trustee Board's strategy of structuring our investments to reduce risk and lessen the impact of the changes that have been occurring.

You will remember that we now have 80% of our investments in bonds in order to approximately match the Scheme's liabilities and, although the recent substantial movements in the markets, have caused changes in the Scheme's funding position, this is not material and the investment strategy is proving its value. We continue to monitor the Scheme's funding on a regular basis and the Actuary is now required to report to the Board at least once a year. You can read his report for the period to 31 March 2007 in our Annual Review.

The Board also has to take great care over the financial covenant of Invensys plc in order to ensure that the Company will be able to meet its future funding requirements to the Scheme. To this end, PricewaterhouseCoopers have provided a report to the Board at its September meeting, analysing the Company's ability to meet the future requirements of the Scheme. I am pleased to say that the report indicates that the Company's financial health has improved over the last 12 months. A number of recommendations are made, which your Board will take up with the Company in order to continue to improve the security of the Scheme.

During the last six months we have diversified the structure of the Higher Performance Fund. Whilst it is important that this fund provides us with a higher level of performance than our bond funds, we have done what we can to reduce the associated risk and to control any losses that would be incurred by a sharp downturn in the market. These changes were completed during August and the Investment Committee of the Board has now turned its attention to reviewing the performance and structure of our bond portfolio.

I am pleased to welcome Tony Ferris to the Board as a new Pensioner Nominated Director. The new Board structure is now in place and we will continue with our aim to improve the overall security of the Scheme in these ever-changing times in world financial markets.



Kathleen O'Donovan
Chairman of the Trustee of
the Invensys Pension Scheme

The Trustee Board

Changes to the structure of the Trustee Board

As detailed in the Spring Newsletter we have agreed, with the Company, a change to the structure of the Trustee Board. From the date of our September Board meeting the Trustee Board will consist of:

Four Company Nominated Directors
Three Pensioner Nominated Directors
Two Active Member Nominated Directors.

The process for selecting these members took place recently.

We were delighted to receive 14 nominations for the role of Pensioner Director – all from members who were qualified to undertake the role. The Governance & Audit Committee selected a shortlist from these nominations for interview and, after meeting the candidates, proposed to the Board that the following members should be selected:

Mr I R Fyfe
Mr M J Barker
Mr A G Ferris.

The UK Pensions Consultative Committee (UKPCC), which is responsible for proposing nominees for the Active Member Directors, gave a shortlist of possible members to the Governance & Audit Committee, who met the candidates in August. Following their recommendations, and in the knowledge that James Rae had tendered his resignation, the Trustee Board agreed that Russell Walker and Keith Ireland be selected as members of the Trustee Board.

The Governance & Audit Committee proposed to the Board that the Pensioner Directors should be (left to right): Ian Fyfe, Martin Barker and Tony Ferris.



Ian Fyfe, Martin Barker, Russell Walker and Keith Ireland have been Directors for some time and were reselected following an Effectiveness Review by the Governance & Audit Committee.

Tony Ferris is the new member of the Trustee Board. He is a Chartered Accountant who retired in 1999, after joining the BTR Group following the Hawker Siddeley acquisition. He was Finance Director of Westinghouse Brake and Signal Holdings, served as Finance Director of Hawker Siddeley's Rail Division until 1991 and then as Group Controller of BTR Rail Group. He was a Trustee of the Westinghouse Pension Schemes until they were merged with the BTR Group Pension Scheme in 1993 and was also Chairman of the South West Region's Pensions Consultative Committee.

Investments

Changes to our investments since April 2007

The Trustee Board has made a number of changes to the Scheme's investments since April 2007. The intention of these changes is primarily to reduce the investment risk to the Scheme. We have therefore sold some of our equity holdings and increased our investment in a diversified range of assets. We have also increased the number of managers who control our investments. This diversification helps to reduce the Scheme's investment risk.

During April 2007 we sold around £400m of UK and Global equities and the proceeds were invested as follows:

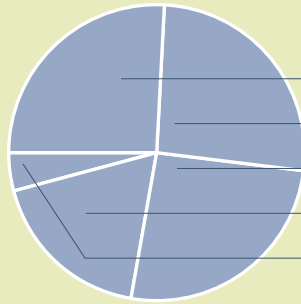
£m	Investment Manager	Investment Type
171	ABN AMRO	Dynamic Asset Allocation
70	Pioneer	Broad Bonds
70	Alliance Bernstein	Broad Bonds
40	Stone Harbour	Broad Bonds
42	BlackRock	Fund of Hedge Funds

At the end of July we sold the remaining equities that were managed by UBS and invested them as follows:

£m	Investment Manager	Investment Type
225	Invesco	High Return Equities
100	Société Générale and PSigma	Cash with associated equity derivatives

The Scheme has entered into an equity derivative transaction to ensure that some of our equity investments do not fall below the current level of global stock markets, although we will participate in any market increases.

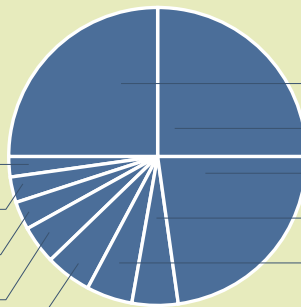
Distribution of assets by investment manager (£m) as at 31 March 2007



AXA	981
BGI	978
Prudential M&G	976
UBS	699
BlackRock	140

Distribution of assets by investment manager (£m) as at 31 August 2007

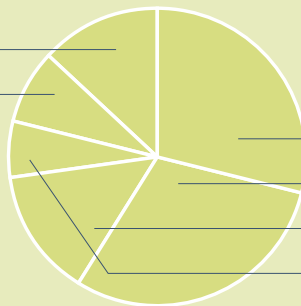
Stone Harbor	39
Alliance Bernstein	70
Pioneer	70
Société Générale	100
ABN AMRO	176



BGI	978
AXA	972
Prudential M&G	967
Invesco	197
BlackRock	185

Distribution of assets by type (£m) as at 31 March 2007

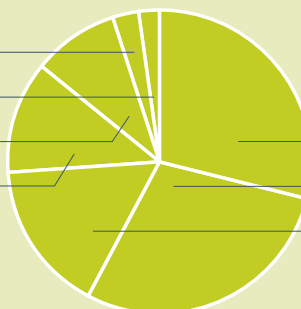
UK Equities	311
Overseas Equities	514
Cash & Others	(201)



Government Bonds	1,162
Index Linked Bonds	1,199
Corporate Bonds	539
Overseas Bonds	250

Distribution of assets by type (£m) as at 31 August 2007

Cash & Others	78
UK Equities	40
Overseas Equities	358
Overseas Bonds & Others	450



Government Bonds	1,106
Index Linked Bonds	1,120
Corporate Bonds	601

Company Position

The financial strength of Invensys plc

It is important that the Trustee Board is aware of the financial strength of Invensys plc, who are the sponsors of the Scheme and are responsible for ensuring that the Scheme Specific Funding Agreement is met.

We employ PricewaterhouseCoopers, one of the largest accountancy firms, who specialise in reviewing employers' financial covenants. They report to the Board annually on the financial strength of the Company.

It is pleasing to know that the Company's credit rating, share price and key financial indicators have improved substantially during the last two years, and the Trustees believe that by working with the Company we can help to ensure the security of funding payments into the future.

Invensys plc's key financial indicators

£m as at 31 March	2005	2006	2007
Total assets	2,688	2,288	1,958
Net liabilities, excluding the Scheme	(178)	(365)	103
UK Pension Scheme liabilities per IAS19	(298)	(228)	(243)
Net assets/liabilities	(470)	(593)	(140)
Profit/(loss) before tax	(160)	(26)	99
Free cash flow	(142)	(75)	93
Net debt	(802)	(757)	(166)

Defined Contribution Section

200 active members chose to join the Defined Contribution Section

You will also be aware that the Company asked us, from 1 April 2007, to introduce a new Defined Contribution Section. Around 200 active members have chosen to join this Section for their future service. We are pleased that the Company took account of the Trustee's and members' views when designing this Section.

It provides members with a viable scheme at affordable levels of contributions. The Trustee Board remains responsible for this Section in the same way as it has managed the Defined Benefit arrangements of the Invensys Pension Scheme in the past. The major difference is that the individual is now responsible for his or her own investment choices.

A member may opt to invest his or her funds in a range of different asset classes:

- UK equities
- Global equities
- Corporate bonds
- Index Linked gilts
- Cash.

If the member wishes, he or she may invest in a lifestyle fund where the investment in each fund varies depending on the age of the member. Effectively, as the member moves nearer to retirement, investments are moved into a more secure and less volatile fund.

Death of a Scheme Pensioner

What to do when a pensioner dies

At the sad time when a pensioner dies, Invensys Pensions always need to be informed as quickly as possible. The team at Invensys Pensions in Newcastle will be sympathetic to the situation and are trained to ensure that Invensys Pension Scheme matters are dealt with efficiently.

- Initial reports can be made by telephone to Invensys Pensions on **0845 300 0549** (local call rate), after which a written request for the documentation required will be sent. This will include copies of:
 - the death certificate;
 - if there is a spouse, the marriage and the birth certificate;
 - any legal papers which may assist the Trustee.
- Alternatively, a letter enclosing a copy of the death certificate can be sent to the address shown on page 15 of this newsletter, or a notification form can be printed from our website (www.invensyspensions.co.uk).

Whilst payments always cease when a member dies, Invensys Pensions will use the information available to establish if a further benefit is payable to the deceased's spouse or partner, adult dependant and/or dependent children.

Any pension due is payable from the day following the member's death, and a letter confirming the details will be sent by Invensys Pensions to the beneficiary. The pension will actually begin to be paid after all the necessary documents have been received.

IN THE FIRST INSTANCE
PLEASE CONTACT
0845 300 0549

Additionally, a beneficiary may also receive a lump sum, **but only if the deceased has been in receipt of a pension for less than five years.**

This will normally be paid under a trust rather than to the deceased's estate, to avoid the payment of inheritance tax. Once again, Invensys Pensions will request the necessary documentation, and this may entail obtaining Probate of Will or Letters of Administration (Letters of Confirmation in Scotland) from the member's legal representative(s), and making other enquiries.

WE'RE HERE
TO HELP



Please don't be worried about contacting us. Our team have been well trained and fully understand how sensitive a matter this will be.

Tax Issues

All retirement income is assessed for income tax

It is a fact that all retirement income (including State pensions) is assessed for income tax under the PAYE system.

All matters relating to the tax on your Invensys Scheme pension are dealt with by the tax office in Newcastle, whose address is given on page 12. *Please note that such matters are entirely dependent on your personal circumstances, and the staff at Invensys Pensions cannot answer any queries in relation to your tax affairs.*

If you are receiving a State pension, or any other income in addition to your Invensys Scheme pension, the tax office will send you a Notice of Coding before 6 April each year (i.e. the start of the tax year).

If your circumstances change it is your responsibility to notify the tax office, as your tax code may be affected by any of the following situations:

- getting married, separated or divorced;
- death of your spouse;
- reaching age 65 or 75;
- becoming entitled to an additional allowance, or losing one.

If a new code is issued, this is what should happen:

- the tax office will send the new code to you. A week or so later they will send a copy to Invensys Pensions instructing them to apply it to your pension as soon as possible, which will usually be when the next payment is due to be paid to you;
- Invensys Pensions will apply the code and send you a payment advice slip confirming that it is in operation;
- if **you do not** receive a payment advice slip please inform Invensys Pensions IMMEDIATELY, as the tax office may have failed to inform us of your new code.

**USEFUL TIP**

Ask for leaflet IR121 "Approaching Retirement" from your local tax office as this may offer you further guidance.

Finally, an "end of year certificate" called a P60 will be sent to you by Invensys Pensions each April showing the gross amount of pension paid and any tax deducted for the previous tax year. The law requires you to keep a record of your taxable income for at least 22 months after the end of the current tax year, so you should always keep your P60 in a safe place for future reference.

The address for your tax queries is

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

Telephone 0845 302 1456

**In any communication, quote reference 504/8560 and your National
Insurance number.**

Pensions Payment

Organising payment of thousands of pensions

Each year the Trustee organises the payment of thousands of pensions to retired members and their dependants, not only in the United Kingdom but also overseas.

Here are some useful pointers to help the administration of your pension run smoothly.

- We can pay pensions to most bank, building society or Post Office accounts in the UK.
- If you are an overseas resident, we can pay your pension directly into a bank account of your choice in most countries using a system called TAPS. This method attracts a small monthly charge, but to compensate for this you get a more competitive exchange rate. If the country you reside in cannot accept payments this way, another (more expensive) system called SWIFT is available. Further details can be obtained from Invensys Pensions.
- Payments can only be made into your personal account (this includes joint accounts), or to a third party if they have Power of Attorney or a similar document authorising them to deal with your financial affairs.
- We have phased out cheque payments because cheques can be cashed fraudulently by other people, or can be delayed or lost in the post.



- It is vital that you inform Invensys Pensions, **IN WRITING**, when your personal circumstances change. This can include:
 - a change in your bank account details;
 - a change of address;
 - your marriage or re-marriage;
 - the appointment of a personal representative if you can no longer handle your own affairs.
- Please send a signed, written letter as changes cannot be made by telephone.
- Pensions already in payment are increased each April. The level of increase is generally agreed in January and we send you a notification letter plus a payment dates calendar in February. At the end of March, and again in April, you will receive a payment advice slip from us showing the new rate of pension. At other times of the year you will be sent a payment advice slip **only if**:
 - there has been a change in your tax code;
 - for any other reason, there is a change of more than 25 pence in your net payment.

Finally, when contacting Invensys Pensions, please always quote your payroll reference number as shown on your payment advice slip. If you can't find this, just quote your National Insurance number and/or date of birth.



Pension
payments
are
increased
each April

Looking After Your Affairs

Ensure someone knows what to do



It makes sense to view matters in the longer term; make sure that relatives and anyone close to you knows what to do if the time comes when you can no longer handle your own affairs. If this situation arises, you can pass the responsibility to your personal representative, who may be a family member or close friend.

You can achieve this as follows:

- Ask your solicitor to take out a Power of Attorney for you.
- Apply for a Court Protection Order.
- If you are unable to arrange either of these, then your personal representative could:
 - complete the Scheme's Form of Indemnity and Statement of Incapacity, which must be signed by your doctor to confirm that you cannot manage your own affairs.

Whichever option you choose, the completed paperwork should be sent to Invensys Pensions.

Scheme administration

Invensys Pensions
Higham House
New Bridge Street West
Newcastle upon Tyne
NE1 8AN

Phone: 0191 206 1035

Fax: 0191 206 1011

e-mail: enquiries@invensyspensions.co.uk

Members who require further information about the Scheme or their own pension position can write to Invensys Pensions at this address.



www.invensyspensions.co.uk