

2020

Members' Report

IBM Pension Plan // Defined Benefit Section

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A Message from the Trustee

As Co-chair of the Trustee, I'm pleased to present the 2020 Members' Report. The Report gives an update on the Plan's performance for 2020 and provides insight on key topics that have taken place during 2020 and the first half of 2021.

Plan Funding

The Trustee carries out a formal review of the Plan's funding position at least every three years. This is called an "actuarial valuation", and is prepared by the scheme Actuary, who is appointed by the Trustee. The next valuation cycle will start on 1 January 2022. In the interim, this report shows on page 3 that the Main Plan had another excellent year of investment returns in 2020 and remains in robust health. As page 3 shows, less than 10% of the Plan's £8.7bn of assets are now in higher risk asset classes, which significantly reduces the down-side risks.

Rothsay Buy-in

At the end of 2020, the Trustee announced a significant insurance policy (or 'buy-in') with Rothsay Life plc (Rothsay). As part of the Main Plan's investment strategy the Trustee purchased an insurance policy from Rothsay, covering around 60% of the Pensioner liabilities. The 'buy-in' is designed to mitigate the risk of lower investment returns or higher longevity rates – either of which would impact the Trustee's ability to pay pensioner benefits in the future. This reduction in risk is good news for all members regardless of whether their individual liabilities are covered by the insurance policy.

Member Support and Administration Outsourcing

At its peak, the COVID-19 pandemic had an impact on the support that the IBM Pensions Trust staff could provide to members. The Trustee is grateful to members for their patience during 2020 while the team continued to work hard to try and respond to queries in a timely manner. The challenges of COVID-19 during 2020 were then multiplied coming into 2021 by additional workload on the team in first quarter, along with the administration outsourcing of the Plan to XPS in early June 2021.

I'm pleased to report that, as I write this in early September, XPS have already cut the backlog of work they inherited by two thirds with the expectation of clearing all the backlog by fourth quarter.

I would like to take this opportunity to thank the Pensions Trust staff for their dedication, especially through the pandemic challenges, and wish those transferred staff who moved to XPS all the best for their future careers.

In January 2021, the Trustee also moved the administration of our Defined Contribution (DC) plans to Legal and General (L&G) where we could take advantage of the opportunities offered by their investment platform at the same time. In April 2021, this relationship with L&G led to DC members having an option of utilising the L&G At Retirement Mastertrust, without having to transfer funds out of their existing L&G investments. This Mastertrust is currently in the process of being extended to benefit Hybrid and Enhanced DB members.

Board Director Changes

There have also been some changes in the composition of the Pensions Trust Board – Gary Kildare resigned in July 2020 and his replacement Stephen Kelly resigned in March 2021. I am delighted to welcome Zoe Hughes as a new Director joining in May 2021.

We also changed our Pensions Trust Manager, with Paul Butler replacing Mark Griffiths in May 2021. I would like to thank Mark for all his hard work and invaluable expertise during his 3 years leading the team.

News & Information

Please visit our News & Information section for other news items that may be of interest. It includes information on the administration transfer, Pension Transfers, Beneficiary Nominations and more.

I have hosted several member Webex calls during 2020 and 2021 and these will continue. The details of each call can always be found on the Pensions Trust website under 'News'. All members are welcome to reach out to me at any time if they think I can help. My email is Robert_tickell@talk21.com

Finally, we welcome feedback on this report and your suggestions on how you feel we could improve future communications.

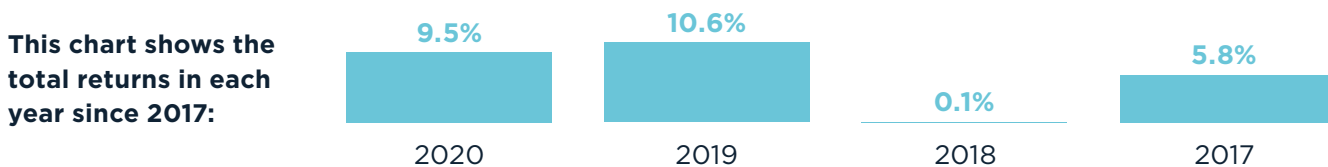
Robert Tickell | Co-chair
September 2021

2020 Financial Review

Investment Performance

The investment strategy is broadly diversified and following de-risking is now invested in domestic and overseas bonds, index linked gilts, domestic property, private equity, some residual reinsurance and the bulk annuity insurance policy with Rothesay Life.

Over the 12 months to 31 December 2020, the Plan delivered a return of 9.5% (2019: 10.6%) net of fees which was slightly below the Plan's benchmark return.



Long-term Investment Performance

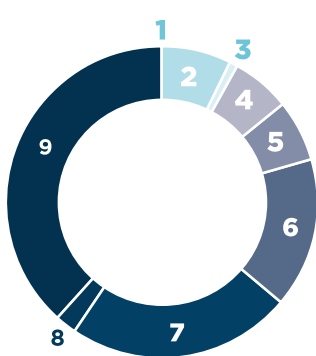
The investment of the Plan's assets is a long-term strategy. The annualised returns of the Plan over the past one, three, and five years are shown here against the benchmark for that period. The Plan's returns are slightly behind the benchmark:

	Over one year	Over three years	Over five years
Plan return (net of fees)	9.5%	6.7%	9.5%
Benchmark (gross of fees)	9.9%	7.2%	9.7%

Asset Allocation

The Trustee has adopted an investment strategy which has been designed to generate income, capital growth, and to minimise volatility over the longer-term. The Plan's assets were invested in a diversified mix of different asset classes as at 31 December 2020.

This diagram shows how the Plan's assets were invested on 31 December 2020.



Asset Class	Percentage	Matching assets	Percentage
Growth assets	8.1%		
1 Listed equities	-	4 Global bonds	6.3%
2 Private equity & property	7.4%	5 Global credit	6.2%
3 Alternative investments	0.7%	6 Long-term Core Credit	15.6%
		7 Liability matching assets	23.4%
		8 Other	2.3%
		9 Rothesay Life Bulk Annuity	38.1%
		Matching assets	91.9%

Investments from Additional Contributions

The value of assets related to Additional Smart Contributions and Additional Voluntary Contributions (ASCs/AVCs) was £76.5 million at the end of the year.

Members have a choice of how their ASCs and/or AVCs are invested. They can either elect an automated investment Lifecycle strategy or choose their own investment funds in the Freestyle strategy. More detailed information on the Lifecycle strategies and Freestyle investment choices can be found at www.legalandgeneral.com/workplace/i/ibm/avc/

This table shows the performance of the funds ordered by market value to 31 December 2020.

	Market value £m	Return (net of fees)	Benchmark (gross of fees)
Global Equity 70:30 Index Fund	12.3	-2.9%	-3.1%
Global Equity 60:40 Index Fund	11.3	-1.1%	-1.1%
Money Fund (was Cash Fund)	11.2	0.3%	0.1%
Growth Plus Fund	6.6	7.1%	7.0%
Growth Plus Fund (former Consensus)	6.4	7.1%	7.0%
Growth Fund	5.7	6.6%	6.5%
Pre-Retirement Fund	3.2	11.1%	11.1%
World Ex UK Developed Equity Index Fund	3.1	14.4%	14.3%
UK Equity Index Fund	2.0	-9.8%	-9.8%
Ethical UK Equity Index Fund	1.7	-11.3%	-11.3%
Over 15 Year Gilts Index Fund	1.3	13.8%	13.9%
Ethical Global Equity Index Fund	1.3	10.5%	10.7%
Annuity Protection Index Fund	0.7	13.0%	13.0%
Infrastructure Equity MFG - GBP Hedged Fund	0.7	-5.7%	-5.3%
All World Equity Fund	0.5	12.3%	12.4%
World Emerging Markets Equity Index Fund	0.5	11.3%	11.7%
All Stocks Index-Linked Gilts Fund	0.3	11.0%	11.0%
Pre-Retirement Inflation-Linked Fund	0.2	11.2%	11.2%
Investment Grade Corporate Bond - All Stocks Index Fund	0.1	7.7%	7.8%
Emerging Market Debt Fund	0.1	2.0%	1.8%
Global Real Estate Equity - GBP Hedged Fund	0.0	-12.1%	-11.9%
Legal & General Funds Sub-total	69.2		
Aviva PLC	7.3		
Equitable Life	0.0		
ASC / AVC Total	76.5		

Annual Report & Accounts

The 2020 Annual Report & Accounts have been audited by PricewaterhouseCoopers LLP, who have confirmed that:

- The accounts show a true and fair view of the financial transactions during the year ending 31 December 2020; and
- Contributions were paid to the Plan as set out in the schedule of contributions in force during the year.

Income and Expenditure

This table shows the breakdown of income and payments for the year. This information is taken from the 2020 Annual Report & Accounts.

You can find a copy of the 2020 Annual Report & Accounts on the Pensions Trust website at www.smartpensionsuk.co.uk/#/page/governance-documentation

	<i>£m</i>
Value at 1 January 2020	8,228.0
+ Investment income and contributions received	
Net returns on investments	811.3
Contributions received	0
Transfer between sections	0.2
- Benefits and other payments	
Benefits payable	(301.4)
Transfers to other plans	(37.7)
Administration expenses	(6.2)
= Value at 31 December 2020	8,694.2

Membership Statistics

This chart shows a comparison of the Plan members at 31 December 2019 and 31 December 2020. Following the closure of the Plan to future accrual, there are no active members.

Retired Members		Deferred Members		Total
15,331	15,266	4,026	4,388	2020 // 19,357
				2019 // 19,654

News & Information

Pensions Trust Website

You can find governance documentation such as the Trust Deed and Rules, the full Report and Accounts, plus all the latest news on our website at www.smartpensionsuk.co.uk

Administration of the DB Plans

On 1 June 2021, XPS Administration was appointed to administer the Defined Benefit (DB) Sections of the IBM Pension Plan and IBM I.T. Solutions Pension Scheme.

XPS is the largest, solely focused pensions consulting and administration firm in the UK. A number of the IBM Pensions Trust team transitioned over to XPS, making the move of administrators, and continuity of service, as seamless as possible. There was a short amount of time when the team were unavailable to answer member queries, and we would like to thank you for your patience.

Don't forget that you can continue to access MyPension by going to www.smartpensionsuk.co.uk, and clicking through to the XPS area of the site.

The contact details for the XPS administration team are:



Address: IBM Plans, XPS Pensions Group, Office 48, Pure Offices One Port Way, Port Solent Portsmouth, Hampshire PO6 4TY



Email: XPSadmin.IBM@xpsgroup.com



Telephone: 0118 214 3056

COVID-19 and Your Pension

During these unprecedented times financial security is rightly at the forefront of many people's minds.

For the individual saver stock market volatility and economic uncertainty inevitably lead to the key question – how will this affect my pension and retirement plans?

Guy Opperman, the UK Pensions Minister, released a guide last year that details the measures taken across the industry to support savers, answers to many frequently asked questions, and details on the free and impartial guidance that is available.

The contributing organisations are the Pension Protection Fund, the Financial Services Compensation Scheme, Money and Pensions Service, the Pensions Ombudsman, the Pensions Regulator and the Financial Conduct Authority.

You can read the guide in full at www.mypension.com/media/2003/covid-19-and-your-pension.pdf

Lifetime Allowance

The Lifetime Allowance (LTA) is the limit on the amount of pension savings that you can build up over your lifetime without incurring a tax charge.

The LTA is currently £1,073,100 and will remain at this amount until at least April 2026.

If you think you may be over the LTA limit, Individual Protection (2016) may be available to you. You can find out more about this at

www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance

Considering a Pension Transfer?

The Financial Conduct Authority has produced information to help you understand the value of a defined benefit pension if you are considering transferring out of a defined benefit pension scheme into a defined contribution scheme.

Defined benefit pensions

A defined benefit (DB) pension, sometimes called a final salary pension, gives you a guaranteed lifetime income that usually increases each year to protect you against inflation. It may also continue being paid to your partner at a reduced rate when you die.

Defined contribution pensions

In a defined contribution (DC) pension, you invest funds to build up a personal pot of money and pay charges to the pension scheme operator and investment managers. You can choose how to use your pot to give you allowable tax-free lump sums and your retirement income.

If you transfer out of a defined benefit pension, you cannot reverse it.

Make sure you understand the risks to help you make an informed decision.

*For further information, please visit **www.fca.org.uk/consumers/pension-transfer-defined-benefit***

The FCA has also issued information on what to expect when seeking guidance regarding transferring your pension. This guidance covers topics such as finding an adviser, getting a transfer value and what good advice looks like. Read more about it at

www.fca.org.uk/consumers/pension-transfer/advice-what-expect

Pension Scams. Don't Get Stung!

Guidance is available from The Pensions Regulator on how to scamproof your savings. With pensions now able to be accessed in new ways, scammers are becoming more prevalent and inventive in how to scam you out of your hard-earned savings. They will try to lure you with promises of one-off investments, pension loans or up-front cash. Most of these are bogus.

To scam-proof yourself remember to:

- 1 Stop. Think about it. A genuine adviser will never rush you into a decision.
- 2 Make sure the adviser is registered by the Financial Conduct Authority at **www.fca.org.uk/register**
- 3 Look at the FCA's Scamsmart warning list at **www.fca.org.uk/scamsmart** - this will tell you the names of investment schemes that are known scams.
- 4 If you are approaching 50 or about to retire, Pension Wise can tell you more about what you can do with your retirement pot. Visit the website at **www.pensionwise.gov.uk**
- 5 Before you sign anything, call Money Helper (formerly The Pensions Advisory Service) on **0800 011 3797** for information and advice about pension scams.
- 6 If you've already signed the papers, report it to Action Fraud at **www.actionfraud.police.uk** or call **0300 123 2040**.
- 7 Hang up if you receive a cold call about your pension. Unsolicited phone calls, text or emails about your pension are nearly always scams.

*For further information, view The Pensions Regulator scams guidance at **www.pension-scams.com***

Pension Wise

Pension Wise is a government service from MoneyHelper that offers free, impartial guidance for anyone aged 50 or over with a defined contribution pension. You will be able to find out what you can do with your pension pot, how to shop around and what to look out for with taxes and fees. They will explain how to avoid pension scams and the importance of taking your time to make sure your money lasts as long as you do.

Pension Wise will not recommend any products or tell you what to do with your pension savings.

*For further information about this service, see their website at www.pensionwise.gov.uk or book a free appointment by calling **0800 138 3944**.*

Will Aid

Many solicitors participate in Will Aid in November each year. This is a scheme that provides people with a basic will, professionally drawn up by a solicitor who will not charge their usual fee. Instead, the solicitor will ask for a donation (they suggest £100 for a single basic will and £180 for a pair of 'mirror' wills) to Will Aid to raise money for the Will Aid charities, which are ActionAid, Age UK, British Red Cross, Christian Aid, NSPCC, Save the Children, Sightsavers, SCIAF and Trocaire.

Find out more about Will Aid at www.willaid.org.uk

Beneficiary Nomination

It is important that you have up-to-date beneficiary nomination information registered so that if you were to die we are able to take your wishes into account. It is very difficult for partners and relatives to settle someone's financial affairs after they die, and by having an up-to-date will or beneficiary nomination registered with us, we are able to support your loved ones at this difficult time.

An up-to-date nomination is the best way to ensure that decisions over the payment of benefits are made taking full account of your wishes.

You can update your beneficiary nomination in relation to your DB benefits by logging onto MyPension.

Please note

If you also have DC benefits a separate beneficiary nomination form will also need to be completed via L&G.

For those members who are current employees with Group Life Assurance (GLA) benefits, your GLA beneficiary nomination is held by the Company. You can update this using Workday.

Information About the Trustee

The Board of Directors of the Trustee Company, IBM United Kingdom Pensions Trust Limited, are responsible for all aspects of the administration and management of the Plan. There are nine Trustee Directors.

The Trustee Directors meet regularly, usually at least quarterly, to discuss matters relating to the management of the Plan. The Board has delegated responsibility for certain matters to four committees. Each Trustee Director is a member of one or more committees. Day-to-day operational activities of the Trustee are delegated to the Pensions Trust organisation.

The assets of the Plan are held in trust for the benefit of its members.

The **Investment Committee** is responsible for the oversight of performance, manager selection and the implementation of strategic and tactical asset allocation.

The **Benefits Allocation Committee** is responsible for the review and approval of discretionary benefits payable in respect of deceased Plan members and in relation to ill health early retirement cases.

The **Dispute Resolution Committee** is responsible for advising the Trustee in respect of any complaints made by Plan members which Pensions Trust has been unable to resolve.

The **Governance Committee** is responsible for advising the Trustee on the discharge of its duties with regard to the Plan's financial statements and the maintenance of proper records and controls. The Committee supervises the preparation of the Plan's Annual Report and Accounts. It also provides oversight of internal financial controls and risk management.

The Trustee Directors holding office during 2020 and any changes in 2021 are shown below:

Member-nominated Directors

Robert Tickell Co-chair

Doug Moody (resigned 30 April 2020)

Ian Shore

Robert Clark (appointed 1 May 2020)

Non-member-appointed Directors

Dr Evaristus Mainsah (Co-chair)

Gary Kildare (resigned 24 July 2020)

Joseph Sweeney (resigned 29 February 2020)

Mark Hobbart

Frederick Klutey

Naomi Hill (appointed 1 March 2020)

Stephen Kelly (appointed 22 September 2020, resigned 19 March 2021)

Zoe Hughes (appointed 14 May 2021)

The Law Debenture Pension Trust

Corporation Plc., represented by David Felder to 30 June 2020, replaced by Andrew Harrison from 1 July 2020, and Anna Eagles.

Managers, Professional Advisers and Auditors

The following Managers, Professional Advisers and Auditors are independently appointed by IBM United Kingdom Pensions Trust Limited:

Administrator

IBM Pensions Trust

XPS Pensions Group were appointed as administrator of the DB sections of the Plan from 1 June 2021

Scheme Actuary

Graham McLean

*(Fellow of the Institute & Faculty of Actuaries),
Willis Towers Watson*

Actuarial Advisers

Willis Towers Watson

Independent Auditors

PricewaterhouseCoopers LLP

Performance Reporting Services

The Northern Trust Company

Global Custodian Banker

The Northern Trust Company

Legal Advisers

Nabarro LLP / Sacker & Partners LLP

Investment Advisers

Towers Watson Limited t/a Willis Towers Watson / Mercer Limited

Property Valuation Services

Knight Frank LLP

Annuity Insurance Provider

Rothesay Life Plc

Pensions Trust Management Team

Pensions Trust Manager & Company Secretary

Mark Griffiths (resigned 14 May 2021)

Paul Butler (appointed 14 May 2021)

Stewardship

Edward Rollins

Pensions Investment Manager

Claire Smith

Pensions Operations Manager

Julie Edney

Pensions Integration Manager

Charlotte Cooper

Contact Us



Website: www.smartpensionsuk.co.uk
Please access the XPS member site from the link on our homepage



Email: *(queries about this document only):*
PTComms@uk.ibm.com



Telephone: *(pension related queries):*
0118 214 3056



Email *(pension related queries):*
XPSadmin.IBM@xpsgroup.com

Trust Deed and Rules

The Trust Deed and Rules are the formal legal documents governing how the Plan is to be administered. The Trust Deed and Rules can be found on our website at www.smartpensionsuk.co.uk/#/page/governance-documentation

The information contained in this booklet should not be construed as advice from the Trustee. It includes a summary of the information contained in the audited 2020 Annual Report & Accounts, copies of which can be obtained from Pensions Trust, or on our website at www.smartpensionsuk.co.uk/#/page/governance-documentation

