

Retiree handbook

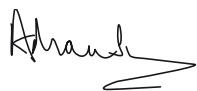


Dear Retiree

This handbook has been designed to provide you with some self help information about facilities available in retirement and also details relating to the administration of your pension.

The information in this handbook is correct at the date of printing; however, some aspects of Company policy or pensions legislation may affect the information at a later date; an online version of the handbook can be found on the Pensions Trust website and will be updated if and when changes occur. If you require confirmation of the current status of any item in this handbook or you can't find the information you need, please contact Pensions Services. A list of contacts is provided at the end of the handbook to help you.

On behalf of the Trustee, I would like to take this opportunity of wishing you a very long, happy and healthy retirement.



Adrian Spann
Pensions Trust Manager

“ ...wishing you a very long, happy and healthy retirement. ”

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Your pension

Pension payments

Your IBM pension will be paid, monthly in advance, on the 6th of each month or the next working day if the 6th falls at a weekend or on a bank holiday.

The payments will be made directly into a bank or building society account in your name, or a joint account including your name. Pension payments can't be paid into an account in anyone else's name.

Payslips

Most pension payments don't change on a monthly basis and as a result, pension payslips are not issued every month. If you need confirmation that your pension payment has been received, you should check with your bank or building society.

Payslips are only issued in the following circumstances and will be sent to your home address:

- If there is a net change greater than £1 in your monthly payment
- At the start and end of each tax year i.e. April and March
- If your tax code changes
- If you change your bank or building society account.

Income tax

Your pension will initially have income tax deducted on an Emergency Tax Code – Month 1 basis. HM Revenue & Customs (HMRC) will issue a notice of tax coding after you have started receiving your pension and once Pensions Services have received this, future pension payments will have income tax deducted in line with your notice of coding.

HMRC require Pensions Services to implement any notice of coding they issue. If you have any query about your tax code, please contact HMRC directly; HMRC won't allow Pensions Services to act on your behalf.



Living abroad

If you are resident abroad or plan to retire overseas, we can pay your pension either into a UK bank account or alternatively, in local currency using Citibank's WorldLink Payment Service. This is an efficient and inexpensive service (currently £2 per transaction) that enables overseas retirees to receive payments directly into their bank account by secure electronic means.

If you choose to have your pension paid through WorldLink, the date your pension is paid will remain the same, however, it may take up to five working days after the 6th of the month to reach your overseas account. There would be a similar delay if you were to arrange a transfer from a UK bank or building society account yourself.

If you would like more information about WorldLink, please contact Pensions Services.

Pension increases

Increases on your pension depend on the pension plan that you were a member of and, in some plans, the period of service for which the pension was earned.

C and N Plan

Pension earned for service before 6 April 1997 will receive guaranteed increases on 6 April each year up to and including 2020. These will be at the rate of 50% of the rise in the Retail Price Index (RPI) since the last increase was awarded (RPI will be capped at 5%).

These increases will be based on the recorded RPI figure in January before the increases are effective in April.

After 2020, increases may revert to being at the discretion of the Company, which was the policy before April 2006, unless the Trustee and the Company agree otherwise in the interim. Discretionary increases may not be awarded at set intervals or at given percentages.

Pension earned for service between 6 April 1997 and 5 April 2005 will be increased by the lower of 5% or the increase in the Consumer Price Index (CPI). This is known as Limited Price Indexation (LPI).

Pension earned for service from 6 April 2005 will receive LPI increases and will be the lower of 2.5% or the increase in CPI.

The LPI increases will be based on the recorded CPI figure each September before the increase is awarded in April.

I Plan

All of your pension will be increased on 6 April each year by the lower of 5% or the increase in the Retail Price Index (RPI). The increases will be based on the recorded RPI figure each September before the increase is awarded in April.

DSL Plans

Pension earned for service up to 5 August 2005 will be increased by the lower of 5% or the increase in the Retail Price Index (RPI). This is known as Limited Price Indexation (LPI) and the increases are given on 1 April each year.

Pension earned for service from 6 August 2005 will receive LPI increases on 1 April each year and will be the lower of 2.5% or the increase in RPI.

All increases will be based on the recorded RPI figure each December before the increase is awarded in April.

Guaranteed Minimum Pension

If you were employed by IBM (or any Company that has been the subject of an acquisition or merger into IBM) at any time between 6 April 1978 and 5 April 1997, you would have been contracted out of the State Earnings Related Pension Scheme (SERPS). As a result, both you and IBM paid a lower rate of National Insurance and your pension plan is responsible for providing the benefit that you would have received from the State if you had not been contracted out (married women who paid reduced rate National Insurance do not qualify). This is called the Guaranteed Minimum Pension (GMP) and may be referred to as your 'Contracted Out Deduction' by HMRC.

Until you reach age 60 (women) or 65 (men), your GMP is included in the IBM pension that you receive. Once you reach 60/65, your GMP will be split out from your pension and shown separately on your payslip.

Increases on GMP are based on the increase in the recorded Consumer Price Index (CPI) figure for September each year and also depend on a number of factors:

Women

From April 2010, the State Pension age for women started to increase above age 60; if you are affected by the change to the State Pension age, your Plan will be responsible for the payment of any GMP from age 60.

GMP earned between 6 April 1978 and 5 April 1988 (Pre 1988 GMP)

Increases to Pre 1988 GMP form part of your State Pension entitlement and therefore, will only be paid once you have reached your State Pension age. Although your GMP is included in your IBM pension and separately identified on your payslip from age 60, any Pre 1988 GMP will not increase until after your State Pension is in payment.

GMP earned between 6 April 1988 and 5 April 1997 (Post 1988 GMP)

Increases to your Post 1988 GMP, up to 3%, are the responsibility of your IBM pension plan. The increases will be included with your IBM pension on 6 April each year. If the recorded CPI figure is in excess of 3%, the excess is the responsibility of the State and, in line with the Pre 1988 GMP, won't be paid until after your State Pension is in payment.

Men

GMP earned between 6 April 1978 and 5 April 1988 (Pre 1988 GMP)

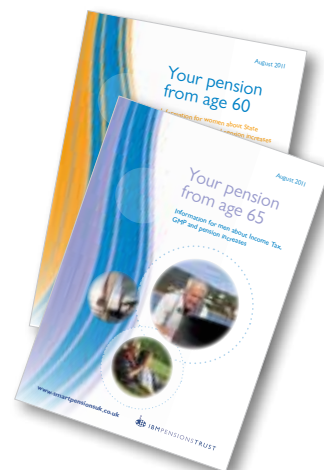
Increases to Pre 1988 GMP are paid every April and are added to your State Pension.

GMP earned between 6 April 1988 and 5 April 1997 (Post 1988 GMP)

Increases to your Post 1988 GMP are the responsibility of your IBM pension plan, up to a maximum of 3% and paid with your IBM pension on 6 April each year. If the recorded CPI figure is in excess of 3%, the excess is the responsibility of the State and will be included in your State Pension.

When you reach State Pension age

Pensions Services have produced helpful booklets about what happens to your pension when you reach age 60 (women) or 65 (men). You can ask Pensions Services for a copy of the 'Your pension from age 60/65' booklet or you can download a copy from the Pensions Trust website.



Change in State Pension age for women

Between April 2010 and April 2020, the State Pension age for women will increase gradually from 60 to 65; however, women who have not reached their State Pension age can start to receive their GMP at age 60 even though the State Pension isn't yet payable.

Basic State Pension

Any Basic State Pension that you may be entitled to will be paid in addition to your IBM pension.

If you have any queries about eligibility or payment of your State Pension, you should address them to The Pension Service, which is part of the Department for Work and Pensions, on [0845 60 60 265](tel:0845 60 60 265).

You can also ask for a State Pension forecast from The Pension Service and there is a link on www.direct.gov.uk under 'Pensions and retirement planning'. Alternatively, you can telephone the 'Future Pension Centre' on [0845 300 0168](tel:0845 300 0168). They will complete the form for you and send your forecast to you.

National Insurance

You do not pay National Insurance (NI) contributions on your IBM pension.

If you have any queries about your NI relating to any employment, including IBM, you should direct them to HMRC National Insurance Contributions Office. The telephone number for their helpline is [0845 302 1479](tel:0845 302 1479).

Divorce

Pension sharing

Under pension sharing, Courts can allocate a percentage of the value of a retiree's pension benefits to the former spouse in a clean break settlement. This is known as a 'pension credit' and if awarded, the retiree's benefits will be reduced (known as a 'pension debit'). The ex-spouse will have a separate and independent pension entitlement as a result of the pension credit and will need to purchase an annuity from a registered pension provider on the open market.

The Court will take into account a retiree's total assets, including pension benefits, when making its decision; however, the divorce settlement can be made from any assets and does not necessarily have to include pension sharing.

Earmarking

As an alternative to pension sharing, it's possible to obtain an 'earmarking order'. If an order is made, the 'earmarked' part of a retiree's pension would become payable directly to the ex-spouse instead of to the retiree. In the event of the death of the retiree, the order would lapse and the payments to the former spouse would stop.

You should contact Pensions Services if you are thinking about getting divorced and your IBM pension is to be included in the financial settlement. Pensions Services will write to you requesting information to enable the Scheme Actuary to calculate the value of the pension benefits in payment. You will be charged for the Actuary's calculation and details of this charge will be provided to you.

Additional information

Employee Purchase Plan

– Discounts available on Lenovo products

Retirees are eligible for discounts on the purchase of new Lenovo products, services and options.

For the most up-to-date information about Lenovo products, visit the EPP website or call the EPP hotline between the hours of 08:00 and 18:00, Monday to Friday. You can purchase online or, if you prefer, call the support team and the order will be placed on your behalf.

Telephone: 020 3014 0095

Website: www.lenovo.com/epp/uk

Passcode: [save4today](#)

IBM Rewards

IBM offers a voluntary benefits scheme, 'IBM Rewards', which is also available to IBM retirees.

The scheme offers you the opportunity to save money or earn Cashback at more than 2,500 retailers when you shop online – including supermarkets such as Asda, Sainsbury's and Tesco, finance and insurance products and even travel companies, airport parking and hotel rooms.

DEBENHAMS
Britain's favourite department store

Sainsbury's

comet

YOUR M&S

Thomson

Thomas Cook

ASDA

If you don't have access to the internet or shop online, you can still save money by ordering discounted gift vouchers through the telephone helpdesk. You can save money with vouchers from leading retailers, including Asda, Sainsbury's, Marks & Spencer and Debenhams or travel companies such as Thomas Cook and Thomson. You can call the Helpdesk on [0845 29 94 180](tel:0845 29 94 180), open 7 days a week.

So check out IBM Rewards before buying or booking anything!

All offers are subject to change.

For more details and to register visit www.ibmrewards.co.uk.

Retirees
have access
to valuable
discounts

Pensions Trust website

If you have access to the internet, the Pensions Trust website contains a lot of useful information for retirees. If you haven't already visited the site, you can access it at www.smartpensionsuk.co.uk.

There is a useful 'scrolling news' section that provides details of any changes or news items that may be of interest to you. Please bookmark the website and visit it regularly to keep up to date.

IBM Shares

If you had Employee Share Purchase Plan (ESPP) and/or Employee Share Purchase Plan Plus (ESPP+) shares whilst you worked for IBM and have not traded them, they will now be on the Corporate Register and you should contact the administrators, Computershare. Contact details can be found on page 15.



If you had 15 years' or more continuous service when you worked for IBM, you will be eligible to join the IBM Club as a Retiree Member, at no cost to you.

The IBM Club is a great way to pursue the activities that you enjoy at advantageous prices. It is also a good way to meet other IBMers whether they are retired or still employed.

Depending on where you live, there may be more than one local club whose events you may wish to take part in. You may only affiliate with one local club, but all clubs operate a policy whereby any member can apply for events run by any club. If necessary you can easily change your affiliation if, for example, you move house.

The IBM Club website contains a lot of useful information; you can access the website at www.ibmclub.org.uk.

If you have any queries about the IBM Club, please contact the Club Administrator; details can be found on page 14.

Give as you Earn

This scheme is operated by the Charities Aid Foundation (CAF) and enables you to give a tax-free donation to a charity directly from your pension. This means that apart from a small administration charge made by CAF (0% – 4%) more of your donation goes to the charity, or charities, of your choice.

You can choose to donate in several ways including owning your own personal charity account. This means that if you plan to give £10 or more each month, you can pay your donations into your own charity account and will receive a charity chequebook and a Charitycard (which works as a debit card) so you can make donations from your account to any charities you choose – in person, by post or by telephone. You can also personally nominate your own favourite charity or charities to benefit from regular donations.

For an information pack, please contact CAF on [03000 123 000](tel:03000123000) (fax [03000 123 001](tel:03000123001)).

If you decide to proceed, please send the completed form to Pensions Services.

IBM Medical Insurance Plan

If you are leaving IBM and commencing payment of your pension immediately, your IBM medical cover will cease at midnight on your last day of employment.

You may be able to transfer to individual membership of a health policy with PruHealth at your own expense. You will be eligible for preferential terms – without restriction to your cover or a medical examination – provided there is no break between your membership of the IBM Group Plan and a PruHealth policy. It is your responsibility to make arrangements with PruHealth and this must be done before the expiry of your IBM cover.

Retirees who have transferred to a PruHealth policy should use the same IBM Insurance Helpdesk for any queries and claim forms (see page 15).

You should always make it clear that you are a member of the PruHealth Policy and not in the Company provided Group Plan.

You should always check with the PruHealth Helpdesk before commencing any treatment that is likely to lead to any claims to them. This will ensure that whatever treatment is being proposed is eligible and covered by the Policy.

It is in your own interests to obtain comparative quotes from alternative suppliers of healthcare policies to ensure that you receive the best policy for you and your family. This is particularly important if you are not undergoing any medical treatment or have any pre-existing conditions at the time of your retirement.

on demand community

Volunteering

You can register as a volunteer on the IBM 'On Demand Community' website and see how IBM can support you to either become a volunteer or a more effective volunteer with free, downloadable training materials and tools.

Community Grants

IBM offers Community Grants, awarded in recognition of IBM staff and retirees' efforts volunteering for schools and community organisations. Grants can be in the form of cash or equipment for team volunteering activities.

Resources and Community Grant application forms can all be accessed once you've registered on the On Demand Community website.

For further information please contact the Corporate Community Relations Manager, Mark Wakefield. You can find details of how to contact Mark on page 15.



Death in retirement

Information required

In the event of your death, Pensions Services will initially need to be provided with the following information:

- The name of the deceased retiree
- Employee Serial number
- Date of death
- Details of the next of kin

Pensions Services will require an original death certificate and will be able to advise whether birth and marriage certificates are required; Pensions Services will also require information about your family and personal circumstances at the time of your death.

In order for the Trustee to make a decision about payment of any benefits after your death, a 'Benefits Allocation Committee (BAC) Questionnaire' will need to be completed by your next of kin. If you would like to understand the level of information that the BAC, a sub-section of the Trustee Board, will request from your dependants, you can find the questionnaire on the Pensions Trust website under Retirees/Death in Retirement/Notifying a death.

Spouse's and children's pensions

If you have a surviving spouse, or registered civil partner, a pension will be payable to them for their lifetime. The spouse's pension will be 50% of your pension at retirement, before any tax-free cash was taken, plus any increases awarded since retirement.

If you do not have a legal spouse, a dependant's pension may be payable.

If there are any children, a pension will also be payable to an eligible child until age 19, or up to age 23 if remaining in full time education. Under no circumstances can a child's pension be paid after age 23.

Children's pensions, subject to a maximum of three eligible children, are one-third of the spouse's pension.

Dependant's pension

If you have a partner or financial dependant the Trustee may exercise discretion to award a pension, of up to 100% of a spouse's pension, where evidence of financial inter-dependency can be established. For further information, please contact Pensions Services.



Five year guarantee

Your IBM pension is payable for your lifetime; however, there is an underlying guarantee that in the event of your death within the first five years of retirement, the balance of the five year period will be treated as follows:



A payment equivalent to the amount of pension that would have been paid to you, less the amount of pension payable to your spouse for the same period, will be paid to your beneficiary as a tax-free lump sum.



Any spouse's pension will be paid at the rate you were receiving prior to your death until the five year guarantee period expires. At the end of the guarantee period, the spouse's pension will reduce to 50% of your pension at retirement, before you took any tax-free cash, including any increases that have been awarded during your retirement.



An amount equivalent to the balance of the five year guarantee period will be paid to your beneficiary as a tax-free lump sum, in addition to payment of a spouse's pension.



Please refer to your DSL Plan Handbook. The five year guarantee is not the same in all the DSL Plans.



If there is no eligible spouse, dependant or child, the balance of the five year guarantee will be paid as a tax-free lump sum to your beneficiary.

Life Assurance After Retirement

— C and N Plan members only

The Life Assurance After Retirement Plan (LAAR) provides a small tax-free amount of life assurance on death after retirement for those retirees who joined the C or N Plan before 1 October 1991. It is payable in addition to any other benefits that may be due. Members who joined a plan on or after 1 October 1991 are ineligible for this benefit following a change in the (then) Inland Revenue regulations. Eligible retirees automatically qualify for LAAR on death once their pension has commenced payment. No contributions are required from retirees as the Company meets the full cost of this benefit. The LAAR lump sum payable on the death of a retiree depends on the pension plan the retiree was a member of immediately prior to retirement.



25% of the annual pension that the retiree was in receipt of at the date of death, subject to a maximum of £1,000.



The greater of:

- 25% of the annual pension that the retiree was in receipt of at the date of death, subject to a maximum of £700; or
- an amount depending on the length of pensionable service to the nearest whole number of years (details can be found on the Pensions Trust website).



Beneficiary Nomination

In addition to the BAC Questionnaire (see page 10), your latest recorded Beneficiary Nomination will assist the BAC in making a decision about the payment of any lump sum benefits, for example, any five year guarantee or LAAR payment; it will also give an indication as to whom any pensions may be payable. However, the inclusion of anyone on the Beneficiary Nomination form does not confer any entitlement to a pension.

It is essential that you keep your Beneficiary Nomination up-to-date throughout your retirement, particularly if your personal life changes, maybe through divorce, bereavement or remarriage. You can download a copy of the Beneficiary Nomination form from the Pensions Trust website or alternatively, you can call or email the Pensions Trust helpdesk and a copy will be sent to you.

The importance of making a Will

It is important that in the event of your death, the distribution of your Estate is in accordance with your wishes and that it goes to the people that you want it to. If you haven't already made a Will you should consider making one as soon as possible.

If there is no Will, your family members can experience long delays, complexities and potentially further stress while sorting your Estate at what is already a distressing time.

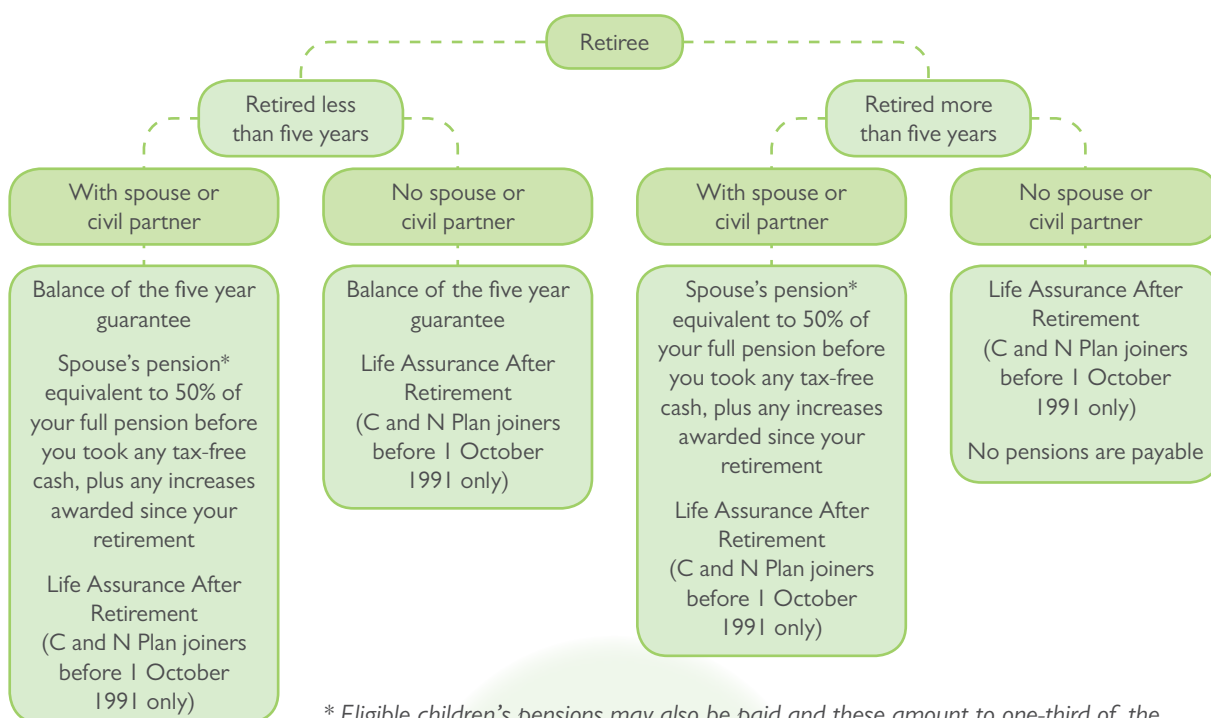
Additionally, in the event of the death of a retiree, the Trustee has to consider the payment of benefits to dependants or beneficiaries and often needs to request sight of the Will, even if there is a recent Beneficiary Nomination recorded.

If you need to make a Will, you could consider taking advantage of 'Will Aid', a scheme offered by participating solicitors, every November, that provides you with the opportunity to have a basic Will professionally drawn up free of charge. In return for this service, the solicitors expect that you will choose to donate to the Will Aid charities the fee they would normally charge. The donations are equally distributed between nine worthwhile charities including Help the Aged, NSPCC and the Red Cross.



You can find more information about Will Aid at www.willaid.co.uk or call 01460 271178.

What is payable in the event of your death?



* Eligible children's pensions may also be paid and these amount to one-third of the spouse's pension.

Pension constitution

The IBM Pension Plan and the IBM IT Solutions Pension Scheme are administered by IBM United Kingdom Pensions Trust Limited which has sole responsibility for the provision of retirement benefits.

The provision of retirement benefits is regulated by the 'Trust Deed and Rules' and both funds are entirely separate from the business of IBM. The funds may not be used for any purpose other than those laid down in the Trust Deed and Rules.

IBM United Kingdom Pensions Trust Limited is a wholly owned subsidiary of IBM United Kingdom Holdings Limited and acts as the Corporate Trustee of both pension funds.

The Board of Directors

The Board of Directors of the Trustee Company (the Trustee) is comprised of Company appointed executives, external directors and member nominated directors. In line with current legislation, one third of the Trustee Board is member nominated.

The names of the Trustee Directors can be found on the Pensions Trust website and are also included in the annual Members' Report, a copy of which is issued to all retirees.

Trust Deed and Rules

The Trust Deed and Rules are the legal documents governing the rights, obligations and duties of all members, the Trustee and the participating companies of the IBM Pension Plan and the IBM IT Solutions Pension Scheme.

The Trust Deed and Rules are copyright documents that are available for inspection in the Pensions Services department in North Harbour during normal office hours. Alternatively, you can obtain a copy of the sections of the Trust Deed and Rules that are relevant to your own Plan membership. Please contact Pensions Services if you require any copies or would like to arrange to inspect them at North Harbour.

Administration and management of the pension plans

The IBM Pension Plan and the IBM IT Solutions Pension Scheme are administered by:

- The Pensions Trust Manager who is supported by Pensions Services, Systems, Investment and Finance departments
- The Benefits Allocation Committee which is a sub-section of the Trustee Board.

The Scheme Actuary carries out a valuation of the plans every three years. These valuations assess the financial position of the plans and recommend employer contribution rates for both the immediate future and the longer term. This ensures the plans can meet their obligations.

The right to change or terminate all, or part, of the plans is reserved at all times by IBM United Kingdom Holdings Limited. Any changes are subject to the provisions of the Trust Deed and Rules which protect the accrued rights of plan members (including retirees) at the date of any change.

Investment of the pension funds' assets

The overall investment strategy for the assets of both funds, with the exception of any Additional Voluntary Contributions and Additional **Smart*** Contributions (i.e. those elected under the Company's flexible reward scheme), is determined by the Trustee. It is implemented through the Investment sub-committee of the Trustee, together with a number of selected external investment management advisers.

The current investment strategy adopted by the Trustee is set out in the 'Statement of Investment Principles', a copy of which is available from Pensions Services.



Useful contacts

Change or query

Bank or Building Society details
Beneficiary Nomination
Confirmation of pension entitlement
(e.g. for mortgages or student grants)
Death in retirement
Divorce
General queries
Guaranteed Minimum Pension
Name, address or marital status
P60
Pension payments or deductions
Starting payments abroad

Contact

Pensions Services

IBM UK Pensions Trust Limited
Mailpoint CIA
PO Box 41
North Harbour
Portsmouth
PO6 3AU

Tel: 023 9256 8164
Fax: 023 9256 0962

Email: pensions@uk.ibm.com
Internet: www.smartpensionsuk.co.uk

Tax queries

HM Revenue & Customs

West Hampshire Area
Trinity Bridge House
2 Dearmans Place
Salford
M3 5BS

Tel: 0845 3000 627
Fax: 0161 261 4047
Tel from abroad: +44 161 931 9070

IBM Club

Club Administrator

IBM UK Limited
Mailpoint 07a
PO Box 30
Inverkip Road
Inverclyde
Spango Valley
Greenock
PA16 0AH

Tel: 01475 895475
Fax: 01475 895542

Email: RetireeClubMembership@uk.ibm.com
Internet: www.ibmclub.org.uk

Change or query

Contact

On Demand Community

Mark Wakefield

Corporate Community Relations Manager

Tel: 020 7202 3608

Email: wakefim@uk.ibm.com

Internet: www-05.ibm.com/uk/ondemandcommunity

Medical insurance queries

PruHealth – IBM Insurance Unit

PruHealth
PO Box 28836
Edinburgh
EH15 1WQ

Tel: 0845 279 8888

Email: ibm@pruhealth.co.uk

IBM shares – all transactions
ESPP only

IBM Share Plan Team Computershare

IBM Sales Dept
250 Royall St
Canton
MA 02021
USA

Tel: +1 781 575 2727

Email: ibm@computershare.com

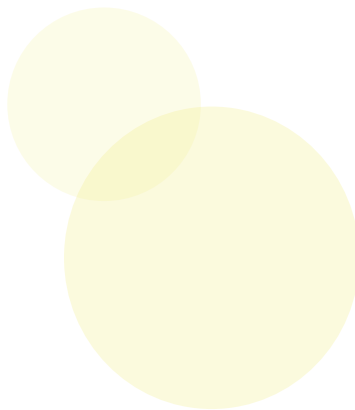
IBM shares – all transactions
ESPP+ only

IBM Share Plan Team Computershare

The Pavilions
PO Box 82
Bridgwater Road
Bristol
BS99 7NH

Tel: 0870 703 6267

Email: ibm@computershare.co.uk



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