

07/29847

Books of Council and Session

Extract Registered 31 Jul 2007

AMENDMENT

A V X LIMITED
A V X LIMITED PENSION SCHEME

MCGRIGORS LLP
DX GW135 GLASGOW

Registers of Scotland

07/29847

AT EDINBURGH the Thirty First day of July Two thousand and seven the Deed hereinafter reproduced was presented for registration in the Books of the Lords of Council and Session for preservation and is registered in the said Books as follows:-

THIS DEED OF AMENDMENT is made on 18 day of July 2007

between

- (1) AVX LIMITED (registered number 1235639) whose registered office is at Admiral House, Harlington Way, Fleet, Hampshire GU51 4BB (the "Principal Employer"); and
- (2) ROBERT JOHN LAWRENCE of 9 The Chine, Farnham, Surrey GU10 4NN, MICHAEL JOHN SYMONDS of 1 Hawkmoor Parke, Bovey Tracey, Newton Abbot, Devon TQ13 9NL, SIMON HOWARD CUNDAY of 10 Elm Park, Paignton, Devon TQ3 3QH, PAUL CURTIS of 'Greenhill', Broadhempston, Totnes, Devon TQ9 6AX, KURT P CUMMINGS c/o AVX Corporation, PO Box 867, 801 17th Avenue South, Myrtle Beach, SC29578 - 0867, USA and CAROL ANN MELLELIEU of 'Melbourne', Old Hall Meadow, Rattlesden, Bury St Edmonds, Suffolk IP30 0QZ (the "Trustees").

INTRODUCTION

- (A) This Deed relates to the AVX Limited Pension Scheme (the "Scheme") established by an interim trust deed dated 16 November 1987.
- (B) The Scheme is currently governed by a Definitive Deed (the "Definitive Deed") and Rules (the "Rules") dated 20 September 1991 and the Deed of Amendment dated 27 November 2002 (the "Amending Deed"), as subsequently amended (the "Scheme Documentation").
- (C) The Trustees are the present trustees of the Scheme.
- (D) The Principal Employer is the present principal employer of the Scheme.
- (E) Under Clause 4 of the Definitive Deed, the Principal Employer may, at any time, with the Trustees' consent, alter, amend, extend, modify or add to all or any of the trusts, powers or provisions of the Definitive Deed or the Rules.
- (F) The Principal Employer and the Trustees wish to amend the provisions of the Rules in respect of future accrual of benefits with effect from 00.00 on 1 July 2007 (the "Effective Date"), as outlined in a Member Announcement from the Trustees and the Question and Answer information provided by the Principal Employer appended to it both dated June 2007 (the "Announcement"), copies of which are attached for reference.
- (G) The Trustees are satisfied that the alterations made by this Deed are not regulated modifications under Section 67 of the Pensions Act 1995.

NOW THEREFORE:-

- 1 In exercise of the power conferred by Clause 4 of the Definitive Deed, the Trustees and the Principal Employer hereby alter the Rules in the manner set out below with effect on and from the Effective Date.

- 2 **Amendments to Rules**

After 2(i) of the Rules insert the following:

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"(j) Choosing a Membership Category

A Member, other than a Varelco Member, may not later than 20 July 2007 choose in writing to become either a 1/60th Member or a 1/80th Member with effect from the Effective Date.

A Varelco Member may not later than 20 July 2007 choose in writing to become either a Varelco 1/60th Member or a Varelco 1/80th Member with effect from the Effective Date.

A Member, other than a Varelco Member, who does not chose to become a 1/60th Member with effect from the Effective Date shall become a 1/80th Member with effect from the Effective Date, and

A Varelco Member who does not chose to become a Varelco 1/60th Member with effect from the Effective Date shall become a Varelco 1/80th Member with effect from the Effective Date.

(k) Changing a Membership Category

After the Effective Date:

- (i) a 1/60th Member may opt to become a 1/80th Member,
- (ii) a 1/80th Member may opt to become a 1/60th Member,
- (iii) a Varelco 1/60th Member may opt to become a 1/80th Varelco Member,
- (iv) a Varelco 1/80th Member may opt to become a Varelco 1/60th Member.

This option may be exercised only once by each Member, and only with effect from 1 April in any year, by giving not less than 2 month's prior written notice to the Trustees."

3 **Amendments to Definitions**

In SCHEDULE – PART I DEFINITIONS insert the following new definitions in the appropriate places so as to be in alphabetical order with the existing definitions:-

""1/60th Member" means at any time a Member, other than a Varelco Member, who is then accruing benefits at the rate of 1/60th of Final Pensionable Pay for every year of Pensionable Service."

""Varelco 1/60th Member" means at any time a Varelco Member who is then accruing benefits at the rate of 1/60th of Final Plan Salary for every year of Pensionable Service."

""1/80th Member" means at any time a Member, other than a Varelco Member, who is then accruing benefits at the rate of 1/80th of Final Pensionable Pay for every year of Pensionable Service."

""Varelco 1/80th Member" means at any time a Varelco Member who is then accruing benefits at the rate of 1/80th of Final Plan Salary for every year of Pensionable Service."

""Effective Date" means 00.00 on 1 July 2007."

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""Revaluation Requirements" means the requirements of the legislation relating to the revaluation of pension benefits."

4 Amendments to Schedules - Members

4.1 Section 2 of the SCHEDULE - PART III appended to the Rules is deleted in its entirety and replaced by the following:

"2. Members Contributions – applicable to Rule 3(a)(i)

(a) For 1/60th Members a rate of 13% of Pensionable Pay.

(b) For 1/80th Members a rate of 8% of Pensionable Pay.

4.2 Section 3 of the SCHEDULE - PART III appended to the Rules is deleted in its entirety and replaced by the following provision:

"3. Member's Annual Rate of Pension – Applicable to Rule 5

$$(1/60 \times N_1 \times FPP) + (1/80 \times N_2 \times FPP)$$

where N_1 is the aggregate, in complete years with a proportionate amount for any additional complete months not included in a complete year of (i) the period of Pensionable Service completed before the Effective Date, and (ii) (if any) the period of Pensionable Service completed after the Effective Date while a 1/60th Member.

N_2 is the number of complete years with a proportionate amount for any additional complete months not included in a complete year of the period (if any) of Pensionable Service after the Effective Date while a 1/80th Member.

FPP is Final Pensionable Pay

N_2 and, to the extent necessary, N_1 shall be restricted so that $N_1/60 + N_2/80$ is not greater than 2/3."

4.3 Section 1(a) of SCHEDULE – PART IV to the Rules is deleted in its entirety and replaced by the following:

"(a) Member's Annual Rate of Pension at Normal Pension Date

$$(1/60 \times N_1 \times FPP) + (1/80 \times N_2 \times FPP) + G + R$$

where N_1 is the aggregate, in complete years with a proportionate amount for any additional complete months not included in a complete year of (i) the period of Pensionable Service completed before the Effective Date, and (ii) (if any) the period of Pensionable Service completed after the Effective Date while a 1/60th Member.

N_2 is the number of complete years, with a proportionate amount for any additional complete months not included in a

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complete year of the period (if any) of Pensionable Service after the Effective Date while a 1/80th Member.

- FPP is Final Pensionable Pay
- G is the increase in the Guaranteed Minimum Pension attributable to the revaluation in accordance with Rule 16 (d)
- R is the amount to be added to that part (if any) of a Member's Short Service Benefit which exceeds his Guaranteed Minimum Pension at the date of termination of Pensionable Service such additional amount being calculated in accordance with the following formula:-

$A \times (D - E)$ where

- A is the revaluation percentage in accordance with the Revaluation Requirements for the period which is relevant for that Member, specified in the last period of one year beginning on 1st January 1986 or on an anniversary of that date and ending before the date on which the Member attains Normal Pension Date
- D is the amount of pension calculated from the above formula $(1/60 \times N_1 \times FPP) + (1/80 \times N_2 \times FPP)$ and before the addition of G and R
- E is any part of the amount in D which consists of the Member's Guaranteed Minimum Pension at the date on which the Member's Pensionable Service terminates.

N_2 and, to the extent necessary, N_1 shall be restricted so that $N_1/60 + N_2/80$ is not greater than $2/3$."

5 Amendments to Schedules - Varelco Members

5.1 Section 2 of the SCHEDULE - PART II (APPLICABLE ONLY TO VARELCO MEMBERS) appended to the Amending Deed is deleted in its entirety and replaced by the following: :

"2. Varelco Members Contributions – Applicable to Rule 3(a)(i)

- (a) For Varelco 1/60th Members a rate of 13% of a Varelco Member's Contribution Salary determined on the Entry Date at the start of that Plan Year.
- (b) For Varelco 1/80th Members a rate of 8% of a Varelco Member's Contribution Salary determined on the Entry Date at the start of that Plan Year.

5.2 Section 3 of SCHEDULE – PART III (APPLICABLE ONLY TO VARELCO MEMBERS) appended to the Amending Deed is deleted in its entirety and replaced by the following: :

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"3. Varelco Member's Annual Rate of Pension – Applicable to Rule 5

$$(1/60 \times N_1 \times \text{FPS}) + (1/80 \times N_2 \times \text{FPS})$$

where N_1 is the aggregate, in complete years with a proportionate amount for any additional complete months not included in a complete year of (i) the period of Pensionable Service completed before the Effective Date, and (ii) (if any) the period of Pensionable Service completed after the Effective Date while a Varelco 1/60th Member.

N_2 is the number of complete years, with a proportionate amount for any additional complete months not included in a complete year of the period (if any) of Pensionable Service after the Effective Date while a Varelco 1/80th Member.

FPS is Final Plan Salary

N_2 and, to the extent necessary, N_1 shall be restricted so that $N_1/60 + N_2/80$ is not greater than 2/3."

5.3 Section 9 of SCHEDULE – PART III (APPLICABLE ONLY TO VARELCO MEMBERS) appended to the Amending Deed is deleted in its entirety and replaced by the following:

"9. Varelco Member's Annual Rate of Pension – Applicable to Rule 10

(i) In the case of a Varelco Member who retires on grounds on Serious Incapacity, at the Trustees' discretion:

$$(1/60 \times NS_1 \times \text{FPS}) + (1/80 \times NS_2 \times \text{FPS})$$

(ii) In the case of a Varelco Member who retires on grounds of Incapacity and (i) above is not applicable:

$$(1/60 \times N_1 \times \text{FPS}) + (1/80 \times N_2 \times \text{FPS})$$

(iii) In the case of a Varelco Member who retires on grounds other than Incapacity

$$(1/60 \times N_1 \times \text{FPS}) + (1/80 \times N_2 \times \text{FPS})$$

reduced on the Actuary's advice to take account of payment before age 60

Where in each case

NS_1 is the aggregate, in complete years with a proportionate amount for any additional complete months not included in a complete year of (i) the period of Pensionable Service completed before the Effective Date, and (ii) (if any) the period of Pensionable Service completed after the Effective Date while a Varelco 1/60th Member, and (iii) (if the Varelco Member was a Varelco 1/60th Member immediately before he retired), the period of Pensionable Service which he would have completed between the date of retirement and his Normal Pension Date, if he had remained a Varelco 1/60th Member until Normal Pension Date.

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NS₂ is the number of complete years, with a proportionate amount for any additional complete months not included in a complete year of (i) the period (if any) of Pensionable Service after the Effective Date while a Varelco 1/80th Member, and (ii) (if the Varelco Member was a Varelco 1/80th Member immediately before he retired), the period of Pensionable Service which he would have completed between the date of retirement and his Normal Pension Date, if he had remained a Varelco 1/80th Member until Normal Pension Date.

N₁ is the aggregate, in complete years with a proportionate amount for any additional complete months not included in a complete year of (i) the period of Pensionable Service completed before the Effective Date, and (ii) (if any) the period of Pensionable Service completed after the Effective Date while a Varelco 1/60th Member.

N₂ is the number of complete years, with a proportionate amount for any additional complete months not included in a complete year of the period (if any) of Pensionable Service after the Effective Date while a Varelco 1/80th Member.

FPS is Final Plan Salary

NS₂ and, to the extent necessary, NS₁ shall be restricted so that $NS_1/60 + NS_2/80$ is not greater than $2/3$.

N₂ and, to the extent necessary, N₁ shall be restricted so that $N_1/60 + N_2/80$ is not greater than $2/3$."

5.4 Section 11 of SCHEDULE - PART III (APPLICABLE ONLY TO VALELCO MEMBERS) appended to the Amending Deed is deleted and replaced with the following:

"11. Varelco Member's Annual Rate of Pension - Applicable to Rule 11(a)

$$(1/60 \times N_1 \times FPS) + (1/80 \times N_2 \times FPS)$$

increased on the Actuary's advice for each complete month between Normal Pension Date and the date of retirement

where N₁ is the aggregate, in complete years with a proportionate amount for any additional complete months not included in a complete year of (i) the period of Pensionable Service completed before the Effective Date, and (ii) (if any) the period of Pensionable Service completed after the Effective Date while a Varelco 1/60th Member.

N₂ is the number of complete years, with a proportionate amount for any additional complete months not included in a complete year of the period (if any) of Pensionable Service completed after the Effective Date while a Varelco 1/80th Member.

FPS is Final Plan Salary

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N_2 and, to the extent necessary, N_1 shall be restricted so that $N_1/60 + N_2/80$ is not greater than $2/3$."

5.5 Section 1(a) of SCHEDULE – PART IV (APPLICABLE ONLY TO VARELCO MEMBERS) appended to the Amending Deed is deleted in its entirety and replaced by the following:

"(a) Varelco Member's annual rate of pension at Normal Pension Date

$$(1/60 \times N_1 \times \text{FPS}) + (1/80 \times N_2 \times \text{FPS}) + G + R$$

where N_1 is the aggregate, in complete years with a proportionate amount for any additional complete months not included in a complete year of (i) the period of Pensionable Service completed before the Effective Date, and (ii) (if any) the period of Pensionable Service completed after the Effective Date while a Varelco 1/60th Member.

N_2 is the number of complete years, with a proportionate amount for any additional complete months not included in a complete year of the period (if any) of Pensionable Service completed after the Effective Date while a Varelco 1/80th Member.

FPS is the Varelco Member's Final Plan Salary

G is the increase in the Guaranteed Minimum Pension attributable to the revaluation in accordance with Rule 16 (d) and, in the case of a female Varelco Member, any increases in accordance with Rules 16(c)(ii)

R is the amount to be added to that part (if any) of a Varelco Member's Short Service Benefit which exceeds his Guaranteed Minimum Pension at the date of termination of Pensionable Service, such additional amount being calculated in accordance with the following formula:

$$A \times (B - C)$$

Where

A is the revaluation percentage in accordance with the Revaluation Requirements for the period which is relevant for that Varelco Member, specified in the year ending on 31 December last before the date on which the Varelco Member attains Normal Pension Date

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B is the amount of the Varelco Member's pension calculated from the above formula $(1/60 \times N_1 \times FPP) + (1/80 \times N_2 \times FPP)$ and before the addition of G and R

C is any part of the amount in B which consists of the Varelco Member's Guaranteed Minimum Pension at the date on which the Varelco Member's Pensionable Service terminates

N_2 and, to the extent necessary, N_1 shall be restricted so that $N_1/60 + N_2/80$ is not greater than $2/3$."

6 Execution in counterpart

6.1 This Deed may be executed in any number of counterparts. This has the same effect as if the signatures on the counterparts were on a single copy of this Deed.

6.2 Each counterpart shall constitute an original of this Deed but all the counterparts shall together constitute one and the same Deed.

7 Effect of this Deed

7.1 The terms of this deed and the Announcement shall prevail over anything in the Rules which is inconsistent with those terms.

7.2 Subject to the amendments made by this Deed, the Principal Employer and the Trustees confirm the terms of the Scheme Documentation.

THIS DEED is made by the parties to it on the first date that appears on it.

EXECUTED AS A DEED

by AVX LIMITED acting by

..... Director
..... Full Name
..... *R Lawrence* Director/Secretary
..... ROBERT JOHN LAWRENCE Full Name

EXECUTED AS A DEED

by ROBERT JOHN LAWRENCE

..... *R Lawrence*

in the presence of

..... *Belinda Jane Wetherill* Witness
..... BELINDA JANE WETHERILL Full Name
..... 89 NETHERVELL ROAD, Address
..... CHURCH CROOKHAM
..... HANTS. Occupation

PA

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B is the amount of the Varelco Member's pension calculated from the above formula $(1/60 \times N_1 \times FPP) + (1/80 \times N_2 \times FPP)$ and before the addition of G and R

C is any part of the amount in B which consists of the Varelco Member's Guaranteed Minimum Pension at the date on which the Varelco Member's Pensionable Service terminates

N_2 and, to the extent necessary, N_1 shall be restricted so that $N_1/60 + N_2/80$ is not greater than $2/3$."

6 Execution in counterpart

6.1 This Deed may be executed in any number of counterparts. This has the same effect as if the signatures on the counterparts were on a single copy of this Deed.

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7 Effect of this Deed

7.1 The terms of this deed and the Announcement shall prevail over anything in the Rules which is inconsistent with those terms.

7.2 Subject to the amendments made by this Deed, the Principal Employer and the Trustees confirm the terms of the Scheme Documentation.

THIS DEED is made by the parties to it on the first date that appears on it.

EXECUTED AS A DEED

by AVX LIMITED acting by

.....
Kurt Cummings Director
 Full Name
 Director/Secretary
 Full Name

Witness *Christine M. Casella*
 Full name *Christine M. Casella*
 Address *801 17th Ave South*
Myrtle Beach SC 29577
 Occupation *Executive Asst.*

EXECUTED AS A DEED

by ROBERT JOHN LAWRENCE

.....
 in the presence of

..... Witness
 Full Name
 Address

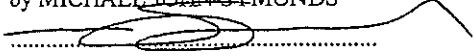
 Occupation

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EXECUTED AS A DEED

by MICHAEL JOHN SYMONDS



in the presence of

AKE Witness
MRS A K BOLT Full Name
59 WOODLAND AVENUE, Address
KINGSKERSWELL, DEVON
H.R. ASSISTANT Occupation

EXECUTED AS A DEED

by SIMON HOWARD CUNDAY

.....

in the presence of

..... Witness
..... Full Name
..... Address
.....
..... Occupation

EXECUTED AS A DEED

by PAUL CURTIS

.....

in the presence of

..... Witness
..... Full Name
..... Address
.....
..... Occupation

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EXECUTED AS A DEED
by MICHAEL JOHN SYMONDS

.....
in the presence of
..... Witness
..... Full Name
..... Address
.....
..... Occupation

EXECUTED AS A DEED
by SIMON HOWARD CUNDAY

Simon Cunday
.....
in the presence of
[Signature] Witness
ROBERT JOHN SETTKINS Full Name
12 WYRE CLOSE Address
PAIKTOWN
SHIFT SUPERVISOR Occupation

EXECUTED AS A DEED
by PAUL CURTIS

.....
in the presence of
..... Witness
..... Full Name
..... Address
.....
..... Occupation

Registers of Scotland

EXECUTED AS A DEED

by KURT P CUMMINGS

.....
in the presence of

..... *Christine M. Casella* Witness
..... *Christine M. Casella* Full Name
..... *807 17th Ave South* Address
..... *Myrtle Beach, SC 29577*
..... *Executive Asst.* Occupation

EXECUTED AS A DEED

by CAROL ANN MELLELIEU

.....
in the presence of

..... Witness
..... Full Name
..... Address
.....
..... Occupation

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EXECUTED AS A DEED

by KURT P CUMMINGS

.....
in the presence of

..... Witness
..... Full Name
..... Address
.....
..... Occupation

EXECUTED AS A DEED

by CAROL ANN MELLELIEU

..... *CAMellelieu*

in the presence of

..... *my b* Witness
..... MARGARET KING Full Name
..... 27 THORN CLOSE Address
..... SOHAN CAMS COUSE
..... PA MARKETING Occupation

Registers of Scotland

EXECUTED AS A DEED

by MICHAEL JOHN SYMONDS

.....

in the presence of

..... Witness
..... Full Name
..... Address
.....
..... Occupation

EXECUTED AS A DEED

by SIMON HOWARD CUNDAY

.....

in the presence of

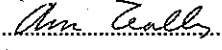
..... Witness
..... Full Name
..... Address
.....
..... Occupation

EXECUTED AS A DEED

by PAUL CURTIS

..... 

in the presence of

.....  Witness
..... ANN ZEALLEY Full Name
..... SNEYDHURST Address
..... BROADHEMPSTON, TOTNES, TQ9 6AX
..... HOUSE WIFE Occupation

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EXECUTED AS A DEED

by KURT P CUMMINGS

.....
in the presence of

..... Witness
..... Full Name
..... Address
.....
..... Occupation

EXECUTED AS A DEED

by CAROL ANN MELLELIEU

.....
in the presence of

..... Witness
..... Full Name
..... Address
.....
..... Occupation

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Change in future benefit accrual from 1st July 2007

Announcement to members of the AVX Limited Pension Scheme

This announcement contains important information about your pension benefits and sets out the decisions you are now being asked to make. Please take time to read it carefully. Details of how to obtain further information are shown on the last page.

The announcement follows the 60 days consultation period between the Company and the active contributing members of the AVX Limited Pension Scheme regarding the proposed change in future benefit accrual from 1st July 2007. The consultation process ended on 4th June 2007. This announcement should be read in conjunction with our previous letter issued in April 2007.

1) Background

The Trustees of the AVX Limited Pension Scheme ("the Scheme") recently received the results of an actuarial valuation of the Scheme with an effective date of 5th April 2006. This revealed a shortfall in the Scheme's assets to cover its pension liabilities of the order £13.6 million.

AVX Limited ("the Company") has recognised recent increases in the cost of funding for benefit accrual in the Scheme, and the Company and Trustees have carefully considered the results of the actuarial valuation in light of the increase in pension costs over and above the contributions already being paid. After a comprehensive review of the options available to it, the Company has agreed certain changes to the Scheme with the Trustees. These are summarised in Section 2.

As required under the Pensions Act 2004, the Company has consulted all the affected employees in respect of the changes to the Scheme's benefit design. This constituted the 60 day consultation period which ended on 4th June 2007.

The attached document outlines all of the questions which the members have asked the Company, along with the Company's response.

The Company and Trustees consider these changes to be in the best long term interests of the Scheme's members as they will result in more sustainable pension provision going forward.

2) Changes to your future accrual of pension benefits

As a current member of the Scheme, you pay contributions which are added to the Company's contributions in order to fund for the cost of your pension. You are presently paying 8% p.a. of your Pensionable Salary to the Scheme. The Company meets the balance of the cost of your ongoing accrual of pension.

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For each year of Pensionable Service you build up in the Scheme until 1st July 2007 you receive 1/60th of your Final Pensionable Salary as pension when you come to retire. 1/60th is known as the "accrual rate" in the Scheme. It was originally designed so that members who built up the full 40 years' service in the Scheme could expect a pension of 40/60ths or 2/3rds of their Final Pensionable Salary.

The Trustees of the Scheme have negotiated with the Company and have agreed payments from the Company from 1st July 2007 as follows:

- The Company will increase its monthly contributions which are designed to pay off the shortfall in the Scheme from £160,000 per month to £198,000 per month with effect from 1st July 2007. We anticipate that the new rate of additional contributions of £198,000 per month will eliminate the deficit over a period of 7 years. This compares favourably with the 10 year period which the UK Pensions Regulator has been encouraging; and
- The Company will also contribute 10% pa of Pensionable Salaries to cover the cost of your future accrual of pension.

Having considered various possible changes to the benefits that the Scheme offers, the Trustees and the Company have agreed to amend the benefits you accrue in the Scheme from 1st July 2007. The following list contains some important information about your future benefits:

- For each year of Pensionable Service you build up from 1st July 2007, the Scheme will provide you with a pension equal to 1/80th of your Final Pensionable Salary when you retire. However, members wishing to stay on the 1/60ths accrual rate will be able to elect to contribute 13% of Pensionable Salaries. This choice would be offered to each member on an individual basis and take effect from 1st July 2007.
- Given the timescales involved, the Company intends to give you enough time to make your mind up about this and, if appropriate, to backdate your extra contributions to 1st July once your decision has been made.
- If you have any questions about the decision on whether or not to pay the extra 5% to remain on 1/60ths, you should seek independent financial advice;
- You would also have a further option on a one-off basis to switch from your original decision on any 1st April between now and when you retire. This switch, if made, would be final and non-reversible;
- Please note that this proposed change would have no impact on the pension relating to the Pensionable Service you have built up in the Scheme to 1st July 2007. You will continue to receive 1/60th of Final Pensionable Salary for each year of Pensionable Service in the Scheme prior to 1st July 2007;
- If you are within 3 months of your Normal Pension Age (Age 65) as at 1st July 2007, you will continue to get 1/60ths on the pensionable service you build up in these 3 months without any increase to your contribution rate. This is to simplify the administration procedures for those who are very close to retirement;

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- If you decide to leave the Scheme as a result of the proposed changes outlined here, you will not be permitted to re-join it later;
- Your main option to preserve your accrual for future pensionable service is to pay the additional 5% pa of Pensionable Salaries which will enable you to retain the 1/60ths accrual rate.
- Alternatively if you do not wish to pay the additional 5% contributions, but did wish to take some action to mitigate the effects of the switch to 1/80ths you have the option of starting to pay Additional Voluntary Contributions (AVCs) or to increase your AVCs if you are already paying them. You might recall that from last year you can pay a high level of AVCs and also may have the opportunity to take a substantial proportion of your AVCs as part of your total tax free cash sum on retirement. This may not suit everyone, and of course, AVCs are not the only vehicle to help you save for retirement. You should consider taking independent financial advice to help you better understand your saving options.
- Please note that you automatically get full tax relief on your contributions to the Scheme. This applies to your current 8% contributions as well as the extra 5% should you wish to retain the 1/60 accrual rate.

3) What happens next?

The Appendix contains a Decision Form which needs to be completed by 20th July 2007. This will confirm what future benefits you receive in the Scheme. Please send completed decision forms to Mike Symonds (for Paignton members) or Carol Mellelieu (for Elco members) to the addresses below.

If you have any immediate questions regarding these changes, please write to Mike Symonds (for Paignton members) or Carol Mellelieu (for Elco members) at the following addresses.

Mr MJ Symonds
AVX Limited
Tantalum Division
Long Road
Paignton
Devon TQ4 7ER

Mrs C Mellelieu
AVX Limited
Exning Road
Newmarket
Suffolk
CB8 0AT

4) Don't forget

You are required to make your decision and complete and return your Decision Form by 20th July 2007.

If you do not return your Decision Form by 20th July 2007 then you will automatically receive benefits relating to a 1/80th accrual rate for pensionable service after 1st July 2007 and your contribution rate will stay at 8% pa of your Pensionable Salary. You will have a further option on a one-off basis to switch from your original decision on any 1st April between now and when you retire. This switch, if made, will be final and non-reversible.

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You may wish to consult an independent financial adviser before reaching a final conclusion on which option is most suitable for your circumstances.

The Trustees of the AVX Limited Pension Scheme
June 2007

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Decision Form

PLEASE TICK ONE BOX ONLY

I have carefully considered the information contained in the member announcement regarding the proposed changes to the AVX Limited Pension Scheme from 1st July 2007. Having fully understood the implications of the changes being introduced, I confirm my decision by ticking the appropriate box below:-

1. I wish to retain a contribution rate of 8% pa of my Pensionable Salary to the Scheme.

I am aware that, as a consequence, my pension accrual rate will reduce to 1/80ths of my Final Pensionable Salary in respect of my Pensionable Service after 1st July 2007.

I am also aware that I have a further option on a one-off basis to switch to 1/60th accrual rate on any 1st April between now and when I retire. This switch, if made, would be final and non-reversible.

2. I wish to continue to receive benefits in the Scheme based on a 1/60th accrual rate. In other words, for each year of pensionable service after 1st July 2007, my pension will equal to 1/60th of my Final Pensionable Salary when I retire.

As a consequence, I consent to pay an additional 5% of pensionable salary from 1st July 2007 and in total I will contribute 13% of pensionable salary from 1st July 2007. I also consent to the Company backdating my additional contributions to 1st July 2007. This may result in my extra contributions for July 2007 being spread over my August and September salary.

I am aware that I have a further option on a one-off basis to switch to 1/30th accrual rate on any 1 April between now and when I retire. This switch, if made, would be final and non-reversible.

.....
SIGNED

.....
DATE

.....
PRINT NAME

Please return this form to Mike Symonds (for Paignton members) or Carol Mellelieu (for Elco members) at the following addresses by 20th July 2007.

Mr MJ Symonds
AVX Limited
Tantalum Division
Long Road
Paignton
Devon TQ4 7ER

Mrs C Mellelieu
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Exning Road
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CB8 0AT

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AVX LIMITED PENSION SCHEME

ANSWERS TO MEMBERS' QUESTIONS TO THE COMPANY

The Company has received the following questions from members in relation to the proposed changes to the AVX Limited Pension Scheme ("the AVX Scheme"). We have taken professional advice and the Company's response to each question is outlined below.

- Q1.** You say that the Company will eliminate the funding deficit, with a 7 year target. So what happens if AVX Paignton closes before the 7 years? Will AVX Company carry on paying the extra to eliminate the deficit by this time?
- A1.** AVX has no choice in law but to stand over the full amount of the deficit. How quickly this is paid off would involve a process of discussion and negotiation between the Trustees of the AVX Scheme and the Company. However, AVX Paignton is only a part of AVX Limited in the UK, ie, it is part of a larger entity. The Trustees of the AVX Scheme have already undertaken a formal financial review of AVX Limited in the UK and are satisfied that it is financially strong in relation to its obligation to fund the AVX Scheme.
- Q2.** Are any of the proposals to the increased payments due to the fact that AVX has now got to pay into the Pension Protection Fund, and if so what percentage will we be paying out of the proposed pension increase?
- A2.** It is true that one of the elements of additional cost being faced by the AVX Scheme is the requirement to pay premiums each year to the Pension Protection Fund (PPF). The purpose of the PPF is to provide members with most of their benefits in the event that the sponsoring employer becomes insolvent and is unable to meet its obligations to the scheme.

The Scheme's Actuary estimates that the cost of paying PPF premiums going forward is around 0.4% pa of Pensionable Salaries. In other words, only a very small element of the increased cost of the Scheme relates to the PPF premiums.

- Q3.** If some members do not take up this offer to increase their pensions by 5%, will that mean that there may be a shortfall against next year, so that the contributions will have to go up again next year or the year after to cover the decrease in contributions?



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- A3 No. The extra 5% pa of Pensionable Salaries reflects the increased cost compared to the last financial review of the Scheme for accruing pension at the rate of 1/60th of Final Pensionable Salary for each year of service. If each member of the Scheme wanted to continue building up a pension at the rate of 1/60th of Final Pensionable Salary for each year of service, the increased cost of doing this would be 5% pa of Pensionable Salary.

The Trustees have negotiated with the Company that members will have a choice here. Those members who do not wish to pay the extra 5% pa will be provided with a less valuable benefit going forward. They will build up a lower pension of 1/80th of Final Pensionable Salary for each year of service.

The difference in the cost of funding an 1/80th pension compared to 1/60th pension is 5% pa of Pensionable Salary. So, the two options have the same net cost to the Company since members who choose to continue building up a pension of 1/60th of Final Pensionable Salary for each year of service meet the additional cost of funding themselves. Either way, both options involve sufficient money being paid to fund the pension..

For the avoidance of doubt, any member who switches to a 1/80th accrual rate going forward has the option of switching back up to 1/60th at some stage in the future if they are prepared to pay the extra 5% contributions. Also, any pension that you have built up to date is entirely unaffected by this change, which only affects benefit that you build up in the future.

- Q4. Can you let me know when I as a member of the Pension Scheme will be able to see a copy of the actual Valuation of the Scheme effective dated 5 April 2006? So that I may see for myself why the fund management teams have got us into the £13.6M shortfall.

- A4. The Actuary to the Scheme is currently preparing a formal report on the Valuation which he will need to agree firstly with the Trustees of the AVX Scheme before signing it off and making it available to the members. This will be done before the start of July 2007.

To date, the Actuary has presented the results of the valuation to the Trustees via a slide presentation. You may see a copy of this presentation on request.

Most other UK pension schemes have been dealing with significant deficits which have emerged over a relatively short period of time as a result of factors such as the rate of improvement in peoples' life expectancy significantly outstripping previous predictions. All that the Company and Trustees can do is to keep the position under review and to address the situation as it emerges.

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Q5. Regards the increases of future benefits accrual, I believe that the Trustees should be looking at the performances of the fund management teams in getting a better return on our investments. What is being done?

A5. The Trustees have undertaken a major review of the Scheme's investment strategy and have come to two key conclusions.

The first is that, in order to help protect the Scheme against further downside, it is moving a further 10% of the Scheme's assets from investments in shares in other companies to fixed interest government securities. This will provide a better match between the Scheme's assets and its liabilities.

The second, less important decision, is to move all of the assets that are currently managed by Fidelity, to the Scheme's other investment manager State Street. Fidelity and State Street adopt different approaches to managing pension scheme assets. Fidelity attempt to produce investment returns which are better than the stock market as a whole, but in doing so they run the risk of producing returns which are less than the average return produced by the stock market. State Street's approach is to hold assets which they know will produce returns which are exactly in line with stock market returns. State Street can manage the assets at a lower cost than Fidelity because State Street's style of investment management, which is called index tracking, is a much simpler approach than attempting to pick and choose the best stocks as Fidelity do.

Therefore, the Trustees are adopting a generally lower risk and lower cost approach to the investment of the Scheme's assets. They believe that this is the appropriate thing to do as the Scheme has been closed to new entrants for some years.

Q6. You say that the Company has considered and dismissed the option of meeting the full increased cost of future benefits accrual. So, have the Trustees put it to them to maybe meet us at least half way and pay say 50% each.

A6. The Company and Trustees have undertaken a negotiation process during which various proposals were considered.

When entering this negotiation process, the Company believes that the Trustees were bearing in mind that the Company was increasing its funding for the past service deficit from £1.2 million per annum in 2004 to £2.4 million per annum in 2007. The Trustees also bore in mind the Company's option to simply stop the Scheme and not allow members to build up any further pension.

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The Trustees took detailed legal and actuarial advice and the Trustees consider that they have achieved the best deal possible for the members, bearing in mind that the role of the Trustees is primarily to ensure that any benefits which have been built up to date are properly funded. The power to make decisions about future benefit accrual and future member contributions rests primarily with the Company.

For the avoidance of doubt, the Company was not and is not prepared to meet 50% of the increase in the cost for future benefit accrual. If the Trustees had insisted on this, then the most likely response from the Company would have been to stop the Scheme altogether.

- Q7. The Company dismissed the idea that every member is required to pay an extra 5% pa, but that is exactly what they are asking us to do by increasing payments from 8% to 13%. So if we don't do it we will stand to have a shortfall in our pensions, is that so?
- A7. As stated in the consultation document, the Company does not wish to insist that each member pays an extra 5% pa of their Pensionable Salaries in order to retain a 1/60th pension accrual rate. The resulting member contribution rate of 13% pa of Pensionable Salaries undoubtedly would be too high for many of the members to afford. Consequently, if this was the only option, our expectation would be that many members would simply leave the Scheme and build up no further pension.

The Trustees made it clear to the Company that they thought that members should have a choice. They felt that those members who wished to retain a 1/60th accrual rate should be given the option to do so by paying the extra 5%.

Each member has a clear choice to make and we do not accept that members in essence have only one option, ie, to pay the extra 5%. The Trustees have also negotiated with the Company that those members who cannot currently afford to pay the extra 5% but might wish to do so in the future will have a one off option on any 1st April between now and when they retire to contribute an extra 5% at a time they can afford it and to restart building up pension at the rate of 1/60th.

- Q8. I have a question regarding the additional contributions we are about to be asked to decide to contribute to the main Pension Fund. Is it possible to "reassign" the money from our existing AVC accounts to cover the increased payments in the main fund until the AVC account is depleted or things change?

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And the said Lords grant Warrant for lawful execution hereon.

EXTRACTED by me having commission to that effect from the
Keeper of the Registers of Scotland.

