

2021

Members' Report

IBM Pension Plan // Defined Contribution Section

October 2022

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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.

Member Support and Administration Outsourcing

Since last year's report, Legal & General (L&G) have now had a further full year of supporting the members. I'm pleased to report that L&G are meeting or exceeding their contracted service levels in almost all areas. Escalations to their management team have worked well. 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 the 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, including the DC member supporting the M plan. 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, education webinars, 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 hosted several member Webex calls during 2021 and 2022 and these will continue. The details of each call can 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

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

Robert Tickell | Chair

October 2022

2021 Financial Review

Investment of Assets

The Trustee has implemented a range of Lifestyle investment strategies and Freestyle investment options. These have been designed with a range of typical members in mind.

The Lifecycle Strategies

Lifecycle is an investment strategy which progressively switches your savings over time into funds that are aligned with the strategies' stated retirement objectives, whether that's:

- Taking 25% of your savings as tax free cash and using the rest to buy a guaranteed income for life – Lifecycle to Annuity 2020 strategy;
- Taking all or most of your savings as lump sum cash (over and above the 25% tax free allowance) – Lifecycle to Lump Sum 2020 strategy;
- Transferring your savings to an income drawdown provider to keep them invested and taking them out as and when you want – Lifecycle to Drawdown 2020 strategy; or
- Retaining flexibility with your retirement options – Lifecycle Balanced 2020 strategy.

The Freestyle Options

The Freestyle investment options are available to members who would like to take a more active role in the way their pension fund is invested.

More Information

Detailed information about all the investment strategies is available from the L&G website at www.legalandgeneral.com/workplace/i/ibm/mplan/investing/your-investment-options/

The chart below shows how the Defined Contribution (DC) assets were invested as at 31 December 2021 along with investment performance.

	2021			3 year Annualised Return	
	Asset Value £m	Return achieved (net of fees)	Benchmark (gross of fees)	Return achieved (net of fees)	Benchmark (gross of fees)
Equities					
Global Equity 70:30 Index Fund	180.7	19.0%	19.0%	11.6%	11.5%
All World Equity Fund	130.3	21.1%	21.2%	19.2%	19.3%
Global Equity 60:40 Index Fund	79.7	18.1%	18.1%	11.9%	11.8%
World ex UK Developed Equity Index Fund	74.8	23.8%	24.1%	20.9%	21.0%
UK Equity Index Fund	37.0	18.2%	18.2%	8.3%	8.3%
Ethical Global Equity Index Fund	27.0	26.6%	26.7%	21.3%	21.5%
Ethical UK Equity Index Fund	10.1	17.0%	17.2%	7.4%	7.5%
World Emerging Markets Equity Index Fund	8.4	1.3%	1.4%	9.2%	9.4%
Infrastructure Equity MFG - GBP Hedged Fund	5.7	17.2%	17.7%	12.2%	12.7%
Global Real Estate Equity - GBP Hedged Fund	2.8	29.5%	29.7%	11.3%	11.5%
Future World Fund (started in 2021)	2.3	-	-	-	-
Fixed Income					
Money Fund (was Cash Fund)	138.8	0.0%	0.0%	0.4%	0.3%
Pre-Retirement Fund	95.4	-5.0%	-4.9%	5.7%	5.8%
Over 15 Year Gilts Index Fund	61.1	-7.3%	-7.3%	5.7%	5.8%
Annuity Protection Index Fund	11.3	0.7%	0.7%	7.2%	7.2%
Investment Grade Corporate Bond - All Stocks Index Fund	4.4	-3.1%	-3.1%	4.5%	4.5%
All Stocks Index-Linked Gilts Fund	3.2	4.2%	4.3%	7.2%	7.2%
Pre-Retirement Inflation Linked Fund	1.8	-0.2%	0.1%	6.7%	6.8%
Emerging Market Debt Fund	0.6	-5.2%	-5.0%	2.3%	2.4%
Multi-asset Strategies					
Growth Plus Fund	1,527.5	19.0%	18.9%	15.5%	15.5%
Growth Fund	357.8	8.7%	8.6%	10.0%	10.0%
Growth Plus Fund (former Consensus)	57.5	19.0%	18.9%	15.5%	15.5%
Aviva Life & Pensions UK Limited	0.6				
Asset Total	2,818.8				

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

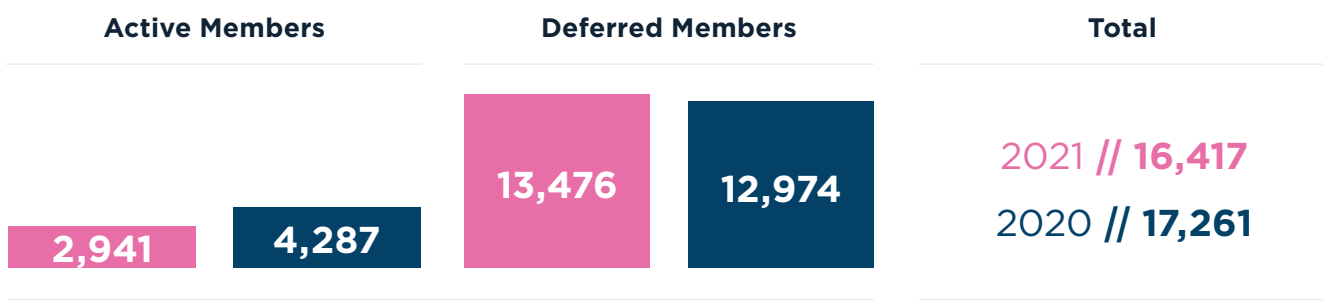
This table shows the breakdown of income and payments for the year. This information is taken from the 2021 Annual Report & Accounts.

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

	<i>£m</i>
Value at 1 January 2021	2,602.8
+ Investment income and contributions received	
Net returns on investments	353.8
Contributions received and transfers in	65.3
- Benefits and other payments	
Benefits payable	(41.0)
Transfers to other plans	(158.6)
Transfers between sections	(3.5)
= Value at 31 December 2021	2,818.8

Membership Statistics

The chart below shows a comparison of the Plan members at 31 December 2020 and 31 December 2021.



News & Information

Administration of the DC Plans

IBM Pensions Trust has partnered with Legal & General to administer your DC pension. They are one of the UK's largest administrators and investment managers of DC pension plans. There are a number of ways to access materials, tools and support including:

- **Website** with comprehensive information about the IBM Pension Plan, along with:
 - Document library with useful guides, fund factsheets, information factsheets, forms and useful presentations;
 - FAQs with helpful answers;
 - Fund prices which give up-to-date information from Legal & General;
 - Planning tools to help you to manage your pension savings; and
 - Webchat and live chat options.
- **Manage Your Account** keep track of your pension account online using your desktop, mobile or tablet;
- **Go&Live** financial wellbeing hub which brings together a range of information, tools and step-by-step guides to help you with life's changes; and
- Mobile app **Coll8.co** which enables you to access your pension account, website and Go&Live from the palm of your hand.

The contact details for the L&G administration team are:



Address: Legal & General Document Control Team, 6th Floor, Brunel House, 2 Fitzalan Road, Cardiff, CF24 OEB



Email: ibmpension@landg.com



Telephone: 0345 675 0017

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.

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

Deferred Members

A deferred member is a member who is no longer contributing to the Plan but still has their benefits in the Plan. Even though you are no longer contributing, it is still important to keep your pensions 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 Legal & General to advise of any changes by using the details provided above. Please note, if you also have a Defined Benefit (DB) plan you will need to inform XPS Administration of any changes in addition to Legal & General.

Pensions Trust Website

You can find governance documents such as the Chair's Statement, Statement of Investment Principles and Implementation Statement, plus all the latest news on our website at www.smartpensionsuk.co.uk

Member Survey 2021 Feedback

In 4Q of 2021, IBM UK Pensions Trust conducted a survey focusing on member communications and investment preferences for the DC Plan. We are very grateful to the 1,276 members who took the time to respond. The responses were insightful and we are using them to enhance our offering to our members.

Results of the survey showed that approximately half of the members review their investment choices at least once a year and that potential for growth and capital preservation are the two most important factors for making an investment choice. In addition, we found that 42% of those who responded were considering drawing down their pension pot in retirement and that more than half of respondents want more communication and education about their pension. 63% of respondents also indicated that they would like the IBM range of funds to include Responsible Investment Funds.

Since the survey last year, Pensions Trust have worked alongside the Plan's administrator, Legal & General, to create three educational webinars for members:

- 1) Warm Up to Retirement Webinar
www.legalandgeneral.com/workplace/campaigns/member-presentations/ibm/
- 2) Pensions Made Simple Webinar
www.legalandgeneral.com/workplace/campaigns/member-presentations/ibm-pensions-made-simple/
- 3) Responsible Investing Webinar
www.legalandgeneral.com/workplace/campaigns/ibm-responsible-investing/

Also in response to the survey, we have completed several targeted campaigns, including ones for members approaching retirement and for those not yet registered to Manage Your Account (MYA) and we are currently working on tracing members whom we have lost contact with.

The Trustee is also undertaking a review of the investment choices available to members of the DC Plan. The survey results will be considered as part of this review.

Thank you again to those members who are helping us to improve our service to you.

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

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

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 Financial Conduct Authority (FCA) 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.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 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.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise or book a free appointment by calling **0800 138 3944**.*

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.

*You can update your beneficiary nomination in relation to your DC benefits by logging onto **Manage Your Account**.*

Please note

If you also have DB benefits a separate beneficiary nomination form will also need to be completed through XPS.

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

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.

Further information on how this decision was reached can be found at www.smartpensionsuk.co.uk/#/page/news

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)

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

Legal & General Assurance Services Limited (LGAS) were appointed as administrator of the DC sections of the Plan from 6 January 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

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.legalandgeneral.com/ibmpensionstrust



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



Telephone: *(pension related queries):*
0345 675 0017



Email: *(pension related queries):*
ibmpension@landg.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 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

