

2021

# Members' Report

IBM Pension Plan // Defined Benefit Section

October 2022

## Inside...

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- Page 2** A Message from the Trustee
  - Page 3** 2021 Financial Review
  - Page 5** Annual Report & Accounts
  - Page 6** News & Information
  - Page 10** Information about the Trustee
  - Page 11** Managers, Professional Advisers and Auditors
  - Page 11** Pensions Trust Management Team
  - Page 12** Contact Us
-

# A Message from the Trustee

As Chair of the Trustee, I'm pleased to present the 2021 Members' Report. The Report gives an update on the Plan's performance for 2021 and provides insight on key topics that have taken place during 2021 and the first half of 2022.

## Plan Funding

The Trustee is currently in the middle of a formal review of the Plan's funding position, which takes place every three years. This is called an "actuarial valuation", and is prepared by the scheme Actuary, who is appointed by the Trustee. In the interim, this report shows on page 3 that the Main Plan's investment returns in 2021 were largely as expected and the Plan remains in robust health despite the challenging financial environment.

## Member Support and Administration Outsourcing

Since last year's report, XPS have now had a full year of supporting the members. Monthly Service levels overall have now reached the high level that the Trustee is looking for, and there have been significant improvements in many areas. There are robust governance processes in place that involve the Pensions Trust management team, the Trustee's Governance Committee and myself.

The introduction of the Legal & General At Retirement Mastertrust has been well received by members planning to use drawdown as part of their pension activity.

## Board Director Changes

There have also been some changes in the composition of the Pensions Trust Board - Evaristus Mainsah left IBM and the Board at the end of November 2021. His replacement was Dave Walsh, who resigned in July 2022. Dave's replacement is expected to be announced soon.

## Member Nominated Director Election

During 1Q23, there will be an election for the 3 Member Nominated Director posts. The appointments will be for 4 years, starting on 1st May 2023. Please look out for announcements and communications starting in 4Q22.

## 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 would particularly like to draw your attention to the Climate Change-related Financial Disclosures report mentioned on page 6 which is available on the Pensions Trust website along with an informative infographic summary.

I have continued to host several member Webex calls during 2021 and 2022 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, my email is **Robert\_tickell@talk21.com**

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

**Robert Tickell | Chair**  
October 2022

# 2021 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 and the bulk annuity insurance policy with Rothesay Life.

Over the 12 months to 31 December 2021, the Plan's investments (excluding the bulk annuity insurance policy) delivered a return of 0.9% (2020: 9.5%) net of fees which was slightly below the Plan's benchmark return.

This chart shows the total returns (net of fees) in each year since 2018.



## Long-term Investment Performance

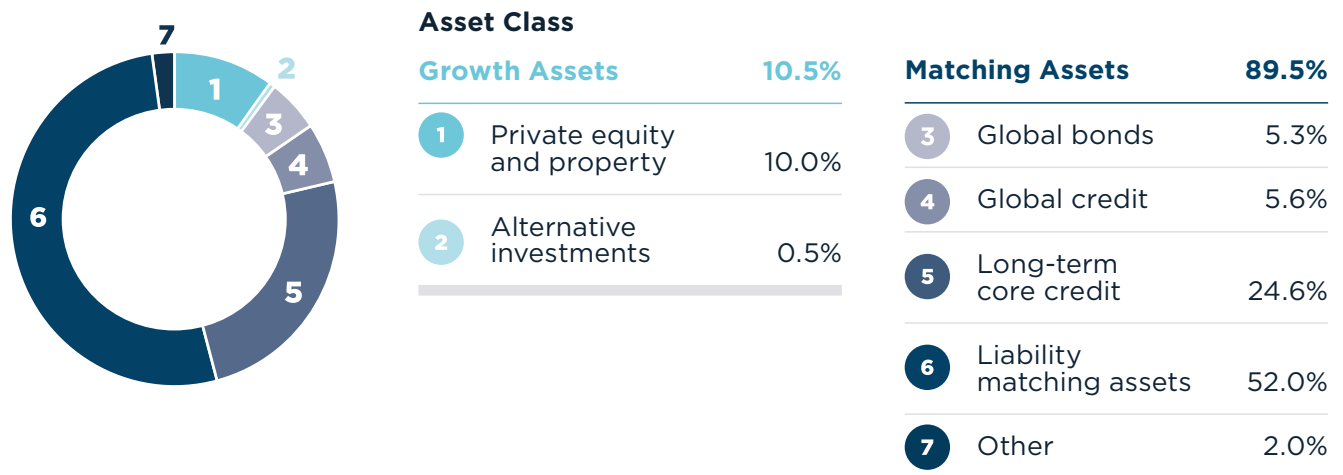
The investment of the Plan's assets is a long-term strategy. The annualised returns of the Plan over the past one, three, and five years are shown here against the benchmark for that period. The Plan's returns are slightly below the benchmark.

	Over <b>one year</b>	Over <b>three years</b>	Over <b>five years</b>
Plan's returns (net of fees)	0.9%	6.9%	5.3%
Benchmark (gross of fees)	1.3%	7.2%	5.7%

## Asset Allocation

The Trustee has adopted an investment strategy which has been designed to generate income and capital growth, alongside minimising volatility over the longer-term. The Plan's assets were invested in a diversified mix of different asset classes as at 31 December 2021.

The diagram below shows how the Plan's assets were invested on 31 December 2021.



## Investments from Additional Contributions

The value of assets related to Additional **Smart**\* Contributions and Additional Voluntary Contributions (ASCs and AVCs) was £76 million at the end of 2021.

Members have a choice as to 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 on Legal & General's website at [www.legalandgeneral.com/workplace/i/ibm/avc/investing/your-investment-options/](http://www.legalandgeneral.com/workplace/i/ibm/avc/investing/your-investment-options/)

The table below shows the performance of the funds, ordered by market value, to 31 December 2021.

	Market value £m	Return (net of fees)	Benchmark (gross of fees)
Global Equity 70:30 Index Fund	13.0	19.0%	19.0%
Global Equity 60:40 Index Fund	10.9	18.1%	18.1%
Growth Plus Fund	9.4	19.0%	18.9%
Money Fund (was Cash Fund)	8.6	0.0%	0.0%
Growth Plus Fund (former Consensus)	6.5	19.0%	18.9%
Growth Fund	4.9	8.7%	8.6%
World ex UK Developed Equity Index Fund	4.2	23.8%	24.1%
Ethical UK Equity Index Fund	2.3	17.0%	17.2%
UK Equity Index Fund	2.2	18.2%	18.2%
Pre-Retirement Fund	1.7	-5.0%	-4.9%
All World Equity Fund	1.4	21.1%	21.2%
Ethical Global Equity Index Fund	1.2	26.6%	26.7%
Over 15 Year Gilts Index Fund	0.9	-7.3%	-7.3%
World Emerging Markets Equity Index Fund	0.6	1.3%	1.4%
Annuity Protection Index Fund	0.5	0.7%	0.7%
Infrastructure Equity MFG - GBP Hedged Fund	0.2	17.2%	17.7%
Pre-Retirement Inflation-Linked Fund	0.2	-0.2%	0.1%
Future World Fund (started in 2021)	0.2	-	-
Investment Grade Corporate Bond - All Stocks Index Fund	0.1	-3.1%	-3.1%
Emerging Market Debt Fund	0.1	-5.2%	-5.0%
Global Real Estate Equity - GBP Hedged Fund	0.1	29.5%	29.7%
All Stocks Index-Linked Gilts Fund	-	4.2%	4.3%
<b>Legal &amp; General Funds Sub-total</b>	<b>69.2</b>		
Aviva Life & Pensions UK Limited	6.8		
<b>ASC / AVC Total</b>	<b>76.0</b>		

# Annual Report & Accounts

The 2021 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 2021; and
- Contributions were paid to the Plan as set out in the schedule of contributions in force during the year.

## Income and Expenditure

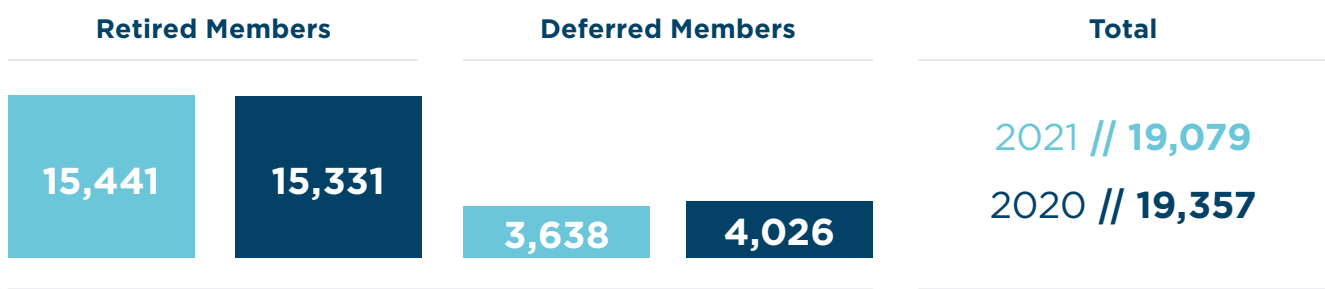
This table shows the breakdown of income and payments for the year. This information is taken from the 2021 Annual Report & Accounts.

You can find a copy of the 2021 Annual Report & Accounts on the Pensions Trust website at [www.smartpensionsuk.co.uk/#/page/governance-documentation](http://www.smartpensionsuk.co.uk/#/page/governance-documentation)

	<i>£m</i>
<b>Value at 1 January 2021</b>	<b>8,694.2</b>
<b>+ Investment income and contributions received</b>	
Net returns on investments	<b>(81.3)</b>
Contributions received	<b>0</b>
Transfer between sections	<b>3.5</b>
<b>- Benefits and other payments</b>	
Benefits payable	<b>(308.4)</b>
Transfers to other plans	<b>(35.7)</b>
Administration expenses	<b>(6.0)</b>
<b>= Value at 31 December 2021</b>	<b>8,266.3</b>

## Membership Statistics

The chart below shows a comparison of the Plan members at 31 December 2020 and 31 December 2021. Following the closure of the Plan to future accrual, there are no active members.



# News & Information

## Pensions Trust Website

You can find governance documents such as the Trust Deed and Rules and the full Report and Accounts as well as all the latest news on our website at [www.smartpensionsuk.co.uk](http://www.smartpensionsuk.co.uk)

### Administration of the Defined Benefit (DB) Plans

XPS Administration administer the DB Sections of the IBM Pension Plan and the IBM I.T. Solutions Pension Scheme.

XPS is the largest, solely-focused pensions consulting and administration firm in the UK and a number of the IBM Pensions Trust team have moved to XPS, which has made the continuity of service as seamless as possible.

Don't forget that you can continue to access MyPension by going to [www.smartpensionsuk.co.uk](http://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

### Deferred Members

A deferred member is a member who is no longer contributing to the pension plan but still has their benefits in the plan. Even though you are no longer contributing it is still important to keep your pension administrator updated with any change in details so they can continue to provide you with the best possible service in managing your pension. You can contact XPS Administration to advise of any changes by using the details provided to the left. Please note if you have any Defined Contribution (DC) benefits you will also need to inform Legal & General of any changes.

### Climate Change related Disclosures Report

We have produced a report that explains how the Trustee has established oversight and processes to ensure that the IBM Pension Plan's relevant climate-related risks and opportunities are considered appropriately in the day-to-day management of the Plan.

It has been prepared to comply with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021.

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You can find the report along with a handy easy to read infographic at [www.smartpensionsuk.co.uk/#/page/governance-documentation](http://www.smartpensionsuk.co.uk/#/page/governance-documentation)

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## 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](https://www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance)

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## Considering a Pension Transfer?

The Financial Conduct Authority (FCA) has produced information to help you understand the value of a DB pension if you are considering transferring out of a DB pension scheme into a DC scheme.

### DB pensions

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

### DC pensions

In a 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 tax-free lump sums and your retirement income.

**If you transfer out of a DB pension, you cannot reverse the transfer. Make sure you understand the risks to help you make an informed decision.**

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*For further information, and to read the article in full, please visit*  
[www.fca.org.uk/consumers/pension-transfer-defined-benefit](https://www.fca.org.uk/consumers/pension-transfer-defined-benefit)

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The FCA has 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](https://www.fca.org.uk/consumers/pension-transfer/advice-what-expect)

## 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.

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Find out more about Will Aid at [www.willaid.org.uk](http://www.willaid.org.uk)

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## Pension Scams: Don't Get Stung

Guidance is available from The Pensions Regulator on how to scam-proof your savings. 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. Many 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 FCA at [www.fca.org.uk/register](http://www.fca.org.uk/register)
- 3 Look at the FCA's Scamsmart warning list at [www.fca.org.uk/scamsmart](http://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.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise](http://www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise)
- 5 Before you sign anything, call MoneyHelper (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](http://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.

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For further information, view *The Pensions Regulator scams guidance* at [www.pension-scams.com](http://www.pension-scams.com)

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## 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.

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*For further information about this service, see their website at [www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise](http://www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise) or book a free appointment by calling **0800 138 3944**.*

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## Beneficiary Nomination

It is important that you have up-to-date **beneficiary nomination** information registered so that if you were to die we would be able to take your wishes into account. It is very difficult for partners and relatives to settle someone's financial affairs after they die. By having an up-to-date will or beneficiary nomination registered with us, we would be better 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 account of your wishes.

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

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### Please note

If you also have DC benefits, a separate beneficiary nomination form will also need to be completed through Legal & General.

For 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.

## Value for Members Assessment (for those with an ASC/AVC fund only)

The Trustee has a statutory duty to assess, at least annually, the extent to which member-borne charges and transaction costs (to the extent identifiable) provide good value.

The Trustee commissioned Mercer to conduct its annual Value for Members Assessment for 2022.

Mercer use their 'three Ps framework' to assess 'value for money'.

- **Price** – was the price paid competitive against comparable alternatives?
- **Performance** – did each component achieve its desired aim and outcome?
- **Productivity** – does the overall investment strategy and each investment fund deliver value for the Plan?

Mercer's overall assessment concluded that the Plan provides '**Good Value**' for members which is their highest rating.

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*Further information on how this decision was reached can be found at [www.smartpensionsuk.co.uk/#/page/news](http://www.smartpensionsuk.co.uk/#/page/news)*

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# 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 currently eight 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 committee. 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 the 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 2021 and any changes in 2022 are shown below:

## Member nominated

**Robert Tickell** (Co-chair until 30 November 2021, sole Chair thereafter) (b)

**Ian Shore** (a)

**Robert Clark** (a)

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## Non-member appointed

**Dr Evaristus Mainsah** (Co-chair) (resigned 30 November 2021) (a)

**Mark Hobbart**

**Frederick Klutey**

**Naomi Hill** (a)

**Stephen Kelly** (resigned 19 March 2021)

**Zoe Hughes** (appointed 14 May 2021)

**David Walsh** (appointed 10 March 2022, resigned 19 July 2022)

**The Law Debenture Pension Trust Corporation Plc.** (c)

(a) Member of an IBM Pension Trust plan

(b) Retiree member of an IBM Pension Trust plan

(c) Represented by Andrew Harrison 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.*

*IBM Pensions Trust for retained responsibilities.*

## 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

### 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)

## Pensions Finance and Controls Manager

**Charlotte Cooper**

## Pensions Investment Manager

**Claire Smith**

## Pensions Operations Manager

**Julie Edney**

## Stewardship

**Edward Rollins**

# Contact Us



**Website:** [www.smartpensionsuk.co.uk](http://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](mailto:PTComms@uk.ibm.com)



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



**Email** *(pension related queries):*  
[XPSadmin.IBM@xpsgroup.com](mailto: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](http://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 2021 Annual Report & Accounts, copies of which can be obtained from Pensions Trust, or from our website at [www.smartpensionsuk.co.uk/#/page/governance-documentation](http://www.smartpensionsuk.co.uk/#/page/governance-documentation)

