

IBM Pension Plan Cash Equivalent Transfer Values

Method and assumptions

The Trustee determines the method and assumptions to be used in the calculation, having taken advice from the Scheme Actuary.

The regulations governing the calculation of transfer values stipulate that these assumptions should be on an overall “best estimate” basis (although trustees can adopt a basis that produces higher transfer values than this minimum level). In particular the assumed rate of investment return should have regard to the Plan’s investment strategy. Demographic assumptions, such as mortality, should be based on the main characteristics of members of the Plan.

The method and assumptions are kept under regular review.

A summary of the basis used is set out below.

	Central assumption (% per annum)
Investment return:	
pre-retirement	7.3
post-retirement	5.1
Increases in deferred pensions (in excess of GMP):	2.9
Rate of increases to pensions in payment:	
pre 6 April 1988 GMP	Nil
post 5 April 1988 GMP	2.9
pension in excess of GMP	
- accrued before 6 April 1997	1.74 until 6 April 2010, then 1.45 until 6 April 2020, then Nil
- accrued between 6 April 1997 and 5 April 2005	2.9
- accrued after post 5 April 2005	2.2

Male mortality at 31 December 2006 is assumed to follow the standard table PNMA00 with improvements up to calendar year 2010 in line with “medium cohort” projections.

Female mortality at 31 December 2006 is assumed to follow the standard table PNFA00 with improvements up to calendar year 2001 in line with “medium cohort” projections, rated up by one year of age.

Allowance is then made for improvements in longevity from 31 December 2006 in line with the CMI medium cohort projections. For non-pensioner members, allowance has then been made for further future improvements in longevity corresponding to 2.5% of liabilities for these members.

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It is assumed that husbands are three years older than their wives. It is also assumed that, at the date of retirement or earlier death, the proportion of members married or having eligible dependants will be in line with the 1981 census.

Market value adjustments

The post-retirement investment return assumption set out above is adjusted to reflect changes in gilt yields (fixed-interest or index-linked as appropriate) between 31 December 2006 and the date of calculation.

There are no adjustments applied to the pre-retirement assumptions.

Discretionary benefits

The Trustee has decided that no allowance should be made for future discretionary increases to benefits.

Member options

Allowance has been made for the enhanced early retirement available to certain members who left pensionable service as a result of a separation programme. In calculating the transfer value for these members, it has been assumed that they will retire at the earliest age at which they have the right to do so under the terms of their separation package.