

2020 Summary Funding Statement

IBM Pension Plan // Defined Benefit Section

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

The results of the 2020 Report show that the Plan's surplus is now £915m and the funding level is 112%.

Introduction

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

In December 2020 the Plan completed a buy-in with Rothesay Life that covers a significant proportion of the Plan’s pensioner liabilities. A method for valuing the buy-in for the purposes of the Plan accounts has been agreed with the Plan auditors and the Trustee. For the purposes of the actuarial report, the value of the insured liabilities has been set equal to the value of the buy-in policy included in the Plan accounts as at 31 December 2020.

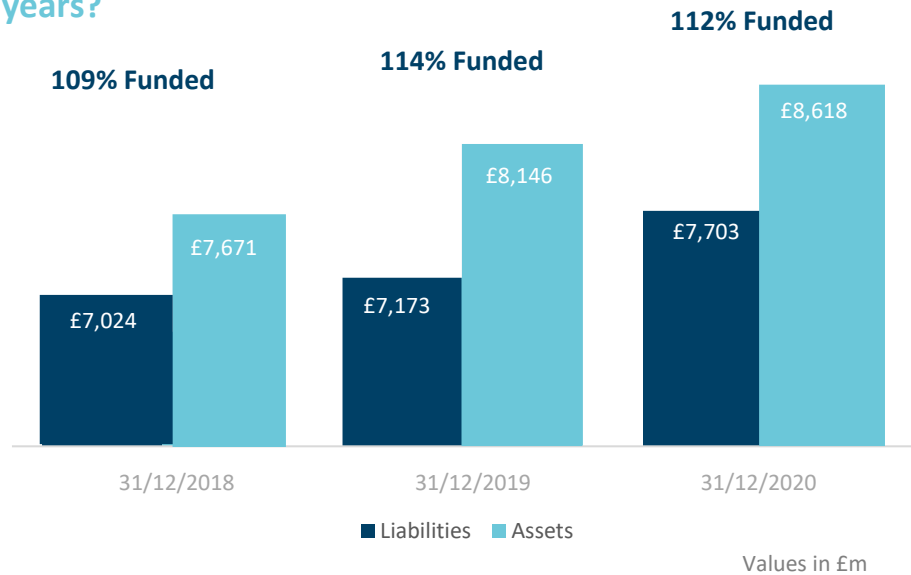
This table compares the Plan’s liabilities with the market value of the Plan’s assets in the 2020 Report to the corresponding figures from the 2019 Report:

	2020 £m	2019 £m
Amount of Plan’s Liabilities	7,703	7,173
Market Value of Plan’s Assets	8,618	8,146
Surplus / (Deficit)	915	973
Funding Level	112%	114%

The main factors contributing to the change in funding level since the 2019 Report were:

- The buy-in was funded largely from gilts and the pricing was on a discount rate that was higher than gilt yields, leading to an improvement in the technical provisions funding level.
- This positive effect was partly offset by an increase in the liabilities due to the fall in the overall expected return on the Scheme’s assets (including the buy-in) as a result of changes to the asset allocation and investment market conditions and the reduction in the assumed margin between RPI and CPI from 2030 on.

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



How are the Plan's liabilities assessed?

The Plan 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 Plan 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 Plan invested in?

The Plan 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 Plan 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 Plan 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 Plan 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 Plan 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 Plan would cover 102% of its liabilities on this basis.

Should the Company become insolvent, the Plan 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 Plan. 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 Plan has been modified by The Pensions Regulator or if any directions or schedule of contributions have been imposed on the Plan by The Pensions Regulator. There has not been any such involvement from The Pensions Regulator with the Plan.

If you are thinking of leaving the Plan 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, 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 Plan news.