

2019

# Members' Report

IBM IT Solutions Pension Scheme

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# A Message from the Trustee

As Co-chair of the Trustee, I'm pleased to present the 2019 Members' Report. The Report gives an update on the Scheme's performance for 2019 and provides insight on key topics that have taken place during 2019 and the first half of 2020.

## Covid-19 and the Effect on Pensions

Since our last publication of the Members' Report, the world has, as you are well aware, entered a global pandemic on a scale that hasn't been seen in our lifetime.

As a Trustee board we would like to thank you for your patience and understanding when you have been making contact with Pensions Trust. Working arrangements have been changed, meaning remote working and a slightly longer response time from the team who are working tirelessly to respond to your queries in a timely manner.

Having implemented both currency and inflation hedging programmes some years ago, the Scheme has not seen any major changes to its funding level. As such, the Trustee does not currently express any concerns in relation to the Scheme's most recently published funding position.

A financial review of the Scheme as at 31 December 2019 can be found on pages 3 - 5.

You may be interested to know what effect this uncertain time has had on pensions as a whole. The UK Minister for Pensions, Guy Opperman, has released a document outlining 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.

More information can be found on page 6.

## Member Nominated Directors

On 1 May 2020, the term of office of the current MNDs came to an end. The nomination process for the three new MND positions ran from January 2020 - February 2020 and voting closed in March 2020. The term runs for three years.

We are pleased to announce that the three MNDs elected were:

**Robert Tickell**

**Ian Shore**

**Andrew Clark**

Information on the role of a Member Nominated Director can be found on page 7.

In addition, there have been further changes to the Trustee Board since we last wrote to you. Harshal Chaudhari and Joseph Sweeney both resigned from the Board, and Rick Klutey and Naomi Hill have been appointed. The Trustee would like to thank both Harshal and Joseph for their valuable contributions to the Board.

## Member Engagement

We would like to thank all of our members who took part in the focus groups held in October 2019. We found the information gathered really useful and, as a result, have created a Q&A area on our website, as well as educational videos on topics relating to the Smartpensions website, Investing, MyPension and Contributions. The powerpoint versions of these videos can be found on our website [www.smartpensionsuk.co.uk](http://www.smartpensionsuk.co.uk)

Once you have selected your Status and Plan, go to > Resources > Factsheets. We always welcome any further feedback you may have.

## News & Information

Visit our News section for news and information items that may be of interest. It includes articles on topics such as Pension Transfers, Pension Scams, Annual and Lifetime Allowances and more.

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

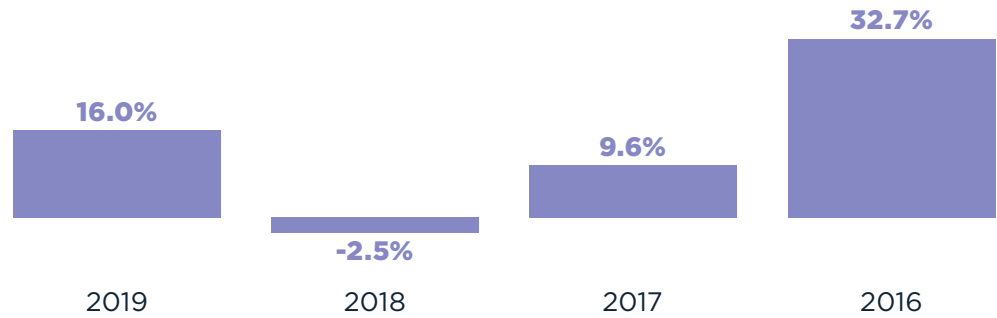
**Robert Tickell** | Co-chair

# 2019 Financial Review

## Investment Performance

The investment strategy is broadly diversified and invested in developed world and emerging market equities, domestic and overseas bonds (including emerging market debt), index linked gilts, property, reinsurance and alternative risk premia strategies. Over the 12 months to 31 December 2019, the Scheme delivered a return of 16.0%, which was slightly below the benchmark return.

This chart shows the total returns in each year since 2016.



## Long-term Investment Performance

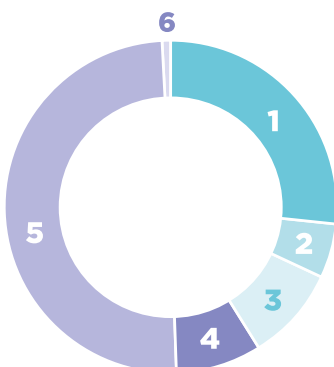
The investment of the Scheme's assets is a long-term strategy. The annualised returns of the Scheme over the past one, three, and five years are shown here against the benchmark for that period. The Scheme's returns are slightly behind the benchmark:

	Over <b>one year</b>	Over <b>three years</b>	Over <b>five years</b>
Scheme Return (net of fees)	<b>16.0%</b>	<b>7.4%</b>	<b>10.8%</b>
Benchmark (gross of fees)	<b>16.1%</b>	<b>8.1%</b>	<b>11.4%</b>

## 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 Scheme's assets were invested in a diversified mix of different asset classes as at 31 December 2019:

This diagram shows how the Scheme's assets were invested on 31 December 2019.



Asset Class

Growth assets		41.3%	Matching assets		58.7%
1	Listed equities	26.7%	4	Global bonds	8.2%
2	Property	5.4%	5	Liability matching assets	49.7%
3	Alternative investments	9.2%	6	Other	0.8%

## Investments from Additional Contributions

The value of assets related to Additional **Smart\*** Contributions and Additional Voluntary Contributions (ASC/AVC) was £18.8 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 on the Pensions Trust website. From the home page, select your status and plan by clicking on the downward arrow next to either Active Member or Deferred Member, go to Investing > Choosing your Investment Strategies.

**This table shows the performance of the funds ordered by market value to 31 December 2019.**

	Market value £m	Return (net of fees)	Benchmark (gross of fees)
Global Equity 60:40 Index Fund	4.2	19.8%	19.8%
Global Equity 70:30 Index Fund	3.6	20.2%	20.2%
Growth Plus Fund (former Consensus)	2.3	20.7%	20.9%
Growth Plus Fund	1.6	20.7%	20.9%
Money Fund (was Cash Fund)	1.3	0.8%	0.6%
Ethical UK Equity Index Fund	0.9	19.4%	19.6%
World ex UK Developed Equity Index Fund	0.7	24.9%	24.9%
Over 15 Year Gilts Index Fund	0.6	12.0%	12.0%
Growth Fund	0.5	14.9%	15.1%
UK Equity Index Fund	0.5	19.2%	19.2%
Pre-Retirement Fund	0.4	12.0%	12.0%
Annuity Protection Index Fund	0.3	8.4%	8.4%
All Stocks Index-Linked Gilts Fund	0.2	6.4%	6.4%
Infrastructure Equity MFG - GBP Hedged Fund	0.2	27.8%	28.2%
All World Equity Fund	0.1	24.5%	24.6%
Ethical Global Equity Index Fund	0.1	27.6%	27.8%
Investment Grade Corporate Bond - All Stocks Index Fund	0.1	9.3%	9.3%
World Emerging Markets Equity Index Fund	0.1	15.4%	15.6%
<b>Legal &amp; General Funds Sub-total</b>	<b>17.7</b>		
Aviva PLC	1.0		
Equitable Life	0.1		
<b>AVC / ASC Totals</b>	<b>18.8</b>		

# Annual Report & Accounts

The 2019 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 2019.
- Contributions were paid to the Scheme 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 2019 Annual Report & Accounts.

You can find a copy of the 2019 Annual Report & Accounts on the Pensions Trust website at [www.smartpensionsuk.co.uk](http://www.smartpensionsuk.co.uk). Once you have selected your status and scheme by clicking on the downward arrow next to either Active Member, Deferred Member or Pensioner Member, go to Resources > Documents and Publications > Report and Accounts.

	£m
<b>Value at 1 January 2019</b>	<b>1,200.0</b>
<b>+ Investment income and contributions received</b>	
Net returns on investments	192.9
Contributions received	9.2
<b>- Benefits and other payments</b>	
Benefits payable	(19.8)
Transfers to other plans	(14.0)
Administration expenses	(1.3)
<b>= Value at 31 December 2019</b>	<b>1,367.0</b>

## Membership Statistics

This chart shows a comparison of the Scheme members at 31 December 2018 and 31 December 2019.



# News & Information

## Pensions Trust Website

Our website has been designed to provide you with all the information you need about your pension plan. By selecting your plan and status, you will have access to useful information and downloadable factsheets giving you the latest plan information.

There is also a News section where the latest pension news will be available. Please visit [www.smartpensionsuk.co.uk](http://www.smartpensionsuk.co.uk) to find out more.

## 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, the recent 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, has released a helpful guide detailing 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.

To read the guide in full, after selecting your status and plan, select Resources > Documents & Publications > Covid 19 and your Pension.

We find ourselves in a period of great uncertainty. But, across the board, pensions bodies are doing everything they can to help you get through these difficult times.

## Changes to Actuarial Factors

A number of factors are used to calculate the benefits paid by the IBM IT Solutions Pension Scheme (I Plan). These factors are reviewed regularly to make sure they remain appropriate for members, which could result in changes that either increase or reduce future pensions and benefits under each of the different options available to members.

The Trustee has recently completed a factor review and changes are being made to the factors used in the calculation of early retirement pensions, late retirement pensions, commutation factors and AVC conversion factors for the C, N, & DSL sections of the IBM IT Solutions Pension Scheme (I Plan).

Factors will continue to be reviewed from time to time and there is no guarantee that the pension and other benefits provided by the factors will not decrease at subsequent reviews. Factors are used in the calculation of new pension and transfer values. During 2020, the following factors have been updated;

- Early Retirement Factors
- Late Retirement Factors
- Cash Commutation Factors
- AVC Conversion

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*More details can be found on the News section of our website*  
[www.smartpensionsuk.co.uk](http://www.smartpensionsuk.co.uk)

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## Lifetime Allowance

The Lifetime Allowance (LTA) is the maximum value of tax relievable pension savings that you can accumulate over all your pension arrangements.

The LTA increases by the Consumer Prices Index (CPI) annually on the 6th April each year and is currently £1,073,100.

If you think you may be over the LTA limit, Individual Protection (2016) may be available to you. Please refer to our website or contact Pension Services for more information.

## Member Nominated Director Elections

IBM United Kingdom Pensions Trust Limited is the Trustee Company that acts as the Trustee for the Plans and the IBM Group Life Assurance Plan. The Company has nine Directors (the Trustee Directors). Of these, six are appointed by IBM and three are appointed by members (MNDs).

On 1 May 2020, the term of office of the current MNDs came to an end. The nomination process for the three new MND positions ran from January 2020 - February 2020 and voting closed in March 2020. The term runs for three years.

### What does a Member Nominated Director do?

The Trustee acts separately from IBM. All the Trustee Directors must:

- Act in line with the Trust Deed and Rules
- Act prudently, responsibly and honestly
- Act impartially and in the best interests of all beneficiaries

Some of the responsibilities of the Trustee Directors are to:

- Collect employer and employee contributions due to the Plans
- Invest them in the best financial interests of the members
- Set investment strategies to invest the Plans' assets
- Ensure that the benefits promised under the Plans' Trust Deed and Rules are paid to members

The Trustee Directors work as a team and make all Plan related decisions, having taken advice from their professional advisers (actuaries, lawyers, investment consultants, covenant advisers).

We are pleased to announce that the three MNDs elected were:

**Robert Tickell**  
**Ian Shore**  
**Andrew Clark**

## Considering a Pension Transfer?

**If you are thinking about transferring out of your defined benefit pension scheme into a defined contribution scheme, then it is very important you read the information available to you. The Financial Conduct Authority has produced some information to help you understand the value of your defined benefit pension scheme, and the implications of transferring out into a defined contribution scheme. It is imperative to seek independent financial advice before making such an important decision that cannot be reversed.**

### 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 your allowable tax-free lump sum 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.**

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*For further information, please visit [www.fca.org.uk/consumers/pension-transfer-defined-benefit](http://www.fca.org.uk/consumers/pension-transfer-defined-benefit)*

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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](http://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  
**[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.pensionwise.gov.uk](http://www.pensionwise.gov.uk)**
- 5) Before you sign anything, call 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.

\*now part of the Money and Pensions Service

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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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### 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 £95 for a single basic will and £150 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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### Beneficiary Nomination

It is important that you have up-to-date **beneficiary nomination** information registered with us so that if you were to die, we are able to take your wishes into account. It is difficult enough 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.

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*The simplest way to update your beneficiary nomination is by logging onto **MyPension**. Alternatively, you can request a form by calling **023 9256 8164** or emailing **[pensions@uk.ibm.com](mailto:pensions@uk.ibm.com)**.*

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## Pension Wise

Pension Wise is part of the Money and Pensions Service (MPS) which combines the functions of The Pensions Advisory Service, the Money Advice Service and Pension Wise. You can find out more about them at [www.moneyandpensionservice.org.uk](http://www.moneyandpensionservice.org.uk)

Pension Wise is a free and impartial Government service 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, which is run by the Citizen's Advice Bureau for face to face meetings and the Pensions Advisory Service for phone meetings, see their website at [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk) or book a free appointment by calling **0800 138 3944**.*

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## Help Us Help You

We have two initiatives which are designed to make it easier for you to access information about your pension plan, and to assist the Trustee in issuing timely communication to you in a cost effective and environmentally friendly way.

### Sign Up for Updates

If you would prefer to receive updates from us via email, you can register to do so by visiting the **Sign Up for Updates** page at [www.smartpensionsuk.co.uk](http://www.smartpensionsuk.co.uk). First select your Status and Plan by clicking on the downward arrow next to Active, Deferred or Pensioner Member, then select your plan from the list given. The **Sign Up for Updates** option is towards the bottom of this page.

Registering to receive updates will ensure that we can issue documents efficiently, reduce the amount of paper used, and reduce our printing and postage costs too. The Trustee is committed to ensuring that your privacy is protected and promises that your email address will not be used for any other purpose than providing you with information about your pension scheme.

### MyPension

**MyPension** is a secure, interactive service that allows you to manage your IBM pension online. It allows you to review and update your beneficiary nomination, review pension transactions and fund values, and to access benefit statement and annual allowance information.

If you are a deferred member, you can only view benefit statements issued before your leave date.

If you are a retired member, you are able to review and update your beneficiary nomination, update your personal details, view your annual pension, update bank details and access your P60 history.

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*Register for **MyPension** by visiting [www.smartpensionsuk.co.uk/register](http://www.smartpensionsuk.co.uk/register)*

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Further information including how to change your investment elections and understanding your transaction history can be found in the MSS Guide towards the bottom of the 'register' page.

# Information About the Trustee

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

The Trustee Directors meet regularly, usually at least quarterly, to discuss matters relating to the management of the Scheme. 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 Scheme 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 Scheme 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 Scheme 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 Scheme's financial statements and the maintenance of proper records and controls. The Committee supervises the preparation of the Scheme's Annual Report and Accounts. It also provides oversight of internal financial controls and risk management.

The Trustee Directors holding office during 2019 and any changes in 2020 are shown below:

## Member Nominated Directors

**Robert Tickell** Co-chair

**Ian Shore**

**Andrew Clark**

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## Company Nominated Directors

**Evaristus Mainsah** Co-chair

**Naomi Hill**

**Mark Hobbart**

**Gary Kildare**

**Rick Klutey**

**The Law Debenture Pension Trust Corporation Plc.**, represented by David Felder 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:

## Scheme Actuary

**Graham McLean**

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

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## Actuarial Advisers

**Willis Towers Watson**

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## Independent Auditors

**PricewaterhouseCoopers LLP**

*(Also auditors to IBM United Kingdom Holdings  
Limited group of companies)*

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## Performance Reporting Services

**The Northern Trust Company**

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## Global Custodian Banker

**The Northern Trust Company**

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## Legal Advisers

**Sacker & Partners LLP**

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## Investment Advisers

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

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## Property Valuation Services

**Knight Frank LLP**

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# Pensions Trust Management Team

## Pensions Trust Manager & Company Secretary

**Mark Griffiths**

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## Pensions Finance Manager

**Edward Rollins**

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## Pensions Investment Manager

**Nicolas Chopin**

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## Pensions Services Manager

**Julie Edney**

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## Pensions Systems Manager

**Charlotte Cooper**

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## Pensions Transformation Manager

**Claire Smith**

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## Contact Us



*Website:* [www.smartpensionsuk.co.uk](http://www.smartpensionsuk.co.uk)



*Fax:* 023 9256 0962



*Email:* [pensions@uk.ibm.com](mailto:pensions@uk.ibm.com)



*Postal address:* Pension Services, IBM United Kingdom Pensions Trust Limited, PO Box 41, North Harbour, Portsmouth, PO6 3AU



*Telephone:* 023 9256 8164 (External)  
3725 8164 (Internal)

## Trust Deed and Rules

The Trust Deed and Rules are the formal legal documents governing how the Scheme is to be administered. The Trust Deed and Rules are copyright documents which are available for inspection at the Pensions Trust offices in North Harbour, Portsmouth, on request, during normal office hours.

Alternatively, a copy of the relevant section of the Trust Deed and Rules can be made available on request. The Pensions Trust website provides general information about the Scheme.

## A Reminder About Where to Find the Trustee's Privacy Notice

As you know, the Trustee appoints third parties to help administer the IBM Pension Plans; for example, the Plans' Actuary and other professional advisers. The Trustee shares personal data relevant to the Plans with certain third parties when this is necessary for the purposes of the services being provided and the administration of the Plans, and for other legitimate reasons. Before sharing personal data, the Trustee makes sure there are appropriate protections in place.

From time to time, the Trustee appoints third parties to help verify and collect personal data about members and their beneficiaries, such as a spouse or civil partner. This is done to ensure that the Trustee holds accurate information for the purposes of administering benefits and funding the IBM Pension Plans.

Further information about the personal data collected and held by and on behalf of the Trustee, and when it may be shared, can be found in the Trustee's privacy notice. This is publicly available at [www.smartpensionsuk.co.uk/#/page/privacynotice](http://www.smartpensionsuk.co.uk/#/page/privacynotice)

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 2019 Annual Report & Accounts, copies of which can be obtained from Pensions Trust, or on our website at [www.smartpensionsuk.co.uk](http://www.smartpensionsuk.co.uk). Once you have selected your status and scheme by clicking on the downward arrow next to either Active Member, Deferred Member or Pensioner Member, go to Resources > Documents and Publications > Report and Accounts.

