Menzies Pension Fund
Proposed Pension Scheme Change
1 June 2010

Questions & Answers

Why is the Company proposing this change?

1. Why is this change being proposed?

The 2009 valuation of the Scheme has revealed a shortfall in the funding of over £100m despite the recent Stock Market recovery. This has arisen because of:
- people living for longer than was previously expected;
- poorer investment returns on the Schemes assets than expected;
- low interest rates which increase the value of the liabilities.

The Company needs to take action to reduce both the shortfall and the chances of it increasing further. The proposed benefit change is one of the ways the Company is proposing to deal with these concerns.

The Company's view is that reducing and managing pension cost and risk will enable it to:
- ensure that the benefits built up remain secure;
- continue to offer members in the Scheme the opportunity to earn defined benefits, albeit at a reduced rate;
- remain competitive in the market place.

2. How will the Company fund the deficit?

Even after making the proposed benefit change, the Company will, in addition to funding future accrual, make extra payments of £6m a year, increasing in line with inflation, for each of the next 15 years (subject to actuarial review every three years) to address the shortfall.

3. Why is the change necessary after the previous changes to benefits in 2006?

The changes made in 2006 went some way towards reducing pensions costs and risk and it was hoped that no further changes would be needed. Unfortunately, given the turmoil in global markets, the size of the current shortfall in the funding of the Scheme means that a further change is needed.

4. Is the same change proposed to be made to all sections of the Scheme?

Yes. The change set out in the covering letter is being made across all grades and sections of the Scheme.

5. Were other options considered?

The Company considered a number of changes to benefits and considered increasing employee contributions. They also considered closing the Scheme and moving all current members to the Menzies Money Purchase Pension Scheme. Instead the proposed change is seen as a compromise between the need to control costs and risks and the Company's desire to continue to provide pensions of a defined benefit nature to members currently in the Scheme.

6. Is the Company making any other changes to the Scheme?

You may have heard about an offer that the Company has recently made to pensioner members of the Scheme. Pensioners are being given the option to exchange some of their annual pension increases for an uplift in current pension. Those taking this option should help to reduce the deficit. On your retirement, you will also be given this option.

7. This proposed change is disappointing. Will further changes be required in the future?

The Company very much hopes that the proposed change, together with the additional contributions from the Company and the option for pensioners, will reduce the cost and risk of providing defined benefit pensions to an acceptable level going forward. However, the Company cannot predict the economic environment and therefore is unable to guarantee no further changes in the future.

Your Scheme Benefits

8. How would the calculation of my pension alter if the proposed change goes ahead?

The table below shows how your pension is made up and how this will alter.

Your pension is <u>currently</u> made up of 2 parts:	The proposed change from 1 June 2010:
Pension earned before 1 May 2006: The pension you earned before 1 May 2006 is currently revalued each year in line with inflation (subject to a cap of 5% pa) from 1 May 2006 to your date of retirement or leaving if earlier	**Pension earned before 1 June 2010:** We would calculate the pension you have earned up to this date on the current basis (see opposite) and it would then be revalued each year at 1% (or inflation if lower) from 1 June 2010 to your date of retirement or leaving if earlier
Pension earned from 1 May 2006: This part of your pension is based on the average of your Pensionable Salaries from 1 May 2006 to your retirement or date of leaving if earlier. The pension you earn each year would revalue annually in line with inflation (subject to a cap of 5% pa)	**Pension earned from 1 June 2010:** Your pension earned from 1 June 2010 would be based on the average of your Pensionable Salaries up to your retirement or date of leaving if earlier. The pension you earn each year would revalue annually at 1% (or inflation if lower)

If you remain a member of the Scheme, your 2010 Annual Benefit Statement, due to be issued in June 2010, will reflect how this change will affect your pension at your Normal Retirement Date. If you want to change your mind and leave the Scheme you are able to do so at any time in the future as described further in question 11.

9. If the proposed change goes ahead, are my benefits secure?

The Company is committed to ensuring that the Scheme has sufficient money to pay the benefits due to you. The Trustees regularly monitor the financial position of the funding of the Scheme and discuss this with the Company.

Going forward, the Company is planning to pay an additional £6m a year, increasing in line with inflation, for each of the next 15 years (subject to actuarial review every three years) to reduce the funding shortfall in the Scheme. This, together with the proposed benefit change and offer made to pensioners (see question 6) is expected to reduce the shortfall in the funding over time.

10. What happens if John Menzies becomes insolvent?

In the unlikely event that the Company became insolvent, the Pension Protection Fund (PPF) might be able to take over the Scheme and pay compensation to members. The PPF has been set up by the government to help protect members' pensions where a company becomes insolvent, although it does not guarantee to pay full benefits. Further information and guidance is available on the PPF's website at www.pensionprotectionfund.org.uk, or you can write to the Pension Protection Fund at Knollys House, 17 Addiscombe Road, Croydon, Surrey, CR0 6SR.

11. What will happen to my pension if I choose to leave the Scheme?

If you decide to leave the Scheme, we will calculate a deferred pension for you at 31 May 2010 or at any other date in the future. Your deferred pension would increase each year in line with inflation subject to a cap through to your retirement (the cap is 5% pa in respect of pension earned up to 6 April 2009 and 2.5% pa in respect of pension earned after this date). However you would not earn any future benefits in the Scheme. If you do leave the Menzies Pension Fund you cannot rejoin any time in the future.

If you left the Scheme and continued to be employed by the Company, you would have the opportunity to join the Menzies Money Purchase Pension Scheme at any time from 1 June 2010 onwards.

12. How does the Menzies Money Purchase Pension Scheme work?

In the Menzies Money Purchase Pension Scheme, the contributions made by you and the Company would be paid into your individual pension pot. These contributions would be invested, in accordance with your wishes until the date of your retirement. At your retirement, your pension pot would be converted into a pension.

In the Menzies Money Purchase Pension Scheme, the benefits you receive at retirement would be based on the contributions paid, the investment returns on these before your retirement and the cost of buying a pension from an insurance company when you retire.

More information about the Menzies Money Purchase Pension Scheme can be found on the pensions website: www.johnmenziespensions.com or contact the pensions team on 0131 459 8162/1/3.

How will the consultation process operate?

13. How does the consultation process work?

In line with pension regulations, the proposed change is subject to a 60 day consultation period which will start on Wednesday 17 February 2010 and end on Monday 19 April 2010.

During this time, you will have the opportunity to comment on and find out more about the proposal. You can do this by emailing questions and comments to pensions@johnmenziesplc.com or calling the pensions team on 0131 459 8162/1/3.

Updated Questions & Answers will be provided on www.johnmenziespensions.com to reflect questions received during the consultation.

At the end of the consultation, the Company will consider all responses received and you will be advised of the outcome via an announcement.

Please note that financial advice cannot be given by any member of the pensions team, the Trustees or any of the management teams throughout the business.

14. Do I need to consent to the change?

Yes. If the proposed change goes ahead and you wish to remain in the Scheme and earn benefits for service after 1 June 2010 you will need to consent to the change being proposed. The Company will send all members an announcement and letter at the end of the consultation period confirming the change to be made and will contain a consent form for you to sign and return if you wish to remain in the Scheme.

15. If I choose not to consent to the change what happens?

You will stop earning benefits in the Scheme from 1 June 2010 (see question 11). You will have the option of joining the Menzies Money Purchase Pension Scheme for service after 1 June 2010. More details about the money purchase scheme are available on the Pensions website www.johnmenziespensions.com

If your correspondence was sent to the incorrect address or work location, please email your correct contact details to pensions@johnmenziesplc.com