

DIAGEO



# UNDERSTANDING YOUR ENHANCED TRANSFER VALUE OFFER EXPLANATORY GUIDE

April 2021



# ABOUT THIS GUIDE

This explanatory guide contains information about the Enhanced Transfer Value (ETV) offer that Diageo (the “Company”) is extending to you in relation to your pension entitlements in the Grand Metropolitan Irish Pension Fund (“the Fund”).

As a deferred member of the Fund, Diageo is offering you the opportunity to transfer the value of your pension, on enhanced terms, to a pension arrangement of your choice.

This is called an ‘Enhanced Transfer Value’. Please note that this cannot be taken as cash.

## **This guide explains:**

- The Enhanced Transfer Value (ETV) offer
- The key items that need to be considered before you make your decision on whether or not to accept the offer
- Support that will be available to you to help you make a decision
- The key stages of the process and when these will occur

We have used some technical terms throughout this guide, an explanation of each can be found in the Glossary on page 18.

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# KEY STEPS AND IMPORTANT DATES

The ETV offer period runs from the date of your offer letter to 15 June 2021 and will allow you time to:

- Consider your ETV offer
- Attend a meeting with the independent financial advisor appointed to advise you on the offer and
- Make your decision

You should carefully read your offer letter and this guide 'Understanding your Enhanced Transfer Value Offer'. If any of the pension information in the offer letter is incorrect, please contact [Global.Pensions@diageo.com](mailto:Global.Pensions@diageo.com) immediately.

If you are interested in this offer, you must return an Expression of Interest form (enclosed with your individual offer letter) to arrange your appointment with Willis Towers Watson Life and Pensions Limited, the appointed Independent Financial Advisor. You should then attend your financial advice meeting, after which you will receive a formal recommendation. The latest date for returning the Expression of Interest form is 14 May 2021, but you can if you wish return it sooner than this and the financial advice meeting will be arranged at an earlier date.

The ETV offer window closes on 15 June 2021. You should note therefore, that if you do wish to accept the offer, you will need to return all necessary documentation by 5 pm on 15 June 2021.

The following summarises the key timelines in the offer:



## Meetings with Independent Financial Advisors

Meetings with the Company appointed Independent Financial Advisors will take place throughout this period. The advisor will explain the offer, answer any questions you may have and will provide a report with a recommendation on the offer.

# OVERVIEW OF THE ETV OFFER

Diageo is offering you the opportunity to transfer the value of your pension, on enhanced terms, to a new Personal Retirement Bond, to your current employer's pension scheme or where possible to a Personal Retirement Savings Account (PRSA), whichever you choose.

The value being offered to almost all members is a higher transfer value than the Fund Transfer Value you would normally be entitled to receive if you elected to transfer your deferred benefits out of the Fund.

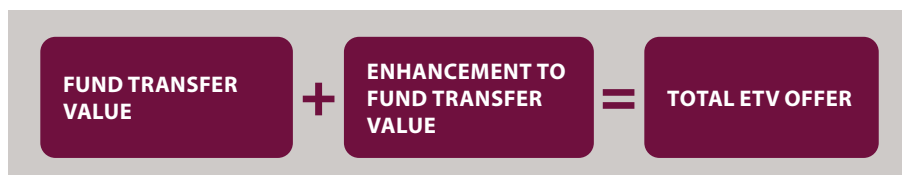
The Fund is a defined benefit (DB) pension scheme which means that the pension you will be entitled to is calculated based on your pensionable service and final pensionable salary in the Fund at the point you left employment within the Fund. You can either:

1. Retain your pension under the Fund and it will become payable to you when you retire, subject to the Fund's governing provisions. Your Normal Pension Date is set out in your offer letter.

**OR**

2. Exchange your Fund pension for a cash sum to put into another pension arrangement of your choosing. This is the ETV option.

**The total ETV being offered to you is set out in the graphic below:**



Your Total ETV offer is set out in the personal offer letter you have received with this guide.

You are under no obligation to accept the offer; it is up to you to decide if the offer is appropriate for your circumstances. If you wish to accept the ETV offer, you must do so by 15 June 2021, the date on which the offer period ends.

If you accept the ETV offer, this means that you will transfer your benefits out of the Fund and, once the transfer is made, you and your dependants (if any) will no longer have any benefit entitlements under the Fund.

If you do not choose to accept the ETV offer during the offer period, the benefits you have built up would be payable as a pension from the Fund subject to the terms and provisions of the Fund.

The Fund Transfer Value shown in your offer letter represents the cash value of your deferred pension benefits (without enhancement) as calculated on the transfer value basis used by the Trustee, based on market conditions at the date of the ETV offer. The Total ETV offer amount is the total transfer amount available to you for the offer period.

**If you decide to take the ETV offer you must return all necessary documentation by 5pm on 15 June 2021.**

If financial, economic or legislative circumstances change significantly, Diageo reserves the right, as a matter of ordinary business prudence, to withdraw this offer before any transfer value payment is made to you. Please read this guide in conjunction with your personal offer letter.

# HELPING YOU TO MAKE A DECISION

The amount of your Fund transfer value and the amount of the enhancement is set out in your ETV offer letter. The purpose of this Guide is to provide you with general information in relation to the ETV offer.

## Independent Financial Advice

We recognise that it is difficult for members to consider an offer like this and make a decision. To help you get a full understanding of the offer and make your decision, Willis Towers Watson Life and Pensions Limited (WTW Ltd) has been appointed by Diageo to provide you with independent financial advice.

Diageo will pay WTW Ltd's fees; however, it is very important to note that the advice provided to you will be completely independent of Diageo, and will be between you and WTW Ltd. It will be tailored to your individual circumstances. Any information you provide to WTW Ltd will be treated confidentially and will not be shared with Diageo, the Trustee of the Fund, or used for any other purposes. WTW Ltd will only provide information to the Trustee to allow them to process the transfer payment if you accept the offer.

WTW Ltd is authorised by the Central Bank of Ireland under the Investment Intermediaries Act, 1995, to provide broad-based investment advice. WTW Ltd will receive a fixed fee from Diageo and will not receive any commission, or be incentivised in any other way to make a recommendation that you should accept the ETV offer to transfer out of the Fund. WTW Ltd has been engaged to give you impartial, independent advice based on your circumstances and retirement objectives.

Once your financial advice meeting has been scheduled, you will receive the following:

- Confirmation of your appointment with WTW Ltd
- A "Fact Find" document and Risk Questionnaire, which you will need to complete and return to WTW Ltd prior to your appointment, or bring with you to your meeting with WTW Ltd
- A Terms of Business document. This document which is required under Central Bank rules, will set out the terms of your engagement with WTW Ltd.

The Fact Find will ask you to provide personal data such as information about your spouse, civil partner, or dependant, details of any other pension arrangements you may have, details of whether on redundancy you waived your right to a retirement lump sum and your attitude to investment risk. The Fact Find will also require you to confirm you have received the Terms of Business document. Completion of the Fact Find will allow WTW Ltd to tailor the advice to your individual circumstances.

We encourage you to take up the opportunity to meet with the independent financial advisor to examine the offer further and learn more about the options available to you under this offer. It is essential that you fully understand the potential consequences of transferring out of the Fund prior to accepting the offer. For this reason, members will be required to take independent financial advice from WTW Ltd before they can avail of the ETV offer. However, you can also take additional advice from a different advisor if you wish, at your own cost.

## What will happen at the financial advisor meeting?

The independent financial advisor will explain the ETV offer in more detail and will discuss the risks and benefits associated with leaving your benefits in the Fund and the risks and benefits associated with accepting the ETV offer in order to help you make your decision.

**The advisor will also answer any questions you might have about completing the necessary forms. Following the meeting, WTW Ltd will provide a report with a recommendation as to whether or not they believe the offer is right for you.**

Don't forget to visit the Frequently Asked Questions Section on page 13 of this guide for more help with understanding your ETV offer

## ETV OFFER WEBSITE

Diageo have collated information on the ETV offer on a dedicated microsite. This contains general information and supporting documents which may be of use when considering the ETV offer in more depth. Please see the link below: <https://grandmetetv.pensionrethink.ie/>





# IMPORTANT MATTERS YOU SHOULD CONSIDER PRIOR TO MAKING A DECISION

There are several important matters you should consider prior to making a decision and the information provided in this section is a general guide as to why certain members might find the ETV offer appealing, while others might prefer to leave their pension in the Fund.

You will receive information specific to your circumstances during the financial advice meeting with WTW Ltd, and your advisor will comprehensively examine your particular circumstances so that you can make a fully informed decision.

The transfer option is generally more suitable for members who are prepared to accept some risk in exchange for potentially higher benefits, and wish to have greater flexibility and control around how benefits are accessed. The potential advantages of taking the ETV offer include:



more control  
over your  
benefits



potentially a  
higher tax efficient  
retirement lump  
sum and higher  
retirement income



greater  
flexibility in  
how retirement  
benefits can be  
taken

On the other hand, if you are less comfortable with taking investment risk and/or take more comfort in the security of a regular pension amount from the Fund from your retirement age (subject always to the Fund's governing provisions), then you might prefer to leave your pension in the Fund.

## What types of risks should I consider before taking an ETV?

Currently your Fund benefits are provided by a Defined Benefit (DB) pension scheme. If you accept the ETV offer, the transfer value amount will almost certainly be invested on a Defined Contribution (DC) basis. You would be taking on some risks relating to your pension benefits which you currently do not bear as a member of the Fund.

**Investment risk:** The value of a DC pension scheme Retirement Account (i.e. the funds held in a DC pension fund for each individual member) could go down as well as up.

**Life expectancy risk:** People are living longer in retirement so you need to think about how much pension you will need to support you throughout your retirement (and after your death if you have a spouse or civil partner for whom you wish to provide). Longer life expectancy may mean that the cost of buying a pension could become more expensive in the future.



**Pension conversion (annuity) risk:** The cost of buying a pension when you retire is set by the insurance companies who sell you an annuity. These costs vary over time and are usually linked to interest rates. In general, the lower interest rates are, the more your annuity will cost and the less pension you can buy.

**Inflation risk:** If your Retirement Account doesn't grow at the same rate as the cost of living, the buying power of your pension when you retire would fall.

**Your financial knowledge:** The responsibility for investment decisions would move to you and would not be made by the Trustee. Your level of financial knowledge and level of comfort in taking on this responsibility should be considered. If you are not comfortable taking this responsibility, this may present a risk to you.

You may be willing to take extra risk for the potential of providing a bigger retirement income. However, your retirement income may prove to be lower or less valuable than if you had decided not to accept the ETV offer and, instead, left your deferred benefits in the Fund.

You do not normally need to consider these risks in a Defined Benefit pension scheme. However, you should be aware that Defined Benefit pension schemes are not completely risk free.

### **The features of your deferred retirement benefits in the Fund:**

The ETV offer letter sets out the amount of your deferred pension under the Fund. Some important features apply to your deferred pension including the following:

- The amount of your pension will revalue between your date of leaving service and 31 December prior to your Normal Pension Date, at the lower in each year of the percentage increase in the Consumer Price Index (CPI) or 5% (subject to a minimum of the statutory increase required by the Pensions Act 1990);
- The pension may be increased in retirement. Where indicated in your offer letter, the portion of pension accrued up to 31 December 2013 increases in payment in line with the percentage increase in CPI up to a maximum of 5% and a minimum of 3% each year. The portion of pension accrued from 1 January 2014 may be subject to discretionary increases in payment, which are not guaranteed in a given year.

**If you elect to take an ETV, all of the above features will no longer apply – instead, the transfer value amount will be paid to either a Personal Retirement Bond, the pension scheme of your current employer or if allowed, a Personal Retirement Savings Account (more details are in the FAQ section). If you take the ETV offer, your transfer value amount will almost certainly be invested on a Defined Contribution basis.**



### Death in deferment benefits:

In the unfortunate event that you die as a deferred member prior to retiring under the Fund your spouse is entitled to a pension of 50% of your deferred pension at date of death and children's pensions may be payable. In certain circumstances the Trustee may pay a pension to a dependant. The amount and duration of that pension is at the discretion of the Trustee.

If a pension is payable, a lump sum equal to the amount of your own contributions will be payable in addition.

If no pensions are payable to a spouse or dependants, a lump sum equal to the greater of a refund of your own contributions or your Fund Transfer Value at date of death will be paid to your estate.

If you elect to take an ETV, the above benefits would no longer apply and instead the accumulated value of your retirement account at date of death would be available to provide benefits. You should discuss with your financial advisor, how the death in deferment benefits would compare before and after taking an ETV. The comparison will vary depending on personal circumstances and according to other factors such as age and market conditions at date of death.

### Revenue allowances and restrictions

There are a number of Revenue related considerations that you should discuss with the independent financial advisor, as these may influence your decision whether to accept the ETV Offer. In particular:

- Taking an ETV will alter how your benefits are valued for the purpose of assessing them against the Revenue's current Standard Fund Threshold (SFT) of €2m, and it is important you consider any potential SFT implications of taking an ETV.
- Taking an ETV may also alter the amount of the tax efficient lump sum you can take on retirement.



# COMPARISON OF DEFINED BENEFIT (DB) AND DEFINED CONTRIBUTION (DC) PENSION ARRANGEMENTS

You are currently a deferred member of the Fund, which is a DB pension scheme. If you choose to accept the ETV offer, it is almost certain that it will be invested in a DC pension arrangement, one of which you are currently a member or one which you will establish to accept the ETV.

Hence, it is important that you fully understand the different characteristics of a DB and DC pension arrangement, prior to making your decision. The different types of pension arrangements are explained in this section and you should discuss this in more detail during your financial advice session.

## How does a DB pension scheme work?

A DB pension scheme provides benefits based on a set (or defined) formula. In your case, your pension entitlement will be calculated based on your Fund pensionable service and your Fund final pensionable salary at the date you left employment within the Fund.

The pension entitlement from the Fund will normally be payable to you from your Normal Pension Date.

### BENEFITS FORMULA USED TO CALCULATE YOUR DEFERRED PENSION...

Rate at which pension builds up each year



Final Fund pensionable salary at date of leaving



Pensionable Service up to date of leaving

### BENEFITS PROVIDED...

Tax-efficient lump sum



Annual Pension



Dependants' Benefits

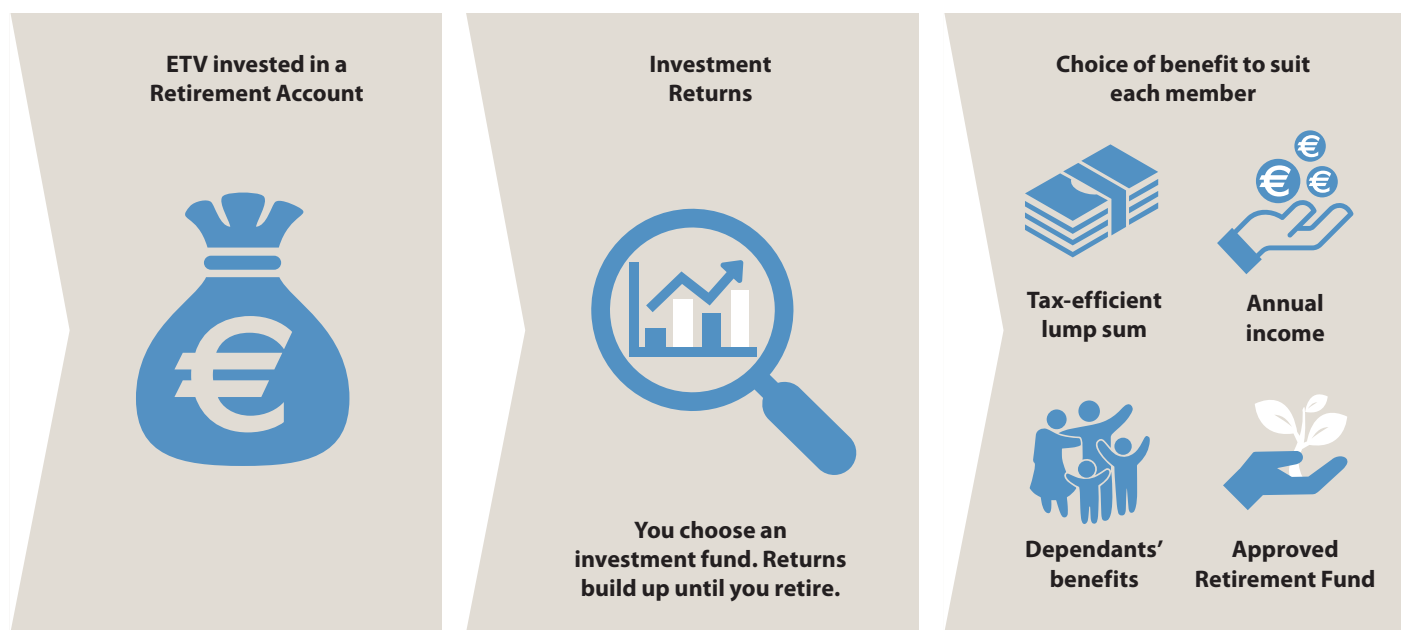




## THE ETV OFFER AT A GLANCE

If you accept the ETV offer, it is almost certain that you will transfer to a DC pension arrangement and your ETV will be invested in your Retirement Account. A Retirement Account works in a similar way to a savings account. You choose how the Retirement Account is invested and at retirement, the Retirement Account is used to provide you with retirement benefits. The benefits you receive will depend on the size of your initial ETV, any other contributions which you make to your Retirement Account, the net investment return you achieve and the cost and type of benefits you opt to receive on your retirement.

**This diagram illustrates the dynamics of the ETV being invested in a DC pension arrangement.**





The table below compares the key characteristics of DB and DC pension arrangements:

<b>Defined Benefit (DB) – Rejecting the ETV offer and leaving your benefits in the Fund</b>	<b>Defined Contribution (DC) – Accepting the ETV offer and transferring your benefits</b>
<p>Provides for a pension at retirement to be paid to you based on the pension you earned in respect of your pensionable service in the Fund up to date of leaving. Your deferred pension entitlement is set out in your offer letter.</p>	<p>The accumulated value of your Retirement Account is used to take a lump sum (up to certain limits), purchase a pension (i.e. an annuity), or, if you meet certain income criteria, can be invested in an Approved Retirement Fund (ARF)</p>
<p>Your pension benefits are payable from your Normal Pension Date. This date is set out in your offer letter.</p> <p>Subject to the consent of the Trustee, it may be possible for you to draw your benefits early if you are over age 50. In the event of early retirement, the benefit would be reduced to allow for early payment. The Trustee policy on allowing early retirements may vary from time to time having regard to factors such as the financial position of the Fund. Currently early retirement is not permitted and members may therefore have to wait until their Normal Pension Date to draw their benefits.</p>	<p>There is greater flexibility in relation to when you may access your benefits if you take an Enhanced Transfer Value.</p> <p>This would ultimately depend on the arrangement into which you decide to transfer, but if you are over 50, you will likely be able to access your benefits at any stage.</p>
<p>At retirement, you may give up some of your pension to receive a lump sum on retirement. Lump sums, up to a certain limit, are tax free under current legislation.</p> <p>This does not apply if you waived your right to a retirement lump sum on leaving the Company.</p>	<p>At retirement, you may use some of your Retirement Account to receive a lump sum on retirement. Lump sums, up to a certain limit, are tax free under current legislation.</p> <p>The amount of lump sum available to you may be greater than if you had left your benefits in the Fund. You should discuss this with the financial advisor.</p> <p>This may not apply if you waived your right to a retirement lump sum on leaving the Company.</p>
<p>If you die in retirement, a pension may be provided to a surviving spouse or civil partner and any qualifying children. The amount payable to your spouse is set out in your offer letter.</p>	<p>If purchasing an annuity, you can tailor the death benefits to suit your particular circumstances – e.g. if you are single, you may choose not to have any death benefits and receive a higher pension instead.</p> <p>If you invest in an ARF at retirement, the law currently provides that the value of your fund remaining at your date of death would be available to your surviving spouse, civil partner or dependants.</p>
<p>The Fund is financed by contributions paid by Diageo and actuarial advice is taken when setting these contributions.</p>	<p>The amount of your income in retirement will depend on the amount of the ETV paid into your Retirement Account, the amount of any other contributions made to your Retirement Account, investment returns up to your retirement, and either the cost of purchasing an annuity when you retire, or, if investing in an ARF, the net investment return achieved in the ARF and the rate at which you drawdown annual income from the ARF.</p> <p>Your income in retirement may be higher or lower than the pension you would receive from the Fund.</p>
<p>Increases to pensions in payment are granted in accordance with the Rules of the Fund. You may be eligible for guaranteed increases in payment on some or all of your pension.</p> <p>Details of the increases to pensions in payment that may be granted to you are set out in your offer letter.</p>	<p>If purchasing an annuity, you choose how your pension increases in retirement.</p>



# MAKING YOUR DECISION

After your independent financial advice meeting, WTW Ltd will provide you with a written report, setting out a recommendation based on your individual circumstances. Once you have considered the report, you need to decide whether to accept the offer.

You do not have to follow the recommendation given by the independent financial advisor. However, you should carefully consider the financial advice received before making a decision. If you are recommended to reject the offer by WTW Ltd but nonetheless, you wish to accept the offer, you will be required to sign an additional waiver which will be provided to you with your report.

**If you decide not to accept the offer, you do not have to do anything further. If you wish, you can return the ETV Decision Form setting out that you do not wish to accept the ETV offer.**

## **If you decide to accept the ETV offer:**

- ✓ Complete the acceptance forms which will be provided to you
- ✓ Send the completed acceptance forms to [Global.Pensions@diageo.com](mailto:Global.Pensions@diageo.com) (along with any other required documentation). **Completed acceptance forms must be received by 5pm on 15 June 2021**
- ✓ For those that have accepted the ETV offer, a 14-day cooling off period will commence the day you accept the offer. If you change your mind during the cooling off period, you should contact [Global.Pensions@diageo.com](mailto:Global.Pensions@diageo.com) and advise that you wish to remain in the Fund.
- ✓ The transfer will be processed as soon as practicable after the offer window closes on 15 June 2021. It should be noted that the Fund administrator will be reliant on third parties to effect the transfer so we cannot provide any guarantees about the timing of the transfer payments.

**The ETV offer is completely optional; it is important that you make the decision that is right for you**



# FREQUENTLY ASKED QUESTIONS

In this section, we have included some questions that we think members may have regarding the ETV offer. If you have other questions about the ETV offer which are not covered here please send an email using the contact details provided at the bottom of this guide, or ask the independent financial advisor.

## ABOUT THE ETV OFFER

### 1. WHAT ETV OFFER IS BEING MADE?

You have two options in relation to your deferred pension in the Fund:

- (i) You can choose to keep your pension in the Fund, where it is due to be paid to you when you retire, subject to the provisions governing the Fund; or
- (ii) Alternatively, you can choose to transfer the cash value of your pension benefits out of the Fund to another pension arrangement, subject to the consent of the Fund's Trustee, where necessary.

For a limited period, Diageo is enhancing the transfer value that would otherwise be payable to most members from the Fund. This enhancement plus your Fund Transfer Value is the ETV offer.

The ETV offer being made to you is outlined in your offer letter.

### 2. WHAT IS A DEFERRED PENSION?

This is the pension that is due to be paid to you from the Fund if you do not transfer out your benefits, subject to the provisions governing the Fund. This pension will be paid from your Normal Pension Date and it will be based on your pensionable service and final pensionable salary in the Fund at the date you left employment or the date you opted out of the Fund if earlier.

### 3. CAN I RECEIVE MY PENSION BEFORE MY NORMAL PENSION DATE?

In certain circumstances (for example on satisfying certain ill-health criteria) it may be possible to take your pension early after age 50, in which case the amount of your pension may be reduced based on the prevailing policy and factors applying at that time.

However, at the current time the option to take early retirement from the Fund is not available to deferred members. In that case, it may be necessary to wait until your Normal Pension Date in order to draw your benefits.

Alternatively, you could decide to transfer your benefit to a more flexible pension arrangement, where access to benefits may be facilitated from age 50 onwards.

### 4. AFTER RETIREMENT, DOES MY PENSION INCREASE ONCE IN PAYMENT?

Your pension from the Fund may be increased in retirement. Where indicated in your offer letter, the portion accrued up to 31 December 2013 receives automatic increases in payment in line with the percentage increase in CPI up to a maximum of 5% and a minimum of 3% each year. The portion accrued from 1 January 2014 may be subject to discretionary increases in payment.

Diageo has a stated pension increase policy in respect of the discretionary element of your pension which is reviewed from time to time.

### 5. WILL MY DEFERRED PENSION INCREASE BEFORE RETIREMENT?

Your deferred pension (as outlined in your offer letter) will be adjusted each year, from your date of leaving service to the end of the year prior to the date payment commences. The annual adjustment will be the lower of the annual increase in CPI or 5% (subject to a minimum of the statutory increase applied to deferred pensions).

## 6. CAN I TAKE A TAX EFFICIENT LUMP SUM FROM THE FUND?

Under current tax rules, yes, you may have an entitlement to take a tax efficient lump sum from the Fund when you retire. Your maximum tax efficient lump sum will be based on your service and salary with Diageo and can be provided by foregoing some of your Fund pension or through your Additional Voluntary Contributions (AVCs) (if applicable). The lump sum can also be provided from a combination of these sources.

There is a lifetime limit that applies to an individual's lump sums taken from all pension arrangements.

If you have already waived your right to a lump sum from the Fund, you may not be able to take a lump sum from your receiving arrangement if you accept the ETV offer.

You should discuss this in more detail at your meeting with WTW Ltd.

## 7. WHAT IS A FUND TRANSFER VALUE?

This is the transfer value that is available now from the Fund in respect of your deferred pension. The assumptions used to calculate the Fund Transfer Value are determined by the Trustee and are currently based on statutory minimum assumptions set by the relevant Minister.

## 8. CAN I TAKE MY ETV AS CASH?

No. The ETV must be paid into either a Personal Retirement Bond, to a new employer's pension scheme, or if allowable, to a Personal Retirement Savings Account.

## 9. HOW LONG IS THE ETV OFFER PERIOD?

The ETV offer is valid until 5pm on 15 June 2021.

If you are interested in the ETV offer, you will need to register your interest by returning the Expression of Interest form as soon as possible, but not later than 14 May 2021. A meeting will then be scheduled with an independent financial advisor from WTW Ltd.

If you decide to accept the offer, you will need to complete and return the appropriate forms at the latest, by 5pm on 15 June 2021.

## 10. WILL THE ETV OFFER BE REPEATED FOR ME?

Diageo currently has no plans to repeat this offer for you in the future.

## 11. WHY IS DIAGEO MAKING THIS ETV OFFER?

In the current low interest rate environment, there is scope for Diageo to offer an increased transfer value in excess of the Fund's current transfer value basis which Diageo believe would be at a level that is attractive to members while also assisting in reducing the Fund's liabilities and hence the Company's risk exposure.

Diageo believe it may suit some of the members of the Fund to take an ETV as this will give them greater flexibility over how they can receive their benefits when they retire.

# MAKING A DECISION

## 12. HOW DO I REGISTER MY INTEREST AND ARRANGE AN INDIVIDUAL FINANCIAL ADVICE MEETING WITH WTW LTD?

In the first instance you should register your interest by completing the "Expression of Interest" form which is included in your ETV offer letter or by using the microsite. Your signed form should be returned to [Global.Pensions@diageo.com](mailto:Global.Pensions@diageo.com) by 14 May 2021, or sooner if you prefer.



### 13. HOW DO I ACCEPT THE ETV OFFER?

After your financial advice meeting, WTW Ltd will send you a recommendation. You will need to complete the forms provided by WTW Ltd and provide any additional information you are required to submit by 5pm on 15 June 2021.

### 14. WHAT HAPPENS IF I CHANGE MY MIND AFTER ACCEPTING THE ETV OFFER?

The offer provides for a 14 day 'cooling off' period from the date you accept the offer, during which time you can change your mind. You may not change your mind after this period has elapsed.

### 15. WHAT HAPPENS IF I DO NOT WANT TO ACCEPT THE ETV OFFER?

If you do not want to accept the ETV offer, you are not required to take any action. If you take no action then your pension will remain in the Fund, where it is due to be paid to you when you retire (subject to the provisions governing the Fund).

It should be noted that attending the individual advice session does not bind you to accept the offer.

### 16. CAN I DECIDE TO TRANSFER MY BENEFIT AFTER THE ETV OFFER PERIOD?

After the deadline, you will be able to take a transfer payment (subject to the governing provisions of the Fund), however, the offer of an enhancement to the Fund Transfer Value will no longer exist.

## ASSISTANCE BEING PROVIDED TO MEMBERS

### 17. WHAT ASSISTANCE IS AVAILABLE TO ME TO CONSIDER THE ETV OFFER?

This guide and the personalised offer letter you received provide detailed information in relation to the ETV offer.

If you have a general question in relation to the ETV offer throughout the offer period, you can contact [Global.Pensions@diageo.com](mailto:Global.Pensions@diageo.com)

Diageo have also collated information on the ETV offer on a dedicated microsite which can be found at <https://grandmetetv.pensionrethink.ie/>. Diageo has engaged WTW Ltd to provide you with independent financial advice in relation to the ETV offer, at no cost to you. It is essential that you fully understand the potential consequences of transferring out of the Fund prior to accepting the offer. For this reason, members will be required to take independent financial advice from WTW Ltd before they can avail of the ETV offer.

You may also take additional advice from your own financial advisor if you wish, but this will be at your own expense.

### 18. CAN I SPEAK TO THE WTW LTD FINANCIAL ADVISOR ONLINE BY ZOOM, MS TEAMS OR ON THE PHONE?

Yes. As it will be difficult to arrange a meeting in person, we will arrange for the financial advice meeting to be conducted by Zoom, MS Teams or by phone.

### 19. CAN MY SPOUSE, CIVIL PARTNER OR DEPENDANT ATTEND THE MEETING WITH WTW LTD?

Yes, members may bring their spouse, civil partner, or dependant to their individual meeting.

### 20. CAN I APPOINT MY OWN FINANCIAL ADVISOR?

In addition to meeting with WTW Ltd, which is compulsory if you wish to accept the ETV offer, you may also take additional advice from your own financial advisor if you wish, but this will be at your own expense. If you do use your own financial advisor, you should check whether your financial advisor is a pension specialist and is fully qualified to deliver the advice you require.

If you choose to also seek advice from your own financial advisor, they may receive commission from the new pension provider after the transfer, but this is something you will need to address with your own financial advisor. We recommend that the advice you receive is on a fee, rather than commission, basis.

## **21. DO I HAVE TO FOLLOW THE WTW LTD RECOMMENDATION?**

No. It is entirely your decision whether you decide to accept the ETV offer. You may still decide to keep your pension in the Fund even if WTW Ltd recommends that you accept the ETV offer.

Similarly, you may decide to accept the ETV offer if WTW Ltd recommend that you reject the offer. If this is the case, you will be required to sign an additional waiver which will be provided to you following your meeting.

## **VEHICLES INTO WHICH ETV CAN BE PAID**

### **22. IF I CHOOSE TO TAKE AN ETV, WHAT REGISTERED PENSION VEHICLES CAN THE ETV BE PAID INTO?**

You may transfer the amount to your new employer's pension scheme (if permitted). Alternatively, we will facilitate members transferring to a Personal Retirement Bond (PRB), which can be established on preferential charging terms, or if permitted, to a Personal Retirement Savings Account (PRSA).

PRBs are individual policies written by insurance companies and some other providers (e.g. stockbroking firms). The option is not available if you are living outside the Republic of Ireland.

Please note that you can only transfer your benefits to a PRSA if certain conditions apply (in particular you must have been a member of the Fund for less than 15 years).

### **23. WHERE CAN I GET MORE INFORMATION WITH REGARD TO THE PREFERRED PERSONAL RETIREMENT BOND?**

Further information relating to the Personal Retirement Bond option will be provided during your meeting with WTW Ltd. This will cover important topics such as the investment choices available to you under the Personal Retirement Bond, the charging terms (including preferential terms that have been negotiated with the preferred provider) and the options for drawing your benefits.

### **24. CAN I TAKE AN ETV INTO A VEHICLE WHICH ALLOWS DIRECT INVESTMENT IN INDIVIDUAL PROPERTIES?**

Yes, there are PRBs available in the market, known as "self-directed" PRBs, which provide greater investment flexibility, including the option to invest in individual properties. Further information and individual financial advice on the options available will be provided as part of your session with WTW Ltd.

### **25. CAN I TAKE A TRANSFER VALUE TO MY NEW EMPLOYER'S PENSION SCHEME?**

This would depend on the rules of your new employer's pension scheme. Not all pension schemes will accept a transfer in. If you are interested in this option, you should look through any documents (e.g. the scheme booklet and your latest annual benefit statement) that you have in respect of your new employer's pension scheme and discuss this with your appointed advisor during your meeting with WTW Ltd.

After bringing your ETV into your new scheme, the options available will depend on the rules of your new employer's scheme and how/when you intend on drawing your benefits.

### **26. CAN I TAKE A TRANSFER VALUE TO AN OVERSEAS PENSION PLAN?**

It depends on where you wish to transfer to and where you are resident. Irish law restricts transfers only to pension plans that have similar features to Irish pension plans. If you wish to transfer overseas, we will require details of the pension plan that you wish to transfer to, and further documentation may need to be completed.



## OTHER PENSION BENEFITS

### 27. WHAT WILL HAPPEN TO MY ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)?

If you decide to accept the ETV offer and transfer your benefits out of the Fund, the value of your AVCs will be transferred at the same time to your chosen pension arrangement. No enhancement will be applied to the AVC element of the transfer value payment.

Please note that the AVC amount is not guaranteed, as it will depend on market movements, and the ultimate value will not be known until the date of transfer.

### 28. I HAVE PREVIOUSLY TRANSFERRED BENEFITS INTO THE FUND. WHAT WILL HAPPEN TO THESE IF I ACCEPT THE ETV OFFER?

Any previously transferred-in benefits you have in the Fund will be transferred out to your chosen pension arrangement with your Fund benefits. If the benefits you received in respect of the transfer value into the Fund, are in the form of an additional DB benefit, the portion of the transfer value relating to those benefits is also enhanced. If they are held in DC form, they will not be enhanced and their value is not guaranteed.

## OTHER QUESTIONS

### 29. WHAT IS THE CURRENT FINANCIAL POSITION OF THE FUND?

The Fund currently meets the Funding Standard which is a statutory funding measure. A full actuarial review of the Fund was completed as at 30 September 2018 and the Company are currently paying the contributions recommended following that review.

Further information on the position of the Fund can also be obtained from the most recent Trustee Annual Report. Members can request a copy of this report at any time.

### 30. TAX ISSUES FOR HIGH EARNERS – WHAT HAPPENS IF I AM AFFECTED BY THE STANDARD FUND THRESHOLD?

The Standard Fund Threshold (or 'lifetime limit') is currently €2m. If the value of your total tax-approved pension benefits (those from Diageo and any other retirement benefits that you have) exceed this limit, then you may incur an additional tax liability when you come to process your retirement benefits. If you are affected by this legislation or might be in the future, this will be covered in your meeting with WTW Ltd

### 31. WHAT WILL MY PERSONAL DATA BE USED FOR?

Please refer to the privacy notice appended to your initial offer letter for further information.

### 32. WHO ARE THE TRUSTEES OF THE FUND?

The Trustee of the Fund is R & A Bailey Pension Trustee Designated Activity Company.

### 33. IS THE TRUSTEE INVOLVED IN THE ETV OFFER?

The ETV offer is an offer from Diageo. If you elect to take an ETV, a portion of the Fund Transfer Payment will be paid by the Fund administrator on behalf of the Trustee. Diageo will pay whatever contribution is required to top up the transfer payment from the Fund to the total ETV amount.


# GLOSSARY

- **Additional Voluntary Contributions (AVCs)** – extra contributions which you may have paid to the DB Fund to boost your retirement savings.
- **Annuity** – a policy bought from an insurance company when you draw down your Retirement Account. It would pay a regular amount monthly (i.e. a pension).
- **Approved Retirement Fund (ARF)** – this is a separate retirement fund allowing you to continue investing after you retire. With an ARF you manage and control your Retirement Account and can invest it in a wide range of different investment funds. You can also make withdrawals, as you need them. You must pay income tax, PRSI (if applicable) and USC on all withdrawals.
- **Defined Benefit (DB)** – a pension arrangement which is typically determined by a set formula based on service, salary and a given rate of accrual. Benefit is defined, but level of contributions is not known at the outset.
- **Defined Contribution (DC)** – a pension arrangement which is determined by the level of contributions paid in as well as investment returns on these contributions. Contributions are defined, but eventual benefit is not known at the outset.
- **ETV** – Enhanced Transfer Value.
- **Fund Transfer Value** – actuarial value of the deferred pension. The assumptions are determined by the Trustee and are currently based on statutory minimum assumptions set by the relevant Minister.
- **Funding Standard** – the statutory measure of DB pension schemes which requires Trustees to build up and maintain enough funds to meet members' pension entitlements.
- **Personal Retirement Bond (PRB)** – also known as a 'buy-out bond', this is a special form of DC pension contract where the only contribution comes from a transfer payment from an occupational pension scheme. Rules of access reflect the rules of the transferring pension scheme. Generally, one can take a tax-free lump sum at retirement and use the remaining funds to buy an annuity or invest in an ARF.
- **Personal Retirement Savings Account (PRSA)** – a contract-based individual pension savings account. It is DC in nature - it provides a tax-free lump sum, within certain limits, and a pension or other benefits at retirement.
- **Retirement Account** – the funds held in a DC pension arrangement for each individual member.
- **Standard Fund Threshold (SFT)** – the lifetime limit or ceiling on the total capital value of pension benefits from all sources (except State pensions).
- **The Fund** – Grand Metropolitan Irish Pension Fund of which you are currently a deferred member.
- **The Trustee** – R & A Bailey Pension Trustee Designated Activity Company
- **"We" "us" "The Company" "Diageo"** – Diageo Ireland









### Disclaimer

Every effort has been made to ensure that this Guide is as accurate as possible. However, if there are any discrepancies or conflicts between the information contained in this Guide and the Trust Deed and Rules (which are the legal documents which govern the Fund) or law, then the Trust Deed and Rules and the law will take priority. Rights to contributions and benefits are conferred solely on the terms and subject to the conditions of the Fund's Trust Deed and Rules.

The content of this Guide has been based on prevailing legislation and Revenue rules, which are subject to change.

Willis Towers Watson provides actuarial advice and services to Diageo. Individual Financial Advice will be provided by Willis Towers Watson Life and Pensions Ltd which is a separate legal entity within the Willis Towers Watson Group. The provision of this advice will be separate from any advice provided to Diageo.

The Trustee of the Fund is aware of the ETV offer being made. The ETV offer is being made by Diageo.

**DIAGEO**