FUNDING YOUR
FUTURE

SUMMER 2024

INSIDE

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- Helping you stay safe from scammers
- Buoyant stock market ignores doom and gloom

AB INBEV UK LTD PENSION PLAN

PENSIONERS' FINAL SALARY SECTION

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If you have any questions at all about your pension, such as obtaining figures or changing your personal details, please contact:

WTW

- 01737 788148
- abinbevuk@wtwco.com
- Willis Towers Watson, Sunderland SR43 4JZ

Here to help

Who	What	Where
Money and Pensions Service (MaPS)	Free and impartial money and pensions guidance, backed by government	www.maps.org.uk 0800 138 7777
CAB (Citizens' Advice Bureau)	Independent and impartial advice on a wide range of subjects	www.citizensadvice.org.uk local bureaux around the country
Pension Tracing Service	Help with finding a lost pension	www.findpensioncontacts.service.gov.uk 0800 731 0193
MoneyHelper	Find an independent financial adviser	www.moneyhelper.org.uk 0800 011 3797
Gov.uk	Find out what benefits you may be entitled to	www.gov.uk/browse/benefits www.gov.uk/browse/working
Gov.uk	Check how much state pension you could get	www.gov.uk/check-state-pension
Pension Wise	Helps you understand the options for your pension pot	www.pensionwise.gov.uk 0800 138 3944

If you still need help, contact our pensions team at:

- Bureau, 90 Fetter Lane, London EC4A 1EN
- The team's mailbox is pensions@ab-inbev.com

Heart-warming news of plan's full funding

After years of under funding, the final contribution from ABI, in January next year, will bring peace of mind and security to our members

The pension world is impacted by the wider world around us, *writes David Coldwell (pictured left), Chairman of the Trustee Company.*

The after-effects of two huge events in the past three or four years – Covid and Ukraine – brought a cost-of-living crisis for people around the world.

Governments, even at their most competent, have been incapable of resolving this for their electorate, and across Europe there have been voter swings to new or "interesting" political parties.

Where elections have been held, incumbents have been punished and replaced by whoever is the main alternative.

This has recently been the case in the UK, where a new Labour government has been entrusted with the challenge of paying for the services demanded, without increasing taxes →

In common with other countries across Europe, the UK has seen a change in government, heralding changes across the economy.

on "working people".

Against this background, we can expect changes to the pension world, as there have been after every change of government.

Your trustees will continue to take care of your pension plan to the best of our abilities, to ensure that your pensions are paid, as promised, throughout your lives.

As Chris Williams describes on page 13, we have been helped by buoyant stock markets and continued higher interest rates.

The company has continued to make its promised contributions, and we can now foresee the plan being fully funded, after what we all hope is the final cash injection, to be made in January next year.

This is a heart-warming position to be in, compared with the low funding in past years.

Although the company will continue to stand behind the plan if ever needed, the trustees have been able to agree with the company that any future demands for cash contributions will happen only if the plan is not fully funded.

"The company will continue to stand behind the plan if ever needed"

Risk reduction is now the order of the day.

As Chris describes, we are now 95% hedged against the possibility of both interest rates and inflation turning against us, and we have reduced our equity holdings to 10%.

When setting assumptions for the amount of funding needed for payment of future benefits, the trustees are always cautious.

As such, we assess our funding risks to be very low.

What is the future for the plan now?

Many schemes, with company agreement, opt for a buy-out, where an insurance company takes on the liability to pay future pensions.

This will continue to be an option for the plan, but our assumption is that the trustees will continue to manage it for the foreseeable future.

You may have read that the government is launching a National Investment Plan, intended to persuade people who control pension assets to invest in start-up businesses and national infrastructure projects.

Your trustees are unlikely to invest the plan's assets in this way, as we believe our duty is to pay pensions to our members through investing in liquid, quoted investments that are tracked through established stock markets.

Pension regulations require trustees to take proper account of environmental, social and governance issues (referred to as ESG).

We take these issues very seriously, and require our assets manager, LGIM, to review all investments through the ESG lens.

The environmental aspect of ESG includes risks and opportunities from climate change, and we review our assets in the TCFD (Task Force on Climate-related Financial Disclosures) report.

This is available to read on our website, which is still under construction, at www.abinbevukpension-plans.com

I want to thank the trustees for their work and commitment. They all do an excellent job.

Mark, our Pensions Manager, is full of wisdom and knowledge, and is passionate about working with members to guide them towards good choices.

Our external advisers are helping considerably, and assist the trustee board where needed.

And the Pension Council provides a good link between trustees and members, able to answer many of your questions.

My thanks to all of them.

Income and expenses in 2023

Money coming in:

– £36.7m from AB InBev

Money going out:

– £30.22m paid in members' benefits
– £4.44m transfers to other pension schemes

We have . . .

At the end of 2023, we had 2,180 pensioners and 2,021 deferred members – that's an increase of 87 pensioners compared with the same time the previous year.

It’s time for our financial health check

Each year, we are required to update you on the financial health of the final salary section of the plan.

Remember that, in the final salary section, individuals do not have their own pension pots – there is one common fund from which all members’ benefits are paid.

December 2021 (December 2018 figures in brackets)

The plan’s assets were valued at	£956m (£685m)
The value of the liabilities was	£1,248m (£1,132m)
This means there was a shortfall of	£291m (£447m)
Funding level on an on-going basis (assets as a percentage of liabilities)	76.7% (60.5%)

December 2023

The plan’s assets were valued at	£689m
The value of the liabilities was	£773m
This means there was a shortfall of	£84m
Funding level on an on-going basis (assets as a percentage of liabilities)	89%

**The drop in asset and liability values from December ‘21 (table on previous page) to December ‘23 (table left) is due to significant changes in market conditions. See the financial section on pages 12 and 13.*

How do we work out what money the plan needs?

Every three years, the plan’s actuary estimates the cost of providing benefits that members have built up.

Assumptions about inflation, future investment returns, and members’ life-spans are made, and the cost of providing each member’s pension is calculated.

The total for all members (the plan’s liabilities) is compared to the plan’s assets, giving the overall funding level.

Where liabilities exceed assets, the difference is the funding deficit.

The Trustee must come to an agreement with the company about its future contributions to clear this deficit.

We completed our most recent triennial valuation as at December 2021.

What is the plan’s financial position?

The three-yearly valuation, as at 31 December 2021, is shown in the table above.

A mix of asset growth and significant contributions meant that our assets grew far more than the liabilities.

Thus the deficit reduced from £447m to £291m, and the funding ratio increased from 60% to nearly 77%.

The company has since paid further significant contributions; along with the surge in gilt yields, this has led to a further improvement in the funding ratio.

The annual actuarial report, at 31 December 2023, indicates that the funding ratio is now nearly 90%.

What is the company doing about the deficit?

The company and the Trustee agreed a substantial programme of contributions to address the deficit by the end of 2026.

You will note that all contributions are to be made by 30 June 2026, highlighting the company’s commitment to get the plan fully funded.

Due to the improvement in the funding ratio, it is hoped that the company contribution due to be made in January 2025 may move the ratio above 100%.

Is there enough money to provide my full benefits if the plan were wound up?

The 2021 actuarial valuation showed that, if the plan were to wind up (ie buy annuity contracts from an insurance company to provide the benefits earned to date), its assets of £956m would have been around 62.5% of the estimated cost of £1,531.5m of securing the benefits.

On this basis, the deficit would have been £575m – much less than the company guarantee of £800m.

Buying annuity contracts is likely to be relevant only if the plan were to wind up, since the costs (of securing the annuity contracts, administration costs and the insurance company’s profit margin) charged by insurance companies for these contracts are high.

The company has expressed no intention of winding up the plan in the foreseeable future.

What happens if AB InBev UK Ltd goes bust?

In previous newsletters, we have described the valuable guarantees provided by the AB InBev group of companies.

If this guarantee were to fail, members of the plan would be eligible to receive compensation from the Pension Protection Fund, established to protect members of UK final salary pension schemes.

You can find more details by logging on to pensionprotectionfund.org

To tackle the pension fund deficit, AB InBev will pay:

- £46m by 31 January 2025
- £69.5m by 31 January 2026*
- £32.8m by 30 June 2026*

* Note: these contributions will be paid only if the plan is not fully funded

Don’t be a loser – keep your pot safe

Pension scammers operate a low-risk system, raking in millions of pounds with little chance of being caught.

But their victims often lose their life savings, built up over years of hard work. They face a bleak retirement, and a huge tax bill.

It could be you . .

We can all be vulnerable to scams, when events in our lives mean we take our eye off the ball. Financial Conduct Authority research shows that 53% of the UK population are vulnerable at any one time, with causes ranging from divorce to ill health, family worries to a house move.

How to spot when a scammer is after your money

- You’re offered a free pension review when you respond to an advert, something on social media, or get a call out of the blue.
- You’re offered much higher returns on your investment.
- You’re wrongly told that you can access your pension funds before you’re 55, without having to pay tax.
- You’re put under pressure to act quickly, with a time-sensitive offer. Some scammers even send a courier to your door.
- It’s not clear where your money will go or how it will get there.
- Several parties are involved in the apparent investment, some based overseas and all taking a cut of your fund.
- The proffered investments are based on unusual funds or products.
- The so-called investment is for the long term, so it could be years before you realise you’ve scammed.

What it feels like to be a victim

“I was left completely on my own. I had a total breakdown.” SF

“I lost everything I’d saved for. Aside from the huge sense of loss and the financial devastation, there is also the intense mental anguish, which victims suffer for many years into the future.” GMS

“It knocks the wind out of you. Money is more than the £s showing on your statement. It represents freedom, the ability to choose, security. And there was nothing I could do to get it back.” BR

“I ask myself why I was so stupid. I don’t have the strength to cope. It makes me paranoid about trusting anyone ever again.” DW

“I have been pursued relentlessly by HMRC for tax. I can’t afford to pay it, and interest is constantly being added.” DW

“It feels like someone has ripped your guts out.“ GM

“It’s terrifying. All the things you took for granted are stripped away.” RKT

Who looks after your pension fund?

An expert and tightly-regulated team of people works in the background to make sure that your ABI pension is the best it can be. We introduce everyone involved.

In house, we have our trustees . . .

David Coldwell (chair)
former finance director for Whitbread/Interbrew

Chris Williams
former strategic planning director for the UK

Mike Cass
former director of finance

Jim Calvert
former commercial director

Chris Degg
former HR manager, supply operations

The **trustees** hold meetings at least once a quarter.

An **investment sub-committee**, chaired by Chris Williams, meets four times a year to review investment performance. Its key role is to ensure that the money is invested appropriately, so that every member gets his or her full benefit.

An **administration sub-committee**, chaired by Chris Degg, meets the external administration companies twice a year, to check the level of service they provide.

A **communications sub-committee**, chaired by Jim Calvert, aims to help everyone better understand their pension.

Other sub-committees – **funding, governance, accounts, death benefits, cyber** – meet from time to time.

Externally, we have our advisers . . .

WTW provides our plan's administration services and pays out monthly pensions. If you have any questions about your pension benefits, contact WTW directly.

WTW also provides the plan's actuarial services, including calculating the plan's anticipated liabilities. This allows a funding plan to be agreed with the company, to ensure that all members' pension benefits are paid in full.

Mercer gives us specific investment advice.

LGIM is one of the largest fund managers in the world, and is responsible for all our investments.

RSM provides us with an annual audit of the total ABI plan, ensuring that all benefits have been paid correctly.

And your Pension Council members are . . .

Graham Kantorowicz
Bob Coleman
Paul Brennan
Christine Glass
Paul Fowler
Shaun Lillis
Victor Amara

After each pension council meeting, your pensioner reps prepare a list of the key points and email them to the people for whom they have an email address. If you would like to receive these updates, please send your email address to pensions@ab-inbev.com

Book your one-to-one pension advice session

BBG has its own in-house pensions team.

If you're a **current BBG employee**, you can discuss your pension with them at their monthly pensions clinic, which are held on the first Friday of every month.

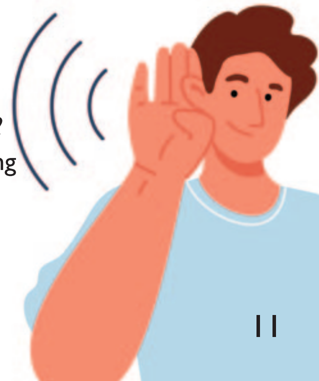
Book your one-to-one appointment by contacting them at pensions@ab-inbev.com

Speak to us!

"The world of pensions is dominated by people like us who think we know what you want," says Pensions Manager Mark Winfield. "We have been known to be wrong!"

"Is there anything you'd like to see more/less of? Are we missing something important? Or are we including something that doesn't help you?"

You can contact Mark at pensions@ab-inbev.com



And it's over to you!

Our pensions team is often asked a wide variety of questions. Here are the answers to just a few.

We're on track to be fully funded

The plan's funding level has improved significantly over the past few years.

It is now estimated to be fully funded (on a continuing basis) by February 2025.

The current intention is for the plan to continue in its existing form, with the funds invested and benefits paid out as normal.

Consideration may be given to a buy-out with an insurance company at some point in the future.

However, there are currently no plans for this, and it is unlikely to happen for many years yet.

Keeping on the level

How does a change to a person's state pension age affect the levelling pension that I selected?

The levelling option comes into effect when someone retires before they're eligible for the state pension.

They can take some of their company pension early, to avoid a sudden jump in income when they eventually get to their state pension age – and there are definite benefits in terms of the cash lump sum and tax.

The levelling option is based on your actual state pension age, so it will just remain in payment for longer until you reach your new, higher, state pension age.

It will not cease at any previous state pension age, so there will be no gap between the levelling pension ending and your state pension starting.

It's only temporary

I have received a letter from WTW that refers to temporary pension. What does this mean?

This is just another way of talking about the levelling option that you selected at retirement (see above).

It refers to your choice of additional pension that you will receive until you reach state pension age.

Buoyant stock market ignores doom and gloom

Equity investors had a surprisingly good year in 2023, *writes Chris Williams (above), Investment Sub-Committee Chairman.*

The central economic debate focused on a balance between bringing down inflation while avoiding recession.

Forecasters were too pessimistic, and severe recession didn't materialise.

One of the key drivers was the performance of a select group of US stocks, known as the Magnificent Seven, which accounted for most of the gains in the key US market.

When inflation looked to have established a downwards trajectory towards the end of 2023, the markets rallied as interest rates were thought to have peaked and would begin to fall in 2024.

Table 1 Major world equity markets

2023 % return	*% return unhedged*	*% return hedged*
FTSE All World, excl UK	17	23
FTSE USA	19	25
FTSE Europe, excl UK	16	19
FTSE Japan	13	34
FTSE Developed Asia Pacific, excl Japan	5	12
UK FTSE All Share	8	8
Over 5-year indexed gilt	0.2	0.2

Unhedged shows the combined return from market changes and currency changes. Hedged shows market movement only.

Background

The list of crises, ranging from fighting in Gaza and US-China relations, to energy costs and looming elections, seemed endless.

But world stock markets ignored it all, took everything in their stride, and delivered buoyant returns.

World equity markets grew by around 17% over the year, with the US – based on technology and powered by the Magnificent Seven – delivering a 19% return.

After a favourable performance in 2022, the UK market became a laggard last year.

Background – UK gilts and interest rates

Compared with the previous five to 10 years, 2023 saw a second year of relatively high interest rates.

From a defined benefit pension perspective, this is a "thank you, God" result!.

The 20-year gilt yield opened the →

year at 4.16% and ended it at 4.28%, reaching a high of 5.28% in October.

This is all a stark contrast with the end-of-year rates in 2019 (1.39%), 2020 (0.72%) and 2021 (1.23%).

Between 2012 and 2021, the question was always when rates would rise. Now, the question is: when will they peak and decline?

UK monetary policy and interest rates are set by the Bank of England and communicated via changes in the bank base rate.

Table 2, above, shows how historically low the base rate was, the abrupt change in 2022, and the recent high of 2023.

When setting rates, the bank has two main factors in mind: to get inflation below 2% and to sell gilts to finance government borrowing.

Despite political and media pressure to the contrary, neither of these factors is particularly encouraging, although most developed economies are in a similar position.

In terms of longer rates, table 3, right, shows that the 15-year gilt yield increased slightly to 4.06% over the year.

Rates were similar in 2009, so maybe they have now reverted to more normal levels.

The important fact for pension schemes is that there is now a positive real interest rate.

Table 2 Bank of England base rate changes

	Start year	*Change % pts*	*End year*	*No of changes*
2018	0.50	0.25	0.75	1
2019	0.75	0.0	0.75	0
2020	0.75	-0.65	0.10	2
2021	0.10	0.15	0.25	1
2022	0.25	3.25	3.50	8
2023	3.50	1.75	5.25	5

Portfolio activity

During the year, we continued our policy of de-risking.

Around £37m arrived from the company; we invested £17m in gilts and used the rest used to finance outgoings.

Mid year, we switched around £30m from equities into gilts.

Our overall target asset allocation remains at 15% in equities and 85% in bonds.

Currently, we have around 10% in equities, 30% in corporate bonds and 60% in gilts.

Table 4 shows the portfolio at the end of 2023.

Index-tracking funds

All our funds are passive, index-tracking funds, where possible fully currency hedged. All performed broadly in line with the relevant index.

Table 3 Interest rates, % per year

Yields	*% per annum Dec 2019*	*% per annum Dec 2020*	*% per annum Dec 2021*	*% per annum Dec 2022*	**Dec 2023**
Base rate	0.75	0.01	0.25	3.50	**5.25**
Over 15-year gilt index	1.26	1.67	1.34	3.91	**4.06**
Over 5-year index-linked gilt index	-1.83	-2.35	-2.29	+0.43	**+0.75**

Table 4 Our portfolio's performance

December 2023	*£m*	*Year end %*	*Estimated return %*
Equities	**69.4**	**10.0**	**17.2**
UK	17.3		7.9
US	30.0		24.6
Europe	13.2		19.9
Pacific Rim	8.9		11.7
Emerging markets	0.0		n/a
Bonds and cash	**617.7**	**90.0**	**2.7**
UK short corporate	108.1		8.5
US corporate	91.0		7.4
UK long corporate	16.4		10.4
Over 5-year index-linked gilts	114.5		0.0
Over 15-year index-linked gilts	164.2		-4.3
Single stock index-linked gilts	19.0		c4.0
Single stock funds/other	104.5		c0.0
Portfolio	**687.1**	**100.0**	**2.7**

Based on mid-market values at December 31st, 2023. Figures may not sum or reconcile, due to rounding and portfolio changes during the year. Portfolio returns are estimates.

Bonds

Our aim is not to make money from our bond portfolio, but to pay pensions as they fall due, while hedging our interest rate and exposure risk.

Conventional bonds delivered positive returns, while inflation-linked bonds were slightly down, as views on long-term inflation moderated slightly.

We maintained our 30% allocation to corporate bonds.

Our de-risking policy is unchanged, and we are likely to continue to invest in conventional and index-linked gilts, to increase our hedge ratios.

Equities

In a positive year for equities, our returns were: US 24%, Europe 20%, Asia Pacific 12%, UK 8%.

All of these were strong results against a somewhat gloomy economic background.

Hedging

Our hedging strategy, against changes in interest rates and/or inflation, is crucial.

To this end, the company paid around £44m of recovery money into the plan in January 2024.

So far, we have invested £38m of that into gilts.

We are now around 95% hedged, and our largest investment risk is the possibility of falling equity markets.

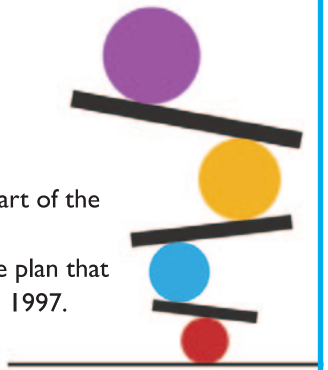
With an equity portfolio of £70m, an equity market fall would cost us around £14m or 2%; not nice but moving to manageable.

Summary

Debate about inflation continued last year, along with high interest rates, but the equity market was surprisingly strong.

In light of this, we made moves to de-risk.

On track for pension equality



A thorough national review of benefits is taking place, as part of the bid to equalise guaranteed minimum pensions (GMPs).

It may affect you if you have a pension benefit within the plan that covers any part of the period from 17 May 1990 to 6 April 1997.

These payments will generally be very modest, but they will be backdated with appropriate interest added.

It is an extremely complicated, lengthy and very technical exercise.

We anticipate having the data cleansed and all legal advice in place to allow us to start working on the calculations from June 2025, with the aim of making any rectification payments in the first half of 2026.

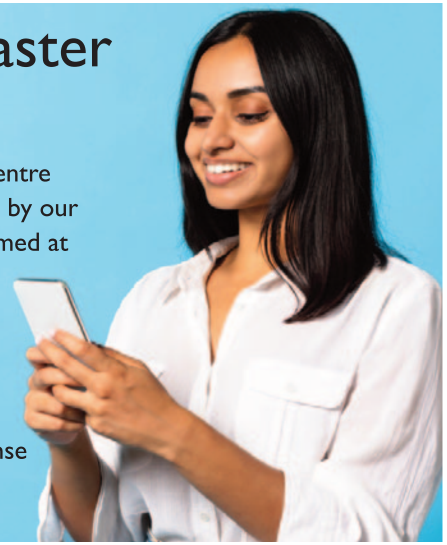
Think the unthinkable

Who would you like to benefit from your pension savings when you die?

Just fill in an expression-of-wish form, telling our trustees where your money should go, and keep the form up to date.

Contact the team at pensions@ab-inbev.com to get a form or update your details.

Now it's faster by phone



We have added a call centre to the service provided by our administrator WTW, aimed at improving the way telephone calls from our members are handled.

The move should result in quicker response times for you all.

Change of address for WTW

WTW now has a new postal address.

All letters about our ABI plan should be directed to WTW at Sunderland SR43 4JZ.

For details of WTW's phone and email address, please see page 2 of this booklet.

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