

Mitchells & Butlers Pension Plan and the Mitchells & Butlers Executive Pension Plan (the “Plans”)

Member consultation in respect of changes to the Defined Benefit (DB) section of the Plans concluded on 24 September 2010. The Remuneration Committee considered member feedback on 15 October and a final proposal was put to the Plans’ Trustee on 2 November.

Following careful consideration of the Company proposal the Trustee Boards determined that the Plans’ Trust Deed and Rules could be amended to permit the ceasing of future DB accrual and the incorporation of the proposed future DC benefit changes from **13 March 2011**. In so doing the Trustees noted that the decision to cease future benefit accruals to the Plans is not intended by the Company to have any effect on its obligations in respect of the funding of accrued benefits.

Active (i.e. employed by Mitchells & Butlers) former members of the DB section retain their accrued benefits. They will, from 13 March 2011, no longer build up pensionable service in the Plans but their DB benefits will build up in line with the better of pensionable salary increases capped at 2% or normal deferred pensioner revaluation of RPI up to 5% per year.

The Company will write to DB and DC section members individually in January 2011; in the meantime I am pleased to confirm that it is intended that existing DB section members will automatically be transferred to DC Choice from 13 March 2011. There will be no requirement to complete an application form or health declaration. Existing DB section members who wish to opt out of DC Choice may do so. Details of this process, as well as investment choices for those who do not wish to invest in the Lifestyle Fund, will be provided in January 2011.

Summary details of the Plans’ pension benefit from 13 March 2011 are set out below. Except for the date of implementation (which was originally proposed as 1 January 2011) the position in respect of the many detailed benefit questions answered during the consultation process remains unchanged. These questions and answers remain available on the intranet for reference.

- Members’ DC contributions of 4% or 5% of Plan Pay¹ will be matched by the Company on the enhanced basis set out in the consultation.
- Members may continue to pay additional voluntary contributions (AVCs); as now, these will not be matched by the Company. Such AVCs will be credited to the member’s DC Choice account.
- Life assurance cover for employee members of the Plans’ will be increased from four times Benefit Pay² to six times Benefit Pay.
- 1 times Benefit Pay life cover will continue to apply to those employees who are eligible to join the Defined Contribution section of the Plan but who elect not to do so or who subsequently opt out of the Defined Contribution section.
- Ill health retirement benefit for active members will continue to be determined on the basis of medical evidence and aligned with the current DC Choice. Former DB section members will in addition to the DC Choice ill health benefit have entitlement to the immediate payment of the unreduced, accrued DB pension.
- Where a member retires from employment with a DC Choice fund value of less than £7,500 (before any tax free cash is taken) then the value of the DC Choice account may be used to augment the member’s DB section pension.

The discretionary Early Retirement Facility (ERF) will continue until 31 December 2015. From 1 January 2016 the ERF will no longer be available and all retirements effective after this date will be paid in line with the Trusts’ Deed & Rules.

¹ Existing DC Choice members who already contribute 3% of Plan Pay may continue to do so. Such contributions will also be matched on the enhanced basis set out in the consultation.

² Benefit Pay is your annual rate of basic pay plus any Pensionable DC Supplement Pay at the date you die, (or, in relation to the ill health benefit, the date you leave due to ill health) or your total Plan Pay for the previous twelve months if greater. Plan Pay is your basic salary plus any Pensionable DC Supplement Pay.

Requests for retirement under the ERF will remain subject to the consent of the Company. Such consent will not be unreasonably withheld and as now will be subject to the agreement of a mutually acceptable leaving date.

The Mitchells & Butlers Executive Top Up Scheme will also close to future accrual from 13 March 2011.

If you have any questions on the above please raise these initially with either Sheila Mellish (0121 498 4573) or Judith Deeley (0121 498 5198).

Saudagar Singh
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