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.

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 date you left the Scheme and the date you retire.

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.

Who benefits if I die before retirement?

If you are survived by a spouse, they would be entitled to a pension of 50% of your deferred pension at date of death.

If there are dependent children (i.e. unmarried children aged under 18 or under 22 if undergoing full-time education and who were born before you left the Company's service) a child's pensions may also be payable.

Early retirement

If you want to receive your pension before it is normally due, the Scheme normally offers early retirement terms, which give you the option of claiming your deferred pension early from age 50, subject to the Trustees' consent.

If the Scheme has a deficit and does not satisfy the statutory Minimum Funding Standard set out in the Pensions Act, to protect the interest of all members, the Trustee, on advice of the actuary, can withdraw early retirement as an option.

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.

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 and will be reviewed each year.

Options at retirement

At retirement you have the option to exchange part of your Scheme pension for a cash lump sum. Lump sums up to €200,000 are currently paid tax-free. For larger lump sums, the excess over €200,000 will be subject to tax at the standard rate, but any amount over €500,000 will be taxed at the higher rate. If you do decide to take a lump sum, any pensions payable on your death will not be affected.

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 available to supplement your benefits from the Scheme, subject to the Revenue Limits on maximum benefits.

How you choose to use your AVC fund will depend on your personal circumstances. You may use your AVC fund in one or more of the following ways:

a) Purchase additional pension for you and/or your Dependants. This is done by the purchase of an annuity from an insurance company. In effect, you exchange the value of your AVC fund for a guarantee of a regular income for the rest of your life.

b) Increase or provide your cash lump sum. Depending on your service with the Company, you are entitled to take a cash lump sum of up to one and a half times your final remuneration. Lump sums up to €200,000 are currently paid tax-free. For larger lump sums, the excess over €200,000 will be subject to tax at the standard rate, but any amount over €500,000 will be taxed at the higher rate.

c) Invest in an Approved Retirement Fund (ARF) or Approved Minimum Retirement Fund (AMRF). In order to be eligible to invest in an ARF or take a taxable cash lump sum, you must have a guaranteed minimum income of €18,000 pa from pensions or annuities. This figure may include your State retirement pension but only if it is already in payment. If your total income does not meet this minimum requirement, you may still be able to invest in an ARF if you invest €119,756 in an Approved Minimum Retirement Fund. While you cannot withdraw any of the amount that has been set aside in the AMRF until you reach age 75, you may withdraw any income this fund generates.

d) Take a taxable cash lump sum. Once you have taken your full cash lump sum entitlement as described in option b), you can also take a further cash lump sum. However, this amount will be subject to deduction of income tax at your highest rate.

Full details of these options will be available as you near retirement.

What is an approved retirement fund (ARF)?

An ARF is a type of fund operated by certain authorised investment managers, which allows you to choose between the various investment options and gives you complete control over when and how you draw down funds.

ARFs give you the opportunity to continue to invest your Retirement Account in a tax-efficient way after you retire, with the added flexibility to withdraw cash as required. Qualifying fund managers offer a choice of ARF investments ranging from bank deposit accounts to unit linked funds.

The investment return on an ARF is exempt from tax for as long as it remains within the fund. You can withdraw cash from an ARF whenever you wish, subject to the terms offered by the fund manager. Withdrawals are subject to income tax and PRSI, which will be deducted at source by the fund manager.

Each year there will be an imputed 5% distribution from an ARF irrespective of whether or not an actual distribution occurs. This will be taxed at your marginal rate. If actual distributions are made, those will count towards the imputed distributions. This provision does not apply to Approved Minimum Retirement Funds (AMRFs).

An ARF can be left as an inheritance on your death, subject to certain tax limitations, depending on your relationship with the person who inherits the ARF.

Payment of your pension

Pension benefits are paid into a bank or building society account on the second last working day of every month. Just before you retire, you will be asked to provide us with details of the account where you would like your pension paid.

You may also wish to change any direct debit or standing order instructions so that they fit in with the date on which your pension is paid.

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.

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.

Transferring benefits out of the Scheme

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.

If the funding position of the Scheme, as measured in accordance with the Statutory Funding Standard is below 100%, any transfer payments out of the Scheme may be restricted.

In order to protect the interests of all members, the Scheme actuary will review the scale of reduction, if any, on a regular basis to establish the transfer value that can be offered.

You have the right, once a year, to ask for a formal transfer value quote from the Pensions Team.

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 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.

General information

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 Trustee 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.

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 Authority at www.pensionsauthority.ie.

What is the maximum pension payable under the Scheme?

Your pension is subject to the Government's Standard Fund Threshold (SFT) currently €2 million (from 1 January 2014), which is the total amount of tax efficient savings that you can make. Under current legislation, the value of any pension benefits on retirement in excess of the SFT would be subject to a one-off tax payment.

What happens if I have a dispute?

If you have a complaint or dispute relating to your Scheme membership, you should try to resolve your complaint informally. If you are 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 can find the details online within the *Contacts* section.

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.