



IMPERIAL TOBACCO
PENSION FUND

SUMMARY REPORT

2022

DEFINED BENEFIT



I AM PLEASED TO REPORT THAT THE FUND'S INVESTMENTS CONTINUE TO BE RESILIENT AND, OVER THE PAST YEAR, VALUES IN THE DEFINED BENEFIT SECTION OF THE FUND HAVE INCREASED SLIGHTLY TO £4.3 BILLION.

During the year, the Trustee Board took advantage of the improved funding position and competitive pricing terms with a first step in moving to protecting investment and longevity risk through the purchase of a bulk annuity policy, known as a 'buy-in' contract.

We have also been monitoring closely the war in Ukraine to understand the implications for our Fund. We estimate our direct investment in Russia was less than 0.01% of our Fund (about £400,000 in March 2022) and those investments are being sold as soon as practicable.

The Fund's actuary is currently undertaking the three-yearly actuarial valuation to check the Fund's progress towards its target of being fully funded on a winding-up basis.

As most restrictions due to the global pandemic have eased, the Trustee Board and Investment Committee has recently resumed meeting with its advisers face-to-face.

We need to remind deferred members again to be extra vigilant to the potential for scams. Transferring your pension to another pension scheme can be a risky business and you should always seek independent financial advice.

Finally, I'd personally like to acknowledge the efforts and dedication of all the Trustee Directors, those who are with us now and to those who have recently left, and I'm grateful for the support received from our professional advisers.

HELEN CLATWORTHY

Trustee Board chair

Fund
VALUE
£4.3bn

Fund
RETURN
6.6%

Fund
MEMBERSHIP
27k

FURTHER INFORMATION

The figures in this summary have been taken from the Fund's full report for the year to 31 March 2022, which contains an unqualified opinion on the Fund's financial statements from its independent auditors PricewaterhouseCoopers LLP.

A free copy of the full report is available from the Pension Fund Office to any member on request.

Also available are the actuary's report on the last triennial valuation (as at 31 March 2019) and the latest version of the Statement of Investment Principles and the ESG policy statement.

Copies of both documents can also be found at: imperialbrandsplc.com/about-us/governance.html

- We usually provide an annual update on the financial health of the Fund in this report, based on an assessment by the actuary. This year we are unable to do this as a full triennial actuarial valuation is taking place as at 31 March 2022.


Pensions team working flexibly

Imperial has introduced a flexible working policy, which allows employees to work from home up to 50% of working hours. In line with this, the pensions team continues to split their time between office and home working.

Service to members is not impacted by this but, if possible, contact with the pensions office should be made by email or phone, although postal correspondence will also be dealt with in a timely manner.

If you are unable to get through by phone, please leave a message and we will call you back.

 pension.enquiries@uk.imptob.com

 0117 953 0000

Imperial Tobacco Pension Trustees Limited,
PO Box 3242,
Winterstoke Road,
Bristol BS3 9GY

Staying in touch

If you change any of your contact details (address, telephone number or email address), please remember to let us know.

We will need to receive the new information in writing, accompanied by your signature to help us ensure that the change is genuine.

Without up-to-date details, we can't update you with Fund

news and there may be delays in paying your benefits on retirement or – if you are already in receipt of a pension – it may result in your payments being temporarily suspended.

If you are aware of any former colleagues who may have lost touch with the Fund, please do suggest they contact the PFO (see above).

Investment review

In December 2021 the Trustee Board purchased a bulk annuity policy – an insurance policy bought with some of the Fund’s assets.

These ‘buy-in’ contracts reduce the risk to the Fund as the insurer, in our case Standard Life, promises to provide an income to the Fund matching a portion of the pension liabilities.

Members continue to receive their benefits directly from the Fund as before, while the bulk annuity covers any increase in the cost of providing these benefits. The policy provides the Fund with more certainty over future funding costs and improves the security of all members’ benefits.

At 31 March 2022, the split of the Fund’s investments was as shown below.

ASSETS (£000s)

2022

£4,338,487

2021

£4,199,161

ESG POLICY

The Trustee Board has monitored the Fund’s assets against its environmental, social and governance (ESG) policy (copies available on request). With support from its investment consultant, it also monitors the approach of its investment managers to ESG factors and the effectiveness of their approach.

Members of the Board have been trained on ESG matters to keep up-to-date on the latest sustainable investment opportunities. In the coming year, a focus will be to implement measures regarding climate-change governance, and the Fund will publish a Task Force on Climate-Related Financial Disclosures (TCFD) report next year.

ASSET ALLOCATION

Actual at 31.03.22	33.9	66.1
Benchmark at 31.03.22	29.0	71.0
Actual at 31.03.21	33.6	66.4
Benchmark at 31.03.21	29.0	71.0

- Cash-flow driven alternatives (%)
- Bond-like assets, including LDI* and the bulk annuity policy

*LDI is short for liability-driven investments, which aim to meet the Trustee’s investment objectives by reducing the volatility in the funding level. LDI gives protection against interest rate and inflation risks by investing in a range of assets that closely match the behaviour of the pension liabilities.

SUMMARY OF MONEY PAID INTO AND OUT OF THE DB SECTION OF THE FUND IN THE YEAR TO 31 MARCH 2022 (£000s)

MONEY PAID IN		MONEY PAID OUT	
Employer and member contributions	50,626	Pension payments	136,774
Investment income	126,208	Lump sums on retirement	19,742
		Transfers out and other payments	23,511
		Administration and investment expenses	8,548
Total income	176,834	Total outgoings	188,575

(The Fund's investments are used to cover any shortfall in outgoings.)

OUR DB MEMBERS

2022 (last year's membership in brackets)



Active (employees):
254 (285)



Deferred:
12,992 (13,576)



Pensioners, including dependants: **13,763** (15,077)

CHANGE IN PENSION AGE

The government sets the normal minimum pension age – the earliest age that you can usually access your pension savings – which is currently 55 but is rising to 57 from 6 April 2028.

This change supports the government's fuller working lives agenda and has indirect benefits to the economy, while also helping to ensure pension savings provide for later life. Generally, the normal minimum pension age is set around 10 years before State Pension Age.

If you think you may be impacted, you may wish to consider drawing your pension before the change takes effect. You can request an early retirement pension quotation from the Pension Fund Office provided you are within six months of your intended retirement date. The age change will not affect your ability to draw your pension early if you are unable to continue working due to ill health.

On early retirement, pensions from the Fund are actuarially reduced for early payment. The further you are from your Fund normal retirement age the larger the reduction will be.

Transferring pension benefits

If you have a deferred pension under the Fund which has not yet come into payment, you have an option to transfer the cash value of your benefits to another registered pension scheme such as a personal pension plan or your current employer's pension scheme (provided it accepts transfer payments).

On 30 November 2021 the government introduced new regulations which give trustees and scheme managers power to prevent or pause a statutory transfer request if they see evidence which may indicate an increased risk of a scam. While schemes already had to carry out various due diligence checks aimed at protecting members' benefits before processing a transfer, the new regulations have introduced the concept of red and amber flags.

The presence of a red flag – which may, for example, arise from a member receiving an unregulated or unsolicited call – means that the Fund could not pay a transfer value and you would lose your statutory right to a transfer.

An amber flag may arise if the transfer value is being invested in high-risk investments or in overseas assets or if the charges associated with the new scheme are considered high.

In this case members will be required to contact the government's MoneyHelper service for guidance in identifying common risks involved in transfers, highlighting the dangers of pension scams and allowing the member to consider whether to proceed with their transfer.

MoneyHelper

The government's MoneyHelper service offers free, impartial guidance and can be contacted on: **0800 011 3797** or via their website at: moneyhelper.org.uk/pension-safeguarding. If you contact MoneyHelper before you decide to proceed with a transfer, please keep the confirmation of your meeting with them, including the booking reference, as we may ask to see this.

TAKE FINANCIAL ADVICE FROM A PROFESSIONAL

Taking advice, while important in being able to assess all your options, can be daunting and often very expensive.

In recognition of this, a Guide to Good Practice for financial advisers has been created by the Personal Finance Society, which can be found at: (thevfs.org/about-us/initiatives/the-pension-transfer-gold-standard).

If your transfer value is greater than £30,000, you are required by law to seek financial advice from an adviser regulated by the Financial Conduct Authority (FCA) and one authorised to provide advice in relation to DB pension transfers under article 53E of the FCA's regulated activities, although it is recommended that you obtain financial advice regardless of the size of your transfer value. A list of authorised independent financial advisers can be found at: register.fca.org.uk or by contacting the Citizens Advice Bureau.

Beware of potential pension scammers

Cold calling about pensions is illegal and a likely sign of a scam.

Since the ban was introduced in 2019, some cold callers have moved to online models, making contact through social media or using friends and family to reach clusters of people.

Watch out for these common signs of a pension scam:

- phrases like 'free pension review', 'pension liberation', 'loan', 'loophole', 'savings advance', 'one-off investment', 'cashback'
- guarantees of better returns on pension savings
- help to release cash from a pension before the age of 55
- high pressure tactics – time limited offers to get the best deal
- unusual high-risk, unregulated overseas investments
- complex investment structures
- long-term pension investments, so you might not realise something is wrong for years.

Please see pension-scams.com or fca.org.uk/scamsmart for more.

GMP equalisation update

Over the last couple of years, we have provided updates on the court case (the Lloyds judgement) about the equalisation of Guaranteed Minimum Pension (GMP) benefits for men and women.

If you were an employee member of the Fund at any time between April 1978 and April 1997, part of your pension is likely to include Guaranteed Minimum Pension (GMP) benefits.

The Fund was contracted-out of the additional earnings related part of the State Pension Scheme during this period and, as a result, is required

to provide members with a GMP in respect of their relevant service.

The Trustee Board continues to consider the detail of all the High Court's judgments on this matter with its advisers to assess how they may impact the Fund and some members' pension benefits. There are different methods for equalising GMPs for men and women which are all quite complicated and difficult to implement.

The Trustees are not currently able to confirm any impact, but as and when the position is known, any affected members will be informed.

James King was appointed as Company Nominated Trustee (CNT) in September 2021 following the departure of Tom Tildesley, as reported in the 2021 Annual Review. Tony Dunnage and Lisa Hall have also both been appointed to the Trustee Board as CNTs from June 2022 after Darren Lees and Nick Welby stepped down.

A nomination process is also being held among employed members to seek a replacement for Member Nominated Trustee Sam Miller, who left the company in April 2022 and stepped down from the Board.

Imperial Tobacco Pension Trustees
Limited board of directors:

Nominated by Imperial Tobacco:
Helen Clatworthy (chair)
Tony Dunnage (global ESG director)
David Fripp (independent trustee director)
Lisa Hall (head of IT enabling functions)
James King (senior investor relations manager)



The Trustee Board, from left: David Fripp, Lisa Hall, Ken Hill, Helen Clatworthy (chair), James King, Kirsty Green-Mann and Tony Dunnage

Nominated by pensioners and deferred members:
Kirsty Green-Mann
Ken Hill

Nominated by employees:
Vacancy

Pension Fund Office
Jan Killick (pensions manager and secretary)
Leigh Callaghan (deputy pensions manager)

The trustees are keen to hear your views. Please contact the Pension Fund Office at:

Imperial Tobacco Pension Fund
PO Box 3242, Winterstoke Road,
Bristol BS3 9GY

☎ 0117 953 0000
✉ pension.enquiries@uk.imptob.com