DB newsletter

Kimberly-Clark Pension Scheme
Defined Benefit (DB) Section

December 2023

Welcome...

Welcome to the 2023 annual newsletter for members of the Defined Benefit (DB) Section of the Kimberly-Clark Pension Scheme.

This is my first message to you as Chair of the Trustee, since taking over from Adam Robertson at the beginning of February 2023. Adam was Chair of the Trustee from 2015, and we thank him for his hard work on behalf of our members and are delighted to retain his experience and knowledge of the Scheme as he continues to serve as a Trustee Director.

Whether retirement is still a long way off or just around the corner, it's a good idea to take a little time to review and understand your pension. There's a wealth of information on our Scheme website to help you think about your options, well ahead of time. We're also pleased to confirm that the Trustee has appointed a financial adviser, Premier Wealth Planning, and has negotiated discounted rates with them so that they can help you decide which option is right for you. Find out more information and take a look at our pension priorities checklist on page 4.

Thank you to everyone who recently reviewed or updated their nominated beneficiaries via the Scheme website – it's good to review this regularly as well as when your circumstances change. If you still need to check yours, make sure you do it today. There are more details about this on page 7.

Economic and political challenges have continued to cause volatility in the financial markets during the year. You can read more about our investment performance and the impact of rising interest rates and inflation on pages 10 and 11. Such market volatility has no impact on your benefits from our Scheme, however, the Trustee regularly reviews Scheme factors, such as commutation factors, to reflect market conditions. You'll find an update about this on page 6.

We hope you enjoy reading this year's newsletter and find it useful and engaging. If you have any questions about the Scheme or your benefits, please get in touch using the contact details on page 19.

Grant Suckling
Chair of the Trustee

Scheme highlights

On 5 April 2023, the DB Section's assets were worth **£851 million**.

You are one of the DB Section's **5,208 members**.

Last year, the Scheme paid benefits to members totalling **£46.6 million**.

84 of our members retired this year.

The Scheme website provides everything you need to know about your Kimberly-Clark pension.

www.kcpensions.co.uk

In this issue

Do you need financial advice?

Understanding your options at retirement

Choosing how to take your Scheme pension is a big decision. We want you to be able to consider your options properly so that you can make an informed decision. We've negotiated discounted rates to allow you lower-cost access to an independent financial adviser.

The Trustee, in conjunction with Kimberly-Clark, has appointed a firm of financial advisers regulated by the Financial Conduct Authority called Premier Wealth Planning (Premier) to help you decide which option is right for you.

Premier's advice is confidential and tailored to you. You'll meet with an adviser, then receive a written recommendation on what they think is best for you, based on your personal circumstances. You can find out more on the Scheme website:
www.kcpensions.co.uk/financial-advice

Things to do today

Whether retirement's a long way off or just around the corner, it's good to start thinking about your choices.

- Go to the retirement page on the Scheme website.
- Review your AVC investments to make sure you're on track.
- Consider your retirement options and what's right for you.
- Log in to your personal account to view details of your Scheme benefits.
- Include any other pensions you have.
- Get a State pension forecast.

Scheme noticeboard

Using your AVCs to take a lump sum – new option available

The Trustee has introduced an additional option and will now allow you to take your whole AVC fund as a lump sum, known as an Uncrystallised Funds Pension Lump Sum (UFPLS). If you select this option, 25% of the UFPLS will be tax free (capped at £268,275), with the remainder taxed at your marginal rate of income tax. This can be taken as a single lump sum or as two lump sums over two consecutive tax years. You can still choose an annuity or transfer your AVCs to an alternative provider.

Taking a lump sum at retirement – update to factors

You have various options at retirement under the Scheme's rules, one of which is giving up some of your pension in exchange for a tax-free lump sum. This is based on conversion terms (factors) which are decided by the Trustee, following advice from the Scheme's actuary, and are reviewed regularly.

The Trustee generally aims to smooth out the effects of factor changes over time to try and limit the impact on members retiring at around the same time. While the Trustee reviewed and made changes to the factors twice this year, the current terms for exchanging some of your Scheme pension for a lump sum don't fully take into account changes in the economic environment that have happened over the last year or so, and the next review of factors is expected to see a further increase in the amount of pension you'd need to exchange for the same lump sum.

In addition, because of the way the pension rules work, the maximum lump sum that you can take at retirement is now lower.

Claiming your State pension

Many people don't realise that they need to claim their State pension when they reach State pension age – it's not automatically paid to you. The State pension age has been gradually going up and is currently age 66. Depending on when you were born, your State pension age could be either age 66, 67 or 68. You can find out what your State pension age is at **www.gov.uk/state-pension-age**

The amount of State pension you'll receive depends on how many years of National Insurance contributions (or credits) you have. You can get a forecast of your State pension entitlement at **www.gov.uk/check-state-pension** or by calling 0800 731 0175.

It may be possible to boost your State pension by paying voluntary contributions to fill gaps in your National Insurance record. For more information, go to **www.gov.uk/voluntary-national-insurance-contributions**

Tell us who you care about

If you haven't reviewed your nomination of beneficiaries recently, please make sure you log in to your account via the Scheme website to update it.

One of the hardest decisions the Trustee has to make is knowing who should receive benefits in the event of a member's death when they haven't completed a recent nomination form. It's important to review your nominated beneficiaries on a regular basis and reconfirm or make changes, especially if your personal circumstances change, such as if you get married or divorced, enter or leave a civil partnership, or have a child.

An up-to-date nomination tells us who you would like to be considered to receive any benefits that are due and means they can be paid without delay or distress to your loved ones.

Could you be a Trustee Director?

Next year, there will be a vacancy for a Scheme member to become a member-nominated director (MND), when the current term of office for one of our MNDs comes to an end.

If you're interested in putting yourself forward for this important role, keep an eye out for more details, as we'll be writing to members about this in 2024.

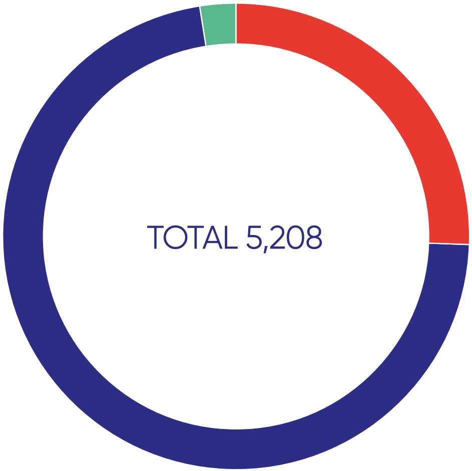
Membership

At 5 April 2023, the DB Section had 5,208 members. The chart shows the categories of membership that make up the Scheme.

Deferred members
(who've left the Scheme but not yet taken their pension)
1,344

Pensioners
(including spouses and dependants)
3,736

Current employee members
(known as active deferred members)
128



Scheme finances

The tables show the money paid into and out of the Scheme during the 12 months to 5 April 2023.

This information is a summary taken from the Scheme's formal report and accounts. If you'd like to see a copy of the full report, you can request one from the Scheme administrator, EQ.

Financial highlights

	£'000
Value of the DB Section on 6 April 2022	**1,232,677**
Money in less money out	(53,441)
Change in market value of investments	(328,236)
Transfers between sections	(90)
Value of the DB Section on 5 April 2023	**850,910**

Payments into and out of the Scheme

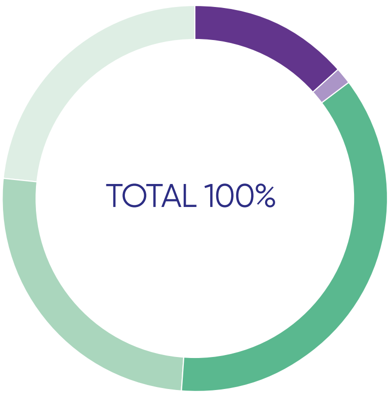
Money in	£'000
Employer contributions	2,837
Investment income	9,208
Transfers in	52
Total	**12,097**

Money out	£'000
Benefits payable	46,564
Payments to leavers	16,490
Administration expenses	1,477
Investment manager fees	1,007
Total	**65,538**

Investment update

The Trustee's investment policy objectives aim to make sure that the DB Section has enough money to pay the pensions promised to members now and in the future.

The assets are split between a target of 15% to growth investments and 85% to matching investments. The Trustee reviews the investments on a quarterly basis, and rebalancing takes place when required. The chart shows the actual allocation of assets as at 5 April 2023.



Growth assets

Global equities	13.6%
Emerging markets equities	1.2%

Matching assets

UK corporate bonds	36.5%
Liability driven investments (LDI)	25.6%
Buy-in policies	23.1%

Market conditions

In September 2022, against a background of ongoing high inflation, the UK investment market experienced unprecedented increases in UK gilt yields and a sharp fall in the value of the pound against the US dollar. This extreme market volatility was in response to the UK government's 'mini budget' and put pressure on UK defined benefit pension schemes, many of which use liability driven investments (LDI) to manage funding levels.

However, the Scheme was in a strong position to weather the impact of the market turmoil as there was sufficient cash within the LDI portfolio to withstand the yield increases without formal collateral calls from the LDI manager. In any case, the Trustee rebalanced the strategy to the investment weights set out in the Statement of Investment Principles (SIP) at the start of October, which ensured sufficient ongoing liquidity.

Investment performance

The table shows the performance of the DB Section's investments over one year, three years and five years to 31 March 2023, compared with the benchmark set by the Trustee.

	Scheme return	Benchmark
1 year %	-29.1	-31.3
3 years % p.a.	-9.7	-10.1
5 years % p.a.	-3.3	-3.5

Climate change report

New rules require the UK's largest companies and financial organisations to report on their climate-related risks and opportunities, as part of the government's commitment to making the UK financial system the greenest in the world. As a long-term investor, the Trustee takes the Scheme's climate change responsibilities seriously and has produced its first climate change report.

The Trustee understands that the risks associated with climate change could have a materially detrimental impact on the Scheme's funding within the timeframe that the Trustee is concerned about. Because of this risk, the Trustee seeks to integrate assessments of climate change risk into its investment risk management and funding strategy as much as practically possible. Furthermore, the Trustee understands that climate-related factors are likely to create investment opportunities. Where possible and where appropriately aligned with the Trustee's strategic objectives and fiduciary duty, the Trustee will seek to capture opportunities through its investment portfolio.

If you'd like to see the report, you can find it on the Scheme website at **www.kcpensions.co.uk/tcfd**

Summary Funding Statement

This statement gives members important information about the funding position of the Scheme.

Funding position as at 5 April 2023

The results of the most recent full funding valuation as at 5 April 2021 are given below, along with the results of the actuary's check-ups as at 5 April 2022 and 5 April 2023.

	5 April 2023 (check-up)	5 April 2022 (check-up)	5 April 2021 (valuation)
Assets	£854.8m	£1,236.7m	£1,321.0m
Liabilities	£902.1m	£1,240.8m	£1,341.8m
Shortfall	(£47.3m)	(£4.1m)	(£20.8m)
Funding level	94.8%	99.7%	98.5%

Change in the funding position

The funding level decreased to 94.8% as at 5 April 2023 from 99.7% as at 5 April 2022.

The assets and liabilities fell in absolute terms over the year due to rising interest rates. The assets fell more than the liabilities, primarily due to widening credit spreads over the year to 5 April 2023.

Eliminating the shortfall

The 2021 valuation showed the Scheme to be in a slight shortfall at 5 April. However, due to market movements, the funding position improved so that the Scheme was in surplus before the actuarial valuation was finalised, and the Trustee and the Company therefore agreed that no extra contributions would be required from Kimberly-Clark to remove the shortfall at the valuation date.

The Company agreed to continue to pay £2 million a year to cover Scheme expenses, plus the cost of PPF levies and any contributions due under the Funding Floor Mechanism. The funding level is reviewed quarterly, and the next formal valuation is due as at 5 April 2024.

What is the Funding Floor Mechanism?

The Funding Floor Mechanism is a commitment from the Company to pay additional contributions in the event that the Scheme's long-term objective (LTO) funding level dips below the levels agreed between the Trustee and the Company. This is assessed on an annual basis and will be reviewed again as at 31 December 2023. The LTO was introduced as part of the 2021 valuation and is a more prudent (higher) target for the Scheme's assets than used for the main valuation of the Scheme. The aim is for the LTO to become the approach for the main valuation over time.

Payments to the Company

The Trustee must also tell you whether there have been any payments to the Company out of the Scheme in the last 12 months. No payments have been made in recent years.

Interaction with the Pensions Regulator

The Pensions Regulator is responsible for regulating work-based pension schemes in the UK. Its aims include protecting members' benefits and promoting good scheme administration. You can find more details at **www.thepensionsregulator.gov.uk**

We need to tell you if the Regulator has used its powers in relation to the Scheme over the last year, for example, by changing the way the funding target is worked out or amending the level of Company contributions. The Regulator hasn't used its powers in relation to the Scheme.

What would happen if the Scheme discontinued?

Pensions Act 2004 regulations require the Trustee to tell members about the Scheme's solvency if it came to an end at the valuation date. Including this information doesn't mean that the Company or the Trustee are planning to wind up the Scheme.

If the Scheme had wound up as at 5 April 2021 (the date of the last full valuation), the actuary estimated that the Trustee would have had to pay an insurance company £1,657.9 million to provide all the benefits in full. This would have left the Scheme with a shortfall of around £336.9 million, and a funding level of 79.7%. The Trustee aims to have enough money to pay pensions and other benefits to members as they fall due, rather than paying an insurance company to provide the benefits, which can be very expensive.

What would happen if the Scheme started to wind up?

The Pension Protection Fund (PPF) was set up in 2005 by the government to compensate members of eligible UK pension schemes which are wound up when the employer is insolvent, and the scheme doesn't have enough assets to cover members' benefits. All eligible pension schemes are required to contribute to the PPF by paying a levy each year. You can find out more at **www.ppf.co.uk**

Where can I get more information?

If you have any questions about your pension or the Scheme or would like more information, please contact the Scheme administrator, EQ, using the details on page 19.

Please contact the administrator if you've changed your address, so we can keep you informed about the Scheme and your benefits. You can do this by logging in to 'My Account' on the website.

K-C news

Kimberly-Clark launches wind farm

In collaboration with Octopus Renewables Infrastructure Trust (ORIT), K-C has launched a wind farm to supply 80% of its UK electrical power needs. In September 2023, K-C celebrated a major milestone in its ambitious drive towards green energy with the official opening of the new onshore wind farm by Màiri McAllan, Member of the Scottish Parliament for the Clydesdale constituency and Cabinet Secretary for Transport, Net Zero and Just Transition.

The £75 million wind farm, which was built in just 18 months in South Lanarkshire, Scotland, is the largest wind asset owned by ORIT. The green power will be used by K-C's manufacturing facilities across the UK, making up almost 80% of the electricity needs for its Barrow, Flint and Northfleet manufacturing facilities. Between them, these sites produce nearly 1 billion Andrex® toilet rolls, over 150 million boxes of Kleenex® tissues, and almost 136 million packs of Huggies® baby wipes per year, alongside other personal care products for the UK market and B2B products which include 30 million rolls of WypAll® wipers and over 185 million Scott® toilet rolls.

Andrex & Bowel Cancer UK – one year on

A year after the launch of the #GetOnARoll campaign, Andrex and Bowel Cancer UK have shared some impressive results. Today, Andrex is part of a coalition of ten leading partners which includes retailers Aldi, Asda, B&M, Co-op, M&S, Morrisons, Ocado, Sainsburys and Waitrose. Bowel cancer symptoms are now printed on over 100 million packs of Andrex toilet packs which has contributed to the amazing increase in bowel cancer awareness from 55% to 74% in one year!

Launch of the Icon Dispenser Collection

Redefining the touch-free washroom experience, this innovative solution combines game-changing hygiene and design with a new standard of dispensing performance that goes beyond simply dispensing paper towels. The Icon portfolio showcases three system solutions for hand towels, toilet tissue and skincare, including soap and sanitiser. The Principality Stadium in Wales is a leading example of one of the accounts our team has already won with this breakthrough innovation, meeting the demand for clean, safe and efficient washroom facilities.

Pensions news

Changes to the Annual Allowance

Paying into a pension scheme is a tax-efficient way of saving for retirement. However, the government places a limit on the amount of pension contributions you can make in a year that get tax relief. This is called the Annual Allowance (AA) and in April 2023, it increased from £40,000 to £60,000. If you're a high earner and have an adjusted income over £260,000, your AA may be reduced by a tapered amount, and it could be as low as £10,000.

If you've already accessed any pension savings flexibly, you will have a restricted AA called the Money Purchase Annual Allowance (MPAA). From April 2023, this increased from £4,000 to £10,000.

Abolition of the Lifetime Allowance

The government has previously placed a limit, called the Lifetime Allowance (LTA), on the total amount of tax-free pension savings you could build up over your lifetime. From April 2023, the tax charge for exceeding the LTA has been removed, and the LTA itself is expected to be abolished in April 2024.

When you take your benefits, you can take a tax-free cash lump sum of up to 25% of the value of all your pensions combined. However, the government has introduced a limit of £268,275 which now applies to this lump sum. You can find out more about the Lifetime Allowance at **www.gov.uk/tax-on-your-private-pension/lifetime-allowance**

Scams

We continue to remind members to be aware of the danger of pension scams. Research by the Financial Conduct Authority and the Pensions Regulator has found that half of pension savers don't believe they're at risk of being targeted by a pension scammer. Sadly, pension scams can and do happen to anyone, and no pension pot is too small for a scammer.

Members should also be aware that scammers are now operating as so-called claims management companies and attempting to use 'subject access requests' to obtain personal information and details about a saver's pension arrangements. Please be particularly vigilant if you're approached in this context. You can find out more about pension scams and how to avoid them at **www.fca.org.uk/scamsmart**

Dashboard delayed

The pensions dashboard is a government-backed initiative to enable people to access their pensions information online and trace lost pensions, securely and all in one place. The government has announced a further delay to the project which is now not expected to launch until October 2026. This is to give the industry more time to resolve issues and develop more guidance for pension providers.

Retirement Living Standards

If you're finding it tricky to work out how much money you might need in retirement, you're not alone. Happily, the Pension and Lifetime Savings Association has created the Retirement Living Standards tool to help savers understand how much retirement income they will need. The standards show what life in retirement could look like at three different levels, and how much a range of common goods and services would cost for each level.

You may have seen these Standards before, but they have recently been updated to reflect the rise in the cost of living. You can find out more at **www.retirementlivingstandards.org.uk**

Time for a midlife MOT?

The Department for Work and Pensions is improving and expanding access to the Midlife MOT service. This provides free online support to encourage people in their 40s, 50s and 60s to take stock of their finances and wellbeing to prepare for a more secure retirement and plan for the future they want. You can find out more about this at **https://jobhelp.campaign.gov.uk/midlifemot/home-page/**

Looking ahead

As you move into your 50s and 60s, you may want to start thinking about your pension and what your retirement might look like. The key to a successful and relaxing retirement is proper planning, and the Department for Work and Pension's retirement planning guide can help you do just that.

The online guide helps you plan your retirement step by step, giving you the tools to check when you can retire, how much pension you could get and what other financial support you might be entitled to. To get started, simply visit **www.gov.uk/plan-for-retirement**

For our pensioners

K-C Retirement Association

At the time of your retirement you may not have joined the Retirement Association but it's never too late! The Association has two aims: to act as a social organisation for retirees and to liaise with the Trustee Directors who protect the interests of Kimberly-Clark pensioners. Membership is only £5 per year. If you wish to join, please contact either Derrick King or Geoff Povey.

Your committee member contacts

Derrick King (Chair)
Tel: 01580 212346
Email: derrick.king222@gmail.com

Geoff Povey
Tel: 07722 562669
Email: geoff.povey@yahoo.co.uk

Maurice Hayes
Tel: 01732 849166

Andy Matthews
Tel: 07732 276355

David Northcroft
Tel: 01622 844888

Sandra Foden
Tel: 07496 354134

Clive Jeffery
Tel: 07801 045 831

North West branch
Peter Taylor
Tel: 07825 876358

Pensioner Trustee
Paul Morgan
Tel: 07776 273308
Email: paul.morgan771@gmail.com

Website: www.k-cra.co.uk
Email: admin@k-cra.co.uk

Get in touch

If you've got a question about the Scheme or your benefits, please contact the Scheme administrator, EQ.

Website:
www.kcpensions.co.uk

Call us:
0203 890 2160

Email us:
kimberlyclark@equiniti.com

Write to us:
Kimberly-Clark Pension Scheme
Pension Administration Services
PO Box 556
Crawley
West Sussex RH10 1WS

Secretary to the Trustee
If you have any comments for the Trustee, please contact the Scheme Secretary.
Email: kimberly-clark@psgovernance.com
Write to: Vidett, Forbury Works, 37-43 Blagrave Street, Reading RG1 1PZ

Has anything changed?

Please remember to let us know if you move house or if your contact details change. It's important that we can keep you updated with information from the Scheme and pay your benefits when they're due.

Obituaries

We no longer publish the obituaries list in the Scheme newsletter. However, you can request one from the Scheme administrator, EQ.