MITCHELLS & BUTLERS EXECUTIVE 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 Executive 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 Executive 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 Executive 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

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@mercer.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 and any other pension plans you may have) against your Allowances. If you have substantial pensions savings it is recommended that you seek independent financial advice.

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.

Jargon buster cont'd

Dependent Child

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

Final Pensionable Salary

The salary on which your pension benefits are based. It is your highest basic salary received during any consecutive twelve month period in the five years before your retirement or, if earlier, the date you die, leave service or withdraw from the DB Section of the *Plan*. Your salary is your pay before taking account of any adjustment to reflect your participation in *NICwise*. For members who joined the *Plan* between 1 June 1989 and 5 April 2006 *Final Pensionable Salary* may be limited to the 'earnings cap'.

Guaranteed Minimum Pension (GMP)

Your GMP is broadly equivalent to the pension that would have been earned from SERPS (S2Ps 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.
- 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 your 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 have fixed protection:
  - your lifetime allowance will be fixed at £1.8 million (unless the standard lifetime allowance at some future time is increased above £1.8 million).
  - there are restrictions on what you will be able to do with your benefits (in broad terms, you will normally need to stop building up benefits under every registered pension scheme that you belong to by 5 April 2012). If you break one of these restrictions you will lose fixed protection.

Jargon buster cont'd

> 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 pensions 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 age 55 unless you are retiring due to ill-health, in which case you can retire at any age provided certain conditions are met.

A member who joined the *Plan* before 6 April 2006 and is still employed by the *Company* may have a "protected *minimum pension age*". Members with a protected *minimum pension age* can receive their pension from age 50 provided on retirement 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 60.

Partner

A person who:
EITHER

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

OR

- 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**) or on request from your HR Department or the *Administrator*.

Part-time Service

For any period of membership when you work part-time your Final Salary is 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*.

Jargon buster cont'd

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 Salary

It is your annual basic salary (before taking account of any adjustment to reflect your participation in *NICwise*) on the first Monday in January and applies for twelve months from the following 1 April. From 30 September 2009, increases in basic pay for pension purposes are limited to a maximum of 2% in any year (1 October to 30 September).

Pensionable Service

Your last period of active 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.

Plan (or MABEPP)

Mitchells & Butlers Executive Pension Plan formerly named the Six Continents Executive Pension Plan and the Bass Executive 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 Executive Pension Trust 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 *Pensionable Salary* as a regular deduction from salary. The percentage you paid affected your *accrual rate*. The *accrual rates* for that period and each Category of membership were:

Contribution Rate	Category I	Category II	Category III
6%	1/30th	1/45th	1/60th
5%	1/40th	1/60th	1/80th

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 22. No AVCs may be paid with effect from 13 March 2011.

Useful information

Joining from the Mitchells & Butlers Pension Plan

If you were a member of the Mitchells & Butlers Pension Plan, promoted on or after 1 August 2008 and on promotion were offered and accepted membership of the Mitchells & Butlers Executive Pension Plan, *Pensionable Service* you accrued in the Mitchells & Butlers Pension Plan (MABPP) remained in that *Plan*. Future service benefits accrued in the MABEPP. Your total benefits from both *Plans* will be restricted as defined in the MABEPP Rules (currently 2/3 of *Final Pensionable Salary* taking into account benefits from previous employment and self-employment).

If you were a member of the Mitchells & Butlers Pension Plan, promoted before 1 August 2008 and on promotion were offered and accepted membership of the MABEPP, you stopped being a member of the MABPP. Your future service benefits accrued in the MABEPP and you became entitled to additional benefits from MABEPP on retirement or death as a result of the transfer of your past service benefits under the MABPP to the MABEPP.

Lifetime Allowance & Annual Allowance

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

Retirement benefits

The *Plan* had three DB Categories which, with the exception of the *Accrual Rate*, all have the same benefit structure and terms. The *accrual rates* for each Category are as set out on page 8.

You will have been advised in your letter of appointment of the Category that applies to you. Certain members on 31 December 1998 had higher *accrual rates* than those shown and these higher *accrual rates* continued to apply until 12 March 2011.

Pension

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

Your pension is the higher of the following 2 calculations:

1. *Final Pensionable Salary* **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 19)**

   (*Final Pensionable Salary* **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 12 March 2020 at age 60
- *Final Pensionable Salary* over the twelve months to 12 March 2020 of £69,000
- *Accrual Rate* of 60ths
- You have completed 28 years *Pensionable Service* to 12 March 2011
- *Pensionable Salary* over the twelve months to 12 March 2011 of £60,000
- GMP at 12 March 2011 of £3,000
- 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 12 March 2020 total 25%

Calculation

1. (£69,000/60 x 28) = **£32,200** p.a.
2. Pension at 12 March 2011 = (£60,000/60 x 28) = **£28,000** p.a.

   Increased pension = (£3,000 x 1.369) + ((28,000-3,000) x 1.25) = **£35,357** p.a.

Your retirement pension would be: £35,357 per year

Retirement benefits cont'd

Maximum benefits

Your accrued pension from the *Plan* is subject to a maximum of 2/3 of *Final Pensionable Salary* inclusive of retained pension benefits from previous employment and self-employment. 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 *Final Pensionable Salary* is 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 24).

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 55 or 60 is shown below.

Age	Cash per £1 of annual pension surrendered
60	£19.00
55	£21.00

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 guaranteed period.

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

Retirement benefits cont'd

The following example is for a member retiring at age 60 with an initial *Plan* pension of £35,357 p.a. and an AVC account containing £20,000. For members retiring before age 60 the appropriate early retirement reduction will be applied to the benefit to determine the initial *Plan* pension.

<u>Pension Commencement Lump Sum</u>		
Lump sum from *Plan*	<u>£35,357[a] x 100</u> (15[f] + (1000/190)[b])	£174,490
Lump sum from AVCs	£20,000 x 25%	£5,000
Maximum cash sum		**<u>£179,490</u>**
<u>Annual pension</u>		
Initial *Plan* pension		£35,357 p.a.
Pension surrendered	<u>(£179,490[c] – £20,000[d]) x 10[f]</u> 190[e]	(£8,394 p.a.)
Annual pension payable		**<u>£26,963 p.a.</u>**

NOTES	
a	Initial *Plan* Pension
b	Pension surrendered per £100 lump sum
c	Maximum cash sum
d	AVCs
e	Cash per £10 of pension surrendered
f	Fixed factor provided by Actuary

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* at least six months before you retire 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.

Retirement benefits cont'd

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 23-24) are guaranteed to be increased on each 1 October in line with the rise in 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 your *Minimum Pension Age*, 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.

Example:
Assumptions • You retire from employment with Mitchells & Butlers on 12 March 2017 at age 57 years • *Final Pensionable Salary* over the twelve months to 12 March 2017 of £65,000 • *Accrual Rate* of 60ths • You have completed 28 years *Pensionable Service* to 12 March 2011 • *Pensionable Salary* over the twelve months to 12 March 2011 of £60,000 • GMP at 12 March 2011 of £3,000 • Fixed rate GMP increase of 4% per annum giving total 21.7% (4% compound over 5 tax year) • Compound normal pension increases from 13 March 2011 to 12 March 2017 total 19%
Calculation
1. (£65,000/60 x 28) = £30,333 p.a.
2. Pension at 12 March 2011 = (£60,000/60 x 28) = £28,000 p.a.
Increased pension = (£3,000 x 1.217) + ((28,000 - 3,000) x 1.19) = £33,401 p.a.
3. Early retirement reduction of 12% (4% x 3 years)
Annual pension = £33,401 – (£33,401 x 12%) = £29,392 p.a.
Your retirement pension would be: £29,392 per year

Retirement benefits cont'd

If applicable, your pension will be restricted to the maximum level as described on page 11 before the early retirement reduction is applied.

Subject to *Company* consent you may be able to receive your pension and continue in employment with Mitchells & Butlers. Please contact your HR Manager for more details of this option.

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.

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 late

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

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 nevertheless 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 and whether or not you were at work at the time.

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 20).
- Immediate pensions for up to two dependent children of 1/6 of your pension for each child calculated in the same way as the spouse's/*Partner's* pension. 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 23) 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 civil partner or *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 2/3 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 (or 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 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.

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.

Benefits on death cont'd

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 pensions website (**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 will be delayed if there is no Beneficiary Form or if it is obviously out of date.

Your pension promise

Your pension is payable for life. However, in order to provide value for members, your pension is guaranteed to be paid for a minimum period, even if you die within that period. On your death, the *Plan* will pay a pension to your spouse/*Partner* at the same rate as your pension, until the end of the guaranteed period. The spouse's/*Partner's* and children's pensions at the rate payable on death in retirement (see page 16) would then be paid.

Benefits on death cont'd

The guaranteed period is:

- If you retire at or before age 60, your pension is guaranteed to be paid for ten years.
- If you retire after age 60, your pension is guaranteed to be paid for five years or to age 70, whichever is later.

Alternatively, if you die before five years' pension payments have been paid, the *Trustees* may decide to pay a lump sum instead of continuing the pension under the guarantee, as long as they are satisfied that your dependants would receive a greater total value of benefits. The lump sum payment would be equal to the remainder of the five years' pension payments based on the rate of pension you were receiving immediately before your death. Any spouse's/*Partner's* and children's pensions would then start immediately.

The above guarantee on your pension excludes any effects of taking the levelling option (see page 14).

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 Pensionable Salary* 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 Pensionable Salary* 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 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.

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 from the *Plan*.

Leaving the Company cont'd

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 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 23) 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 59.

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 within limits allowed for you by HMRC. 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.

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

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

Contracting-out

As a member of the *Plan*, you were contracted-out of S2P, which means that your pension from the *Plan* replaces 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.

State retirement pensions cont'd

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

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.

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 affect of divorce on your *Plan* pension is available from the *Administrator*.

General information cont'd

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** 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 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 2010 is set at £26,840 (after the 90% reduction is applied) at age 60.

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

They can be contacted through their website **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.thepensionservice.gov.uk** or by writing to:

General information cont'd

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**.

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 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** or by writing to: Napier House, Trafalgar Place, Brighton BN1 4DW

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 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.thepensionservice.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 your 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 your HR Manager. Alternatively you can contact the *Administrator* at:

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

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

Email: **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