



Marconi

PENSIONS UPDATE

SEPTEMBER 2000

A new era began on 6 April 2000

Along with the restructuring of the Company to focus on our core business activities under the Marconi banner, the Pension Plan has also been through a process of rationalisation.

On 6 April this year, about half of the Plan's assets and liabilities were transferred to the BAE SYSTEMS 2000 Pension Plan following BAE SYSTEMS' purchase of Marconi Electronic Systems. Although this meant that the Plan assets are now lower, the number of people due to receive benefits from the Plan is also considerably reduced and the Plan remains in a healthy position.

The split of the GEC Plan in April has gone very smoothly, although the Pension Office has answered over 2,000 individual enquiries. Some further questions from members are answered in this issue and there is also an announcement about the appeals process. We also meet some of the team who are here to help you.

This issue of Pensions Update looks towards the future. It maintains the commitment to keep members informed and sets out part of the communication plan for the year ahead. You'll also find information about our new pensions website.

Now is a good opportunity to review the Plan to check if it is meeting the needs and expectations of the Marconi employees and businesses. A pension review began on 13 March 2000 with a pension conference at Dunchurch attended by over 50 individuals, including Plan Trustees and Pension Consultative Committee members. A pension review is a long and complex process. Employees are being kept informed of progress through Pension Review Updates, which are posted on noticeboards, at the businesses. The next stage in the review process is to gather more information through focus group meetings involving members, management, trustees and also non-members.

Kevin O'Boyle

Kevin O'Boyle, Group Pensions Director.

THE APPEALS PROCESS

In January a process was set up, in order to consider appeals from members who believed that they had been placed in the wrong plan. In total 71 appeals were received, of which 27 were upheld. There are a handful of appeals that are still under consideration.

Some of the appeals that we received enabled us to identify a number of members who had been incorrectly selected for transfer to the BAE SYSTEMS 2000 Pension Plan, but had not appealed.

These members had been included on payrolls that paid both Marconi and BAE SYSTEMS employees. Those concerned have now been re-allocated to the correct plan.

"The appeals process has been a great success," says John Whitten, Communications Manager, "It identified a number of people who we were able to allocate to the correct Plan once we had all the facts. The appeals process is now closed."

PENSION INCREASES

Plan pensions increased in May by 2%. The rate applies to the GEC Plan, the BAE SYSTEMS 2000 Pension Plan and the ALSTOM Scheme. This increase is in line with the change in the Retail Price Index to January 2000.

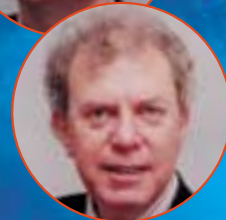
MEET THE TEAM

The team of pension professionals who administer the Plan is based in Stafford. Up until the end of this year they will continue to administer the pension benefits of employees who transferred to the BAE SYSTEMS 2000 Pension Plan and the ALSTOM Scheme.

The role of the pension team is primarily in administration but in addition to this they are now key players in the communication process too. Their aim is to provide a quick, efficient response with a committed and proactive customer service approach to all pension queries.

"The Pensions Office is becoming increasingly customer focused," said Kevin O'Boyle, Group Pensions Director, "Whilst the office always prided itself on delivering a first class service to members, it sometimes appeared heavy handed and remote. By listening to our customers we are developing enhanced levels of service which in time will enable us to achieve our aim of best in class."

The management team, from the top:
Kevin O'Boyle – Group Pensions Director,
Stephen Hart – Secretary to the Trustee,
Rosemary Mounce – Administration,
Graham Allen – Finance
and John Whitten – Communications.



DATA PROTECTION

We feel it is most important that members' records are treated carefully and with proper confidentiality, and some members have asked about the Data Protection Act 1998. Since its introduction, the Trustee and Marconi are both regarded as data controllers under this Act, regarding processing data relating to you. Each has a legal obligation and a legitimate interest to process this data, for administering and operating the Plan, and paying benefits under it. This may include passing data about you to the Plan's actuary, auditor or administrator, to your employer, and to other parties where it is needed for administering and operating the Plan. This will not change the manner, or the care, with which your personal information is treated.

CREDITED INTEREST

Credited interest for the GEC Plan, the BAE SYSTEMS 2000 Pension Plan and the ALSTOM Scheme has been set at 9% for the period 6 April 2000 – 5 April 2001.

Because of the current and expected economic environment, rates of credited interest are likely to be lower in the future than they have been. So the Trustee of the GEC Plan has been advised that, when the Plan is valued, a credited interest rate of 5.5% should be assumed, rather than the 8.25% used since 1998.

We need to be consistent in estimating future rate increases, and you will see the 5.5% rate used in statements and estimates from now on. You may find that your estimated retirement benefits, based on future projections of credited interest, are lower than you have seen previously, but please remember that the benefits you have earned to date are not affected, and the benefits you get on retirement will depend on the actual rates of credited interest between now and then.

INVESTMENT STRATEGY

The investment strategy is also currently being reviewed to take account of the social and ethical issues. Investment managers are being encouraged to take account of social, environmental and ethical issues in selecting, retaining and realising investments, while ensuring that the long term financial interests of the Plan are paramount.

OFFICE OF THE PENSIONS ADVISORY SERVICE (OPAS)

The GEC Plan booklet refers to OPAS, and its availability to assist Plan and SBS members and beneficiaries. OPAS is able to give assistance with any pensions query they may have as well as with any difficulties they have failed to resolve with the Trustee. Your first port of call should, as always, be the Pensions Office with Personnel Departments or Pension Consultative Committee representatives providing assistance in situations where further help is required.

WHAT LIES AHEAD?

Throughout the complex process involving the transfer of Plan assets and liabilities to BAE SYSTEMS the Pensions Office has taken time to find out what concerns the membership might have. This was done through a series of focus groups, questionnaires and a telephone Helpline. In previous issues of Pensions Update we have tried to answer as many of your questions as possible and give you feedback on your comments. Below are some of the more frequently asked and specific questions.

Will the service to remaining Plan members deteriorate?

No. In practice, once the Pensions Office ceases to administer the BAE SYSTEMS 2000 Pension Plan (and indeed the ALSTOM Scheme), and with new systems coming on line early next year, it will be possible to deliver a dedicated improved service to Marconi.

Will I still receive my annual benefit statement?

Yes. Statements are sent to active members as soon as we receive the details from each of the different businesses. This means that some members will receive their statements before others because their business has supplied the

Pensions Office more promptly with the data we need. Where the data has been received statements are currently being issued. This year, for the first time, statements for Marconi employees are being sent to home addresses. We have commenced a review to improve the format to enable statements to be more readily understood in future years.

How is the Plan likely to progress in the year ahead?

As we have already mentioned in this newsletter, there is a pension review in progress looking at the needs of employees and at the current business practices. The review will also look to encourage more employees to make pension provision.

When the review is completed we will tell you about any developments to the pension arrangements.

Will the investment strategy of the Plan remain the same?

The Trustee regularly reviews investment strategy to ensure that the Plan is invested appropriately, so as to provide the funds to secure members' promised benefits when they become due.

WHAT A SITE!

The new Marconi Pensions website has been launched on the Company's internal website as well as the Internet. The site will enable members of the Plan to gain quick and easy access to general information. It will be reviewed on a regular basis to ensure that the information it provides is relevant and up to date.



The website is part of the Pensions Office's ongoing commitment to keeping you informed. You can access it through momentum or on:

www.marconi-pensions.co.uk

We hope that you will visit the site and if you would like to make any comments or suggestions these can be made by e-mail to:

john.whitten@marconi-pensions.co.uk

ONGOING COMMUNICATION

During the coming year you will be updated by the Pensions Office about the pension review to keep you informed of progress.

Annual benefit statements will be issued during the late summer and early autumn as data is received and checked by the Pensions Office. As usual, the statements will be sent to active members and deferred pensioners. Deferred pensioners should ensure that the Marconi Pensions Office is kept informed of any change of address or other circumstances.

As well as electronic and paper-based communication, such as the popular version of Report and Accounts, members can also receive Plan information through Personnel Departments and the Pensions Consultative Committees. The PCCs are a very important part of the communication process as they are able to voice the views of members and provide feedback to the Trustee.

Following supportive feedback, these Pension Updates, established to keep members informed regarding the split of the Plan, will continue on a regular basis. There are also a number of other communication projects in the pipeline – so watch this space!

**If you have any queries regarding the points in this Pensions Update
please contact the Marconi Pensions Office at
PO Box 20, Lichfield Road, Stafford, ST17 4LN. Telephone 01785 256344.**

Issued to all members of the G.E.C. 1972 Plan by Marconi Pensions Office,
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