



STMicroelectronics (Bristol) Retirement Benefit Scheme

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Welcome to the latest edition of the Trustee’s newsletter for members of the STMicroelectronics (Bristol) Retirement Benefit Scheme (“the Scheme”).

In the following pages we have included the usual round up of information providing an update on the Scheme’s recent member nominated director process, actuarial valuation, a review of the Scheme’s investment performance, a summary of the money in and out of the Scheme, news on the defined contribution section and wider pensions news.

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

Reminder:

Correspondence is now being sent via email. Please ensure that you have amended your email settings such that emails received from our address, STMpensions@KPMG.co.uk, are not automatically filtered to the Junk folder.

Update to the Trustee Board



Ian Pearson

“Having worked initially for Inmos, and later for ST for a number of years in Bristol, whilst occupying a number of senior positions, I now am pleased to join the Trustees in looking after the pension rights and benefits of the many people that worked with us over the years.”

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 Tony Gore expired on 31 October 2017. In August, a notice was sent to all members of the Scheme asking for nominations for this MND position. The closing date for nominations was 15 September 2017.

The Trustee board received 1 nomination for the MND position from Ian Pearson. Tony Gore did not re-stand for a second term. Ian was therefore appointed as the new Member Nominated Trustee Director.

Ian’s appointment as a Trustee Director started with effect from 1 November 2017. Ian’s agreed term is four years and, unless he chooses to stand down earlier, he will remain as a Trustee Director until 31 October 2021.

Thank you to Tony Gore

As we welcome Ian to the Trustee Board we also say goodbye to Tony Gore who has stood down as a Trustee Director. Tony has approached his role as a Trustee Director with full commitment over the years, always bringing his considered views to discussions and counsel to management of the Scheme. We’d like to thank Tony for all his hard work over the years and wish him well for his future adventures which no doubt will include many more cross country ski adventures.

Further information

The Trustee last reviewed the Member Nominated Director process in 2015 when a number of alternatives were considered. It was felt the existing approach met 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, Ian and Jon are both pensioner members of the Scheme, while Trefor is a deferred member. This means that this target is currently satisfied.

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.

Current Board of Trustee Directors:

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

Next Member Nominated Director Election

Trefor Southwell’s term of office is due to expire on 31 October 2018.

We therefore anticipate running a nomination process for this position next year in the summer. Trefor is of course able to stand for re-election if he wants to.

Money in and money out

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 2017**) have now been completed and reviewed by the Scheme's auditors, PKF Cooper Parry Group Limited (formerly Clement Keys LLP). 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 2017

Members with deferred benefits	751
Pensioner members including dependants	187
Total	938

Fund Account

£000

Net assets of the Scheme at 31 March 2016	108,595
<i>Plus income:</i>	
Contributions received	1,817
	1,817
<i>Less expenditure:</i>	
Benefits payable (Pensions & Lump Sums)	(1,808)
Payments in respect of leavers and transfers out	(1,848)
Administration expenses (including levies)	(203)
	(3,860)*
<i>Plus returns on investment:</i>	
Investment income	90
Change in market value of investments	14,517
Investment managers' fees	(191)
	14,416
Net assets of the Scheme as at 31 March 2017	120,969*

**Items do not sum due to rounding*

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.

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 for all the pension benefits that have been built up. This review is called an **actuarial valuation**.

A full actuarial valuation is due which will reflect the Scheme membership as at 31 March 2017. The valuation results are determined based on a number of assumptions, and we have to agree with the Company what assumptions will be used. Over the course of the coming months we will conduct discussions with the Company to agree those assumptions.

We will not be able to share the results of the valuation with Scheme members until it has been formally signed off, and we do not expect this to happen for some months yet. It is normal for this process to take several months. In fact the regulatory deadline for agreement is 15 months after the valuation date, i.e. 30 June 2018.

Whilst we don't yet have the final results of the 2017 valuation, it is expected that it will show a larger deficit compared to the 2016 estimate. This is because of a worsening in market conditions over the year to 31 March 2017, despite the strong returns achieved on the Scheme's assets.

Is the deficit going to be paid off?

The Company, ST Microelectronics Research & Development, continues to pay yearly contributions of £1.8 million which will increase each year in line with the Consumer Prices Index (CPI). This amount includes an annual allowance of £250,000 to cover the expected expenses of running the Scheme. The Company will pay the Scheme's Pension Protection Fund levies in addition to the contributions above.

The Company will continue to pay these contributions unless we agree alternative contributions with it.

The latest estimates of the funding position mean that it is likely that the Scheme will need more money from the Company. We will review the contributions as part of this actuarial valuation and discuss this with the Company such that extra contributions can be agreed as needed.

The funding position worsened over the years 2014 to 2016. The table below sets out how the liabilities have progressed over the last three years compared to the assets.

£m	2014	2015	2016
Asset	97.3	111.8	106.3
Liabilities	117.0	149.8	144.0
Deficit	19.7	38.0	37.7

For further details of these changes, and why they occurred, please see previous correspondence issued to members over the period.

Funding Position (continued)

What would it cost to insure members benefits?

Whilst there is no intention to pass the Scheme onto an insurance company, it is a requirement to provide members with the information on the Scheme's position if this were to happen.

At the time of the last full actuarial valuation at 31 March 2014, our Actuary estimated that we would have needed an additional £45.8m on top of our assets to insure all of our members' benefits with an insurance company.

We do not carry out this calculation between formal valuations but will update this figure as part of the 31 March 2017 actuarial valuation.

The Trustee is not aiming for the Scheme to be fully funded on this basis nor is the Trustee considering buying out any of the Scheme's DB pensions with an insurer.

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 Renaissance, 12 Dingwall Road, Croydon, Surrey, CR0 2NA.

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.

By law, we are required to tell you if the Scheme has been modified by The Pensions Regulator or whether The Pensions Regulator has made any directions regarding the Schedule of Contributions or how Scheme benefits are valued.

We can confirm that none of these events has occurred.

Investment Update – DB Section

Reminder: Diversified Growth Funds

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.

Defined Benefit Section assets

The management of the money 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.

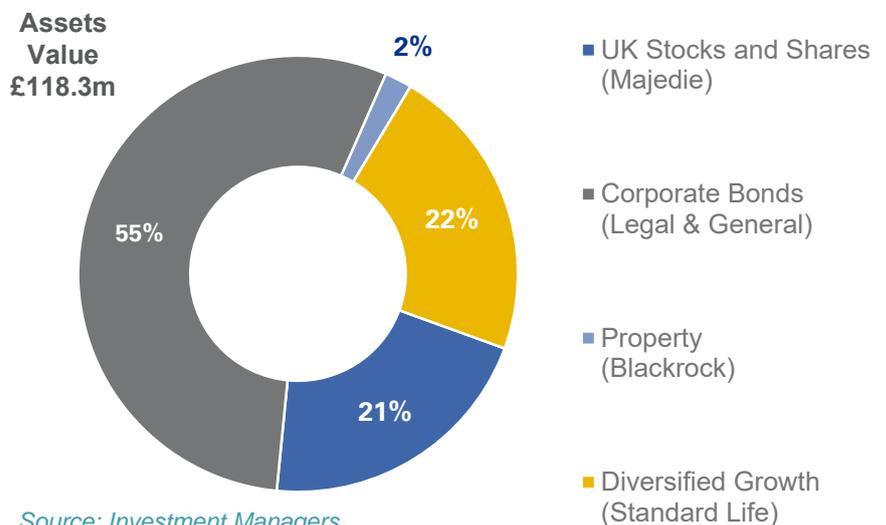
Investment managers

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

- 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 2017

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



Investment update (continued...)

How have the Scheme's DB assets performed?

A number of political shocks over the twelve months to date failed to derail rising equity markets. Largely attributed to Trump's corporate friendly policies, global equities have sustained strong performance over the last six months despite concern surrounding his ability to push through legislation. In addition, corporate bonds delivered robust returns over the year. Property markets were able to weather the immediate adverse impact of the EU referendum, however it remains to be seen how prices will respond as the shape of Brexit becomes clearer.

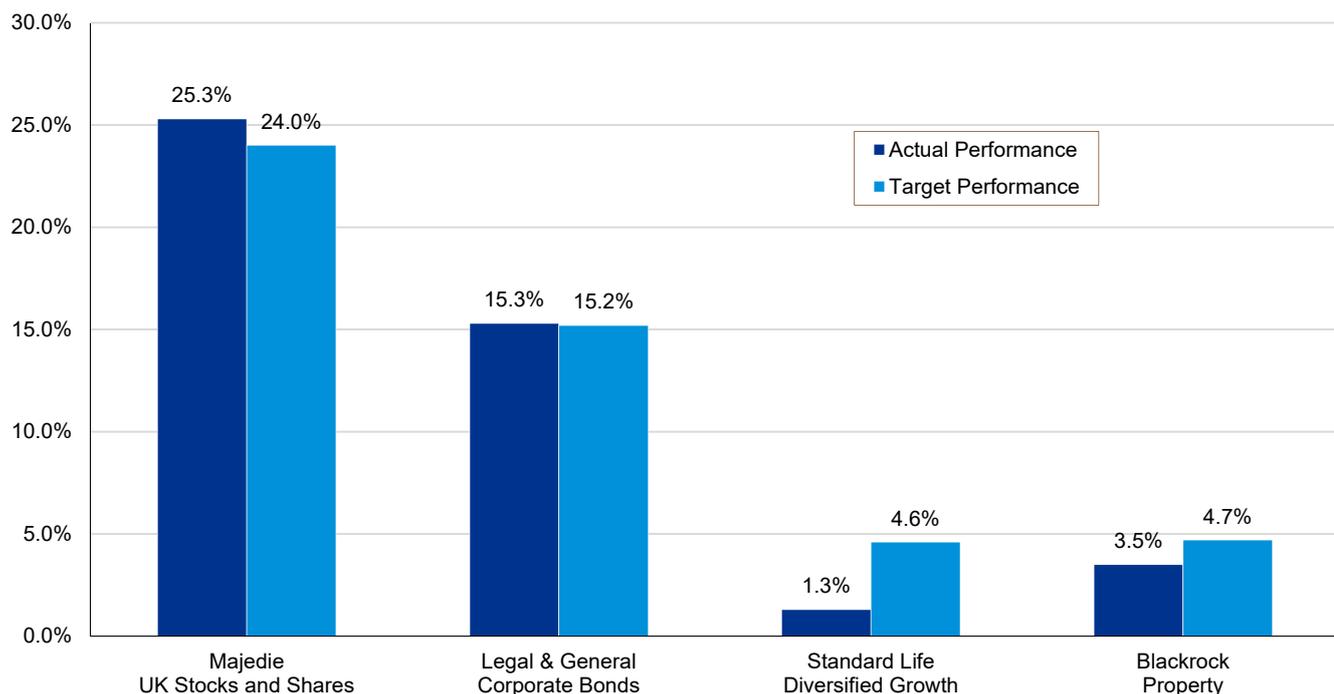
Against this backdrop, the Scheme's overall asset value increased, returning a gain over the year of 13.3%. Each investment manager is set a target return, which in this instance was to achieve better than 12.4% growth.

The 12 month period to 31 March 2017 was an uncertain time. This uncertainty looks to continue for the foreseeable future. We continue to 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 are undertaking a full review of the investment strategy to make sure it remains fit for purpose in the current times.

The performance of the assets of the DB section from 1 April 2016 to 31 March 2017 (after fees) is shown below:

Asset Performance - 12 months to 31 March 2017



Source: Investment Managers

Reminder

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 represents 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 and in some years they may underperform.

Defined contribution section

Asset performance

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 global equity fund slightly over performed against its target return whilst the bond fund slightly underperformed and cash funds met their target return (as shown in the table below).

	Fund return	Target return
Global equity fund ("stocks and shares")	26.3%	26.1%
Bond fund	11.8%	11.9%
Cash fund	0.2%	0.2%

Return for 12 months to 31 March 2017
Source: Legal & General & KPMG calculations

Pension News

New Member Website

To make it easier for you to find out about the Scheme and your pension, we have decided to launch a new website which will include publically available documents in relation to the pension scheme.

This will provide another platform by which the Trustee can maintain communication with the membership and we intend to add a number of useful resources over the coming months for our membership. At the moment this is rather work in progress, but please make sure to add it to your browser favourites so you can check back on it in the future should you have any questions about the Scheme.

Website address
stukpension.net

Future Correspondence

As requested by members, correspondence is now being sent via email. Please ensure that you have amended your email settings such that emails received from our address, STMPensions@KPMG.co.uk, are not automatically filtered to the Junk folder.

Please also get in contact with our administrators, contact details provided on the back page, to update your communication preference and email address.

Pension flexibilities for defined contribution benefits

Various changes to the way you can use a DC pension pot came into effect in April 2015.

As the Scheme mostly contains Defined Benefit (DB) pensions, most members will not directly be able to access the changes announced. However, if you have not yet retired, you may be allowed to transfer your benefits from the Scheme in order to access the flexibilities. It is recommended that you receive independent financial advice as part of considering whether to transfer out of the DB Plan, noting that in some cases independent advice will be required under legislation.

Options Available from your DC pot at Retirement

- 1. Take your entire DC pot as cash (subject to tax)**
- 2. Take an amount from your DC pot as and when you need it.** Individuals are able to use their DC pot to draw a regular income, without the need to buy a guaranteed annual income for life from an insurer (known as an annuity)
- 3. Buy a pension and receive an annual income.** The existing option of using your DC pension pot to buy an annuity for life still exists.

All non-pensioner members are entitled to request one transfer value quote every twelve months free of charge (which is a change from previous practise where a charge was applied in certain circumstances). In addition, a transfer value will be included in all retirement quotes automatically.

If you are taking your benefits from a DC arrangement, you are entitled to free and impartial guidance about your retirement options. This will be provided by independent organisations such as the Pensions Advisory Service or Citizens Advice Bureau and is known as Pension Wise.

<https://www.gov.uk/pensionwise>.

Pensions news (continued)

Pension increases applied at 1 July 2017

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. CPI inflation was 1.0% over the year to September 2016. The table below shows how different tranches of pension in the Scheme are increased in retirement along with the annual increase that was applied this year.

Pension Tranche	Increase as per Scheme's Rules	Increases applied at 1 July 2017
GMP built up before 6 April 88	No increases	Nil
GMP built up between 6 April 88 and June 93	CPI max 3%	1.0%
Pension in excess of GMP built up before 1 July 93	Discretionary	Nil
Pension in excess of GMP built between 1 July 93 and 5 April 05	CPI max 5%	1.0%
Pension built up after 6 April 05	CPI max 2.5%	1.0%

Please note that where your pension has come into payment since 1 July 2016, any increases payable will be proportionate.

CPI inflation was 3.0% over the year to September 2017. This means that we do expect to pay increases to pensions in July 2018. Increases will be applied in line with the Scheme's rules. The actual increase you get will depend on when you built up your pension. It is anticipated that no discretionary increases will be paid on benefits built up before 1 July 1993.

Pension scams

Scammers use a variety of methods to get their hands on people's savings. Often they will convince members to transfer the benefits they have built up to a new scheme offering 'incentives' and 'loopholes' which in reality don't exist. Examples include claims that members will be able to access their money before age 55, or to offer guaranteed investment returns. These claims are not true.

We continue to remind members who may be considering transferring out of the Scheme that you are expected to take the appropriate steps to make sure you are transferring into an approved Scheme including taking independent financial advice.

"Don't be next, predators are after your pension"

The Pensions Regulator has produced materials on this topic which are available to members and can be found at

www.tpr.gov.uk/pension-scams.aspx

Pensions news (continued)

Supreme Court ruling on same sex partner benefits

You may have recently seen in the news that the Supreme Court has overturned provisions in the Equality Act 2010 that exclude same-sex partners from spousal benefits built up before 5 December 2005.

The background to this ruling is that in the UK, the Equality Act 2010 prohibits discrimination on grounds of sexual orientation. Previously, this act offered an exemption allowing schemes to exclude same-sex partners from spousal benefits in respect of pension built up before 5 December 2005.

Following this Supreme Court ruling, survivors' pensions will now have to be based on total pensionable service and not just service from 5 December 2005. Schemes that have restricted benefits for civil partners and same-sex spouses will have to change their practices and make any necessary rule amendments, in addition to correcting any pensions already paid out in reliance on the Equality Act exemption.

However, this Scheme never used the exemption and has provided equal benefits to civil partners and spouses under the rules. As such, it is unaffected by this ruling.

General Data Protection Regulation (“GDPR”)

You may have also heard about the new GDPR coming into force on 25 May 2018. This introduces a number of detailed and complex requirements.

Principles of GRPR

- Personal data should be processed lawfully, fairly and in a transparent way.
- Data should be collected and processed only for specified, explicit and legitimate purposes.
- Use of personal data should be kept to a minimum.
- Data should be accurate and where necessary, kept up-to-date. Every reasonable step must be taken to ensure any inaccurate personal data is erased or rectified without delay.
- Data should not be retained for longer than is necessary
- Data should be processed in a manner that ensures appropriate security including protection against unauthorised or unlawful processing, and accidental loss, destruction, or damage; using appropriate technical or organisational measures.

We continue to work with our advisors, KPMG, to prepare for this change in legislation, and to ensure we are compliant with it's requirements.

Please Help...

To help us ensure our data is accurate and kept up-to-date, please make sure to contact our administrators as soon as possible following any changes in your personal details, such as when you move house.

Details on contacting our administrators can be found on the back page.

Reminders

Expression of Wish Forms

When you die, there may be benefits due 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 make sure 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.

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 a charge).

If you would like a transfer value quotation please contact KPMG using the contact details below.

Professional advisers

The Trustee receives advice from professional advisers to make sure the Scheme is run smoothly:

Scheme Actuary: Mark Westmore of KPMG LLP

Administration: KPMG LLP

Investment advisers: KPMG LLP

Legal advisers: Burges Salmon LLP

Auditors: PKF Cooper Parry Group Limited

Bankers: Lloyds Bank plc

Future communication

Correspondence is now being sent via email. 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.

Please ensure that you have amended your email settings such that emails received from our address, **STMPensions@KPMG.co.uk**, are not automatically filtered to the Junk folder.

If you are interested in further information, there is now a website in development which will shortly contain contact details, useful links, and a Q&A booklet.

This can be found at stukpension.net

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.

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)
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Andrea Talpo
andrea.talpo@st.com

Jonathan Edwards
Siliconjon48@gmail.com

Ian Pearson
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Trefor Southwell
stp@tdlj.net

Jon Frosdick
jonathan.frosdick@gmail.com

Alternatively, please contact the Scheme Administrators:

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