

The Thales UK Pension Scheme – Members' Booklet

Looking towards your future...

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The right direction

Introduction

This booklet provides members of the Thales UK Pension Scheme (the “Scheme”) with information about their benefits and the Scheme. This booklet provides details of the benefits earned in the Scheme for service from 1 July 2008 to employees who were members of, or who were eligible to join, one of the Predecessor Schemes (listed below) on 31 December 2007. The Scheme is currently closed to new members, but the Company and the Trustee could agree to allow new members to join.

Predecessor Schemes

- Racal Group Executive Pension Plan
- Racal Group Executive Manager & Senior Manager Pension Scheme
- Racal Group Staff Pension & Life Assurance Scheme
- Racal-Decca Staff Pension & Life Assurance Scheme
- The Thomson Retirement Benefits Scheme
- The Thomson Pension Plan
- Avimo Pension Scheme
- Thales Optronics Pension Scheme
- The W Vinten Limited Pension Scheme

For details of benefits provided from the above schemes, please refer to the relevant Predecessor Scheme booklet as amended by subsequent announcements. These booklets and announcements can be obtained from the Pension Scheme Administrators. Please see page 26 of this booklet for contact details.

Future changes to the Scheme

The Company intends to continue the Scheme indefinitely, but the Trust Deed and Rules contain powers for the Company, with the consent of the Trustee, to change the Trust Deed and Rules including how members build up further pension in the Scheme. In addition, the Company has the power to stop future pension accrual in the Scheme at any time. You will be told about any changes that affect your benefits.

Legal status of this booklet

This booklet provides a summary of the key benefits and Rules under the Scheme as at May 2009. The Trustee of the Scheme is bound to follow the Scheme rules and cannot pay benefits otherwise than in accordance with those rules. We have taken care to reflect the rules of the Scheme in this booklet, but if there are any inconsistencies between this booklet and the Scheme’s rules, the rules will prevail and will determine what the correct position is.

Future changes to the rules of the Scheme may render all or part of this booklet incorrect in the future and it should be read in conjunction with any notice of changes to your benefits that you receive.



Words with special meanings

This section contains definitions of words which are used in this booklet. These are summaries of the way these terms apply in the Trust Deed and Rules and in the event of any inconsistency between the definitions in this booklet and the definitions in the Rules, those in the Rules of the Scheme will prevail.

Average Pensionable Salary

The average of your Revalued Pensionable Salaries over your working life from 1 January 2008 until the date you leave Pensionable Service.

Company

Thales UK Limited, the Principal Employer of the Scheme.

Deferred Member

If you leave with 2 or more years of Pensionable Service (including your service with your Predecessor Scheme), by opting out or by leaving your Employer, and you leave your benefits in the Scheme then you become a Deferred Member.

Dependent Children

Any of your children (natural child, adopted child, step-child or other child that the Trustee deems to be dependent upon you) who is under the age of 18 (or age 23 if they remain in full-time education).

Employer

Means your employer in the Thales group and includes the Company, or it's the subsidiary of the Company that employs you.

Final Remuneration

In summary this is the greater of

- (a) the highest employment income received from your Employer and upon which income tax liability has been determined, for any 1 of the 5 years immediately preceding your date of leaving Pensionable Service; and
- (b) the yearly average of your employment income received from your Employer and upon which income tax liability has been determined, during any consecutive 3 years ending within the last 10 years before your date of leaving Pensionable Service.

However, Final Remuneration has a specific meaning in the Rules and has certain qualifications and exclusions which are not set out in this summary. For example, for certain Members, it is subject to a "cap" in a similar way to Pensionable Salary (see below). You should contact the Scheme Administrators if this definition may apply to you.

Lower Earnings Limit

The Lower Earnings Limit is reviewed each tax year. In 2007/2008 the Lower Earnings Limit was £4,524 per annum and in 2008/2009 it is £4,680 per annum.

Normal Retirement Age

Your 65th birthday.

Notional Salary

Basic Pay at previous 1 April plus shift premium received in the 12 months prior to that.

Pay Conversion

The way you pay contributions to the Scheme. You agree to take a lower salary and your Employer pays this amount on your behalf as an Employer contribution.

Pensionable Salary

Basic Salary on previous 1 April plus shift premium received in the previous 12 months. Your Pensionable salary is capped at £123,600 (for 2009/10) per annum. This cap will increase in line with an inflation-linked measure.

Pension Scheme Administrators

The Trustee has delegated the day-to-day administration of benefits to Xafinity Paymaster. All queries relating to your benefits should be referred to the Pension Scheme Administrators in the first instance, see page 26 for contact details.

Pensionable Service

Number of years and complete months that you have been an active member i.e. a person for whom the Company/your Employer is making contributions via Pay Conversion.

Predecessor Scheme

The pension scheme, from the list below, that you were a member of on 30 June 2008.

- Racal Group Executive Pension Plan
- Racal Group Executive Manager & Senior Manager Pension Scheme
- Racal Group Staff Pension & Life Assurance Scheme
- Racal-Decca Staff Pension & Life Assurance Scheme
- The Thomson Retirement Benefits Scheme
- The Thomson Pension Plan
- Avimo Pension Scheme
- Thales Optronics Pension Scheme
- The W Vinten Limited Pension Scheme

Revalued Pensionable Salary

Your Pensionable Salary, revalued each year by the rise in the Retail Prices Index up to a maximum of 8% compound per annum.

Trustee

Thales Pension Trustees Limited, the trustee company which is the trustee of the Scheme. Sometimes a reference to a Trustee is a reference to a director of the Trustee company. Some of the directors are appointed by the Company, some are elected by members.

Scheme

The Thales UK Pension Scheme.

Spouse/Partner

Your husband or wife, or your civil partner, or your unmarried partner that you live with as if married.

Upper Earnings Limit

The Upper Earnings Limit is the point at which you stop paying 11% National Insurance and when you start to pay the 1% rate of National Insurance. In 2007/2008 the Upper Earnings Limit was £34,840 per annum and in 2008/2009 it was £40,040 per annum.



Summary of benefits

As a member of the Thales UK Pension Scheme you receive the following benefits.

- A pension when you retire based on your average revalued pensionable salary.
- A pension for your Spouse/Partner and for any Dependent Children if you die before them.
- An income if you need to stop working for Thales because you become too ill or disabled to continue at work, provided you satisfy the ill-health test.
- If you die while a member of the Scheme and an employee of Thales, a lump sum life assurance payment would be payable to your beneficiaries.
- Your Scheme membership does not affect your State pension benefits – you build up benefits in the Basic State Pension and the State Second Pension.
- You will also receive the benefits built up in your Predecessor Scheme up to 31 December 2007.

Your benefits earned in your Predecessor Scheme

As you may be aware, the Thales UK Pension Scheme is a brand new pension scheme set up by the Company to provide the benefits payable to and in respect of former members of the Predecessor Schemes.

On 1 July 2008, the assets and liabilities of the Predecessor Schemes were transferred to the Thales UK Pension Scheme (except in the case of the Avimo Pension Scheme where only the assets and liabilities in respect of active members at this date were transferred). On and from that date, the benefits payable to you from the Predecessor Scheme became payable to you, instead, from the Thales UK Pension Scheme. The Predecessor Schemes, which no longer have any assets, have been wound up.

You may have earned up to two different types of benefit in your Predecessor Scheme: A final salary benefit which was earned in respect of service up until 31 December 2007; and an average salary benefit earned in respect of service from 1 January 2008. Both these benefits have been transferred to the Thales UK Pension Scheme.

In respect of your final salary benefit, these benefits stopped accruing on 31 December 2007 and are now revalued each year as described in this booklet.

Your average salary benefit will continue to accrue in the Thales UK Pension Scheme in respect of your Pensionable Service from 1 January 2008 as set out

in this booklet. This booklet sets out how the average salary benefit works and the interaction between your final salary benefit (earned in your Predecessor Scheme) and your average salary benefit which are continuing to build up in the Thales UK Pension Scheme.

When you retire, subject to meeting the relevant conditions, your pension (and other benefits) will be the total of the final salary benefits earned in your Predecessor Scheme and the average salary benefits earned since 1 January 2008. All benefits, including benefits earned in your Predecessor Scheme, will be payable from the Thales UK Pension Scheme. In addition, all benefits will ordinarily become payable at the same time unless it is not possible to do so. When applying for your benefits you will need to apply for both your final salary and your average salary benefits at the same time. It is generally not possible to request to receive benefits in respect of different periods of pensionable service at different dates.

Please refer to the relevant Predecessor Scheme booklet as amended by subsequent announcement for further information relating to benefits earned up to 31 December 2007.

Your membership

Joining

As a former member of a Predecessor Scheme, you elected to earn benefits on an average salary basis when you selected 'Option A: The new DB arrangement' during the Thales UK Pension Project 2007, when we asked you to select your future pension provision from 1 January 2008 onwards. Benefits accrued in your Predecessor Scheme have been transferred to the Scheme on 1 July 2008 and all future benefit payments will be made from the Scheme.

No other members can be admitted to the Scheme as it is currently closed to new joiners.

Can I transfer benefits from another pension scheme?

Although all the benefits accrued in your Predecessor Scheme were transferred to the Scheme on 1 July 2008, it is not possible to transfer any other benefits from another pension scheme into the Scheme.

Your Contributions through Pay Conversion

You pay contributions to the Scheme by Pay Conversion. Pay Conversion is sometimes known as "salary sacrifice", whereby part of your gross (i.e. pre-tax) salary is reduced

or "sacrificed" in exchange for another benefit (in this case contributions to the Scheme).

From 1 January 2008, you agreed to lower your Notional Salary by the amount shown below. In exchange, your Employer will make all contributions to your Scheme on your behalf.

Your Notional Salary was reduced by the following amount:

6% of Pensionable Salary on earnings up to the Upper Earnings Limit

9% of Pensionable Salary on earnings over the Upper Earnings Limit

The Upper Earnings Limit in 2007/08 = £34,840 per annum

The Upper Earnings Limit in 2008/09 = £40,040 per annum

Your benefits from the Scheme will all be calculated using your Notional Salary figure, i.e. your salary before it is adjusted for Pay Conversion.

In some limited cases it is not possible for you to pay contributions by Pay Conversion. In such circumstances, contributions are payable via deduction from pay and you will be notified if this applies to you.

Company participation in pay conversion

Pay conversion is based on current taxation and NIC law and practice. If these change, or if there is no longer a benefit in participating in this arrangement the Employers reserve the right to end this agreement and revert to the previous method of collecting the pension contributions from you personally, rather than your Employer making additional contributions under pay conversion. In such circumstances the Employers would notify members of their intention to cease the pay conversion arrangement.

The Company's contributions

As noted above, the Employers pay all the contributions to the Scheme. The contributions the Employers pay includes the contributions you are obliged to make, but are paid through the Pay Conversion process. However, the benefits from the Scheme cost considerably more than the contributions you make via Pay Conversion. The Employers pay this additional cost of the benefits as well as all the administration costs involved in running the Scheme.

The Employers' total contributions are agreed between the Company and the Trustee after taking into account the advice of the Scheme's actuary. Your Employer's contributions may go up or down from time to time, depending on how much is needed (on top of the contributions through Pay Conversion) to meet the expected cost of benefits under the Scheme.

Can I pay more to the Scheme?

The Scheme does not provide a facility by which you can pay more (i.e. additional contributions) to increase your retirement savings in the Scheme.

However, if you wish to save more towards your pension the Company offers a stakeholder pension arrangement that you may wish to use to build up additional retirement savings. This arrangement does not form part of the Scheme. If you would like more information on the stakeholder pension arrangement please contact your local HR Department. This arrangement is not covered by this booklet.

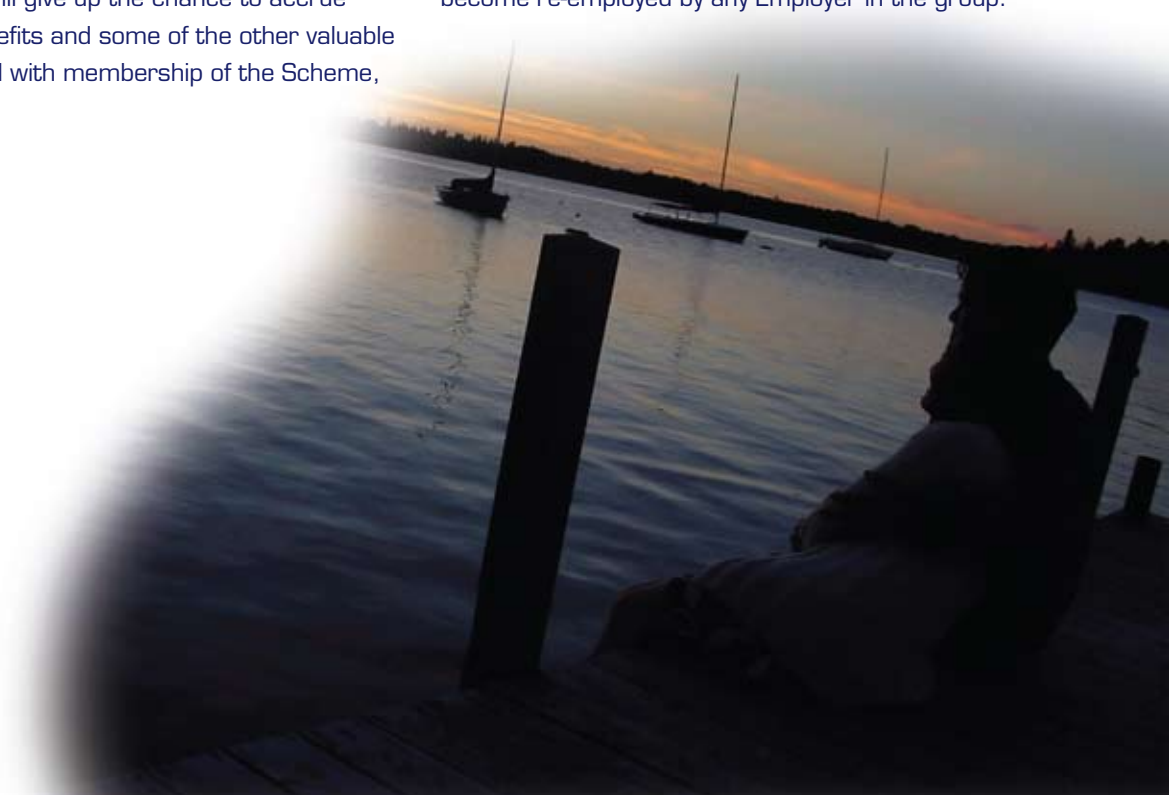
Opting out

You can opt out of the Scheme by giving 1 month's notice in writing to the Pension Scheme Administrators. You will then be treated as if you have left Pensionable Service on the date specified in your notice and you will cease to accrue further benefits in the Scheme.

If you opt out you will give up the chance to accrue future pension benefits and some of the other valuable benefits associated with membership of the Scheme,

for example the life assurance. If you are considering opting out you should take independent financial advice before you do so.

If you do opt out, you will not be able to re-join this Scheme. You will also not be able to re-join the Scheme if you cease employment with your Employer and later become re-employed by any Employer in the group.



Your retirement pension

Your retirement pension at Normal Retirement Age

Your pension at retirement will consist of 2 components.

1 – Benefits earned in your Predecessor Scheme

You will be entitled to receive benefits earned in your Predecessor Scheme earned up to 31 December 2007 from the normal retirement age specified in your Predecessor Scheme (which may be different from your Normal Retirement Age of 65 in this Scheme).

The main benefits earned in your Predecessor Scheme are as follows:

- A pension based on the length of time you were a member of the Predecessor Scheme and pensionable salary as at 31 December 2007.
- This pension is increased by the rate of inflation up to a maximum of 8% compound per annum while you are an active member of the Scheme. If you leave the Scheme before your Predecessor Scheme's Normal Retirement Age the maximum increase falls to the statutory level (currently 2.5% compound per annum).
- You have the option to take some of your benefits as tax free cash at retirement if you wish.

Full details are available from the Pension Scheme Administrators.

2 – Benefits earned since 1 January 2008

For pension earned after 1 January 2008, your Normal Retirement Age is 65. When you reach age 65 you will be entitled to retire and draw your pension, which will be payable monthly in advance. Your pension will be payable after the deduction of tax due under the PAYE system.

Your pension is based on the following:

- Your Pensionable Service since 1 January 2008
- Your Average Pensionable Salary during your membership

Your pension is worked out using the following formula:

$$PS \times [APS/60 - SPD] \times LAF$$

Where:

PS is your **Pensionable Service** since 1 January 2008.

APS is your **Average Pensionable Salary** which is the total of all your Revalued Pensionable Salary figures each year divided by the number of years (and months) you have been a member of the Scheme.

Revalued Pensionable Salary is your Pensionable Salary as at 1 April each year, increased by inflation (up to a maximum of 8% compound per annum).

SPD is the **State Pension Deduction** which is applied to reflect the increased state pension you earn as a result of keeping contracted into the State Second Pension Scheme. The adjustment is 0.4% of your Final Band Earnings in the last complete tax year before you leave pensionable service. Your Final Band Earnings are your total taxable earnings between the Lower Earnings Limit and Upper Earnings Limit.

LAF is the **Longevity Adjustment Factor** which could be applied in the event that life expectancy improves at a greater rate than currently predicted. If this happens Thales will look to share the costs of this improvement with you by applying a Longevity Adjustment Factor to your annual pension. Further information about how this works is provided later in this booklet.

Maximum Benefits

All benefits will be payable from the Thales UK Pension Scheme and are subject to an overall maximum pension of two-thirds of your Final Remuneration.

Example of how annual pension would be calculated

John is 65 and has 5 years' Pensionable Service in the Scheme since 31 December 2007.

His Predecessor Scheme pension at 31 December 2007 amounted to £6,000 per annum.

Average Pensionable Salary
= £20,000 per annum

Taxable Earnings
= £25,000 per annum

Final Band Earnings (using 2007/08 Lower and Upper Earnings Limits)
= £25,000 - £4,524 = £20,476

State Pension Deduction for each year of service
= 0.4% x £20,476 = £81.90 per annum

Life expectancy has increased in line with expectations so Longevity Adjustment Factor
= 1.0

Predecessor Pension increased to retirement (in line with inflation)
= £7,300 per annum

Pension payable

$5 \times [(\text{£}20,000 \times 1/60)] - \text{£}81.90 \times 1.0$
= annual pension of £1,257

$\text{£}1,257 + \text{£}7,300$
= £8,557 total annual pension payable



Part-time workers

If you work part-time or have a period of service in the Scheme during which you worked part-time your Scheme pension is adjusted accordingly to reflect that your service and salary during that period were less than an equivalent full-time employee.

If you have more than one period of part-time service each period is calculated separately.

During the any period that you work part-time your pension for that period will be based on full-time equivalent pensionable salary, full State Pension Offset, and pro-rata pensionable service as follows:

$$\text{Full-time equivalent Pensionable Salary} = \frac{\text{Pensionable Salary} \times \text{Full Time Hours}}{\text{Part Time Hours}}$$

$$\text{Part-time Pensionable Service} = \frac{\text{Pensionable Service} \times \text{Part Time Hours}}{\text{Full Time Hours}}$$

The maximum full-time equivalent Pensionable Salary is capped (£123,600 for 2009/10) and this capped pensionable salary is then adjusted to reflect part-time hours worked.

Contributions are payable on your actual i.e. part time Pensionable Salary during this period and not your full-time equivalent Pensionable Salary. The threshold for the higher rate of contributions will be based on a

pro-rata calculation of the Upper Earnings Limit to reflect part-time service.

In addition to this, if you were to die in service the lump sum payable would be 4 times your part-time Pensionable Salary and not your full-time equivalent Pensionable Salary (i.e. the lump sum benefit would be 4 times your part-time Pensionable Salary).



Early and late retirement

When you retire early

The earliest age that legislation permits you to retire and take benefits from the Scheme (other than because of ill health) is age 50 (age 55 from 6 April 2010). If you want to retire earlier than age 65 you will have to get the permission from the Company unless you were entitled to receive a pension from age 60 from your Predecessor Scheme without consents (or other conditions) being required. In any case, you can retire at the normal retirement age specified in your Predecessor Scheme (if that differs from the Normal Retirement Age of 65 in the Scheme).

If you retire early your pension will be lower because:

1. you will have less years of Pensionable Service than you would have had if you had worked to Normal Retirement Age; and
2. this pension will have to be reduced as it will likely be in payment for a longer period of time.

Your annual pension will be worked out as described in 'Your Retirement Pension at Normal Retirement Age' on page 9 but the calculation would be based on your Pensionable Service since 1 January 2008 to date of early retirement together with your Average Pensionable

Salary at this date. A reduction factor will then be applied for each year you retire before the Scheme's Normal Retirement Age (65). These reduction factors are reviewed from time to time. The current factors applicable to pension earned from 1 January 2008 is available from the Pension Scheme Administrators.

If you choose early retirement (with the permission of Thales UK Limited), the pension earned in your Predecessor Scheme also becomes payable. The extent to which this pension would also be reduced for early payment will depend on the rules of the Predecessor Scheme you were a member of.

When you retire early because of ill health The Company's ill-health policy

The Company has arranged for an ill-health insurance policy to provide employees with income replacement in the event they are unable to work because of ill-health. This is not a benefit provided under the Scheme and the Trustee is not responsible for this benefit. The benefit is subject to the terms of the policy that the Company has in place from time to time.

Set out below is an outline of the terms that apply. If you think you may want to claim this benefit, you should

Speak with your HR department as early as possible. HR departments are well briefed on the cover in place and should speak to you about the arrangement if you are on long term sick leave.

If you are unable to continue working for the Company because of ill health, after 28 weeks' absence (or other period, depending on local sickness absence arrangements) you may start to receive an income of 50% of your Pensionable Salary (less the current Single Person's State Incapacity Benefit). Payments from the policy are at the insurer's discretion and are subject to the terms of the policy which may vary from time to time. In order to be eligible to receive payments you must satisfy the description of ill health to the satisfaction of the insurer, which is:

That you are suffering from "total incapacity by reason of illness or injury and are unable to carry out the material and substantial duties of your own and any other occupation".

During the period that you receive this income you will remain an active member of the Scheme and you will continue to build up benefits. Your benefits will be based on the Pensionable Salary you were receiving before you became absent owing to ill health.

Further details about the specifics of the ill-health policy that applies to you are available from your local HR department and any questions about the Company's ill-health policy should be directed to them.

Ill Health Pensions under the Scheme

If you are still receiving payments after 5 years, you can apply for an ill health pension from the Scheme. You will need permission from the Company and Trustee to retire on ill health grounds and will need to meet the test for "Serious Ill-Health" set out in the Scheme Rules. In exceptional circumstances the Company and Trustee may consent to you applying for an ill health pension before you have received ill health payments for 5 years. You can also apply for an ill health pension at any time if your ill health payments (including statutory sick pay) are less than 50% of your pensionable salary.

In the Scheme Rules, "Serious Ill-Health" means *"the total incapacity of a member by reason of illness or injury such that the Company, with the agreement of the Trustees, are satisfied (after taking the advice of a registered medical practitioner selected by the Company with the agreement of the Trustees) that the member is not able to carry out the material and substantial duties of his occupation."*

Ill health early retirement pensions are worked out in the same way as other pensions (see 'Your Retirement Pension at Normal Retirement Age' on page 9). However, an ill-health pension will be calculated by reference to your Pensionable Service since 1 January 2008 to the date of your early retirement and a notional Average Pensionable Salary at this date which will be based on your Pensionable Salary before you became ill. Unlike pensions for early retirement in good health, ill health pensions are not reduced for early payment (and are not subject to any Longevity Adjustment Factor).

In addition, if you qualify for an ill-health pension, the benefits earned in your Predecessor Scheme would become payable as an ill-health pension under the rules of your Predecessor Scheme.



Late retirement

With the Company's consent you can put off taking your pension until after your Normal Retirement Age, subject to remaining in employment with your Employer.

If you choose not to draw your pension at Normal Retirement Age, you can choose to:

- (a) leave Pensionable Service and become a Postponed Pensioner; or
- (b) remain in Pensionable Service and continue to accrue further benefits.

If you do not make such an election before you reach Normal Retirement Age and remain in employment, you become a Postponed Pensioner.

If you become a Postponed Pensioner, your obligation to pay contributions (through Pay Conversion) will stop at Normal Retirement Age. Your total annual pension will be calculated at Normal Retirement Age, as illustrated in the example on page 10, however this pension will be increased to allow for late payment. The late retirement factors are determined by the Company and the Trustee in consultation with the Scheme actuary and are reviewed from time to time. The current late retirement factor is available from the Pension Scheme Administrators.



The maximum age to which payment can be deferred is age 75 (regardless of whether you are an active member or Postponed Pensioner at this age).

You may also be able to continue your employment with Thales and draw a pension from the Scheme at the same time with the Company's consent.

Further information about benefits in late retirement is available from the Pension Scheme Administrators.

If you choose to take late retirement, the benefits earned in your Predecessor Scheme will also be postponed so that all of your benefits come into payment at the same time. The way in which these benefits increase will depend on the rules of the Predecessor Scheme.

Options at retirement

Increases to your pension

Once it starts to be paid, your Scheme pension will increase each year on 1 April in line with the rise in the Retail Prices Index, up to a maximum of 2.5% a year. Higher increases may be provided in certain circumstances if inflation is above 2.5% per annum – this would be at the discretion of the Trustee but subject to Company consent and the funding position at the relevant time.

Details of the increases which apply to your Predecessor Scheme pension can be found in the relevant Predecessor Scheme booklet.

Cash sum option

At retirement you may exchange part of your Scheme pension for a cash lump sum (currently free of tax). The amount of cash you can take is determined by limits imposed by HM Revenue & Customs (HMRC). Currently it is limited to 25% of the value of your Scheme pension at retirement.

If you decide to take part of your pension as a cash sum then your pension will be reduced. The amount of reduction will depend upon the factor for the age at which you retire and these factors are detailed in the Scheme Rules.



Death benefits

If you die before you retire

While you are still working for your Employer

If you die before you retire and are still working for your Employer your dependents will receive the following benefits. Please note that the total benefits paid to your dependents on death in service from both the Scheme and your Predecessor Scheme are as described below. The payments from both sources cannot exceed the maximum benefits detailed below.

- **A lump sum**

Of 4 times your Pensionable Salary plus the amount of any contributions (excluding any interest earned on those contributions) you paid to your Predecessor Scheme before 1 January 2008.

- **A pension for your Spouse/Partner**

Your Spouse/Partner will receive a pension of 33% of your Pensionable Salary at the date your death. The pension will be paid monthly for the rest of his or her life. It will increase each year in line with the rise in the Retail Prices Index, up to a maximum of 2.5% per annum.

- **Pensions for Dependent Children**

If you have any Dependent Children, up to 3 children may receive a pension of up to 10% of your Pensionable Salary at your death. The pension will be paid monthly until the child reaches the age of 18 (or age 23 if the child remains in full-time education). Children's pensions increase each year in line with the rise in the Retail Prices Index, up to a maximum of 2.5% per annum.

In the event that you do not leave an adult dependent, or your adult dependent dies after starting to receive a pension from the Scheme, the pensions payable to any Dependent Children would be doubled.

The lump sum benefit is currently insured through insurance policies that the Trustee has secured with external insurance companies.

Making your wishes known

The lump sum death in service benefit is payable under discretionary trust. This means that the Trustee will use its discretion as to whom the benefit is paid. As a result, the benefit does not form part of your Estate and therefore is free of income and inheritance tax under current legislation.

To help the Trustee determine who to distribute the lump sum to, you should complete an Expression of Wish form, indicating to whom, you would wish the benefit to be paid. It is important to note that your Expression of Wish form will not be binding on the Trustee. However, the Trustee will have regard to your wishes in using its discretion.

Even though your Expression of Wish form completed for your Predecessor Scheme is still valid, as circumstances change and in view of the new Scheme being put in place, please could you complete a new Expression of Wish form. A blank Expression of Wish form is enclosed with this booklet, please complete and return it to the Pension Scheme Administrators.

You are encouraged to keep your Expression of Wish form up-to-date as your circumstances change.

If you die after you retire

If you die after you retire your dependents will receive the following benefits:

- **5 year guarantee**

Your pension is 'guaranteed' for 5 years. So if you die in the first 5 years of your retirement, the balance of 5 years' pension payments is paid as a lump sum to your dependents.

- **A pension for your Spouse/Partner**

Your Spouse/Partner will receive a pension of 50% of your pension built up after 1 January 2008. If your pension was reduced because you took a lump sum at retirement, this reduction is disregarded and your Spouse/Partner will receive 50% of the pension you would have received if you had not taken the lump sum. The pension will be paid monthly for the rest of his or her life. It will increase each year in line with the rise in the Retail Prices Index, up to a maximum of 2.5% per annum.

- **Pensions for Dependent Children**

If you have any Dependent Children, up to 3 may receive a pension of up to 15% of your pension built up after 1 January 2008. If your pension was reduced because you took a lump sum at retirement, this reduction is disregarded and your Dependent Children will receive 15% of the pension you would have received if you had not taken the lump sum. The pension will be paid monthly until the child reaches the age of 18 (23 if in full-time education). Children's pensions increase each year in line with the rise in the Retail Prices Index, up to a maximum of 2.5% per annum.

In the event that you do not leave an adult dependant, or your adult dependant dies after starting to receive a pension from the Scheme, the pensions payable to any Dependent Children would be doubled.

Any benefits paid to your Spouse/Partner and dependents on death after retirement from 1 of the Predecessor Schemes will be payable in addition to the pensions detailed above.



Absence

Paid Leave

If you are absent from work for a short time, your membership will continue. However, the Company will decide the level of Pensionable Salary for pension and benefit purposes.

If you are absent for a long time through illness, please see the section 'When you retire early because of ill health' on page 12.

Family leave (Adoption leave, Maternity leave, Paternity leave and Parental leave)

All periods of paid Family leave (including any period of ordinary maternity leave or ordinary adoption leave during which you do not qualify for Statutory Maternity Pay) count as Pensionable Service and you continue to build up benefits during the period of your leave.

For the purposes of calculating all benefits payable from the Scheme during this period, your Pensionable Salary will be the Pensionable Salary in force on 1 April immediately before your period of Family leave started.

The percentage of salary paid to the Scheme in respect of your pension contributions will be based on the amount of salary you actually receive during the period of Family leave.

Periods of unpaid Family leave do not generally count as Pensionable Service. Upon your return to work, and with the agreement of the Trustee, it may be possible for extra contributions to be paid by you so that this period of leave becomes Pensionable Service.

Unpaid leave

Does not generally count toward Pensionable Service for pension purposes. However, the Company retains overall discretion in terms of how membership of the Scheme is affected during any periods of unpaid leave.

Death benefits

You remain covered for death benefits for as long as you remain an active member of the Scheme including those periods which do not count as Pensionable Service provided you remain in Service with your Employer.



Leaving before retirement

If you leave the Thales group to go and work for another employer, you will leave the Scheme the on the day your employment ends. You will not build up any more benefits and you will no longer be covered by the Scheme's life assurance benefits. If you rejoin the Thales group at a later date you will not be permitted to rejoin the Scheme as an active member.

Deferred Pension payable

If you have 2 years or more Pensionable Service (for this purpose your pensionable service in the Scheme and your Predecessor Scheme are added together) you will become a Deferred member of the Scheme. Your Scheme Deferred Pension would be calculated as detailed on page 10 of this booklet and will be based on your Pensionable Service and Average Pensionable Salary at date of leaving. The Scheme Deferred Pension would then increase each year to Normal Retirement Age in line with statutory requirements (currently the lesser of the rise in Retail Prices Index or 2.5% compound per annum).

In addition, your Predecessor pension would be increased to the date that you leave Pensionable Service (each year in line with the rise in the Retail Prices Index to a maximum of 8% compound). The way in which the pension earned in your Predecessor Scheme increases from the time you leave Pensionable Service will depend on the rules of your Predecessor Scheme.

Transferring your benefits out of the Scheme

After you leave the Scheme you can transfer your benefits out of the Scheme and to another registered pension scheme (a registered pension scheme is one with similar tax arrangements to the Scheme) provided you are at least 1 year away from reaching your 65th birthday.

The transfer value is the "guaranteed cash equivalent" of your benefits. The transfer value will be calculated on a basis approved by the Scheme Actuary and as required by legislation. You should note that the Trustees have directed that transfer payments shall not take into account any benefits (including increases) that might have been paid at the discretion of the Company or the Trustees, but which are not guaranteed.

You can ask for an estimate of the transfer value of your benefits at any time between leaving Pensionable Service and reaching age 64, though the Trustee may

charge you if you ask for more than 1 estimate in any 12 month period. You cannot transfer your benefits after they have started payment.

If you leave with less than 2 years' Pensionable Service but more than 3 months' Pensionable Service (including pensionable service in your Predecessor Scheme) you will not have sufficient service to have earned a Deferred Pension but you would be able to request a cash transfer sum. Further details are available from the Pension Scheme Administrators.



Benefit payable if you die whilst a Deferred Member before taking pension

- **A pension for your Spouse/Partner**

Your Spouse/Partner will receive a pension of 50% of your Scheme Deferred Pension including any increases applied to your Scheme Deferred Pension up to the date of death. The pension will be paid monthly for the rest of his or her life. It will increase each year in line with the rise in the Retail Prices Index, up to a maximum of 2.5% per annum.

- **Pensions for Dependent Children**

If you have any Dependent Children, up to 3 children may receive a pension of up to 15% of your Scheme Deferred Pension increased up to the date of death. The pension will be paid monthly until the child reaches the age of 18 (or age 23 if the child remains in full-time education). Children's pensions increase each year in line with the rise in the Retail Prices Index, up to a maximum of 2.5% per annum.

In the event that you do not leave an adult dependant, or your adult dependant dies after starting to receive a pension from the Scheme, the pensions payable to any Dependent Children would be doubled.

Any benefits paid to your Spouse/Partner and dependants on death before retirement whilst a deferred pensioner member under the Rules of the Predecessor Schemes will be payable in addition to the pensions detailed above.



The Thales UK Pension Scheme

The Thales UK Pension Scheme and the State pension system

The Scheme provides benefits in addition to the State pension system. This is a change from the position up to 31 December 2007 where all Predecessor Schemes (except the Thomson Retirement Benefits Scheme) were contracted-out of the second tier of state pension provision.

There are 2 parts to the State pension system:

- the Basic State Pension and
- the State Second Pension

Members of the Scheme build up benefits in both parts of the State pension system and pay standard rate National Insurance contributions. This is sometimes referred to as being 'contracted-in'.

You can find out more about the State pension system from the Pension Service or, if you live in Northern Ireland, the Department for Social Development.

The Pension Service

- www.thepensionservice.gov.uk
- 0845 60 60 265* (0845 60 60 275* for Welsh speaking customers living in Wales)
- If you have speech or hearing difficulties, a textphone service is available on 0845 60 60 285* (0845 60 60 295* for Welsh language)
- Lines are open Monday to Friday from 8.00am to 8.00pm

* Calls from BT landlines are charged at local rates. Charges for calls from mobile phones, cable and other network providers may be different.

The Department for Social Development

- http://www.dsdni.gov.uk/index/ssa/ssa_pension_information.htm

The Scheme and HM Revenue & Customs

The Thales UK Pension Scheme is a 'registered pension scheme', which means it enjoys significant tax advantages.

HM Revenue & Customs (HMRC) does not limit the value of the benefits you can build up in the Scheme or receive from the Scheme, but it does limit the tax advantages.

You can build up retirement benefits worth a total of £1.65m (2008/2009) in all the registered pension schemes you are a member of, over your lifetime largely free of tax. This is called the Lifetime Allowance (LTA). If you build up benefits over the LTA you will pay a special tax charge on them when you retire, in addition to any other tax that you pay.

Each year, the value of your benefits in the Scheme can increase by the equivalent of 100% of your salary up to a maximum of £235,000 (2008/2009). This is called the Annual Allowance (AA). If your benefits increase more than the AA in any 1 year you will pay a special tax charge.

Both the LTA and AA increase each year. The increases to 2011 have been published and are shown in the table below.

Tax year	Lifetime Allowance	Annual Allowance
2008 – 2009	£1.65m	£235,000
2009 – 2010	£1.75m	£245,000
2010 – 2011	£1.8m	£255,000

Both of these allowances have been set deliberately high, so they do not apply to most people, but you are responsible for monitoring them, not the Scheme. The Scheme will provide you with information which will help you to work out the value of your Scheme benefits so you can easily check them against the LTA. Also, as the Scheme has a salary cap and any earnings you have over the cap do not count for pension purposes this limits the likelihood that the Annual Allowance is exceeded. The salary cap is £117,600 (2008/2009) and will increase each year in line with the rise in the Retail Prices Index.

Shortly before you retire, the Scheme will ask you for information about the amount of LTA you have used up with benefits from other registered pension schemes. When your benefits start to be paid, the Trustee will provide you with a certificate detailing the amount of your LTA that your Scheme benefits have used up. You should keep all certificates issued to you concerning the LTA in a safe place.

Authorised Payments

The Finance Act 2004 limits the types of payments that can be made from a pension scheme which receive favourable tax treatment. These payments are known as 'authorised payments'. Any payment which is

not an authorised payment is subject to additional tax charges payable by both the person receiving them and the Scheme.

Under the Trust Deed and Rules of the Scheme, the Trustee is only permitted to make payments which are 'authorised payments' under the Finance Act 2004. Accordingly, any benefit of payment described in this booklet can only be made if it will be an 'authorised payment' for the purposes of the Finance Act 2004.

Longevity risk sharing explained

A large factor in determining the future cost of pensions is life expectancy. The longer that members are expected to live past Normal Retirement Age, the more money needs to be available at Normal Retirement Age to ensure that their future benefits can be funded. Over time, there have been significant increases in life expectancy and it is generally expected that these increases will continue. Presently, it is anticipated that life expectancy will increase at a certain rate (e.g. the life expectancy of a person who is 65 in 2020 will likely be greater than the life expectancy of a person who is 65 today).

In respect of your benefits in the Scheme relating to Pensionable Service after 1 January 2008, the

Company will pay the extra cost for increases in life expectancy that are currently projected. For example it is currently projected that life expectancy for a man of 65 retiring in 2007 is 20.7 years. It is expected that by 2047 this will have increased to 24.7 years, an increase of almost 20%. The Company will pay the extra cost of providing benefits to cover these currently projected increases in life expectancy.

However, it is possible that life expectancy will increase even further than is currently expected. If this happens, the Company will cover half the cost of the increase above the currently projected increase. Members will then share in the other half through an adjustment to your pension at retirement. In effect, the pension at retirement will be reduced on the basis that it is expected that this pension will be paid for longer than was expected based on current life expectancy projections. This would be a one off reduction – once your pension starts to be paid, no further reduction will be made, even if life expectancy continues to rise after you have retired.

How does the longevity risk sharing work?

Pension built up before 31 December 2007 will not be affected by longevity risk sharing.

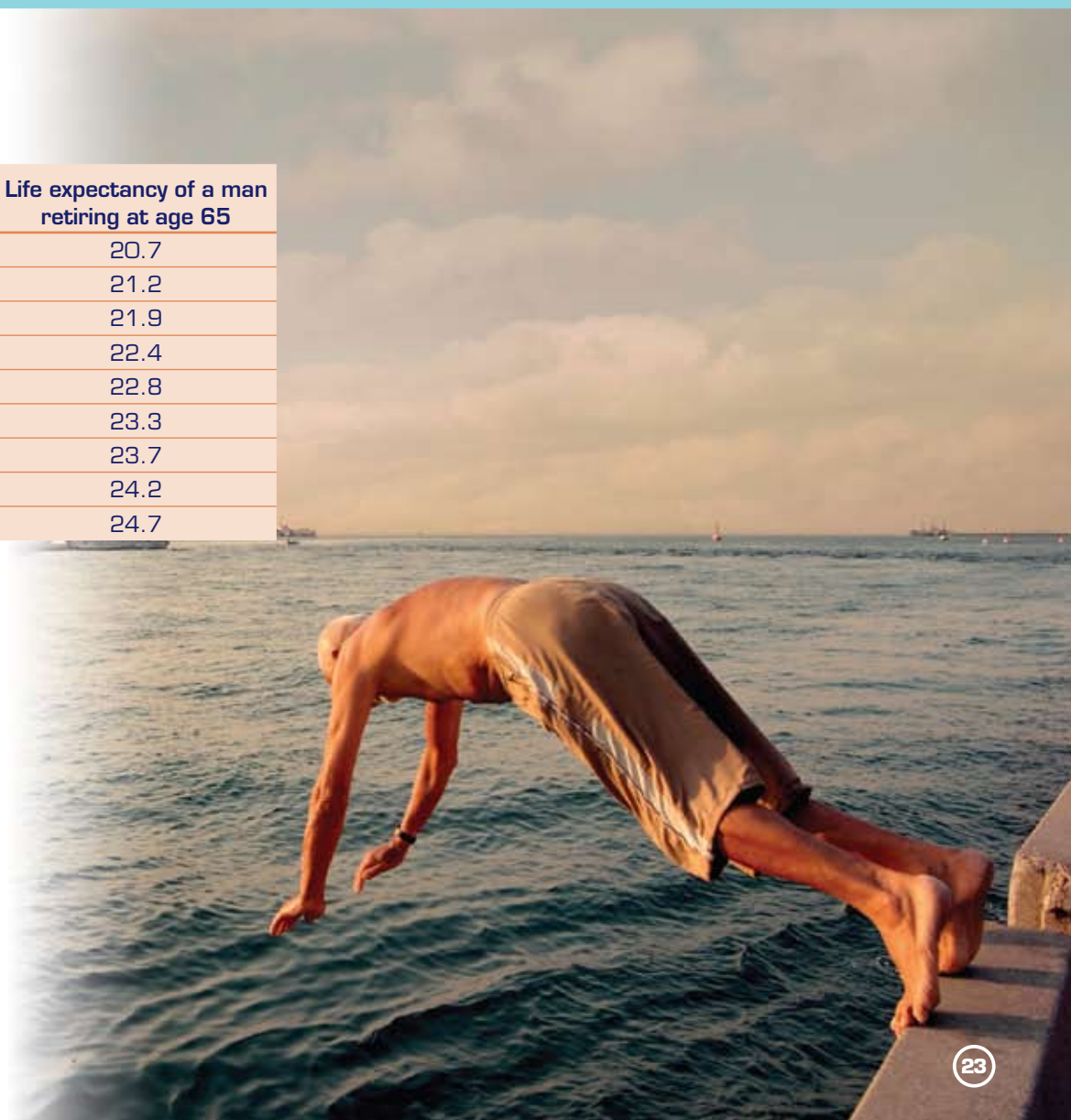
The longevity adjustment factor (LAF) will be the LAF in force when you leave pensionable service early or you retire at age 65. From 1 January 2008 for 3 years, the LAF will be set at 1.0, which means there will be no adjustment to your base pension amount.

Every 3 years Thales will review the life expectancy of a 65 year old man by comparing the life expectancy shown in the base table on this page, with updated tables from the Government Actuary's Department (GAD). GAD is a government department responsible for considering life expectancy in the UK. If the life expectancy in the updated tables is greater than the life expectancy in the base table then the LAF will be adjusted to share the cost of this increase above the expectancy in the base table 50:50 with the member. In order to negate the cost of such an increase in life expectancy, members could, with the consent of the Company, work past age 65 and remain an Active Member or become a Postponed Pensioner (i.e. defer payment of the pension).

In the unlikely event that life expectancy was to decrease, members' pensions will not increase. Instead, they will be treated as if there was no change to expected life expectancy. This is the same position that members would be in if no LAF was applied.

Base table

Year of leaving/ retirement	Life expectancy of a man retiring at age 65
2007	20.7
2011	21.2
2017	21.9
2022	22.4
2027	22.8
2032	23.3
2037	23.7
2042	24.2
2047	24.7



Setting the Longevity Adjustment Factor

Thales will give 12 months' notice of a change to the LAF. The first review will be made in 2011 and, should a change be necessary, an announcement of the LAF applying from 1 April 2012 will be made prior to 31 March 2011.

The LAF will initially be set at 1.0. For each year's increase in life expectancy from the base table, the LAF will be reduced by 0.025. There is a maximum change that can apply to the LAF over any 3 year period.

For example, if at the first review in 2011, life expectancy of a 65 year old man is 21.8 years (half per annum longer than the base table had estimated – see table above) then the LAF would reduce to [0.99875 i.e. $1 - 0.00125$] from 1 January 2012.

This process would be repeated at subsequent three-yearly reviews.

Important notes on the LAF

- The LAF will not exceed 1.0 at any time
- Differences in life expectancy of less than 6 months would not result in any adjustment applying in any one review. (However, they may affect the outcome of a subsequent review as a result of cumulative changes.)
- All adjustments will be rounded to the nearest 0.0025 (e.g. a LAF of 0.9840 would be rounded to 0.9850)
- The maximum change to the LAF as a result of any 3 year review will be 5%
- The Company will have a discretion not to apply a reduction in the LAF
- The LAF is a one off adjustment to your pension that applies based on the LAF at the date your pension commences. Although the LAF may change during the time when you are building up your pension, it is only the LAF that applies on the date your pension is commenced which will affect your benefit.
- The LAF will not affect any benefit payable on death in service or ill-health
- Once a pension is in payment, it will not be subject to any adjustment from an LAF
- The tables above can be accessed from the Government Actuary's Department website at: www.gad.gov.uk



Other information about the Scheme

Assigning your benefits

You cannot assign or charge your benefits, for example they cannot be used to guarantee a loan.

How the Scheme is run

The Scheme is registered under Section 153 of the Finance Act 2004 and is governed by a Trust Deed & Rules. The Scheme is administered by a trustee company, the Thales Pension Trustees Limited. The primary role of the Trustee is to administer the Scheme in accordance with the provisions of the Trust Deed and Rules and any relevant legislation. This includes securing members' benefits and ensuring that members' benefits are paid at the right time and are the right amount.

The assets of the Scheme (which are largely comprised of the fund which the Employers pay into and which pays benefits out to members) are held separately from the Company.

The Trustee uses external experts to advise them in various areas of pensions practice and law. You can get a list of the current Trustee Directors and their advisers from Pension Scheme Administrators.

The Trustee is responsible for producing and keeping up to date a number of documents which set out how the Scheme should be run. These are:

- **The Trust Deed and Rules.**

This sets out in detail how the Scheme is set up, what benefits it pays together with the powers and duties of the Trustee and Company to members of the Scheme.

- **The Statement of Investment Principles.**

This is put in place by the Trustee in consultation with the Company, with help from investment experts, and sets out what the Scheme's investment aims are and how it will invest the Scheme's assets to meet those aims.

- **The Actuarial Valuation.**

This document is prepared by the Scheme's actuary and values the Scheme's assets (largely the fund it holds) and its liabilities (the benefits promised to members) and suggests a contribution rate to make sure that the fund has enough assets to pay members' benefits. The Trustee must have an actuarial valuation at least every 3 years.

- **The Schedule of Contributions.**

This sets out the level of contributions that the Employers and members, via their Pay Conversion arrangement, will pay to the Scheme.

- **The Scheme's Annual Report and Accounts.**

This provides an annual snapshot of the Scheme's finances and other significant events that may affect the Scheme's finances.

A copy of these documents is available from the Pension Scheme Administrators.

The Company may alter or modify the Scheme with the consent of the Trustee. However, no alteration or modification may be made without your consent which would prejudice your benefits earned up to the date of alteration or modification.

Communication

To help you keep up to date with your benefits and with developments in the Scheme each year the Trustee will send you:

- A benefit statement showing how your benefits in the Scheme are building up
- A funding statement that explains the level of contributions being paid into the Scheme and whether the Scheme is in surplus or deficit.

The Trustee will also send you newsletters to keep you up to date with Scheme developments from time to time.

Contacting the Scheme

If you have any enquiries about the Scheme or your individual entitlement to benefits, please get in touch with the Pension Scheme Administrators in the first instance. The contact details are as follows.

Post: **Thales Pensions Administration**
Xafinity Paymaster
Sutherland House
Russell Way
Crawley
West Sussex RH10 1UH

Telephone: 01293 603060

Email: Thales@xafinitypaymaster.com

Resolving problems

Whilst it is hoped that the Pension Scheme Administrators can resolve any problems you encounter with regards to your membership of the Scheme, if you have a concern about the Scheme or your membership

and feel that your problem has not been satisfactorily addressed, please contact the Secretary to the Trustee.

There is an internal disputes resolution procedure (IDRP) in place which will consider a formal complaint from any member (including dependents and other people who may expect to receive benefits from the Scheme).

If you wish to use the IDRP please put your complaint in writing and send it to the Secretary to the Trustee at:

Thales UK Pension Scheme
2 Dashwood Lang Road
The Bourne Business Park
Addlestone, near Weybridge
Surrey KT15 2NX

You will receive a written decision and an explanation of the decision, where possible within 2 months of your written complaint being received. If you are still dissatisfied, you have the right to appeal to the Trustee. You can obtain a copy of the IDRP from the Thales Pensions Department.

Your personal information

Please make sure the Trustee has an up to date address and contact details for you. If you move or change any of your details, please inform the Trustee as soon as possible at the address given under 'Contacting the Scheme' on page 26.

Office of the Information Commissioner (data protection)

Information about you and any dependents who may benefit from your membership of the Scheme is held on computer and within personal files. The Trustee needs to hold this information to administer the Scheme and calculate and pay benefits.

This information may include 'sensitive personal data', such as information about your health or family circumstances. It may also be necessary for the Trustee to pass this information to the Company, the Scheme's actuary, auditors, legal advisers and other third parties for any purposes connected with the administration of the Scheme.

By continuing to be a member of the Scheme, you are deemed to consent to the trustee holding your data,

including your 'sensitive personal data' and using it in accordance with the administration of the Scheme.

The Trustee is registered under the Data Protection Act 1998. The Data Protection Act gives you the right to check your personal details held by the Trustee and you may do this by contacting the Pension Scheme Administrators. The Trustee reserves the right to charge you for providing these details. In cases of dispute, you may refer any data issue to the Office of the Information Commissioner at the following address:

Office of the Information Commissioner

Wycliffe House
Water Lane
Wilmslow
Cheshire SK9 5AF

You can also contact them by telephone on 01625 545 745 or visit their website at www.ico.gov.uk

Other sources of information and help

There are a number of external organisations with an interest in pensions. Each has a different role to play, ranging from supervising scheme compliance with legislation to providing services to individual members.

The Pensions Regulator

The Pensions Regulator was set up to help ensure that work-based pension schemes in the UK are properly run and to minimise risks to members' benefits. It is able to intervene in the running of schemes where trustees, employers or professional advisers have failed in their duties. The Pensions Regulator can be contacted at the following address:

The Pensions Regulator

Napier House
Trafalgar Place
Brighton
East Sussex BN1 4DW

You can also contact them by telephone on 0870 606 3636 or visit their website at www.thepensionsregulator.gov.uk.

The Pensions Advisory Service (TPAS)

TPAS is an independent and voluntary organisation giving free help and advice to members of the public who have a problem concerning either a company or personal pension scheme. TPAS is available at any time to assist members and beneficiaries in connection with any pension query they may have or any difficulty which they

have failed to resolve with trustees. It cannot, however, give specific advice on an individual's State pension. TPAS can be contacted through your local Citizens' Advice Bureau or direct at the following address:

The Pensions Advisory Service

11 Belgrave Road
London
SW1V 1RB

You can also contact them by telephone on: 0845 601 2923 or visit their website at www.pensionsadvisoryservice.org.uk.

Pensions Ombudsman

If you have a dispute that has not been resolved by the Scheme's IDRP, you may also contact the independent Pensions Ombudsman through TPAS. The Ombudsman may investigate and determine any complaint or dispute of fact or law in relation to a pension scheme. The ombudsman may be contacted at the same address as TPAS. The telephone number for the Pensions Ombudsman is 020 7834 9144, and useful advice is available through the website at www.pensions-ombudsman.org.uk.

Pension Tracing Service

If you had a pension in a previous job but you no longer have the details, the Pension Tracing Service may be able to help you. You can fill in a pension tracing form available from the Department for Work and Pensions direct or from their website at www.thepensionservice.gov.uk/atoz/atozdetailed/pensiontracing.asp to investigate your former rights with previous schemes. They can be contacted at the following address:

The Pension Tracing Service

The Pension Service
Tyneview Park
Whitley Road
Newcastle upon Tyne NE98 1BA

You can also contact them by telephone on 0845 6002 537. Information about the Scheme has been given to the Pension Tracing Service.

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