**IMPERIAL TOBACCO**
**PENSION FUND**

# A Detailed Booklet

**for new entrants on or after**

**1st April 2002**

April 2007

# 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 joining the Fund on or after 1st April 2002.

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 Fund is administered in accordance with the Trust Deed and Rules. This booklet aims to be a relatively comprehensive 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. Copies of the Trust Deed and Rules may be seen by any member on 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**
**PO Box 735**
**Winterstoke Road**
**Bristol**
**BS99 1UP**

**Telephone 0117 953 0000**
**Facsimile 0117 963 2860**

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

## Contents





# Summary of benefits
## for employees joining the Pension Fund on or after 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 60 |
| Membership: | Voluntary, with no waiting period. |
| Employee Contribution rate: | 5% of pensionable pay |
| 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): | 65. |
| Pension Accrual Rate: | 1/60$^{th}$ of final pay for each year of service. |
| Final Pensionable Pay: | Highest consecutive 12 months 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: | On death within 5 years of retirement, a lump sum equal to the balance of 5 years' pension payments is paid.<br>Spouse's pension of 50% of member's pre-commutation pension payable, plus children's allowances of 1/6$^{th}$ of member's pre-commutation pension per child (overall maximum 3/6ths), doubled if no spouse's pension. |
| Ill-Health Pension: | Subject to 10 years' service, a pension based on 100% of accrued service plus 50% of future service to NRA. |

| | |
|---|---|
| Early Retirement: | **(1) At the Company's request** (for instance on redundancy), **or at the member's request with the Company's consent** (subject to being age 50 or over *[55 from 6 April 2010]* with at least 10 years' service): an immediate pension based on accrued service, reduced for early payment as prescribed by the actuary from time to time on the basis of the value of the member's interest in the Fund just prior to retirement.<br><br>**(2) At the member's request without the Company's consent, including early payment of a deferred pension** (subject to being age 50 or over *[55 from 6 April 2010]*): an immediate pension based on accrued service, reduced for early payment as prescribed by the actuary from time to time on the basis of the value of the deferred benefits available. |
| Death in Service: | Lump sum of 4 x current annual pensionable pay.<br>50% spouse's pension payable, based on total pensionable service (past and future) to N.R.A., 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 so that total of spouse's pension plus children's allowances does not exceed member's pension at date of death on the ill-health basis. |
| Early leavers' benefits: | Deferred pension, or transfer, or if less than 2 year's service - refund of contributions.<br>Deferred pensions may be paid early after age 50 (*55 from 6 April 2010*) subject to reduction for early payment on a scale laid down by the Actuary.<br>50% spouse's pension payable on death of a deferred pensioner, plus children's allowances. |
| Pension Increases: | Guaranteed LPI increase (lesser of RPI and 5% pa) |
| Part-time Employees: | Three scales of membership - ¼, ½, or ¾ - according to the number of 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.

**Deferred Pension**
A pension payable in the future with effect from Normal Retirement Age, for a member who has left active service with the Fund.

**Retiring 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.

**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 at any time whilst an employee, deferred or current pensioner, to receive a dependant's pension after your death.

**Normal Retirement Age ("NRA")**
The age of 65 years.

**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.

**State Second Pension ("S2P")**
Part of the State pension that provides a pension based on earnings. Occupational pension schemes have the option to "contract-out" of S2P by providing benefits to members in place of those that they would otherwise receive from the State.

**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

**<u>When can I join ?</u>**

Membership is voluntary and you may join at any time, providing you are an employee between the ages of 16 and 60. If you are aged 60 or over, you may be invited to join the Fund at the discretion of your employing company and the Trustees.

If you work part time and you satisfy the other entry requirements, you are eligible to join the Fund. Part time employees contribute and receive benefits on an equivalent ¼, ½, or ¾ time basis of a full time member, depending upon the number of contractual hours worked each week.

**<u>How do I join ?</u>**

To join the Fund, complete and return the application form to the Payroll Officer at your employing company.

**<u>What if I have pension benefits elsewhere ?</u>**

If you were a member of a previous employer's plan 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.

**<u>Can I opt out of membership ?</u>**

As an employee, you may decide not to join the Fund, or 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.

If you opt out and have less than 2 years' pensionable service, you may choose to have your contributions refunded to you - see *Leaving the Pension Fund.* Alternatively, you can choose to retain the benefits you have accrued in the Fund as a deferred pension, or transfer the value of those benefits to another registered pension scheme provider.

## Contributions

**How much will I pay ?**

You pay **5%** of your Pensionable Pay and, if applicable, Pensionable Supplement each month (or week, if you are paid weekly) but the real cost to you is less than this, as you will benefit from the immediate tax relief available on your contributions - currently 22%, if you pay tax at the basic rate.

In addition, as the Fund is contracted-out of the State Second Pension scheme - see page 18 - you will also pay lower National Insurance contributions and therefore save a further (currently) 1.6% of your earnings between the Lower and Upper Earnings Limits.

For example, if your Pensionable Pay is £24,000 a year, then your monthly contributions will be:-

| | | | | |
|---|---|---|---|---|
| 5% x £2,000 | = | | | £100.00 |
| Less 22% tax relief | = | | | £ 22.00 |
| Net contribution | = | | | £ 78.00 |
| (Monthly pay | = | £2,000) | | |
| (Less LEL 2007/08 | = | £ 377) | | |
| NI saving (1.6% | x | £ 1,623) | = | £ 25.97 |
| **Net cost to you** | | | = | **£ 52.03** |

Contributions for part time employees are 1/4, 1/2, or 3/4 times the equivalent full time rate depending upon the number of contractual hours worked each week.

**How much does the Company pay ?**

The Company pays the balance of the cost required to finance the Fund above your own 5% contribution. As a result, Company contributions vary from time to time, as determined by the independent Scheme Actuary.

**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). As with your normal contributions, 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 four different investment funds.

You may also contribute to other external pension arrangements in addition to your contributions to the Fund.

Further information can be obtained from the Pensions Manager.



## Retirement benefits

**When can I retire ?**

Your normal retirement date is your **65th** birthday.

However, pensions can be payable on earlier retirement, provided you have completed 10 years pensionable service, on the grounds of :-

**Failure of health** - at any age, if you are permanently incapacitated from performing your ordinary work,

*or*

provided you are 50 years of age, or over (*55 from 6 April 2010*):-

**At the Company's request** - for example redundancy - or,

**At your request with the Company's consent.**

In these latter two cases, the pension you have accrued to your date of leaving will be reduced for early payment on terms prescribed by the Fund's actuary from time to time on the basis of the value of your interest in the Fund just before retirement.

An early pension may also be payable, irrespective of your length of pensionable service, provided you are 50 years of age or over (*55 from 6 April 2010*):-

**At your request but without the Company's consent.**

In this case, the pension you have accrued to your date of leaving will be reduced for early payment on terms prescribed by the Fund's actuary from time to time, on the basis of the value of the deferred benefits available.

The same terms apply to the early payment of a deferred pension.

**How much pension will I receive ?**

For normal retirement the amount of your pension will be calculated as **1/60th** of your Retiring Pensionable Pay for each year of Pensionable Service (completed months count as fractions of a year).

So, for an employee retiring with 30 years Pensionable Service and Retiring Pensionable Pay of £24,000, the Fund pension would be :-

**1/60th x 30 x £24,000 = £12,000.00 a year.**

If you were to retire early on account of ill health, your pension would be calculated by adding ***half*** of your ***potential*** service between your date of retirement and age 65, to the actual service you have already completed. For example, if you were to retire at age 47, having already completed 15 years Pensionable Service, then your pension would be calculated on 15 years plus 9 years (half the number of years between 47 and 65), that is 24 years Pensionable Service.

For part time employees, pension benefits are 1/4, 1/2, or 3/4 of the equivalent full time rate depending upon the percentage of contractual hours worked each week.

## 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.

For example: During your 30 years' service, 20 have been at day rates, 6 at $17\frac{1}{2}$% shift premium and 4 at 30% shift premium.

| | | |
|---|---|---|
| 20 years at 0% | = | 0% |
| 6 years at $17\frac{1}{2}$% | = | 105% |
| 4 years at 30% | = | 120% |
| 30 | | 225% |

225% divided by 30 years' service gives an average of $7\frac{1}{2}$% per year. Your best year's basic pensionable pay will therefore be uplifted by $7\frac{1}{2}$% 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. However, as a guide, at age 65 you would currently have to surrender in the region of £75 a year of your pension for each £1,000 of cash lump sum.

## 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. Retiring pensionable pay is the highest average pensionable pay received over any 12 consecutive months in the 10 years immediately preceding your retirement or leaving the Fund. If you have been employed for less than one year, it is your average pensionable pay over the whole period of your actual employment.



## Flexible retirement

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 a member accepts a reduction in working hours, it will be possible for a partial early retirement pension to be paid 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 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.

# Death benefits

**<u>What happens if I die in service ?</u>**

**Lump Sum** - a lump sum of **4 times** your 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 complete a confidential "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 **half** the pension you would have earned if you had remained an employee until your Normal Retirement Age (65).

For example, if a member dies at age 47 with 20 years Pensionable Service and a Retiring Pensionable Pay of £24,000, the spouse's pension would be :-

$$(20 + 18) \times 1/60^{th} \times £24,000 \times {}^{1}/_{2} = £7,600.00 \text{ a year.}$$

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 65th 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 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.

**Refund of contributions** - if you have no dependants at date of death, a refund of your contributions, increased with interest at 3% a year up to death, will be paid to your estate.



**<u>What if I die after I retire ?</u>**

**Lump sum** - if you die within the first 5 years of retirement a lump sum is payable. The lump sum is the unpaid balance of the first 5 years of pension instalments, with no allowance for future increases to pension.

**Spouse's pension** - if you are married, a spouse's pension is payable, equal to **half** of your pension at retirement, before the reduction on account of any cash lump sum that may have been taken and plus any increases awarded since retirement. If your spouse is more than 15 years younger than you, the spouse's 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.

**Children's allowances** - in addition to the spouse's pension, an allowance of **1/6th** of your pension at retirement, before 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.

**<u>What if I leave the Company and die before Normal Retirement Age ?</u>**

If you leave your benefits in the Fund, but die before you start to receive them, the following benefits will be payable :-

**Spouse's pension** - if you are married, a spouse's pension equal to **half** of your deferred pension will commence immediately. If your spouse is more than 15 years younger than you, the spouse's 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 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** - are payable as above.

**Refund of contributions** - if you have no dependants at date of death, a refund of your contributions, increased with interest at 3% a year up to death, will be paid to your estate.

# Pension payment and increases

**<u>How will my pension be paid ?</u>**

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.

**<u>Will my pension increase after it starts to be paid ?</u>**

Pensions in payment will be automatically increased from 1 April each year, by the lesser of 5% and the preceding December-on-December increase in the Retail Prices Index. The same increases will apply to spouse's pensions, dependant's pensions and to children's allowances.



# Leaving the Pension Fund

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

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

**(i) A refund of your contributions** - if you have less than 2 years Pensionable Service (including service transferred-in from a previous employer), two deductions must be made from your accumulated contributions and interest before they can be refunded to you.

> *<u>Firstly</u>*, a deduction is made to meet the cost of you transferring back into the State scheme, and
> *<u>Secondly</u>*, the balance of your contributions will be taxed at 20% (*and 40% on the any excess over £10,800*).

The accumulated value of any AVCs you may have been paying will also be refunded to you, less tax.

**(ii) 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.

The amount of your pension payable at Normal Retirement Age will be equal to:

**1/60$^{th}$ x Pensionable Service at the date you leave x Retiring Pensionable Pay**

Your deferred pension will be increased each April following the date you leave, by 5% per annum, or in line with the increase in the Retail Prices Index, if less.

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 from time to time, on the basis of the value of your deferred pension.

The benefits payable on your death before retirement are as described on page 13.

**(iii) 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

**What happens if I am sick, or injured ?**

If you are absent from work due to illness, industrial action, or National Service, your membership of the Fund will normally continue. You will normally be required to pay your 5% Pension Fund contributions and in this case, your period of absence will count as Pensionable Service.

**What happens if I am on maternity leave ?**

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 and contributions at the 5% rate will continue to be deducted from the pay that you receive during the maternity leave period.

Should you decide not to return to work, you will be provided with the leaving service benefits of the Fund (see page 15).

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 flat-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, schemes had to guarantee to provide a minimum level of pension in place of the pension that members and their spouses 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 schemes 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 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 before A-day. Prior to A-day these members were subject to the "Earnings Cap" which was a statutory limit on the amount of pay 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 p.a., and due to the way that the Earnings Cap rules were framed it is only those with pensionable pay above twice this level who are affected, so again there is no impact for most members.

For members affected by the Fund's earnings cap (i.e. those who joined the Fund between 1 April 2002 and A-day), 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 pensionable pay counts for pension purposes.

**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 (and, if applicable, cease contributions) 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

**What happens to my pension benefits if my spouse and I divorce ?**

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.

**What if I have a complaint about the Pension Fund ?**

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.