

2020 Summary Funding Statement

IBM I.T. Solutions Pension Scheme

For the two years in between the formal Actuarial Valuation, an Actuarial Report is carried out to obtain an approximate update on the funding position of the IBM I.T. Solutions Pension Scheme. The most recent Report was carried out as at 31 December 2020.

The results of the 2020 Report show that the Scheme's surplus is now £116m and the funding level is 109%.

Introduction

Welcome to the latest Summary Funding Statement for the IBM I.T. Solutions Pension Scheme (the Scheme). The aim of the Statement is to explain how the money building up in the Scheme compares with the funds needed to provide the benefits due to our members.

This table compares the Scheme's liabilities with the market value of the Scheme's assets in the 2020 Report to the corresponding figures from the 2019 Report:

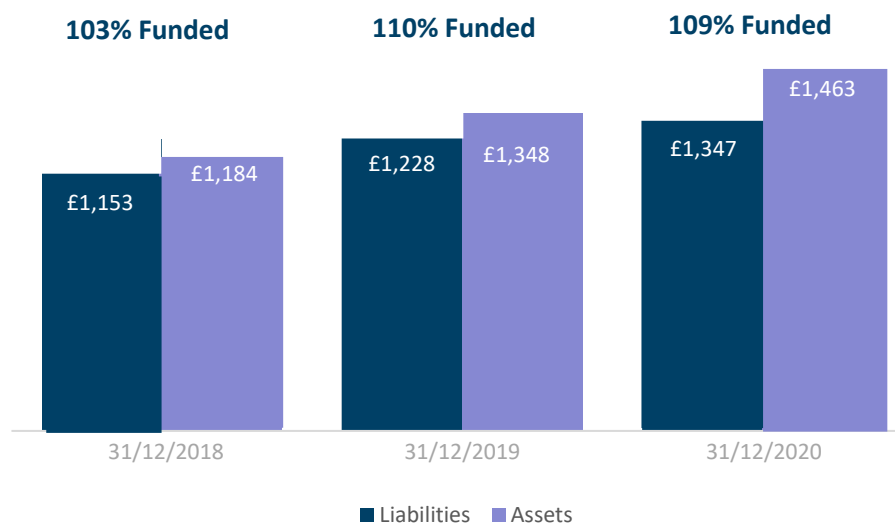
	2020 £m	2019 £m
Amount of Scheme's Liabilities	1,347	1,228
Market Value of Scheme's Assets	1,463	1,348
Surplus / (Deficit)	116	120
Funding Level	109%	110%

Although there has been a slight decrease in the funding level since the 2019 Report, there has still been a funding level increase of 6% since the 2018 Valuation.

The main factors contributing to the increase in funding level since the 2018 Valuation were:

- Higher asset returns than assumed (which in part is due to the fall in gilt and bond yields, which increases the value of the Scheme's bond holdings and interest rate hedging).
- This was partly offset by an increase in the liabilities due to the fall in the expected return on the Scheme's assets due to changes in the investment strategy and investment market conditions.

How has the funding position changed over the last three years?



Values in £m

How are the Scheme's liabilities assessed?

The Scheme is subject to a formal financial assessment (an Actuarial Valuation) at least once every three years. As part of the Actuarial Valuation, the Trustee and the Company agree a Statement of Funding Principles (called the SFP). This documents how the accrued liabilities of the Scheme should be calculated including the method and assumptions e.g. expectations of future asset return and life expectancies. A copy of the SFP is available to members on request.

What is the Scheme invested in?

The Scheme has invested in a diversified range of assets including equities, property, corporate bonds, government bonds and derivatives. The Trustee regularly reviews the investment performance to ensure appropriate allocation to the various asset classes, considering the financial position of the Scheme and the risk tolerance of both the Trustee and the Company. The Trustee's longer term objective is to reduce the allocation to return seeking assets, such as equities, whilst increasing the allocation to less risky government and corporate bonds. The Trustee's investment principles are documented in a "Statement of Investment Principles", which is available under the 'Governance Documentation' section of our website, www.smartpensionsuk.co.uk.

How is your pension paid for?

The cash required by the Trustee to pay the members' benefits comes from the sale of the Scheme assets. The cash is held in a common fund and not in separate funds for each individual member.

How secure is my pension?

The Trustee's long-term funding objective is for the Scheme to have sufficient assets to pay the benefits due, both now and in the future, without the need for further Company contributions

In the highly unlikely event that the Company becomes insolvent and unable to pay further contributions, the full amount of your accrued pension may not be paid. In this event, the assets of the Scheme would be used to buy insurance policies to fund your future benefits. Insurers would take a more cautious view of the future than that included in the Actuarial Valuation, whilst also requiring a profit. On this basis, as at 31 December 2020, it was estimated that the assets of the Scheme would cover 85% of its liabilities on this basis.

Should the Company become insolvent, the Scheme may qualify for entry into the Pension Protection Fund (PPF), ensuring that compensation is paid to members of defined benefit pension schemes up to a certain level. However, given the current funding position, the benefits provided by the PPF would, in almost all cases, be lower than those payable from the Scheme. Information about the PPF is available online at www.pensionprotectionfund.org.uk.

Other information

We are required to notify you whether there have been any payments made from the Scheme to IBM over the last 12 months, and can confirm that no such payments have been made.

It is also a legal requirement to inform members whether the Scheme has been modified by The Pensions Regulator or if any directions or schedule of contributions have been imposed on the Scheme by The Pensions Regulator. There has not been any such involvement from The Pensions Regulator with the Scheme.

If you are thinking of leaving the Scheme for any reason, you should consider obtaining professional financial advice before taking this step. You can find your nearest Independent Financial Adviser (IFA) by visiting their website at www.unbiased.co.uk. Please note that an IFA may charge you for any advice given.

If you change your email address or home address, please ensure that you let the administrators, XPS, know by either submitting an update via MyPension or contacting them at xpsadmin.IBM@xpsgroup.com.

You can find many of the formal documents that relate to the Scheme and its funding in the Governance Documentation section of our website www.smartpensionsuk.co.uk/#/page/governance-documentation. Alternatively you can contact us. The formal Scheme documents include:

- **Trust Deed and Rules;**
- **Annual Report & Accounts;**
- **Statement of Investment Principles;**
- **Statement of Funding Principles;**
- **Actuarial Valuation and Actuarial Reports;**
- **Schedule of Contributions.**

Any questions?

We hope you have found this information useful. If you have any questions, feedback or would like more information about this Statement, please contact us.

Email PTComms@uk.ibm.com

Write to IBM UK Pensions Trust Limited, PO Box 41, North Harbour, Portsmouth PO6 3AU

Visit our website www.smartpensionsuk.co.uk for the latest Scheme news.