Kimberly-Clark

DC newsletter

Kimberly-Clark Pension Scheme
Defined Contribution (DC) Section

December 2022

Welcome...

Welcome to the 2022 annual newsletter for members of the Defined Contribution (DC) Section of the Kimberly-Clark Pension Scheme (the Scheme), which we hope will enhance your understanding of the DC Section, the role of the Trustee and the key things that you need to be aware of.

This year saw the start of an investment strategy review, which the Trustee undertakes around every three years. In this review, we look at the asset allocation that makes up the default investment strategy, alternative lifestyle strategies and self-select investments, with a focus on improving members' retirement outcomes. We also consider sustainable investment as part of that.

There has been considerable volatility in global investment markets this year, not least because of the emergence of the Russian/Ukraine crisis, increasing rates of inflation and, more recently, turmoil in the bond markets. We've provided an overview of the Scheme's investments on page 7 and an update on the performance of the core lifestyle funds on page 9.

On page 6, you can read a summary of the Scheme's financial statements for the year, as well as further information about our membership.

We're keen to provide information that you will find useful in the coming years, so please do let us know if there is anything you would like to see covered in a future newsletter. The new Scheme website at **www.kcpensions.co.uk** provides a lot of useful information about your pension, but if you have any specific questions or comments, please get in touch with us via EQ (the new name for Equiniti, our Scheme administrator) whose details are provided on page 16.

Adam Robertson
Chair of the Trustee

Scheme highlights

On 5 April 2022, the DC Section's assets were worth **£137.1 million**

You are one of the DC Section's **1,669 members**

12% – the proportion of Scheme members who have typically bought an annuity at retirement in recent years.

35% of DC members have registered for EQ's online member portal.

2,200 – the number of member visits to the Scheme website since it was launched.

Have you visited the Scheme website yet?

Go to **www.kcpensions.co.uk**

In this issue

Scheme noticeboard

Trustee vacancy

We are inviting all deferred members in the Scheme to apply to become a Member-Nominated Director (MND) – although some restrictions may apply if you work for a competitor of Kimberly-Clark. We will soon have two vacancies because the five-year terms of office for two of the current MNDs are coming to an end. Take a look at the enclosed leaflet for an idea of what's involved. We will also make Q&A sessions available for anyone who wants to know more. Further information, including an application form, is also available on the website at **www.kcpensions.co.uk/mnd**

Going green

As we mentioned in last year's newsletter, we're going digital and trying to reduce printed communications wherever possible. You can sign up to go digital at **www.kcpensions.co.uk**

From this website, you can also access the Scheme administrator's secure portal and see your own benefit details, change your address and update your beneficiary nomination form.

Log in through the Scheme website, **www.kcpensions.co.uk**, or simply scan the QR code to go directly to the secure member website. To register, you will need the username and password supplied to you by EQ.

If you have any issues accessing the site, please contact EQ's website team at **member.web@equiniti.com** or call **0203 890 2160**.

Security of DC benefits

The money you've saved up in the DC Section is a valuable benefit that will hopefully see you enjoy a comfortable retirement – but with all the talk of falling stock markets, we know some members might be worried about the security of their pension accounts.

You might know about the Pension Protection Fund, which provides a safety net for defined benefit (DB) pension schemes – but what about the DC Section?

The good news is that there are robust industry safeguards to protect the majority of DC pensions. There are strict rules that govern the financial strength of the companies we invest with, as well as the systems and controls they must have in place to protect your investments.

The Trustee invests the DC Section's assets through a series of pooled investment vehicles operated by Legal & General, HSBC, JO Hambro, Ninety One and Threadneedle. One of the Trustee's governance duties set out by the Pensions Regulator requires the Trustee to consider and monitor the security of the Scheme's assets.

Scheme finances

The table shows the money paid into and out of the Scheme during the 12 months to 5 April 2022.

The 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 DC Section on 6 April 2021	**£131.3m**
Money in less money out	(£4.7m)
Change in market value of investments	£10.7m
Transfers between sections	(£0.2m)
Value of the DC Section on 5 April 2022	**£137.1m**

Membership

The Scheme is closed to future contributions and so the DC Section no longer has any active members. There are **1,669 deferred members** who are yet to take their benefits.

Investments

As the DC Section is closed to new contributions, any future growth in your account will come from investing the money that has already built up in it.

Most members (around 95%) choose to leave their money invested in the Scheme's default lifestyle investment option, with the remainder selecting either an alternative lifestyle strategy or to 'self-select', where they decide themselves how to invest their account.

It is likely that the DC account you have built up will form only part of your overall retirement income. For example, if you are still employed by Kimberly-Clark, you are probably also going to be a member of the Fidelity Master Trust arrangement. If, however, you have left Kimberly-Clark, you may be building up a pension elsewhere. In addition to any pension you have built up during your working life, you may also be eligible for the State Pension, and you can check your State Pension forecast at **www.gov.uk/check-state-pension**.

Default lifestyle

This strategy assumes you'll take your benefits in retirement by using drawdown (where you keep the money invested in retirement and 'draw down' an income from it). The default strategy automatically manages your investments and de-risks them as you get closer to your target retirement age, without you needing to do anything.

Alternative lifestyle strategies

These are similar to the default lifestyle, offering three further bespoke investment programmes. You can choose from a drawdown lifestyle (set up slightly differently from the default), lump sum lifestyle or annuity lifestyle. These options are outlined on the Scheme website.

Self-select funds

You can also invest your money in one or more of the eight self-select funds offered by the Trustee.

It's your responsibility to review your investments regularly and ensure they remain right for you, especially if your circumstances change.

Investments continued

Lifestyle investment changes

Everyone using one of the lifestyle strategies is invested in the LGIM Blended Global Equity ESG Fund when they are a long way from retirement (the 'growth' phase). Earlier this year, the Trustee wrote to members to let them know they had decided to change the underlying components of this fund, switching half of the underlying holdings from the LGIM All World Equity Index Fund to the LGIM Adaptive Capped ESG Index Fund. This change introduced an environmental, social and governance (ESG) component to the lifestyle strategies and was completed in March 2022.

As well as the view that investing more sustainably can help build a better future, the Trustee believes that sustainable investing and ESG integration may enhance the financial outcomes for members. If you're using one of the Scheme's lifestyle options, the LGIM Blended Global Equity ESG Fund is the fund you'll be invested in for the longest on your journey to retirement, and so the change has the potential to provide more impact compared with funds that you may be invested in for shorter time periods.

Trustee investment review

The Trustee is currently carrying out a broader triennial review of the DC Section's investments. Isio, the Scheme's investment advisers, are looking in detail at the Scheme's existing default lifestyle strategy and alternative lifestyles, as well as assessing the self-select fund range. The Trustee is likely to make changes to the lifestyle strategies and the range of self-select funds available, and we'll be in touch with further information in due course.

Lifestyle investment performance

The table shows the performance of the core lifestyle funds over the 12-month and three-year period to 30 June 2022.

	1 year (%)	Benchmark (%)	3 years (% p.a.)	Benchmark (% p.a.)
LGIM Blended Global Equity ESG Fund	-8.3	-8.3	6.6	6.5
LGIM Diversified Fund	-5.4	-7.2	2.7	8.3
LGIM Pre-Retirement Fund	-19.1	-19.1	-4.2	-4.1
LGIM Cash Fund	0.2	0.3	0.2	0.3

The LGIM Blended Global Equity ESG Fund has provided negative absolute returns over the 12-month period as markets have been impacted by increasing concerns over rising inflation and the war in Ukraine. Despite this, returns over the three-year period remain strong and the fund has successfully tracked its benchmark. The LGIM Pre-Retirement Fund has been most impacted by the recent market falls and has produced negative returns over all time periods measured. However, the fund has tracked its benchmark over all periods. As mentioned previously, these funds are currently under review and the Trustee is taking into consideration current market environments and how best to protect members' assets over the longer term but also for those who are approaching retirement over the shorter term.

Your investments and market volatility

As you may have seen, the ups and downs of the financial markets can have an impact on the value of your DC account at any given time. We know this can be alarming for pension savers, but it's important to bear in mind that saving for retirement is a long-term investment.

It's normal for the value of investments to go up and down, particularly over the shorter term. Although not guaranteed, the hope and expectation are that values generally go up over the longer term, despite recent investment market volatility.

For members who are approaching retirement, any reduction in your pension savings may be concerning. A key priority is to understand when and how you intend to take your pension savings to ensure your investment strategy remains suitable.

Investments continued

It's also important to review your target retirement age (TRA) and consider whether it remains appropriate for you. Your TRA is the age at which you plan to take your benefits from the DC Section. If you are using one of the lifestyle options, your TRA determines when the automatic lifestyling phases begin and your account is automatically moved to investments that better match your retirement needs.

If you feel you need extra support managing your pension investments, you might want to speak to an independent financial adviser. You can also find information and guidance about money and pensions from MoneyHelper, the Government's free financial guidance service, at **www.moneyhelper.org.uk**

New guidance from the Pensions Regulator aimed at protecting members with DC investments means that when you're ready to take your pension savings, EQ must offer to book a pension guidance appointment for you with Pension Wise, a Government service run by MoneyHelper. These appointments can take place over the phone or in person. If you do not want to take the free guidance, you just need to let EQ know and you can 'opt out'. See 'A nudge in the right direction' on page 13 for further details.

Pensions news

New rules around transfers

During the year covered by this newsletter, over £4 million was transferred out of the DC Section. Due to concerns about the increase in pension scams, the Pensions Regulator has introduced new procedures for processing pension transfers, giving powers to pension scheme trustees to intervene where a transfer looks suspicious. The new regulations include checks to see if transfers meet various conditions, introducing a system of red and amber flags. If there are red flags, any statutory right to transfer falls away and the Trustee can stop the transfer. If there are amber flags, the member must get guidance from MoneyHelper (**www.moneyhelper.org.uk**) before the transfer can go ahead. MoneyHelper is a Government service that provides free and impartial pension guidance.

Retiring early?

Under current legislation, the earliest age that you can usually access your pension savings without a tax charge is age 55, called the Normal Minimum Pension Age. However, in our Scheme, if you were a member of the DC Section on 5 April 2006, you have a Protected Pension Age (PPA) and you can take your benefits from age 50. It's important to realise that if you decide to transfer your benefits out of the Scheme, then you will usually lose your PPA on transfer. Also, there may be some restrictions on drawing your benefits.

If you became a member on or after 6 April 2006, you can take your pension savings from 55. This will remain the case, even when the Normal Minimum Pension Age increases, as scheduled in new legislation, to age 57 in April 2028. Further details will be provided as we get closer to 2028.

Before taking early retirement from the Scheme, we recommend you talk to an independent financial adviser as they will be able to advise you if taking your benefits is the right decision for you. Financial advisers local to your home or workplace can be found at: **www.unbiased.co.uk**

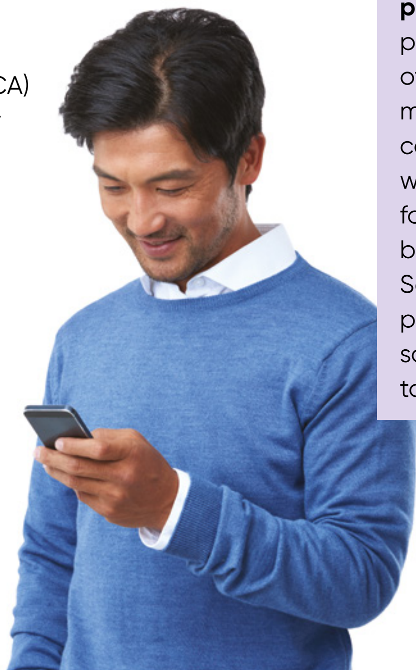
Pensions news continued

Beware of pension scams

These days, many people may be tempted to access their retirement savings to help pay the bills – making them an ideal target for pension scammers. If you are considering transferring your Scheme benefits to an alternative pension arrangement, the Trustee strongly recommends that you seek independent financial advice and exercise extreme caution.

If you use a financial adviser, check that they are registered on the Financial Conduct Authority's (FCA) website (**https://register.fca.org.uk**) and that they are authorised to give pensions advice.

Find out more on how to avoid a pension scam at the FCA's website: **www.fca.org.uk/scamsmart**



Pensions dashboard

Something new on the horizon is the Government's ambitious pensions dashboard project (see **www.pensionsdashboards programme.org.uk**). It aims to give pension savers an online picture of the various pension rights they may have built up over their careers. This is a complex project with new technology requirements for the pensions industry. EQ has been working to prepare the Scheme for the dashboard programme when it is launched, so we'll update you on this closer to the 'go live' date.

A nudge in the right direction

The Government has introduced new measures to ensure pension savers are fully informed about their options when seeking to access their pension pots. From 1 June 2022, the Trustee has been required to deliver a 'stronger nudge' for members to access guidance from Pension Wise before they can take or transfer their pension savings.

What this means is that when you apply to take your pension savings in the DC Section, the Trustee will offer to book you an appointment with Pension Wise. We can't proceed with your application to access your pension savings until you have either confirmed that you have received guidance or have opted out of receiving guidance. There are some exceptions if, for example, you want to transfer your benefits out with the aim of consolidating pension pots or you are under 50.

Check if you trigger the Money Purchase Annual Allowance

If you are considering accessing your DC benefits, then check whether you will trigger the Money Purchase Annual Allowance (MPAA).

Some trigger events are:

- You take your whole pension pot in the form of a lump sum
- You take a series of taxable lump sums (UFPLS) from your pension pot
- You use your pension to set up a drawdown scheme and start to take income from it
- You have a capped drawdown plan (a type of scheme from before April 2015) and exceed the cap on your income
- You buy a flexible or investment-linked annuity that could see your income go down.

If you trigger the MPAA, then future contributions that can be contributed to your DC pension each year with tax relief reduces to £4,000 a year (usually it is £40,000 a year) under current tax limits.

Whilst you are not contributing to the Scheme anymore, we wanted to make you aware of the MPAA in case you were still contributing elsewhere and you were thinking of starting to take money from your DC pension.

The MPAA can be complicated and so if you are thinking of accessing your DC benefits, we recommend you take financial advice.

K-C news

New partnership with Andrex & Bowel Cancer UK

Inspired by Dame Deborah James (@BowelBabe), Andrex have launched a new partnership with Bowel Cancer UK to raise awareness of bowel cancer symptoms.

Andrex will be adding bowel cancer information, including where to find help on signs and symptoms of the disease, onto Andrex packaging.

The ambition is to update all packaging on the full Andrex toilet roll range within the next year – that's over 90 million packs! This means that potentially life-saving information will be available in more than one in three UK households.

Consumers will be able to scan a printed QR code redirecting them to Bowel Cancer UK's symptoms information on their website. Bowel cancer is the fourth most common cancer in the UK with the second highest mortality rate. The signs of bowel cancer everyone should be aware of:

- Bleeding from your bottom and/or blood in your bowel movements
- A persistent and unexplained change in bowel habit
- Unexplained weight loss
- Extreme tiredness for no obvious reason
- A pain or lump in your tummy.

Green hydrogen project launched in Barrow

In a first for Cumbria, Carlton Power has agreed to supply Kimberly-Clark (and potentially, other energy-intensive users in the area) with hydrogen to fuel their operations. The agreement is in line with our recently announced plans to decarbonise approximately 80% of our electricity supply through a Power Purchase Agreement.

Dan Howell, Vice President & Managing Director, Kimberly-Clark UK & Ireland, said: *'Green hydrogen is a significant next step in decarbonising our operations and delivering our ambition of 100% renewable energy by 2030 in the UK and Ireland. Kimberly-Clark aims to lead the way on sustainability and deliver our purpose of Better Care for a Better World.'*

Kimberly-Clark wins Net Zero Award

Kimberly-Clark took home the Net Zero Award at the UK CPI's Gold Awards 2022. The awards were organised by the Confederation of Paper Industries (CPI). These annual awards – inaugurated this year – recognise excellence in seven different areas of performance: The Recycling Award; The Net Zero Award; The Sustainable Innovation Award; The Skills Award; The Community Engagement Award; The Health and Safety Award; and The Paper Gold Medal.

Closing the loop for used hand towels and dispensers

Our B2B division, Kimberly-Clark Professional, is committed to solving critical sustainability challenges by innovating the solutions and services we provide to make the smallest environmental footprint.

Recently the RightCycle™ Programme was expanded to help recycle used hand towels and dispensers, along with Personal Protective Equipment (PPE), which has been running for the last 10 years.

The RightCycle™ Programme helps to close the loop for hand towels and offers the world's first dispenser installation and recycling service.

By partnering with companies, including Harrods in the UK, we are improving recycling rates and reducing waste footprints for our Channel Partners and End-Users. Together, we're helping to deliver a better future for people, businesses and the planet.

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
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Let us know!

Please remember to tell us if you move home or if your contact details change, so we can keep you updated with information from the Scheme and pay your benefits when they're due.

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