

pensions@bms

From the Trustees of the Bristol-Myers Squibb Pension Plan (the Plan)
For members of the Final Salary Scheme

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We hope you enjoy this newsletter and find it a helpful update.



2021 Plan update

Welcome to our annual update on your Plan pension. In this issue you'll find more on what's been happening over the past year and how the Plan has fared financially.

Valuation results and funding update

The valuation results at 1 January 2020 showed the Plan had a surplus of £5.7 million. This has changed to a deficit of £24.1 million at 1 January 2021. Although the investment strategy partially protected the Plan's investments, sustained low gilt yields and interest rates inevitably affected our financial position. To help improve the funding position, the Company has recently agreed to pay a contribution of £15.7 million by January 2022. See pages 3-4 for more details.

COVID-19 – effect on investments

The effects of the pandemic continue to be felt but we have been working with our advisers and made material changes to the investment strategy during 2021. Turn to pages 5-6 for an update on our approach and the Plan's investment performance to 30 June 2021.

Trustee news

I'm delighted to welcome Trish Byrne, as a Company-Nominated Trustee, to the Board. Further details on the Member-Nominated Trustees ballot will be provided in September. Turn to page 10 to find out more on the role of Trustees and the current Board members.

Stephen Allaker
Chairperson

Happy to hear from you

If you'd like to suggest future topics, please email

bmspensionplan@willistowerswatson.com



Financial health check

The results of the Plan's formal valuation as at 1 January 2020 showed that the Plan had a surplus of £5.7 million and was 101% funded. A full valuation is carried out every three years when the Plan Actuary checks all aspects of the Plan's financial health and, in the intervening years, provides an update on the Plan funding as an interim check.

A formal valuation includes a detailed check of factors such as potential investment returns, future inflation rates, members' life expectancy and other demographic trends. As part of this process, the Actuary estimates the cost of providing members' benefits against the Plan's assets to understand whether there's a surplus or shortfall.

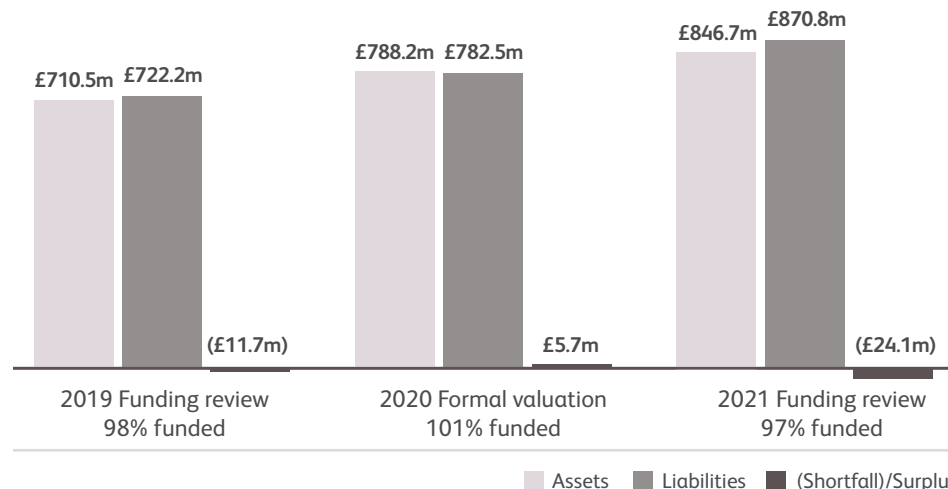
The Trustees and Bristol Myers Squibb (the Company) agree both the assumptions used by the Actuary for the valuation and then the level of contributions needed to fund the Plan. This is crucial because the value of the Plan's assets rises and falls in line with the financial markets and the cost of providing member benefits also changes over time.

2020 Valuation

Here are the results of the last valuation carried out at 1 January 2020 and the funding update in 2021.

Plan's funding position

You can request copies of the latest Valuation and Actuarial Report from the Plan Administrator (see page 11 for contact details) for more information on the Plan's funding position and finances.



Terms explained

Assets include shares, Government bonds, property and cash.

Liabilities are the costs of providing your Plan benefits.

Funding level is the percentage of the Plan's liabilities that the assets would cover.



As you can see from the chart, the full valuation showed the Plan had a surplus of £5.7 million and was 101% funded. This compares favourably with the last valuation as at 1 January 2017, when the Plan had a deficit of £88.8 million, with a funding level of 88%. The main reason for this improvement was due to Company contributions of £90.3 million (see 'Recovery Plan' section) to reduce the deficit, as well the Plan's investments growing quicker than expected.



Funding update

An annual funding update is carried out between the formal three-yearly valuations. At 1 January 2021, the funding review reported a Plan deficit of £24.1 million and a 97% funding level, due mainly to a change in market conditions. As gilt yields and interest rates have remained low, this has affected the cost of securing member benefits – although this has been partially offset by the Plan's strategy to protect its investments from changes in gilt yields.

The Recovery Plan

As the Plan was fully funded when the formal 2020 valuation was completed, a recovery plan is not required. The need for a recovery plan will be reviewed again at the next valuation. In the meantime, the Company has agreed to pay a contribution of £15.7 million by January 2022 to help improve the funding position.

Your questions answered

What would happen if the Plan has to wind up?

The Company and the Trustees do not intend to wind up the Plan but we are required to monitor the Plan wind-up position, should the Company no longer be able to support it. In this event, a wind-up of the Plan is likely to begin and responsibility for paying members' pension benefits would be transferred to an insurance company. As at 1 January 2020 (the formal valuation date) the Plan's assets would have covered around 82% of the estimated amount needed to buy members' benefits from an insurance company.

Why does this differ from the funding level?

The winding-up position varies from the funding level because it's a more costly method than providing benefits through the Plan, partly because the insurer needs to make a profit. That's why the winding-up position is lower than the funding level. If the Plan wound up voluntarily, the Company would be required to pay in funds to meet 100% of the benefits. Should the Company become insolvent and unable to provide sufficient funds to secure 100% of benefits, the Plan would possibly enter the Pension Protection Fund (PPF).

Is there anything else I need to know?

By law we must confirm that, since the last Summary Funding Statement, the employers have not taken any money out of the Plan and The Pensions Regulator has not intervened in the running of the Plan.

Is my pension protected?

If the Plan were to enter the Pension Protection Fund (PPF), the amount members receive may be less than their Plan benefits. The PPF aims to pay compensation to members of discontinued pension schemes or where companies have become insolvent and couldn't afford to pay members' benefits through an insurance company. The PPF rules are complex and the amount payable depends on the Plan rules and a number of factors – visit www.ppf.co.uk to find out more, or call **0345 600 2541**.

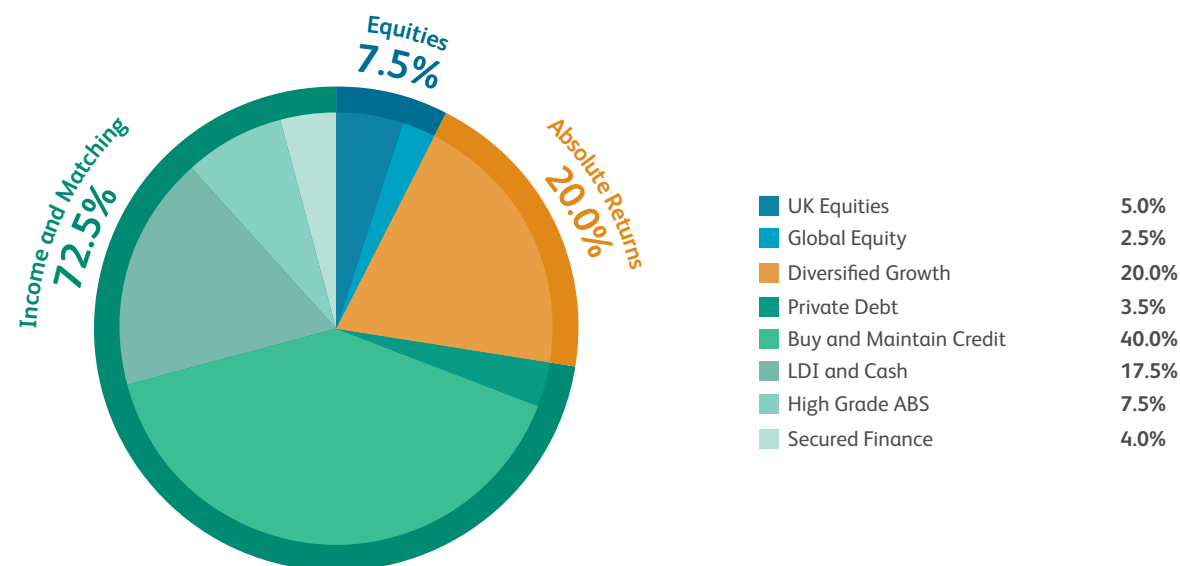
Plan investments

The Trustees regularly review the Plan's investment strategy, supported by Mercer, their Investment adviser. This includes assessing the Plan's investment approach and funds, with a view to setting appropriate levels of risk and return.

The Plan's investment strategy is designed to align with our long-term goal of fully funding the Plan on a 'self-sufficiency' basis by 2030. The strategy was reviewed in late 2020 to identify areas where the Trustees could continue to reduce investment risk and focus on securing the future of our members' benefits. As a result of this, in mid-2021 a further reduction in equity assets was coupled with an increase in the Plan's exposure to Diversified Growth Funds which aim to provide meaningful investment returns but with lower risk than equities. Also, the level of liability hedging was further increased to provide additional protection against the impact of changes in interest rates and inflation on the Plan's funding position.

The chart below shows the Plan's current benchmark allocations as at 30 June 2021, following the latest update to the Plan's investment strategy. It's important to note that the true split of the Plan's assets will vary over time, as fund prices go up and down.

The Plan's investment strategy as at 30 June 2021



COVID-19 and its effect on investments

Following a difficult year for many in 2020, the impact of the COVID-19 pandemic has continued to be felt strongly throughout 2021 to date. While the Plan's investments have seen some continued volatility, the high level of liability hedging and relatively low risk asset strategy has helped to protect the funding level of the Plan through what was also a turbulent time for financial markets.

It is important to remember that the Plan is a long-term investor and the investment strategy is designed for this timeframe, during which we expect to experience some volatility. The Plan invests across a diverse range of assets and investment managers to help to manage risk arising from changes in financial markets.

The Plan's investments

To find out more about the Plan's investments, read the 'Statement of Investment Principles', available from the Plan Administrator (see page 11 for contact details).



FOCUS ON INVESTMENTS

Fund performance

The table shows the performance of the Plan's investment funds over one, three and five-year periods to 30 June 2021 relative to their set benchmarks.

Fund name	1 year %	3 years % p.a.	5 years % p.a.
The Bristol-Myers Squibb Pension Plan	1.7	6.7	7.3
Benchmark	1.0	7.3	7.0
Majedie UK Equity	25.4	1.3	6.4
Benchmark	21.5	2.0	6.5
Cantillon Global Equity	18.0	16.3	17.6
Benchmark	24.4	13.3	14.1
Mercer Passive Global Equity	24.8	13.7	12.3
Benchmark	24.4	13.3	12.0
Insight Broad Opportunities	13.2	4.6	4.4
Benchmark	0.1	0.6	0.5
Ruffer Absolute Return	n/a	n/a	n/a
Benchmark	n/a	n/a	n/a
H2O Absolute Return Bonds	2.8	1.6	3.3
Benchmark	0.0	0.5	0.4
Mercer PIP IV Private Debt	1.0	4.0	3.2
Benchmark	0.1	0.6	0.5
Wellington Buy and Maintain Global Credit	4.9	6.6	4.8
Benchmark	5.0	6.8	4.9
Insight Liability Driven Investment	(28.6)	12.9	10.5
Benchmark	(28.5)	13.0	10.6
Insight Liquidity Fund	n/a	n/a	n/a
Benchmark	n/a	n/a	n/a
Insight High Grade ABS	3.1	1.4	n/a
Benchmark	0.1	0.2	n/a
Insight Secured Finance II	8.3	2.2	n/a
Benchmark	0.1	0.4	n/a



Please note

Figures are shown net of fees (which are paid for by the Plan) and based on performance provided by the Plan's investment managers, Mercer estimates and Thomson Reuters Datastream.

Where 'n/a' is shown, this is because we don't have performance figures as the Plan has not been invested in these funds over the complete periods shown.

Pension news

DC Chair's Statement

Legislation requires the Trustee Chairperson to issue a statement each year to provide members with an overview of the governance of the Plan's defined contribution (DC) benefits. This statement must cover the Plan's value for members, the core financial transactions, annual charges and costs, Trustee knowledge and training as well as an assessment of the Plan's investments. The only DC benefits within the Plan are Additional Voluntary Contributions (AVCs) and individual transfers-in.

Value for members

A key section of the statement, 'Value for members', assesses the overall value provided for Plan members; the Trustees are committed to ensuring members receive value for money from the Plan and its investment provider. This is divided into four sub-sections and we're pleased to tell you that for the year to 31 December 2020, the rating for all four statement key areas – Governance, Administration, Investment and Communications – was rated High. This reflects an upgraded rating from Medium last year for Administration, with the Trustees working with Willis Towers Watson to provide an improved service for members.

Visit <https://epa.towerswatson.com/accounts/bms> to read the full statement, or ask the Plan Administrator (see page 11). From October 2021, there is a requirement for Trustees of Final Salary plans such as ours to publish an Implementation statement explaining how the Trustees have followed and acted on the investment policies outlined in the Statement of Investment Principles. This may include how the Plan's investments have followed any ethical, social and environmental policies agreed by the Trustees. This will also be available on the same public website.

Assessing Prudential as an investment provider for AVCs

The Prudential Assurance Company provides the investment range for the Additional Voluntary Contributions (AVCs) held in the Plan. As they are counted as defined contribution (DC) benefits, they're required to be included in the Chair's Statement. As at 31 December 2020 there was approximately £6.7 million invested with Prudential, with around 95% of this held in the With-Profits and Deposit Funds. The 'Value for money' rating provided was High.

Paid-for financial advice

The Trustees, with Company support, have appointed Origen Financial Services to provide impartial, qualified financial advice at no cost to any member over age 55 as part of their retirement process. Origen is registered with the Financial Conduct Authority.

If you are 55 or over you will receive information from the Plan with instructions on how you can contact Origen to receive your financial advice, paid for by the Plan. There are limits to this service, and you will be informed of these.

Pension news

Prudential Additional Voluntary Contributions (AVCs) Investment performance

The performance for the one, three and five-year periods to the end of 2020 (or to 1 March 2021 for the Deposit fund) for all funds other than the With-Profits Fund was as follows:

Fund name	1 year %	3 years % p.a.	5 years % p.a.
Prudential Deposit	0.40	0.40	0.50
Benchmark: Building Society Median	0.30	0.30	0.30
International Equity	6.83	4.72	11.51
Sector comparison: ABI Global Equities	9.44	7.31	11.58
UK Equity Passive	-9.88	-0.79	5.06
Benchmark: FTSE All Share TR GBP	-9.82	-0.91	5.14
Long Term Bond	15.30	9.26	10.51
Benchmark: Composite benchmark	14.63	8.86	9.87
Property*	-1.79	1.50	2.08
Sector comparison: ABI UK Direct Property	-4.43	-0.44	1.10

*The Property Fund closed in June 2021 and is no longer available for investment. Affected members were contacted directly with an explanation of the options available to them.

The With-Profits Fund differs from the other Prudential funds in that members receive annual bonuses and a non-guaranteed final bonus, depending on when they leave the policy. As at 6 April 2021, an estimate of overall annualised bonuses is as follows (for more information visit www.pru.co.uk/pdf/BTBQ00068.pdf).

Fund name	1 year %	3 years % p.a.	5 years % p.a.
Prudential With-Profits	6.00	3.50	4.35

Guaranteed Minimum Pension equalisation

You may be aware that by law we need to recalculate some members' pensions, called a Guaranteed Minimum Pension (GMP), because this has historically been different for male and female members and this needs to change. This process is called 'GMP equalisation'. We have started to review benefits for members with GMPs but it's going to take some time to work out if and how members are affected. We'll write to you if you are affected.

Pension scams – be vigilant

Sadly, many people are being caught by pension scams and losing their retirement savings. Don't be fooled. Cold calling is now illegal in the UK, so if you're called out of the blue, put the phone down – it could be a scam. Visit the FCA website to find out how to be 'scamsmart' at www.fca.org.uk/scamsmart/how-avoid-pension-scams. If you're offered to release cash from a pension before age 55 (with no mention of the potential tax bill for early access) it's likely to be a scam. If you're worried or suspect a scam, contact www.actionfraud.police.uk or call **0300 123 2040**.

Changes to the Retail Prices Index (RPI) from 2030

You may have read in the press that the Government and UK Statistics Authority have decided that the Retail Prices Index (RPI) will be aligned with the CPIH (Consumer Price Inflation (CPI) including owner-occupier Housing costs) from 2030. CPIH is generally (but not always) lower than RPI, so the RPI is likely to increase at a slower rate from 2030.

Some Plan pensions are linked to the RPI inflation measure and some are linked to CPI. The Trustees will work through the implications of this change for the benefits paid from the Plan in due course.



Meet the Trustees

The Trustees meet regularly throughout the year and undergo training to carry out their role. This includes scheme governance, risk management, administration and legislation. They have a number of duties, the main ones being:

- to act in the best interests of all members and beneficiaries
- to act in line with the Plan's Trust Deed and Rules and current legislation
- to be responsible for the proper running of the Plan including collecting contributions, investing assets and paying benefits
- to ensure that members' benefits are secure.

There are currently seven Trustees on the Board. They are nominated by both the Company and members; we've recently welcomed Trish Byrne to the Board as a Company-Nominated Trustee.

The Trustees are:

Company nominated



Stephen Allaker – Chairperson

Finance Director, CEETII (Central & Eastern Europe, Turkey, Israel and India)



Trish Byrne

Senior Manager, Benefits, CEETI (Central & Eastern Europe, Turkey & Israel)



Scott Grisin

Executive Director Pension & Savings



Helen Johnson

Executive Director Clinical Supply Logistics and Moreton Site Head

Member nominated



Geoff Cottrell

Pensioner, previously National Trade and Relationship Manager, Commercial Business Group of UK Pharma



Ian Howells

Pensioner, previously Executive Director BFS EMEA & Asia



Mike Tobyn

Senior Scientific Director, Drug Product Development

Useful contacts and information

Plan help

For questions on your Plan membership or benefits, or if your personal details have changed, you can contact the Plan Administrator at:



01737 788112

(9am – 5pm, Monday to Friday)



bmspensionplan@willistowerswatson.com



Bristol-Myers Squibb Pension Plan

Willis Towers Watson

PO Box 545

Redhill

Surrey

RH1 1YX

When contacting the Plan Administrator, please quote your full name, address (including postcode), date of birth and National Insurance number (or pension number if you're receiving your pension) – this will help us to deal with your query more efficiently.

MoneyHelper is here!

You can now easily access plenty of useful information on the new MoneyHelper website. This combines the former Money Advice Service, Pension Wise and The Pensions Advisory Service sites at www.moneyhelper.org.uk. You'll find details on money and pension planning such as free, impartial guidance and sources of help aimed to support confidence around making financial decisions.



Data Protection

The Trustees hold and process personal data about Plan members and beneficiaries in order to run the Plan. The use of this data is regulated by data protection legislation which places certain responsibilities on people who have control over the data (known as 'data controllers'). In processing this data we comply with the relevant data protection legislation.

The Trustees may also share information with BMS and its auditors and advisers to ensure the Plan is being run in a cost-effective way and to offer certain options to members. The data we hold is to help the Trustees to calculate and pay the benefits the members are entitled to, which may include your name, address, salary, years of service with the Plan, date of birth, National Insurance number, gender, marital status, employment history, bank details and contact details.

The Trustees have recently updated the Privacy Notice – visit <https://epa.towerswatson.com/accounts/bms> for full details.