

Stanhope Pension Trust Limited



Dear Member of the GEC 1972 Plan

Over the last few months, Stanhope Pension Trust Ltd, (SPT) the trustee of the GEC 1972 Plan (the Plan) has been engaged in discussions with **telent** Ltd, the sponsoring employer, regarding the valuation of the Plan. The Pensions Regulator has also been involved throughout the negotiations.

As a result we have reached funding agreement in order to better secure the Plan's funding position. The Plan has been affected by increasing life expectancy as well as the turmoil in the financial markets over the past year, leading to an increase in the gap between the amount we estimate will be needed to pay pensions in full, and the current value of the Plan's assets.

The agreement allows **telent** and SPT to strengthen the safety and security of the accrued pension benefits that the 56,000 members have already built up within the Plan. At the same time it allows the company to continue to invest in and grow its business.

Under the agreement, which covers a 15 year period:-

- **telent** will contribute a minimum of £4 million a year to the Plan.
- Money from the existing escrow, (approximately £500M) set aside for the benefit of the Plan following the sale of most of Marconi's business to Ericsson in 2006, will be paid progressively into the Plan.
- A new escrow will be established, funded by **telent**.
- **telent's** shareholder will not take a dividend until at least 2013

These arrangements were put in place to improve the chances of the Plan being fully funded by 2023, albeit achieving the anticipated investment returns remains the biggest challenge.

At the same time, and in view of its additional obligations to funding current pensions and accrued benefits, together with increasing costs of future accrual, **telent's** Board of Directors, has informed SPT that, after serious consideration, it has concluded that there is a need to change the way in which employees build up pensions in the future, and is therefore consulting on a proposal to close the GEC 1972 Plan to future accrual. SPT is understanding of the need for change.

I realise that this proposal may cause concern. I would like to provide some reassurance to deferred and pensioner members. If the proposal went ahead it would have no impact on:-

- a) pensions already being paid by the Plan. These will continue unchanged.
- b) the pension entitlements of deferred members.

telent has provided SPT with details of a comprehensive communication and consultation programme it is undertaking to inform active, contributing members of the proposed changes and their impact. In summary, active members would:-

- a) effectively become deferred pensioners, with the existing entitlements increasing in line with inflation (RPI) capped at 5%.
- b) be offered the opportunity to join a new, defined contribution plan to enable continued saving for retirement.

We will shortly be sending a letter to all members of the Plan, giving further details of the valuation and funding Plan. If you have any queries or comments in the mean time, please contact the Pensions Office at

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Yours sincerely

Chris Holden
On behalf of Bridge Trustees.
Chairman, Stanhope Pension Trust Ltd