



IMPERIAL TOBACCO
PENSION FUND

SUMMARY REPORT

2021

DEFINED BENEFIT



I COULD NOT HAVE IMAGINED WHEN I WROTE LAST YEAR'S REPORT HOW ALL OUR LIVES WOULD CONTINUE TO BE DISRUPTED BY THE GLOBAL PANDEMIC.

During the year, the Trustee Board and Investment Committee has continued to meet with its advisers regularly via video conferencing and the Pension Fund Office team has worked from home, ensuring pensions are paid on time and dealing with the day-to-day administration of the Fund. However, it does seem that we may see a return to face to face meetings and working in offices soon.

You will see in this report that the funding level has continued to weather the market turbulence seen since the start of the global pandemic and is unchanged since last year at 94% on a winding-up basis. The funding plan remains on track and the investments have proved resilient over the past year with values increasing marginally to £4.2 billion.

The Trustee Board has spent time considering environmental, social and governance (ESG) matters and how these impact the Fund's investments. It has developed a set of ESG beliefs and will spend time over the next year refining how it monitors the Fund's investment managers against those beliefs, taking action to seek improvements where necessary.

Finally, I would like to welcome Kirsty Green-Mann to the Trustee Board and, at the same time, thank all other Trustees for their continued support and hard work, including Julian Banks and Tom Tildesley who have stepped down in 2021.

I hope you all keep safe and well.

HELEN CLATWORTHY
Trustee Board chair

Fund
VALUE
£4.2bn

Fund
RETURN
2.3%

Fund
MEMBERSHIP
29k



FURTHER INFORMATION

The figures in this summary have been taken from the Fund's full report for the year to 31 March 2021, which contains an unqualified opinion on the Fund's financial statements from its independent auditors PricewaterhouseCoopers LLP.

A copy of the full report is available free of charge 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.

● The trustees are keen to hear your views

If you would like to tell us something about our service or give us suggestions to help us improve, please email the Pension Fund Office at pension.enquiries@uk.imptob.com

Working in the pandemic

It has been over a year since Imperial closed its Bristol office in line with Government guidelines to help tackle the COVID-19 pandemic. Since then, all employees, including the pensions team, have been working from home.

The pensions team adapted to home working quickly and during lockdown continued to pay pensions and other benefits as normal. With the roll-out of the UK's vaccination programme and the gradual relaxation of restrictions, Imperial is preparing to re-open its Bristol office in July subject to any further Government guidance. There will be a flexible return to office working with most employees, including the pensions team, splitting their time between office and home working. While home working continues, members are encouraged to contact the pensions team by email or telephone:

✉ 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 your contact details, please remember to let the Pension Fund Office (PFO) know. 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

The investment allocation over the year was largely unchanged as in the past few years the Trustees have taken steps to reduce risk by selling equities and invest in assets which aim to give greater protection against movements in inflation and interest rates and reduce the risk of adding to the funding deficit.

ESG POLICY

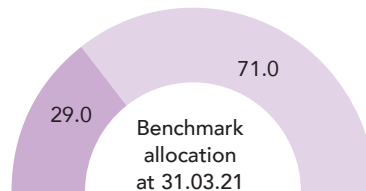
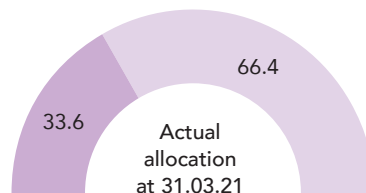
During the year, the Trustee Board established a policy covering environmental, social and governance (ESG) considerations to help underpin its investment decision making (copies available – see page 3). During implementation of the policy, the Trustees will compare their own ESG beliefs with those of their investment managers.

It is expected that the Fund's investment managers will develop their ESG capabilities and improve their reporting of ESG matters.

In the year, the Trustees have invested more in corporate bonds (£150m) as funds were returned from maturing investments in the Fund's alternative assets portfolio.

At 31 March 2021 the split of the Fund's investments was as shown in the charts below:

ASSET ALLOCATION



■ Cash-flow driven alternatives (%) ■ Bond-like assets (including LDI) (%)

ASSETS (£000s)

2021

£4,199,161

2020

£4,135,024

SUMMARY OF MONEY PAID INTO AND OUT OF THE DB SECTION OF THE FUND (£000s)

MONEY PAID IN		MONEY PAID OUT	
Employer and member contributions	65,696	Pension payments	137,297
Investment income	89,096	Lump sums on retirement	6,879
		Transfers out and other payments	23,646
		Administration and investment expenses	6,992
Total income	154,792	Total outgoings	174,814

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

OUR DB MEMBERS (last year's membership in brackets) 2021



Active (employees): **285** (301)



Deferred: **13,576** (15,302)



Pensioners, including dependants: **15,077** (15,495)

GUARANTEED MINIMUM PENSION UPDATE

Last year we gave an update on the court case (the Lloyds judgement) about the equalisation of Guaranteed Minimum Pension (GMP) benefits for men and women.

There were, however, some matters that required clarification and further hearings were due. In November 2020, the High Court made a further determination on this matter, specifically relating to the extension of the ruling to past transfers out of pension schemes.

The Trustee Board is considering the detail of all the judgments with its advisers to assess how they may impact the Fund and some members' pension benefits; however, this will take some time.

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

Annual summary funding statement

as at 31 March 2021 for the Defined Benefit section of the Fund

The funding level for the winding-up objective is broadly unchanged and those on both the statutory funding and the total service objectives remain strong, with significant surplus.

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 that 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 Trustees must obtain a formal actuarial valuation at least once every three years from the actuary (the last one for the Fund was carried out at 31 March 2019). In years between actuarial valuations, the Trustees obtain 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 which are 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.

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 employed members.

Financial health of the Fund

The tables below shows the results from the actuarial valuation as at 31 March 2019 and the annual actuarial reports at 31 March 2020 and 31 March 2021, for all three of the Trustees' funding objectives.

How will the 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. The Company paid £65m in the year ending 31 March 2021 and will continue to pay the agreed contributions to 31 March 2022 and beyond.

Contingent funding arrangements

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

- Surety guarantees with a total value of up to £225 million. These can be called upon by the Trustee Board in specified circumstances, such as the Company's liquidation or in the event that the Company

For the first two objectives there has been an increase in the cost of providing benefits due to a decrease in expected future asset returns. This has been partially offset by asset returns over the year as well as the Company contribution of £65m.

1. Statutory funding objective	2019	2020	2021
Assets	£4,137m	£4,135m	£4,199m
Technical provisions	£3,772m	£3,668m	£3,809m
Funding level	110%	113%	110%
2. Total service objective	2019	2020	2021
Assets	£4,137m	£4,135m	£4,199m
Total service	£3,917m	£3,782m	£3,906m
Funding level	106%	109%	108%
3. Winding-up objective	2019	2020	2021
Assets	£4,137m	£4,135m	£4,199m
Winding-up cost	£4,517m	£4,386m	£4,454m
Funding level	92%	94%	94%

fails to put in place satisfactory arrangements to address any deficit identified at the 2022 actuarial valuation.

- Increased contributions of three times the annual 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.

At the 31 March 2019 valuation, the actuary was satisfied that the overall package should be sufficient to eliminate the shortfall on the winding-up objective by 31 March 2025. The level of contributions will be reassessed at the next valuation in 2022.

Statutory statements

There has been no payment out of the Fund's assets over the period from April 2018 to March 2021 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.

Changes to pension taxes

The Lifetime Allowance (LTA) is the maximum amount of pension savings you can have at retirement from all pension schemes without incurring an additional tax charge. In the Spring Budget 2021 it was announced the LTA will be frozen at £1,073,100 until the 2026/27 tax year. The Annual Allowance (AA) remains unchanged for 2021/22.

To find out more, go to [gov.uk/tax-on-your-private-pension](https://www.gov.uk/tax-on-your-private-pension)

Your data

The Trustee Board holds data

about members to help run the Fund. How personal data is held and used is set out in the Fund's Privacy Notice (copies available from the Pension Fund Office).

The Trustees may share the data with third parties, for example to verify the accuracy of your and, if applicable, your spouse's data and your continuing existence. To help with this data verification the Trustees have appointed a specialist firm, LexisNexis.

Small pensions

In recent months, the Trustees

have contacted dependants (widows/widowers) who are paid small pensions – valued at £30,000 or less – and offered them an option to exchange their regular pension payments with a one-off lump sum.

We will be in touch with pensioners with small pensions later in the year to offer them the same option. **Please note that you will only hear from us if you are eligible to receive this offer:** unfortunately, we cannot deal with one-off requests in advance of this.

WATCH OUT! There may be a scammer about...

There is currently a heightened risk of scam activity, as scammers look to take advantage of the economic uncertainty surrounding the COVID-19 pandemic.

And methods to fraudulently access pension savings are becoming more sophisticated and include emails, text messages, unsolicited calls (which are illegal) and copycat websites.

Typically, a pension scam begins when someone contacts you unexpectedly about your savings, perhaps offering an 'investment' opportunity, a way

to access your savings before the age of 55 or an unexpected tax rebate.

If you think you've been the victim of a pension scam, call Action Fraud on 0300 123 2040 or report the scam online at actionfraud.police.uk/reporting-fraud-and-cyber-crime. You can also speak to The Money and Pensions Service on 0800 011 3797.

The Trustees of the Imperial Tobacco Pension Fund have signed up to the Pension Regulator's pledge to combat pension scams.

How to protect yourself

1) Reject unexpected offers: If you are contacted out of the blue about a pension opportunity, the chances are it will be high risk or a scam. If you receive a cold call about your pension the safest thing to do is hang up. Be wary of free pension review offers.

2) Check who you are dealing with: Check if the person or company contacting you is on the Financial Services Register at fca.org.uk/firms/financial-services-register or call the FCA on 0800 111 6768. If you call the person or company back, use the phone number listed on the Financial Services Register.

3) Don't be rushed or pressurised into a decision: Take all the time you need to check the validity of an offer – even if it means missing out on an 'amazing deal'. Be wary of promised returns that sound too good to be true.

4) Get impartial information or advice: The Pensions Advisory Service (pensionsadvisoryservice.org.uk) provides free independent and impartial information. If you are over 50 and have a DC pension pot Pensionwise (pensionwise.gov.uk) offers pre-booked appointments to talk through your retirement options.



Kirsty Green-Mann

In the 2020 Annual Review, we shared with you the news that Julian Banks was stepping down from the Trustee Board in February 2021. Julian had been a valued Member Nominated Trustee (MNT) for the pensioner and deferred member population for the past six years. He has been replaced by Kirsty Green-Mann, who previously served as an employee MNT from 2016 to 2018.

Tom Tildesley, one of the Company nominated trustees, has left Imperial and details of his replacement will be announced in due course.

Imperial Tobacco Pension Trustees
Limited board of directors:

Nominated by Imperial Tobacco:

Helen Clatworthy (chair)

David Fripp (independent trustee
director)

Darren Lees (head of finance, UK &
Ireland)

Nick Welby (director of
business services)

*Nominated by pensioners and
deferred members:*

Kirsty Green-Mann

Ken Hill

Nominated by employees:

Sam Miller (insights and intelligence
director)

Pension Fund Office

Jan Killick (pensions manager and
secretary)


Leigh Callaghan (deputy pensions
manager)


We want to know what you think

The Trustees are keen to hear your views. If you would like to tell us something about our service or give us suggestions to help us improve, please contact the Pension Fund Office:

Imperial Tobacco Pension Fund

PO Box 3242,
Winterstoke Road,
Bristol BS3 9GY

 0117 953 0000

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uk.imptob.com](mailto:pension.enquiries@uk.imptob.com)