



IMPERIAL TOBACCO PENSION FUND

DEFINED CONTRIBUTION

SUMMARY REPORT

2024



Fund welcomes new employee members

The membership of the DC section increased significantly over the year following the closure of the Defined Benefit (DB) section of the Fund on 30 September 2023.

Over 200 ex-DB employee members have joined the DC section for future service, meaning it now has over 1,000 employee members.

There have been a number of legislative and regulatory changes recently, all of which you can read about inside. The Government abolished the Lifetime Allowance for pensions and replaced it with two new allowances on 06 April 2024 and the Retirement Living Standards have also been updated.

In addition, the Pensions Regulator has launched its new General Code of Practice for trustees and you can find out about what some of these changes mean for the Fund and the Trustee board on page 11.

I hope you will read the article on the next page and help the Fund improve its carbon footprint and reduce costs by receiving this report and other general communications digitally in the future.

Finally, I'd like to acknowledge the efforts of my fellow Trustee Directors, the Pension Fund Office, and our professional advisers over the past year. In particular, I'd like to welcome Tom Lukic of Dalriada Trustees and say a big thank you to David Fripp, who left the Board in 2023, for his significant contribution during his time as a Trustee.

Helen Clatworthy

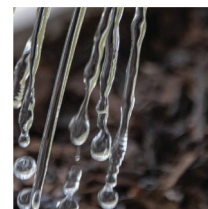
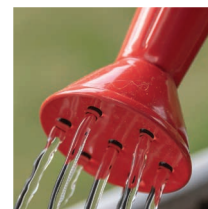
Trustee Board Chair

Fund
Value

£96.8m

Fund
Membership


2,063







Contacting Aegon

The day-to-day administration of the DC section is carried out by Aegon. Members are welcome to get in touch with the Pension Fund Office but, in the first instance, should contact Aegon:

 my.pension@aegon.co.uk

 Fund helpline: 0345 601 7720

When sending letters, documents or forms, please write to:


 Aegon Workplace Investing,
Sunderland SR43 4DH

Remember to quote your Aegon Retirement Account number (starting A/000) in all contact.

If you change your home address, please let Aegon know. It is also a good idea to let them know your personal email address. Without up-to-date details Aegon may have difficulties tracing you ahead of your normal retirement date.

Opt in to email communications

In order to provide you with a convenient way to stay informed of the latest Fund news, we are offering members the option to sign up to receive generic Trustee communications via email.

By providing your details using the sign up link –  bit.ly/ITPF-email – or QR code below, you'll be opting in to receive your regular news, pension updates and certain other communications by email.

In doing so, you will:


- Have access to the latest news about the Fund straight from your mobile, tablet or computer
- Help us do our bit to reduce our carbon footprint

You will continue to receive personal Fund correspondence such as pension statements in paper format through the mail.



Register for online access

Get more connected to your pension by registering for online access to your Retirement Account (RA) via **Aegon's TargetPlan** website:

1. Visit  lwp.aegon.co.uk/targetplan and click 'Activate'.
2. Enter your RA number, surname and National Insurance number.
3. Answer the security questions then create your user ID and password.

You can also access your RA through your smartphone by visiting your app store and downloading Aegon's App, which is available for both Android and iOS devices.



Changes to pensions tax allowances

Since 2006, pension savings have been subject to a Lifetime Allowance (LTA), which placed a limit on the total pension savings you can build up across all your pensions before having to pay additional tax. This has now been replaced with two new allowances.

For the 2022/23 tax year, the LTA stood at £1,073,100 and pension savings above this amount were subject to additional tax charges (known as the LTA charge) on payment of benefits.

In March 2023, the Government announced it would be removing the LTA tax charge from 06 April 2023, and abolishing the LTA altogether from 06 April 2024. These changes have now been implemented.

What does this mean for Pension Fund members?

Most members weren't affected by the LTA, but if you are someone that was likely to be impacted then the changes are good news because you can now save more for your retirement without incurring an LTA tax charge. There will, however, still be a limit on the amount of money you can take as a tax-free lump sum at retirement.

What are the new pension tax allowances?

There are now two new lump sum allowances which will determine how much total tax-free cash can be paid to you or your beneficiaries. These allowances apply per person, not per scheme:

- **Lump Sum Allowance (LSA):** This is a fixed cumulative limit of £268,275 (25% of the LTA when it was abolished). It applies to the maximum amount of tax-free cash that can be paid as a lump sum on drawing pension benefits. If you exceed this, the amount over the limit will generally be taxed as income.
- **Lump Sum and Death Benefit Allowance (LSDBA):** This is a fixed cumulative limit of £1,073,100 (the same as the LTA when it was abolished). It applies to the tax-free elements of lump sums that can be paid in life and death to – or in respect of – an individual. In addition to the tax-free lump sum on retirement, this allowance also applies to the tax-free elements of serious ill-health lump sums and lump sum death benefits.

Members with existing LTA protection may have higher limits before they are liable to pay tax.

Does the Annual Allowance change?

No, it remains the same at £60,000. This is the maximum amount of tax-free pension savings you can build up

Change in minimum pension age



over a tax year. However, it will be lower if the amount of your total taxable income plus the amount of your pension savings is greater than £260,000.

There is also no change to the Money Purchase Annual Allowance, which remains at £10,000 for 2024/25 tax year. This is a special restriction on the amount you can pay in to your DC pension pot and still receive tax relief once you start to access your DC savings plan.

For further information about the allowances and how they may impact you, please go to: [gov.uk/tax-on-your-private-pension/annual-allowance](https://www.gov.uk/tax-on-your-private-pension/annual-allowance)

The normal minimum pension age is the earliest age you can usually access your pension savings and is set by the Government. This is 55 but will rise to 57 from 06 April 2028.

The Trustee and its legal advisers have considered what impact this statutory change will have for Fund members.

Currently a DC employee member who retires before their normal retirement age – or a DC deferred member who draws their DC benefits early – may do so from age 55.

From 06 April 2028 any member who joined the DC section prior to 04 November 2021 will retain this right. But, from 06 April 2028, the earliest age a member who joined the Fund on or after 04 November 2021 can draw their benefits will be 57.

Individual pension transfers may also be impacted by this change. If a member who has a protected pension age of 55 transfers into another scheme on or after 04 November 2021, they will be able to retain their protected pension age of 55 but only in relation to the benefits transferred.

The change to the minimum pension age will not affect your ability to draw your pension benefits early before age 57 due to ill health, subject to receipt of satisfactory medical evidence.



It is never too early to start planning for retirement

We all want to experience a good standard of living in retirement and hopefully have more time and resources to spend doing the things we enjoy.

For many members of the Fund, it may seem a long way off but thinking about what you want your retirement to look like now can help you plan better for the future.

The Pensions and Lifetime Savings Association has devised the Retirement Living Standards, which have recently been updated. They help give individuals a better idea of what life after work could look like at three different levels, showing the amounts of expenditure required to achieve a given living standard.

The figures shown right do not constitute financial advice but are meant to provide a useful and realistic guide to savers by giving them tangible income goals to try and achieve different standards of living in retirement.

For many people their private and state pensions (full state pension for 2024-25 is £11,500 per year), and other savings could go a long way towards covering these costs but you may need to add other expenditure, such as mortgage, rent, social care costs and any tax on pension income, depending on your circumstances.

You can check to see if you can afford your retirement living standard of choice by using the retirement planner tool on Aegon's TargetPlan website for the Fund. This will also tell you what you should be saving now to help achieve your income goals in retirement.

More at:  retirementlivingstandards.org.uk

How much annual income will you need to fund your retirement living standard?

SINGLE

COUPLES

Comfortable:
£43k

Moderate:
£31k

Minimum:
£14k

Comfortable:
£59k

Moderate:
£43k

Minimum:
£22k



Remember: You receive tax relief on your contributions and a saving in National Insurance, so the impact on your take home pay of increasing your pension contributions may not be as much as you might think (see the scenarios below). Also, the more you save now the more time your pension savings have to grow.

	Percentage of your pensionable pay				
Employee contribution rate	4%	5%	6%	7%	7%+
Company contribution rate	8%	10%	12%	14%	14%
Total invested	12%	15%	18%	21%	21%+
% of members currently paying at these rates	29%	7%	5%	42%	17%

Additional contributions you pay above 7% will not be matched by the Company.

Scenario 1: You earn £2,500 each month (ie £30,000 pa)

You pay 4% with 8% from the Company in return for a 4% reduction in your pay	£100
8% contribution from the Company each month	£200
Total contribution to your account	£300
Effective monthly cost to you	£68

Scenario 2: You earn £2,500 each monthh (ie £30,000 pa)

You pay 7% with 14% from the Company in return for a 7% reduction in your pay	£175
14% contribution from the Company each month	£350
Total contribution to your account	£525
Effective monthly cost to you	£126*

* The extra £225 contribution to your account therefore only costs you £58



Your Retirement Account

Tax information is based on our understanding of current taxation law and HMRC practice, which may change. Cost amounts shown are approximates.



Investment performance

The Global Equity and other indexed funds have tracked the benchmark within an appropriate tolerance range over the year to 31 March 2024.



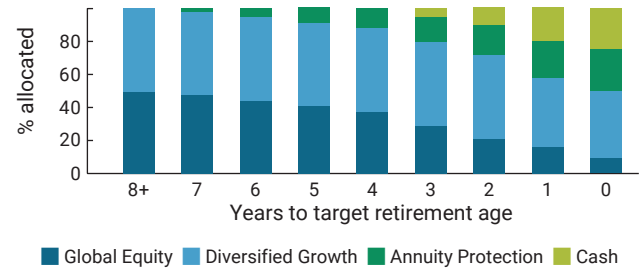
In recent years the Diversified Growth Fund has underperformed relative to its benchmark, which was one of the reasons that the Trustee decided to review the Fund’s default investment strategy in 2023. This is ongoing and expected to be completed soon. The outcome will be communicated to members.

Default investment strategy

A default investment option is selected by the trustees of a pension scheme and members contributions will be invested in it if they have not made an active investment selection.

The Variable Income Lifecycle (see right) is the default option for members of the DC section. A lifecycle fund aims to provide you with a good long-term rate of investment return over most of your working life, while protecting the value of your savings as you near retirement. The Variable Income Lifecycle is aimed at those planning to leave their DC savings (your Retirement Account) invested at retirement and drawing down income from it. A Cash Lifecycle and Secure Income

Variable Income Lifecycle



The chart above shows how funds are switched out of the ITPF Global Equity and Diversified Growth Funds over the eight years prior to a member’s selected retirement age.

Lifecycle are also available for those members looking to take all of their Retirement Account as cash or use part, or all, of it to buy an annuity (pension).

You should consider whether a lifecycle strategy is the most suitable investment strategy for your needs. If you prefer to have more control over where your contributions are invested and/or like to take a more active role in your investment portfolio, you may prefer to invest your contributions in one or more of the nine ‘self-select’ funds shown on the next page by logging into your Retirement Account (see page 3).

Self-select fund	Investment objective	Charge*
Diversified Growth Fund	To achieve long term growth by investing in different types of investments such as equities (company shares), fixed and index linked bonds, commodities, cash etc.	0.67
Global Equity Fund	To achieve long term growth by investing in global equity markets (c. 90% of the fund is invested in equities of developed markets and 10% in equities of emerging markets).	0.35
UK Equity Fund	To invest in shares of UK companies and produce a return in line with its benchmark.	0.32
Overseas Equity Fund	To invest in shares of companies in Europe, USA, Canada, Japan and the Pacific Rim and produce a return in line with each country's primary stock market index.	0.32
Sustainable Global Equity Fund	To track the performance of the Solactive L&G ESG Global Markets Index to within +/- 0.60% pa for two years out of three.	0.43
Islamic Global Equity Fund	To replicate the performance of the Dow Jones Islamic Market 100 Titans Net total return. The fund is prohibited from investing in non-Shariah compliant instruments such as financial derivatives.	0.60
Annuity Protection Fund	To produce a return in line with its benchmark designed to reflect long term changes in annuity prices. The fund invests in fixed and index-linked bonds.	0.32
Index-Linked Gilt Fund	To invest in UK government bonds linked to inflation and produce a return in line with its benchmark.	0.32
Cash Fund	To produce a return greater than its benchmark from a portfolio of sterling denominated cash, deposits and money market instruments.	0.32

A fact sheet about each fund is available on Aegon's TargetPlan website.

* Aegon annual management charge (AMC) % pa, deducted from each of the fund's assets and managed through the unit price.

Fund information

Performance (% net of fees) to 31.03.24

	Actual return over one year	Benchmark return over one year
ITPF Global Equity Fund	22.23	22.20
ITPF Diversified Growth Fund	9.02	9.02
ITPF Annuity Protection Fund	1.16	1.06
ITPF Cash Fund	4.83	4.91

Fund membership

at 31.03.24 (last year's in brackets)

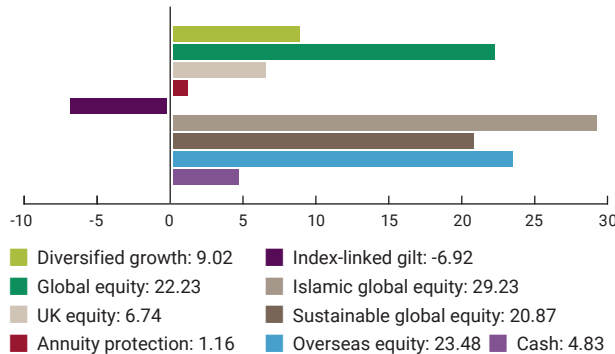


Employees: 1,097 (790)



Deferreds: 966 (894)

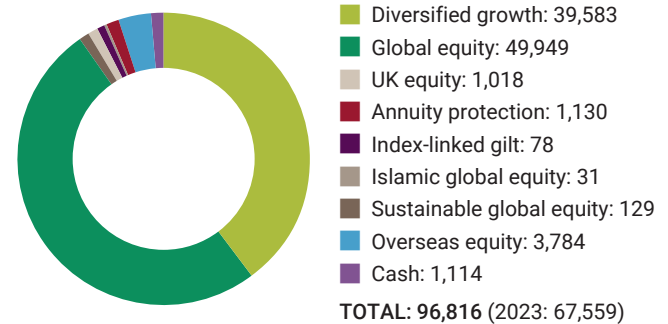
Annual Fund return (%)* at 31.03.24



*Net of Aegon Annual Management Charge

Fund value at 31.03.24

DC Section Fund investments (£000s)



Information about the performance of all the funds offered is available online at the TargetPlan website: lwp.aegon.co.uk/targetplan Remember returns can go down as well as up and past performance is not an indication of future performance.



One Code for all

On 27 March 2024 the Pensions Regulator's General Code of Practice came into force, consolidating 10 existing codes of practice into one.

Its aim is to provide trustees with one set of clear, consistent expectations on scheme governance and administration and the new format is designed to make it easier for governing bodies to find the Regulator's expectations and consider whether they are meeting them.



The new Code covers areas such as trustee board structure and governance, risk management, funding, investment, scheme administration and member communication. It introduces new requirements for trustees to establish and operate an effective system of governance including internal controls, an own risk assessment (ORA) and a risk management function (RMF), together with high-level expectations on diversity, equality and inclusion (DEI).

The Fund already has a good governance system in place but there will still be additional requirements that the Trustee will need to comply with such as the ORA, the first of which needs to be completed by 31 March 2026. In addition, the Trustee has recently established a RMF for the Fund.

The Pensions Regulator's expectations around DEI include requiring trustees to consider the demographics and diversity of scheme members.



Don't forget – keep alert to the threat of a scam. The following websites contain useful tips on avoiding all types of scams:

-  moneyhelper.org.uk/en/money-troubles/scams/how-to-spot-a-pension-scam
-  ageuk.org.uk/information-advice/money-legal/pensions/pension-scams

Trustee Board update

Imperial has appointed Dalriada Trustees Limited as an independent Employer Nominated Trustee, replacing David Fripp. Tom Lukic has been appointed as a Trustee Director and will represent Dalriada on the Board. He is a fully accredited professional pensions trustee.

Imperial Tobacco Pension Trustees Limited board of directors:

Nominated by Imperial Tobacco:

Helen Clatworthy (Chair)

Tony Dunnage (Imperial Brands Global ESG Director)

Tom Lukic (Independent Trustee Director)

Lisa Hall (Imperial Brands Chief Information Officer)

James King (Imperial Brands Finance Director – France and Benelux)

Nominated by pensioners and deferred members:

Kirsty Green-Mann

Ken Hill

Nominated by employees:

Ross Parker (Imperial Brands Director of Group Corporate Affairs and CLA Operations)

Pension Fund Office




Jan Killick (Head of UK Pensions and Secretary)

Leigh Callaghan (Pensions Manager)




The Trustee Board, from left: Tom Lukic, Lisa Hall, Ken Hill, Helen Clatworthy (Chair), Tony Dunnage, Kirsty Green-Mann and Ross Parker. Inset: James King

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
-  pension.enquiries@uk.imptob.com
-  0117 953 0000

Add the Fund's website to your favourites list

Our website contains a lot of useful information about the Fund, including the Chair's statement to DC members, pensions tax information, how to spot a pensions scam and so on. It is regularly updated so add  myimperialpension.com to your list of website favourites so all of this information is just a click away.