

InterContinental Hotels UK Pension Plan

# Pension Newsletter

Defined Benefits (DB) Section

September 2014



A summary of  
your Plan as at  
31 March 2014

Ana

Ana,  
InterContinental  
Hotels Group, UK

# Welcome

Welcome to what will be the final Pension Newsletter for the Defined Benefits (DB) Section of the InterContinental Hotels UK Pension Plan.

It confirms this year's pension increase and includes a summary of the Trustee's Annual Report for the year to 31 March 2014 as it relates to DB Section members. It also includes the latest Summary Funding Statement, which confirms the position of the Plan following the 2012 actuarial valuation and the Plan's assets and liabilities as at 31 March 2014.

The Chairman of the Plan's Trustee, Sam Dow, wrote to you in August last year to let you know that the Trustee had invested the Plan's assets in an insurance policy with Rothesay Life. This insurance policy provides for the future payment of your benefits as determined by the Trust Deed and Rules of the Plan, plus additional increases to deferred pensions and pensions in payment, that were previously only provided at the discretion of the Plan's sponsoring employer. The responsibility for administering your benefits will move to Rothesay Life over the course of September and October this year. Pensions in payment will therefore be increased on 1 October as usual by the current administrator, Mercer, and Rothesay Life will make arrangements to pay pensions from 1 November onward.

## Information about Rothesay Life

You should recently have received a letter from Mercer to confirm the details of your pension benefit and the contact details if you have any queries regarding this. Rothesay Life will, in due course, issue you with an individual policy confirming your benefit entitlement. The address is shown below:



Rothesay Life Limited, PO Box 545, Redhill, Surrey, RH1 1YX

If you have any questions or concerns before then, the contact details for the Company Management Team are shown on the final page of this newsletter.

**Keith Sully**  
Head of Pensions

# Pension increases

## Under the rules of the Plan:

- a** Pensions in payment in excess of any Guaranteed Minimum Pension (GMP) are increased by the rise in the Retail Prices Index (RPI), up to a maximum of:
  - 5% a year for pensionable service up to 5 April 2006; and
  - 2.5% a year for pensionable service after 5 April 2006.
  
- b** Deferred pensions in excess of any GMP are increased by the rise in RPI up to a maximum of 5% a year for all pensionable service.

Under the terms of the insurance policy with Rothesay Life, additional increases will be provided of two-thirds of any rise in RPI that is above the guaranteed level. The increases are applied to the amount of pension above any GMP that may have built up in respect of membership of the Plan up to 5 April 1997.

The annual increase is based on the rise in the RPI over the year up to May, which this year was 2.4%. This means that from 1 October 2014 the following increases in excess of any GMP will be applied:

- a** Pensioners – 2.4% in respect of all pensionable service; and
- b** Deferred pensions – 2.4% in respect of all pensionable service.

Pensions that have been in payment for less than a year, and deferred pensions for members who left the Company less than a year ago, will receive a proportionate increase.

Some pensioners and deferred pensioners who were members of the old InterContinental Scheme before 6 April 2000 may receive an increase that is calculated on a slightly different basis. Members to whom this applies were given written details before the merger of the Plans in 2000.

A history of the last 10 years' standard Plan pension increases is shown on the next page.

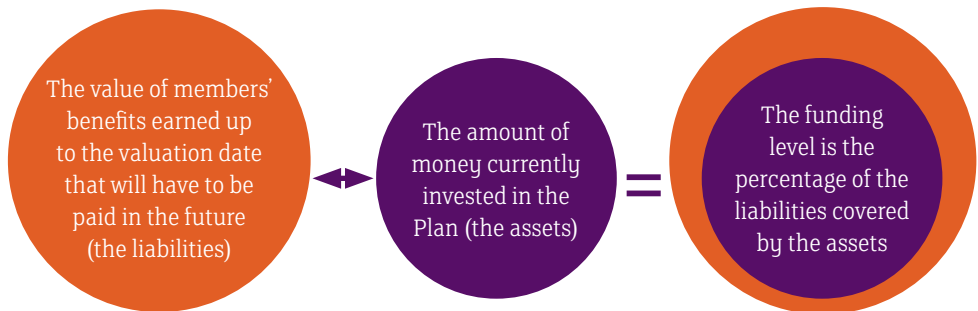
## Pension increases (continued)

The following table shows the history of the last 10 years' standard Plan pension increases:

Year	% increase in respect of pre-6 April 2006 pensionable service for pensioners and all pensionable service for deferred pensions	% increase in respect of post-5 April 2006 pensionable service for pensioners
2013	3.1	3.1
2012	3.1	3.1
2011	5.1	4.3
2010	5.1	4.2
2009	0.0	0.0
2008	4.3	4.3
2007	4.3	4.3
2006	3.0	3.0
2005	2.9	n/a
2004	2.8	n/a

# Summary Funding Statement for the DB Section of the Plan

Every three years, the Trustee has had to obtain a valuation of the Plan's assets and liabilities. This valuation is basically a financial health check carried out by the Plan's Actuary – an expert at looking at finance and risks. The valuation compares:



If the Plan has fewer assets than liabilities, it is said to have a 'shortfall'. If the assets are more than the liabilities, there is said to be a 'surplus'.

## How well funded is the Plan?

Since the purchase of the insurance policy with Rothesay Life on 15 August 2013, all of the liabilities have been covered by this policy and therefore the Plan is fully funded.

## What has influenced the funding level?

The increased funding level required to purchase the insurance policy with Rothesay Life was largely due to the lump sum contributions paid by the Company in line with the Schedule of Contributions agreed with the Trustee after the Plan's 2012 valuation.

## What protection is there for members?

As the Trustee has purchased the insurance policy with Rothesay Life, this policy enables the cost of providing pensions to be met. When Rothesay Life becomes wholly responsible for meeting pension costs later this year, you will become an individual insurance policy holder and therefore may be covered by the Financial Services Compensation Scheme (FSCS). More information about the FSCS can be found at [www.fscs.org.uk](http://www.fscs.org.uk)

# Summary Funding Statement for the DB Section of the Plan (continued)

## Have there been any payments from the Plan to the Company?

There have not been any payments to the Company out of the Plan in the 12 months to 31 March 2014, nor at any time since the Plan commenced. The Plan rules only allow the possibility of payments to the Company in the event of surplus funds being available on the winding-up of the Plan.

## Is there anything else that I need to know?

Further information on the Plan can be found in the documents listed below, which are available on request from the Company Management Team. The contact details are provided on the back page.

The Trustee's Annual Report for the year ended 31 March 2014 also provides investment and funding information. It is available on request from the Company Management Team or can be viewed or downloaded from the IHG pensions website at [www.pensions.ichotelsgroup.com](http://www.pensions.ichotelsgroup.com)

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## Additional documents available on request from the Company Management Team



**Statement of Funding Principles** – explains the approach adopted by the Trustee to fund the Plan.

**Recovery Plan** – sets out how the funding shortfall will be met and over what period.

**Statement of Investment Principles** – sets out how the assets of the Plan are invested.

**Schedule of Contributions** – shows how much money is being paid into the Plan by the Company and members.

**Actuarial Valuation Report as at 31 March 2012** – contains details of the Plan's funding position.

**Annual Report at 31 March 2014** – contains details of the Plan's income and expenditure over the year.

# Financials

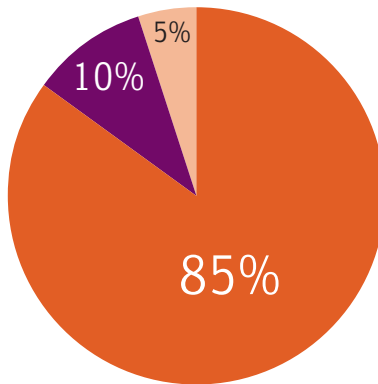
The information on the next three pages provides a summary of the Plan's accounts (excluding specific assets of the Defined Contribution Section) for the year ended 31 March 2014.

## Plan investments

On 15 August 2013, substantially all of the assets of the DB Section of the Plan were invested in an insurance policy with Rothesay Life, through which pension benefits will be paid out to members as and when they fall due.

## Asset allocation

Before buying the insurance policy with Rothesay Life, the Trustee had agreed the following investment structure for the Plan's assets in order to best meet the Trustee's investment objectives:



### Risk-reducing investments:

<span style="color: #e67e22;">■</span> Liability matching investments (e.g. Government and company bonds)	85%
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### Return-seeking investments:

<span style="color: #6a3d9a;">■</span> Global equities	10%
<span style="color: #f1c40f;">■</span> Property	5%

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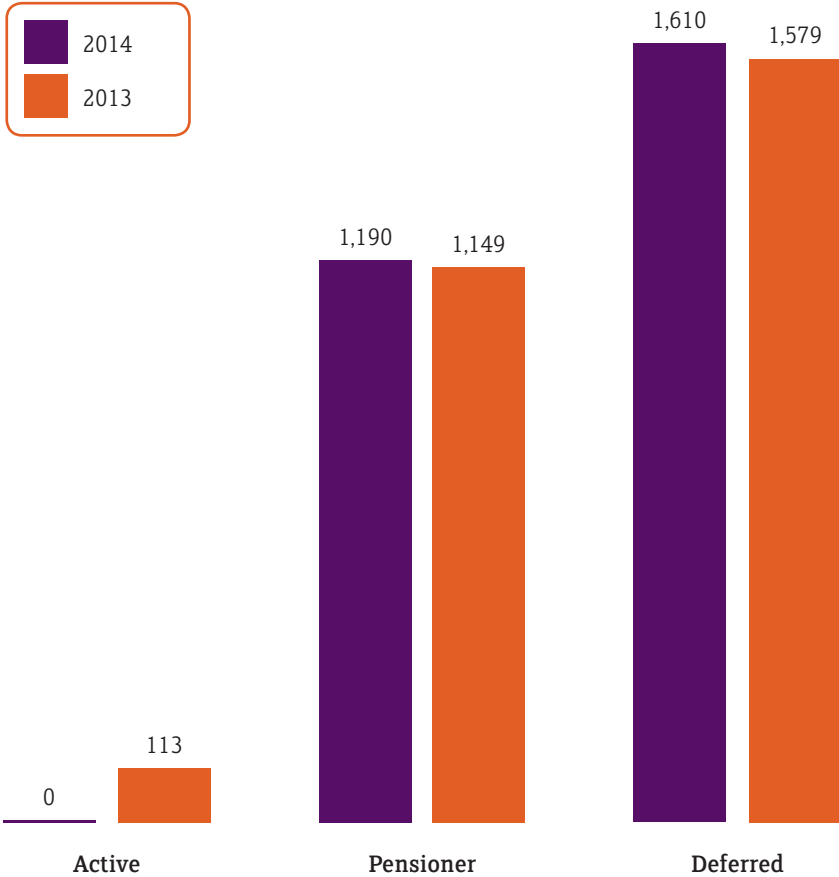
<b>Total</b>	<b>100%</b>
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# Financials (continued)

## Membership

The bar chart below shows the Plan membership details at 31 March 2014 and 2013:





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**Value of the Fund at 31 March 2013** **462,673**

### Income

Member contributions	128
Company contributions	10,687
Other income	1,319
Change in market value of investments	(13,930)
<b>Total</b>	<b>(1,796)</b>

### Expenditure

Pensions	6,910
Cash options	2,257
Transfer value payments	5,484
Death benefits	139
Life assurance premium	98
Administration expenses	2,683
Purchase of insurance policy	436,096
<b>Total</b>	<b>453,667</b>

**Value of the Fund at 31 March 2014** **7,210\***

\*The value of the insurance policy, which covers all pension and related benefit payments from the Plan, is included at a nil value, as permitted by current regulations and accounting practice.

# Trustee Directors

The following individuals make up the Trustee Board, which is responsible for the day-to-day running of the Plan and the membership as a whole.

## Three Independent

Sam Dow (Chairman)  
Anthony Stern  
Independent Trustee Services  
Limited, represented by Nita Tinn

## Three Employer Nominated

Jean-Pierre Noël  
Adrian Hill  
Ralph Wheeler



## Three Member Nominated

Lars Eldekvist (elected from active membership)  
Colin Garwood (elected from active membership)  
Lewis Howes (selected from deferred/pensioner membership)

# Company Management Team

The following individuals make up the Company Management Team, which is responsible for managing the outsourced administration and assisting the Trustee Directors with their duties.

## Administration and Secretary

**Keith Sully**† – Head of Pensions

**Angela Schofield** – Secretary and Administrator

**Ben Hawley** – Manager, Pensions



Company  
Management  
Team

## Investment and Accounting

**Adrian Hill** – VP, Global Financial Reporting

**Fiona Galley** – Director, Global Financial Reporting

**Jane Young** – Trust Accountant

† Contact for Internal Dispute Resolution Procedures.

# Contact details

**You can contact the Company Management Team at:**



No.1 First Avenue  
Centrum 100  
Burton-on-Trent  
Staffordshire  
DE14 2WB



01283 511 311



enquiries.pensions@ihg.com

## **Tax Office details (Pension Payroll)**



Birmingham Tax Office  
City Centre House  
30 Union Street  
Birmingham  
B2 4AE



0300 200 3300