

Enhanced Early Retirement Facility (“EERF”)

InterContinental Hotels UK Pension Plan – DB Executive Section (“the Plan”)

This leaflet aims to cover questions you may have regarding the EERF and replaces all prior leaflets.

1. How is early retirement treated under the Plan’s rules?

The Plan’s Rules currently permit members to retire on or after age 55 (age 50 if you were an Executive member on 5 April 2006). There is, however, a reduction applied to the pension earned up to date of leaving for each year (pro-rated for complete months) that it is taken prior to age 60. This is not a penalty, but simply to reflect the fact that because the pension starts earlier, it is paid for longer.

2. What is the EERF?

The EERF is a non-contractual facility which does not form part of the Rules of the Plan and is offered solely at the discretion of the Company. It allows members to retire early on better terms than are normally available under the Rules of the Plan. It is available on request and with the Company’s consent to members whose pension accrual ceased as a result of the closure of the DB Section of the Plan on 30 June 2013 whilst they continue in employment with the InterContinental Hotels Group. It is not available to any other deferred members.

3. How are pensions affected now that EERF is being phased out?

The Company recognises that the effect of removing the EERF may potentially influence your retirement planning if you are close to retirement age. The EERF will therefore be phased out gradually by increasing, month on month and year on year, the age at which you are able to request an unreduced pension, starting on 1 March 2014. The age at which you could originally request an unreduced pension under EERF was age 55 so, under the phasing out of EERF, by 1 April 2014 this will be age 55 years 1 month; and by 1 May 2014 this will be 55 years 2 months; and so on until the earlier of: (A) the date at which you reach age 55 (at which point the age at which you can request an unreduced pension under EERF stops phasing out any further); or (B) the date by which an unreduced pension cannot be taken until age 60. The effect of this is that:

- members already aged 55 or over on 1 March 2014 (and who can therefore already request an unreduced pension under the EERF) will be unaffected;
- members aged 50 to 55 on 1 March 2014 will see an increase in the earliest age that they can request an unreduced pension under the EERF, with the exact age being dependent upon the member’s current age;
- members aged 45 to 50 on 1 March 2014 will not be able to request an unreduced pension until age 60, but may still see some benefit from the EERF on retirement at earlier ages; and
- members aged 45 or under on 1 March 2014 will effectively see the EERF withdrawn immediately.

Examples of how EERF applies during the period in which it is phased out:

Example 1

If you are aged 48 on 1 March 2014, you would be 7 years from being able to request an unreduced pension under the previous EERF (i.e. at age 55). Under the phase out of EERF, you would remain 7 years away from being able to request an unreduced pension (e.g. at age 50, the benefit of EERF would be an early retirement reduction based on being 7 years rather than 10 years away from an unreduced pension) until age 53, when you are 7 years from age 60. Then the early retirement reduction would diminish year on year in line with the Rules of the Plan (e.g. at age 57, there would be a 3 year reduction).

Example 2

If you are aged 51 on 1 March 2014, you would at that time be 4 years from being able to request an unreduced pension at age 55. Under the phase out of EERF, you would remain 4 years away from being able to request an unreduced pension until you reached age 55 (at which point an unreduced pension could be requested from age 59 and this would remain the case). Between the ages of 55 and 59 the reduction would diminish year on year (e.g. at age 57 an immediate pension could be requested based on a 2 year reduction rather than a 3 year reduction).

4. What are the early retirement reductions each year?

The early retirement reductions under the Rules of the Plan may be set from time to time by the Trustee and Company, having taken actuarial advice. Historically, a flat 4% a year reduction had been adopted in the Rules. Since the benefits were secured with Rothesay Life, the Trustee has opted to use the reductions applied by Rothesay. These are currently slightly more beneficial than the previous reductions and are subject to the insurance industry's 'treating customers fairly' regime. However, different parts of your pension may be subject to different reductions, for example, depending on how each part will increase in payment, so there is no longer a flat rate of reduction.

5. When can I use the EERF?

Whilst it remains available, you can use EERF any time on or after age 55 (or age 50 if you were an Executive member on 5 April 2006), if agreed by your line manager and authorised by the Remuneration Committee of the Company or its nominees.

6. How do I take advantage of the EERF?

The EERF is discretionary and requires approval from IHG's Remuneration Committee. You will need to obtain the consent of your line manager before any request for authorisation from the Remuneration Committee is sought. Please contact David Coles (email: david.coles@ihg.com) or Keith Sully (email: keith.sully@ihg.com) in IHG's pensions team for further details.

7. Can I draw my pension voluntarily under the terms of the EERF and continue working for the InterContinental Hotels Group?

Yes, with the approval of your line manager, you would be able to draw your full pension on EERF terms (subject to Company approval as outlined above; and also on the condition that you will not work more than 50% of your previous hours for the Company) and continue working part-time for the Company in the same or a different job, with access to the Defined Contribution section of the Plan.

8. Where can I get help?

If you have any queries or wish to obtain an individual quotation please contact David Coles (email: david.coles@ihg.com) or Keith Sully (email: keith.sully@ihg.com) in IHG's pensions team.