

New Actuarial Factors for Defined Benefit members

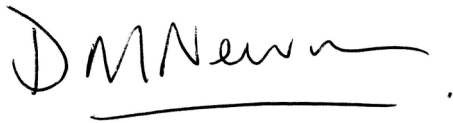
The factors used in pension calculations are regularly reviewed by the Trustee's advisers. They make certain assumptions about the future, particularly in relation to longevity and investment returns to assess how long a pension may be payable and the cost of providing it.

Following a recent review, some factors will be changed with effect from October 2008. In particular, the factors that are used to convert ASC/AVC funds and Money Purchase Transfers-in to pension will be increased, which will mean those funds will buy less pension.

Since the introduction of new legislation in April 2006, it has been possible for members of a defined benefit plan (C, N, I and DSL Plans) to use their ASC/AVC fund to provide up to the maximum 25% tax-free lump sum at retirement. If you plan to use any ASC/AVC fund to provide the tax-free lump sum at retirement, the changes to the factors will only affect any fund that is not used to provide the lump sum.

The factors are market-related and change on a monthly basis and it is anticipated that comparative factors for the period before the new factors are introduced will be available soon. Once the comparative factors are available, they will be posted on the Pensions Trust website.

If you have any queries, please contact Pension Services by sending an email to pensions@uk.ibm.com.

A handwritten signature in black ink that reads "DMNewman". The signature is written in a cursive style and is underlined with a single horizontal line.

David Newman
Pensions Trust Manager