Deferred Members

If you left the Scheme with an entitlement to benefits, you are known as a deferred member. This section has important information for you.

As a deferred member, you can either leave your pension in the Scheme until it becomes due for payment at your normal retirement date or you can transfer it to a new employer's scheme or any other approved pension arrangement.

If you left the Scheme on or after 6 April 2006 and are over age 50 you have the option to claim your pension early.

If you left the Scheme before 6 April 2006 the earliest you can apply to take your pension is age 55.

When you left the Scheme, you received a statement from the Pensions Team that shows the amount of your deferred pension and when it's due for payment. If you're unsure of when your pension is due to be paid, please contact the Pensions Team. You can find the details online within the *Contacts* section.

Increases to your pension in deferment

Your deferred pension will increase between the time you leave the Scheme and the date you retire.

If you were a member of the Scheme between 6 April 1978 and 5 April 1997, your deferred pension will be made up of two parts – the Guaranteed Minimum Pension (GMP) and a pension in excess of GMP.

Both parts are treated differently when applying increases.

Whilst your pension remains deferred, any GMP you have earned up to 5 April 1997 is increased at a fixed rate specified by the Government. The fixed rate used to increase your GMP depends on when you left the Scheme. The following table provides details:

Date of Leaving Scheme	*Rate of GMP Increase (per annum)*
6 April 1978 - 5 April 1988	8.50%
6 April 1988 - 5 April 1993	7.50%
6 April 1993 - 5 April 1997	7.00%
6 April 1997 - 5 April 2002	6.25%
6 April 2002 - 5 April 2007	4.50%
6 April 2007 - 5 April 2012	4.00%
After 6 April 2012	4.75%

By law, if you left the Scheme after 1 January 1986, any pension in excess of GMP earned after 1 January 1985 must be increased in line with the Government's minimum increase rate. This is currently the rise in the Consumer Prices Index (CPI), up to 2.5% a year

From 1 April 2012, Diageo changed the way it increases pensions in deferment. From 1 April 2012 your deferred pension will increase in line with the CPI[1], up to 5% a year, provided the cost of making the extra increase above the legal minimum is affordable, given the Company's and Scheme's financial positions at the time. Any increases that have already applied to your deferred pension, which will generally have been in line with the RPI, are not affected by the change. These increases will normally be applied when your benefits become payable or on transferring benefits to another pension scheme.

The Pensions Team cannot project the value of your pension benefits beyond the current year. This is because it is not possible to accurately predict future Scheme increases. However, you can access your current deferred pension taking into account increases that have been granted to date. This ensures that you receive information expressed only in today's terms rather than receiving misleading information about the future value of your deferred pension.

If you would like to know the current value of your deferred pension, this can be obtained online from the *Deferred Benefit Summary section*.

Who benefits if I die?

The Scheme provides you with peace of mind by providing benefits for your spouse and dependants if you die.

If you die as a deferred member, a pension will normally be payable for life to your spouse. The amount of the spouse's pension payable will be detailed on the statement you received when you left the Scheme.

If you are unsure of the amount of your spouse's pension, please contact the Pensions Team. You can find the details online within the *Contacts* section.

If you are unmarried, the Trustees may agree to pay a pension to a dependant. If you want someone to receive a dependant's pension after your death, you should advise the Pensions Team in writing. You can find the details within the *Contacts* section.

The Scheme may also provide pensions for your children until they reach age 18, or 22 if still in full-time education or training.

A refund of your own Scheme contributions may also be payable as a lump sum.

Any lump sum benefits payable on your death are payable at the discretion of the Trustees. Because of this, they're not subject to inheritance tax. The Trustees will, however, take account of your wishes and it's therefore important to complete an Expression of Wish form. This can be done online under the *Expression of Wish section*.

[1] Please note that the level of increase is determined by the Trust Deed and Rules that were in force at the date you became a deferred member. Therefore, depending on the section of the scheme you belonged to and the date you became a deferred member your deferred pension may increase at a different level to that described above.

Early retirement

If you want to receive your pension before it is normally due, the Scheme offers early retirement terms, which give you the option of claiming your deferred pension early, subject to the Trustees' consent.

If you left the Scheme on or after 6 April 2006 the earliest you can apply to take your pension is age 50.

If you left the Scheme before 6 April 2006 the earliest you can apply to take your pension is age 55.

The pension will normally be reduced because it is being paid early.

The amount by which your deferred pension is reduced depends on when you left the Scheme, your age at the time you apply for your pension and your normal retirement date under the Scheme rules as they applied at the date you left the Scheme.

Incapacity retirement

If you become seriously ill, you can apply to the Trustees for an ill-health pension. As a deferred member, the amount of the ill-health pension would be equal to the current value of your deferred pension and would not be reduced for early payment.

If granted, the Trustee may from time to time require a medical review of your continued Incapacity. Following the review, the Trustee may reduce, suspend or withdraw the pension and adjust any benefits payable on your death as it considers appropriate.

Normal retirement

As you approach your normal retirement date, the Pensions Team will send you an options letter setting out the benefits available to you on retirement. The pension you receive at retirement is paid monthly in advance for the rest of your life and will be reviewed each year.

Late retirement

You may apply, in writing, to defer payment of your pension until the earlier of the date your employment ends or your 75th birthday.

Options at retirement

When you retire, you will usually be able to give up part of your pension for a cash sum known as a pension commencement lump sum. Under current legislation this is paid tax free. If you do decide to take a lump sum, any pensions payable on your death will not be affected.

You will normally be able to take a tax-free pension commencement lump sum in the region of:

25% of the value of your pension benefits

The amount of pension you give up depends on the amount of lump sum you wish to take and your age at retirement. If you need advice about how much lump sum to take or how to invest it, please contact an independent financial adviser.

Additional Voluntary Contributions (AVCs)

If you paid AVCs whilst an active member of the Scheme, your AVC fund will be used to provide additional pension benefits when you retire. From April 2015, when you retire you can use the value of your AVC's to provide you with benefits to suit your needs and lifestyle. The benefits can be provided as

- a cash lump sum;
- a pension from either the Diageo Pension Scheme or from an insurance company;
- flexi-access drawdown; or
- a combination of the above.

Pension increases

For further information on how pensions in payment are increased please see the *Pensioners guide.*

Transferring your benefits

If you leave the Company, you can choose to transfer the value of your deferred pension to your new employer's pension scheme or to another approved pension arrangement.

You can obtain an estimate of your transfer value online under the *Transfer Value section*. In addition, you have the right, once a year, to ask for a formal transfer value quote from the Pensions Team. The transfer value provided will normally be guaranteed for three months.

The transfer value is calculated on a basis decided by the Trustees on the advice of the Scheme actuary and in accordance with legislation.

Transfer to your new employer's pension scheme

You can transfer the value of your deferred pension to your new employer's pension scheme providing that they are willing and able to accept a transfer.

You should request a statement from your new employer's pension scheme confirming what benefits the transfer payment would buy in their scheme.

No two pension schemes are the same. For this reason, comparing the benefits offered by your new employer's pension scheme on receipt of a transfer payment with those payable from the Diageo scheme could be difficult.

Some specific points that you may wish to take account of are:

- the age at which you can take an unreduced pension,
- the benefits payable on death, and
- the pension increase policy.

You may wish to seek advice from a suitably qualified Independent Financial Adviser (IFA) before making your final decision to transfer your pension to either your new employers pension scheme or a personal pension arrangement. You can find a local IFA at https://www.unbiased.co.uk or by contacting your local Citizen's Advice Bureau.

From 6 April 2015, if the transfer value from the Scheme is more than £30,000 and you who want to transfer your benefits to a money purchase pension arrangement are required to receive appropriate independent advice from an authorised independent financial adviser.

Registration and allowances

The Scheme is registered with HMRC under Section 153 of the Finance Act 2004. Under current legislation, this gives members and the Company certain important tax exemptions and ensures that investment income is largely tax-free. As a member of the Scheme and any other pension schemes, you are responsible for the tax consequences of your membership, you should therefore note the following:

- Since 6 April 2006, only certain benefits are "authorised" by the Finance Act 2004. If unauthorised benefits are paid by a pension scheme, both the scheme and the recipient will be liable for additional tax. It is generally expected that the benefits payable by the Scheme will be authorised, but in rare cases some benefits may be classed as unauthorised. In such cases, the Trustee is not required to pay the benefit. There may be adverse tax consequences if you invest (or it could be construed that you had invested) part or your entire tax-free cash sum from a pension scheme, into another pension scheme, this is often called 'recycling' tax-free cash sums. If you are concerned about this issue you should seek professional independent financial advice.
- If you have obtained one of the forms of pension protection from HMRC (Enhanced, Primary, Fixed 2012, 2014 or 2016, Individual 2014 or 2016), you should bring this to the attention of the Pensions Team and seek financial advice before continuing in the Scheme.
- Your total pension benefits from all sources are subject to a Lifetime Allowance tax threshold. The Lifetime Allowance for the following tax years is:

  2019/20 £1,054,700 (equivalent to a pension of £52,735 a year)
  2018/19 £1,030,000
  2017/18 £1,000,000
  2016/17 £1,000,000
  2015/16 £1,250,000
  2014/15 £1,250,000
  2013/14 £1,500,000
  2012/13 £1,500,000
  2011/12 £1,800,000

- If the value of your benefits exceeds the Lifetime Allowance they will be subject to additional tax. Before we pay retirement benefits from the Scheme, you will need to provide details of how much of the Lifetime Allowance you have already used up within other pension arrangements. Benefits over the Lifetime Allowance can be taken as a cash sum subject to a Lifetime Allowance tax charge of 55% or as additional pension which will be subject to a Lifetime Allowance tax charge of 25% plus your normal marginal income tax rate.

- If the value of your pension benefits is close to (or above) the Lifetime Allowance, the amount of the tax-free cash you can take at retirement may be restricted. Different rules apply if you have one of the pension protections. Other events can also have an impact; e.g. a Pension Sharing Order following divorce or a period working overseas. Please tell the Pensions Team if you believe special circumstances may apply to you.
- There are no restrictions on the number of pension arrangements that you can be a member of at any one time. For example, if you wish, you can contribute to a personal pension (including a stakeholder pension) at the same time as paying contributions to the Scheme. You may generally obtain tax relief on pension contributions (to all schemes) up to the greater of 100% of your earnings or £3,600. However, each year, the pension benefits you earn in all pension schemes are subject to an Annual Allowance (AA) tax threshold.
- The pension benefits you earn in the Scheme are measured over the year to 5 April (called the ‘Pension Input Period’). If, in one year, the total of the value of the pension benefits you earn in the Scheme, plus any contributions you pay to another pension scheme, exceed the Annual Allowance, you will generally be subject to an Annual Allowance tax charge. It is possible to carry forward any unused Annual Allowance from the previous 3 years. Exemptions to the Annual Allowance tax charge also exist such as in the event of serious ill-health retirement. If you incur an Annual Allowance tax charge you may have the option of asking the Scheme to pay the tax charge on your behalf in return for a reduction in your benefits from the Scheme. The Pensions Team will provide full details of the available options in the event you incur an Annual Allowance tax charge under the Scheme
- From 6 April 2016, the AA tax threshold is tapered for members who have a ‘threshold income’ of over £110,000 and an ‘adjusted income’ of £150,000. The rate of reduction in the annual allowance is by £1 for every £2 that the adjusted income exceeds £150,000, up to a maximum reduction of £30,000. The Annual Allowance for the following tax years is:

  2019/20 £40,000
  2018/19 £40,000
  2017/18 £40,000
  2016/17 £40,000
  2015/16 £40,000
  2014/15 £40,000
  2013/14 £50,000
  2012/13 £50,000
  2011/12 £50,000

- From 6 April 2015 individuals who meet certain criteria have been able to flexibly access pension savings in a money purchase arrangement (MPA) (including Additional Voluntary Contributions within defined benefit schemes such as DPS). If you flexibly access these arrangements, you will be subject to a money purchase annual allowance of £10,000 in respect of your money purchase pension savings. Accessing money purchase arrangements flexibly is referred to as a ‘trigger event’. Examples of a trigger event are:

- An Uncrystallised Fund Pension Lump Sum – where funds are withdrawn from a MPA and up to 25% is tax free;
- Funds taken from a flexi-access drawdown arrangement;
- Funds taken in excess of the cap in a capped drawdown arrangement;
- Conversion of capped drawdown arrangement to a flexi-access drawdown arrangement and income taken;
- Purchase of a flexible annuity;
- Payment of pension from a MPA in which there are less than 12 pensioners; and
- A standalone lump sum (from a MPA) if you have Primary Protection.

If you have received any of the above benefits since 6 April 2015 please let the Pensions Team know as this may impact figures we provide.

In addition to the above, the Trustee of the Diageo Pension Scheme has retained some of the pre 6 April 2006 Inland Revenue limits and incorporated them into the Scheme Rules.

Generally, this means that the maximum pension payable under the Scheme is calculated as 2/3rds of your final remuneration at age 60. Furthermore, the maximum amount you can pay into the Scheme (including normal contributions and any Additional Voluntary Contributions) is 15% of your earnings subject to the Scheme Specific Earnings Cap (£166,200 for the 2019/20 tax year).

Running the Scheme

The Scheme is set up and run under a Trust Deed and Rules.

The Scheme is managed by a trustee company, Diageo Pension Trust Limited, whose directors are responsible for running the Scheme in the best interests of all the Scheme’s members.

The Scheme assets are held entirely separate from those of the Company and can only be used for the benefit of members and their dependants. The Trustee manages the Scheme’s investments in accordance with the Trust Deed and Rules and the legislative requirements and it's Statement of Investment Principles. A copy of the Rules and the Statement of Investment Principles can be found online under *Scheme Information.*

Changing or closing the Scheme

The Trust Deed and Rules contain provisions for amending, closing or winding up the Scheme.

The Company may terminate the Scheme at any time by giving written notice to the Trustee. In addition, the Company may make changes to the Scheme subject to a period of consultation with members and certain legislative restrictions.

Your benefits are not assignable

Your Scheme benefits are strictly personal and cannot be assigned to any other person or used as security for a loan. Any attempt to do so may result in loss of benefits. Please note however, that should you divorce, the court has certain powers to allocate a proportion of your Scheme benefits to your ex-spouse.

Regulation of the Scheme

The Pensions Regulator

The Pensions Regulator is the regulator of work-based pension schemes in the UK. Its objectives are to:

- protect the benefits of members of work-based pension schemes;
- to reduce the risk of situations arising which might lead to calls on the Pension Protection Fund; and
- to raise the standards of administration of work-based schemes.

The Pensions Regulator is based at:

Napier House
Trafalgar Place
Brighton
BN1 4DW

The Pension Protection Fund

The Pension Protection Fund (PPF) was established to pay compensation to members of eligible defined benefit schemes if their employer becomes insolvent and there are insufficient assets in the scheme to cover PPF levels of compensation.

Broadly speaking the PPF protects pensions in payment where the member is already over normal retirement age at the insolvency event (but with reduced pension increases); and 90% of benefits payable to members who were below this age at the insolvency event, up to a cap. The cap varies according to a scheme's normal retirement age.

The PPF is funded by levies on pension schemes. The levy consists of a number of components; the two main ones are the risk-based levy and the scheme-based levy. The majority of the levy comes from the risk-based element. This focuses on the funding level of the scheme and the strength of the employer.

The Pension Tracing Service

Details of the Scheme have been forwarded to the Pension Tracing Service. If in the future, you should wish to contact the Pension Tracing Service to trace any previous pension rights you can write to:

The Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU

Telephone: 0800 731 0193
From outside the UK: +44 (0)191 215 4491

General Data Protection Regulation

On 25 May 2018 the General Data Protection Regulation (GDPR) came into law. This marks a change to European privacy laws in relation to the collection and processing of personal information. While many aspects of GDPR are similar to current legislation, it strengthens the law and introduces a number of new obligations on the Trustee. The Trustee has a detailed privacy notice in place providing members with more details about how your information is used for the proper administration of the Scheme. The privacy notice is available online under *Scheme Information.*

Solving problems

Any queries about the Scheme and your benefits should be referred to the Pensions Team, who will always try to provide a prompt and accurate response.

If, however, you are not satisfied with the response you receive, the Scheme has an internal disputes resolution procedure to resolve any disputes between the Scheme and its members and beneficiaries. You can obtain a copy of the procedure from the Pensions Team. You can find the details online within the *Contacts* section.

You may also apply to The Pensions Advisory Service (TPAS) for assistance at any time. TPAS is available to help members and other beneficiaries who have pension queries or other difficulties, which they have not managed to resolve with their scheme's trustees or administrators. TPAS is a Government funded body and will allocate a professional adviser to liaise with the Scheme on your behalf.

The Pensions Advisory Service
11 Belgrave Road
London
SW1V 1RB

Telephone: 0800 011 3797
From outside the UK: +44 (0)207 932 5780
Email: enquiries@pensionsadvisoryservice.org.uk

You may also approach the Pensions Ombudsman to decide a matter involving your membership of the Scheme. He can investigate and determine complaints or disputes of fact or law in relation to an occupational pension scheme which are referred to him within his jurisdiction under the Pensions Act 1993.

10 South Colonnade
Canary Wharf
London
E14 4PU

Telephone: 0800 917 4487
Email: enquiries@pensions-ombudsman.org.uk