

GSK Pension Fund

Summary Pension Trustee Report
For the year ending 31 December 2022



Welcome to your Report

Welcome to the GSK Pension Fund (the 'Fund') Summary Trustee Report for 2022, which provides a summary of the finances, investments, and funding of the Fund 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 GSK Pension Fund Impacted?

During the market turmoil, the Fund'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. In October 2022, GSK voluntarily paid contributions into the Fund earlier than they were due to ensure that the Fund could continue to manage its LDI assets effectively in case the market volatility worsened. 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 Fund.

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 your annual benefit statement.

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 Plans 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
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 Fund as at 31 December 2022.

Defined Benefit (DB) section

Employee members	n/a
Deferred members	1,575
Pensioners	5,739

Defined Contribution (DC) section

Employee members	10
Deferred members	286
Pensioners	n/a

Employee members - work for GSK and were contributing to the Fund during 2022.

Deferred members - are employees and former employees who are no longer accruing benefits but have not yet retired. 75 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 Fund.



Trustee's mission statement

Defined Benefit section

Our mission is to run the Fund to the best of our ability and in accordance with best practice so that members receive their benefits as promised.

Defined Contribution section

Our mission is to run the Fund to the best of our ability and in accordance with best practice to help members make the most of their pension contributions according to their own preferences.

Financial highlights

The table below summarises the assets for the year to 31 December 2022.

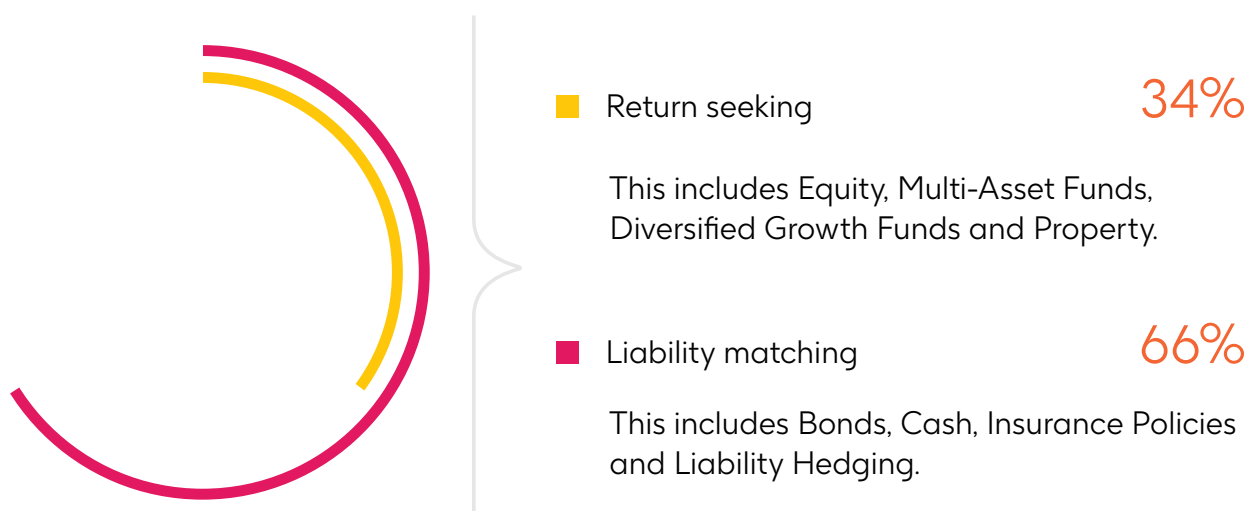
	£m Defined Benefit	£m Defined Contribution
Value as at 31 December 2021	3,352	113
Income - GSK contributions*	208	1
Investment returns	(1,129)	(16)
Expenditure**	(141)	(12)
Value as at 31 December 2022	2,290	86

*GSK contributions include member contributions paid via Salary Sacrifice.

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

How the DB assets are invested

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



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 Fund. 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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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 Fund

The Trustee and GSK regularly review the funding of the Defined Benefit section of the Fund to ensure that there will be sufficient funds to cover current and expected future pension payments. The Fund'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, in order 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 ¹	3,242	3,352	2,290
Liabilities ¹	3,559	3,616	2,507
Surplus/(Deficit)	(317)	(264)	(217)
Funding level	91%	93%	91%

¹Includes the insurance policies but excludes the Defined Contribution benefits.

The 93% funding level at 31 December 2021 dropped to 91% at 31 December 2022. 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, with assets falling more than liabilities. The significant contributions from the Company over this period have helped to partially offset the fall in assets.

Additional contributions

Any shortfall in assets compared with technical provisions 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. As noted earlier, in October 2022, the Company voluntarily paid contributions to the Fund earlier than was required during a period of market volatility.



Defined Benefit section

If GSK were to become insolvent

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

If responsibility for the Fund's benefits were to be transferred to an insurance company, the actuary has estimated that the defined benefit section of the Fund had sufficient assets, as at 31 December 2022, to secure around 82% of Fund members' benefits with an insurance company (compared to 82% at 31 December 2021 and 78% as at 31 December 2020).

Pension Fund 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 Fund to provide full pension benefits, a reduced level of benefits would be payable to the members from the PPF.

No payments to GSK

The law requires the Trustee to confirm whether there were any payments made to GSK from the Fund's assets since the last summary funding statement. We can confirm that no payments have been made to GSK from the Fund's assets since the last summary funding statement (which is summarised above).

No intervention by the Pensions Regulator

The law requires the Trustee to confirm whether over the 12 months to 31 December 2022 the Pensions Regulator has modified the Fund Rules or imposed a schedule of contributions on the Fund. We can confirm that the Pensions Regulator has taken no such steps in relation to the Fund.



Trustees and advisers

Who looks after the Fund?

The Fund is set up under trust deeds and is managed by the Trustees (who are Directors of the Corporate Trustee, GSK Pension Plans Trustee Limited, which was called Berkeley Square Pension Trustee Company Limited until 1 June 2023).

The Trustees at 31 December 2022 were:

Independent Trustees (Who have never worked for GSK):

- The Law Debenture Pension Trust Corporation plc - represented by Mark Ashworth (Chair)
- Allan Whalley

GSK appointed Trustees:

- Paul Blackburn
- David Brown (also Independent)
- Mandy Cooke

Member Nominated Trustees:

- Wei Lan (employee)
- John Watson (pensioner)
- David Wintle (pensioner)

Secretary to the Trustee:

- Carolina Lyons - Pensions Director

Changes

During the year to 31 December 2022, Steve Cowden and Sandra Humphrey resigned as Trustees and Mandy Cooke and Wei Lan joined the board. After 31 December 2022, John Watson and Allan Whalley resigned. Ross Trustee Services Ltd, represented by Pavan Bhardwaj, was appointed to replace Allan Whalley.

The Trustees would like to thank Steve, Sandra, John and Allan for their efforts and welcome Mandy, Wei and Pavan to the board.



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 the Fund's current Corporate Trustee, which was renamed as GSK Pension Plans Trustee Limited on 1 June 2023, will be the entity responsible for governing all the GSK UK pension plans. The united board will oversee the following plans:

The united board will oversee the following plans:

- GSK Pension Scheme
- GSK Pension Fund
- SmithKline Beecham Pension Plan
- SmithKline Beecham Senior Executive Pension Plan
- 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

For a one-year period up to 31 May 2024, the new united board will have the benefit of an additional highly experienced fourth Company-appointed Trustee Director to assist with the transition plan.

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.



Advisers

The advisers are:

Actuary:

- Tim Panter of WTW

Auditor:

- Grant Thornton

Legal adviser:

- Sacker & Partners LLP

Investment and asset allocation advisers:

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

Administrator:

- WTW



Where can you get more information?

Pension helpline:

Email

GSKpensions@willistowerswatson.com

Phone

01737 227 563

Address

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

Total Reward for employees:

Online

[HR Hub via Service Now](#)

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.