STMicroelectronics (Bristol) Retirement Benefit Scheme

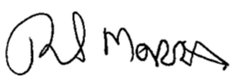
Welcome to the latest edition of the Trustee's newsletter for members of the STMicroelectronics (Bristol) Retirement Benefit Scheme ("the Scheme").

In this edition, we look at:

- the outcome of the recent Member Nominated Director process;
- the arrangements for a second Town Hall meeting;
- an update of the position of the Scheme following the previous announcements regarding the closure of ST R&D's Bristol operations;
- the latest update on the Scheme's investments and financial position;
- a summary of the payments made in and out of the Scheme during the year from 1 April 2014 to 31 March 2015;
- A notice to members of a Trustee resolution required due to changes in legislation; and
- the usual round-up of pensions news to keep you in the picture

This newsletter is intended to help you, as a member of the Scheme, understand what's happened in the Scheme over the last year. You do not need to take any action unless you have any comments, suggestions or questions for the Trustee or you would like to update your details or your nomination for who should receive benefits in the event of your death.

If you would like to get in touch, a summary of contact details can be found on the back page or you can email the Scheme's Administrators at STMpensions@kpmg.co.uk.



For and on behalf of the Directors of the STMicroelectronics (Bristol) Pension Trust Limited

Updates to the Trustee Board

Jon Frosdick

"I feel I have the maturity and capability to act as a trustee and would like to continue to serve the ST community in this way, who were such a big part of my working life."

Current Board of Trustee Directors:

Phil Morris (Chair)	Company Appointed
Jonathan Edwards	Company Appointed
Andrea Talpo	Company Appointed
Tony Gore	Member Nominated
Trefor Southwell	Member Nominated
Jon Frosdick	Member Nominated

Next Member Nominated Director Election

Tony Gore's term of office is due to expire on 31 October 2017.

We therefore do not anticipate running a nomination process for this position next year but instead one in the summer of 2017. Tony is of course able to stand for re-election if he wants to.

Outcome of the Member Nominated Director ("MND") process

As previously communicated, the Trustee's Member Nominated Directors each serve for an agreed fixed term, although they may choose to stand for re-election at the end of this term. The term of office for Andy Lunness expired on 31 October 2015. In July a notice was sent to all members of the Scheme asking for nominations for this MND position. The closing date for nominations was 5 September 2015.

The Trustee board received five nominations for the MND position. Following a selection process which included candidate interviews and was supported by independent legal advisers, Jon Frosdick was selected as the new Member Nominated Trustee Director.

Jon's appointment as a Trustee Director started with effect from 1 November 2015. Jon's agreed term is four years and, unless he chooses to stand down earlier, he will remain as a Trustee Director until 31 October 2019.

Thank you to Andy Lunness

With the appointment of Jon we say goodbye to Andy Lunness as a Trustee Director. In his term as a Trustee Director, which lasted over 10 years, Andy brought dedication and insight to the role, in particular he had a keen interest in understanding the investments of the Scheme. We would like to thank Andy for his hard work and commitment over the years and wish him well for the future.

Further information

As part of this year's Member Nominated Director process the Trustee received a small number of representations proposing alternative selection processes. The Trustee Directors unanimously agreed to keep the current selection process on the basis that it was felt the existing approach better meets the Pensions Regulator's principles regarding member nominated trustees.

It is worth noting that as part of the Member Nominated Director selection process we target having at least one of the MND roles filled by a pensioner member and one filled by a deferred member (where pensioner and deferred member applicants are available). Currently Jonathan, Tony and Jon are all pensioner members of the Scheme with Trefor and Phil are deferred members. This means that one-half of the Trustee Board is made up of current Scheme pensioners.

As Trustee Directors whether Member Nominated or Company Appointed, we are all appointed to represent Scheme members. As such, we all have equal functions and responsibilities for the Scheme and the party that we are appointed by does not affect this role.

Each Trustee Director has a legal duty to act in the best interests of all members of the Scheme. This is a role that we take very seriously and we remain as committed as ever to serving the Scheme and its members.

‘Town Hall’ meeting – 24th February 2016

After the positive feedback we received from the Town Hall meeting last February we have decided to arrange another one this year. The aim is to hold an open meeting to provide members with an update on the Scheme as well as to address member questions on various aspects of the Scheme (attendance is voluntary).

The intention is for the meeting to cover similar topics to those covered last year, such as a general update on the position of the Scheme, but we are also keen to ask members what topics you would like to be covered. To this end we would be grateful if you could send in any suggestions to STMpensions@kpmg.co.uk by 29th January 2016 and we will try our best to cover as many of your suggestions as possible within the meeting.

In order to manage member expectations and as we noted at the last meeting, we will not be making any special announcements at this session and may not be in a position to answer all of members’ questions where legislation and confidentiality requirements do not permit us to. This is a Trustee session and all current Trustee Directors will attend but there will not be any representatives from the Company in attendance.

We did previously receive some requests for an online version of the meeting to be conducted. Unfortunately due to the practicalities and costs associated with this we will not be able to fulfil this request. However, as per last year we will follow up with a brief document covering the main questions raised at the meeting as well as providing a copy of the slide show presented.

We would also appreciate it if members intending on coming to the meeting would acknowledge their interest by 29th January 2016, either by calling +44 117 905 4746 or emailing STMpensions@kpmg.co.uk, so that we can ensure that we have sufficient facilities available.

Address:	**Armada House, Telephone Avenue, Bristol, BS1 4BQ**
Timings:	24 February 2016; 18:00 to 20:00 Please feel free to arrive from 17.30 for tea and coffee
Website:	http://www.armadahouse.co.uk

Closure of ST R&D’s Bristol operations

Further to the update we provided last year regarding the closure of ST R&D’s Bristol operations, we wanted to provide you with a brief update on where we have got to on this issue.

The UK Pensions Regulator guidance sets out the process that trustees and companies have to go through when there is a significant change in a sponsoring company of a UK pension scheme. Importantly trustees have to consider whether there is any impact on the security of members’ benefits due to the change.

You may have seen that ST R&D’s 2014 annual accounts have recently been published. These are the first full set of accounts which show the complete picture of the financial impact of the Bristol site closure on ST R&D. As expected, the financial position of ST R&D as a standalone business has weakened as a result of the Bristol site closure. However, due to the subjectivity over the impact of the site closure, which is borne from ST R&D being a service company to ST NV (i.e. ST NV is ST R&D’s customer), to date we have been unable to agree with the Company the impact and what mitigation (if any) should be provided to the Scheme to restore the security of members’ benefits to its prior position.

As part of discussion with the Company, the Trustee has taken legal advice of the options available to it and has involved the Pension Regulator who has had meetings with both the Trustee and the Company.

It is important to reiterate that ST R&D remains responsible for paying contributions to the Scheme to make up the deficit and as such continues to pay contributions as normal. As highlighted previously, the cash to enable ST R&D to pay contributions to the Scheme also continues to be provided by ST NV. ST NV has confirmed that it will continue to ensure that ST R&D is able to meet its financial obligations to the Scheme.

Remember, your pension entitlement has not been changed and it remains business as usual for the ongoing administration of the Scheme.

We recognise that the delay is frustrating for members but consider it important to ensure that as Trustee of the Scheme we are acting to try to obtain the best possible outcome for members. We will continue to keep you updated on progress but at this stage we are not able to provide a timeline for the conclusion of this issue.

Investment

Defined Benefit Section assets

The management of the money that the Scheme holds to pay everyone's benefits (known as the Scheme's assets) is the responsibility of the Trustee Board. This includes deciding where best to invest the Scheme's assets in a responsible and efficient manner. Because the Trustee Directors are not financial experts we employ a number of investment professionals to help us with day-to-day and longer term investment decisions.

The assets of the DB section of the Scheme are invested with the goal of making sure there is enough money to be able to pay all of the benefits required by the Scheme's Rules in the future. The Trustee aims to achieve this by placing the Scheme's assets in investments that we expect will increase in value in the future but will not expose the Scheme to too much risk.

What is a diversified growth fund?
Diversified growth funds invest in a range of different asset classes through a single investment vehicle. They aim to create an investment portfolio that seeks returns in line with that achieved on stocks and shares, but with lower risk of significant investment losses.

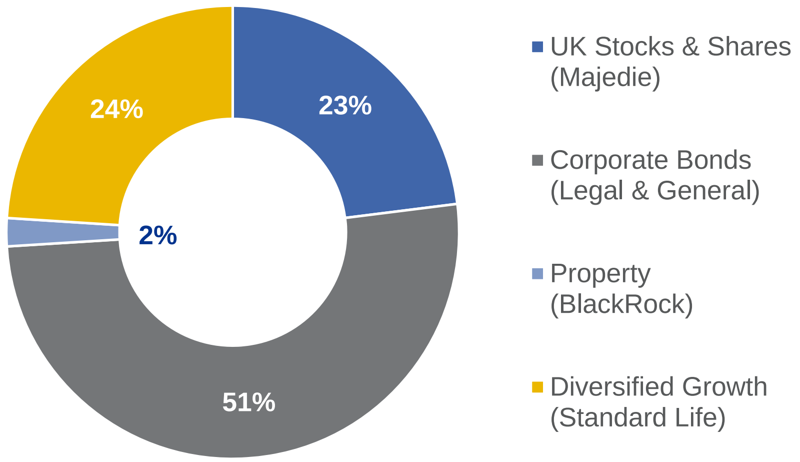
Investment managers

The Trustee employs the following investment managers to make investment decisions on our behalf. In brackets is the type of investment the Scheme's assets are placed in by these managers:

- Legal & General Investment Management (corporate bonds)
- BlackRock Investment Management (UK) Limited (property)
- Standard Life Investments Limited (diversified growth funds)
- Majedie Asset Management Limited (UK stocks and shares)

Asset Distribution as at 31 March 2015

The Scheme's DB assets, as a whole, are split across the following types of investments:



How have the Scheme’s DB assets performed?

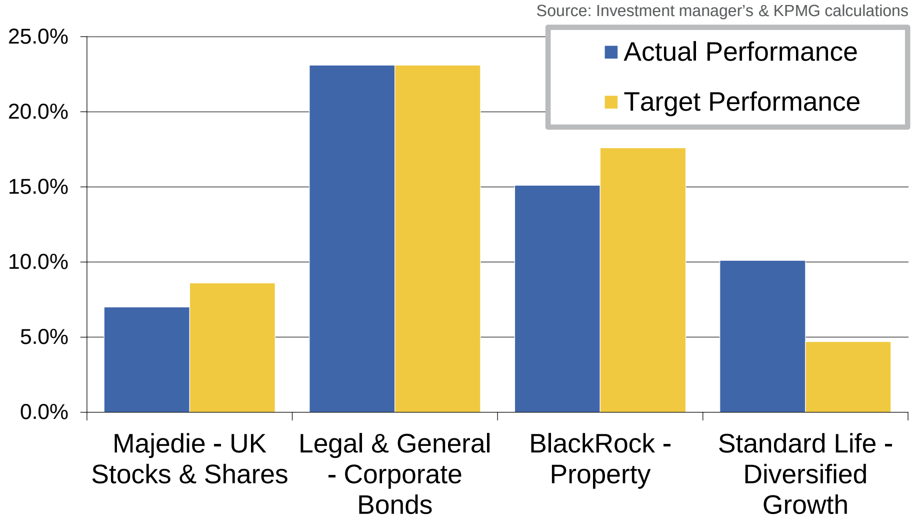
Over the year to 31 March 2015 most of the Scheme’s assets increased in value with an overall increase of 15.5% against the benchmark return of 13.3%.

Each of the Scheme’s DB investments contributed to the positive performance over the year. The Scheme’s investments in corporate bonds provided the greatest returns, with positive returns in both halves of the year.

The global economy has been characterised over the past year by a divergence in the pace of recovery by the major economies. This combined with the significant decline in oil prices and ongoing geopolitical issues in Eastern Europe and the Middle East caused an increase in the volatility of asset markets. Despite this, global markets continue to perform strongly.

The performance of the assets of the DB section for the year from 1 April 2014 to 31 March 2015 (after fees) is shown in the graph below:

Asset Performance - 12 months to 31 March 2015



Legal & General’s investment goal, or “target”, is to achieve performance in line with a market index of investments. A market index is a group of investments which represent a summary of all the investments of that type that are available in the market. Because Legal & General invests in similar assets to the market index, we expect it to achieve performance broadly in line with its target every year – which it has done in the past and has done again this year.

Majedie and Standard Life have been set different goals which means they have more control over where they can invest the Scheme’s assets. This means that they are more likely to perform differently from the targets that they have been set, compared to Legal & General. In some years they may over perform, like Standard Life has done this year, and in some years they may underperform, like Majedie has done this year.

We regularly assess the performance of the Scheme’s assets with our investment advisers, who carry out due diligence on the funds we invest in. We consider short term performance (like the 12 month period above) as well as the longer term performance and expectations. We consider the current investment strategy to continue to be appropriate for the Scheme.

Investment (cont.)

Defined Contribution Section Assets

Some members of the Scheme who were building up benefits in 2004 have Defined Contribution (or DC) benefits. This means that each member built up their own account in the DC Section of the Scheme which is then invested to provide an income when they retire. Individual accounts are invested in a range of funds with Legal & General Investment Management Limited that are designed to perform in line with a market index of investments. The indices can be linked to the performance of stocks and shares, bonds or cash. Each member chooses the funds in which their individual account is invested.

As with the DB investments held with Legal & General, we expect the Scheme's DC assets to meet their target performance every year. The bond and global equity funds slightly underperformed against their target returns whilst the cash fund met its target return (as shown in the table below).

	Fund return	**Target return**
Global equity fund ("stocks and shares")	10.8%	11.0%
Bond fund	18.9%	19.1%
Cash fund	0.4%	0.4%

Return for 12 months to 31 March 2015
Source: Legal & General & KPMG calculations

Funding position

At least once every three years, our appointed, independent pension professional known as an ***Actuary*** investigates whether there is enough money in the Defined Benefit (or DB) section of the Scheme to pay all the pension benefits that have been built up. This review is called an ***actuarial valuation***.

An actuarial valuation was due at 31 March 2014. The valuation results are determined based on a number of assumptions which need to be agreed with the Company.

Ordinarily actuarial valuations have a deadline for completion of 15 months from the effective date, i.e. 30 June 2015 for our current valuation. We are continuing to discuss the valuation with the Company in order to reach agreement on future contributions. We are keeping the Pensions Regulator informed of our discussions and he is aware that the delay in reaching agreement is because we are trying to get the best possible outcome for members. Whilst we recognise that the missed deadline may be of concern to members, we can assure you that we are acting to obtain the best outcome for members and would therefore not have missed the deadline unless we felt it was in the Scheme's best interest to do so. Both the Company and the Trustee are committed to working together to reach a suitable agreement as soon as possible and we will provide you with an update as soon as one is available.

It is important to note that whilst the valuation has not been agreed, the Company continues to pay contributions as set out below.

Is the deficit going to be paid off?

The Company continues to pay yearly contributions of £1.6 million to the Scheme and a further £400,000 every year to cover the expected costs of running the Scheme. The Company will continue to pay these contributions unless we agree alternative contributions with it.

What will I get if ST R&D ceases to exist?

If the Scheme has enough money to pay everyone's benefits then you will receive your pension in full. If, however, it does not have enough money then you are likely to be protected by the Pension Protection Fund (also known as the "PPF"). In this circumstance, the compensation payable by the PPF may be less than your Scheme pension.

Details on the compensation that could be paid can be found at www.pensionprotectionfund.org.uk. Or you can write to the PPF at Knollys House, 17 Addiscombe Road, Croydon, Surrey, CR0 6SR.

We provide this information so that you fully understand the pension benefits that you could get in all situations. Please note, however, that this does not mean that we think ST R&D is likely to cease to exist.

Trustee's Report & Accounts

Once a year we produce a legal document called the Scheme's ***Annual Report and Accounts*** which summarises all the money that is paid in and out of the Scheme and a range of other useful information about the Scheme. This allows us to make sure nothing untoward has occurred in the Scheme during the year and provides the information we need to manage the Scheme's finances in the future.

This year's Annual Report and Accounts (at **31 March 2015**) have now been completed and reviewed by the Scheme's auditors, Clement Keys. A summary of the key information is set out below. Please contact us if you would like to read a full copy of the report. This can be provided by post (but there may be a small charge for copying) or by email.

Membership as at 31 March 2015	
Members with deferred benefits	795
Pensioner members including dependants	153
Total	**948**

Fund Account	£000
Net assets of the Scheme at 31 March 2014	**99,475**
Plus income:	
Contributions received	2,007
	2,007
Less expenditure:	
Benefits payable (Pensions & Lump Sums)	(1,672)
Payments in respect of leavers and transfers out	(264)
Administration expenses (including levies)	(526)
	(2,462)
Plus returns on investment:	
Investment income	88
Change in market value of investments	15,453
Investment managers' fees	(386)
	15,155
Net assets of the Scheme as at 31 March 2015	**114,174**

We can confirm that there have been no payments to ST R&D or any other group company from the Scheme's assets in the last 12 months.

Notice to members

From time to time changes in legislation require Trustee resolutions to be passed. There is a change in legislation coming into effect from 6 April 2016 that requires us to pass such a resolution. Therefore we have included below a formal notice to you as members of the Scheme of this resolution and the background. The same notice is being provided to ST R&D as the Principal Employer of the Scheme.

Notice from STMicroelectronics (Bristol) Pension Trust Limited (the "Trustee")

To: (a) deferred, pensioner and pension credit members, and (b) STMicroelectronics (Research & Development) Limited

Background: Power to refund surplus

1. As in many pension schemes, the Trustee currently has the power in certain circumstances to pay surplus assets to Scheme employers (in this case, ST R&D). Under pension legislation, this power will shortly lapse unless the Trustee passes a resolution to preserve it.
2. The arguments in favour of preserving the power are that:
   a) preserving the power does not mean that there would be any refund of surplus, the resolution just keeps the possibility of a refund open in future;
   b) there are strong statutory conditions which must be met before any surplus can be refunded;
   c) without the possibility of a refund, the principal employer might be concerned about a trapped surplus and consequently be more conservative in future funding negotiations.
3. To be clear, there is no proposal to refund any assets. This exercise is confined to preserving the existing possibility that there might be a refund in future. Even then, refunds can only be made if a number of stringent statutory conditions are met. These include a requirement that the Scheme must have sufficient assets to secure members' benefits in full with an insurer before there can be a refund. In addition, under the terms of the existing surplus refund power which it is proposed will be preserved, the Trustee would first have to consider augmenting members' benefits before returning any surplus to Scheme employers.
4. Having carefully considered the relevant arguments, the Trustee is satisfied that it is in the interests of Scheme members that they pass this resolution.
5. Legislation requires the Trustee to give you the formal notice below of the decision to pass a resolution. If you have any questions or comments, please get in touch using the contact details provided at the end of the newsletter.

Notice

In accordance with statutory requirements, this notice lets you know that:

a) the Trustee has decided to exercise its power under section 251(4) of the Pensions Act 2004 to preserve the power under the Scheme rules to refund surplus assets to employers; and

b) the Trustee proposes to do this by passing a resolution under section 251 of the Pensions Act 2004 that will take effect on 5 April 2016.

Signed for and on behalf of the Trustee

10 December 2015

Increases to pensions in payment

Pension increases applied at 1 July 2015

If you are currently paid a pension from the Scheme you will know that increases to your pension are considered each year and, if applicable, applied from 1 July. The Scheme's Rules say how much each different part of your pension should increase by every year, dependent on when you built up the pension.

Most parts of your pension increase in line with the Consumer Prices Index ("CPI") which is published by the Government in the September before the increase is applied.

The table below shows the increases that were awarded at 1 July 2015, based on CPI to September 2014 of 1.2%.

Pension Tranche	Increase (to pension in retirement) according to the Scheme's Rules	Increase applied at 1 July 2015
GMP* built up before 6 April 1988	No increases	Nil
GMP* built up between 6 April 1988 and 30 June 1993	CPI max 3%	1.2%
Pension built up before 1 July 1993 (not including GMP)	Discretionary	Nil
Pension built up between 1 July 1993 and 5 April 2005	CPI max 5%	1.2%
Pension built up after 6 April 2005	CPI max 2.5%	1.2%

***GMP stands for Guaranteed Minimum Pension.** GMP will form part of your total pension if you were in the Scheme at some point between 1978 and 1997. It dictates the minimum pension you must receive from the Scheme for this period of service due to being contracted out of the State Second Pension. Your GMP must increase before you retire by a specified minimum amount. In retirement GMP built up after 6 April 1988 is required to increase in line with CPI with a maximum of 3% per annum. There is no such requirement for GMP built up before 6 April 1988.

Pension built up before 1 July 1993

The Scheme's Rules say that pensions built up whilst members were employed by Inmos Limited before 1 July 1993 do not have to increase every year. Because increases to pre 93 pensions are not legally promised under the Scheme's Rules we cannot award such an increase without additional funding being specifically provided by the Company for that purpose.

As Trustee it is our duty to act in the interests of all members and to secure the Scheme's required benefits. Our first priority as Trustee must be to protect the benefits that are legally promised under the Rules of the Scheme.

As highlighted last year, given the current financial position of ST R&D our focus remains on eliminating the deficit in respect of those benefits legally required by the Rules of the Scheme.

We can assure you that increases to pre 93 pensions will remain on the Trustee's agenda, but for the foreseeable future we do not expect to be able to award an increase.

Pensioner payslips

We have received a member suggestion that paper payslips are replaced by electronic ones. Unfortunately at this stage the functionality to provide payslips electronically is not available and as we do not hold email addresses for the majority of members we would not be able to use it even if the functionality were available. Therefore, as part of the Town Hall meeting in February 2016 we are keen to gauge opinion as to whether members would prefer only to receive payslips when the amount changes by a de minimis level or electronically if this functionality becomes available in the future. However, we are not required to issue monthly payslips. We can instead provide annual payslips if that is what you would prefer.

Important pensions news

Reminder of changes to UK pensions following the 2014 budget

As highlighted in previous issues of the Trustee's newsletter, the Chancellor's 2014 budget included significant changes to pensions. Most of the radical changes were to DC Schemes and came into effect in April 2015. These changes mean individuals in DC schemes have much greater choice over how they take their pension benefits.

Whilst the majority of the changes won't impact most of the Scheme's benefits we wanted to include a recap of some of the main outcomes:

- DB members with benefits valuing less than £30,000 (typically where your pension is less than £1,500 a year) can exchange their entire pension for a one-off cash lump sum. You will be informed at retirement if this option may be applicable to you.
- Individuals are no longer required to buy an annuity with their DC pension pots and instead may choose to draw as much, or as little, as they wish each year (subject to the standard tax regulations). While the DC section of the Scheme is too small to provide the new level of flexibility introduced, you may transfer your DC benefits into another DC pension arrangement without having to transfer your DB Scheme benefits (unless you want to).
- The earliest age at which retirement benefits can be drawn remains at age 55, but will increase with State pension Age. This is expected to affect anyone planning to take early retirement from 2028 onwards.
- People with DC benefits can access free, impartial guidance at retirement, which is provided through the Government's "Pension Wise" – www.pensionwise.gov.uk

Changes to pension taxation limits

In his summer budget the Chancellor announced some big changes to pension taxation limits:

Annual Allowance (AA) – the AA is reducing from April 2016 for anyone earning above £150,000. This does not directly impact the Scheme, as it is now closed to future benefit accrual. However you may be impacted if you are building up pension elsewhere.

Lifetime Allowance (LTA) - the LTA is the total amount of pension savings you can make over your lifetime without incurring a tax charge. From April 2016 this is being reduced to £1 million. In common with previous reductions, individuals can protect their current position by notifying HMRC. This means some potentially complicated decisions for people in the next few months about their future pension provision, particularly for those who might be affected by the new annual restriction as well (see above).

If you have any concerns that you may be affected by these tax changes then you should contact an Independent Financial Adviser to discuss your circumstances. A local adviser can be found by visiting the consumer website www.unbiased.co.uk.

As a reminder - Pension liberation schemes

You may have read about "Pensions liberation fraud" in the news. Pension liberation schemes operate by convincing pension scheme members to transfer the benefits they have built up to another arrangement that will allow them to access their money before the normal minimum pension age allowed under UK law (normally age 55 if you are fit and healthy).

Our advisers have assured us that necessary arrangements are in place to ensure that, if a member does decide to transfer their benefits away from the Scheme, then they will be subject to a checking procedure designed to try and ensure that the member is transferring to a legitimate and approved pension arrangement. We do however continue to expect members to take the appropriate steps to ensure they are transferring into an approved scheme including taking independent financial advice.

Reminders

Expression of Wish Forms

When you die, there may be benefits that should be paid to your dependant(s). You are able to nominate who you would like these benefits to be paid to by completing an Expression of Wish Form. We will take your nomination into account when deciding who to pay your death benefits to, although we will consider other available information too to ensure that our decision is as robust as it can be.

Please contact KPMG if you would like to complete a new Expression of Wish Form.

Change of personal details

It is essential that we hold accurate records so that we can pay your benefits when they are due. Please let us know if any of your personal details change, such as your name, address, email or other contact details. If you need to update your details, or would like to check the details that we hold, please contact KPMG using the details given below.

Transfer values

Members who have yet to retire are able to request to transfer their benefits out of the Scheme to an alternative pension arrangement. The Trustee can provide you with a transfer value quotation on request (once per year without incurring additional charges up until you are within a year of normal retirement age at which stage a charge is also payable). If you want a transfer value quotation please contact the Scheme's administrators using the contact details below.

Professional advisers

The Trustee receives advice from professional advisers to ensure the smooth running of the Scheme:

Actuary: Robert Watkin of KPMG LLP

Administration: KPMG LLP

Investment advisers: KPMG LLP

Legal advisers: Burges Salmon LLP

Auditors: Clement Keys LLP

Bankers: Lloyds Bank plc

There have been no changes in advisers over the year.

Future communication

In the future we would like to distribute the newsletter and other matters by email in order to reduce costs to the Scheme and increase the frequency of communication with all our members. If you have an email address, please let us know by emailing the Scheme administrators at: **STMPensions@kpmg.co.uk**.

When emailing KPMG you will need to tell them your name and national insurance number so that they can identify you.

To date we still only have around 20% of members' email addresses which means it is still not feasible to send Scheme communications by email. But if we are able to collect more email addresses then electronic communication may be possible in the future.

Contact

If you need further information about the running of the Scheme or if you have any questions, you can contact the Trustee in writing or via email at the addresses below:

STMicroelectronics (Bristol) Pension Trust Ltd
c/o Martin Bevitt
Atlas House, Third Avenue
Globe Business Park
Marlow
Bucks
SL7 1EY

Phil Morris (Chairman of the Trustee)
philip.morris@st.com

Andrea Talpo
andrea.talpo@st.com

Jonathan Edwards
Siliconjon48@gmail.com

Tony Gore
tony@aspen.uk.com

Trefor Southwell
stp@tdlj.net

Jon Frosdick
jonathan.frosdick@gmail.com

Alternatively, please contact the Scheme Administrators:

KPMG LLP
Arlington Business Park
Theale
Reading
RG7 4SD

T: 0118 373 1360
E: STMPensions@kpmg.co.uk