

# SmithKline Beecham Pension Plan

**Summary Pension Trustee Report**  
For the year ending 31 December 2022



# Welcome to your Report

Welcome to the Summary Trustee Report for 2022 of the SmithKline Beecham Pension Plan (the 'Plan'), which provides a summary of the finances, investments and funding of the Plan over the year to 31 December 2022.

## Investment update

2022 was a challenging year for pension investments. As was well publicised at the time, there was a great deal of volatility in UK Government Bond markets in particular, which impacted Liability Driven Investments held by pension schemes. Markets have since stabilised though inflation remains relatively high.

### What is Liability Driven Investment?

Liability Driven Investment ('LDI') is an investment strategy used by many UK Defined Benefit ('DB') pension schemes and involves investing mostly in assets linked to UK Government Bonds, which are sensitive to changes in interest rates and inflation.

The value of your benefits changes when interest rates and expectations for future inflation change. Therefore, interest rate/ inflation changes also alter the amount of assets schemes need to hold in order to back future pension payments. An LDI strategy tries to manage that change by approximately offsetting the effect of these market conditions on the value of member benefits.



### How was the SmithKline Beecham Pension Plan impacted?

During the market turmoil, the Plan's Liability Driven Investments performed as expected. Although the value of LDI assets fell, this was broadly in line with the fall in value of the amount needed to be held to pay future pension payments. The assets remain conservatively positioned and the Trustees and their advisers are confident in their ability to navigate any future market uncertainty. **Most importantly, members' DB benefits remain secure and unchanged by the events.** GSK is in a strong position and continues to stand firmly behind the Plan.

Within the Defined Contribution ('DC') section, members are invested in a number of asset classes, including equities and bonds, according to their preference – or if no preference is selected, they are invested within the default strategy. Generally, markets were impacted negatively during 2022 due to the continuing conflict in Ukraine and the increase in inflation and interest rates. More information can be found on page 4, and specific member performance can be found in a member's annual benefit statements.

# New climate-related report

Climate change is widely accepted as posing a significant risk to the value of long-term investments. Along with other large pension schemes, we published a climate related report setting out our approach to managing and monitoring climate risk.

## It also includes:

- Our governance structure for climate-related risks and opportunities
- Our strategy, including our underlying investment beliefs
- Scenario analysis which considers how the schemes may be affected either by a rise in global average temperature that falls within the goals of the Paris Agreement, or by a rise of 3 degrees Celsius
- The metrics used to measure our climate impact and the associated target

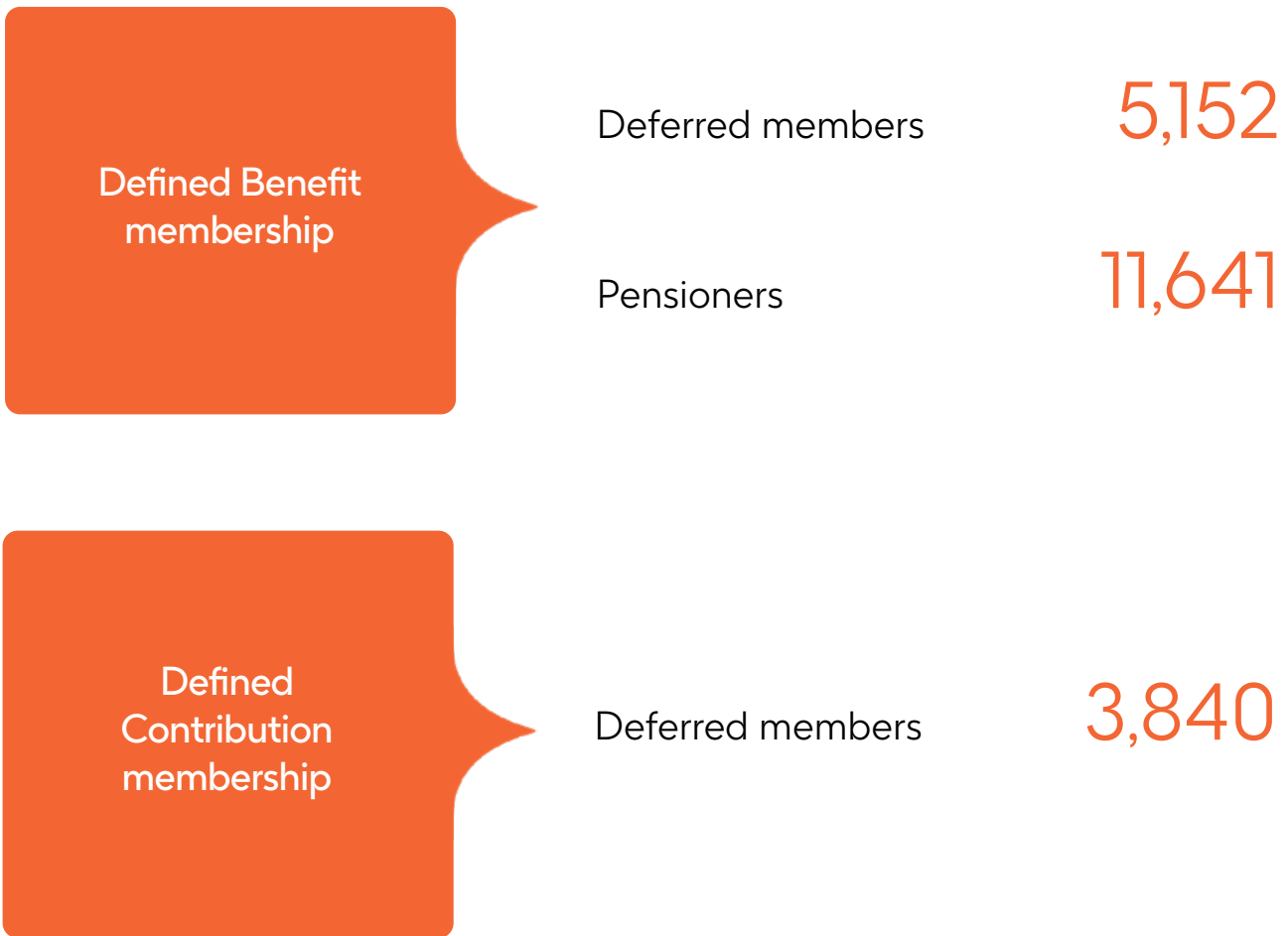
A copy of the report can be found on the Trustee website in the same location as this Summary Trustee Report:

1. Go to: [www.gskpensions.co.uk](http://www.gskpensions.co.uk)
2. Click on 'Governance'
3. Select your pension plan to read the relevant information under 'Key Documents'
4. You can print or save the report if you want to



## Membership

The figures below show the membership of the Plan as at 31 December 2022.



The Defined Contribution section closed for new contributions from 1 July 2009 and only contains Deferred members.

**Deferred members** - Deferred members are employees and former employees who are no longer accruing benefits but have not yet retired. 207 of the DB section deferred members were active members on 31 March 2022 when accrual in the DB section ceased.

**Pensioners** - are receiving a pension from the Plan.





## Financial highlights

The table below summarises the financial information for the year to 31 December 2022

	£m Defined Benefit	£m Defined Contribution
Value as at 31 December 2021	3,767	203
Income - GSK contributions*	53	2
Investment returns	(1,312)	(20)
Expenditure**	(145)	(17)
Value as at 31 December 2022	2,363	168

\*GSK contributions include member contributions paid via Salary Sacrifice.

\*\*Expenditure includes benefits paid, transfers to other schemes and administrative expenses.



## How the DB assets are invested

At 31 December 2022 the Plan's DB asset allocation was invested as shown below.



■ Return seeking

34%

This includes Equity, Multi-Asset Funds, Diversified Growth Funds and Property.

■ Liability matching

66%

This includes Bonds, Cash, Insurance Policies and Liability Hedging.

## Defined Contribution section

### Investment fund performance for the year to 31 December 2022

The table below shows the performance figures (after fees) for the largest three DC investment funds, which form part of the default investment option.

Funds	Over the last year	Over the last 3 years (Annualised)
GSK Lifecycle	(8.6%)	4.9%
GSK Global Equity Index	(12.6%)	6.1%
GSK Retirement Income Multi-Asset	(7.5%)	1.1%

Please remember that past performance is not a guide to future returns. For more information on how your funds are invested.

Please check your latest pension statement: <https://epa.towerswatson.com/accounts/gsk/>

### Fund changes

In March 2023, we wrote to DC members about changes to the Lifecycle strategies (including the default strategy) that members can invest in, a name change of one of the Lifecycle strategies and an additional fund that members can decide to invest in. If you did not receive this letter, please contact the administrator using the contact details on page 12.



### Chair's DC statement

We published this year's Chair's statement which includes the steps we take to ensure good governance of the Plan. It is included in the full report and accounts, which can be found on the Trustee website in the same location as this Summary Trustee Report:

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2. Click on 'Governance'
3. Select your pension plan to read the relevant information under 'Key Documents'
4. You can print or save the report if you want to

## Do you know where your pension is invested?

Did you know your pension money is invested in global companies whose products and decisions will shape our future?

The Trustees are excited to introduce Tumelo to members.



Hello and welcome  
to Tumelo!

Tumelo enables you to see which companies your pension contributions are invested in and allows you to cast votes on issues that matter to you. The Investment Managers may use your votes (along with those from other pension scheme members) to decide how to engage with companies on these issues.

Although companies are not bound by the outcome of voting activity on the Tumelo platform, it can help to start important conversations.

You can find out more

by watching this video:

<https://vimeo.com/718228998>

To register – please visit:

<https://gsk.platform.tumelo.com/>



## Defined Benefit section

### The funding position of the Defined Benefit section of the Plan

Formal actuarial valuations are normally carried out every three years. A formal valuation of the Plan was carried out as at 31 December 2020. The Plan's actuary carries out a formal actuarial valuation at least every three years. Between these valuations, annual updates at 31 December each year along with quarterly updates are provided to the Trustee to monitor the assets and liabilities. These serve as an important check on the funding position.

The table below shows the funding position at the last three year-ends.

	£m 31 Dec 2020 Formal valuation	£m 31 Dec 2021 Annual update	£m 31 Dec 2022 Annual update
Assets <sup>1</sup>	3,810	3,767	2,353
Liabilities <sup>1</sup>	3,930	3,784	2,495
Surplus/(Deficit)	(120)	(17)	(142)
Funding level	97%	100%	94%

<sup>1</sup>Excludes the Defined Contribution benefits.

The funding position has worsened since the valuation date and more significantly since the last annual update. This is principally due to poor asset returns.

In line with most UK pension schemes, the value of the assets and liabilities both fell significantly during 2022 as explained in the investment update. The value of the Plan's assets fell by more than the value of its liabilities.

### Additional contributions

Any shortfall in assets compared with forecasted funding requirements identified at an actuarial valuation will be eliminated by the payment of additional contributions in accordance with the recovery plan agreed between the Trustee and the Company.

As part of the 2020 actuarial valuation, the Trustee and Company agreed to remove the deficit by January 2027 through an agreed schedule of contributions.





## Defined Benefit section

### If GSK were to become insolvent

In the unlikely event that GSK were to become insolvent, the Plan would have to be wound up and the Trustee would seek to secure members' benefits with an insurance company.

If responsibility for the Plan's benefits were to be transferred to an insurance company, the actuary has estimated that the Plan had sufficient assets, as at 31 December 2022, to secure around 87% of members' benefits (compared to 81% at 31 December 2020, the date of the last formal valuation).

Pension Plan members' benefits receive a degree of protection from the Pension Protection Fund (PPF). If GSK were to become insolvent and there were insufficient funds in the Plan to provide pension benefits, the PPF might be able to take over the assets and pay compensation to members.

#### No payments to GSK

The law requires the Trustee to confirm whether there were any payments made to GSK from the Plan's assets since the last summary funding statement. We can confirm that no payments have been made to GSK from the Plan's assets.

#### No intervention by the Pensions Regulator

The law requires the Trustee to confirm whether the Pensions Regulator has modified the Plan Rules, issued statutory directions regarding the funding of the Plan or imposed a schedule of contributions on the Plan, in accordance with its powers under the Pensions Act 2004. We can confirm that the Pensions Regulator has taken no such steps in relation to the Plan.



## Trustees and advisers

### Who looks after the Plan?

The Plan is set up under trust deeds and is managed by the Trustees (who are Directors of the Corporate Trustee, SmithKline Beecham Pension Plan Trustee Limited).

### The Trustees at 31 December 2022 were:

#### Independent Trustee Directors:

- The Law Debenture (JIC) Pension Trust Corporation plc, represented by Keith Scott

#### GSK appointed Trustee Directors:

- Moira Beckwith
- Keith Bradford
- Tom Houston (Chair)

#### Member Nominated Trustee Directors:

- Geraldine Flavell (pensioner)
- Dave Wiggins (pensioner)

#### Secretary to the Trustee:

- Carolina Lyons - Pensions Director

### Changes

There were no changes to the Trustees during the year to 31 December 2022, but Moira Beckwith and Keith Bradford have resigned since the year-end.

The Trustees would like to thank Moira and Keith for their services to the Plan over many years.



## Advisers

### The Plan's advisers are:

#### Actuary:

- Jonathan Gainsford, Aon (replaced by Greg Tucker, Aon, on 13 March 2023 )

#### Auditor:

- Grant Thornton

#### Legal adviser:

- Simmons & Simmons LLP

#### Investment and asset allocation advisers:

- Cardano Risk Management Ltd - DB section
- Mercer Limited - DC AVCs

#### Administrator:

- WTW
- Barnett Waddingham (for Stiefel members)

## Proposed changes

A process started on 1 June 2023 which means that the three pension trustee boards overseeing the GSK UK pension plans will in steps combine into one. This is viewed as an extension to the current governance arrangements which consist of a number of joint scheme committees overseeing various activities. It is proposed that GSK Pension Plans Trustee Limited will be the entity responsible for governing all the GSK UK pension plans – it is already the corporate trustee for some of GSK's other UK plans. The united board will oversee the following plans:

### The united board will oversee the following plans:

- SmithKline Beecham Pension Plan
- SmithKline Beecham Senior Executive Pension Plan
- GSK Pension Scheme
- GSK Pension Fund
- Glaxo Wellcome Contracted-out Money Purchase Scheme

### The new united board will consist of:

- Three Member Nominated Trustee Directors
- Three Company Appointed Trustee Directors, and
- Three Independent Professional Trustee Directors

There will be representation from the Plan's Trustees on the new united board. This includes Tom Houston (the Plan's Chair) being a united board member in addition to the above nine Trustee Directors, for a one-year period up to 31 May 2024, to assist with the transition.

Eligible members from across all of GSK's UK pension arrangements were invited to apply for Member Nominated Trustee positions on the new combined board. The united board will offer greater efficiencies than the current separate boards, to everyone's benefit. As expected, the new arrangements have been carefully discussed and agreed by the three current boards. The new governance arrangements have no impact on the benefits that members are entitled to.

Further details will be provided to members in next year's report.







## Where can you get more information?

### Pension helpline:

#### Email

[GSKpensions@willistowerswatson.com](mailto:GSKpensions@willistowerswatson.com)

#### Phone

01737 227 563

#### Address

WTW  
PO Box 545,  
Redhill, Surrey, RH1 1YX

### Stiefel members:

#### Email

[Stiefel@barnett-waddingham.co.uk](mailto:Stiefel@barnett-waddingham.co.uk)

#### Phone

0333 111 1222

### Total Reward for employees:

#### Online

[HR Hub via Service Now](#)

[www.totalrewardonline.co.uk/](http://www.totalrewardonline.co.uk/)

## Copies of the report

You can print or save this report if you want to. If you would like to receive a paper copy, you can contact your Pension helpline to request one.