

Reynolds American Inc.

Susan M. Ivey, President and Chief Executive Officer – Winston-Salem, N.C.

2010 compensation	
Salary	\$1,307,000
Stock Awards	\$7,486,609
Nonequity Incentive Compensation	\$7,780,696
Pension and Deferred Compensation	\$6,989,915
All Other Compensation	\$249,595
TOTAL	\$23,813,815

The number of Americans who are confident that they will have enough money to retire has plummeted to its lowest level in 20 years.^[1] But Susan Ivey, who recently retired as president and chief executive officer of Reynolds American Inc., the Winston-Salem, N.C.-based cigarette manufacturer, doesn't need to worry.

Ivey, who retired at age 52 in February 2011, is one of the few lucky Americans who can retire early. On her retirement, she was entitled to receive \$17.1 million in restricted stock and performance shares. She also is entitled to \$454,273 in health care benefits in her retirement.^[2] Ivey is fortunate to receive these health care benefits—new employees hired after 2004 are not entitled to retirement health benefits.^[3]

Ivey also has accrued a present value of \$10.6 million in pension benefits through various plans of the company.^[4] In addition, she retained \$7.9 million in benefits under a supplemental pension plan for executives of Brown & Williamson Tobacco, a company that merged into Reynolds American in 2004.^[5] Reynolds American closed its defined-benefit pension plans for new employees starting after 2004.^[6]

Under this supplemental plan for Brown & Williamson executives, Ivey received an additional five years of service credit that increased the present value of her retirement benefits by \$2.8 million.^[7] Her early retirement benefit is equal to 91.5 percent of her full retirement benefit commencing at age 52.^[8] Ivey will receive her supplemental pension benefits as a lump sum.^[9] Meanwhile, the company's pension plans had a \$595 million shortfall at the end of 2010.^[10]

¹ Employee Benefits Research Institute, The 2010 Retirement Confidence Survey, March 9, 2011.

² Reynolds American 2011 proxy statement, page 72.

³ Reynolds American form 10-K, filed Feb. 23, 2011, page 30.

⁴ Reynolds American 2011 proxy statement, page 62.

⁵ Reynolds American 2011 proxy statement, page 63.

⁶ Reynolds American form 10-K, filed Feb. 23, 2011, page 30.

⁷ Reynolds American 2011 proxy statement, page 63.

⁸ Reynolds American 2011 proxy statement, page 64.

⁹ Reynolds American 2011 proxy statement, page 64.

¹⁰ Reynolds American form 10-K, filed Feb. 23, 2011, page 133.