IMPERIAL TOBACCO
PENSION FUND

A Detailed Bookle

for entrants who joined befor

1st April 2002

About this booklet

This booklet is intended to provide you and your family with detailed information about the Imperial Tobacco Pension Fund.

It gives a brief outline of the Rules of the Fund as they apply to employees who joined the Fund before 1 April 2002 *(other than employees of Sinclair Collis Limited who joined the Fund between 1 October 2001 and 31 March 2002, and are covered by separate arrangements).*

Information is given which may be of interest to you whilst you are in employment and it also covers the benefits that are available to you following your withdrawal or retirement.

You are advised to inform your wife, husband or other dependants of the benefits they might receive from the Fund and of any options affecting them.

This booklet is freely available to any member or prospective member who wishes to have one.

The Pension Fund is administered in accordance with the Trust Deed and Rules. This booklet aims to be a relatively complete summary, which can be used for quick reference, but it must be emphasised that the actual Trust Deed and Rules of the Fund are the final authoritative document. A copy of the Trust Deed and Rules may be seen upon request.

Any questions that you may wish to raise, or requests to inspect the Trust Deed and Rules, should quote where possible, your Pension Fund reference number and be addressed to:-

The Pensions Manager
Imperial Tobacco Pension Fund
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Winterstoke Road
Bristol
BS99 1UP

Telephone: 0117 953 0000
Fax: 0117 963 2860

The information contained herein is current as at 1st April 2007

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Summary of benefits
for employees who joined the Pension Fund before 1 April 2002

The Imperial Tobacco Pension Fund is a Contracted-out, Final Salary scheme, which the Company funds under a balance of cost arrangement. The scheme is registered with HM Revenue & Customs under Pension Scheme Tax Reference 00263330RM.

The main provisions are outlined below.

Eligibility for admission:	Employees aged between 16 and 55.
Membership:	Admission to this category of membership ceased from 01.04.2002.
Employee Contribution rate:	Non-contributory.
Pensionable Pay:	Basic pay including, if applicable, Pensionable Supplement, but generally excluding commission, bonus or casual overtime.
AVC's:	Invested through Scottish Equitable.
Normal Retirement Age (NRA):	60 for males and females.
Pension Accrual Rate:	1/47th of final pay for each year of service, but for • pre-01.01.76 female entrants, the pension accrual rate is 1/42nd in respect of all service. • pre-01.01.76 male entrants, the pension accrual rate is 1/42nd for post-17.05.90 service.
Integration:	Pension reduced by (1½ x LEL) x service ÷ 47ths at State Pension Age for 47ths accrual. Pension reduced by single State pension x service ÷ 42nds at State Pension Age for 42nds accrual.
Final Pensionable Pay:	Highest consecutive 12 months' Pensionable Pay in last 10 years (with special rules relating to Pensionable Supplement).
Commutation:	Tax-free lump sum up to HM Revenue & Customs limit *(broadly 25% of the capital value of the benefits on a formula set by HMRC)*, with corresponding actuarial reduction in pension.

Death after Retirement:	Spouse's pension of 2/3rds of member's pre-commutation pension, plus children's allowances of 1/6th of member's pre-commutation pension per child (overall maximum of 2/6th), doubled if no spouse's pension. Where death occurs before normal retirement age (60), a lump sum is also paid for early retirements on account of: Redundancy = balance of 5 years pension paid. Ill health = 4 x annual pay at retirement, less pension and any commutation paid.
Ill-Health Pension:	Subject to 10 years' service, a pension based on 100% of accrued service plus 100% of future service to NRA *(NB: 50% of future service for pre-1989 retirees).*
Early Retirement (Redundancy):	Minimum requirement 10 years service and aged 50+. Immediate pension based on 100% of accrued service, with no actuarial reduction. 2/3rds spouse's pension and children's allowances available.
Death in Service:	Lump sum of 4 x current annual Pensionable Pay. 2/3rds spouse's pension payable, based on total pensionable service (past and future) to NRA, plus children's allowances of 1/6th of member's pension based on full service to NRA (doubled if no spouse's pension). Children's allowances restricted if total of spouse's pension plus children's allowances exceeds member's pension at date of death on the ill-health basis.
Early Leavers' Benefits:	Deferred pension, or transfer. Deferred pensions may be paid early after age 50 *(55 from April 2010)* subject to reduction for early payment on a scale laid down by the Actuary. 2/3rds spouse's pension payable immediately on death of deferred pensioner, plus children's allowances.
Pension Increases:	Guaranteed annual increase to non-GMP pension of increase in RPI, up to a maximum of 10%, applied to current and deferred pensions with effect from 1 April. GMP element receives statutory increases.

Surrender Option:	Current pensioners may surrender part of their pension on an age related scale to raise pension increase guarantee from 10% to 15%. Pensioners aged 80+ are not required to surrender to obtain 15% guarantee.
Part-time Employees:	Three scales of membership - 1/4, 1/2, or 3/4 according to the number of contractual hours worked.
Maternity/Parental Leave:	Period treated as pensionable.
Nominated Dependants:	Members may be able to nominate dependants other than a spouse or children to receive benefits after the member's death.

Terms you need to know

Additional Voluntary Contributions ("AVCs")
Additional contributions paid to the Fund's AVC provider to buy extra benefits on retirement.

Allocation Option
You may give up part of your own pension at retirement to provide further pension for your widow, widower or other financial dependant at the time of your death.

Contracting-out
Until 5 April 1997 the Fund was contracted-out of SERPS on the basis that the Fund guaranteed that each member would be entitled on retirement at State Pension Age to a pension at least equivalent to that to which you would have been entitled had you not been contracted-out of SERPS (i.e. a guaranteed minimum pension or "GMP" for short).

From 6 April 1997 there were a number of changes to the contracting-out arrangements. The most significant change as far as members are concerned, was that GMP's were abolished for future service from that date. However, where a member has already built up an entitlement to a GMP, that entitlement will be maintained and protected against the effects of inflation.

In place of the GMP basis, a new contracting-out test ("the Reference Scheme Test") was introduced from 6 April 1997. A scheme may be contracted-out of SERPS (or, as from April 2002, the State Second Pension) on the Reference Scheme Test, if the benefits of 90% or more of employees in each identifiable group meet specified criteria based on total pay.

Deferred Pension
A pension payable from the member's Normal Retirement Age, based upon the employee's accrued entitlement at the date of leaving active service.

Final Pensionable Pay
The highest average Pensionable Pay over any period of 12 consecutive months in the 10 years immediately preceding retirement, or leaving the Fund. Special rules covering shift premium and regular set overtime ("Pensionable Supplement") are explained in the section on retirement benefits.

Guaranteed Minimum Pension ("GMP")
The GMP is the minimum amount of pension that a "contracted-out" pension scheme must provide for you after State Pension Age in respect of your pensionable service with the Company between 6 April 1978 and 5 April 1997.

On your withdrawal from the Fund or retirement from the Company, your entitlement to a GMP (if any) will form part of the Fund pension payable to you after State Pension Age. 50% of your GMP is also included in the spouse's pension payable from the Fund after State Pension Age. During the period between your leaving or retiring from the Company and reaching State Pension Age, your GMP will be increased annually, each April.

Lower Earnings Limit ("LEL")
A fixed amount set by the Government each year for calculating National Insurance Contributions. It is approximately equal to the Single Person's State basic pension.

Nominated Dependant
If you are not married you may in some circumstances nominate someone to receive a dependant's pension after your death.

Normal Retirement Age ("NRA")
60 years of age.

Pensionable Pay
Your basic pay including, if applicable, Pensionable Supplement, but excluding commission, bonus or casual overtime. In the case of Sinclair Collis Ltd employees a percentage share of net margin calculation, if applicable, is also included.

Pensionable Service
The number of completed years and months of membership of the Fund prior to retirement. This also includes any credited service such as pensionable service awarded for transferring your benefits from a previous employer's scheme or personal pension.

Pensionable Supplement
The amount of shift pay or regular set overtime paid in addition to your basic pensionable pay.

Retiring Pensionable Pay
The highest amount of basic pay that you have received in any period of 12 consecutive months in the 10 years immediately preceding your retirement, adjusted in respect of Pensionable Supplement, as described on page 13.

SERPS - see below under State Pension Scheme.

State Pension Scheme
The State Pension Scheme consists of two parts:-

> **The flat-rate scheme** provides you with a pension from State Pension Age if you have paid sufficient National Insurance contributions during your working lifetime.
>
> **State Earnings-Related Pension Scheme ("SERPS")** commenced on 6 April 1978 and provides a pension based on your earnings between the Lower and Upper Earnings Limits. As from 6 April 2002 SERPS has been replaced by the State Second Pension. Members of occupational pension schemes,such as the Fund, can be "contracted-out" of SERPS and the State Second Pension.

State Second Pension
Replaced SERPS from 6 April 2002 in providing a pension based on earnings.

State Pension Age ("SPA")
The age at which your State pension normally becomes payable. This is currently 65 for men and 60 for women, but is to be equalised at age 65 for men and women over the 10-year period between 2010 and 2020.

Upper Earnings Limit ("UEL")
A fixed amount set by the Government each year for calculating National Insurance Contributions. The UEL is normally between 7 and 8 times the amount of the LEL.

"Wish" letter
You may use a "Wish" letter to indicate to the Trustees how you would like the lump sum benefit of four years' pensionable pay to be distributed in the event of your death while in the service of the Company.

Joining the Pension Fund

When can I join ?

Admission to this section of membership closed on 31 March 2002.

What if I have pension benefits elsewhere ?

If you were a member of a previous employer's pension scheme or have been contributing to a personal pension, you may be able to transfer the value of your benefits into the Fund. If your transfer payment is accepted, the Trustee will credit you with extra Pensionable Service in respect of the transfer value received. If you would like more details, please contact the Pensions Manager.

Can I opt out of membership ?

You may opt out of the Fund at any time, whilst still remaining employed by the Company. If you opt out of the Fund, you will be eligible to rejoin if, at a later date, you change your mind. However should you subsequently opt out of the Fund again, you would not be eligible to rejoin again at a later date, other than in exceptional circumstances.

If you opt out of the Fund, you will not be covered for the death in service benefits provided by the Fund.

What if I work part time ?

Part time employees receive benefits on an equivalent $^1/_4$, $^1/_2$, or $^3/_4$ time basis of a full time member, depending upon the number of contractual hours worked each week.

Contributions

How much will I pay ?

For employees who joined the Fund prior to 1 April 2002, the Fund is non-contributory, which means that you do not pay contributions.

How much does the Company pay ?

The balance of cost required to finance the Fund varies from time to time, and the Company pays the amount agreed with the Trustee in accordance with the Schedule of Contributions.

Can I pay more to improve the benefits I receive on retirement ?

You can increase the level of benefits you will receive by paying Additional Voluntary Contributions ("AVCs"). AVCs are deducted directly from your pay before tax, so you benefit from immediate tax relief. Your contributions will be invested in a policy with Scottish Equitable plc and you can choose between a range of different investment funds.

Scottish Equitable was appointed as the Fund's AVC provider from 1 February 2001 and prior to that date employees would have paid their AVCs into an Equitable Life "With Profits" policy. Those employees were given the option to transfer their accumulated fund and/or make future contributions to Scottish Equitable. A similar option to transfer was given to deferred beneficiaries.

You may also contribute to other external pension arrangements in addition to any contributions you may make to the Fund's AVC providers.

Further information can be obtained from the Pensions Manager.

Retirement benefits

When can I retire ?

Your **normal retirement** date is your **60th birthday**, although you may postpone your retirement beyond this date.

Provided you have completed 10 years' pensionable service in the Fund, pensions may also be paid on earlier retirement, on the grounds of:-

Redundancy - provided you are 50 years of age or over.

Efficiency - provided you are age 50 or over *(55 as from 6 April 2010).*

Failure of health - at any age.
An ill-health pension may be payable if your failure of health continues to make you incapable of carrying out your ordinary work.

Are there any other retirement options ?

You may draw your pension benefit, either in whole or in part, while remaining in continuous employment with the Company. This is known as *flexible* retirement and can be exercised in the following circumstances:-

After Normal Retirement Age - if you stay in employment beyond normal retirement age, either on a full-time or part-time basis, you will be able to request the payment of your pension benefits with effect from your normal retirement age while at the same time continuing to accrue further service.

Before Normal Retirement Age - if the Company requests that as an alternative to full redundancy you accept a reduction in working hours, it will be possible for a partial early retirement pension to be paid early, providing you are aged at least 50 *(55 as from 6 April 2010)* while you continue in part-time employment and accrue further service on a part-time basis.

Before Normal Retirement Age - you can initiate a request for a reduction in working hours and, if agreed by the Company, take a partial deferred pension that could then be paid early providing you are aged at least 50 *(55 as from 6 April 2010)* at a reduced rate, while you continue in part-time employment and accrue further service on a part-time basis.

After drawing a pension - if you are subsequently re-employed by the Company you may apply to re-join the Fund as an employed member accruing a further separate pension entitlement while at the same time continuing to receive your existing pension.

How much pension will I receive ?

For **normal, redundancy and efficiency retirement** *(other than the special cases mentioned below)* your pension will be calculated as follows:-

(a) Until you reach State Pension Age - 1/47th of your Retiring Pensionable Pay for each year of Pensionable Service.

(b) After State Pension Age - the above pension is reduced by 1/47th of $1\frac{1}{2}$ times the Lower Earnings Limit for each year of your pensionable service. If you joined the Fund before April 1975, a further reduction (up to a maximum of £60.50) in respect of any State Graduated Pension earned up to April 1975, will be made.

> *Example: For an employee retiring with 29 years Pensionable Service, Retiring Pensionable Pay of £24,000, a State pension reduction of £6,700 (1½ times the Lower Earnings Limit) and a Graduated Pension of £30, the Fund pension would be:-*
>
> *£24,000 x 29/47 = £14,808.51 a year up to State Pension Age*
> *£6,700 -*
> *£17,300 x 29/47 less £30 = £10,644.47 a year after State Pension Age, when your State Pension becomes payable.*

If you retire early on account of **ill health**, your pension will be calculated by adding 100% of **potential** service *(50% potential service for pre - 1989 retirees)* between your date of retirement and age 60, to the actual pensionable service you have already completed to your date of retirement.
For example: if you were to retire at age 48 due to failure of health, having already completed 15 years' of pensionable service, then your pension would be calculated on 15 years plus 12 years' *(the number of years' between your 48th and 60th birthdays)* i.e. 27 years.

How will working part time affect my pension ?

For part time employees, pension benefits are ¼, ½, or ¾ of the equivalent full time rate depending upon the percentage of contractual hours worked each week.

Special Cases

(a) For females who first entered the Fund before 1 January 1976 the pension fraction is 1/42nd and, the reduction in pension payable after State Pension Age, is 1/42nd of the single-rate State Pension, for each year of pensionable service.

(b) For males who first entered the Fund before 1 January 1976 and were in service on or after 17 May 1990, the pension fraction is 1/42nd in respect of their service after 17 May 1990. The reduction in pension payable after State Pension Age is 1/42nd of the single-rate State Pension in respect of service after 17 May 1990.

(c) Male members of the former Rizla, St Anne's Board Mill and Robert Fletcher Pension Funds, or male members of the former Imperial Foods Pension Scheme who left before 17 May 1990, have a normal retirement age of 65.

How is my Shift Pay and/or Regular Set Overtime taken into account ?

If you work shifts or regular set overtime, the percentage by which your shift pay or regular set overtime exceeds your basic pensionable pay each year will be recorded as a Pensionable Supplement Ratio. The best year's pensionable pay on which your pension is calculated will then be uplifted by the average of your Pensionable Supplement Ratio over your total period of pensionable service.

> *Example: During your 30 years' service, 20 have been at day rates, 6 at 17½% shift premium and 4 at 30% shift premium.*

20 years at 0%	=	*0%*
6 years at 17½%	=	*105%*
4 years at 30%	=	*120%*
30		*225%*

> *225% divided by 30 years' service gives an average of 7½% per year. Your best year's basic pensionable pay will therefore be uplifted by 7½% before your pension is calculated.*

Can I take part of my pension as a lump sum ?

You can, if you wish, take part of your pension as a lump sum at retirement, which is currently tax-free. This will reduce your pension, but not affect any payments to your spouse or other dependants. The maximum permitted tax-free lump sum is broadly 25% of the capital value of your benefits as calculated using a formula set by HM Revenue & Customs.

The amount of pension you would need to surrender in exchange for a lump sum is determined by the Fund's Actuary.

Allocation Option

You may give up part of your own pension at retirement to provide further pension for your widow, widower or other financial dependant at the time of your death. Full details will be supplied to you on request.

Pension Limits

The Fund Rules restrict the maximum amount of the pension you can receive to 2/3rds of your Retiring Pensionable Pay.

Death benefits

What happens if I die in service ?

Lump Sum
A lump sum of **4 times** your annual Pensionable Pay at the time of your death, is payable.

Although the Trustee has complete discretion as to whom the lump sum death benefit is paid, your wishes can be taken into consideration. It is therefore important that you consider and where applicable, complete a "Wish" letter (available from your Pay Office) on which you can indicate whom you would want to receive the lump sum.

Spouse's pension
If you are married, a spouse's pension will also be paid. This will be calculated as though you had remained an employee until your Normal Retirement Age (60). The pension would be payable as follows :-

(a) Until your widow or widower reaches State Pension Age - a pension of 2/3rds of the pension you would have been paid until your State pension age.

(b) From State pension age onwards - a pension of 2/3rds of the pension you would have been paid after your State pension age.

> *Example: if a member dies at age 48 with 15 years Pensionable Service, Retiring Pensionable Pay of £24,000 and a State pension reduction of £6,700 (1½ times the Lower Earnings Limit), the spouse's pension would be :-*
>
> *(a) Until State pension age:*
> *(15 + 12) x 1/47th x £24,000 x 2/3rds = £9,191.49 a year.*
>
> *(b) From Sate pension age:*
> *(15 + 12) x 1/47th x (£24,000 - £6,700) x 2/3rds = £6,625.53 a year.*

If your spouse is more than 15 years younger than you, their pension will be reduced.

If you are not married at date of death, the Trustee may pay the spouse's pension described above, to an approved Nominated Dependant - for example, another person living with you as your spouse.

If your spouse remarries, the spouse's pension will be reduced to the amount based upon your actual pensionable service. That part of their pension that relates to your service between date of death and your 60th birthday will cease.

If you have paid AVCs, your accumulated contributions and interest will be paid to your estate, or your spouse may use the AVCs to enhance his/her pension.

Children's allowances
In addition to the spouse's pension, an allowance of **1/6th** of the pension you would have received at Normal Retirement Age (ignoring any State pension reduction) is payable in respect of each child until age 16, or age 23 if still undergoing full time education. There is no upper age limit for the allowance payable to an incapacitated child.

Children's allowances will be restricted if the total of the spouse's pension and the children's allowances exceed the member's pension that would have been payable on an ill health retirement basis, but children's allowances are doubled if you leave no widow, widower or nominated dependant.

Refund of contributions
If you have no dependants at date of death, a refund of any contributions you may have paid before the Fund became non-contributory, will be paid to your estate.

Widower's pension
Widowers' pensions became mandatory for all female employees from 6 April 1988. Prior to this, female employees were given options in 1976 and 1982 to contribute an additional 1% of Pensionable Pay for widowers' pensions on a voluntary basis. Periods of Pensionable Service during which no such contributions were made will be ignored when calculating the widowers' pension, as described below:-

- On the death of a female member who in 1976 and 1982 declined the option to pay the extra contributions for widower's benefit and did not subsequently start paying these contributions on marriage or remarriage, service before April 1988 will be ignored in calculating any widower's pension payable unless the member dies leaving a widower to whom she was married at retirement and who is totally incapacitated and unable to earn a living

- In the case of female employees who declined the option to contribute for widowers' benefits from 1 January 1976 but exercised the second option from 1 November 1982 or exercised the option on marriage before that date, service between 1 January 1976 and 1 November 1982 or the commencement of the extra contributions if earlier will be ignored when calculating widowers' benefits.

- Similarly, where a female employee declined the second option to contribute from 1 November 1982 but subsequently exercised the option on marriage, service before the commencement of the extra contributions will be ignored when calculating benefits for widowers.

What if I die after I retire ?

On your death after retirement the Fund provides a spouse's pension, children's allowances and in some cases, a lump sum. These benefits are described below.

Spouse's pension

(a) Until your widow or widower reaches State Pension Age - a pension of 2/3rds of the pension you would have been paid until your State pension age.

(b) From State pension age onwards - a pension of 2/3rds of the pension you would have been paid after your State pension age.

If you are not married at date of death, the Trustee may pay the spouse's pension described above, to an approved Nominated Dependant - for example, another person living with you as your spouse.

Children's allowances
In addition to the spouse's pension, an allowance of **1/6th** of your pension at retirement, before any State pension reduction and the reduction on account of any cash lump sum that may have been taken and plus any increases awarded since retirement, is payable in respect of each child until age 16, or age 23 if still undergoing full time education. There is no upper age limit for the allowance payable to an incapacitated child. Children's allowances may have to be restricted if the total of the spouse's pension and the children's allowances exceed the member's pension that would have been payable.

Lump Sum - Ill Health
If you retired on pension early due to ill-health and you die before normal retirement age, a lump sum benefit will be paid in addition to the dependants' pensions described above.

The amount of the lump sum will be four times the annual amount of pensionable pay being paid immediately before the date of your retirement reduced by any commutation lump sum you may have taken and the gross (i.e. before any tax deduction) pension payments paid to you between retirement and death. The Trustees have complete discretion as to whom the lump sum is paid.

Lump Sum - Redundancy
If you retired early on immediate pension due to redundancy and you die within 5 years of the date of retirement and before normal retirement age, a lump sum will be paid from the Fund to your estate, calculated as follows:-

(a) If you retired more than 5 years early - a lump sum equal to the unpaid balance of 5 years' pension at the rate being paid at the date of your death.

(b) If you retired less than 5 years early - a lump sum equal to the unpaid balance of the total pension which would have been paid to your normal retirement age at the rate being paid at the date of your death.

Age Reduction
If your spouse is more than 15 years younger than you, their pension will be reduced.

Refunds of Contributions for widow/er's Benefits
If a male employee who entered the Fund before 1 November 1967, or a female employee who entered before 1 January 1976 had been paying extra contributions for the widow's/widower's benefits, and is unmarried at retirement, a refund of the extra contributions for widow's or widower's benefits will be paid.

Widower's Pension
The same adjustments apply as for widower's pension on death in service as set out on page 15.

Pension payment and increases

How will my pension be paid ?

Your pension is paid calendar monthly, in arrears on the last "working" day of each month, directly into your bank or building society account.

Other than for the month of April each year, which coincides with the start of the tax year and is when pensions are reviewed, no further pay advice slips will be sent, unless your net pay changes by more than £1.00, or your address or bank details change.

Will my pension increase after it starts to be paid ?

Pensions, whether in payment or deferred, as well as dependant's pensions will be automatically increased from 1 April each year, by the lesser of:-

(a) the preceding December-on-December increase in the Retail Prices Index, and
(b) 10%.

The increase will not apply to that part of your pension, or your spouse's pension, that arises from a GMP entitlement, or if you are only entitled to an Equivalent Pension Benefit from the Fund.

Where your pension includes a GMP, the Fund has a statutory responsibility to grant annual increases each April on the GMP until you reach State Pension Age. These increases are:-
(i) 8.50% if you retired or left before 6 April 1988, or
(ii) 7.50% if you retired or left on or after 6 April 1988 and before 6 April 1993, or
(iii) 7.00% if you retired or left on or after 6 April 1993 and before 6 April 1997, or
(iv) 6.25% if you retired or left on or after 6 April 1997 and before 6 April 2002, or
(v) 4.50% if you retired or left on or after 6 April 2002 and before 6 April 2007, or
(vi) 4.00% if you retired or left on or after 6 April 2007

After State Pension Age, full cost-of-living increases on any GMP earned up to 5 April 1988 will be paid through the State pension scheme. GMP earned between 6 April 1988 and 5 April 1997 *(when GMP accrual ceased)*, will be increased by the Fund by the lesser of 3% and the increase in the RPI. Where inflation is higher than 3%, any additional increase will be paid through the State pension scheme.

In the case of the former Robert Fletcher Pension Fund, the increase applied to that part of the pension in excess of the GMP will be the preceding December on December increase in the Retail Prices Index.

Surrender Option

Once your pension is in payment, you have the option to surrender a proportion of your pension in return for a higher level of pension increases. The option must be exercised by 31 March in any year. The improved pension increases would then be the lesser of:-
(a) 15%, and
(b) the preceding December-on-December increase in the Retail Prices Index.

The percentage of pension to be surrendered will be calculated by reference to your age on 1 April according to the table set out below, with the percentage of pension to be surrendered for intervening ages determined on a pro-rata basis:-

Age	Percentage of pension to be surrendered
50	5%
55	4½%
60	4%
65	3%
70	2%
75	1%
80 and over	Nil

This table may alter in future years but will always be subject to a maximum surrender at any age of 7½%.

If you were 80 years of age or more on 31 October 1991 you will have been deemed to have exercised the surrender option as at that date and will thus be eligible for the higher increases, where applicable. Similarly, if in subsequent years you attain the age of 80 and have not already surrendered and provided the percentage of pension to be surrendered is still Nil you will also be entitled automatically to the higher increase guarantee.

If you are a member of the former Robert Fletcher Pension Fund, full Retail Price Indexation is already guaranteed and the surrender option is therefore not applicable to you.

The exercise of the surrender option will also have the effect of reducing the pension payable to your surviving spouse or dependant by the same percentage, but they would also then benefit from the higher level of increases provided.

Leaving the Pension Fund

<u>What happens to my benefits if I leave the Company before I retire ?</u>

There are two options open to you if you leave the Company.

(i) Leaving your benefits in the Fund *(a deferred pension)*

You can leave your benefits in the Fund to be paid from your Normal Retirement Age.

Your deferred pension would be calculated in the same way as the pension payable on your normal retirement, but using your Retiring Pensionable Pay, and your Pensionable Service as at the date of your withdrawal, offset at State Pension Age by $1^1/_2$ times the Lower Earnings Limit applicable at the date of withdrawal.

Deferred pensions will be increased each April following the date you leave in the same way as increases are applied to pensions in payment. The Surrender option to obtain higher index-linked increases will become available once your pension has come into payment.

You may be able to start drawing your pension at any time after age 50 *(55 from 6 April 2010)*, but in that case the pension will be reduced for early payment on terms prescribed by the Fund's Actuary.

On your death either before or after normal retirement age and subject to there being a dependant's entitlement, a pension will be payable to your widow, widower, or Nominated Dependant. Children's Allowances may also be payable.

(ii) Transfer to a new pension scheme

You may be able to transfer the value of your benefits in the Fund to a new employer's scheme, or into a personal pension arrangement.

You may request a transfer value at any time prior to your Normal Retirement Age. The amount of the transfer value will be equal to the capital value of the deferred pension that you would have otherwise received from the Fund, calculated on a basis approved by the Fund's actuary. Upon request, you will be provided with a statement showing your pension benefits and a transfer value, which will be guaranteed for 3 months from the date of calculation.

Temporary absence, or breaks in service

<u>What happens if I am sick, or injured ?</u>

If you are absent from work due to illness, industrial action, or National Service, your membership of the Fund will normally continue and your period of absence will count as Pensionable Service.

<u>What happens if I am on maternity leave ?</u>

If you are on maternity leave, you will continue to be covered by the full range of the Fund's benefits. In other words, you will continue to be covered for death in service benefits and continue to accrue Pensionable Service.

Should you decide not to return to work, you will be provided with the leaving service benefits of the Fund.

Parental leave, paternity leave and adoption leave are all treated in the same way as maternity leave.

Nominated Dependants' benefit

Can I nominate someone to receive a pension after my death ?

If you are not married, you may at any time whilst an employee, deferred pensioner or current pensioner nominate someone to receive a pension after your death, provided that:

(i) the person is financially dependent upon you;

or (II) you have a financial relationship with that person which is one of mutual dependence (for example, a common law partnership) that has existed for at least two years;

or (iii) that person is dependent upon you because of physical or mental impairment (for example, a dependent relative).

How much pension will they receive ?

The amount of pension provided on your death will be the same as that paid to a legal spouse, subject to the same conditions and limitations. The pension entitlement may be divided between a dependant and spouse, for example as part of a divorce settlement, subject to the spouse receiving at least half the pension.

Do I need to nominate my children ?

Children are already covered under the Rules of the Fund relating to Child Allowances and for this reason they cannot be nominated for dependants' benefits, unless the child is totally incapacitated and there is no surviving spouse.

Is Nominated Dependants' cover automatic ?

Cover will only commence when you have been advised in writing that your application has been accepted by the Trustees. You must therefore apply to the Trustees on the appropriate form and provide any additional information requested in support of your application.

An application form for Nominated Dependant's Benefit may be obtained from your Pay Office or from the Pension Fund Office, at the address shown at the beginning of this booklet.

Do I need to nominate my partner if I am in a registered civil partnership ?

A registered civil partnership provides members with rights very similar to the legal status of a married couple and you would not need to submit an application for your partner under the Nominated Dependant's provisions.

The State pension scheme

What effect does membership of the Pension Fund have on my State pension ?

The State pension is in 2 parts:

State basic pension - This is the flate-rate payable to everyone who has paid sufficient National Insurance contributions during their working life. Payments start at State Pension Age and membership of the Imperial Tobacco Pension Fund does not affect your right to a State basic pension.

State Second Pension ("S2P") - this part of the State scheme provides a pension based on the amount that members have earned.

Occupational schemes may provide benefits instead of those that would otherwise be provided by S2P. This is known as contracting-out and schemes are able to contract-out by satisfying a "quality of benefits" test, set by the Government. The Fund is contracted-out of S2P and both members and the Company pay a reduced rate of National Insurance contributions.

The conditions for contracting-out changed in April 1997. Before that date, a scheme had to guarantee to provide a minimum level of pension in place of the pension that a member and their spouse would otherwise have received from SERPS. This is known as the **Guaranteed Minimum Pension (GMP).** From April 1997, provided they continue to satisfy the "quality of benefits" test, there is no requirement for a scheme to provide a GMP in respect of post-April 1997 service.

Female State Pension Age

The State Pension Age for women born before 6 April 1950 is 60. For women born on or after 6 April 1950, the age at which you are entitled to receive your State Pension benefits will gradually increase towards age 65, as shown on the following page.

Female State Pension Age

Date of Birth	State Pension Age (Yrs/Mths)	State Pension Date	Date of Birth	State Pension Age (Yrs/Mths)	State Pension Date
06.04.50 - 05.05.50	60.1	06.05.2010	06.11.52 - 05.12.52	62.8	06.07.2015
06.05.50 - 05.06.50	60.2	06.07.2010	06.12.52 - 05.01.53	62.9	06.09.2015
06.06.50 - 05.07.50	60.3	06.09.2010	06.01.53 - 05.02.53	62.10	06.11.2015
06.07.50 - 05.08.50	60.4	06.11.2010	06.02.53 - 05.03.53	62.11	06.01.2016
06.08.50 - 05.09.50	60.5	06.01.2011	06.03.53 - 05.04.53	63.0	06.03.2016
06.09.50 - 05.10.50	60.6	06.03.2011	06.04.53 - 05.05.53	63.1	06.05.2016
06.10.50 - 05.11.50	60.7	06.05.2011	06.05.53 - 05.06.53	63.2	06.07.2016
06.11.50 - 05.12.50	60.8	06.07.2011	06.06.53 - 05.07.53	63.3	06.09.2016
06.12.50 - 05.01.51	60.9	06.09.2011	06.07.53 - 05.08.53	63.4	06.11.2016
06.01.51 - 05.02.51	60.10	06.11.2011	06.08.53 - 05.09.53	63.5	06.01.2017
06.02.51 - 05.03.51	60.11	06.01.2012	06.09.53 - 05.10.53	63.6	06.03.2017
06.03.51 - 05.04.51	61.0	06.03.2012	06.10.53 - 05.11.53	63.7	06.05.2017
06.04.51 - 05.05.51	61.1	06.05.2012	06.11.53 - 05.12.53	63.8	06.07.2017
06.05.51 - 05.06.51	61.2	06.07.2012	06.12.53 - 05.01.54	63.9	06.09.2017
06.06.51 - 05.07.51	61.3	06.09.2012	06.01.54 - 05.02.54	63.10	06.11.2017
06.07.51 - 05.08.51	61.4	06.11.2012	06.02.54 - 05.03.54	63.11	06.01.2018
06.08.51 - 05.09.51	61.5	06.01.2013	06.03.54 - 05.04.54	64.0	06.03.2018
06.09.51 - 05.10.51	61.6	06.03.2013	06.04.54 - 05.05.54	64.1	06.05.2018
06.10.51 - 05.11.51	61.7	06.05.2013	06.05.54 - 05.06.54	64.2	06.07.2018
06.11.51 - 05.12.51	61.8	06.07.2013	06.06.54 - 05.07.54	64.3	06.09.2018
06.12.51 - 05.01.52	61.9	06.09.2013	06.07.54 - 05.08.54	64.4	06.11.2018
06.01.52 - 05.02.52	61.10	06.11.2013	06.08.54 - 05.09.54	64.5	06.01.2019
06.02.52 - 05.03.52	61.11	06.01.2014	06.09.54 - 05.10.54	64.6	06.03.2019
06.03.52 - 05.04.52	62.0	06.03.2014	06.10.54 - 05.11.54	64.7	06.05.2019
06.04.52 - 05.05.52	62.1	06.05.2014	06.11.54 - 05.12.54	64.8	06.07.2019
06.05.52 - 05.06.52	62.2	06.07.2014	06.12.54 - 05.01.55	64.9	06.09.2019
06.06.52 - 05.07.52	62.3	06.09.2014	06.01.55 - 05.02.55	64.10	06.11.2019
06.07.52 - 05.08.52	62.4	06.11.2014	06.02.55 - 05.03.55	64.11	06.01.2020
06.08.52 - 05.09.52	62.5	06.01.2015	06.03.55 - 05.04.55	65.0	06.03.2020
06.09.52 - 05.10.52	62.6	06.03.2015	06.04.55 +	65.0	06.04.2020
06.10.52 - 05.11.52	62.7	06.05.2015			

The pensions tax regime

A new pensions tax regime came into force as from 6 April 2006, known as "A-day". The primary aim was to simplify the complicated tax law governing pension schemes.

How does the pensions tax regime affect the provisions of the Fund ?

Registered pension schemes like the Imperial Tobacco Pension Fund enjoy particular tax advantages, such as tax relief on contributions, untaxed investment returns and the ability to provide tax-free lump sums on retirement. As a member of such a scheme, you are able to benefit from these tax advantages up to some new high-level limits, which are outlined below. These new limits replace most of the detailed restrictions that applied previously.

Lifetime Allowance ("LTA")

During your lifetime you can accumulate a total benefit value up to the LTA without incurring any extra tax charge but any excess over the LTA is subject to a new tax. The LTA for 2007/08 is £1,600,000 and it will be increased each tax year. With the LTA set at such a high level, most members of the Fund will be unaffected by it.

The accumulated benefit value for LTA purposes is determined according to a simple formula. When a pension comes into payment after A-day, the amount of the pension is multiplied by 20 and added to the amount of any lump sum taken, while the amount of the LTA that has been "used up" by any pension already in payment on A-day is arrived at by using a multiplier of 25.

On retirement, if your total benefit value is greater than the LTA, a tax charge will be levied on the excess. There are two options available to deal with this tax charge:

- either tax at the rate of 25% can be paid, in which case your pension will be reduced to reflect the cost to the Fund of the tax payment;
- or tax at the rate of 55% can be paid, in which case benefits above the LTA *(net of the tax payment)* can be taken as a lump sum.

Annual Allowance ("AA")

The AA is the tax relief ceiling for benefit value accrual in any one year, with anything above this level taxed as income. The AA for 2007/08 is £225,000 and, as with the LTA, it will be increased each tax year. Again, with the AA set at such a high level most members of the Fund will be unaffected by it.

To determine the benefit value accrual for AA purposes another simple formula applies. The difference between your pension earned at the end of the Fund year and the beginning of the Fund year is calculated and then multiplied by 10.

Earnings Cap

This only affects members who joined the Fund between 1 June 1989 and A-day. Prior to A-day these members were subject to an "Earnings Cap" which was a statutory limit on the amount of salary that could count for pension purposes. Since A-day the statutory Earnings Cap has ceased to exist but, as explained below, the Fund continues to impose some restrictions and has introduced its own earnings cap in place of the statutory one.

The Fund's earnings cap rate for the year 2007/08 is £115,900 a year, and due to the way that the Earnings Cap rules were framed it is only those with salaries above 47/30ths of this level (£181,577 a year) who are affected, so again there is no impact for most members.

For members affected by the Fund's earnings cap, the following rules apply:

- In respect of service prior to A-day, the pension basis remains as it was before, with an earnings cap, as calculated each tax year according to a formula set out in the Fund's Rules, continuing to apply.
- In respect of service after A-day, there is no earnings cap restriction and all salary counts for pension purposes but, in respect of pensionable pay above the level of 47/30ths of the Fund's Earnings Cap, pension is accrued at the same rate as applies to entrants to the Fund after 31 March 2002 *(in brief, 60ths with no State pension reduction and 50% spouse's pension)* and member contributions of 5% are payable.

Benefit value exceeding the LTA

If after A-day a member judges that their prospective benefit value at retirement is likely to exceed the LTA, they may opt out of Fund membership as regards future service accrual while retaining a final-salary-linked pension entitlement in the Fund, as well as cover for death in service and ill-health retirement benefits.

General information

<u>What happens to my pension benefits if my spouse and I divorce ?</u>

Statutory provisions were introduced for married couples that start divorce or nullity proceedings after 30 November 2000, which allow the member's pension rights to be shared with a former spouse. These provisions are known as "pension sharing".

Pension sharing allows the Court to make an order dividing up the existing pension rights of an employee, deferred pensioner or a current pensioner and to credit the former spouse with their own separate entitlement, while reducing the member's benefits with a debit of the same amount.

The Trustee has agreed that the pension credit will not be retained in the Fund, but will be transferred to another registered pension arrangement of the former spouse's choice.

Other than for standard information, the Trustee will levy a charge for providing a cash equivalent transfer value and to cover the cost of administering a pension sharing order.

Further information about the arrangements relating to pensions and divorce can be obtained from the Pensions Manager, at the address shown at the beginning of this Booklet.

<u>What if I have a complaint about the Pension Fund ?</u>

Complaints about the Fund are rare and are generally resolved informally. If you are unhappy with any aspect of the running of the Fund, you should write to the Pensions Manager, at the address shown at the beginning of this Booklet. However, if you are not happy with the result of the informal process, there is a formal procedure for resolving disputes. Full details are available from the Pensions Manager.

If you are not happy with the response you receive under the formal disputes procedure, you may refer the complaint to The Pensions Advisory Service (TPAS) at 11 Belgrave Road, London, SW1V 1RB. Telephone 0845 601 2923.

If your problem cannot be settled through TPAS, you may appeal to the Pensions Ombudsman, (based at the same address as TPAS, but telephone 0207 834 9144), whose role it is to investigate and resolve any problems that arise for scheme members.