<u>Pension consultation 2021 - Questions and Answers</u>

This Questions and Answers document is in relation to the ongoing pension consultation the Company is running in respect of certain proposed benefit changes for employees who are members of the Retirement Plan Section of the William Hill Pension Scheme ("the Scheme").

The consultation is running until 26 September and you can send your questions or feedback on the proposals via the dedicated pensions consultation mailbox - pensions2021@williamhill.co.uk.

In this document we have summarised the most commonly asked questions received during the consultation so far and at the recently held information webinars (which are available to view on the pensions website should you wish to refer to these).

Please note there is no specific action required from you as part of the consultation process, however we would encourage you to continue to send your questions to the above email address and we will publish an updated document with any further questions in the coming weeks.

Important note: as a reminder, if you think you may have a tax impact if the top-up payments are made to your Pensions Savings Plan ('PSP') pot, you must let us know by 31 August 2021 at the above email address. Please refer to "Factsheet - Pensions Tax" included in the pack you received on 27 July to see more detail on the potential tax impact.

Questions in relation to the Retirement Plan Section insurance policy with Rothesay

Please note that the insurance policy we have taken out with Rothesay, in respect of your benefits in the Retirement Plan Section of the Scheme, does not form part of the formal consultation. It is because of the intention to eventually fully insure your Retirement Plan Section benefits that we have had to propose the changes that are under consultation.

1. **Why have you decided to insure the benefits with Rothesay now?**

   Securing your benefits with Rothesay is a continuation of many initiatives the Company and Trustee have undertaken together over the last few years to protect your benefits and in fact follows on from an insurance policy we took out with another insurer, JUST, a few years ago in respect of members who had retired at that time.

   The decision to insure your benefits was not driven by the sale of the Company to Caesars, but it was the sale to Caesars that allowed us to achieve this insurance more quickly than we had anticipated as a result of a cash injection from Caesars to help us meet the cost of the insurance policy.

2. **What protections are in place if Rothesay were to fail?**

   Unlike companies (like William Hill and Caesars) who sponsor pension schemes such as the Scheme, insurers such as Rothesay are subject to strict rules and regulations that provide members with significant security for their benefits. As such, the risk of Rothesay failing is very unlikely due to all these strict requirements by which they must abide.

   However, in the very unlikely event Rothesay did fail, members' benefits are protected by the UK Financial Services Compensation Scheme (FSCS). The FSCS would step in if the insurer is no longer able to meet its benefit promises to the Scheme or to members.

3. **Will Rothesay manage the Scheme going forward?**

   As of today, there is no change to the way your benefits in the Scheme are managed. The insurance policy is a contract between the Trustee and Rothesay and you will continue to receive your accrued benefits and annual statements in the normal way. To be clear, there are no changes to your benefits (other than those outlined by the Trustee and being proposed by the Company), for example for most members your pension is still equivalent to your accrued pension on a 60ths basis as at 31 March 2011 (when the Scheme closed to future accrual).

   However, we might in the future ask Rothesay to manage your Retirement Plan Section benefits going forward. This would involve Rothesay establishing individual insurance policies with members, which are essentially insurance contracts between each individual member and Rothesay. Your benefits would remain the same, but it is just that they would be managed and paid to you directly by the insurer. If this does happen you will be provided with further details at the time and full details of the changes to who will manage and pay your benefits, and whether you will receive annual statements.

Please note Rothesay are only insuring your benefits in respect of the Retirement Plan Section and will have no role to play in relation to your PSP pot, which will remain entirely separate to this insurance policy. As explained in the pack that was sent to you on 27 July, it is because of this insurance policy that we have had to separate the Retirement Plan Section from the PSP.

Questions in relation to the top-up payments to your PSP pot

4. **How do I know if I have an Annual Allowance tax impact as a result of the top-up payments being made to my PSP pot?**

   The Annual Allowance ('AA') is £40,000 for most people (although a lower Tapered Annual Allowance may apply to people with a total UK taxable income (ignoring the value of any pension savings) of over £200,000). The amount that can be paid into your PSP pot in the current tax-year (ignoring any other pension pots you may be paying into) without incurring a tax charge is your AA plus any unused amounts that you are able to carry forward from the three previous tax years. If you are paying into any other pension pots e.g. a private pension pot, this also counts towards your AA.

   Your PSP pension savings that would count towards your AA for the current tax year consists of your contributions into the PSP (including any Additional Voluntary Contributions (AVCs) that you pay), the contributions that the Company pays into the PSP on your behalf and the two top-up payments that will be paid into the PSP described in the pack that was sent to you on 27 July. In respect of your Retirement Plan Section benefits, any increase in the value of your defined benefit pension over the tax year, offset by inflation over the year, will also count towards your AA for that year.

   If your pension savings are greater than the amount that can be paid into your PSP pot without incurring a tax charge, you will have to declare this on your Self-Assessment tax return and typically you will then need to pay income tax on the excess at your marginal rate of tax.

   It is important that you refer to the "Factsheet - Pensions Tax" we have included in your information pack, which explains some of the circumstances under which you may be impacted by tax. You can also visit https://www.tax.service.gov.uk/pension-annual-allowance-calculator, which has some helpful tools and information to help you calculate your remaining annual allowance.

   Within the Factsheet you will also find details of the potential impact the top-up payments could have on your Lifetime Allowance, any protections you have in place for your Lifetime Allowance and your Money Purchase Annual Allowance - please do carefully read this Factsheet to see if any of these may apply to you.

Based on some calculations carried out, we would not expect such tax issues to impact many members. However, if in doubt, we would recommend that you speak to a financial adviser who will be able to take into account your personal circumstances and the proposed top-ups to advise on any tax implications.

Please note that we are not able to confirm whether or not you will have a tax impact so it is important you check this carefully based on your individual circumstances.

If you think that you may have a tax impact as a result of the top-up payments to your PSP pot, please **contact us at pensions2021@williamhill.co.uk by 31 August 2021**. Once we understand the scope of any impacted members, we will then make a decision as to the best way to manage any potential tax impact.

5. **What would happen to my top-up payment if I leave the Company?**

   Once the top-up payment has been paid to your PSP pot, it does not matter if you leave the Company. The top-up payment will be invested in your PSP pot and is yours to decide how you wish to use it when you retire.

Questions in relation to breaking of the link between the Retirement Plan Section and the PSP

6. **What if I already have a retirement quote based on the linked benefits?**

   If you have already received a retirement quote that allows for the link between the Retirement Plan Section and PSP benefits to be maintained, the quote you received will still stand. As such, if you accept your quote before 31 October 2021 you would not receive the Trustee top-up payment set out in the letter that was sent to you on 27th July as you are able to take your retirement benefits on the current basis and are therefore not impacted by this change.

   If you decide not to take the agreed quote, for example you might decide you would prefer to receive the 20% top-up payment to your PSP pot, then your quote would no longer be honoured and you would instead have to take your benefit in line with the change.

   Please note that if you retire or accept a retirement quote before 31 October 2021 then the changes under consultation by the Company should not apply to you. As such, you will not receive the top-up payment being proposed by the Company in respect of the consultation. However, you would still receive the Trustee top-up payment in relation to the separation of your Retirement Plan Section and PSP benefits if these are treated separately in your retirement quote.

7. **Can I still take a tax free cash lump sum at retirement?**

Yes - you are still able to take a tax free cash lump sum at retirement. Your ability to take tax free cash has not changed, it is just how you take that tax free cash lump sum that has changed. Previously you were able to take a greater proportion of the cash from your PSP pot, however after the change you can take broadly a maximum of 25% of your PSP pot as tax free cash and the remainder of the tax free cash that you wish to take must be taken from your Retirement Plan Section benefits.

8. **Can I still transfer my benefits out of the Retirement Plan Section or PSP**

   Yes - the changes will not alter your ability to transfer out and you can continue to do so in the normal way (i.e. you are typically able to take this option any time before your 62nd birthday i.e. before you are within 12 months of your normal retirement date), subject to receiving independent financial advice as required by regulation. Your options under the Scheme have not changed, it is just the way you take your tax free cash lump sum that has changed.

9. **Will the Company continue to contribute to my PSP pot and collect my contributions in the same way?**

   Yes - there are no changes to the contributions to your PSP pot.

Questions in relation to the Company's proposed changes

Please note that we are not able to provide individual impacts of the proposed changes to you. Overall, based on our calculations and allowing for the top-up payments, we expect there to be little to no impact for most members and the majority of your benefits remain unchanged.

Break in the link to salary progression

10. **What if historically my salary growth has been lower than the statutory minimum inflationary increases due under the Retirement Plan Section?**

    If your salary growth since 2011 has been lower than the inflationary increases due under the rules of the Retirement Plan Section, your pension will have been increasing broadly in line with price inflation. Otherwise, your pension on 1 November 2021 will reflect your salary growth where this was higher than inflation.

    As such, for all members whose salary has not kept pace with inflation since 2011, your pension calculated as at 1 November 2021 is completely unaffected by the proposed changes. It is only going forwards that if your salary increases are higher than price inflation, your pension would no longer allow for the higher salary growth. As such, if your salary growth is not materially greater than price inflation between 1 November 2021 and the date you retire (or leave the Company, if earlier) this change would not impact your pension.

    Based on our calculations, we have estimated that the majority of our members have not benefited from the link to salary growth to date and so with the 2% top-up payment, most members will be better or no worse off as a result of the proposed changes.

Change in redundancy benefits

11. **What happens if I am made redundant on or before 31 December 2022 and am not aged between 60 and 63?**

    Currently, if you are made redundant and you are younger than age 60, you are not eligible to receive an unreduced early retirement pension. This benefit is only available to members who are aged between 60 and 63. As such, the proposed change to redundancy benefits does not impact anybody who is made redundant outside of this age group.

    If you are age 63 or more at the date of redundancy, there is also no impact as age 63 is your Normal Retirement Age and so you can take your pension unreduced from age 63 in any event, before or after the proposed change.

    Please note that the redundancy benefit is only available if you are made redundant whilst working for the Company - if you resign voluntarily you are no longer eligible for this benefit.

    The additional lump sum being proposed by the Company would only be payable to members who are made redundant on or before 31 December 2022. If you are told about redundancy before this date, but your redundancy occurs after it, you would not be entitled to receive the lump sum.