



IMPERIAL TOBACCO
PENSION FUND

SUMMARY REPORT

2020

DEFINED CONTRIBUTION



WELCOME TO OUR NEW-LOOK REPORT, CONTAINING HIGHLIGHTS FROM THE DEFINED CONTRIBUTION (DC) SECTION OF THE IMPERIAL TOBACCO PENSION FUND.

During this time of uncertainty due to the ongoing COVID-19 crisis, the Trustees have been working with their advisers, the Imperial Pension Fund Office and our DC provider, Aegon, to ensure business continuity plans are working effectively and your pension contributions and investments continue to be processed and managed properly on a daily basis.

We understand some people may now be more concerned about their pension, particularly when approaching retirement. Some may think about selling or moving investments based on short-term circumstances. We would urge you to think carefully and consider speaking to a financial adviser before making any decisions about your pension that could have long-term consequences.

Helen Clatworthy

HELEN CLATWORTHY

Trustee Board chair

Fund
VALUE
£38.4m

Fund
MEMBERSHIP
1.3k



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 Workplace Investing
PO Box 17486
Edinburgh
EH12 1NU

✉ my.pension@aegon.co.uk
Fund helpline: 0345 601 7720

● We want to know what you think

The Trustees are keen to hear your views. If you'd like to tell us something about our service (or Aegon's) or give us suggestions to help us improve, please email your feedback directly to the Pension Fund Office at pension.enquiries@uk.imptob.com

The impact of Coronavirus

You will be aware of the growing impact of Coronavirus (or COVID-19) and the disruption it has caused to businesses and on global financial markets.

When markets are turbulent the value of your pension pot may fluctuate.

This is a normal part of long-term saving, as the value of your investments may go up as well as down, so you may not get back the amount you originally invested. Bearing in mind that financial markets can – and do – recover, while volatile markets can be unsettling, it's important to remember pensions are a long-term investment.

Many members are invested in the default fund, which includes a diverse range of investments and so was not exposed to the full effects of the volatility in stock markets at the start of the global pandemic.

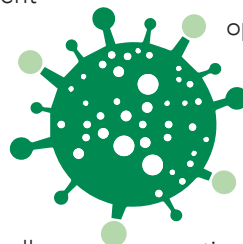
In these uncertain times you can find help and support, with the latest updates and guidance, by visiting the Aegon TargetPlan website at

 lwp.aegon.co.uk/targetplan

Aegon is currently operating a reduced telephone service from 10am to 4pm Monday to Friday. This is necessary to ensure the health and welfare of its employees at this unprecedented time.

The quickest and most effective way to contact Aegon is online (as above) or by email (see left).

Although most of the Pension Fund Office team are now working from home in line with Government and Imperial's advice, we are continuing to perform all necessary administration tasks for running the Fund. Due to the current working situation, however, there may be a short delay in replying to you.



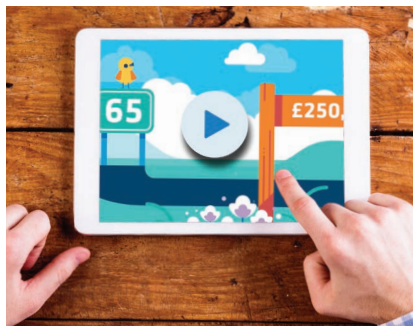
Register for TargetPlan and view your pension

All DC members hold an account with Aegon. You can view your pension account via Aegon's 'TargetPlan' website.

On TargetPlan you can:

- see how much your Retirement Account is worth;
- consider how much income you may need in retirement;
- get a quotation of what you could receive at retirement;
- use the online calculator to see the impact of paying more into your pension and/or changing your selected retirement age;
- amend your selected retirement age;
- switch where your Retirement Account is invested;
- access booklets, investment performance factsheets and communications.

If you have misplaced your login details or password, you can use the



'forgotten UserID/password' links on the TargetPlan website or contact Aegon by phone on 0345 601 7720, or email at my.pension@aegon.co.uk

If you have pension benefits elsewhere, you can enter the current value of your pension from other arrangements into TargetPlan and use the modelling tool to understand your potential total retirement benefits.

Your video pension summary

You may log into your Retirement Account to see your own personal

video summary of your pension. It will help you understand where you are on your pension journey, the impact of contributions paid, your fund investment choices and what your pension pot might be when you retire. It will also suggest some easy steps you could take to help you potentially achieve your pension saving goals.

Watch out for pension scams

Criminals are exploiting fear about COVID-19 to prey on vulnerable people, especially those isolated. If anyone approaches you directly to offer transfer advice, be on your guard. The Government has banned cold calling for pensions, so if anyone calls you out of the blue, hang up – it could be a scam. Visit the ScamSmart website at www.fca.org.uk/scamsmart to check the firm you are dealing with is regulated and to see if you're being scammed.



Time to think about increasing your contributions

Around half the employee members of the Fund are now paying contributions of 7% and taking advantage of the maximum matched employer contribution of 14% of pensionable pay.

If you have not reviewed your contributions, then you should remember that if you choose to pay more than the default contribution rate of 4% then the Company will also pay more into your pension pot.

● Remember, you receive tax relief and a saving in NI deductions on your pension contributions, so the net impact on your take home pay of increasing your contributions may be lower than you think.

Contribution rates available to employee members and the numbers paying at each rate together with the corresponding rates payable by the Company as at 31 March 2020

Employee contribution rate	4%	5%	6%	7%+	
Company contribution rate	8%	10%	12%	14%	
Number of DC members	242	43	24	290	599

How to register to access your Retirement Account (RA) online:

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

Cost to you of increased contributions

Monthly salary	Cost of 1% increase	Employer contribution
£1,417 (£17k pa)	£9.63 pm	£28.34 pm
£1,666 (£20k pa)	£11.34 pm	£33.32 pm
£2,500 (£30k pa)	£17.00 pm	£50.00 pm
£3,333 (£40k pa)	£22.67 pm	£66.66 pm
£4,166 (£50k pa)	£28.33 pm	£83.32 pm

Example: £30,000 salary and 7% salary sacrifice

7% from you each month	£175
14% contribution from the Company	£350
Total contribution to your account = 21%	£525
Effective monthly cost to you	£119

Changes made to your investment options

Earlier in the year, following a review of the investment strategy by the Trustees with support from their advisers, changes were made to the investment options available.

There is a range of seven different investment funds for you to invest in and you can choose how your contributions are invested. The Fund offers two investment approaches called Self-Select and Lifecycle.

Lifecycle investment strategies automatically change how your Retirement Account is invested as you approach your **Selected Retirement Age (SRA)** – age 65 unless you have selected an alternative retirement age. In a lifecycle investment strategy, contributions are initially invested in 'growth' assets, such as equities (company shares), which aim to maximise the growth or return on your pension savings. As you get closer to your SRA your

contributions are gradually switched out of these funds into less volatile, lower risk investment funds with the aim of protecting the value of your Retirement Account as you near retirement.

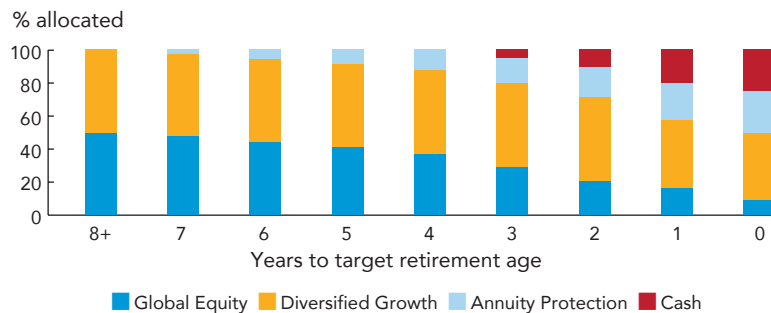
The value of your account, however, may still go up or down. The change in the investment asset mix over time is known as the 'glidepath' to retirement.

In February new versions of the Fund's three Lifecycle funds were introduced and the investment glidepath for the Lifecycle strategies

changed with members remaining invested in 'growth' assets until 8 years before their SRA. Previously the period was 20 years before SRA. The glidepath for the Fund's default investment strategy, the Variable Income Lifecycle strategy, is shown below to illustrate this point.

Your contributions will be invested in the Variable Income Lifecycle if you have not selected an alternative lifecycle strategy (Cash or Secured Income) or made a Self-Select choice from the seven individual

VARIABLE INCOME LIFECYCLE

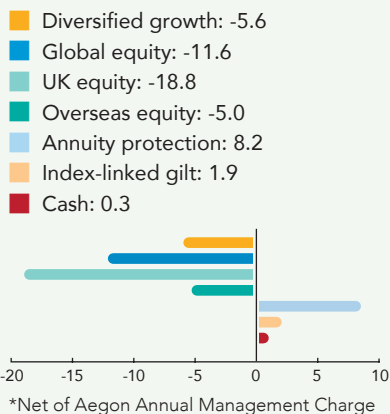


investments funds available.

As a result of the strategy review, the underlying mix of funds of the ITPF Diversified Growth Fund changed. Changes were also made during 2019 to the underlying mix of investments of the ITPF Global Equity Fund.

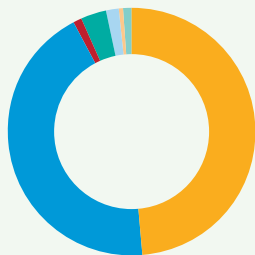
For further information on the different investment funds and strategies available, you can view the investment options booklet and fund performance factsheets on the TargetPlan website.

FUND RETURN (%)*



FUND VALUE

DC Section Fund investments (£000s)



Diversified growth	18,689
Global equity	16,715
Cash	419
Overseas equity	1,286
Annuity protection	644
Index-linked gilt	168
UK equity	433

TOTAL: 38,354 (2019: 37,376)

FUND MEMBERSHIP

at 31.03.20
(last year in brackets)



Employees: **599** (544)



Deferreds: **719** (676)

EMPLOYEE MEMBER PENSION TAXATION CHANGES

What is the Annual Allowance?

The Annual Allowance (AA) is the most you can save in your pension schemes each year with the benefit of tax relief.

What has changed?

At the 2020 Budget, the Government announced increases to the threshold income and adjusted income limits used to work out whether you have a tapered or reduced AA.

For the 2020/21 tax year the AA is £40,000, but if you have a high income it may be lower.

From 6 April 2020, the adjusted income limit used to assess whether individuals will have a tapered AA will rise to £240,000 (from £150,000) and the threshold income limit will rise to £200,000 (from £110,000). The AA is reduced to £4,000 when your income is £312,000 or more.

● A summary of these changes can be found at: <https://bit.ly/2GIwBt8>

There were no changes to the Trustee board during the year, but Julian Banks' term of office ends in 2021 and the nomination process is underway to seek a replacement as he has decided not to stand for a third term. We are extremely grateful to Julian for his contribution to the Board and the operation of the Fund over the past six years.

Imperial Tobacco Pension Trustees
Limited board of directors:

Nominated by Imperial Tobacco:
Helen Clatworthy (chair)
David Fripp (independent trustee director)
Darren Lees (head of UK finance and IT)
Tom Tildesley (Group financial controller)
Nick Welby (director of business services)

Nominated by pensioners and deferred members:
Julian Banks
Ken Hill



The Trustee Board, clockwise from far left: David Fripp, Nick Welby, Tom Tildesley, Ken Hill, Darren Lees, Julian Banks and chair Helen Clatworthy; inset, Sam Miller

Nominated by employees:
Sam Miller

Pension Fund Office

Jan Killick (pensions manager and secretary)
Leigh Callaghan (deputy pensions manager)

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

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