SECURING YOUR

FUTURE

SUMMER 2023

INSIDE

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AB INBEV UK LTD PENSION PLAN

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@willistowerswatson.com
- Willis Towers Watson, PO Box 545, Redhill, Surrey RH1 1YX

Fidelity (for members with AVCs)
- helpline 0800 3 68 68 68
- website www.fidelitypensions.co.uk

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

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

Gilt-edged good news for our plan

The healthy performance of government bonds has given a welcome boost to our pension plan, says Pensions Manager Mark Winfield.

After many years of historically low interest rates, 2022 saw a significant upwards movement, and a surge, in the yields on gilts (bonds issued by the British government to finance public spending).

While this has been painful for homeowners with mortgage payments, it's been great news for the pension plan, and you will see on page 5 that we hope to be fully funded in 2025.

Another painful event for us all has been the significant rise in inflation.

As you may remember, your deferred pension increases each year between the time your service ends and the date you start to take your benefits.

The increases are broadly in line with inflation, with different caps applying to different components.

If you are concerned that your deferred pension hasn't kept pace with inflation, I'm pleased to reassure you.

While it's true that there is a cap of 5% on your pension increases, this is applied across the entire deferred period (the time between your service ending and the date you start taking your benefits).

It is calculated as the average over that period.

So for instance, if we had eight years where inflation was running at 2% and in the ninth year it was 15%, your deferred pension would get the full 15% increase, as the annual average over the whole period would be less than 5%.

That's because the only place the 5% cap bites is when calculating the overall inflation over the period between retirement and drawing the pension.

Note that this refers only to your deferred pension; once a pension starts to be paid, each year's increases are based on that year's inflation, with the appropriate cap.

Transfer values are back in full

The welcome improvement in the funding ratio (the difference between assets and liabilities – whether a pension fund has enough reserves to pay out pension benefits) means that the trustees can once again offer transfer values at their full rate.

Bear in mind that the figures will have decreased, as they are based on gilt yields and their surge in 2022 has caused transfer values to fall.

This does not imply that you should consider a transfer, as it is rarely in your best interests.

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.

How do we work out what money the plan needs?

Every three years, the plan's actuary estimates how much it will cost to provide the benefits that members have built up in the plan.

This means making assumptions about inflation, future investment returns, and members' lifespans.

The valuation takes each member's pension and works out how much this might cost to provide.

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

December 2021 (December 2018 figures in brackets)

The plan's assets were valued at	£956.5m (£685.1m)
The value of the liabilities was	£1,248m (£1,132.6m)
This means there was a shortfall of	£291m (£447.5m)
Funding level on an on-going basis (assets as a percentage of liabilities)	76.7% (60.5%)

Where the liabilities are greater than the 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 have now completed the 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.

It is pleasing to see that a combination of asset growth and significant contributions meant that our assets grew far more than the liabilities.

The result is that the deficit reduced from £447m to £291m, and the funding ratio increased from 60% to nearly 77%.

Since the date of the valuation, the company has paid further significant contributions.

Combined with the surge in gilt yields, this has led to a further improvement in the funding ratio.

The annual actuarial report, at 31 December 2022, indicates that the funding ratio is now more than 80%.

December 2022

The plan's assets were valued at	£657m
The value of the liabilities was	£788m
This means there was a shortfall of	£131m
Funding level on an on-going basis (assets as a percentage of liabilities)	83%

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 contribution due 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 – significantly less than the 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 our previous editions of this newsletter, 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:
- £44m by 31 January 2024
- £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

Keep scammers away with our advice

Pension scams are costing careful savers many millions of pounds a year, with the true figure probably much higher because victims are too embarrassed to admit they've been duped.

Amy was surprised to get a phone call from someone offering to boost her pension pot, but the more she listened to the man, the more impressed she was.

He offered to invest her pension savings in an overseas property scheme that he said would bring her an annual return of more than 10 per cent.

He talked about the funds in which her money would be invested, and carried out a pension review.

The paperwork arrived very swiftly, and Amy signed over her pension pot of almost £100,000.

It was the last she saw of her money, and the last she heard from the caller and his investment company, with its apparently watertight credentials.

Because she withdrew such a large sum, she is being pursued by the Inland Revenue, who say she owes many thousands of pounds in tax.

"I've always been careful," a shaken Amy said afterwards. "This sounded like a good scheme. I feel humiliated, depressed and angry".

She has nothing left for her retirement, other than the basic state pension.

Such stories are far from rare, because people now have much easier access to their pension savings.

It means that millions of pounds are lost to scammers each year, with victims facing demands for payment of huge sums in tax.

If members have more than £30,000 in their DB section pension, they can transfer out only if they first take independent financial advice.

Our admin team carries out various checks on where a DB pension is going.

Both steps make fraud less likely.

Red alert!

Here's how to tell that you're at risk of being scammed

Someone calls you or contacts you on social media, out of the blue, offering to review your pension. They then suggest that you transfer your pension savings into a fund that they name, claiming that you'll get a healthy return of at least eight per cent.

The caller says they can help you release your pension pot early – before the age of 55 – and claims that this can be done without the need for you to pay tax. This is not correct, and you will be pursued by HMRC for tax at the rate of 55 per cent of the money you have withdrawn.

The company that the caller says he or she represents is not registered with the Financial Conduct Authority (FCA). Without such registration, you have no hope of getting back a penny of your money.

What to do if you fall victim

Contact the Financial Conduct Authority (FCA) to see if the company you've been dealing with is registered with them. If it is, you can ask the Financial Ombudsman Service to investigate and decide if you can be compensated.

If the company has gone out of business, you can turn to the Financial Services Compensation Scheme.

Ignore anyone who contacts you with the offer of getting your money back, for a fee. Scammers are known to target their victims a second time.

If you are thinking of making any big decisions about your pension savings, take advice from a regulated independent financial adviser (fees will apply) or free guidance from the Pension Wise service (see page 2).

In a recent court case, His Honour Judge Perrins said the impact on victims was utterly devastating.

"I have read personal statements, and they each tell a similar story.

"People had worked hard and saved, but had been robbed of their financial security. I heard about depression, anxiety, divorce and suicide attempts.

"Each is a story of a life that has been ruined."

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. Ian Williams introduces everyone involved.

Ian Williams
Key Account Manager

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 and actuarial services. You should contact them directly if you have any questions about your pension benefits. WTW's key role is to calculate the value of anticipated liabilities, so a funding plan can be agreed to ensure that all members' pension benefits are paid in full. WTW also provides payroll services for us, paying out monthly pensions.

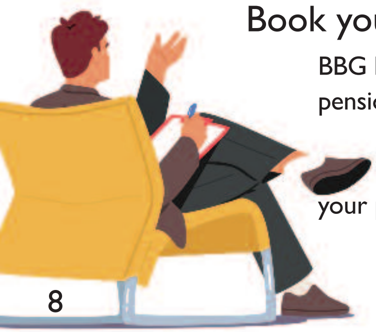
Mercer gives us specific investment advice.

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
Christine Glass
Ian Williams
Paul Fowler
Paul Brennan
Marina Warren
Shaun Lillis
Dave Gibson



Book your one-to-one 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, 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

Global financial turmoil has been good for our plan

The end of ultra-low interest rates means that our pension plan is within sight of being fully funded by ABI.

The past three years have been traumatic for the world, and the UK has been equally affected *writes David Coldwell (pictured left), Chairman of the Trustee Company.*

Covid-19 caused deaths, lockdowns and economic turmoil in 2020, and onwards into 2021; only very recently has the UN declared the pandemic to be over.

Then came Russia's invasion of its neighbour Ukraine, which led directly to soaring energy prices, and food inflation at a massive level.

The world central banks countered this by raising interest rates, which in turn lead to market turmoil in bonds and equity markets, with losses in asset prices.

Chris writes about this in the investment section of this newsletter.

Events that have been terrible for many families worldwide have, bizzarely, been of some benefit to your pension plan.

All UK final salary pensions schemes have suffered for some 15 years from ultra-low interest rates.

When we calculate the amount of money we will need to set aside to pay pensions in the future, we base our figures on yields from our bonds.

The war in Ukraine has led to soaring energy prices and food inflation at a massive level.

The ABI pension plan is within sight of being safely and fully funded, with £90m earmarked by the company over the next two years.

When interest rates are low, we need to set aside more money.

This makes our liabilities high, requiring sponsoring companies to make high payments into the schemes to keep them funded.

It seems that this period of low rates has ended.

The ABI pension plan is now within sight of being fully funded.

We have a valuation every three years, and have recently concluded the one as at 31st December 2021.

By then, the deficit was down to £291 million.

This sounds a large number, but since the valuation date, discount rates have fallen further, sizeable contributions have been paid by AB InBev, and the funding deficit is now around £90 million.

The company has agreed to pay £90 million into the plan in the next two years, and this is expected to fund the plan fully.

> "We can be reassured that members' pensions are safe, as promised"

Should this slip, it has agreed to pay further sums in 2026.

We still retain the guarantees from the asset-rich companies in the group for up to £800m, so we can be reassured that members' pensions are safe, as promised.

There was a great deal of publicity during 2022 about what is named LDI, standing for Liability Driven Investments.

Most pension plans held these assets, and they came under great strain when interest rates increased, with the assets causing liquidity issues and consequently deteriorations in funding positions for some schemes.

We can reassure →

We will be reporting later this year on the impact our investments have on the environment.

you that your trustees declined to use the LDI instruments, and your scheme suffered no losses.

Climate change is seen as the main threat to our world, and the Financial Stability Board has decided that large pension plans must report annually on the impact their investments have on greenhouse gases and other emissions.

We know this is also of great interest to many of our members.

The trustees are working on this as I write, and will comply with the directive by publishing to you, our members, and on a publicly-available website, a report called the TCFD report (Task Force on Climate-Related Financial Disclosures).

This is an issue taken very seriously by AB InBev as a company, which also reports on sustainability on a regular basis.

We will be in touch on this shortly.

The greatest disaster to members with final salary pension plans is to lose the lot in a pension scam, so we remind members of this every year.

In the UK last year, 180 people lost all their money to scams, despite efforts to make this difficult, and frequent warnings to members.

The trustee board works well with our advisers to run the scheme effectively and in members' interests.

I'd like to thank them, especially Mark Winfield, our Pensions Manager.

Income and expenses in 2022

Money coming in:

– £52.5m from AB InBev

Money going out:

– £28.87m paid in members' benefits
– £10.2m transfers to other pension schemes

Fund at 31 December 2022 – £655m (excluding AVCs and other assets)

We have . . .

At the end of 2022, we had 2,093 pensioners and 2,126 deferred members – that's an increase of 66 pensioners compared with the same time the previous year.

Another challenging year but good for our funds

Last year was a challenging one for investors *writes Chris Williams (above), Chairman of the Investment Sub-Committee.*

Nearly all asset classes fell substantially, led by major falls in bonds, as interest rates increased.

At the end of December, the invested portfolio was £655m – a fall of around £300m from the previous year.

Bizarrely this is not bad news for the ABI plan; although our assets have fallen by around £300m, our liabilities – valued using the higher year-end interest rates – have fallen by a greater amount, thereby improving our funding position.

Background

Last year marked the end of the era of cheap money, continued supply shortages post covid, and increases in energy prices, bringing the re-emergence of inflation.

Table 1 Major world equity markets

2022 return	*Local currency return %*	*Sterling return %*
FTSE All World	-16	-7
FTSE USA	-21	-9
FTSE Asia Pacific ex Japan	-8	-1
FTSE Japan	-5	-2
FTSE Europe (excl UK)	-12	-8
UK FTSE All Share	0.3	0.3
Over 5-year indexed gilt	-38	-38

War continues in Ukraine which, along with deteriorating US-China relations, particular over Taiwan, contributed to heightened geopolitical risk.

Central banks raised interest rates to bear down on inflation.

Equities suffered as liquidity dried up, and commentators began to talk about a recession.

Growth stocks saw sharp falls, which in part explains the downbeat performance of the US market.

Worldwide increase in interest rates was the key investment feature of 2022.

World equity markets fell by 16% over the year, with particular weakness in the first half.

In the US, the S&P 500 fell by more than 20% in the first six months – its worst performance since 1970.

The UK, unfashionably weighted towards mining and energy companies, performed relatively well.

Although slightly down at the half year, it recovered in the second half.

Background – UK gilts and interest rates

Last year, I wrote that we yearned for higher interest rates and a reversion to a more "normal" structure of interest rates.

This year it happened.

The 20-year gilt yield opened the year at 1.32%; by August it had climbed steadily to 3.30%; then came market mayhem in September and early October.

Rates climbed to the high 4.0s in later September, peaked at 5.09% in October, and ended the year at 4.15%.

One can point to the UK issues with changing prime ministers, and the ill-fated Truss mini budget, but interest-rate increases were worldwide, driven by the US Federal Reserve as a policy to tackle inflation.

Interest rates were always going to increase tomorrow, yet the day never quite arrived, until 2022.

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, and how suddenly it changed in 2022.

From a covid policy low of 0.01%, the bank has increased the rate eight times, to 4.0% in February 2023.

Similarly in the US, the Federal Reserve increased the mid-range rate from 0.125% in December 2021, via seven changes to 4.375% a year later.

Importantly for pension schemes, there is now a positive real interest rate.

Table 2 Interest rates – % per year

Yields	*% per annum Dec 2018*	*% per annum Dec 2019*	*% per annum Dec 2020*	*% per annum Dec 2021*	***Dec 2022***
Base rate	0.75	0.75	0.01	0.25	**3.50**
Over 15-year gilt index	1.76	1.26	1.67	1.34	**3.91**
Over 5-year gilt index	-1.59	-1.83	-2.35	-2.29	**+0.43**

Portfolio activity

We received around £52m from AB InBev in 2022, and we paid out members' benefits of around £39m, giving us new money of around £13m.

As interest rates increased, we invested in single stock conventional and index-linked gilts to increase our hedging ratios.

By the end of the year, we had invested a total of around £63m in gilts, sourced from equity sales of around £40m, around £13m new money, and corporate bond sales of around £10m.

Our overall target asset allocation remains at 15% in equities and 85% in bonds; at the year end, we were close to target.

Table 3 overleaf gives the portfolio as at 31st December 2022.

Index-tracking funds

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

Bonds

As I said earlier, last year's changes in interest rates and bond prices were dramatic.

When interest rates change, the impact on long- dated bonds is much greater than the impact on shorter-dated bonds.

Table 3, below, shows that our long gilts fell in value by over 40%, but this is not an issue as we hold them to match our long liabilities, which would have fallen in value by a similar amount.

We maintained our 30% allocation to corporate bonds.

We are likely to continue to invest in conventional and index-linked gilts, to increase our hedge ratios.

AB InBev paid around £36m of recovery monies into the plan in January 2023; we have invested £17m of that in gilts, so far.

Equities

As mentioned earlier, 2022 was a weak year for equities, particularly the US.

Our returns were: UK 0.4%, Asia Pacific -8%, Europe -12%, and the US -21%.

We sold our holding in emerging markets of around £7m and, with further sales of around £33m, equity sales contributed around £40m towards our £63m gilt investment.

Hedging

A crucial part of our investment strategy is hedging against future changes in interest rates and/or inflation.

As AB InBev's recovery payments improve our funding ratio, or as equities out-perform our forecast, we invest to increase our hedging ratios.

Our near-term objective is to match our interest rate and inflation hedge ratios to our funding ratio.

At the end of the year, our funding ratio was around 83%, interest rate hedge around 84%, and inflation hedge around 92%.

By the end of 2026, we are aiming to be 100% funded and 100% interest-rate and inflation hedged.

Summary

2022 was a dramatic year for interest rates, and a weak year for nearly all asset classes.

Bizarrely, for some pension schemes (including ours), the fall in interest rates was good news, and led to improved funding positions.

Table 3 Our portfolio's performance

December 2022	*£m*	*Year end %*	*Estimated return %*
Equities	**92.6**	**14.0**	**-12**
UK	25.2		0.4
US	37.5		-21
Europe	17.3		-12
Pacific Rim	12.6		-8
Emerging markets	0		n/a
Bonds and cash	**562.5**	**86.0**	**-36**
UK short corporate	105.9		-18
US corporate	91.0		-22
UK long corporate	14.8		-34
Over 5-year index-linked gilts	114.3		-38
Over 15-year index-linked gilts	171.7		-47
2055 index-linked gilts	7.4		-49
Single stock funds/other	57.4		n/a
Portfolio	**655.1***	**100.0**	**4.0**

(excluding AVCs and other assets)

Court verdict may give your pension a boost

You may have seen in the press that, after many years of legal wrangling, a degree of clarity has been delivered by the courts about the equalisation of guaranteed minimum pensions (GMPs).

For those of you who have a pension benefit within the plan that covers any part of the period from 17 May 1990 to 6 April 1997, there will be a review of benefits.

Benefits can ONLY be equalised upwards, so you may be entitled to a modest uplift in your pension.

This exercise is complicated, lengthy and very technical, but we're working with our advisers and will update you as the project progresses.

Save a forest! Opt for digital!

In the interests of helping the environment, we'll be sending this booklet out in digital format when possible, providing we have your personal email address (not your work one).

You can still ask for a paper version if you'd prefer.

Send your personal email address to abinbevuk@willistowerswatson.com

Remember to include your national insurance number and your name (particularly if it is difficult to identify you from your email address!).

Budweiser
BREWING GROUP UK&I