Guide to the Pension Scheme

Guinness Ireland Group

For contributory members

Definitions

In this booklet certain terms occur frequently and are identified throughout the booklet in italics:

Company - means Diageo Ireland or any employer participating in the Scheme.

Emoluments - means basic annual pay with the addition of only such other allowances specifically stated by the *Company* to be pensionable for purposes of calculating pension.

Pensionable Emoluments - means *Emoluments* at date of commencement of pension or resignation. However, when calculating pension in respect of service up to 30 June 2000, *Pensionable Emoluments* means *Emoluments* at date of commencement of pension or resignation reduced by a sum equal to 1½ times the State Pension (Contributory) or Invalidity Pension/Benefit (in case of early retirement on ill-health grounds) payable at that date.

Reckonable Service - means the total numbers of years and completed months for which you have been permanently employed by the *Company* since age 18. In addition to actual service you may also be entitled to a credit for extra service as a result of a transfer payment from another approved pension scheme.

Retiring Age - means age 65.

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Introduction

This booklet is a brief summary of the main provisions of the Guinness Ireland Group Pension Scheme (the Scheme) for contributory members. It sets out answers to the questions most often raised by members.

If you were previously a member of the non-contributory section some special terms and conditions will apply to your pension benefits. For further details please refer to the booklet 'For members who joined the Scheme before 1 January 1987' and the Pensions Team (contact details on back page).

Although every care has been taken in producing this booklet, it is not a legal document. Full details of the scheme are set out in the Trust Deed and Rules, which are available for inspection and which will always override this booklet if any question of interpretation or an inconsistency should arise.

Key features of the Scheme

The Scheme is designed to provide the following benefits:

- A pension on retirement
- The option to exchange part of that pension for a cash lump sum (currently tax-free)
- Spouse's pensions and children's pensions on death in service and death after retirement
- Cash lump sum on death in service and on death within 5 years of retirement
- Pension rights on early retirement
- Deferred pension rights on leaving the *Company* before the *Retiring Age*
- Option to transfer pension rights to a new employer's pension scheme or a personal pension scheme
- An opportunity to provide additional pension benefits by making Additional Voluntary Contributions

Scheme integration

This Scheme is an integrated scheme, which means it looks at benefits payable under the Social Welfare system as part of the total pension package. In this case, the Scheme takes account of the State Pension (Contributory)* or Invalidity Pension/Benefit (in case of early retirement on ill-health grounds) in designing the overall pension package for service up to and including 30 June 2000. Both employers and employees make Pay-Related Social Insurance (PRSI) contributions and these, in turn, entitle Scheme members to Social Welfare benefits.

The Scheme takes into account Social Welfare benefits to calculate:

- The amount of occupational pension required so that the combined pension from both sources is at the level being aimed for in designing the scheme
- The level of contributions payable by the employee towards the cost of his or her occupational pension.

Benefits payable by the State (e.g. State Pension (Transition)*, and State Pension (Contributory)*, Widow's/Widower's Pensions, Child Allowances etc) are additional to the Scheme pension and other benefits described in this booklet.

*Formerly known as Retirement and Old Age (Contributory) Pension

Membership

Who is admitted to membership?

This Section of the Scheme is closed to new entrants.

Proof of age and marital status

No pension or death benefit will be paid until satisfactory evidence of age and marital status has been produced. In addition it will be necessary to advise the *Company* if a change occurs in your marital status.

Evidence of health

In most circumstances evidence of health is not required. In the case of early retirement on ill-health grounds, you may be asked to undergo a medical examination. You will be notified of any such requirements.

Do I contribute to the Scheme?

You contribute 5% of your *Pensionable Emoluments* to the Scheme. The *Company* meets the balance of the cost of providing the Scheme benefits, based on the recommendation of the actuary.

You may secure additional benefits by making Additional Voluntary Contributions (see page 17).

The *Company* contributes at a rate recommended by the Actuary. The *Company's* and your contributions are invested to build up a fund of money sufficient to pay pensions and other benefits from the Scheme. To ensure that the amount of money going into the Scheme is at the level necessary to meet its future needs, the Actuary carries out a valuation every three years and advises on the Scheme's financial health. Following an actuarial valuation it might be necessary to adjust the contributions payable by the *Company* in order to maintain the fund at the required level.

Transfer of benefits from a previous scheme

You may transfer benefits from a previous scheme. The Trustees will arrange for the necessary enquiries to be made on your behalf and you will be advised what transfer payment is available and the extra benefits it would buy you in the Scheme. Transfers from overseas pension plans must be dealt with on a case-by-case basis because of differences in the strict laws governing pensions from country to country.

Pension at the Retiring Age

How is my Scheme pension at the *Retiring Age* calculated?

Your Scheme pension is calculated using the following formula:

> 1/60th x *Pensionable Emoluments* x *Reckonable Service*
> (see example below).

What is the maximum pension payable under the Scheme?

Scheme pension and any additional pension purchased by your Additional Voluntary Contributions cannot exceed Revenue Commissioners' limits, which will be advised on request.

Example:

Emoluments at the *Retiring Age* (age 65)	€45,000 pa
State Pension at single rate at date of retirement	€11,611.60 pa
Pensionable Emoluments for service from 1 July 2000	€45,000 pa
Pensionable Emoluments for service prior to 1 July 2000	€45,000 – (€11,611.60 x 1½) = €27,582.60 pa
Reckonable Service	10 years prior to 1 July 2000 30 years from 1 July 2000
Pension calculation	10/60ths x €27,582.60 + 30/60ths x €45,000
Giving a Scheme pension of	€27,097.10 pa

You will receive a pension from the State from age 65 based on your record of PRSI contributions.

Late retirement

At the request of the *Company,* you may remain in service after your *Retiring Age*.

The pension due at the *Retiring Age* is calculated and payment may commence immediately. Alternatively, payment may be deferred to the date when you actually retire. In this case the amount calculated at the *Retiring Age* is increased as advised by the Actuary to take into account the later commencement date.

Early retirement

You can, with the consent of the *Company*, retire at any time after reaching age 50.

The pension is calculated in the same way as the pension at the *Retiring Age* but is based on *Pensionable Emoluments* and *Reckonable Service* at the date of early retirement. This amount is then reduced to take into account the longer period over which it will be paid.

Reckonable Service will be your actual service from age 18 (or from date of appointment if after age 18).

Currently if you retire with *Company* consent, the part of your pension in respect of service from 1 July 2000 will be reduced by 3% for each year between ages 50 and 60 with no reduction from age 60. The *Company*, having taken advice from the Actuary, will decide the reduction to apply to this part of your pension.

Therefore, on retirement at age 55 the actuarial reduction applied to your pension in respect of service from 1 July 2000 would be 15%; at age 50 it would be 30%.

The part of your pension in respect of service before 1 July 2000 will be reduced at your actual date of retirement by an amount determined by the Trustee, having taken advice from the Actuary.

Currently this reduction is 3% for each year you retire early before age 65. Thus on retirement at age 55 the actuarial reduction applied to your pension in respect of service prior to 1 July 2000 would be 30%; at age 50 it would be 45%.

Early retirement on grounds of ill health

If you are unable to continue in employment because of serious ill health or injury and if the *Company's* Medical Officer so recommends, you may retire early and receive an immediate pension.

In these circumstances your pension will be calculated based on completed *Reckonable Service* plus the service you could have completed up to the *Retiring Age*.

Your pension will be calculated as follows:

> 1/60th x *Pensionable Emoluments* x *Reckonable Service* (actual service plus years you could have completed to the *Retiring Age*).

Example:

Age	45
Actual service at date of early retirement due to illness	20 years of which 10 were prior to 1 July 2000
Reckonable Service	40 years (20 actual + 20 credit years)
Emoluments at date of retirement	€45,000 pa
State Disability Benefit at date of retirement	€10,285.60 pa
Pensionable Emoluments for service from 1 July 2000	€45,000 pa
Pensionable Emoluments for service prior to 1 July 2000	€45,000 – (€10,285.60 x 1½) = €29,571.60 pa
Pension calculation	10/60ths x €29,571.60 + 30/60ths x €45,000
Giving a Scheme pension of	€27,428.60 pa

In addition to the Scheme pension, you may be entitled to a benefit from the State.

Option to take part of pension as a cash lump sum

At retirement you have the option to exchange part of your Scheme pension for a cash lump sum which, with the approval of the Revenue Commissioners, is currently payable free of Income Tax.

The cash lump sum is calculated as follows:

3/80ths x *Emoluments* x *Reckonable Service*

If you do not have benefits under any other pension arrangement and you have 20 years' *Company* service the maximum tax-free cash lump sum is 1½ times your final remuneration. For shorter periods of *Company* service or on early retirement, the maximum cash lump sum is appropriately reduced. Where retirement is due to extreme incapacity, the exercise of this option will be deemed to take place at the *Retiring Age*.

Example:

Emoluments at date of retirement	€45,000 pa
Reckonable Service	40 years
Maximum cash lump sum benefit	€45,000 x 40 x 3/80ths = €67,500

If you take a cash lump sum from the Scheme, your pension will be reduced accordingly. The amount of your reduced pension will be advised by the Actuary at your date of retirement.

Note:

Any pension payable to your dependants on your death is unaffected and will be calculated as if no exchange had taken place.

The tax-free cash lump sum as outlined above, which is approved by the Revenue Commissioners, is inclusive of any tax-free cash lump sum taken in respect of Additional Voluntary Contributions.

Benefits if you die

Payments made on death in service

Cash lump sum

If you die in service before the *Retiring Age*, a cash lump sum of four times your *Emoluments* at the date of death is payable together with a refund of your contributions to the Scheme.

The *Company* has the discretion to decide to whom this death benefit should be paid. Your wishes as to whom you would like to receive this benefit will be taken into consideration by the *Company* but are not binding.

It is important to complete a new beneficiary form if there is any change in your personal circumstances. A form is available from the Pensions Team (see back page for contact details).

Spouse's pension

Your spouse will also be paid a pension for life equal to 50% of your expected Scheme pension at date of death, assuming you had remained in service until the *Retiring Age* with no change in *Pensionable Emoluments*.

The *Company* has, in certain circumstances, discretion in determining to whom, if anyone, the spouse's pension is payable. If there are any special circumstances applying in your case, which you would wish the *Company* to take into account, please notify the *Company* in writing using a beneficiary form available from the Pensions Team.

Children's pension

If there are dependent children (i.e. unmarried children aged under 18 or under 22 if undergoing full-time education) a pension will be paid equal to 25% of the spouse's pension to each child, up to a maximum of four dependent children.

Example:

A man or woman dies in service and is survived by his/her spouse and two dependent children. Had he/she lived to the *Retiring Age*, *Reckonable Service* would have been 40 years, of which 10 were completed prior to 1 July 2000.

Emoluments at date of death	€45,000 pa
State Pension at single rate at date of death	€11,611.60 pa
Pensionable Emoluments for service from 1 July 2000	€45,000 – (€11,611.60 x 1½) = €27,582.60 pa
Potential Scheme pension at the *Retiring Age*	10/60ths x €27,582.60 + 30/60ths x €45,000 = €27,097.10 pa
Spouse's pension from Scheme	50% of €27,097.10 pa = €13,548.55 pa
Children's pension from Scheme	50% of €13,548.55 pa = €6,774.28 pa
Cash lump sum benefit from Scheme	€180,000 (4 years' *Emoluments*)

In addition to the benefits payable from the Scheme, a State Pension and Child Allowances may be payable.

If you die in service after reaching the *Retiring Age* you will be deemed to have retired on the preceding day and benefits will be calculated in accordance with the benefits described on page 14.

Benefits if you die continued

Payments made on death after retirement

Your spouse will receive a pension equal to 50% of the Scheme pension being paid to you at the date of death, ignoring any reduction if you had exchanged part of your pension for a cash lump sum when you retired.

If you die within five years of starting to receive your pension, a cash lump sum will be payable. This is calculated as the pension payable at date of death multiplied by the unexpired portion of the five-year period.

A children's pension, if applicable, is payable on the same basis as for death in service.

As in the case of death in service, the *Company* has discretion to decide to whom any cash lump sum is payable and has, in certain circumstances, discretion in determining to whom, if anyone, the spouse's pension is payable. You should notify the *Company* in writing of any special circumstances applying in your case using the forms available from the Pensions Team.

Example:

Scheme pension at date of death	€28,000 pa
Member exchanged part of Scheme pension for a cash lump sum at time of retirement and, ignoring this, pension would have been	€32,000 pa
Spouse's pension from Scheme	50% of €32,000 pa = €16,000 pa

In addition to the benefits payable from the Scheme, a State Widow's/Widower's Pension may also be payable.

If the member died after two years of retirement a cash lump sum of €84,000 (3 years x €28,000) would be payable in addition to the spouse's pension of €16,000 pa.

Leaving service

On leaving the *Company* before the *Retiring Age* you have the following rights:

(a) A deferred pension calculated in the same way as the pension at the *Retiring Age,* but based on *Reckonable Service* and *Pensionable Emoluments* at date of leaving. This pension will be payable from the *Retiring Age*.

or

(b) The option to transfer the actuarial value of your deferred pension plus the value of any Additional Voluntary Contributions to a new employer's pension scheme or a personal pension plan that qualifies under legislation for such a transfer.

If you have less than the statutory qualifying service (currently two years) you may instead opt for a refund of your own contributions less tax (current tax rate is 25%).

Death after leaving service before reaching the *Retiring Age*

If you are survived by your spouse, he/she would be entitled to a pension of 50% of your deferred pension at date of death. A children's pension, if applicable, will be payable on the same basis as for death in service in respect of children born before you left the *Company's* service.

The *Company* has discretion in determining to whom, if anyone, a spouse's pension is payable. You should notify the *Company* in writing of any special circumstances applying in your case using the forms available from the Pensions Team.

Note:
If not survived by your spouse (and the *Company* does not exercise the discretion referred to in the previous paragraph) the value of your deferred pension rights would be calculated as at the date of death and then paid as a cash lump sum to your estate.

How will my pension increase?

The *Company* reviews pensions on a regular basis (although the Trust Deed does not provide for a specific level of increase).

The current pension increase policy can be found on the Pensions website.

Note:

In accordance with the provisions of the Pensions Act 1990, deferred pensions must be increased in line with CPI up to a maximum of 4% a year from your date of leaving until the *Retiring Age*. Revaluation does not apply to additional benefits secured by any Additional Voluntary Contributions described in the next section.

Pensions payable to spouses and children will be increased in the same way.

Additional Voluntary Contributions (AVCs)

While you are working for the *Company* you may secure additional benefits within the maximum levels permitted by the Revenue Commissioners by making AVCs.

The maximum amount you can contribute including regular contributions to the Scheme is set out in the table below:

Age	Percentage of your earnings
Up to age 30	15%
30-39 years	20%
40-49 years	25%
50-54 years	30%
55-59 years	35%
60 years and over	40%

The gross annual income that may qualify for the maximum AVC amount is subject to an annual cap as determined by the Department of Finance. Currently the cap is €110,000 (2018). It may be necessary to further restrict your contributions to ensure that your total benefits remain within Revenue Commissioners' limits.

AVCs are a tax-efficient way of saving. Your contributions are deducted from your salary before tax, so you benefit from full income tax relief at your marginal rate and PRSI relief. In addition, once invested, your fund builds up free of tax.

This facility may be of interest to you if, for example:

> You wish to supplement your pension from the Scheme

> You wish to provide additional benefits for your spouse/dependants

> You are planning on retiring early, or

> You have earnings in excess of your *Pensionable Emoluments* (see definition on page 2).

The Trustee has chosen Irish Life Assurance plc as the AVC provider. For further details on the choice of funds available and more information on AVCs please contact the Pensions Team, who will be able to answer any queries you may have on the arrangement.

General

How is the Scheme constituted?

The Scheme is a defined benefit scheme for the purposes of the Pension Act 1990, established under irrevocable trust and is approved as an Exempt Approved Scheme under Chapter 30, Part I of the Taxes Consolidation Act 1997. Benefits paid under the Scheme must be within the limits specified by the Revenue Commissioners from time to time. The Scheme has been registered with the Pensions Board (PB No. 1684).

Funds to meet the cost of the Scheme benefits are accumulated under the control of the Trustees and are invested on the advice of specialist advisers.

Can the Scheme be changed or discontinued?

The Trust Deed provides that, with the approval of Diageo plc, the *Company* may amend the Scheme terms and conditions but not so as to prejudice substantially the rights of existing members or pensioners.

The Scheme Rules allow the *Company* to discontinue its contributions to the Scheme. Such action by the *Company* would be taken only in exceptional circumstances and, subject to the funding position of the Scheme, your rights to benefits secured by contributions already made would not be affected.

How are pensions paid?

Pensions are normally paid monthly by credit transfer to your Bank or Building Society account.

Will my pensions be taxed?

Pensions, including spouse's pensions and children's pensions, are liable to tax under the PAYE system. Tax payable on State pension or benefit will also be deducted from your Scheme pension, since the tax authorities take your income from the State into account when calculating tax-free allowances.

Cash lump sums paid on death are not liable to Income Tax but may be liable to Capital Acquisition Tax. As mentioned earlier, a cash lump sum arising on commutation of pension is currently payable free of Income Tax.

Assignment of benefits

The benefits provided under the Scheme are strictly personal to you and your dependants and may not be used as security for borrowings or assigned in any other way.

Judicial separation and divorce and Pension Adjustment Orders

In the event of judicial separation or divorce, a Court Application may be made for a Pension Adjustment Order relating to retirement or contingent benefits in respect of a married member. Further information about the operation and impact of Pension Adjustment Orders may be obtained from the Pensions Board.

What happens if I have a dispute?

If you have a complaint or dispute relating to your Scheme membership, you should first contact the Pensions Administration Manager in Edinburgh. If the Pensions Administration Manager is unable to resolve the issue to your satisfaction, you may then use the Scheme's Internal Dispute Resolution (IDR) procedure, details of which may be obtained from the Pensions Team.

You will be required to provide information relating to your complaint or dispute. The determination under the IDR procedure will be made within three months of the date of receipt of your application (or, if later, the date of receipt of any additional information requested from you).

The determination will be issued to you in writing. If you are unhappy with the outcome of the Scheme's IDR procedure, you may then wish to refer the matter to the Pensions Ombudsman who may be contacted at Lincoln House, Lincoln Pl, Dublin 2.

Contact details

This booklet has been prepared to answer as clearly as possible the majority of questions which members ask about the Scheme. The definitive document for Scheme benefits is the Trust Deed and Rules, which is available on request. If you require any further advice or information you should contact the Pensions Team:

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Darlington

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