



IMPERIAL TOBACCO PENSION FUND

DEFINED BENEFIT

SUMMARY REPORT

2024



Fund in good financial health

I am pleased to report that the annual funding review looking at the financial health of the Fund as at 31 March 2024 shows that the Fund remains in a strong position overall.

The Trustee Board, together with Imperial, continues to look for opportunities to reduce risk and improve the security of your pension and you can read more about the annual update for 2024 on page 4.

During the financial year, following consultation with employee members, the Company decided to close the DB section to future accrual and employee members transferred to the Defined Contribution section on 01 October 2023.

There have also been a number of legislative and regulatory changes recently, 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 Pensions Regulator has launched its new General Code of Practice for trustees.

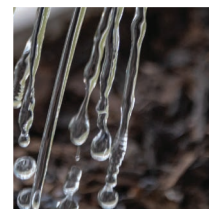
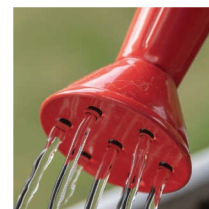
I hope you will read the article on the next page and help the Fund improve its carbon footprint and reduce costs by opting to receive this report and other general communications digitally in the future.

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
£2.7bn

Fund
Membership
25k





Opt in to **email communications**

Further information

The figures in this summary have been taken from the Fund's full report for the year to 31 March 2024, which contains an unqualified opinion (indicating a clean report) on the Fund's financial statements from its independent auditors RSM UK Audit 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 2022) and the latest version of the Statement of Investment Principles and the ESG Report.

Copies of these, and other useful documents, can also be found at:

 myimperialpension.com



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 payslips, pension increase letters etc, in paper format through the mail.



Notify us of changes to personal details in writing

Please remember to inform us if your contact details change, including your address, telephone number or bank details.

We continue to need this new information in writing, accompanied by your signature to help us ensure the request is genuine. Without up-to-date details 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 suspended.

For other matters, the team can also be contacted by email or telephone. **See details on back page.**



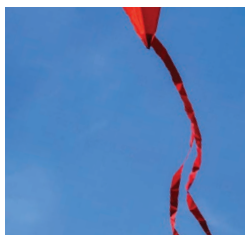
Investment summary

The Trustee’s primary investment objective is to invest the Fund’s DB assets in an appropriate and secure manner so that members’ pensions can be paid. The Fund is in good financial health and the investment strategy remains unchanged.

Over the year, the value of the Fund’s investments fell to £2,660 million from £2,890 million, but this fall has not had any significant impact on the Fund’s overall funding position as the liabilities fell by a similar amount. The Trustee has focused on rebuilding the investment hedge*

ratio for the Fund’s Liability Driven Investment (LDI) strategy during the year, following the aftermath of the Government’s ‘mini-budget’ in autumn 2022.

The hedge increased to 86% over the year to 31 March 2024, closer to the Trustee’s target hedge of 94%. The purpose of the LDI strategy and the hedge is to help insulate the Fund’s investments relative to the liabilities against changes to interest rates and inflation. The higher the hedge rate, the greater the level of protection.

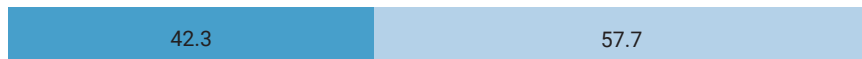


Asset allocation

Actual at 31.03.24



Actual at 31.03.23



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

Fund return: -2.4% (2023 -29.2%)

* Hedging is a strategy to limit investment risks. A hedge is a trade that is made with the purpose of reducing the risk of adverse price movements in another asset.

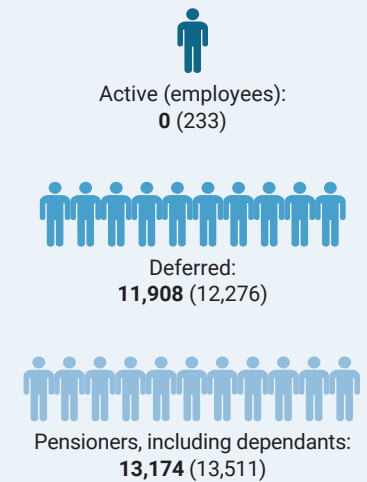


Summary of money paid into and out of the DB section of the Fund in the year to 31 March 2024 (£000s)

Money paid in		Money paid out	
Member contributions*	268	Pension payments	147,729
Investment income	144,226	Lump sums on retirement	8,907
		Transfers out and other payments	1,547
		Administration and investment expenses	9,052
Total income	144,494	Total outgoings	167,235

*The DB section closed to future accrual on 30 September 2023.
 The Fund's investments are used to cover any shortfall in outgoings.

DB members at 31.03.24
 (last year's membership in brackets)



Responsible investment commitment

The Trustee has a legal duty to invest in the best financial interests of the scheme's members and it recognises that ESG (Environmental, Social & Governance) factors, including climate change, can be financially material. The Trustee has produced its second Taskforce on Climate-related Financial Disclosures report (see page 8) and this can be viewed on the Fund's website at [myimperialpension.com](https://www.myimperialpension.com)



Annual Summary Funding Statement

This statement covers the results of the annual actuarial report as at 31 March 2024 for the Defined Benefit section of the Fund. The funding levels on all three funding measures are largely unchanged over the year to 31 March 2024 and the Fund remains in a strong position.

While the funding level on the winding-up objective is slightly below 100%, the shortfall on this measure remains small and at a similar level to 31 March 2023. The funding level for the statutory funding objective reduced slightly over the year due to a fall in expected asset returns (relative to government bond returns) but there continues to be a strong surplus on the statutory funding objective and the total service objective.

The Trustee Board believes that, together with the continuing commitment from the Company, members have a high degree of security for the benefits they have been promised.

What is an actuarial valuation?

An actuarial valuation compares the value of the Fund's current investments or assets against the amount of money the Actuary calculates it needs to hold now to pay out benefits to all members in the future.

If the assets are less than this amount, the Fund has a shortfall and the Actuary recommends a recovery plan for Imperial Tobacco Limited to make up this shortfall as quickly as it can.

The Trustee must obtain a formal actuarial valuation at least once every three years (the last one was carried out as at 31 March 2022). In the years between, the Trustee obtains an annual actuarial report from the Actuary to update them on the Fund's financial position.

Funding objectives

The Fund has three different funding objectives: the first arises from UK pensions law and there are two additional objectives specific to this Fund.

1. Statutory funding objective. This assumes the Fund continues to operate as it does now. The objective is to have enough assets to pay for pensions built up to the valuation date. The assumptions used to calculate the statutory funding objective are required by law to be prudent.

2. Total service objective. This is similar to the statutory funding objective but the benefits accruing over the expected future service of current employed members are also taken into account. Following closure of the Fund to future accrual on 30 September 2023, the total service objective is now the same as the statutory funding objective.

3. Winding-up objective. This is for the Fund to have enough assets to cover the cost of securing benefits with an insurer if the Fund was discontinued, with deferred benefits granted to any employed members (noting that the Fund closed to future accrual on 30 September 2023).

Financial health of the Fund

The table below shows the results of the most recent actuarial valuation as at 31 March 2022 as well as the annual actuarial reports at 31 March 2023 and 31 March 2024:

1. Statutory funding objective	2022	2023	2024
Assets	£4,338m	£2,890m	£2,661m
Technical Provisions	£3,671m	£2,639m	£2,444m
Surplus/(deficit)	£668m	£251m	£217m
Funding level	118%	110%	109%
2. Total service objective	2022	2023	2024
Assets	£4,338m	£2,890m	£2,661m
Total service	£3,751m	£2,681m	£2,444m
Surplus/(deficit)	£588m	£209m	£217m
Funding level	116%	108%	109%
3. Winding-up objective	2022	2023	2024
Assets	£4,338m	£2,890m	£2,661m
Winding-up cost	£4,177m	£2,941m	£2,711m
Surplus/(deficit)	£162m	(£51m)	(£50m)
Funding level	104%	98%	98%

Figures may not sum due to rounding.

Annual Summary Funding Statement continued



How will any shortfall be made up?

The Company has agreed to pay contributions which are dependent on the size of the winding-up deficit. The annual contribution will be higher in years where the winding-up deficit is higher. Due to the strong funding position, under the schedule of contributions agreed with the Company, no contributions are due from the Company over the next year.

Contingent funding arrangements

Additional security is also in place which would provide supplementary funding under specific circumstances:

- Surety guarantees, which can be called on by the Trustee Board in specified circumstances, such as the Company's liquidation.
- Increased contributions of three times the annual deficit contribution each year if the credit rating of Imperial Brands PLC falls below investment grade.

- The continuing formal parent company guarantee from Imperial Brands PLC.

In the last year, the Company paid an £8 million contribution into a separate account held outside of the Fund which can be released to the Fund in future, if required, or returned to the Company. The level of contributions will be reassessed at the next valuation in 2025.

Statutory statements

There has been no payment out of the Fund's assets over the period from April 2023 to March 2024 to the Company. There has been no intervention from The Pensions Regulator to use its powers to modify the Fund or to impose a direction or schedule of contributions.

Task Force on Climate-related Financial Disclosures (TCFD)

The Imperial Tobacco Pension Fund is in scope of the climate change governance and reporting requirements. The second TCFD report for the Fund was published in the year and sets out the Trustee's identification, assessment, and management of climate change risk. View the report at: myimperialpension.com/library/climate-related-risks-and-opportunities-tcfd-report-2024



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 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. 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)

Change in minimum pension age

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.

This statutory change will only apply to deferred members of the DB section and, from 06 April 2028, the earliest age these members will be able to draw their Imperial pension will be 57.

However, it will not affect your ability to draw your pension earlier due to ill health, subject to receipt of satisfactory medical evidence demonstrating that you are permanently incapable of carrying out your job.



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, 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.