

July 2011

Dear Plan Member

### Summary Funding Statement for the IBM Pension Plan

On behalf of the Trustee, I am writing to you to provide the annual statutory Summary Funding Statement for 2010.

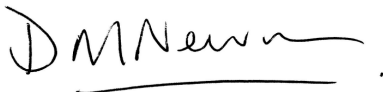
The last triennial Valuation, as at 31 December 2009, was completed in March 2011. This statement includes information from that Valuation Report as well as an update on the funding position at the end of 2010.

The 2010 Members' Report will be issued soon and will include information about the Valuation and other matters. If you are a deferred member and would like a copy of the Members' Report, you will be able to download a copy from the Pensions Trust website or you can call Pension Services and request a copy. Details of how to contact Pensions Trust are show below.

### Contact details

Website	<a href="http://www.smartpensionsuk.co.uk">www.smartpensionsuk.co.uk</a>
Email	<a href="mailto:pensions@uk.ibm.com">pensions@uk.ibm.com</a>
Telephone	External 023 9256 8164 Internal 3725 8164
Secure Fax	023 9256 0962

Yours sincerely,



David Newman  
Pensions Trust Manager

## SUMMARY FUNDING STATEMENT

### The formal ongoing funding valuation at 31 December 2009

The funding position at 31 December 2009 was:

	£ million
Market value of Plan assets (including those in respect of the defined contribution section)	5,625
Amount required to cover the Plan's past service liabilities	6,302
Deficit	677

The funding position of the Plan has improved from a deficit of £818 million at the end of 2008 to a deficit of £677 million at 31 December 2009. The main factors contributing to this improvement include allowance for the Company's new early retirement policy, the removal of funding for discretionary pension increases on elements of pension accrued prior to 1997 as part of the 2009 valuation, favourable asset performance over 2009 and changes to statutory revaluation requirements (which changed certain pension increases from Retail Price Inflation to Consumer Price Inflation). The main factor that served to offset these improvements was the change in the financial assumptions underlying the calculation of the liabilities.

The Trustee and the Principal Employer, IBM United Kingdom Holdings Limited, have agreed that the Company, IBM United Kingdom Limited, will pay additional contributions of £63 million per year from January 2011 to December 2020. If the assumptions set out in the Statement of Funding Principles are borne out in practice, the shortfall of £677 million will be removed by 31 December 2020.

### Solvency position of the Plan

The solvency position of the Plan summarises the ability of the Plan to cover its liabilities were the Plan to be discontinued and wound up and members' accrued benefits secured with an insurance company. It is estimated that as at 31 December 2009, without any further contribution from the Company, the cover for accrued benefits would have been about 69% on this approach.

### Latest Funding update as at 31 December 2010

The forecast deficit at the end of 2010, which is based on approximate calculations of the funding position at that date, is estimated to be around £550 million. The main reason for the improvement compared to the actuarial valuation at 2009 has been better than assumed investment performance over the period, which has more than offset an increase in the liabilities during the same period.

The Scheme Actuary is currently undertaking an interim valuation as at 31 December 2010, which could reveal a deficit that is higher or lower than this estimate. The results of the interim valuation will be provided to members in due course.

### Payments to IBM UK Limited

The regulations require confirmation, or otherwise, of any payments made to the sponsoring employer during the period since the last Summary Funding Statement. The Trustee confirms that there have been no such payments.

### Modifications imposed by the Regulator

The regulations also require the Trustee to report whether the Pensions Regulator has modified the Plan in respect of future accrual of benefits, given directions in relation to the Plan's Technical Provisions or imposed a schedule of contributions. The Trustee confirms that the Regulator has taken no such action in respect of the Plan.