



THALES UK PENSION SCHEME

Moving to Your New Investment Choices

This leaflet provides information about how your existing Additional Voluntary Contribution (AVC) and Defined Contribution (DC) savings will be moved to the new investment options in the Thales UK Pension Scheme ("the Scheme"). This should be read in conjunction with the enclosed guide *Your New Additional Voluntary Contribution and Defined Contribution Investment Choices*. We recommend you initially read this through completely, and keep it as a reference for any questions you may have throughout the transition.

The information in this leaflet applies only to former members of the Thomson Retirement Benefits Scheme whose AVC/DC account includes funds benefits linked to the Equitable Life With Profits Fund. If your AVC/DC account includes investments in other funds currently available through the Scheme, you will receive a separate leaflet related to changes to those funds.

Your AVC/DC account balance invested through the Equitable Life With Profits Fund will move to the new investment options on 25 January 2012.

What's inside

- Moving to the new investment platform 2
- Why change?..... 2
- Transferring your funds..... 2
- Changing your investments..... 4

This guide to the investment fund changes is intended only to provide you with general information. Neither the Trustees nor the Company can provide you with investment advice or be held responsible for the performance of the investment funds. If you have any doubt about your investment decisions, it is recommended that you seek independent financial advice. You can find a local independent financial adviser (IFA) online at www.unbiased.co.uk. You should check the charges and specialist advice areas of any adviser before appointing them.

Moving to the new investment platform

As explained in *Your New Additional Voluntary Contribution and Defined Contribution Investment Choices*, the Trustees have undertaken a review of the Scheme's AVC/DC funds and investment managers, and are making some changes. Following the review, the Trustees have agreed, reflecting advice received, that it is appropriate to move your AVC/DC account linked to the Equitable Life With Profits Fund to a new provider, Zurich Financial Services, who is able to offer a variety of different fund choices and investment managers through a single 'platform'. As part of this change you will also have access to information about the funds provided through a single online portal. Xafinity Paymaster will continue to be the administrator for your AVC/DC funds.

For account balances that are currently linked to the Equitable Life With Profits Fund, these changes will take effect from 25 January 2012. If you also have AVC/DC investments in other funds, these will be transferred separately at another date. This is because the transfers of the various funds can be managed more effectively if they are undertaken in several stages. We will inform you in advance of any transfers of your AVC/DC investments.

Why change?

The Trustees feel that now was an appropriate time to break the link with the Equitable With Profits Fund for several reasons.

As you may be aware, Equitable Life has been winding down its business since it stopped accepting new contributions in 2000. As part of this wind-down, the Equitable With Profits Fund has been invested very cautiously – doing so helps preserve the existing value of the Fund, but the opportunity for any significant investment returns is low. At the same time, Equitable Life is no longer making routine guaranteed bonus additions.

However, Equitable Life recently announced a 12.5% uplift in the value of policies in respect of any policyholder withdrawing from the fund, and the penalty for individuals withdrawing from the Fund has stabilised at approximately 5%. Additionally, the government has announced plans to compensate policyholders in the next few years for the regulatory failings that led Equitable Life to wind down, and has confirmed that even policyholders who transfer out will be compensated. (Please note that details of the value of this compensation are not yet known; it may be minimal and not all members will be eligible to receive it).

Given these conditions, and for the additional reasons noted in *Your AVC Investment Choices*, the Trustees feel that now is an appropriate time to move your AVC/DC benefits linked to the Equitable Life With Profits Fund to a new, modern platform.

Transferring your funds

On 25 January 2012, the value of your benefits linked to the Equitable Life With Profits Fund will be transferred to a new, lifestyle investment option in the Scheme's new platform. (This lifestyle option is different from the lifestyle option described in *Your New Additional Voluntary Contribution and Defined Contribution Investment Choices*.)

To effectively manage the move to the new investment options, there will be a period of time about two weeks on either side of the transfer when you will be unable to make any changes to your investments. This is called the "blackout period" and it will be between 11 January 2012 and 17 February 2012. You will be informed when the switch is complete and receive confirmation of how your AVC account is invested.

Your account balance

The balance transferred will be the amount shown on your last benefits statement, adjusted for any bonuses or adjustments declared by Equitable Life (including the uplift outlined above, but not the penalty) since that statement up to 31 January 2012. As such, the value of your fund on the date of the transfer will likely vary from the amount shown on your most recent benefit statement.

Your transfer will be on a £-for-£ basis. This means that on the date of the transfer, the value of your new investment funds will be the same as the value of your Equitable Life With Profits fund investment (after any bonuses or adjustments, including the 12.5% uplift explained above, but not subject to the 5% surrender penalty).

If your benefits under this policy entitle you to receive any amount from the Government compensation scheme, that compensation will be sent directly to the Trustees and will be paid into your new investment option upon receipt. As a reminder, this compensation may not be paid for several years, may not be payable for all members and may be minimal.

Your investments in the new platform

When your balance transfers to the new platform, it will automatically be invested in a lifestyle strategy that is designed to replace, to the extent that it is possible to do so, the investment returns you may have expected from the Equitable Life With Profits Fund.

If you are fifteen or more years away from your expected retirement date, this strategy invests your savings predominantly in funds which may, over the long-term, be expected to provide a reasonable rate of return relative to interest rates and inflation, but may go up and down in value by a fair degree in the short-term.

As you approach retirement, the strategy gradually moves your account into funds with a lower risk profile, which will be more stable, but have less of an opportunity for long-term growth.

The table below details this shift – as you can see, **this strategy is different from the general lifestyle strategy described in *Your New Additional Voluntary Contribution and Defined Contribution Investment Choices*.**

Years to retirement	Percentage of account balance invested in each fund					
	Global Equity	Diversified Growth	Corporate Bonds	Index Linked Gilts	Long-dated Gilts	Money Market
15+	40	40	15	5	0	0
14	30	40	20	10	0	0
13	20	40	25	10	5	0
12	10	40	30	10	10	0
11	5	40	30	10	15	0
10	0	40	30	10	20	0
9	0	35	30	10	20	5
8	0	30	30	10	20	10
7	0	30	25	10	20	15
6	0	25	25	10	20	20
5	0	20	25	5	20	30
4	0	10	20	5	15	50
3	0	5	10	5	10	70
2	0	0	5	0	5	90
1	0	0	0	0	0	100
0	0	0	0	0	0	100

Please note that while the Trustees have taken care to design this strategy in a way that is expected to earn returns similar to those in the Equitable Life With Profits Fund, the actual returns and how those returns would have

otherwise compared to those returns achieved by the Equitable Life With Profits Fund, cannot be guaranteed. Further, your benefit with this strategy may be lower or higher than the benefit you would have received had you remained in the current arrangement.

Changing your investments

While you don't need to take any action as a result of this change, it's a good opportunity to review your retirement planning and consider how your savings are invested.

Once your account balance in respect of your benefits linked to the Equitable Life With Profits Fund has been transferred to the above lifestyle strategy and the "blackout period" ends on 17 February 2012, you can then change how your balance is invested if you wish. For example, you could move it to the standard lifestyle strategy, or invest it in one or more of the individual investment funds. Please note that any transfer may incur some transaction costs, typically up to around 1% of the amount of the amount being transferred, and expose you to the risk of having your balance not invested for a brief period of time. **It's important to note that if you move your balance out of the lifestyle strategy detailed above, you will not be able to move it back at a later date.**

To make changes to your investments, contact the administrator, Xafinity Paymaster, as detailed in *Your New Additional Voluntary Contribution and Defined Contribution Investment Choices*. Before making any decision, we recommend you review the detailed information about all the funds on Zurich's new dedicated website and consider how any change may affect your personal circumstances. Zurich's dedicated website can be accessed via the Scheme's website, Member Web, at <http://thales.xpmemberservices.com> or directly. Zurich's website will be available from February 2012 and the address for this website will be posted on the Scheme's website as soon as it is available.

If you have any questions or doubts, you may wish to speak to an independent financial adviser.

16 December 2011