

Standard Life agreement - a major step forward



Newsletter

Imperial Pension Fund Trustees' announcement in January detailing the purchase of a bulk annuity policy which as a single investment will cover 60% of the Fund's pensioner liabilities in value terms is seen as a major step forward in further securing the benefits of our Fund.

The buy – in agreement, also called a group or bulk annuity policy has been negotiated with Standard Life who has agreed to meet the benefit payments of 6,600 Imperial pensioners (the group) for the rest of their lives. Under the agreement, the Fund has paid a single premium of £1.8 billion to Standard Life, who are now responsible for paying a sum mirroring the combined monthly pensions of the group, to the Fund, which then administers the payments to the individual pensioners.

Unlike a buy-out, the Pension Fund retains the formal obligations for the pensioners included in 'the group' and it should be made clear that they remain part of the Pension Fund, and will continue to enjoy all the protection and benefits afforded by the scheme. Similarly the rights and security of the benefits of those members who are not covered are unaffected by this change, retaining equal status to those members whose benefits are covered by this annuity contract. As a result it doesn't make a difference whether your benefits are included in the annuity contract or not – we don't know who is included and who is not.

The annuity contract is to be considered as an investment and will be classified as an 'asset' of the Fund. Unlike other Fund investments, it will be protected by the Financial Services Compensation scheme which covers the full value of the investment in the event of Standard Life being unable to meet its obligation in the future. However, bulk annuity insurers are very tightly regulated, have very prudent investment strategies and there are no recorded failures to date in this respect.

Whilst we have reported on the changes which have been made to the Fund's investments in recent years as part of their de-risking strategy, the agreement means that for a significant part of the Fund's investments, the Trustees have removed the risk of several volatile nature of pension fund liabilities such as longevity, inflation etc., which will provide even greater security for our pensions in the future. However, bulk annuity insurers are very tightly regulated, have very prudent investment strategies and there are no recorded failures to date in this respect.

What has now become standard practice for the National Council, we have sought counsel with our retained Actuaries, Barnett Waddingham, who provided a very informative and constructive briefing about what they considered to be a 'sensible approach' taken by the Trustee Board.

Finally, we have been informed that there are currently no immediate plans for another transaction, but we understand that the Trustees are not tied to Standard Life in this respect and therefore the Trustees would be free to tender again to enable them to secure the most favourable terms for our members.

As a footnote, it is interesting to note that in the same month, Standard Life announced that they had also concluded a similar agreement with the Gallaher Pension Fund for £1.7 billion, covering 7,600 pensioners.

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CHAIRMAN'S CORNER



A big thanks to my National Council colleagues

Despite the restrictions placed upon us by this dreadful pandemic, my colleagues have managed to 'clock up' in the last 18 months, four full Council meetings held by zoom, together with at least seven further zoom meetings held separately with Trustees, Legal advisers and Actuaries where at least 3 or more Council members have attended. In addition we have conducted individual meetings with accountants, insurance brokers etc.

“We welcome any initiatives taken to improve the security of our pensions.”

A few words that mean so much to us, made more poignant as we emerge from a worldwide pandemic which has been responsible for turning our lives upside down for the last two years, and now, before we can fully recover, we are witnessing the outbreak of a war in Ukraine which threatens to destabilize the world once again and will no doubt impact on our lives for some time to come.

Since the Trustees' announcement in January, the National Council have conducted research and taken counsel from our actuarial colleagues at Barnett Waddingham which has led us to become increasingly appreciative of the additional security and stability the agreement with Standard Life affords our pensions, and hopefully will provide our members with peace of mind during these troubled times.

In the immediate short term, we are now facing sharp price rises in petrol, gas and electricity as well as a whole host of general cost-of-living increases, largely attributable to the pandemic, which has pushed UK inflation to its highest level for 30 years. Once again, we can take comfort from our Pension Fund which has provided a very agreeable increase to our pensions this year, and this will help to offset some of these additional costs.

My final point and probably the least apparent, is that we should congratulate the Pension Fund Trustees for the way they have communicated the agreement with Standard life to all Fund members. As an investment decision, the Trustees are not obliged to inform members, but it was a very positive and well received step for them to contact members with an explanatory letter, timed specifically to coincide with the media coverage in the national press.

Our annual Trustee meetings have enabled us to build a much better understanding of the aims and objectives of the Trustee Board and we now enjoy an excellent working relationship with them, which has proved very beneficial during this exercise. I would like to thank the Pensions Manager, Jan Killick, for keeping us fully informed and who has also been extremely helpful in providing additional information when required.

To conclude, I believe that we should be grateful that we have an excellent pension fund to support our retirement especially in these difficult times, and I would like to express our appreciation to the Pension Fund Trustees for their continued diligence in seeking ways to further strengthen and protect our pensions on our behalf.

Hopefully, the next time I write the world will be better place!

Neil Hopkins

How do you spend £1.8 billion pounds?

In preparing for the transaction, the Trustees and the Company, working together, set up a joint working party to oversee the process and to then make a recommendation to the Trustee Board.

Once agreed, they prepared a document (similar to a tender) outlining the Pension Fund practices, e.g. pension increases.

The Trustees then invited Insurance companies to provide a quotation for the provision of a Bulk Annuity policy. Once received, the Trustees reviewed their submissions before discussing their proposals with the prospective Insurers.

Finally, once a successful insurer had been selected, terms had then to be negotiated, payment methods agreed and implementation plans established.

Jan killick confirmed that the premium was paid to Standard Life using a combination of cash and assets (including bonds, gilts and swaps).

Jan went on to explain that the Trustees used a process called an in-specie transfer* as this saved the Fund from the significant transaction costs of selling the investments. To give you an idea of the size and complexity of the transaction, over 600 corporate bonds were transferred to Standard Life in the process.

**An in-specie transfer is the process of transferring assets without selling the underlying investment. This process is often used in transferring managed funds or shares. Unlike the process of selling an asset and then transferring the cash between parties, an in-specie transfer involves the transfer of an asset without any money changing hands.*

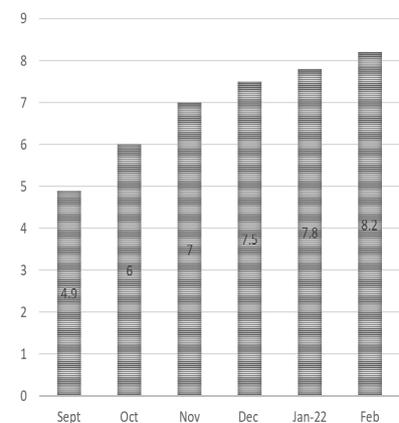


2022 Pension increase

It has been confirmed that for most pensioners the increase in your Imperial pensions will be 7.55%. However, pensioners who joined the Fund on or after 1st April 2002 will have the increase capped at 5%.

It may interest you to note that when news reporters talk about inflation reaching unprecedented levels, many of us can remember UK inflation peaking at 27% in 1975, just over 20% in the early 1980s and 11% in the early 1990s. It has never subsequently been anywhere close to 10%...until now!!!

RPI MONTHLY INFLATION RATE



Inflation update

The High Court has granted permission for a judicial review to be heard on the UK government's plan for reforming the Retail Prices Index (RPI).

The government are due to deliver their submission shortly and the review should commence in the summer. Readers will remember that in our last edition, we featured an article on the UK Government's plan for reforming the Retail Price Index (RPI) which had been announced in November 2020.

At that time, we reported that the trustees of the BT Pension Scheme, Ford Pension Schemes and Marks & Spencer Pension Scheme had filed for a judicial review of the Government's decision to replace RPI with an alternative index (CPIH) in 2030, which the trustees of these schemes have claimed will impact on over 10 million pensioners in this country.

**The future of
the Retail Price
Index (RPI)
Update**

Treasurers Report



Dr Stephen Grant
Hon Treasurer



Thinking of attending the AGM?

The IMPAC AGM will be
held in Nottingham on
5th May 2022
at 2.30 pm at:

The Nottingham
Mechanics Building
3 North Sherwood Street
Nottingham NG1 4EZ



Please note that Entry
will be by ticket only

Once again we have faced both an interesting yet challenging year in respect of the accounting and financial aspects of our organisation.

Income

Whilst our income from membership subscriptions has reduced in line with the anticipated fall in the membership levels, we have seen a marked increase in the level of donations which has compensated for much of the shortfall. Our records show that over 50% of our members add a donation to their subscription which has been a welcome supplement to our income during these troubled times.

Our income from our investments has shown a significant increase compared to last year, mainly due to our investment with Aberdeen Standard which is beginning to bear fruit after a slow start. Elsewhere, interest rates remain at a low level, but a more pressing problem is that we are finding it increasingly difficult to place funds with banks and building societies due to lending restrictions and we have seen yet another investment returned to us last year.

Overall, our income shows a slight increase on last year which is a very favourable result.

Expenditure

As reported in the September issue, we have had to move our membership database to a new company which has led to an increase in costs, however the planned transition has been seamless which is essential for an organisation like ours.

The website and newsletter expenditures are in line with expectations and we hope to invest more in direct communications with the membership in the coming year to ensure we continue to engage with our members in the absence of open meetings etc.

As all our meetings were conducted by video conferencing we are not reporting any meeting or travel costs, but all other costs are in line with expectations.

Consultancy costs will fluctuate from year to year depending on the requirements of the National Council, and whilst last year we have not reported any expenditure, we are anticipating more significant levels of spend next year as we place more emphasis on obtaining qualified counsel and guidance on pension legislation and associated issues which are becoming increasingly more complex.

I am happy to report that our income has exceeded our expenditure and we have transferred £23K to our contingency funds, which now stand at £564K.

To conclude, we believe that our policy of minimising operating costs wherever possible, which will then allow us to concentrate our resources to obtain the best professional and consultative advice on behalf of the membership is the most advantageous use of our funds.

Dr Stephen Grant

Treasurers Report—Accounts summary

Receipts and Payments for year ended 31st December

Receipts	2020 £	2021 £	Payments	2020 £	2021 £
Subscriptions & Donations	37,942	36,952	Print, post, stationery etc.	5,886	3,973
Interest received	4,168	6,982	Travel & Room hire	760	0
			Computer/membership Agency fees	11,543	12,645
			Website	614	614
			Consultancy fees	12,503	0
			Corporation tax	1,412	791
			Other costs*	1,879	2,772
Total Receipts	42,110	43,934	Total Payments	34,597	20,795
			Add excess receipts vs Payments	7,513	23,139
			Total	42,110	43,934

* Other costs include Auditors costs, insurance etc.

Balance sheet as at 31st December 2021

	2020 £	2021 £
Members funds as at 31st December 2020	533,553	541,066
Excess receipts over payments	7,513	23,139
Total	541,066	564,205

Independent examiner's statement

In the course of my examination, no matter has come to my attention:

- which gives me reasonable cause to believe that, in any material respect, the requirements:
 - to keep accounting records in accordance with section 130 of the Act;
 - to prepare accounts which accord with the accounting records and comply with the accounting requirements of the Act; have not been met; or
- to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.

Signed *P. S Hutchinson*

Dated 9th March 2022

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Pension Fund News

Report on the IMPAC meeting with Trustee Board members 18th Nov 2021



Triennial Valuation Review 2022

No sooner had we finished filing the various papers, scribbled notes and copies of presentations relating to the last review, we found ourselves discussing with Pensions Management the arrangements for the next one due to begin this month.

We would hope to see a presentation of the results sometime around the middle of next year.

In November, we met with Trustee Board members Helen Clatworthy, chair, Ken Hill, who sits on the Investment Committee and Pension Fund Managers Jan Killick and Leigh Callaghan.

Whilst the meeting is structured around questions that IMPAC have tabled in advance, we once again enjoyed a very interesting and productive meeting which covered a wider range of topics than planned.

The major topics discussed were:

Climate awareness - We received a presentation about the preparation and execution of the Fund's 'Environmental, social and governance (ESG) policy' in line with the new Government legislation. It was noted that ESG considerations were becoming an increasingly influential part of Board discussions and decision making.

Relationship with the Company – In our last Newsletter we featured an article about Stefan Bomhard, the new Chief Executive of Imperial Brands and his 'vision' for the Company. We were keen to follow this up and find out from the Trustees about their relationship with the new Imperial management team and if the new strategy they had adopted would impact on the Pension Scheme?

Helen Clatworthy explained that she had met the new Finance Director, and had been accompanied by Tim Panter, the Pension Scheme Actuary, which she described as very constructive and a positive meeting.

The Trustee Board have also welcomed James King from the company to replace Tom Tildesley. James is not a stranger to the Fund as he has been providing company briefings to the Board for several years and understands the workings of the Board well.

To summarise our discussions, they saw no reason why the relationship with the Company should not continue in the same way in the future and this was evidenced by Helen's experience of the Company representatives on the Board who continue to display great enthusiasm for the Pension Fund and contribute strongly to what has become a very successful and well balanced team.

2022 Triennial Review - It was confirmed that Tim Panter would continue to act as Scheme Actuary for the next review. Tim has acted in this capacity for the last two reviews (2016 & 2019) and knows the Pension Fund and Company very well. We also discussed the Statutory Funding objectives but clearly the arrangement with Standard Life will impact on the situation so will not be covered in this report.

Pension Fund website - It was still in development however progress has been delayed for obvious reasons.

Next meeting - Thursday 24th November 2022

Annual General Meeting - Important information

The National Council has decided to go ahead with the Annual General meeting to be held in Nottingham in May. In view of the concerns voiced and mindful of welfare of our members, we will make the event **'ticket only'** so that we are able to control the size of the audience.

Members are asked to apply for tickets in advance of the AGM by contacting the Helpline by email or post:

Helpline, PO Box 10486, Oxtun, Nottingham NG24 9NL

Or Email: helpline@impac.org.uk

IMPAC Open Meeting News

IMPAC 2022 Annual General Meeting

To be held at 2.30pm at:

The Nottingham Mechanics
3 North Sherwood Street
Nottingham Ng1 4EZ
Tel no 0115 9417353

(Please note entrance is by ticket only)



National Open meeting roadshow suspended

After a long discussion, National Council decided to suspend the National Roadshow programme for the foreseeable future. Therefore the planned Autumn Open meetings in Bristol, Glasgow and Stirling and the development of the additional venues has been shelved for the foreseeable future.

However, in Nottingham, the local Committee will continue with their planned Open meeting scheduled for 10.00 am on 20th September 2022 to be held at:

Wollaton Park Community Association,
15 Harrow Road
Nottingham NG8 1FG

National Council 2022

President

Norman Ferguson

Chairman

Neil Hopkins

Secretary

Elizabeth Brimmell

Treasurer

Stephen Grant

Council members

Bob Chamley

Chris Jackson

Colin Martin

Michael Macdonald

Malcolm Stevens

Neil Williams

Colin calls time on the Scottish Christmas lunch

Colin Martin would like to inform all Scottish pensioners that due to personal reasons and the continued uncertainty of Covid-19, that he has decided with great regret that he can no longer organise and host the annual Scottish Christmas lunch.

"I would like to take this opportunity to thank all Pensioners who have supported our lunches over the past thirteen years, as this was a most enjoyable event in the calendar year, where we had the opportunity to meet with our retired colleagues that perhaps we had not seen for several years".

Colin has asked that if anyone would like to take on the organisational duties, to please contact him as soon as possible. (Tel No 0141 779 3796)

Colin Martin



Members Helpline

Helpline,
PO Box 10486,
Oxton,
NG24 9NL
Email: helpline@impac.org.uk



IMPAC Website: www.impac.org.uk

IMPAC Elected Officers

Chairman:	Neil Hopkins	- Neil@impac.org.uk
Secretary:	Elizabeth Brimmell	- Elizabeth@impac.org.uk
Treasurer:	Stephen J Grant	- Stephen@impac.org.uk



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**For all changes to
IMPAC membership
details**



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Tel. 0117 9530000
Email: pension.enquiries@uk.imptob.com

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