

# MITCHELLS & BUTLERS PENSION PLAN

## 2011 DB Section Handbook



## Introduction

This Handbook contains a summary of the provisions of the *Plan* Deed and Rules as they apply to members of the DB Section of the Mitchells & Butlers Pension Plan at 13 March 2011. It updates you on changes made since the last edition of the Handbook and provides contact details for the *Administrator* of the *Plan*. Please retain it with your pension records for future reference.

The DB Section of the *Plan* is closed to new entrants and future accrual ceased on 12 March 2011. Eligible employees who want to join the *Plan* are generally invited to join the money purchase or DC Section of the *Plan* – DC Choice.

The *Company* can vary the provisions of the *Plan* in the future with the agreement of the *Trustees*. You will generally be informed of changes in advance and should retain these communications with this Handbook for future reference.

### THINGS FOR YOU TO REMEMBER:

1. Beneficiary Form – You should complete a new Beneficiary Form at least every three years even if your wishes have not changed.
2. Partner Nomination Form – You should complete a new Partner Nomination Form every three years even if your circumstances have not changed.

**IT IS YOUR RESPONSIBILITY TO CHECK YOUR BENEFITS AGAINST ANY  
HM REVENUE & CUSTOMS ALLOWANCES**

### Trust Deed and Rules

This Handbook covers the DB section of the Mitchells & Butlers Pension Plan benefits as defined by current practice, legislation, Trust Deed & Rules and actuarial instructions and factors. These are liable to change in the future.

This Handbook does not form part of the legal documentation of the Mitchells & Butlers Pension Plan (“the *Plan*”) and does not cover every aspect of the *Plan*. Although every effort has been made to ensure that the contents are accurate, it cannot include every detail. Should there be any discrepancy between the information in this Handbook and the Trust Deed and Rules, the legal documents governing the *Plan* - the Trust Deed and Rules - take precedence. Nobody has the authority to commit the *Trustees* to pay any benefits in excess of those provided by the Trust Deed and Rules.

## Contents

Introduction.....	2
Jargon buster.....	4
Contributions .....	8
Useful information.....	9
Retirement benefits.....	10
Retiring early due to ill-health .....	15
Benefits on death.....	16
Leaving the Company.....	18
Additional voluntary contributions (AVCs).....	21
State retirement pensions.....	22
General information .....	24
Further information .....	28

The benefits in this Handbook are effective 13 March 2011.

If you left *pensionable service* prior to 13 March 2011 please refer to earlier Handbooks for information about your benefits.

## Jargon buster

### Accrual Rate

The fraction of your Final Pensionable Salary earned for each complete year of *Pensionable Service* in the *Plan*.

### Administrator

The organisation appointed by the *Trustees* to process the day-to-day enquiries, benefits administration and pensioner payroll. Contact details are:

Mitchells & Butlers Pensions, Mercer, Stratford Court, Cranmore Boulevard, Solihull, West Midlands, B90 4QT Telephone: 0870 850 0981 Email: mbplc@mercerc.com

### Annual Allowance

- The *Annual Allowance* is set by HMRC and is the maximum annual amount that can be saved each Pension Input Period in registered pension schemes and receive tax relief.
- The Pension Input Period for the *Plan* is the same as the tax year – 6 April to 5 April.
- Savings above the *Annual Allowance* will result in the individual paying tax at their marginal rate on any excess.

The Finance Act 2011 implemented the following:

- For the tax years 2011/12 until at least 2015/16 an *Annual Allowance* of £50,000.
- Any unused *Annual Allowance* can be carried forward for 3 years (but the *Annual Allowance* for this purpose will be deemed to be £50,000 for the tax years 2008/09 to 2010/11).
- The *Annual Allowance* applies in each year pension savings are made including the year in which benefits are drawn.

It is your responsibility to monitor all your registered pension scheme benefits (including any benefits from the DB Section and DC Section of the Mitchells & Butlers pension plans. If you have substantial pensions savings it is recommended that you seek independent financial advice.

### Annual Earnings

For lunar paid members *Annual Earnings* is calculated on the first Monday in January and applies for twelve months from the following 1 April. For all other members *Annual Earnings* is based on the current hourly rate of pay. *Annual Earnings* is the sum of:

- basic pay – from 30/09/2009 increases in basic pay for pension purposes are limited to a maximum increase of 2% in any year (1 October – 30 September)
- shift allowances (including unsociable hours and weekend payments)
- guaranteed overtime (including extra hours/other hours payments)

If you joined the *Plan* prior to 6 April 1997, the elements of pay that make up your *Annual Earnings* remain

## Jargon buster cont'd

as previously advised subject to the restriction on increases to basic salary outlined above.

The *Company's* decision as to whether earnings fall within the categories listed above and the amount of earnings is final.

### **Company**

Any Mitchells & Butlers *Company* that participates in the *Plan*.

### **DB (Defined Benefit) Section**

The section of the *Plan* that operates on a defined benefit (otherwise known as "final salary") basis. The *Plan* document specifies the amount of benefits promised to the employee at his normal retirement date. It does not specify the amount that the employer must contribute annually to the *Plan* to achieve the benefit.

### **DC (Defined Contribution) Section**

The section of the *Plan* that operates on a defined contribution (otherwise known as "money purchase") basis. This type of plan has a separate account for each employee. The *Plan* document for this section states the amount that an employer will contribute to the *Plan*, but it does not promise any particular benefit.

### **Dependent Child**

A child under the age of 18, or under the age of 23 and in full time education.

### **Earnings Deduction**

An amount deducted from your *Final Annual Earnings* in respect of *Pensionable Service* prior to 1 April 2002. The deduction is £2,652 for the year from April 2011 and is reviewed annually in line with changes made to State benefits by the Government. No *Earnings Deduction* is made for *Pensionable Service* from 1 April 2002.

### **Final Annual Earnings**

The earnings on which your pension benefits are based. It is the sum of the elements of pay which make up your *Annual Earnings* during the twelve months before your *Normal Pension Age* or, if earlier, the date you die, leave service or withdraw from the DB Section of the *Plan*. For *Pensionable Service* prior to 1 April 2002 *Final Annual Earnings* is reduced by the *Earnings Deduction*.

### **Guaranteed Minimum Pension (GMP)**

Your GMP is broadly equivalent to the pension that would have been earned from SERPS (S2P predecessor) in the period 6 April 1978 to 5 April 1997.

### **Lifetime Allowance**

- The *Lifetime Allowance* (LTA) is set by HMRC and is the overall ceiling on the total amount of savings that any one individual can accumulate in registered pension schemes without becoming liable to an additional tax charge.

## Jargon buster cont'd

- Benefits will be tested against an individual's *Lifetime Allowance* when they become payable. Benefits already taken from other registered pension schemes will be taken into account when calculating the *Lifetime Allowance* remaining for *Plan* benefits.
  - Savings above the *Lifetime Allowance* taken as cash will currently be taxed at 55%.
  - Savings above the *Lifetime Allowance* taken as pension will currently be taxed at 25% plus pension income will be taxed at an individual's marginal rate.
- For the tax year 2011/12 the standard *Lifetime Allowance* is £1.8m.
- For the tax year 2012/13 the standard *Lifetime Allowance* is £1.5m.
- The capitalisation factor for DB benefits is 20. (For example if the annual DB pension is £5,000, the value for LTA is £5,000 x 20 = £100,000).
- There will be a new form of protection called 'fixed protection'. Anyone who has pension savings in a registered pension scheme, and who does not have primary or enhanced protection, can apply for 'fixed protection'. You are only likely to need fixed protection if you think that your benefits from all registered pension schemes will be more than £1.5 million when you take your benefits. If you want to apply for fixed protection it is your responsibility. There is a prescribed form which you need to complete and return to HMRC by 5 April 2012 (form APSS227, which is available on the HMRC website) if you wish to apply for this protection.

It is your responsibility to monitor all your registered pension scheme benefits (including any benefits from the DB Section and DC Section of the Mitchells & Butlers pension plans) against your Allowances. If you have substantial pension's savings it is recommended that you seek independent financial advice.

### Minimum Pension Age (MPA)

The earliest age at which you can retire and receive a pension is 55, unless you are retiring because of ill-health in which case you can retire at any age (provided that certain conditions are met).

### NICwise

*NICwise* was a National Insurance contribution efficient way of paying contributions to the *Plan*. *NICwise* reduced the amount of National Insurance contributions payable and increased your take home pay and also reduced the amount of National Insurance contributions payable by the *Company*.

### Normal Pension Age

Age 65.

### Partner

A person who:

EITHER

- is your registered civil partner at the date of your death

or

## Jargon buster cont'd

- was living with you in a relationship closely resembling marriage for at least twelve months prior to (and at the time of) your death and
- had been nominated by you on a Partner Nomination Form received by the *Trustees* and
- whose standard of living at least partly depended on your earnings or who at least partly supported you financially at the time of your death.

A Partner Nomination Form is available on the pension website ([www.mbplcpensions.com](http://www.mbplcpensions.com)) or on request from your HR Department or the *Administrator*.

### Part-time Service

For any period of membership when you work part-time your *Annual Earnings* are the full-time equivalent for the job. Your *Pensionable Service* and contributions are calculated on a proportion of full-time hours to your actual hours. Actual hours may be your contractual hours or your actual worked hours, as determined by the *Company*.

### Pensionable DC Supplement Pay

With effect from 1 October 2009, *Pensionable DC Supplement Pay* may apply in respect of members of the DB Section of the *Plan* who received an increase in salary in any 12 month period (1 October – 30 September). *Pensionable DC Supplement Pay* is not included in the calculation of DB benefits.

### Pensionable Service

Your last period of membership of the DB Section of the *Plan* excluding certain periods when you did not pay contributions. *Pensionable Service* ends on the earliest of 12 March 2011, retirement, death, leaving the employment of the *Company*, ceasing to be a member of the DB Section of the *Plan* or age 75. *Pensionable Service* is calculated in years and days and is limited to 40 years.

### Plan (or MABPP)

Mitchells & Butlers Pension Plan formerly named the Six Continents Pension Plan and the Bass Pension Plan.

### Registered Scheme

The *Plan* is registered with HM Revenue & Customs (HMRC) under Chapter 2 of the Finance Act 2004.

### State Earnings Related Pension Scheme (SERPS) / State Second Pension (S2P)

The *State Second Pension* Scheme (S2P) replaced the *State Earnings Related Pension Scheme* (SERPS) on 6 April 2002. This pension is also called the Additional Pension. The Additional Pension is based on earnings on which National Insurance contributions have been paid since 1978.

### Trustees

The Directors of Mitchells & Butlers Pensions Limited, the company that is the Trustee of the *Plan*.

## Contributions

### Pension contributions

From April 2007 to 12 March 2011 you chose whether to pay 5% or 6% of your *Annual Earnings* as a regular deduction from salary. The percentage you paid affected your *accrual rate*. The *accrual rates for that period* were:

Contribution Rate	Accrual Rate
6%	1/60 <sup>th</sup>
5%	1/80 <sup>th</sup>

In June 2008 the *Company* introduced *NICwise*, a National Insurance contribution efficient way to make contributions to the *Plan*. If you participated in *NICwise*:

- You ceased making your pension contribution to the *Plan*.
- Your contractual pay was reduced by the amount of pension contribution that you used to make.
- The *Company* paid an amount equal to your pension contribution (that you used to make) direct to the *Plan*. This amount was in addition to the normal *Company* contributions to the *Plan*.

The term "Notional Salary" was used to describe your contractual pay before taking account of any adjustment to reflect your participation in *NICwise*

- Your Notional Salary was used in the calculation of other benefits such as bonus and annual pay review.

No member contributions are paid with effect from 13 March 2011 (either directly or via *NICwise*). To fund accrued benefits the *Company* contributes to the *Plan* at a rate determined by the *Trustees* after taking actuarial advice and consulting the *Company*. The *Trustees* carry out regular valuations to monitor funding levels and set *Company* contribution rates.

### Additional Voluntary Contributions

You were able to increase your *Plan* benefits by paying *Additional Voluntary Contributions* (AVCs). Please refer to the AVC section on page 21. No AVCs may be paid with effect from 13 March 2011.

## Useful information

### Lifetime Allowance and Annual Allowance

It is your responsibility to check your benefits against any HM Revenue & Customs allowances (see Jargon Buster).

## Retirement benefits

### Pension

The pension you receive from the *Plan* when you retire at your *Normal Pension Age* is based on your *Final Annual Earnings* and your *Pensionable Service*.

Your pension is the higher of the following 2 calculations:

1. *Final Annual Earnings* at date of retirement/*Accrual Rate* x *Pensionable Service* to 12 March 2011
2. Your benefits calculated as if you had left the *Company* on 12 March 2011 (see page 18)

(*Final Annual Earnings* at 12 March 2011/*Accrual Rate* x *Pensionable Service* to 12 March 2011) with any GMP element increased as required by legislation and pension in excess of your GMP increased in line with normal pension increases

Example:

#### Assumptions

- You retire from employment with Mitchells & Butlers on 31 March 2020 at age 65
- *Final Annual Earnings* over the twelve months to 31 March 2020 of £20,000
- *Earnings Deduction* at 31 March 2020 is £3,500 for *Pensionable Service* before 1 April 2002
- *Accrual Rate* of 60ths
- You have completed 22 years *Pensionable Service* before 1 April 2002
- You have completed 8 years 346 days *Pensionable Service* from 1 April 2002 to 12 March 2011
- *Annual Earnings* over the twelve months to 12 March 2011 of £18,000
- *Earnings Deduction* at 12 March 2011 is £2,520 for *Pensionable Service* before 1 April 2002
- GMP at 12 March 2011 of £2,000
- Fixed rate GMP increase of 4% per annum giving total 36.9% (4% compound over 8 tax years)
- Compound normal pension increases from 13 March 2011 to 31 March 2020 total 25%

#### Calculation

1.  $((£20,000 - £3,500) / 60 \times 22) + (£20,000 / 60 \times (8 + 346/365)) = £9,033$  p.a.
2. Pension at 12 March 2011 =  $((£18,000 - £2,520) / 60 \times 22) + (£18,000 / 60 \times (8 + 346/365)) = £8,361$  p.a.  
Increased pension =  $(£2,000 \times 1.369) + ((£8,360 - 2000) \times 1.25) = £10,688$  p.a.

Your retirement pension would be: £10,688 per year

### Maximum benefits

Your pension from the *Plan* at *Normal Pension Age* or on early retirement is subject to a maximum of 40 years of *Pensionable Service*. Any restriction that needs to be made to your maximum pension also applies when calculating any spouse's/*Partner's* and children's pensions.

### Part-time service

For any period of membership when you worked part-time your *Annual Earnings* are the full-time equivalent for your job and your *Pensionable Service* is calculated as the proportion of actual hours to full-time hours. Actual hours may be your contractual hours or your actual worked hours, as determined by the *Company*.

### Tax-free cash

When you retire you may have the option to exchange part of your pension for a tax-free cash sum. The maximum tax-free cash sum available at retirement will be approximately 25% of the value of your *Plan* pension (plus 25% of the value of your *Plan* AVC account, if you have one) or approximately 25% of your available *Lifetime Allowance* if less.

If on 5 April 2006 you would have been allowed to take more than 25% of the value of your *Plan* pension as a tax-free cash sum, you will retain that right in respect of benefits built up to 5 April 2006.

For some members the amount of cash may be restricted to make sure that the remaining pension is at least as much as their *Guaranteed Minimum Pension* (see page 23).

The amount of pension you need to exchange for your cash sum is determined by the *Trustees* based on financial conditions, your age and the funding level of the *Plan*.

Currently, the cash you could receive for every £1 of pension given up at age 65, 60 or 55 is shown below.

Age	Cash per £1 of annual pension surrendered £
65	15.50
60	17.75
55	20.00

These rates are expected to change and may become higher or lower. You will be advised of the rate that applies at the time of your retirement with your retirement options. This rate will be guaranteed for a period that will be notified to you but may change if your retirement date is after the end of the guarantee period.

The calculation needed to work out the exact amount of tax-free cash available is quite complicated. Precise figures will be available from the *Administrator* when you are approaching retirement.

The following example is for a member retiring at age 65, with an initial *Plan* pension of £10,688 p.a. and an AVC account containing £7,000.

<u>Pension Commencement Lump Sum</u>		NOTES	
Lump sum from <i>Plan</i>	$\frac{£10,688^a \times 100}{(15^f + (1000/155)^b)}$	£49,823	a Initial <i>Plan</i> Pension
Lump sum from AVCs	£7,000 x 25%	£1,750	b Pension surrendered per £100 lump sum
Maximum cash sum		<b>£51,573</b>	c Maximum cash sum
<u>Annual pension</u>			d AVCs
Initial <i>Plan</i> pension		£10,688 p.a.	e Cash per £10 of pension surrendered
Pension surrendered	$\frac{(£51,573^c - £7,000^d) \times 10^f}{155^e}$	(£2,875p.a.)	f Fixed factor provided by Actuary
Annual pension payable		<b>£7,813 p.a.</b>	

You may elect to take any amount of cash up to the tax-free maximum and should consider this carefully. You may not be able to replace the income you are giving up by taking your cash sum and investing it and may wish to discuss this matter with an independent financial adviser.

The decision to take a tax-free cash sum does not affect your spouse's/*Partner's* or children's pensions, as they are calculated on your pension before it is reduced by opting for the cash sum.

### Option to increase the pension payable on your death

You may give up part of your pension to provide a pension payable after your death to a dependant or to increase any pension payable by the *Plan* to your spouse/*Partner*/children. If you wish to consider this option, please contact the *Administrator* for further details.

### Lifetime Allowance

The value of your *Plan* benefits will be tested against your available *Lifetime Allowance* at retirement. The value of your benefit is your pension payable (i.e. after the reduction for any cash taken) multiplied by 20 plus any cash sum. If the value of your benefit exceeds your available *Lifetime Allowance* tax will be deducted before your benefits are paid.

### Pension payments

Pensions are paid in advance on the first working day of each month and are credited directly to your bank or building society account.

Pensions in excess of any *Guaranteed Minimum Pension* (GMP - see State retirement pensions on pages 22-23) are guaranteed to be increased on each 1 October in line with the Retail Price Index (RPI) for the year ending on the preceding 31 May, up to a maximum of 5%.

From age 65 for men and 60 for women, part of your pension from the *Plan* may become your GMP. On 1 April each year the *Plan* increases that part of your GMP built up after 5 April 1988 in line with the rise in the CPI up to a maximum of 3%. If inflation exceeds 3%, a further increase may be paid by the State. The State pays any increase on your GMP built up before 6 April 1988. Any GMP increases paid by the State are paid with your State pension.

### Retiring early

The earliest age at which you can retire and receive a pension (which is subject to *Company* and the *Trustees'* consent) is 55, unless you are retiring because of ill-health in which case you can retire at any age (provided that certain conditions are met).

Early retirement pensions are calculated in the same way as pensions for retirement at *Normal Pension Age* except that a reduction is made because you are receiving it early. The reduction is currently 4% for each year (1/3% for each month) that your retirement is paid before *Normal Pension Age*. This is not a penalty, the reduction simply allows for the fact that your pension will be paid for longer.

Should the reduction result in your pension being below the minimum the *Plan* is required to pay unfortunately you will not be entitled to receive your pension at that time. This test could also restrict the amount of tax-free cash you could receive. If you are over age 55 and wish to receive your pension you should contact the *Administrator* who will tell you if this restriction applies to you.

Example:	Assumptions
<ul style="list-style-type: none"> <li>• You retire from employment with Mitchells &amp; Butlers on 30 September 2017 at age 62 years 6 months</li> <li>• <i>Final Annual Earnings</i> over the twelve months to 30 September 2017 of £19,500</li> <li>• <i>Earnings Deduction</i> at 30 September 2017 is £3,000 for <i>Pensionable Service</i> before 1 April 2002</li> <li>• <i>Accrual Rate</i> of 60ths</li> <li>• You have completed 22 years <i>Pensionable Service</i> before 1 April 2002</li> <li>• You have completed 8 years 346 days <i>Pensionable Service</i> from 1 April 2002 to 12 March 2011</li> <li>• <i>Annual Earnings</i> over the twelve months to 12 March 2011 of £18,000</li> <li>• <i>Earnings Deduction</i> at 12 March 2011 is £2,520 for <i>Pensionable Service</i> before 1 April 2002</li> <li>• GMP at 12 March 2011 of £2,000</li> <li>• Fixed rate GMP increase of 4% per annum giving total 26.5% (4% compound over 6 tax years)</li> <li>• Compound normal pension increases from 13 March 2011 to 30 September 2017 total 19%</li> </ul>	
<b>Calculation</b>	
1. $((£19,500 - £3,000) / 60 \times 22) + (£19,500 / 60 \times (8 + 346 / 365)) = £8,958$ p.a.	
2. Pension at 12 March 2011 = $((£18,000 - £2,520) / 60 \times 22) + (£18,000 / 60 \times (8 + 346 / 365)) = £8,361$ p.a.	
Increased pension = $(£2,000 \times 1.265) + ((8,360 - 2,000) \times 1.19) = £10,098$ p.a.	
3. Early retirement reduction of 10% (4% x 2½ years) / Annual pension = $£10,098 - (£10,098 \times 10\%) = £9,088$ p.a.	
<b>Your retirement pension would be: £9,088 per year</b>	

If you joined the *Plan* before 7 November 1987 the calculation of the early retirement pension may be different (but no less favourable). You can obtain details from the *Administrator*.

### **Levelling option**

State retirement pensions are not paid until your State Pension Age. The *Plan* has a levelling option which, subject to the *Trustees'* consent, enables you to have a higher pension up to an age determined at your date of retirement in return for a lower pension thereafter. The age to which you level is determined by the *Trustees'* after taking into account relevant information including State Pension Age and legislation, this may not be your State Retirement Age. The levelling option helps to level out the income you receive throughout your retirement.

- Once you have decided to take the levelling option you cannot switch back.
- Your higher pension may stop before you are entitled to receive your State Pension.

Full details of the levelling option will be included in the pension options given to you shortly before you retire.

### **Retiring late**

You are currently required to start to receive your pension by age 75. Legislation may change this.

### **Small pensions**

If the value of your pensions from all *registered schemes* is less than a certain amount (£18,000 at the time of going to print) or if the value of your *Plan* pension is no greater than £2,000, the *Plan* may pay you a cash sum instead of the pension. You must be over age 60 to be able to do this. You can find out more about this option from the *Administrator*.

### **Open Market Option**

The Open Market Option is available to all members who wish to transfer their benefits and secure a pension income with an alternative provider.

## Retiring early due to ill-health

### Incapacity retirement

If your retirement from the *Company* is due to ill-health or injury, you may be eligible to receive an immediate pension. The *Company* will determine your eligibility for the payment of ill-health benefits and will base its decision on medical evidence, which will also be provided to the *Trustees* who must be satisfied with the medical evidence for the purposes of legislation.

### Incapacity definitions

You may be eligible to receive your pension early if, in the *Company's* opinion, after considering medical evidence, you are prevented by your mental or physical impairment from following your normal or an equivalent occupation with the *Company*, or you could perform a lesser job, but your earnings capacity is seriously impaired.

### Incapacity benefits

On retiring early from employment with Mitchells & Butlers due to ill-health your deferred benefit is paid without any reduction.

Your ill-health early retirement pension is subject to the maximum levels as described on page 11.

**If you recover to any extent or have material earnings from employment, the *Trustees* have the right to reduce or completely suspend your pension payments until your *Normal Pension Age* and alter your death benefits depending on the circumstances.**

The levelling option is not available for ill-health early retirement.

### Serious ill-health

If the *Company* considers that you are suffering from serious ill-health and the *Trustees* have received evidence from a doctor that your life expectancy is less than one year, you may be able to exchange your entire pension for a cash sum. This will be tax-free if it is below your available *Lifetime Allowance*. You will be advised of the terms of the exchange if you request retirement on this basis.

## Benefits on death

The following benefits may be payable whatever the cause of death.

### Death in service

- A refund of the contributions you have made to the *Plan*, including *Company* contributions made on your behalf as part of your participation in the *NICwise* arrangement and any contributions you made to previous arrangements which have subsequently been transferred to the *Plan*.
- An immediate pension for your spouse or *Partner* of 1/3 of your deferred pension (see page 19).
- Immediate pensions for up to two dependent children of 1/6 of your deferred pension for each child. If there is no spouse's/*Partner's* pension payable these pensions are doubled.

### Death in ill-health retirement before Normal Pension Age

- An immediate pension for your spouse equivalent to the spouse's GMP in respect of service to 6 April 1997 (see State retirement pensions on page 22) plus 1/3 of your pension, before any reduction was made because you opted for a cash sum, in excess of any GMP. An immediate pension for your *Partner* of 1/3 of your pension.
- Immediate pensions for up to two dependent children of 1/6 of your pension for each child, before any reduction was made because you opted for a cash sum, plus increases at the same rate awarded to your pension since your retirement. If there is no spouse's/*Partner's* pension payable, these children's pensions are doubled.

### Death in retirement

- An immediate pension for your spouse or *Partner* of 1/2 of your pension at the date you retired, before any reduction was made because you opted for a cash sum or adjustment for the levelling option, plus increases at the same rate awarded to your pension since your retirement.
- Immediate pensions for up to two dependent children of 1/6 of your pension for each child, before any reduction was made because you opted for a cash sum or adjustment for the levelling option, plus increases at the same rate awarded to your pension since your retirement. If there is no spouse's/*Partner's* pension payable, these children's pensions are doubled.

### Spouse's/*Partner's* and children's pensions

A spouse including a registered civil partner will automatically receive a pension. You can nominate a *Partner* to qualify for a pension on your death by completing a Partner Nomination Form.

A spouse's/*Partner's*/registered civil partner's pension is payable for life. Pensions to dependent children are paid until they reach age 18 or until they complete their full-time education, if later. They must cease at age 23. If there are more than two dependent children the *Trustees* can choose to apportion the total amount of the pensions amongst the children in such shares as they decide.

## Benefits on Death cont'd

If you leave a spouse whom you married before 1 April 2002 and a *Partner*, your spouse will receive the part of the pension related to *Pensionable Service* before 1 April 2002 and your *Partner* will receive the balance.

If you marry, remarry or nominate a *Partner* after you retire, and your spouse or *Partner* is more than ten years younger than you, their pension will be reduced by an amount decided by the *Trustees* - currently by 1/6% for each month of the age difference in excess of ten years.

### Dependant's pension

If there is no spouse's/*Partner's* pension payable, a dependant's pension may be paid to a person who was financially dependent upon you at the date of your death. This is subject to the *Trustees'* consent and the condition that the total pensions, including dependent children's pensions, are not greater than if the dependant were a spouse or *Partner*.

### Cash sums

If the lump sum benefits from the *Plan* exceed your available *Lifetime Allowance* when you die, your beneficiaries will pay tax. Any lump sums payable at the same time from the *Plan* or other *registered schemes* need to be taken into account when considering if tax may be payable.

### Payment of cash sums

The *Trustees* have discretion to pay cash sums payable on your death to such of your beneficiaries as they decide. Currently, this means that payments are tax-free. Possible beneficiaries include your spouse, children and other close relatives or dependants, anyone named as a beneficiary in your will, and other persons you have nominated in writing to the *Trustees*. This could include registered charities but not impersonal bodies such as political parties or social clubs.

So that the *Trustees* are aware of your wishes as to the recipients of any cash benefit payable on your death, it is important that you complete and return a Beneficiary Form which can be obtained from the pension website ([www.mbplcpensions.com](http://www.mbplcpensions.com)) or the *Administrator*. The *Trustees* will decide to whom to pay any cash sum, taking into account information provided to them about your personal circumstances, including the information you provide on your Beneficiary Form. The *Trustees* are not bound by your Beneficiary Form (partly to protect the tax-free status of the payment). Your personal circumstances may change and you should review your nomination regularly by returning another form so that the *Trustees* can take account of your latest wishes. Payment of benefits may be delayed if there is no Beneficiary Form or the *Trustees* consider the form to be out of date.

### Your pension promise

Your pension is payable for life. However, in order to provide value for members, the *Plan* offers a 'promise' on your pension for a specific period. If you die within five years of your retirement and are aged under 75, a cash sum payment is made equal to the balance of the payments you would have received for the remainder of the five years, based on the pension you were receiving at the date of your death.

## Leaving the Company

### Deferred benefits at date of leaving

If you leave the *Company*, you are entitled to a deferred pension payable from your *Normal Pension Age*.

Your deferred pension will be determined at the date you leave the *Company* and will be the better of the following 2 calculations:

1. Your pension based on your *Final Annual Earnings* at date of leaving and *Pensionable Service* to 12 March 2011
2. Your benefits calculated as if you had left the *Company* on 12 March 2011 increased as detailed below (i.e. based on *Final Annual Earnings* at 12 March 2011 and *Pensionable Service* to 12 March 2011 then increased between 12 March 2011 and date of leaving).

### Increases to your deferred pension

The GMP element of your pension will be increased as required by legislation. The remainder of your deferred pension will be increased up to the time you retire in line with any normal increases made to pensions in payment.

### Deferred benefits at retirement

The earliest age at which you can apply to retire and receive a pension is 55, unless you are retiring because of ill-health in which case you can retire at any age (provided that certain conditions are met).

A reduction is made to your deferred benefit because you are receiving it early. The reduction is currently 4% for each year (1/3% for each month) that your retirement is before *Normal Pension Age*. This is not a penalty, the reduction simply allows for the fact that your pension will be paid for longer. This reduction is reviewed periodically and is subject to change. Should this reduction result in your pension being below the minimum the *Plan* is required to pay unfortunately you will not be entitled to receive your pension at that time. This test could also restrict the amount of tax-free cash you could receive. If you are over age 55 and wish to receive your pension you should contact the *Administrator* who will tell you if this restriction applies to you.

Under current legislation, you may exchange part of your pension for a tax-free cash sum at retirement or to provide a pension for a dependant. You will also be entitled to the levelling option as described (see page 14).

The *Plan* Rules require that you start to receive your pension by age 75.

Once your deferred pension starts to be paid, it will continue to be increased in the same way as other pensions in payment.

## Leaving the Company cont'd

### Death before retirement before Normal Pension Age

If you die before your deferred pension starts to be paid, the following benefits are payable:

- **EITHER**

Your spouse will receive an immediate pension equivalent to the spouse's GMP in respect of service to 6 April 1997. The spouse's GMP is a widow's pension of at least half the husband's GMP at that time, or a widower's pension of at least half the wife's GMP earned after 5 April 1988.

**PLUS**

A pension of 1/3 of your deferred pension in excess of any GMP including any increases which have been awarded up to the date of your death is also payable to your spouse.

**OR**

Your *Partner* will receive an immediate pension of 1/3 of your deferred pension, including any increases awarded up to the date of your death. However, if you leave a spouse whom you married before 1 April 2002 and a *Partner*, your legal spouse will receive the part of the pension related to *Pensionable Service* before 1 April 2002 and your *Partner* will receive the balance.

- Up to two eligible dependent children will receive immediate pensions of 1/6 of your deferred pension (including any increases awarded). These pensions may be doubled if no spouse's or *Partner's* pension is payable.
- The contributions (including '*NICwise*' contributions) that you have paid or transferred to the *Plan* will also be refunded.

If you marry, remarry or nominate a *Partner* after leaving the *Plan* and your spouse or *Partner* is more than ten years younger than you their pension will be reduced by an amount decided by the *Trustees* - currently by 1/6% for each month of the age difference in excess of ten years.

### Death before retirement after Normal Pension Age

If you choose to defer payment of your pension until after *Normal Pension Age*, and subsequently die, the death benefits are calculated as though you had retired on the date of death. The maximum tax-free cash sum that would have been available at retirement is payable, together with the benefits described in the Benefits on death section (Death in retirement) on page 16.

### Death in retirement

If you die after your deferred pension comes into payment, your dependants will receive the benefits described in the Benefits on death section on page 16.

## Leaving the Company cont'd

### Transfers

As an alternative to a deferred pension, you may transfer your pension rights from the *Plan* to another suitable pension arrangement.

Transfer values are calculated in accordance with statutory requirements and actuarial advice, and represent the cash value of your current deferred benefits payable from the *Plan*.

You can request a statement of your transfer value from the *Administrator*, the transfer value will be guaranteed for 3 months. There is an administration charge for statements within twelve months of a previous statement.

Once advised of your transfer value, a new employer will be able to tell you what if any benefits can be provided for you in their scheme. If your new employer's scheme is not contracted-out of S2P (see State retirement pensions on page 22) an amount will be retained by the *Plan* in order to secure any minimum guarantees as a result of being contracted-out.

On transfer to an individual pension policy the transfer value simply becomes new cash invested in your individual account.

Transfers can normally be made at any time before age 64.

### Other notes on leaving

In cases of crime, fraud or negligence, your leaving service benefits may be reduced commensurate with any sums involved.

## Additional voluntary contributions (AVCs)

### Benefits on leaving

*Plan* benefits and AVCs are considered together when calculating HMRC limits on the benefits you may receive.

Your AVC benefits will be treated in the same way as your benefits from the *Plan*. Currently, you can choose a deferred pension, a transfer value or an immediate pension if you are over *minimum pension age*. If you defer your pension your AVC account will stay invested and investment returns will continue to apply.

### Retirement benefits

When you retire you can use the value of your AVC account to provide benefits in addition to those provided by the *Plan*. Currently you can take your AVC account as tax free cash subject to the overall limit of 25% of the value of your *Plan* pension and AVCs. Alternatively, you can defer taking benefits from your AVCs until a later date up to age 75. Your choices currently may include tax free cash as well as additional pension for you, your spouse or dependants. The terms on which you can use your AVCs are set by the *Trustees* on the advice of the actuary and will be notified to you at retirement. Whatever your choice of benefits, these decisions need not be made until retirement.

Alternatively, you can use your AVC account to buy an annuity from a provider such as an insurance company. The provider would then pay your AVC pension. You may want to consult an independent financial adviser to help you decide if this is the best option for you.

### Investment choices

Whichever AVC provider you chose it is important to keep a close eye on your investments. If your AVCs are not providing the returns you need you may wish to consider changing your investment choices.

### Your DC Choice Fund

If you joined the DC Section of the *Plan* (DC Choice) and your DC fund is less than £7,500 when you retire purchasing an annuity may be difficult. Depending on the circumstances, you may be able to take your DC Choice account as part of the tax-free cash from your DB Section benefit. This value will be kept under review and may go up or down.

## State retirement pensions

### State Retirement Pension

Both you and your employer contribute to the cost of the State pensions by way of National Insurance (NI) contributions.

The two parts of the State pension are:

- The basic State pension – paid to everyone who has a sufficient record of NI contributions.
- The *State Second Pension (S2P)* – paid to employees who pay full rate NI on earnings between certain levels, reviewed annually by the Government.

### State Pension Age

**Males:**

For males born before 6 December 1953 State Pension Age is 65.

**Females:**

For females born before 6 April 1950 State Pension Age is 60.

For females born between 6 April 1950 and 5 December 1953 State Pension Age will gradually rise to age 65.

**Both sexes:**

For persons born between 6 December 1953 and 5 April 1954, State Pension Age is proposed by Government to increase gradually to 66. For persons born between 6 April 1954 and 5 April 1968, State Pension Age is 66.

For persons born between 6 April 1968 and 5 April 1969, State Pension Age is proposed by Government to increase gradually to 67. For persons born between 6 April 1969 and 5 April 1977, State Pension Age is 67.

For persons born between 6 April 1977 and 5 April 1978, State Pension Age is proposed by Government to increase gradually to 68. For persons born on or after 6 April 1978, State Pension Age is 68.

The above ages and dates were correct at the time of going to print but may change.

More details and a State Pension Age calculator are available at [www.direct.gov.uk/en/Pensionsandretirementplanning/index.htm](http://www.direct.gov.uk/en/Pensionsandretirementplanning/index.htm)

## State retirement pensions cont'd

### Contracting-out

As a member of the *Plan*, you were contracted-out of S2P, which means that your pension from the *Plan* replaced the pension you would otherwise have received from S2P and both you and the *Company* paid NI contributions at a reduced rate on your earnings between certain levels.

### Impact of contracting-out on your Plan pension

As a result of being contracted-out, the amount of your pension and that of your spouse on your death has certain minimum guarantees.

- Your pension earned after 5 April 1997 will not be less at age 60 (or later date of retirement) than the amount of pension that can be secured by the sum of:
  - your own contributions after 5 April 1997,
  - the reduction in employer's NI as a result of being contracted-out after 5 April 1997, and
  - a notional investment return (currently calculated in line with the FTSE All Share Index with income reinvested to 31 March 2009 and in line with the *Plan* investment return from 1 April 2009).

If you die before taking benefits any pension paid to your spouse will not be less than the amount that can be secured by the sum of the amounts above.

- Your pension earned before 6 April 1997 will not be less than your *Guaranteed Minimum Pension* (GMP) at age 65 for men and 60 for women. Your GMP is broadly equivalent to the pension that would otherwise have been earned from SERPS (S2P predecessor). The spouse's GMP payable on your death is a widow's pension of at least half the husband's GMP, or a widower's pension of at least half the wife's GMP earned after 5 April 1988.

The *Plan* must ensure that the pension you or your spouse receives is not less than the minimum guarantees at the relevant ages as required by legislation.

The pension that can be secured by the value of the savings in employee and employer NI contributions as a result of being contracted-out after 5 April 1997, plus the notional investment return noted above, is included in your pension from the *Plan*. However, you can ask to use this sum at age 60 to purchase an annuity from an alternative provider such as an insurance company, in which case the *Plan* pension would be reduced appropriately. Please contact the *Administrator* if you wish to exercise this option.

Further information about State pensions can be obtained from the Department for Work and Pensions or by visiting their website at [www.dwp.gov.uk/directgov](http://www.dwp.gov.uk/directgov)

## General information

### Amendment or discontinuance

Under the Trust Deed the *Company* has the power to discontinue the *Plan* (without replacement) or, with the consent of the *Trustees*, to amend it at any time in the future. On occasion, Government legislation may override the terms of the *Plan*. If your benefits or rights are affected, you will be given written notice of your entitlement. If the *Plan* is discontinued, the *Trustees* have to use the assets of the *Plan* for the benefit of the members or their dependants as set out in the Trust Deed and Rules.

### Annual Report and Accounts

The *Trustees* produce an annual report which reviews how the *Plan* has developed during the year. The report includes the *Plan's* audited accounts for the year, a report about the investments and statements by the actuary and auditor. A copy of the full report is available to *Plan* members and beneficiaries on request to the *Administrator*.

### Data Protection

The *Trustees* need to hold and process personal data about members including information supplied by the *Company* to administer the *Plan*. This data is used by the *Trustees* and their advisers and service providers to calculate and pay benefits, to communicate with members, for statistical and reference purposes and for general administration. It may also be shared with the *Company* and trustees of other pension schemes or other third parties if a reorganisation of pension benefits is to take place. This information and its use have been registered under the Data Protection Act 1998 which gives you certain rights to ensure that the information is accurate and that proper security is maintained. As a member of the *Plan*, you agree to provide such personal data to the *Trustees* and consent to the processing of it. If your circumstances change at any time in the future, please inform the *Administrator* as soon as possible to ensure the information held by the *Trustees* remains accurate.

### Disposal of your benefits

You may not sell, give away, charge or in any way assign or dispose of your benefits under the *Plan*, otherwise they are forfeited, except in relation to a pension sharing or earmarking order in connection with divorce, or to your bankruptcy, when statutory provisions apply.

### Divorce

If you get divorced your *Plan* benefits may be affected.

The Court may award an earmarking order requiring the *Trustees* to pay part or all of your pension and/or cash sum payable on your death or retirement to your ex-spouse, as long as your ex-spouse had not remarried. These benefits would become payable on your retirement or death as applicable.

## General information cont'd

Alternatively, the Court may award a pension sharing order whereby your ex-spouse will immediately become entitled to the cash value of a share of your *Plan* pension rights – called a pension credit. The *Trustees* will require your ex-spouse to transfer the pension credit out of the *Plan* (unless he or she is also a contributing member of the DC Section of the *Plan* at the time the order is received). The *Plan* will make a charge to implement a pension sharing order received which will be payable by the member unless the order specifies differently.

Further information about the effect of divorce on your *Plan* pension is available from the *Administrator*.

### Information about benefits

The *Trustees* send you periodic information about your individual benefit entitlement. You may also ask for an estimate of your transfer value at any time, although the *Trustees* may charge if you request more than one a year.

### Internal Disputes Resolution Procedures

The *Plan* operates an internal dispute resolution procedure. This aims to ensure that, if a dispute arises, it is properly investigated and, where possible, resolved to the satisfaction of all parties.

If you have a problem with your *Plan* membership, you should first of all contact the *Administrator*, who will attempt to resolve it to your satisfaction. If the problem is not resolved, you can make a formal complaint to the *Trustees* by writing to: Director of Compensation & Benefits, Mitchells & Butlers plc, 27 Fleet Street, Birmingham, B3 1JP.

Full details of the formal internal disputes resolution procedure can be obtained from the *Administrator*.

### Pensions Ombudsman

The Pensions Ombudsman is able to investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme made or referred in accordance with the Pensions Schemes Act 1993.

The Ombudsman may be contacted through their website at: [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk) or by writing to:

The Office of the Pensions Ombudsman, 11 Belgrave Road, London SW1V 1RB

### Pension Protection Fund (PPF)

The Government has set up a compulsory insurance arrangement called the Pension Protection Fund (PPF). The aim of the PPF is to make sure that members of UK final salary (or 'defined benefit') schemes will receive at least part of their benefits if their employer becomes insolvent and there isn't enough money available to

## General information cont'd

secure benefits for all the members of the scheme. The levels of payment are set by the PPF and currently the aim for members who have reached their *Normal Pension Age* is that they receive 100% of the pension in payment at the assessment date but future increases are limited to a maximum of 2.5% on benefits accrued since April 1997. The current aim for members below *Normal Pension Age* is that they receive 90% of the pension accrued at the assessment date (which will have limited increases applied). The total level of compensation where benefits are limited to 90% is subject to an overall cap which at April 2011 is set at £29,897.42 (after the 90% reduction is applied) at age 65.

All final salary pension schemes like the Mitchells & Butlers Pension Plan (DB Section) have to pay a levy to the PPF.

They can be contacted through their website [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk) or by writing to:

Knollys House, 17 Addiscombe Road, Croydon, Surrey CR0 6SR

### Pension Tracing Service

The Department for Work and Pensions provides a tracing service which can help you if you have lost track of your pension scheme. They can be contacted through their website at [www.direct.gov.uk/pensions](http://www.direct.gov.uk/pensions) or by writing to:

The Pension Tracing Service, The Pension Service, Tyneview Park, Whitley Road, Newcastle upon Tyne NE98 1BA

### Registered Scheme

The *Plan* is a *Registered Scheme* with HMRC under Chapter 2 of the Finance Act 2004. This means that members receive tax relief on their contributions. Capital gains of the *Plan* are also exempt from UK tax.

Any statements about benefits in this Handbook are subject to current legislation. More information is available at [www.hmrc.gov.uk/pensionschemes](http://www.hmrc.gov.uk/pensionschemes).

### The Pensions Regulator

The Pensions Regulator is able to intervene in the running of schemes where *Trustees*, employers or professional advisers have failed in their duties. The Pensions Regulator also maintains a register of registered pension schemes. The Regulator may be contacted through their website at: [www.ThePensionsRegulator.gov.uk](http://www.ThePensionsRegulator.gov.uk) or by writing to:

The Pensions Regulator, Napier House, Trafalgar Place, Brighton BN1 4DW

## General information cont'd

### The Pensions Advisory Service

The Pensions Advisory Service (TPAS) is available to assist members and beneficiaries in connection with any difficulties they have with the *Administrators* of their pension scheme or the *Trustees*. TPAS may be contacted at:

The Pensions Advisory Service Ltd, 11 Belgrave Road, London SW1V 1RB

### The Plan's assets

The *Plan* benefits are paid out of the assets of the *Plan*. For management purposes the *Plan's* assets are combined with those of the Mitchells & Butlers Executive Pension Plan to form a Common Investment Fund (CIF). The assets of the CIF are held entirely separately from those of Mitchells & Butlers plc, in the care of a corporate trustee – Mitchells & Butlers CIF Limited – whose role is to ensure that the CIF is administered according to the Trust Deeds and Rules of the Participating *Plans* and to safeguard the assets of the *Plan* in the best interests of all its members and beneficiaries.

### State Pension Forecast

A State Pension forecast tells you in today's money values:

- the amount of State Pension you may get based on your National Insurance contributions so far and
- the amount of State Pension you may get when you claim your State Pension.

If you would like to apply for a State Pension Forecast, you can do this by contacting the Department for Work and Pensions through their website at [www.thepensionsservice.gov.uk](http://www.thepensionsservice.gov.uk) or by writing to:

Future Pension Centre, The Pension Service, Tyneview Park, Whitley Road, Newcastle upon Tyne  
NE98 1BA

### Trust Deed and Rules

The Trust Deed and Rules are available for examination by prior arrangement with the Pensions Department, or if you require a copy, please write to the *Administrator*.

## Further information

If you have any questions about the *Plan* generally or your individual benefit entitlement, or do not understand any part of this Handbook, you should firstly contact the Pensions Department. Alternatively you can contact the *Administrator* at:

Mitchells & Butlers Pensions  
Mercer  
Stratford Court  
Cranmore Boulevard  
Solihull  
West Midlands  
B90 4QT

Telephone:      Helpline number 0870 850 0981                      Switchboard +44(0) 121 733 4000

Email:            [mbplc@mercer.com](mailto:mbplc@mercer.com)

Under financial services legislation, the *Trustees*, the *Administrator*, HR and Pensions staff are not allowed to give any financial advice to members. They can only give you information about the *Plan* and the AVC arrangements.

March 2011