

THE GEC PLAN AND  
SELECTED BENEFIT  
SCHEME



REPORT AND  
ACCOUNTS 1999

*Securing your future*

# Contents

**Stanhope Pension Trust Limited is the trustee of the G.E.C. 1972 Plan with assets of £6064.8 million as at 5 April 1999 which are held in trust to provide benefits for some 180,000 beneficiaries.**

**We aim to be a customer-focused, highly automated pensions administration business providing top quality services through committed and well trained staff.**

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# Trustee, Administration, Managers and Advisers

## Trustee

Stanhope Pension Trust Limited, P.O. Box 20, Lichfield Road, Stafford, ST17 4LN

### Directors

J. M. Brew (*Chairman*)  
J. H. Chaplin  
D. J. Cox  
A. B. Lee  
M. Lester  
W. A. Newman  
K. J. O'Boyle  
N. D. Sutcliffe  
C. R. J. Walton  
V. A. Webster

### Secretary

S. J. S. Hart

### Investment Advisory Committee

J. M. Brew (*Chairman*)  
B. M. Hiorns  
N. Walter  
R. P. Walther

### Investment managers

Bankers Trust Company  
Fleming Investment Management Limited  
Mercury Asset Management plc  
Stanhope Investment Management Limited

### Property managers

Gerald Eve  
Jones Lang LaSalle  
Pepper Angliss & Yarwood  
Fountain Forestry

### Custodians for investments

Bankers Trust Company  
RBS Trust Bank Limited  
State Street Bank & Trust Company

### Auditors

Deloitte & Touche

### Bankers

HSBC Bank plc

### Medical adviser

E. J. Albright, M.B., Ch.B.

### Scheme Actuary

A. J. Wise  
Partner in the firm of Watson Wyatt Partners

### Solicitors

Eversheds  
Sacker & Partners

### Pensions administration

GEC Pensions Office  
P.O. Box 20  
Lichfield Road  
Stafford ST17 4LN  
Tel: 01785 256344  
Fax: 01785 274732

### Pension schemes registry number

101206410

# Report of the Trustee

5 April 1999

## The Plan grew by £285 million during the year

### Constitution

The G.E.C. 1972 Plan (the Plan), comprising The GEC Plan and Selected Benefit Scheme (SBS), is the principal pension arrangement in the UK for employees of The General Electric Company, p.l.c. (GEC). The Plan was established with effect from 6 April 1973 and is constituted under a definitive deed dated 4 March 1982, as amended.

The Plan is administered by a corporate trustee, Stanhope Pension Trust Limited (SPT). The power of appointing and removing the trustee, and the directors of SPT, is vested in GEC under the terms of the Plan's definitive deed and of the articles of association of SPT, respectively.

Employees of GEC and its subsidiary and associated companies which participate in the Plan are eligible to apply for membership provided they are under the age of 65. The Plan is not contracted-out of the State Earnings Related Pension Scheme.

### The fund

The fund of the Plan grew during the year ended 5 April 1999 by £285.8 million to £6,064.8 million deriving mainly as a result of the increase of £253.7 million in the market value of the investments. Net withdrawals arising from transactions with members and employers were £169.8 million and were offset by net income of £201.9 million generated by the investments.

In 1998, GEC and Alcatel floated their joint venture, formed in 1989, on the Stock Exchange, and the British subsidiary of the new company, ALSTOM UK Ltd, established its own pension scheme. A transfer of assets amounting to some £906.3 million was made from the Plan to the ALSTOM Pension Scheme on 6 April 1999. The transfer represented approximately 95% of the amount estimated to be due to the ALSTOM Pension Scheme in respect of the

benefits accrued by members, deferred pensioners and pensioners whose Plan service was with an ALSTOM UK Ltd employer. The balance will be paid following completion of the actuarial valuation.

Further information regarding the transfer is given on page 10.

### Actuarial valuation

The financial position of the Plan cannot be judged solely by the income and expenditure in any particular year, or by the market value of its investments at a particular point in time, but is shown by actuarial valuations normally undertaken triennially.

The next scheduled triennial actuarial valuation of the Plan was due to be undertaken as at 5 April 2000, but as a result of the ALSTOM transfer, it was decided to bring this forward and undertake a valuation as at 5 April 1999.

The main purposes of the valuation as at 5 April 1999 are for the Scheme Actuary to advise SPT and GEC:

- on the funding position at the valuation date, by a comparison of the assets at the valuation date with the value of the benefits in respect of pensionable service to that date,
- of the rate of contribution needed from the employers to meet the balance of the cost of benefits accruing for future service and
- of the proportion of assets of the Plan which relate to the benefits accrued by members, deferred pensioners and pensioners whose Plan service was with an ALSTOM UK Ltd employer.

Details of the results of the actuarial valuation will be reported to members next year.

A statement from the Scheme Actuary in terms of Disclosure Regulations is shown on page 24.

# Report of the Trustee

5 April 1999

## Investment policy and management of assets

Investments continue to be managed in accordance with the policy determined by SPT having regard to advice given by the Investment Advisory Committee (IAC) and by Stanhope Investment Management Limited (SIM). The Statement of Investment Principles (SIP), adopted by the Board of SPT having considered this advice, is available on request from SPT.

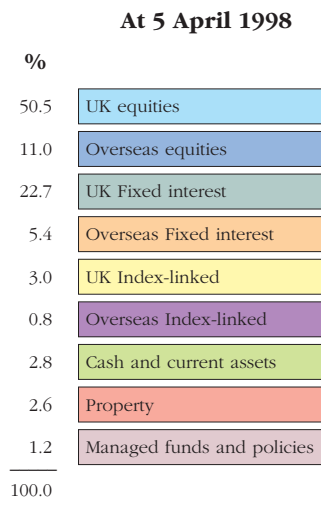
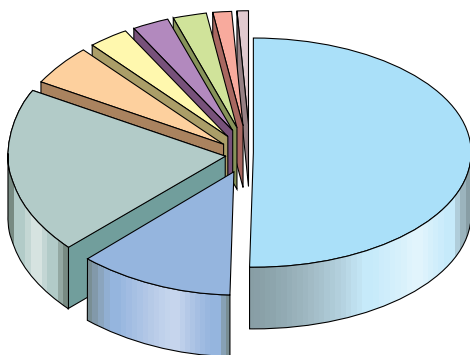
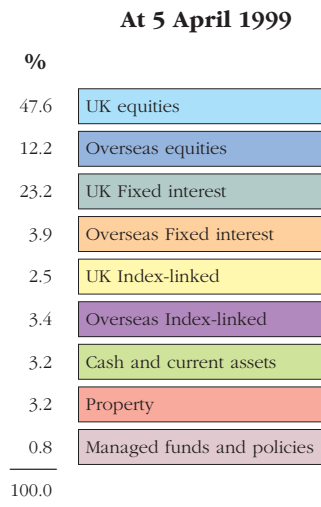
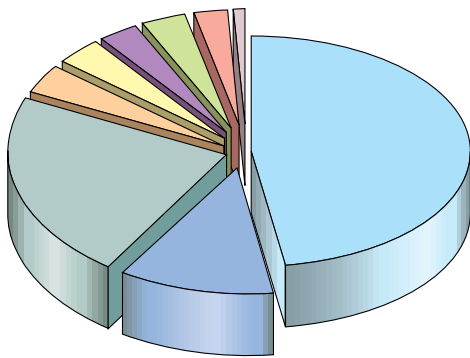
The IAC meets quarterly to review investment strategy and to make such recommendations as it considers appropriate. Dr Walter, a German economist, was appointed to the IAC in January 1999 to replace Mr Oakeshott whose resignation was reported last year. Further information

about the current members of the IAC is given on page 31.

As reported last year, SPT adopted a revised SIP so that the target distribution of the assets more closely matched the profile of the liabilities of the Plan. The decision was taken based on preliminary advice from the Scheme Actuary, who has now carried out a full Asset Liability Study, which confirmed that the new benchmark offers a sensible balance of risk and return. All investments were made in accordance with the SIP.

The charts below show the percentage distribution of the various categories of investment at each year end. The values of the investments are shown in the Net Assets Statement on page 15.

**Over £280 million was paid out in benefits last year**



# Report of the Trustee

5 April 1999

## Investment policy and management of assets (continued)

The investment managers are appointed by SPT and their objectives are laid down in customer agreements with SPT. All managers, except for Bankers Trust Company, are authorised by the Investment Management Regulatory Organisation (IMRO); the arrangement with Bankers Trust Company is governed by US law. SIM is a wholly-owned subsidiary of GEC.

The managers have responsibility for investments in specific geographical regions and investment categories, while property and most cash assets of the Plan are managed directly by SPT, as shown below:

Investment managers and portfolios	5 April 1999		5 April 1998	
	£m	%	£m	%
<b>Bankers Trust Company</b>				
<i>Short dated US Treasury Bonds</i>	<b>146.1</b>	<b>2</b>	<b>235.2</b>	<b>4</b>
<b>Fleming Investment Management Limited</b>				
<i>Japanese equities</i>	<b>164.8</b>	<b>3</b>	<b>118.2</b>	<b>2</b>
<b>Mercury Asset Management plc</b>				
<i>UK equities</i>	507.0	8	505.7	9
<i>European equities</i>	400.0	7	377.4	6
<i>Japanese equities</i>	160.3	3	124.0	2
<b>Total</b>	<b>1,067.3</b>	<b>18</b>	<b>1,007.1</b>	<b>17</b>
<b>SIM</b>				
<i>UK Fixed interest securities</i>	1,409.9	23	1,309.1	23
<i>UK Index-linked securities</i>	148.9	3	171.4	3
<i>Overseas Fixed interest securities</i>	87.6	1	80.0	1
<i>Overseas Index-linked securities</i>	203.9	3	47.1	1
<i>UK equities</i>	2,391.4	39	2,433.1	42
<i>Overseas equities</i>	30.7	1	34.2	1
<i>Property unit trusts</i>	13.4	-	11.9	-
<i>Managed funds</i>	46.5	1	62.3	1
<b>Total</b>	<b>4,332.3</b>	<b>71</b>	<b>4,149.1</b>	<b>72</b>
<b>Total externally managed assets</b>	<b>5,710.5</b>	<b>94</b>	<b>5,509.6</b>	<b>95</b>
<b>SPT</b>				
<i>Short-term deposits</i>	212.4	4	169.7	3
<i>Property</i>	191.7	3	139.9	3
<i>Other</i>	(49.8)	(1)	(40.2)	(1)
<b>Total</b>	<b>354.3</b>	<b>6</b>	<b>269.4</b>	<b>5</b>
<b>Total assets</b>	<b>6,064.8</b>	<b>100</b>	<b>5,779.0</b>	<b>100</b>

The amounts shown above for each manager's portfolio include net current assets / (liabilities)

SPT considers the US equity market to be at an unsustainably high level; a switch back from short dated US Treasury bonds (the portfolio currently managed by Bankers Trust Company) into US equities will be made when the market returns to a more realistic level.

Immediately following the year end, 15% of the assets of the Plan were transferred to the ALSTOM Pension Scheme. At the same time, SPT took a decision to consolidate its Japanese equity investments into a single portfolio. As a result, the Japanese equities managed by Mercury Asset Management (MAM) were transferred to Fleming Investment Management Limited (FIML) with effect from 6 April 1999.

# Report of the Trustee

5 April 1999

## Investment performance in the period to 31 December 1998

Rates of return on investments, used as a measure of investment performance, are calculated from investment income received and changes in the market value of investments over each calendar year. Plan performance is measured using a service provided by The WM Company (WM).

Historically, Plan performance has been compared with that of other funds participating in the WM service and the benchmarks used to assess the investment performance of the Plan were the average returns from the WM All Funds Universe (which includes over 1,500 funds with an aggregate value representing more than 75% of the value of UK pension funds' assets) and the WM50 Universe (which is comprised of the 50 largest funds measured by WM, each of which is valued at more than £1.6 billion). Comparisons were also made of the returns from various categories of investments against appropriate indices.

The comparisons were carried out largely as a matter of interest, to gauge whether a good return had been achieved; achieving the average pension fund return has never been a (formal or informal) target for the Plan and there has never been a desire to distribute the Plan's assets in a similar manner to other pension funds. The returns were only comparable to the extent that the investment strategy of other funds was similarly unconstrained. Until recently this was generally true but this has become less the case as customised benchmarks have become more common.

During last year, SPT adopted an investment strategy that is prudent in the light of the Asset Liability Study carried out by the Actuary and investment policy will be constrained accordingly. In future, comparisons are still likely to be made with total returns achieved by other funds but the new strategy will mean that it is much less a "like-for-like" comparison than was previously the case.

The table below summarises the results for the period ended 31 December 1998:

Period to 31 December 1998	Plan	WM All Funds Universe		WM50 Universe	
	Annualised return % per annum	Annualised Return % per annum	Percentile ranking	Annualised return % per annum	Percentile ranking
One year	13.9	14.0	42	14.2	59
Five years	11.9	11.0	17	11.1	12
Ten years	14.0	13.3	42	13.2	11

In the above table, the Plan return relative to other pension funds included in the WM survey is shown as a percentile ranking; a lower ranking indicates a more favourable comparison with others.

In 1998, the average return for UK pension funds was 14.0%. The average return reflected the performance of the largest sector, UK equities, which produced a return of 12.0% for the year. UK bonds and Index-linked sectors performed very strongly giving returns of 20.6% and 20.3% respectively, returns which have been bettered only once in the last fifteen years. European and US equities also performed strongly producing returns of 30.2% and 24.2% respectively.

The table below compares the Plan return and asset distribution with the WM pension fund average:

Category of investment	Return Year ended 31 December 1998		Distribution 31 December 1998	
	Plan %	WM All Funds Universe %	Plan %	WM All Funds Universe %
Fixed interest				
UK	21.1	20.6	24	9
Overseas (see below)	10.5	11.6	5	4
Index-linked	17.0	20.3	3	6
UK equities	9.6	12.0	46	50
Overseas equities	19.7	17.2	12	21
Property	10.9	12.8	3	5
Cash and net current assets (see below)	5.3	7.3	7	5
<b>Total fund assets measured</b>	<b>13.9</b>	<b>14.0</b>	<b>100</b>	<b>100</b>

The Bankers Trust portfolio is included in cash for performance measurement purposes.

# Report of the Trustee

5 April 1999

## Investment performance in the period to 31 December 1998 (continued)

The Plan underperformed when measured against the average performance of other funds mainly due to its poor return in the largest sector, UK equities, although this was offset by two factors; being underweight in that sector and strong performance in the UK Fixed Interest sector in which the Plan was overweight.

Investment performance is attributable to two factors: Policy and Selection. Policy measures the effect of the distribution of investments and also of changes made during the year whilst Selection measures the contribution made to performance by the choice of investments within each of the categories of asset.

In terms of Policy, the Plan performed better than the WM pension fund average in 1998. The positive contribution from Policy was mainly due to the timing of the switch from UK equities to fixed interest stocks. The main reason for the negative impact on performance by Selection was to be found in the UK equity sectors.

Over both the five and ten year periods ended 31 December 1998, the Plan achieved better returns than the average fund included in both the WM All Funds Universe and the WM 50 Universe. It must be remembered that investment performance relates to past returns and is not necessarily indicative of future results.

As explained in last year's report, SPT has adopted an investment strategy which seeks to match the Plan's assets more closely to its liabilities and involved a switch of assets from equity to fixed interest stocks; this action was confirmed by the results of the Asset Liability Study undertaken by the Scheme Actuary. A result of this strategy is that the Plan runs a significantly lower risk of a poor return but the opposite is also true - there will be less chance of an exceptionally high return.

Comparative information about rates of return on members' contributions is given on pages 7 and 8.

## Custody of assets

During the year, the custody of the stocks comprising the Japanese equities portfolio managed by FIML was transferred to State Street Bank & Trust Company (SSBTC) from Fledgeling Nominees International Limited (FNIL), an associate of FIML. FIML considered it was no longer appropriate to recommend FNIL as a custodian for SPT following the changes in the regulatory framework regarding associate companies acting as custodian, although it was stressed that the security of SPT's assets was never in question.

Another change in the custody arrangements occurred when management of the MAM Japanese equities portfolio was transferred to FIML; at the same date the custody of the assets was transferred to SSBTC from RBS Trust Bank (RBSTB).

In the past, SPT's policy was to retain custody of the assets of the Plan wherever it was practical to do so but, where necessary, SPT employed external custodians. The establishment of electronic trading and settlement systems in the UK, and a continuing increase in regulatory requirements, resulted in SPT deciding to employ external custodians for the majority of the assets of the Plan.

As a consequence of that decision, the custody of the UK equity portfolio managed by MAM was transferred to RBSTB during January 1999 and the custody of the UK equity portfolio managed by SIM, together with the remaining fixed interest securities held by SPT, was transferred to SSBTC during March 1999. The assets are held securely by the following custodians:

Investment Manager	Asset classes held by custodian	Custodian
Bankers Trust Company	US Treasury bonds	Bankers Trust Company
Fleming Investment Management Limited	Japanese equities	State Street Bank & Trust Company
Mercury Asset Management plc	UK and European equities	RBS Trust Bank Limited
Stanhope Investment Management Limited	UK and overseas equities, fixed interest and index - linked securities and property unit trusts	State Street Bank & Trust Company

The custodians are regularly assessed and the services provided are monitored to ensure that the assets are secure and that the service standards demanded by SPT are maintained.

# Report of the Trustee

5 April 1999

## Underwriting commissions

It was reported last year that the Inland Revenue had decided to appeal against the Special Commissioners' decision, taken in December 1997 in relation to a different pension fund, that underwriting commission income was exempt from income tax for pension funds. The appeal was heard in the Chancery Division of the High Court in October 1998 and was decided in favour of the Inland Revenue. The trustees of the fund concerned have now appealed against this latest decision; the appeal is expected to be heard in the next twelve months.

It remains SPT's view that the underwriting commissions are tax exempt investment income of the Plan and efforts by the Inland Revenue to tax such commissions as trading income will continue to be resisted.

## Membership

During the year to 5 April 1999, the contributing membership of both The GEC Plan and SBS has decreased whilst the number of both pensioners and deferred pensioners has increased.

Category of member	Number at 5 April 1999	Number at 6 April 1998
Contributor to The GEC Plan	43,638	46,945
Contributor to SBS	17,012	17,811
Pensioner	78,279	77,413
Deferred pensioner	58,208	57,094

11,374 contributing members of The GEC Plan, 4,937 contributing members of SBS, 6,358 pensioners and 3,030 deferred pensioners were transferred to the ALSTOM Pension Scheme on 6 April 1999.

Further statistics regarding the membership of the Plan are given on pages 28 and 29.

## Credited interest

A rate of credited interest is determined yearly by SPT, on the advice of the Actuary, by reference to past rates of return on Plan investments. The minimum rate is 2.5%. The rate determined for the Plan year ending 5 April 2000 is 9.5%.

Rates applicable for the ten years since 6 April 1990 are set out below:

Plan year to 5 April	Rate of credited interest	Plan year to 5 April	Rate of credited interest
	%		%
1991	20.00	1996	12.50
1992	17.00	1997	11.00
1993	17.00	1998	11.00
1994	13.25	1999	11.00
1995	13.50	2000	9.50

The average rate of credited interest for the ten years ending 5 April 2000 is 13.53% per annum.

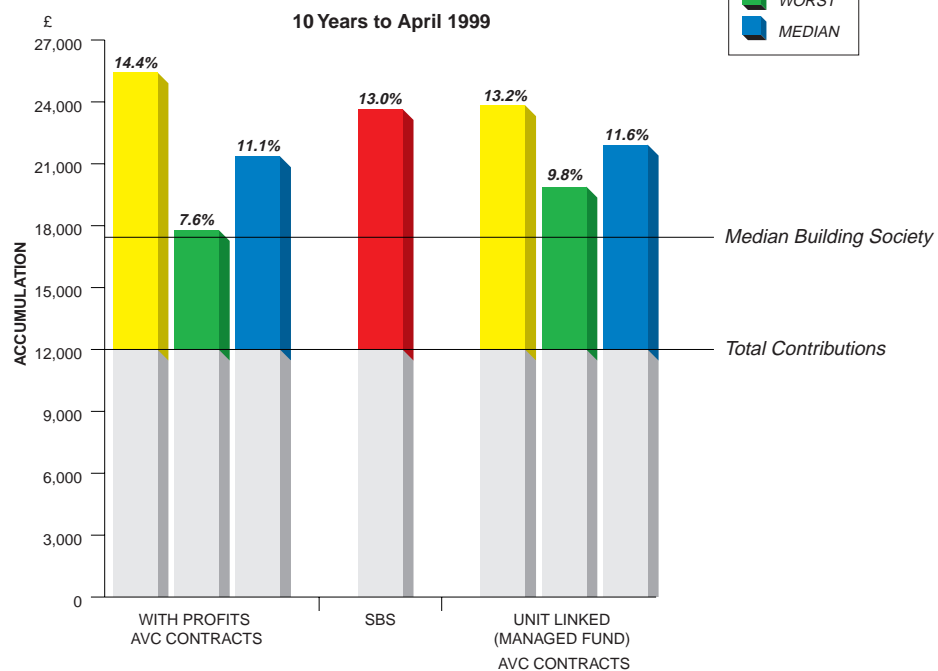
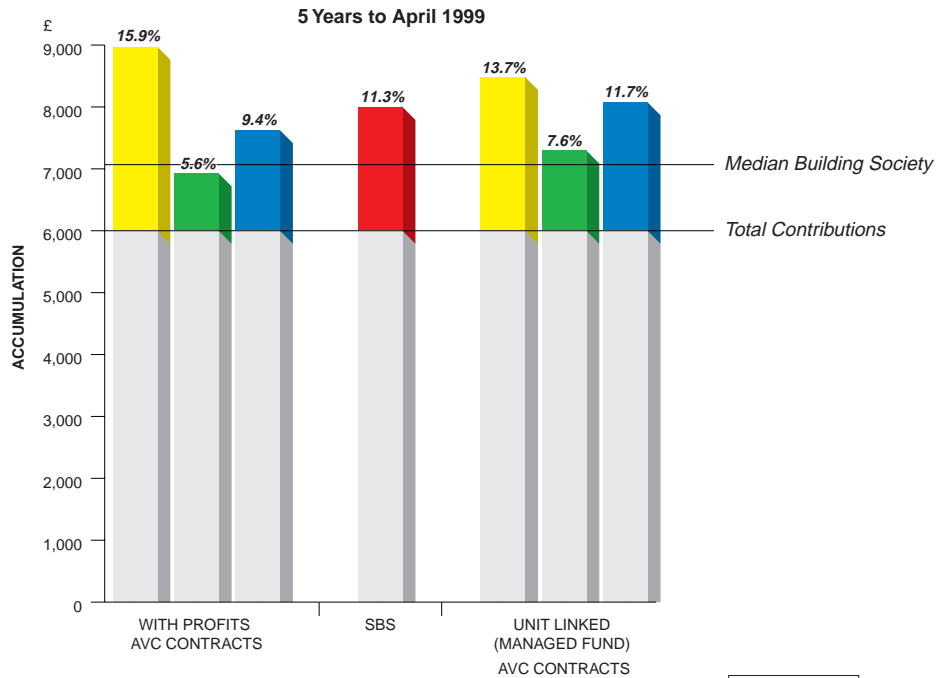
Members' contributions to The GEC Plan and SBS accumulate with credited interest. The amounts accumulated in The GEC Plan are used in the calculation of 'Basis 3' pensions and refunds of members' contributions on withdrawal or death; those accumulated in SBS are used to purchase an annuity at the date of retirement or as refunds of members' contributions on withdrawal or death.

# Report of the Trustee

5 April 1999

## Credited interest (continued)

A comparison of SBS with other pension arrangements, based on an accumulation of additional voluntary contributions (AVCs) of £100 per month, is given below for the five and ten year periods ended 5 April 1999.



Source: Watson Wyatt Partners

Percentages shown in the charts are average yearly rates of return on monthly contributions paid.

For those paying a contribution lower than £100 per month, the returns on with profits AVC contracts and unit linked (managed fund) AVC contracts would have been less than shown in the charts because expenses would have been proportionately higher.

# Report of the Trustee

5 April 1999

## Pension and deferred pension increases

The Plan Rules provide for increases of the smaller of 5% per annum and the increase in the General Index of Retail Prices (RPI). Increases above these rates, having regard to changes in the RPI and the resources of the Plan, are at the discretion of SPT and are subject to the approval of GEC.

An increase of 2.4%, which corresponds with the increase in the RPI over the twelve month period to January 1999, was applied to most pensions with effect from 1 May 1999. Proportionate increases were awarded to pensions which became deferred or commenced to be paid after 1 May 1998.

Some pensions and deferred pensions are not subject to increase, or are subject to fixed increases, according to the terms on which they were originally set up.

The following table shows the rates of increase to Plan pensions that generally applied during the past ten years:

Year beginning 1 May	Rate of Plan increase %	Comparable rate of increase in the RPI %	Year beginning 1 May	Rate of Plan increase %	Comparable rate of increase in the RPI %
1990	8.5	7.7	1995	3.3	3.3
1991	9.1	9.0	1996	2.9	2.9
1992	4.5	4.1	1997	2.8	2.8
1993	1.9	1.7	1998	3.5	3.3
1994	2.5	2.5	1999	2.4	2.4

The average rate of increase to a Plan pension which commenced payment on 1 May 1989 has been 4.1% per annum; over the same period the average rate of change in the RPI has been 3.9% per annum.

## Benefits

### Pensions

Due to the large number of members retiring and higher amounts of new pensions when compared to those ceasing, the amount paid in pensions grew at a faster rate than the annual increase awarded on 1 May 1998. At 1 May 1999, the average age of pensioners was 72.3 years and the average pension in payment amounted to £2,880 per annum. Most pensioners took part of their benefits as a capital sum at the date of retirement.

### Transfer values paid from the Plan

On leaving pensionable service, a member may choose to have the value of their deferred benefits transferred to another employer's approved pension scheme or to a personal pension policy. Individual transfers paid from the Plan to other pension schemes and to personal pension arrangements amounted to £8.1 million in the year to 5 April 1999 (1998 £3.1 million).

Transfer values may not be less than the value of benefits calculated on the basis used for the Minimum Funding Requirement (MFR). For the purpose of calculating the transfer value under this basis, SPT has considered whether discretionary benefits should be included and has determined that:

- Discretionary increases to pensions in payment should not be taken into account.
- Future credited interest should be anticipated at 8% per annum (the allowance made in the MFR calculation for the rate of return expected on British Government Securities).
- Provision for specified dependants' benefits should be made.
- No provision for favourable early retirement terms should be made.

### Transfer values paid to the Plan

As a general rule, SPT has imposed an embargo on the acceptance of transfer payments into the Plan except where such transfers occur as a result of bulk exercises following acquisitions of businesses by participating employers; this embargo was imposed due to uncertainties created by some effects of the Pensions Act 1995 which have not been resolved.

# Report of the Trustee

5 April 1999

## **Transfer values paid to the Plan (continued)**

In the year under review, an individual transfer payment was accepted by SPT in respect of a member who had previously worked for the Plessey group of companies. The benefits accrued by this member whilst employed by Plessey were not part of the bulk exercise undertaken following the acquisition of the Plessey group by GEC and Siemens and were dealt with separately.

## **Death benefits**

Members are recommended to nominate the persons to whom they wish benefits to be paid in the event of death and to review such nominations if personal circumstances change. A nomination form (P7) is available from personnel departments or direct from SPT; completed nomination forms are treated in strictest confidence by SPT.

## **Financial counselling**

An independent financial counselling service is available to members and to their dependants where capital benefits payable exceed £25,000. This service was used by 297 retiring employees and dependants during the year (1998 239).

## **Acquisitions, mergers and disposals of businesses by employers**

### **Acquisitions and mergers**

As a result of the acquisition of the business of Mirrlees Blackstone Limited by GEC ALSTHOM Diesels Limited, 980 employees were invited to join the Plan for future service benefits from 10 May 1997. An offer of substituted benefits in the Plan in respect of past service benefits to 5 April 1997 in the BTR Group Pension Scheme was made to former members of that plan and a transfer value amounting to £23.6 million is included in the accounts in respect of the 493 members who opted to transfer.

An additional amount of £0.2 million is included in the accounts in respect of the transfer paid from the Siemens Communications Systems Limited Pension Scheme. This amount represents the balance of a transfer accounted for in an earlier year's report.

Investigations are continuing into the possibility of a transfer relating to the acquisition of Tetrel Limited (by Marconi Communications Limited); if appropriate, it is expected that a transfer will be included in the accounts for the year ending 5 April 2000.

### **Disposals**

During the year transfer arrangements were finalised for the employees of Magec Aviation, Marconi Instruments and GEC ALSTHOM Low Voltage Equipment Liverpool and Trafford Park sites. For those employees who elected to transfer the value of their Plan benefits to their new employer's pension scheme, the relevant asset transfer from the Plan is shown in the accounts.

In addition an adjustment is shown in the accounts for the transfer value in respect of employees at the PABX business of GPT Limited, payment of which was delayed due to a change in personnel at the Pensions Office of the receiving pension scheme.

No transfer has yet been made in respect of the disposals of Plessey Semiconductors (which was mentioned in last year's report) or Seal Semiconductors Limited. The employees concerned have been offered an opportunity of transferring their interests in the Plan to their new employers' pension schemes or to personal pension providers and SPT is awaiting the return of the members' option forms. For those who choose to transfer, the appropriate asset transfers are expected to be included in the accounts for the year ending 5 April 2000.

## **ALSTOM transfer**

GEC and ALCATEL floated their joint venture, formed in 1989, on the stock market in June 1998. As a result of the flotation, GEC ALSTHOM Limited changed its name to ALSTOM UK Ltd (AUK).

As reported last year, an agreement made with AUK, to which ALSTOM Pension Trust Limited (APT) and SPT were parties, provided that AUK would set up its own pension arrangements. The ALSTOM Pension Scheme (APS) was established during the year and, as envisaged in the agreement, a transfer of assets from the Plan was made to APS on 6 April 1999.

11,374 contributing members employed by an AUK company at the date of the transfer, together with 3,030 deferred pensioners and 6,358 pensioners, whose benefits were derived from employment with a GEC ALSTHOM company, were transferred to the APS. The Scheme Actuary estimated that the share of fund attributable to such members was 15.79% of the Plan's assets and an on-account transfer amounting to approximately 95% of this figure occurred on 6 April 1999. Further information relating to the transfer to APS is given in note 15 to the accounts.

# Report of the Trustee

5 April 1999

## Year 2000

An exercise has been successfully completed to ensure that Pensions Office systems and, where applicable suppliers' systems, are year 2000 compliant. The exercise cost £335,000 and has been subject to outside scrutiny by consultants employed by GEC.

## Administration

Expenses relating to administration and investment management activities are borne by the Plan. For the year to 5 April 1999 expenses amounted to £9.9 million (1998 £10.0 million). The decrease is attributable to investment management fees which have reduced as a result of the restructuring of the portfolios reported last year, although this was partially offset by increases in the professional fees and the costs of running the Pensions Office. These increases were as a result of both the ALSTOM exercise and the work carried out on the selection of a replacement pensions administration system.

Expenses were 7.6% of the sum of normal contributions to The GEC Plan and SBS in the year to 5 April 1999 (1998 7.4%). 'Normal contributions' is the rate of contributions which, ignoring the amortisation of surplus, would be required to provide Plan benefits; the rate was 10.1% of pensionable earnings in the year to 5 April 1999 (1998 10.6%).

The expenses are analysed in notes 7 and 10 to the accounts.

## Communication

Application forms to join The GEC Plan and SBS are made available to all new employees together with the Plan booklet. Copies of these documents are available on request from Unit personnel departments or SPT.

Before joining the Plan, an employee may request a quotation showing contributions and prospective benefits. Each member and pensioner receives a yearly statement of benefits with further statements provided for members who pay additional voluntary contributions to SBS; statements are also issued to deferred pensioners.

The 1998 Report and Accounts were issued to Units to be made available to members and direct to members, pensioners and deferred pensioners to meet specific requests. Each member, pensioner and deferred pensioner was sent a copy of a leaflet setting out salient features from the 1998 Report and Accounts.

This year's Report and Accounts will be made available to members and prospective members at their Units. It is intended to replace the salient features issued in previous years with a new document (which will include the financial highlights); the new document will be distributed to employees and pensioners later in the year.

Contributing members of the Plan are encouraged to obtain information concerning the Plan direct from their Unit personnel departments. However, should they wish to contact SPT they should write to the address given on page 1, quoting their National Insurance number and employing Unit. Members can also contact Pension Consultative Committee (PCC) representatives at their Units or the chairmen or secretaries of the PCCs at the addresses shown on page 32.

In addition to supplying documentation about the Plan, Pensions Office staff visit Units to deliver pre-retirement courses, make presentations to new joiners and explain Pension Office procedures to the Units' administration staff. Consideration of ways to enhance communications and presentations to members is continuous and an interactive quotation system for contributing members is being evaluated.

## Financial statements

SPT is responsible for the preparation of the financial statements which follow this report. Pension scheme regulations require SPT to make available to Plan members, beneficiaries and certain other parties, audited financial statements which:

- show a true and fair view of the financial transactions of the Plan during the year and of the amount and disposition of the assets and liabilities at the end of the year (other than the liability to pay pensions and other benefits after the end of the year which are dealt with in the Actuary's report),
- contain the information specified in the Schedule to The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, and
- are prepared in accordance with the Statement of Recommended Practice "Financial Reports of Pension Schemes".

SPT has supervised the preparation of the financial statements and has ensured that suitable accounting policies have been agreed and applied consistently and that any judgements and estimates that have been made are reasonable and prudent.

SPT is also responsible for ensuring that contributions to the Plan are made in accordance with the Plan rules and the recommendation of the Actuary and that contributions are paid within the time limit laid down in the regulations made under the Pensions Act 1995.

# Report of the Trustee

5 April 1999

## Trust Deed and Rules

The 12th Deed of Variation to the Plan, which changes the SBS rules so that members' contributions can be paid on a wider range of earnings, was executed on 5 May 1999. Details are to be circulated and the deed is available for inspection by the members.

## Member Nominated Directors (MNDs)

Regulations under the Pensions Act 1995 place a statutory obligation on SPT to secure the nomination of MNDs to the Board, and thus on GEC to appoint MNDs.

This requirement is met by the operation of the four regional PCCs which are elected by the members and which each nominate a director to be appointed to the SPT Board. Representation of pensioners and deferred pensioners is also via the PCCs. Members of the Plan may continue to serve on the PCC if they so wish, having left the employment of GEC or another participating employer, for a period of up to four years.

Further information relating to the PCCs is given on page 32.

## Trustee Board

The following changes have been made in the composition of the Board since 5 April 1998:

*Resignations*            Mr D A Wells on 6 April 1999  
                              Mr R M Hadley on 8 April 1999  
                              Mr P E Read on 14 April 1999

Mr Wells and Mr Hadley, directors since 1991 and 1996 respectively, resigned following the transfer of the interests of the ALSTOM group of companies, by which they are employed, to the ALSTOM Pension Scheme. Mr Read, a director since 1997, resigned on his resignation as Pensions Manager of GEC.

*Appointments*        Mr A B Lee on 29 April 1998  
                              Mr N D Sutcliffe on 29 April 1998  
                              Mr K J O'Boyle on 19 April 1999  
                              Mr W A Newman on 3 August 1999

Mr Lee is the Group HR Director of Marconi Communications Limited, Mr Sutcliffe is Managing Director Strategic Networks of Marconi Communications Limited, Mr O'Boyle is GEC Group Pensions Director and Mr Newman is the Military Sales and Marketing Manager of Matra Marconi Space at Stevenage.

Further information about the current members of the Board is given on page 30.

On leaving GEC on 5 April 1999, Brian Roberts resigned as company secretary of SPT, a post he had held since 1983. The Board wishes to record its thanks and best wishes to Brian for his retirement.

Dr Stephen Hart, Legal Manager in the GEC Pensions Office, was appointed by the Board as company secretary from 5 April 1999.



**J M Brew**  
Chairman

27 August 1999

# Auditors' Report to the Trustee

for the year ended 5 April 1999

## To the Trustee of the G.E.C. 1972 Plan ('the Plan')

We have audited the financial statements on pages 14 to 23 which have been prepared on the basis of the accounting policies set out on page 16.

### Respective responsibilities of the Trustee and Auditors

As described on page 11, the trustee is responsible for obtaining financial statements and for procuring that contributions are made to the Plan in accordance with the Plan rules and with the recommendations of the actuary.

It is our responsibility to form independent opinions, based on our audit, on those financial statements and about contributions to the Plan and to report our opinions to you.

### Bases of opinions

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by or on behalf of the trustee in the preparation of the financial statements and of whether the accounting policies are appropriate to the Plan's circumstances, consistently applied and adequately disclosed. The work that we carried out also included examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Plan and the timing of those payments.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement, whether caused by fraud or other irregularity or error and that contributions have been made in accordance with the Plan rules and the recommendation of the actuary. In forming our opinions we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinions

In our opinion, the financial statements show a true and fair view of the financial transactions of the Plan for the year ended 5 April 1999 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan year, and contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995.

In our opinion, contributions under the Plan during the year ended 5 April 1999 have been paid in accordance with the Plan rules and the recommendation of the actuary.



8 September 1999

Deloitte & Touche

### Chartered Accountants and Registered Auditors

Colmore Gate  
2 Colmore Row  
Birmingham  
B3 2BN

# Fund Account

for the year ended 5 April 1999

	Note	1999 £ million	1998 £ million
<b>Contributions from members</b>	2		
The GEC Plan		32.2	31.9
SBS for retirement benefits		22.1	22.0
SBS for death in service benefits		0.3	0.3
		<hr/>	<hr/>
		54.6	54.2
<b>Contributions from employers</b>	2		
The GEC Plan		70.9	64.0
For benefit augmentations		0.0	0.1
		<hr/>	<hr/>
		70.9	64.1
<b>Transfer values received</b>	3		
Individual		0.3	0.0
Bulk exercises		23.8	1.9
		<hr/>	<hr/>
		24.1	1.9
<b>Receipts from life office</b>	4	0.3	0.0
		<hr/>	<hr/>
<i>Total</i>		149.9	120.2
		<hr/>	<hr/>
<b>Benefits paid</b>	5	285.2	271.6
<b>Transfer values paid</b>	6		
Individual		8.1	3.1
Bulk exercises		20.4	63.9
		<hr/>	<hr/>
		28.5	67.0
<b>Administration expenses</b>	7	5.7	4.3
<b>Premiums to life office</b>	8	0.3	0.3
		<hr/>	<hr/>
<i>Total</i>		319.7	343.2
		<hr/>	<hr/>
<b>Net withdrawals arising from transactions with members and employers</b>		(169.8)	(223.0)
		<hr/>	<hr/>
<b>Returns on investments</b>			
Investment income	9	206.1	172.6
Investment management expenses	10	(4.2)	(5.7)
Changes in market values of investments	11	253.7	1,119.6
		<hr/>	<hr/>
<b>Net returns on investments</b>		455.6	1,286.5
		<hr/>	<hr/>
<b>Net increase in the Fund during the year</b>		285.8	1,063.5
Net assets at the beginning of the year		5,779.0	4,715.5
		<hr/>	<hr/>
<b>Net assets at the end of the year</b>		6,064.8	5,779.0
		<hr/> <hr/>	<hr/> <hr/>

# Net Assets Statement

at 5 April 1999

	Note	1999 £ million	1998 £ million
<b>Investments</b>	11		
<b>Fixed interest securities</b>			
UK		1,409.9	1,309.1
Overseas		233.7	314.4
		<u>1,643.6</u>	<u>1,623.5</u>
<b>Index-linked securities</b>			
UK		148.9	171.4
Overseas		203.9	47.1
		<u>352.8</u>	<u>218.5</u>
<b>Equities</b>			
UK		2,890.2	2,920.7
Overseas		742.2	637.2
		<u>3,632.4</u>	<u>3,557.9</u>
<b>Property</b>			
Freehold and leasehold		178.2	139.9
Unit trusts		13.4	11.9
		<u>191.6</u>	<u>151.8</u>
<b>Managed funds</b>		46.5	62.3
<b>Insurance policies</b>		4.0	4.7
<b>Short-term deposits</b>			
Sterling		228.4	192.1
Foreign currencies		1.7	5.0
		<u>230.1</u>	<u>197.1</u>
<i>Total investments</i>		<u>6,101.0</u>	<u>5,815.8</u>
<b>Net current liabilities</b>	12	(36.2)	(36.8)
<b>Net assets at end of the year</b>		<u>6,064.8</u>	<u>5,779.0</u>

The notes on pages 16 to 23 form part of these accounts.

Approved by  
Stanhope Pension Trust Limited  
on 27 August 1999

J. M. Brew  
Kevin J O'Boyle

J. M. Brew  
K. J. O'Boyle } Directors

# Notes to the Accounts

5 April 1999

## 1 Accounting policies

### (a) *Basis of preparation*

The accounts are prepared and audited in accordance with regulations made under section 41 (1) and (6) of the Pensions Act 1995 (the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996) and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes issued by the Pensions Research Accountants Group.

The accounts summarise the transactions and net assets of the Plan. They do not take account of liabilities to pay pensions and other benefits in the future. The actuarial position of the fund, which does take account of such liabilities, is dealt with in the statement by the Actuary on page 24 and the accounts should be read in conjunction with this statement.

### (b) *Fund Account*

Items are brought into account on an accruals basis.

Individual transfers are accounted for at the date of transfer whilst bulk transfers involving other pension schemes are added to or deducted from the Fund Account on an accruals basis where arrangements have been agreed by the trustees of receiving and ceding pension schemes and, where necessary, members' consents have been obtained.

Changes in market values of investments relate to increases and decreases arising from movements in the prices of investments including realised profits and losses arising during the year from disposals of investments.

### (c) *Net Assets Statement*

Investments are valued on the bases shown below:

Securities listed on UK and recognised overseas stock exchanges, at closing prices as at 5 April 1999 adjusted, where applicable, by accrued interest.

Unlisted securities, at valuations provided by the Plan's investment managers.

Freehold and leasehold property was valued as at 5 April 1999, by valuers working for either DTZ Debenham Thorpe or Jones Lang LaSalle acting in the capacity of External Valuers. All such valuers are members of the Royal Institution of Chartered Surveyors (RICS). All properties were valued on the basis of Open Market Value with all valuations carried out in accordance with the RICS Appraisal and Valuation Manual.

Unit trusts, at closing prices provided by the managers.

Managed funds and insurance policies, consistent with the actuarial statement on page 24.

Overseas investments' values are translated into sterling at the rates of exchange ruling as at 5 April 1999.

## 2 Contributions

### (a) Members contributed to The GEC Plan at a rate of 3% of earnings.

Where applicable, members also contributed additional voluntary contributions to SBS for retirement benefits and death in service benefits at varying amounts specified by them, subject to the limits imposed by legislation.

### (b) Employers contributed to The GEC Plan at a rate of 6.6% of members' earnings (1998 6.0%) and paid the capital cost of augmentations to benefits under the trust deed.

# Notes to the Accounts

5 April 1999

## 3 Transfer values received

Bulk transfers of assets were received from the following pension schemes (or provided for in the accounts) as a result of arrangements agreed between SPT and the trustees of the ceding schemes following acquisitions of businesses by the participating employers.

	1999			1998
	The GEC Plan £ million	SBS £ million	Total £ million	Total £ million
The BTR Pension Scheme	23.0	0.6	23.6	0.0
Siemens Communication Systems Limited Pension Scheme	0.2	0.0	0.2	0.0
London Regional Transport Pension Fund	0.0	0.0	0.0	1.1
Ferranti Pension Scheme	0.0	0.0	0.0	0.7
Meggitt Group 1990 Pension Scheme	0.0	0.0	0.0	0.1
	<b>23.2</b>	<b>0.6</b>	<b>23.8</b>	<b>1.9</b>

## 4 Receipts from life office

These relate to claims from the insurance of SBS death in service benefits.

## 5 Benefits

	1999			1998
	The GEC Plan £ million	SBS £ million	Total £ million	Total £ million
Pensions	225.9	0.0	225.9	207.9
Cash sums on retirement	50.2	0.1	50.3	53.6
Capital payments on death	5.0	0.1	5.1	5.8
Refunds of members' contributions with credited interest				
on death	2.5	0.6	3.1	3.6
on leaving service	0.4	0.4	0.8	0.7
	<b>284.0</b>	<b>1.2</b>	<b>285.2</b>	<b>271.6</b>

Benefits take account of improvements effective during the year; most pensions in payment, deferred pensions and contingent pensions were increased by 3.5% on 1 May 1998.

Transfers of assets from SBS to purchase pensions in The GEC Plan for members retiring in the year ended 5 April 1999 amounted to £32.4 million (1998 £35.2 million). As this amount is an intra fund transfer it is excluded from the face of the accounts.

# Notes to the Accounts

5 April 1999

## 6 Transfer values paid

- (a) Individual transfer values paid, at the request of members who had left pensionable service, in lieu of benefits to which they were entitled, comprised:

	1999			1998
	The GEC Plan £ million	SBS £ million	Total £ million	Total £ million
Personal pension providers	3.6	0.3	3.9	1.2
Other employers' schemes	4.0	0.2	4.2	1.9
	<u>7.6</u>	<u>0.5</u>	<u>8.1</u>	<u>3.1</u>

- (b) Bulk transfers of assets were made to the following pension schemes (or were provided for in the accounts) as a result of arrangements agreed between SPT and the trustees of the receiving schemes following disposals of businesses by the participating employers.

	1999			1998
	The GEC Plan £ million	SBS £ million	Total £ million	Total £ million
Siemens Group Pension Scheme	16.0	0.5	16.5	41.6
IFR Pension Plan	2.9	0.2	3.1	0.0
GE Pension Plan	0.5	0.1	0.6	0.0
Magec Aviation Group Personal Pension Plan	0.2	0.0	0.2	0.0
AEI Wire and Cables Pension Scheme	0.0	0.0	0.0	22.1
ABB Plan	0.0	0.0	0.0	0.2
	<u>19.6</u>	<u>0.8</u>	<u>20.4</u>	<u>63.9</u>

## 7 Administration expenses

	1999 £ million	1998 £ million
GEC Pensions Office	5.0	4.0
Actuarial, audit and legal fees	0.7	0.3
	<u>5.7</u>	<u>4.3</u>

## 8 Premiums to life office

These relate to the insurance of SBS death in service benefits.

# Notes to the Accounts

5 April 1999

## 9 Investment income

	1999 £ million	1998 £ million
<b>Fixed interest securities</b>		
UK	87.9	27.6
Overseas	5.5	1.4
<b>Index-linked securities</b>		
UK	3.6	4.4
Overseas	2.3	0.7
<b>Equities</b>		
UK	73.6	99.7
Overseas	5.5	7.8
	<u>178.4</u>	<u>141.6</u>
Property		
Freehold and leasehold	14.2	13.6
Unit trusts	0.5	1.0
	<u>14.7</u>	<u>14.6</u>
Short-term deposits	13.0	16.4
	<u>206.1</u>	<u>172.6</u>

## 10 Investment management expenses

	1999 £ million	1998 £ million
Investment management	3.2	4.7
Property management	1.0	1.0
	<u>4.2</u>	<u>5.7</u>

Investment management includes fees charged by SIM related to direct costs incurred, amounting to £0.5 million for the year (1998 £0.5 million). Fees charged by the other investment managers are calculated as a percentage of the market value of the investments which they manage and, in some cases, are linked to performance compared with market indicators.

Property managers charge fees related to the amount of rental income on the properties they manage. There are also additional fees for items such as rent reviews, lease renewals and irrecoverable expenses on empty properties.

# Notes to the Accounts

5 April 1999

## 11 Investments

a) Movements of net assets during the year ended 5 April 1999

	Market value at 5 April 1998 £ million	Purchases at cost £ million	Sales proceeds £ million	Net investment £ million	Changes in market values of investments £ million	Market value at 5 April 1999 £ million
<b>INVESTMENTS</b>						
<b>Fixed interest securities</b>						
UK	1,309.1	1,217.6	(1,226.1)	(8.5)	109.3	<b>1,409.9</b>
Overseas	314.4	156.8	(262.1)	(105.3)	24.6	<b>233.7</b>
<b>Index-linked</b>						
UK	171.4	81.5	(121.1)	(39.6)	17.1	<b>148.9</b>
Overseas	47.1	196.3	(42.2)	154.1	2.7	<b>203.9</b>
<b>Equities</b>						
UK	2,920.7	751.9	(776.5)	(24.6)	(5.9)	<b>2,890.2</b>
Overseas	637.2	375.4	(362.3)	13.1	91.9	<b>742.2</b>
<b>Property</b>						
Freehold and leasehold	139.9	39.5	(7.9)	31.6	6.7	<b>178.2</b>
Unit trusts	11.9	1.6	0.0	1.6	(0.1)	<b>13.4</b>
<b>Managed funds</b>						
	62.3	0.0	(23.3)	(23.3)	7.5	<b>46.5</b>
<b>Insurance policies</b>						
	4.7	0.0	(1.1)	(1.1)	0.4	<b>4.0</b>
		<u>2,820.6</u>	<u>(2,822.6)</u>			
<b>Short-term deposits</b>						
Sterling	192.1			36.3	0.0	<b>228.4</b>
Foreign currencies	5.0			(2.8)	(0.5)	<b>1.7</b>
<i>Total investments</i>	<u>5,815.8</u>			<u>31.5</u>	<u>253.7</u>	<u><b>6,101.0</b></u>
<b>Net current liabilities</b>						
	<u>(36.8)</u>			<u>0.6</u>	<u>0.0</u>	<u><b>(36.2)</b></u>
	<u><u>5,779.0</u></u>			<u><u>32.1</u></u>	<u><u>253.7</u></u>	<u><u><b>6,064.8</b></u></u>

# Notes to the Accounts

5 April 1999

## 11 Investments (continued)

(b) Sterling deposits were held with the following banks:	1999 £ million	1998 £ million
Bank of Scotland Treasury Services plc	50.0	25.0
Halifax plc	50.0	0.0
HSBC Bank plc	45.3	32.7
Lloyds TSB plc	25.0	34.3
Abbey National Treasury Services plc	25.0	55.0
State Street Bank & Trust Company	14.8	1.9
RBS Trust Bank plc	13.3	2.8
Coutts & Co	5.0	30.0
Barclays Bank plc	0.0	10.4
	<b>228.4</b>	<b>192.1</b>

All sterling deposits are held on call accounts or are fixed deposits for periods not exceeding one month.

(c) Foreign currencies deposits comprised:	1999 £ million	1998 £ million
Japanese Yen	4.0	5.0
Forward contracts	(2.7)	0.0
Other	0.4	0.0
	<b>1.7</b>	<b>5.0</b>

Foreign currency deposits are held on call accounts. The amounts shown for forward contracts represent aggregate losses based on year end exchange rates on contracts to buy or sell foreign currencies which had settlement dates falling after the year end.

- (d) Investment in participating employers  
The only employer related investments held were shares in GEC.  
There were no dealings in GEC shares during the year. The market value of the remaining shares at the year end was £25.4 million (1998 £21.0 million). The Plan's investments comply with the restrictions prescribed for employer related investments.
- (e) There were no calls payable on quoted or unquoted securities and no contingent underwriting liabilities at the year end (1998 Nil).
- (f) The market value of holdings in unit trusts comprised:
- |   | 1999<br>£ million | 1998<br>£ million |
|---|-------------------|-------------------|
| Operating companies registered outside the UK | 30.7              | 34.2              |
| Operating companies registered within the UK  | 149.9             | 162.3             |
- (g) Managed funds consist of an investment bond with the Prudential Assurance Company.
- (h) At 5 April 1999 the Plan had no individual investment which amounted to more than 5 per cent of the net assets (1998 Nil).

# Notes to the Accounts

5 April 1999

## 12 Net current liabilities

	1999 £ million	1998 £ million
<b>Debtors</b>		
Investments sold	34.3	25.5
Investment income	27.0	24.2
Contributions	7.0	6.5
Tax on investment income	1.4	1.2
Transfers from other pension schemes	0.1	0.3
Other	0.7	0.0
	<b>70.5</b>	<b>57.7</b>
<b>Bank balances - current accounts overdrawn</b>	<b>(1.3)</b>	<b>(4.9)</b>
<b>Creditors</b>		
Transfers to other pension schemes*	(61.4)	(41.8)
Investments purchased	(30.2)	(31.5)
Benefits	(5.6)	(7.9)
Investment income in advance	(2.7)	(2.8)
PAYE	(3.4)	(2.5)
Administration expenses	(2.0)	(2.5)
Other	(0.1)	(0.6)
	<b>(105.4)</b>	<b>(89.6)</b>
	<b>(36.2)</b>	<b>(36.8)</b>

\*This item relates mainly to the transfer to Siemens Group Pension Scheme shown in note 6(b). It was expected to be paid in September 1998 but was delayed due to staff changes at the Siemens Pensions Office and was actually paid on 23 July 1999.

## 13 Taxation

### *UK income tax*

The Plan is exempt approved by the Inland Revenue under Chapter I Part XIV of the Income and Corporation Taxes Act 1988.

### *Underwriting commissions*

No provision has been included in these accounts for a contingent liability amounting to £1.8 million arising from assessments by the Inland Revenue on underwriting commissions received since 1981. The assessments have been made on the basis that the commissions represent profits arising from trading.

SPT has appealed against the assessments on the grounds that the commissions represent investment income of the Plan and are therefore exempt from income tax.

In December 1997, the Inland Revenue presented a test case before the Special Commissioners, who found in favour of the fund concerned. The Inland Revenue appealed against that decision and the Court found in favour of the Inland Revenue. The fund concerned has appealed against this decision and the case is expected to be heard in the next twelve months.

Further consideration will be given to SPT's position when the result of the appeal is known.

## 14 Value of Selected Benefit Scheme (SBS)

The combined assets of The GEC Plan and SBS are shown in the Net Assets Statement on page 15. The value of SBS at 5 April 1999 was £231.7 million (1998 £215.1 million).

# Notes to the Accounts

5 April 1999

## 15 Post balance sheet event

Assets were transferred from the Plan to the ALSTOM Pension Scheme (APS) on 6 April 1999 in respect of the benefits accrued by 11,374 contributing members (including 4,937 who were also contributors to SBS), 6,358 pensioners and 3,030 deferred pensioners whose benefits were transferred to APS on the same date.

The Actuary to the Plan estimated that the proportion of assets required to support the liabilities transferred to APS was 15.79% of the total assets of the Plan. The agreement between SPT and ALSTOM Pension Trustee Limited (APT) allowed for 95% of this estimate to be transferred on 6 April 1999. Consequently, 15% of the assets of the Plan were transferred to APS; where practical, the transfer was made in specie. Where this was not possible, cash payments were made.

The table below shows the values of the assets actually transferred at 6 April 1999. It is expected that the balance outstanding will be transferred when the results of the actuarial valuation as at 5 April 1999 are known and a calculation of the final proportion of the assets attributable to APS is completed by the Actuary. The balancing transfer is expected to be made in specie with a cash adjustment if it is necessary.

	Market values at 5 April 1999 £ million	Actuary's estimate of assets to be transferred at 6 April 1999 £ million	Market values of actual assets transferred at 6 April 1999 £ million
<b>INVESTMENTS</b>			
<b>Fixed interest securities</b>			
UK	1,409.9	222.6	204.3
Overseas	233.7	36.9	13.1
<b>Index-linked</b>			
UK	148.9	23.5	22.3
Overseas	203.9	32.2	30.6
<b>Equities</b>			
UK	2,890.2	456.4	435.1
Overseas	742.2	117.2	106.4
<b>Property</b>			
Freehold and leasehold	178.2	28.1	0.0
Unit trusts	13.4	2.1	0.0
<b>Managed funds</b>			
	46.5	7.3	0.0
<b>Insurance policies</b>			
	4.0	0.6	0.0
<b>Short-term deposits</b>			
Sterling	228.4	36.1	94.5
Foreign currencies	1.7	0.3	0.0
<i>Total investments</i>	<u>6,101.0</u>	<u>963.3</u>	<u>906.3</u>
<b>Net current liabilities</b>			
	<u>(36.2)</u>	<u>(5.7)</u>	<u>0.0</u>
	<u><u>6,064.8</u></u>	<u><u>957.6</u></u>	<u><u>906.3</u></u>

# Report of the Scheme Actuary

Actuarial Statement made for the purposes of Regulation 8 of The Occupational Pension Schemes (Disclosure of Information) Regulations 1986

## G.E.C. 1972 Plan ("the Plan")

Effective date of valuation: 5 April 1997

### 1 Security of accrued rights

In my opinion, the Plan's assets existing on the effective date fully cover its liabilities as at that date, including liabilities arising in respect of the service of pensioners and deferred pensioners prior to the effective date and on the basis that the service of active members terminates on that date.

### 2 Security of prospective rights

In my opinion, the resources of the Plan are likely in the normal course of events to meet in full the liabilities of the Plan as they fall due. In giving this opinion, I have assumed that the following amounts will be paid to the scheme:

#### Description of contributions

By members: as specified in the Rules

By the employer: 6.0% of earnings until 5 April 1998: 6.6% for 11 years from 6 April 1998 to 5 April 2009, and 7.1% thereafter, subject to review at future valuations

### 3 Summary of methods and assumptions used

For the purposes of both Sections 1 and 2 I have assumed that the Plan will continue.

The liabilities referred to in Section 1 relate to the accrued rights of members. Those rights are, in respect of current and deferred pensioners, the benefits currently and prospectively payable and, in the case of active members, the benefits to which they would have been prospectively entitled if they had voluntarily left service at the effective date. In the normal course of events active members will continue to accrue benefits under the Plan and their benefits will be based on their actual pensionable service at cessation of active membership and their final pensionable salaries at that time.

The liabilities referred to in Section 2 relate to the benefits which are expected to become payable under the normal operation of the Plan. They take account of future benefit accruals and include appropriate allowance for future earnings increases.

Funding method:	Projected unit
Main financial assumptions:	% per annum
Return on new investments	8.25
Increases in earnings	6.00
Increases in equity dividends	4.50
Increases in pensions	3.75
Credited interest declarations	8.25

Further details of the methods and assumptions used are set out in my actuarial valuation addressed to the Trustee dated February 1998.



Signed A J Wise

Fellow of the Institute of Actuaries  
Partner in the firm of Watson Wyatt Partners

Watson Wyatt Partners  
21 Tothill Street  
Westminster  
London  
SW1H 9LL

24 February 1998

# Financial Statistics

five years to 5 April 1999

<b>FUND ACCOUNT</b>	<b>1999</b>	1998	1997	1996	1995
	<b>£ million</b>	£ million	£ million	£ million	£ million
<b>Transactions involving members and employers</b>					
<b>Additions to the Fund</b>					
Contributions					
Members' to The GEC Plan	<b>32.2</b>	31.9	31.6	29.6	27.5
Employers' to The GEC Plan	<b>70.9</b>	64.1	63.6	59.5	0.2
SBS	<b>22.4</b>	22.3	20.1	17.5	15.5
Transfer values Individual	<b>0.3</b>	0.0	0.5	3.0	2.4
Bulk	<b>23.8</b>	1.9	18.1	2.3	31.9
Receipts from life office	<b>0.3</b>	0.0	0.3	0.4	0.1
<b>Total</b>	<b>149.9</b>	<b>120.2</b>	<b>134.2</b>	<b>112.3</b>	<b>77.6</b>
<b>Withdrawals from the Fund</b>					
Benefits paid	<b>285.2</b>	271.6	243.7	232.2	218.6
Transfer values Individual	<b>8.1</b>	3.1	5.6	3.4	5.9
Bulk	<b>20.4</b>	63.9	0.4	0.1	1.8
Administration expenses	<b>5.7</b>	4.3	4.1	3.9	3.3
Premiums to life office	<b>0.3</b>	0.3	0.3	0.3	0.3
<b>Total</b>	<b>(319.7)</b>	<b>(343.2)</b>	<b>(254.1)</b>	<b>(239.9)</b>	<b>(229.9)</b>
<b>Returns on investments</b>					
Investment income	<b>206.1</b>	172.6	173.4	167.0	151.9
Investment management expenses	<b>(4.2)</b>	(5.7)	(5.0)	(5.2)	(4.7)
Changes in market value of investments	<b>253.7</b>	1,119.6	247.3	601.7	(10.6)
<b>Net returns on investments</b>	<b>455.9</b>	<b>1,286.5</b>	<b>415.7</b>	<b>763.5</b>	<b>136.6</b>
<b>Net increase (decrease) in the Fund</b>	<b>285.8</b>	<b>1,063.5</b>	<b>295.8</b>	<b>635.9</b>	<b>(15.7)</b>
Fund at the beginning of the year	<b>5,779.0</b>	4,715.5	4,419.7	3,783.8	3,799.5
<b>Fund at the end of the year</b>	<b>6,064.8</b>	<b>5,779.0</b>	<b>4,715.5</b>	<b>4,419.7</b>	<b>3,783.8</b>
<b>Distribution of net assets of the fund</b>					
	%	%	%	%	%
Fixed interest securities					
UK	<b>23.2</b>	22.7	2.7	2.0	2.2
Overseas	<b>3.9</b>	5.4	4.8	4.4	0.0
Index-linked securities					
UK	<b>2.5</b>	3.0	5.4	5.5	4.4
Overseas	<b>3.4</b>	0.8	0.0	0.0	0.0
Equities					
UK	<b>47.6</b>	50.5	65.0	64.2	59.2
Overseas	<b>12.2</b>	11.0	10.4	12.8	19.7
Property	<b>3.2</b>	2.6	3.3	3.7	4.4
Managed funds	<b>0.7</b>	1.1	1.5	1.8	2.1
Insurance policies	<b>0.1</b>	0.1	0.1	0.1	0.4
Short-term deposits	<b>3.8</b>	3.4	5.8	4.7	6.6
Net current (liabilities) / assets	<b>(0.6)</b>	(0.6)	1.0	0.8	1.0
	<b>100.0</b>	100.0	100.0	100.0	100.0
<b>Investment performance for year to previous 31 December</b>	<b>%</b>	%	%	%	%
	<b>13.9</b>	19.4	11.0	19.8	(2.9)

# Largest Equity Holdings

at 5 April 1999

## The twenty largest individual shareholdings in UK equities by market value:

	£ million	% of UK equities
British Telecom	146.2	5.1
BP Amoco	143.4	5.0
Glaxo Wellcome	141.1	4.9
SmithKline Beecham	117.6	4.1
Lloyds TSB Group	113.4	3.9
Shell Transport and Trading	97.5	3.4
HSBC Holdings	84.8	2.9
Barclays Bank	81.0	2.8
National Westminster Bank	73.1	2.5
AstraZeneca	70.1	2.4
Cable & Wireless	57.6	2.0
Prudential	46.5	1.6
Unilever	43.8	1.5
BG	39.4	1.4
Diageo	37.9	1.3
Allied Zurich	36.7	1.3
National Grid Group	32.2	1.1
Marks & Spencer	31.0	1.1
Royal Bank of Scotland	30.4	1.1
Rio Tinto	29.2	1.0

Total market value of the UK equities was £2,890.2 million.

## The ten largest individual holdings in overseas equities by market value:

		£ million	% of overseas equities
Nokia	Finland	14.9	2.0
Novartis	Switzerland	13.5	1.8
Mannesmann	Germany	13.2	1.8
Roche Holdings	Switzerland	12.9	1.7
Telecom Italia	Italy	12.8	1.7
T.I.M.	Italy	12.0	1.6
Total	France	11.9	1.6
ING	Netherlands	11.9	1.6
Accor	France	11.5	1.5
Nippon Tel & Tel	Japan	11.2	1.5

Total market value of the overseas equities was £742.2 million.

# Summary of Securities

	Market value at 5 April 1999 £ million	Market value at 5 April 1998 £ million
<b>Fixed interest</b>		
UK	1,409.9	1,309.1
Overseas	233.7	314.4
	<u>1,643.6</u>	<u>1,623.5</u>
<b>Index-linked</b>		
UK	148.9	171.4
Overseas	203.9	47.1
	<u>352.8</u>	<u>218.5</u>
<b>Equities</b>		
UK		
Resources	278.6	270.4
Basic Industries	121.3	159.4
General Industrials	99.3	145.3
Cyclical Consumer Goods	39.4	72.4
Non-Cyclical Consumer Goods	562.3	579.5
Cyclical Services	393.7	421.9
Non-Cyclical Services	330.1	237.9
Utilities	178.7	194.3
Information Technology	11.1	–
Financials	738.1	647.4
Investment Trusts etc	137.6	192.2
	<u>2,890.2</u>	<u>2,920.7</u>
Overseas		
<i>Europe</i>		
Austria	–	8.2
Belgium	4.6	17.6
Eire	7.3	6.8
Finland	14.9	4.1
France	92.5	69.7
Germany	76.5	62.6
Greece	2.5	–
Italy	41.0	37.3
Netherlands	43.6	54.1
Portugal	2.3	2.4
Spain	21.5	22.8
Sweden	14.2	14.7
Switzerland	73.2	67.8
	<u>394.1</u>	<u>368.1</u>
<i>The Americas</i>		
USA	30.7	34.2
<i>Pacific Basin</i>		
Japan	317.4	234.9
	<u>742.2</u>	<u>637.2</u>
<b>Total securities</b>	<u><u>5,628.8</u></u>	<u><u>5,399.9</u></u>

# Membership Statistics

Five years to 5 April 1999

	1999	1998	1997	1996	1995
<b>The GEC Plan contributors (See note below)</b>					
At beginning of the year	46,945	48,899	49,488	48,463	47,183
New members	4,186	5,576	5,301	5,858	5,858
Members leaving service with the following benefits					
Retirements	(1,839)	(2,285)	(1,935)	(1,881)	(2,017)
Refunds of contributions	(407)	(496)	(353)	(321)	(204)
Death in service benefits	(60)	(84)	(79)	(97)	(98)
Transfer values or deferred pensions	(5,187)	(4,665)	(3,523)	(2,534)	(2,259)
	(7,493)	(7,530)	(5,890)	(4,833)	(4,578)
At end of the year	<u>43,638</u>	<u>46,945</u>	<u>48,899</u>	<u>49,488</u>	<u>48,463</u>
<b>SBS contributors</b>					
At beginning of the year	17,811	17,900	16,843	16,036	14,633
New members	2,050	2,709	2,817	2,610	3,056
Members leaving service or ceasing to contribute	(2,849)	(2,798)	(1,760)	(1,803)	(1,653)
At end of the year	<u>17,012</u>	<u>17,811</u>	<u>17,900</u>	<u>16,843</u>	<u>16,036</u>
<b>Pensioners (See note below)</b>					
At beginning of the year	77,413	76,590	75,934	75,367	74,500
New pensioners (including spouses' pensions coming into payment)	4,344	4,151	3,952	3,824	4,098
Transfers from other GEC pension schemes	0	0	228	0	0
Deaths	(3,478)	(3,328)	(3,524)	(3,257)	(3,231)
At end of the year	<u>78,279</u>	<u>77,413</u>	<u>76,590</u>	<u>75,934</u>	<u>75,367</u>
<b>Deferred pensioners (See note below)</b>					
At end of the year	<u>58,208</u>	<u>57,094</u>	<u>52,611</u>	<u>50,784</u>	<u>51,694</u>

## Note

Members of The GEC Plan may have different categories of benefits concurrently (eg a contributing member may have one or more deferred pensions arising from transfers from other pension schemes or from earlier periods of employment with a GEC group company or may be in receipt of a pension from an earlier period of service). Where this is the case, members are counted in one category only.

# Membership Statistics

continued

	1999	1998	1997	1996	1995
<b>Age distribution of contributors to The GEC Plan at end of year</b>					
	%	%	%	%	%
under 21	0.5	0.4	0.3	0.2	0.2
21 to 30	11.8	12.3	11.5	11.0	10.3
31 to 40	26.0	26.0	25.6	25.2	24.6
41 to 50	29.7	29.5	30.3	30.5	31.0
51 to 60	27.9	27.4	27.3	27.9	28.4
61 to 64	4.1	4.4	5.0	5.2	5.5
	<b>100.0</b>	100.0	100.0	100.0	100.0
<b>Age distribution of new contributors to The GEC Plan</b>					
	%	%	%	%	%
under 21	2.7	2.3	1.3	1.1	1.0
21 to 30	32.2	32.7	33.4	32.0	27.9
31 to 40	32.3	30.6	33.3	33.1	33.1
41 to 50	21.4	20.9	21.9	22.9	25.2
51 to 60	10.8	12.4	9.5	10.3	11.9
61 to 64	0.6	1.1	0.6	0.6	0.9
	<b>100.0</b>	100.0	100.0	100.0	100.0
<b>Age distribution of contributors to SBS at end of year</b>					
	%	%	%	%	%
under 31	6.3	6.5	5.9	5.7	5.5
31 to 40	20.5	20.3	20.1	19.3	18.6
41 to 50	30.3	30.0	31.2	30.7	31.0
51 to 60	37.3	37.0	36.1	37.1	37.7
61 to 64	5.6	6.2	6.7	7.2	7.2
	<b>100.0</b>	100.0	100.0	100.0	100.0
<b>Age distribution of new pensioners</b>					
	%	%	%	%	%
under 50	1.0	1.5	1.0	1.1	0.9
50 to 54	11.1	10.5	11.7	9.9	9.1
55 to 59	19.9	16.8	17.9	16.6	15.4
60 to 64	30.3	33.1	30.3	33.0	31.6
65 and over	37.7	38.1	39.1	39.4	43.0
	<b>100.0</b>	100.0	100.0	100.0	100.0
<b>Other statistics</b>	<b>Years</b>	<b>Years</b>	<b>Years</b>	<b>Years</b>	<b>Years</b>
<i>Average age</i>					
Contributing members	44.5	44.4	44.4	45.1	45.3
Pensioners	72.3*	71.9	71.7	71.5	71.1
<i>Average Plan pensionable service</i>					
Contributing members	7.7	7.4	7.8	7.6	7.5

\*The average age of pensioners in 1999 is as at 1 May; in previous years data is provided as at 5 April. The calculation date has been changed this year to allow for the transfer of ALSTOM pensioners.

# Directors

## **J M Brew**

Aged 68. Mr Brew, a Fellow of the Institute of Investment Management and Research and an Associate of The Institute of Actuaries, is a mathematician by training. He has always worked on the Stock Exchange, joining Grieveson Grant in 1953 and was a partner from 1961 until amalgamation with Kleinwort Benson. He was Chief Executive of Kleinwort Grieveson Securities until 1987. He was appointed to the SPT Board in January 1991 and is Chairman of both the SPT Board and the IAC.

## **J H Chaplin**

Aged 63. Mr Chaplin, a barrister, was Company Secretary of GEC from April 1980 until he retired in April 1991. He was appointed to the SPT Board in November 1980, and is now a pensioner of The GEC Plan. He also currently acts as an outside trustee of other occupational pension schemes and common investment funds.

## **D J Cox \***

Aged 61. Mr Cox is an electronic test engineer, recently retired from GEC-Marconi Avionics at Edinburgh, having joined Ferranti Defence Systems in March 1962. He was appointed a director in December 1993 having been a member of the North Pension Consultative Committee since May 1991.

## **A B Lee**

Aged 42. Mr Lee is the Group HR Director for Marconi Communications Limited, having previously been the Personnel Director for Marconi Electronic Systems Limited. Prior to that he was Personnel Director for GPT Limited. He was appointed to the SPT Board in April 1998.

## **M Lester**

Aged 59. Mr Lester, a solicitor, joined GEC's central management from legal practice in 1980 as Director of Legal Affairs; he was appointed to the GEC Board in 1983 and Vice-Chairman in 1994. He was appointed to the SPT Board in November 1997.

## **W A Newman**

Aged 61. Mr Newman has been Military Sales and Marketing Manager at Matra Marconi Space at Stevenage since 1991, having previously been an RAF officer for 30 years. He was appointed to the SPT Board in August 1999 having been a member of the East Pension Consultative Committee since March 1995.

## **K J O'Boyle \***

Aged 41. Mr O'Boyle joined GEC in 1999 as Group Pensions Director. He is responsible for GEC's pension arrangements both in the UK and overseas. He was appointed a director of SPT in April 1999 and he is also a director of SIM.

## **N D Sutcliffe**

Aged 37. Mr Sutcliffe is Managing Director of Marconi Communications Strategic Networks, based in Coventry. He joined GPT Limited in 1992 and was appointed to the SPT Board in April 1998.

## **C R J Walton**

Aged 56. Mr Walton, a chartered engineer, is a Marconi Communications project manager at Poole where he has been employed for more than twenty years. He has been a member of the South Pension Consultative Committee since March 1992. He was appointed to the SPT Board in April 1993.

## **V A Webster \***

Aged 54. Mr Webster is a Senior Technologist at Marconi Communications Public Networks Group in Liverpool, where he has worked since 1963. He joined the West Pension Consultative Committee in 1991, serving as Secretary from 1992 to 1997. He was appointed to the SPT Board in July 1997.

\*Members of the Approvals Sub Committee of the Board.

# Investment Advisory Committee

## **J M Brew**

Mr Brew has been chairman of the IAC since January 1991; he is also a director and chairman of the SPT Board (see opposite).

## **B M Hiorns**

Dr Hiorns is Chief Investment Officer at Taylor Young, having previously been the UK investment head of Dresdner RCM Global Investors, the fund management subsidiary of Dresdner Bank. He joined Grieveson Grant, now part of Kleinwort Benson, in 1974 and during his career he has had responsibility for a wide range of senior investment management roles including head of strategy. He was appointed to the IAC in June 1994.

## **R P Walther**

Mr Walther, a Fellow of The Institute of Actuaries and an Associate of the Institute of Investment Management and Research, is Chief Executive of the Clerical Medical Investment Group and a member of the Halifax Executive Committee. He joined Clerical Medical in 1965 and during his career with them he has held responsibilities for a wide range of senior investment management roles, having overall responsibility for investment between 1979 and 1995. He was appointed to the IAC in July 1988.

## **N Walter**

Professor Walter has worked for Deutsche Bank since 1987, having been managing director of Deutsche Bank Research and Group Chief Economist since 1992. From 1971 to 1986 he was at the Kiel Institute for World Economics, as professor and scientific director from 1978. He has published frequently in Germany, Britain and elsewhere, principally on economic policy analysis and forecasting. He was appointed to the IAC in January 1999.

# Pension Consultative Committees

Four Pension Consultative Committees (PCCs), elected by Plan members, meet periodically:

- to consult with the Pensions Office on matters relating to GEC pension schemes
- to assist the Pensions Office, trustee and management in the communication of information to members
- to represent the views of pension scheme members and employees as to matters affecting their interests
- to nominate one representative from each PCC for appointment by GEC as a director of SPT. This representative must be a contributing member or a pensioner of the Plan. The PCCs review their nominations every four years.

Sitting members of a PCC who leave service may, if they so wish, remain PCC members for the balance of their four year period of office and, in the case of pensioners, for a further period of four years from the date of commencement of their pension.

The Chairmen and Secretaries of the PCCs are:

<i>Area</i>	<i>Chairman</i>	<i>Secretary</i>
<i>North</i>	A S Crawford Marconi Marine (YSL) Ltd 1531 South Street Scotstoun Glasgow G14 0XN	A L Dow 30 Johnston Park Cowdenbeath Fife KY4 9AZ
<i>East</i>	R A Parsons Marconi Electronic Systems Ltd Defence Control Systems New Parks Leicester LE3 1UF	M H Johnson Marconi Electronic Systems Ltd Marconi Avionics Sensors and Communication Systems Christopher Martin Road Basildon Essex SS14 3EL
<i>South</i>	D M Hopper Woods Air Movement Ltd Tufnell Way Colchester CO4 5AR	K B Castle 61 Cambria Avenue Borstal Rochester Kent ME1 3HZ
<i>West</i>	R J Mills General Domestic Appliances (Hotpoint) Ltd Royal Welch Avenue Kinmel Park Bodelwyddan LL18 5TY	K W Buckley GEC-Marconi Secure Systems Ltd Wavertree Boulevard Wavertree Technology Park Liverpool L7 9PE

# Other Information

## **Occupational Pensions Regulatory Authority (OPRA)**

### **Pension Schemes Registry**

From April 1997, pension schemes are regulated by OPRA, which has power to impose civil penalties and to bring criminal prosecutions for serious breaches of the regulations made under the Pensions Act 1995.

OPRA also maintains the register of all occupational and personal pension schemes and the registry offers a service to enable individuals to trace benefits to which they may be entitled from previous employers' pension schemes. The registrar can be contacted at:

Occupational Pensions Regulatory Authority  
Pension Schemes Registry  
PO Box 1NN  
Newcastle-upon-Tyne  
NE99 1NN.

A guide for pension scheme trustees, published by OPRA, has been provided to each of the directors of SPT.

## **OPAS (The Office of the Pensions Advisory Service)**

### **Pensions Ombudsman**

OPAS is available to assist members and beneficiaries of occupational pension schemes in connection with any difficulties which they have been unable to resolve with the trustees or administrators.

The Pensions Ombudsman, appointed by the government, may investigate and decide complaints or disputes of fact or law concerning occupational pension schemes made or referred.

Before approaching the Pensions Ombudsman, members must have followed the internal dispute resolution procedure, a copy of which is available on request from SPT. Both OPAS and the Pensions Ombudsman can be contacted at:

11 Belgrave Road  
London  
SW1V 1RB

## **Data Protection Act**

SPT is registered under the Data Protection Act 1984 as a holder and user of personal data.



Stanhope Pension Trust Limited,  
Registered at London No. 1049236