



THALES UK PENSION SCHEME

Thales UK Pension Scheme
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To: Active members of the CARE Sections of the Thales UK Pension Scheme (the Scheme)

From: Thales Pension Trustees Limited (the Scheme Trustee)

Notice of changes to the Thales UK Pension Scheme:

Pension deduction applicable to care benefits

We are writing to confirm certain changes, which relate to your CARE benefit earned from 1 January 2008, made to the CARE Section of the Scheme with effect from 1 April 2010. These follow Government changes to the State Second Pension Scheme. The changes were implemented by way of a deed of amendment to the Scheme's rules signed by Thales UK Limited (Thales) and the Scheme Trustee on 31 March 2010.

A consultation in relation to the changes was initiated by Thales' letter to you dated 28 January 2010 (the Consultation Letter) which contained details of the proposed changes to the Scheme. This notice should be read in conjunction with the Consultation Letter, as it contains terms which are defined in the Consultation Letter. Following the end of the consultation period, Thales and the Scheme Trustee confirmed that they wished to go ahead with the changes set out in the Consultation Letter. Those changes have been implemented with effect from 1 April 2010.

As a brief reminder, your CARE benefits under the Scheme are calculated using the following formula:

$$((PS \times APS/60) - PD) \times LAF$$

where PS is Pensionable Service; APS is Average Pensionable Salary; PD is Pension Deduction; LAF is Longevity Adjustment Factor

Please note that in the Member Booklet and in the Consultation Letter under the heading "1. YOUR BENEFITS NOW", this formula was written as $PS \times (APS/60 - PD) \times LAF$. In this case PD was defined as 0.4% of Final Band Earnings.

$((PS \times APS/60) - PD) \times LAF$ is the amended formula following the changes. In this amended formula PD now includes a factor relating to post 1 January 2008 Pensionable Service.

What changes have been made with effect from 1 April 2010?

The changes outlined in the Consultation Letter, as set out under the heading "2. OUR PROPOSAL", have now been implemented. In summary, these are:

- **Change to the Pension Deduction calculation** – A factor of 0.45% will be used instead of 0.4% for working out the Pension Deduction that is applied to your Pensionable Service from 1 April 2010. The relevant factor (either 0.4% or 0.45%) will be applied to your average Revalued Pension Deduction Earnings for your Pensionable Service since 1 January 2008 for the purposes of the Pension Deduction calculation, rather than 0.4% being applied to your taxable earnings between the Lower Earnings Limit and the Upper Earnings Limit in your last tax year before leaving Pensionable Service as was the case before the changes.
- **Change to the calculation of member contribution rates** – contribution rates have been altered as set out in the Consultation Letter. With effect from 1 April 2010, members will contribute 6% of Pensionable Salary on Pensionable Salary up to £40,040 (rather than up to the Upper Earnings Limit as before). Members will contribute 9% of Pensionable Salary on any Pensionable Salary over £40,040. If you participate in Pay Conversion, these changes will be applied through that mechanism.

This is a summary only and the Scheme rules (as amended from time to time) will prevail over any inconsistencies between this notice and the Scheme rules.

Yours sincerely



Philip Cameron

Secretary to the Scheme Trustee

For and on behalf of Thales Pension Trustees Limited