

# 2023 MEMBER

# Report

## Hilton

FROM THE TRUSTEE OF THE HILTON UK PENSION PLAN

2023 ANNUAL REPORT TO MEMBERS

Hilton

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canopy

Signia  
by Hilton

Hilton

CURIO  
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EMBASSY  
SUITES

TEMPO

MOTTO

Hilton  
Garden Inn

Hampton

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spark

HOMEWOOD  
SUITES

HOME2  
SUITES

Hilton  
GRAND VACATIONS

Hilton  
HONORS

# Welcome

## WELCOME TO THE LATEST EDITION OF OUR REPORT TO MEMBERS.

We hope you will find this update on the Plan and the world of pensions interesting and useful to you. This year has brought changes for us on the Trustee Board. Our dear friend and co-Trustee, Karl Turner, sadly passed away in February. I would like to extend my personal condolences to his family and friends, and all who knew him. Karl served tirelessly on the Board for over 14 years and was a valued and conscientious member. His enthusiasm and insights will be greatly missed.



Steve Standefer was appointed by the Company to the Trustee Board on 1 March 2023. Steve has been in the hospitality industry since 1995, is a Certified Public Accountant and currently is the Senior Vice President of Tax for Hilton. He brings many years of experience in the finance and regulatory arenas and is an excellent addition to the Board. Welcome Steve!

Last year we were reflecting on the effects of the pandemic and the ongoing crisis in Ukraine, and although the pandemic has largely subsided, we are all faced with continuing challenges including the rising cost of living. We would like to reassure you that your pensions and the security of your future benefits remains our utmost priority as a Trustee Board. The Plan has recently completed

its triennial actuarial valuation in which we agreed with the Company a revised timetable of contribution payments into the Plan. See inside for details on the Plan's financial wellbeing, accounts and the changes that have been made to the Plan's investment strategy.

This year we are focusing on communications and moving towards a digital approach. We would like to get in touch with you via email and gradually send fewer communications via post to reduce our impact on the environment while saving costs to the Plan.

I would like to encourage all members to register for PRISM, our secure member portal (<https://secure.hiltonukpensions.co.uk/>). By signing up with your email address, you will allow us to send you an email with important communications regarding your Plan and online resources. You can also check out the Plan's website [www.hiltonukpensions.co.uk](http://www.hiltonukpensions.co.uk) where there is a wealth of useful information about the Plan, including the latest accounts, guidance on how your pension works and other links we hope you find useful.

The importance of staying in contact with you cannot be overstated. Please be sure you are registered for PRISM and that your contact

information is correct. You may also email us at [hukpp@hymans.co.uk](mailto:hukpp@hymans.co.uk) or give our helpline a call on 020 7082 6468 so that we can update your contact details. We never use your email address to send you 'junk' – only genuine communications regarding your pension – nor do we share your details with third parties.

We would love to hear from our members on our communications, including the website, this newsletter, or any interaction that you may have with our administration team. Giving feedback is easy: simply email us at [hukpp@hymans.co.uk](mailto:hukpp@hymans.co.uk) or click on the 'Contact us' tab on the Plan's website [www.hiltonukpensions.co.uk](http://www.hiltonukpensions.co.uk).

We wish you all the best for the coming year.

**Mary Nell Thompson**  
Chair – Trustee Board

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# MAPPING OUT THE PLAN'S FINANCES

We begin by summarising the Plan's finances so you can see the money coming in and the payments made during the past year. These figures are based on the draft Trustee report and accounts as at 31 December 2022.

**VALUE OF THE PLAN AT 31 DECEMBER 2021** **£380,054,261**

## PAYMENTS RECEIVED

Contributions from the Company	<b>£17,141,013</b>
Other income	<b>£0</b>

**+ TOTAL RECEIVED** **£17,141,013**

## PAYMENTS MADE

Benefits paid to members	<b>(£10,303,117)</b>
Payments in respect of leavers	<b>(£399,446)</b>
Administration expenses	<b>(£1,483,890)</b>

**- TOTAL PAYMENTS** **(£12,186,453)**

**- NET RETURN ON INVESTMENTS** **(£149,277,482)**

**VALUE OF THE PLAN AT 31 DECEMBER 2022** **£235,731,339**

## THE PLAN'S FINANCES IN A BIT MORE DETAIL

The Trustee Board and the Company have been working with the Plan's actuary, Lisa Whitby FIA of XPS Pensions Group, to understand the Plan's financial wellbeing and we can now publish the results. This is something we do every year so we can be sure there's enough money in the Plan to pay our current and future pensioners.

### LAST FULL VALUATION OF THE PLAN AS OF 31 DECEMBER 2021

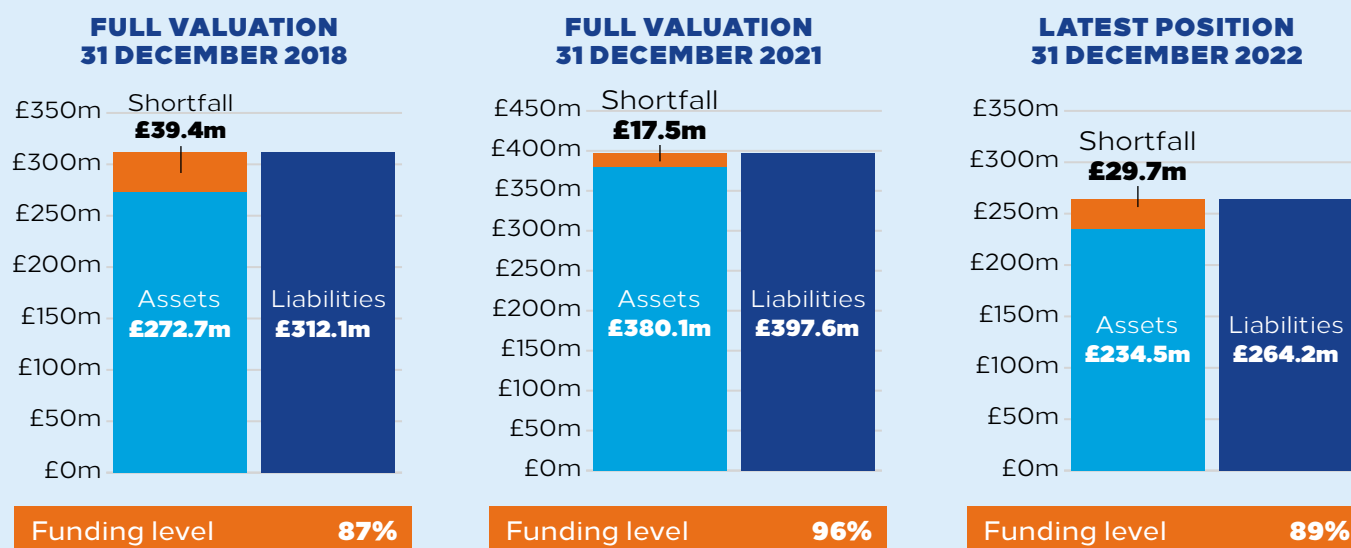
A full valuation is carried out once every three years. The results of the last full valuation as of 31 December 2021 are shown on the opposite page, with the results of the valuation as of 31 December 2018 shown for comparison to the top left.

In other words, on 31 December 2021 the Plan had 96% of the money it needed at that time to meet its commitments in full.

As you can see, the Plan's funding position improved between the 2018 and 2021 valuations. This is due in the main to:

- the returns on the Plan's investments being significantly higher than expected over this period; and
- the additional contributions the Company paid over the period to meet the funding shortfall.





This improvement was partially offset by an increase in the estimated cost of providing retirement benefits over the period resulting from:

- a fall in gilt yields – this is because the discount rate assumption XPS uses to value members’ benefits are based on gilt yields; and
- a change to the way that the discount rate assumption is derived which reflects the Trustee’s plans to de-risk the Plan’s investments in the future.

#### PAYING OFF THE SHORTFALL

The Trustee Board has agreed a formal recovery plan with the Company which includes a commitment to pay a total of £32 million into the Plan (of which £21 million has already been received) in four separate instalments through to 31 December 2025.

This recovery plan was agreed in February 2023 and made some allowance for the deterioration in the funding level since the valuation date.

## HOW HAS THIS PROGRESSED SINCE THE 2021 VALUATION?

Because full valuations are only undertaken every three years XPS carries out annual checks in between. The last annual check was carried out as of 31 December 2022 and gave the results shown in the top right of this page.

As you can see, over the year to 31 December 2022, the Plan’s funding position worsened, with the shortfall increasing from £17.5 million to around £29.7 million. This deterioration was due in the main to:

- significantly lower than expected returns on the Plan’s investments over 2022; and
- the impact of high 2022 inflation on 2023 pension increases.

This deterioration was partially offset by a fall in the estimated cost of providing retirement benefits resulting from:

- a rise in gilt yields over the year to 31 December 2022, which increased the discount rates used to value members’ benefits; and
- additional contributions paid by the Company during 2022.

The Trustee Board, with support from the Company, takes a long-term view to the Plan’s funding rather than focusing on short-term volatility. However, the Trustee Board is keeping the situation under close review and is working with its advisers to monitor the position, and to ensure the security of Plan members’ benefits.



## PROTECTING YOUR BENEFITS

So long as the Company continues to support the Plan, your benefits are expected to be paid in full when they become due. If the Company is unable to support the Plan, several things could happen which we explain here.

The fact that we're giving you this information doesn't mean that the Company or the Trustee Board are thinking of winding-up the Plan – we're simply required to include it as part of our report.

1. The Plan could continue with reduced reliance on future support from the Company. If this happened pensions would still be paid, but the Trustee Board would immediately review its investment and funding strategies and operating budget.
2. The Plan could wind up. If a pension scheme winds up, the trustees must secure members' benefits by buying an insurance policy. If the Plan had wound up on 31 December 2021, it would have cost the Trustee Board £547.4 million to secure this insurance policy. As the Plan's investments at the same date were

valued at £380.1 million, the Company would have had to make up the difference.

3. The Pension Protection Fund (PPF) could step in. The PPF may step in where a company goes out of business and doesn't have the money to pay the benefits promised. There's more information on the PPF's website at [www.ppf.co.uk](http://www.ppf.co.uk)

There's a binding agreement in place between the Company and the Trustee Board which aims to make the Plan self-sufficient (and so less reliant on the Company for financial support) by 31 December 2034. While the Company could be required to pay extra contributions to meet this target, there is an allowance within the agreement for a five-year extension if it's needed.

We're happy to confirm, that the Company has not taken any payments out of the Plan in the last 12 months, and that The Pensions Regulator has not intervened to change the way that benefits build up, how valuations are calculated, or the way the funding shortfall is met.

## OUR MEMBERS AS AT 31 DECEMBER 2022





# INVESTMENT UPDATE

We asked our investment advisers, Isio, to update you on the Plan's investment performance.

Over the 12-month period to 31 December 2022, the Plan's deficit (the difference between the value of the Plan's investments and its liabilities) reduced by over £20m, which is beneficial for the Plan. This was following an increase in interest rates which are used to help value the liabilities leading to an overall fall in the present value of the Plan's liabilities. It was also a difficult year for assets driven by market volatility. This was a consequence of crisis in Ukraine, high inflation and interest rates, turbulent politics, and the strict lockdown in China.

Discussions regarding the Plan's investment strategy continue and in the first quarter of 2023, the Trustee Board agreed an interim asset allocation to reflect changes to the target asset allocation from the previous benchmark as shown to the right.

The Trustee Board continues to recognise the importance of environmental, social and governance factors (ESG) within the investments it oversees. During the course of the last year, in the Report and Accounts, the Trustee Board provided details on the investment managers voting and engagement activity, which will be published on the Plan's website at [www.hiltonukpensions.co.uk](http://www.hiltonukpensions.co.uk). This built on the previous year's ESG assessment which involved a review of the Plan's investment managers' approach to integrating ESG factors.



Benchmark	Investment type
10%	Absolute Return Bonds
12.5%	Infrastructure Equity
12.5%	Infrastructure Debt
15%	Direct Lending
35%	Liability Driven Investments and Cash
15%	Property

“THE TRUSTEE CONTINUES TO RECOGNISE THE IMPORTANCE OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS WITHIN THE INVESTMENTS IT OVERSEES.”



# A QUICK TOUR OF THE NEWS

## CHANGES TO HOW PENSION SAVINGS ARE TAXED

In his Spring budget, the Chancellor made three key pension-related announcements.

### FROM 6 APRIL 2023:

1. The maximum tax-free cash members can take when they retire has been frozen.
2. The Lifetime Allowance has been abolished.
3. The Annual Allowance has increased.

We've summarised these reforms based on our current understanding, but please speak to your financial adviser if you think you may be impacted. You can also find more information on the government's website at [www.gov.uk](http://www.gov.uk) (Choose 'Working, jobs and pensions') and on MoneyHelper's website [www.moneyhelper.org.uk](http://www.moneyhelper.org.uk) (type 'Spring budget' in the search bar on the home page).

### TAKING A TAX-FREE LUMP SUM FROM THE PLAN WHEN YOU START DRAWING YOUR PENSION

In most cases the maximum tax-free lump sum (across all your pension schemes) is capped at £268,275. This cap has been frozen for the foreseeable future.

### ABOLISHING THE LIFETIME ALLOWANCE

The Lifetime Allowance is the amount of pension savings you can build up tax-efficiently during your lifetime. We had expected the Lifetime Allowance to be £1,073,100 for the 2023/2024 tax year but instead the Chancellor announced his intention to abolish it by 5 April 2024.

If you retired before 6 April 2023, any pension scheme benefits **over** the Lifetime Allowance will have been taxed at 55% if taken as a lump sum or 25% plus income tax if taken as a pension.

Benefits put into payment on or after 6 April 2023 are now subject to income tax only.

In the past we've written to members whose projected Plan benefits at age 65 were likely to exceed the Lifetime Allowance but of course, we're not necessarily aware of other pension savings members may have.

### INCREASING THE ANNUAL ALLOWANCE

The Annual Allowance is the amount of tax efficient pension savings you and your employer can pay in any one tax year. For the 2023/2024 tax year the Annual Allowance has risen to between £10,000 and £60,000 depending on income.

Any pension savings over your Annual Allowance are taxed but you can mop up any unused Annual Allowance from the previous three tax years.

You should speak to your financial adviser if your taxable income (including any employer or employee pension contributions) in the 2022/2023 tax year was more than £240,000 a year.

If you're currently drawing down an income from a pension scheme outside the Plan, we expect you to be subject to a reduced Annual Allowance and so you should speak to your financial adviser.

We'll write to you with next steps if we think your Plan benefits will exceed the standard Annual Allowance of £60,000.



## GOING DIGITAL

To help us get information to you quickly and securely we're moving towards communicating with you digitally. For many years the Plan has offered a comprehensive website giving some members secure access to information about your Plan benefits. Last year, we launched PRISM, our new secure pension plan website which allows you to view your personal details in one place. You must register if you wish to use PRISM and once you have, you can:

- View and update your personal information, including any change of address.
- See the value of your annual pension when you left the Plan (if you haven't started drawing it yet).
- View your monthly payslips (pensioners only).
- Tell us if you prefer to be contacted by post or electronically.
- Send in requests for illustrations and view the results online.
- Add and update your beneficiaries so the Trustee Board knows who you would like it to consider when paying out benefits if you die before retiring.



**SCAN ME**  
to go to the  
Plan's secure  
website



Many of you have been using PRISM since we launched last year but if you haven't yet, registering is easy:

- 1 Go to [www.hiltonukpensions.co.uk](http://www.hiltonukpensions.co.uk) by scanning the QR code below or typing the address in a search engine. Here you will find general information about the Plan, together with contact details for the Plan administrator. Click on the blue 'Register' button.
- 2 Read the Terms and Conditions before entering the following information and clicking on 'Submit':
  - Surname
  - National Insurance number
  - Date of birth
  - A mobile telephone number
  - Personal email address

### YOU MUST REGISTER IF YOU WISH TO USE PRISM.

- 3 Choose a unique username and password and click 'Submit'.
- 4 You'll receive a one-time code by text. Enter that code and click 'Submit'.

It's that easy and what's more next time you login you'll only need to enter your username, password, and the one-time code we'll text you each time you login.

Communicating digitally means that we're less likely to lose touch with you. Our postage expenses have risen significantly in recent years and by reducing this we can redirect that cost towards our communication budget. It will also help us take a more environmentally sustainable approach to our communications with you.



## HAVE YOU CONSIDERED BECOMING A TRUSTEE?

The Trustee Board includes Company appointed and member nominated trustee directors. Following Karl's death, and Christopher and Eric's five year term coming to an end next year, we will be looking for a new member nominated trustee. Do you think you have what it takes, or do you know someone who could do the job? We're not looking for experts as full training will be given. We're looking for people who genuinely care about our members and who can bring insight and ideas to the table.

We'll be writing to eligible members with more information early next year but in the meantime, if you think you might be interested, have a look at The Pensions Regulator's website, where you'll find information about the roles and responsibilities of a trustee director – [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

“WE'RE LOOKING FOR PEOPLE WHO CARE ABOUT OUR MEMBERS AND WHO CAN BRING INSIGHT AND IDEAS TO THE TABLE.”

## BE SCAM SAFE

Please remain alert to the increasing risk of pension scams. Over 40% of all UK crime is now attributed to fraud and some of these fraudsters are playing the long game with initial contact about general financial matters, followed by pensions once they have gained your trust.

Please be aware of any unsolicited emails asking you to provide personal or financial details. The Plan Administrators, Hymans Robertson, will never email you for your personal or financial data.

Our online Fraud Guidance leaflets have tips on how to protect yourself against scammers – go to [www.hiltonukpensions.co.uk](http://www.hiltonukpensions.co.uk)

## PENSION INCREASES FOR 2023

For the second year running, the Plan has increased pensions in payment by the maximum permitted by the Plan's rules. While these increases are below inflation, we must balance the cost of increasing pensions with the cost of paying benefits to new pensioners as and when they retire. If you are struggling financially, there are plenty of organisations out there to help with advice and support – the most high-profile being Age UK and the government backed MoneyHelper. Age UK is the UK's leading charity for older people. Go to [www.ageuk.org.uk](http://www.ageuk.org.uk) or ring their helpline free on 0800 055 6112.

You can ring MoneyHelper free on 0800 138 7777. If you have hearing difficulties and use typetalk ring 18001 0800 915 4622.



# THE TEAM

## THE PLAN ADMINISTRATOR

The Plan's administration team at Hymans Robertson are responsible for the day to day running of the Plan and can help you with any general questions you may have about your benefits. You can get in touch with them in the following ways:

Hilton UK Pension Plan  
Hymans Robertson LLP  
One London Wall  
London EC2Y 5EA

Telephone: **020 7082 6468**

Email: [hukpp@hymans.co.uk](mailto:hukpp@hymans.co.uk)

Or you can use the Contact Us option on the Plan's website [www.hiltonukpensions.co.uk](http://www.hiltonukpensions.co.uk)

## OUR ADVISERS

The Trustee Board works with a team of expert advisers to help us carry out our duties.

### PLAN ACTUARY

Lisa Whitby FIA of XPS Pensions Group

### AUDITOR

Ernst & Young LLP

### SECRETARY TO THE TRUSTEE BOARD

Hymans Robertson LLP

### INVESTMENT ADVISER

Isio Group Limited / Isio Services Limited

### BANKER

Barclays Bank

### LEGAL ADVISER

Linklaters LLP

### COVENANT ADVISER

PwC

## TRUSTEES APPOINTED BY THE COMPANY



Mary Nell Thompson  
(Chair)



Kay Harriman



Michael Shepherd



Steve Standefer

## TRUSTEES NOMINATED BY PLAN MEMBERS



Christopher Newbery



Eric Brown



## THE HILTON UK PENSION PLAN

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Copies of any of the following documents are available on request from the Plan administrator Hymans Robertson:

**Schedule of Contributions** showing how much money is paid into the Plan.

**Statement of Investment Principles (SIP)** outlining the Trustee Board's investment strategy.

**Implementation Statement** outlining how the policies in the SIP have been met.

**Annual Report and Accounts** detailing the Plan's income and expenditure in full.

The **Hilton UK Pension Plan Booklet** explaining how the Plan works.

The latest **Actuarial Valuation Report**, giving a financial review of the Plan.