AGS

Please note that the following pages only describe the benefits under the AGS section of the Scheme up to 31 March 2018. If you have been a member of any other section of the Scheme you will need to refer to the appropriate pages on this site for details of the benefits payable in respect of that period of membership. Following a review of the Diageo Pension Scheme all active members will build up benefits on a new “CARE” basis from 1 April 2018, full details of which have been communicated to those affected by the change.

What will I get when I retire?

At normal retirement

Your normal retirement age is 60. The pension you receive at retirement is paid monthly in advance for the rest of your life and will be increased each year. The amount of pension will be based on your pensionable service and pay at retirement.

If you retire at your normal retirement date, your pension will be calculated as:

1/60 x pensionable service to 31 March 2018 x net pensionable pay

In addition, if your pension comes into payment before State Pension Age, a bridging pension will be payable from age 60 (or, in respect of a pension paid early because of Total Incapacity or Partial Incapacity, the date the pension comes into payment) until State Pension Age. The amount of the bridging pension will be calculated as

1/60 x pensionable service to 31 March 2018 x the Deduction

The “Deduction” is an amount equal to one and a half times the Lower Earnings Limit.

Benefits payable from any Additional Voluntary Contributions you may have made are in addition to those described above. Please see section on Additional Voluntary Contributions for more information.

If you have paid sufficient National Insurance contributions throughout your working life you will also receive the State basic pension from State Pension Age.

On early retirement

Not everyone waits until their normal retirement date before claiming their pension. The Scheme offers early retirement terms, which allow you to retire at any time after your 50th birthday.

If you retire before age 60, your pension will be reduced to reflect that it is being paid early. The reduction will depend on your age when you retire.

Incapacity retirement

If you become seriously ill, you can apply to the Trustees for an incapacity pension. The amount of pension you would receive depends on the extent of your illness or disability. Incapacity pensions are not reduced for early payment.

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

Options on 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 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.

Pension increases

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

Death in retirement

If you die following your retirement, the following benefits are payable:

- a pension for your spouse payable for life of 50% your pension at the date of death, built up to 31 March 2018, plus any pension you exchanged for a lump sum at retirement, with increases to date (if you are unmarried this pension may be paid to a dependant nominated in writing to the Trustee)
- a pension for each child (up to a maximum of three) of 20% of your spouse's pension for the first child and 10% of your spouse's pension for subsequent children

If you joined the Scheme before 31 December 1972, a lump sum of 3 times the monthly rate of your pension at your date of death is payable. If you gave up any pension for a lump sum at retirement, then the amount payable will be equal to the monthly rate of pension you would have been entitled had you not done so.

If you die within five years of retiring, the balance of five years' pension payments payable as a lump sum.

What happens if I leave?

If you leave the Scheme before normal retirement date, you will be known as a deferred member. You will have the following rights and options:

- As a right, you will be entitled to a deferred pension calculated in the same way as at normal retirement date but based on your pensionable service to 31 March 2018 and pay at your date of leaving. The deferred pension is payable from your normal retirement date.
- You have the option to transfer your deferred pension to another pension arrangement

- If you are age 50 or over, you may take an immediate early retirement pension

For further information on how pensions increase whilst in deferment, please see the *Deferred Members guide.*

Early payment

If you decide to defer taking your pension, you also have the option to claim your deferred pension early with the Trustees' consent. The pension will normally be reduced because it is being paid early.

If you are entitled to a deferred pension and become seriously ill, you can apply to the Trustees for an incapacity pension. If you are granted an incapacity pension, the pension would not be reduced for early payment.

Transfer to another pension arrangement

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

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

Death in deferment

If you die as a deferred member, the following benefits are payable:

- A refund of your own contributions
- a pension for your spouse payable for life of 50% of your deferred pension built up to 31 March 2018 (if you are unmarried this pension may be paid to a dependant nominated in writing to the Trustee)
- a pension for each child (up to a maximum of three) of 20% of your spouse's pension for the first child and 10% of your spouse's pension for subsequent children

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 of time 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.*

Keeping you informed

Each year, whilst you are an active member of the Scheme, you will be provided with a personal statement of benefits, which will illustrate the current value of your main Scheme benefits. In addition, if you pay AVCs, you will receive an AVC statement, which will show the value of your AVC fund.

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