



THALES UK PENSION SCHEME

31 March 2011

The purpose of this communication is to outline the changes the Government is making to the tax treatment of UK pensions.

The Annual Allowance is the total value that can be paid into your pension arrangement(s) in any given year and still benefit from full tax relief at your marginal rate. Should the total value paid into your pension arrangement(s) exceed the Annual Allowance limit a tax charge, at your marginal rate, will be levied.

With effect from 6 April 2011 the Annual Allowance (AA), assessed over a twelve month Pension Input Period (PIP), will reduce from £255,000 to £50,000. The timing of the PIP can be different according to the scheme(s) to which you are a member. If you contribute to more than one scheme then you are subject to more than one PIP and must comply to each one to be eligible for full tax relief.

In a Defined Benefit (DB) scheme, the Pension Input is the increase in your pension entitlement during any given year. This is calculated on two elements:

- Revaluation of accrued benefit; the amount your accrued benefits may have increased during the PIP in excess of the Statutory Revaluation.
- Pension accrued during the year; this is the additional pension built up during the year.

The total of any increase in your pension entitlement is calculated against the AA such that for every increase in £1 of pension equals £16 towards the AA. For example, an increase in £100 of pension results in £1600 towards your AA.

Statutory Revaluation is currently measured using the Consumer Price Index (CPI).

For ease of administration the Trustees with Thales' agreement have changed the Scheme's original PIP end date of 30 June to 6 April with immediate effect. This communication is the formal notice from the Trustees of this change. The current PIP will therefore end on the 6 April 2011 and subsequent PIP will run from the 6 April to the following 6 April. The reason behind the change is to better align the Scheme year and PIP. This has not negatively impacted your benefit entitlement.

If you have any additional queries, please contact Xafinity Paymaster, the Scheme administrator:

Phone: 01293 603060

Email: thales@xafinitypaymaster.com

Yours Sincerely

A handwritten signature in black ink that reads "Philip Cameron".

Philip Cameron
Secretary to the Trustees