

## **Company Proposals to change the IBM Pension Plan and IBM IT Solutions Pension Scheme.**

### **Dear Defined Benefit Member,**

IBM has now closed its period of consultation with employees and it is therefore appropriate to advise members of the Trustee's view on the Company's proposals. In my Chairman's Introduction to the defined benefit Members' Reports I said that "the Trustee feels that the Company has not lived up to the Trustee's expectations" in seeking to change the Plan and the Scheme so soon after the changes made in July 2006.

Since that time the Trustee has been in negotiations with the Company and proposed a number of changes some of which are now reflected in the Company's amended proposals. Specifically the Trustee proposed the creation of a "hybrid deferred" status whereby linkage to final salary is maintained, ill health early retirement and death in service benefits are preserved, there is a statutory underpin to protect your benefits against inflation during the deferral period, and members retain the opportunity to be considered for early retirement on the "active" 3% discount basis with Company consent. The Trustee also proposed a delay to implementation and increased M Plan Company contributions. These are also included in the Company amended proposals but for a shorter period or with less generous contributions than the Trustee requested.

The change to the Company's policy with regard to applications for early retirement does not require any change to the Trust Deed and Rules and consequently does not require the agreement of the Trustee.

Since the Trustee made the above proposals to the Company in July 2009 the Trustee has learned at first hand of the level of disappointment felt by members, has seen the survey results of members carried out by the PCC, and received letters from solicitors acting for clients who claim to represent over one thousand DB members. Given these developments and the Trustee's views that I set out in my Chairman's Introduction to the Members' Report the Trustee has, following a careful review, concluded that it is prepared to agree to amend the Trust Deed and Rules only after it has obtained the sanction of the Court. The Trustee would be seeking confirmation from the Court that the Company has acted in good faith and that the future service proposals meet the legitimate expectation of members. These are important and complex issues that require careful consideration and analysis on the part of the Trustee and it may therefore take some time to formulate an application to the Court.

The Trustee has made the Company aware of its position.

The Trustee has been approached by solicitors, acting for clients who are members of the C Plan, bringing to the Trustee's attention announcements made to members by the Company when the C Plan was introduced. The point at issue is whether these announcements gave members the right to retire between the ages of 60 and 63 without requiring Company consent and without actuarial reduction: this "right" was not reflected in the Trust Deed and Rules. The Trustee appreciates the great importance of this issue to members who are considering applying for consent to

retire in the “early retirement window”. The Trustee is seeking the Company’s position, is contacting those involved in the introduction of the C Plan, and taking advice from Leading Counsel.

**James S Lamb**  
**Chairman**