

## **The Chair's Annual Governance Statement in respect of defined contribution benefits for the Plan year ending 31 December 2018**

**This statement has been prepared by the Trustee of the Bristol Myers Squibb Pension Plan ('the Plan') to demonstrate how the Plan has complied with the governance standards introduced under The Occupational Pension Schemes (Charges and Governance) Regulations 2015.**

### **1 Investment strategy – relating to the Plan's default arrangement**

The only defined contribution (DC) benefits within the scheme are AVCs and individual transfers-in which are all invested with M&G Prudential. No default investment option has ever been applied to these investments.

The Plan is not being used for automatic-enrolment purposes.

### **2 Financial transactions**

There are no contributions being paid into this arrangement, so the core financial transactions are in relation to transfers out, payments of benefits and investment switches.

The administration of these transactions is undertaken by both the Plan's administrator and M&G Prudential, with the former acting as lead administrator. There is a 5-day Service Level Agreement (SLA) in place with the Plan's administrator. M&G Prudential also has a 5-day SLA in place in terms of the tasks it undertakes.

Overall, the Trustee is satisfied that the Plan's core financial transactions in relation to the DC benefits have been processed promptly and accurately during the year because:

- i. The Trustee undertakes an annual review of M&G Prudential which considers administration as a core item.
- ii. The Trustee receives quarterly reports from its administrator which includes details of any financial transactions over the quarter and highlights if there have been any issues or delays, so that they can be addressed if needed. The average performance by the Plan's administrator against its SLAs in 2018 for the Plan was around 95%.
- iii. The Plan's accounts are audited annually by the Plan's appointed auditors.

### 3 Charges and transaction costs

The annual charges applied to the Plan's investment funds with M&G Prudential are set out below:

Fund	Annual Charges
<b>M&amp;G Prudential With-Profits</b>	The charges for With-Profits fund depends on the performance, including the returns achieved and expenses incurred. The charge for Plan year ending 31/12/2018 was 1%.
<b>M&amp;G Prudential Deposit Fund (Closed to new entrants)</b>	There are no explicit charges as the monthly interest rate is declared net of charges
<b>M&amp;G Prudential International Equity Fund</b>	0.75%
<b>M&amp;G Prudential Long-Term Bond Fund</b>	0.65%
<b>M&amp;G Prudential UK Property Fund</b>	0.75%
<b>M&amp;G Prudential UK Equity Passive Fund</b>	0.65%
<b>M&amp;G Prudential Cash</b>	0.55%
<b>M&amp;G Prudential Long-Term Gilt Passive</b>	0.65%

Transaction costs for the Plan's DC benefits are those incurred as a result of buying, selling, lending or borrowing investments. The level of transaction costs applicable to the above funds over the period 1 July 2017 to 30 June 2018 (the latest available period from M&G Prudential) are as follows:

Fund	Transaction costs
<b>M&amp;G Prudential With-Profits</b>	0.05%
<b>M&amp;G Prudential Deposit Fund (Closed to new entrants)</b>	Not applicable to this fund
<b>M&amp;G Prudential International Equity Fund</b>	0.08%
<b>M&amp;G Prudential Long-Term Bond Fund</b>	0.12%
<b>M&amp;G Prudential UK Property Fund</b>	0.26%
<b>M&amp;G Prudential UK Equity Passive Fund</b>	0.31%
<b>M&amp;G Prudential Cash</b>	0.00%
<b>M&amp;G Prudential Long-Term Gilt Passive</b>	-0.13%*

*\*A negative transaction cost represents a cost saving and is effectively a benefit to members*

A '£ and pence' illustration is included below. This shows the cumulative effect over time of the charges and transaction costs for a range of realistic and representative Plan funds.

	<b>Deposit</b>		<b>With-Profits</b>		<b>International Equity</b>	
<b>End of year</b>	Before charges	After charges	Before charges	After charges	Before charges	After charges
<b>1</b>	£6,990	£6,990	£7,120	£7,090	£7,140	£7,110
<b>5</b>	£6,920	£6,920	£8,170	£7,810	£8,350	£8,060
<b>10</b>	£6,840	£6,840	£9,710	£8,810	£10,160	£9,420
<b>15</b>	£6,750	£6,750	£11,530	£9,940	£12,360	£11,010
<b>20</b>	£6,670	£6,670	£13,690	£11,220	£15,040	£12,860
<b>25</b>	£6,580	£6,580	£16,260	£12,670	£18,300	£15,040
<b>30</b>	£6,500	£6,500	£19,310	£14,300	£22,260	£17,580

Statutory guidance has been followed in the production of the above illustrations, and the following key assumptions have been made:

- Initial assumed M&G Prudential value = £7,000, with no ongoing contributions.
- Projected pension account values are shown in today's terms.
- Inflation is assumed to be 2.5% each year.
- The real growth rates assumed for each fund are as follows:
  - Deposit: - 0.25%
  - With-Profits: 3.50%
  - International Equity: 4%

### Value for Members

The Trustee is committed to ensuring that the costs and charges deducted from members' M&G Prudential fund values represent good value in relation to the benefits and services received by members.

Consequently, for 2018, the Trustee has completed an assessment of 'needs versus performance' across 4 key areas relating to the Plan's DC benefits, namely Investment, Communications, Governance and Administration and based on this assessment the Trustee believes that members receive 'High' value in each of these areas.

<b>Plan area</b>	<b>Need</b>	<b>Performance</b>	<b>Overall Value</b>
<b>Governance</b>	High	High	<b>High</b>
<b>Administration</b>	High	High	<b>High</b>
<b>Investment</b>	High	High	<b>High</b>
<b>Communications</b>	High	High	<b>High</b>

Specific areas to note include:

- The investment funds have largely performed in-line with objectives. The majority of the assets are invested in the M&G Prudential With-Profits fund, which is a well-rated

fund compared to other with-profits funds and provides value for members through returns and bonuses.

- ii. Members with AVCs and transfers-in continue to benefit from the ongoing work carried out by the Trustee, their professional advisers and administrator in managing and governing the Plan as a whole, including monitoring of M&G Prudential.
- iii. Members receive an annual benefit statement, at-retirement communications from the Plan administrator and a member newsletter that includes information relating to their DC benefits.

#### **4 Trustees Knowledge and Understanding (TKU)**

The Trustee has a TKU process in place which enables it, together with the advice available from its professional advisers, to exercise its function as trustee of the Plan.

In addition, the Trustee is conversant with the Plan's working documents and its powers under the Plan rules, through its day-to-day running of the Plan. Further, an annual training plan is used to ensure the Trustee maintains the required level of knowledge. This plan includes topics relevant to the DC benefits. Attendance at seminars and events is recorded in the Trustee training log.

Aside from the the regular Plan activity noted above, the following specific activity occurred at quarterly Trustee meetings during 2018:

- i. A training session by the Plan's legal advisers covering the Pension Regulator's views on 'good governance', which included a section on TKU and trustee effectiveness.
- ii. Knowledge updates on relevant matters such as updated requirements for transaction cost, Statement of Investment Principles and Chair's Statement.
- iii. Evaluation by the Trustee of its effectiveness.

No new trustees were inducted in 2018, although the Trustee has an induction process in place.

As noted above, the Trustee undertook an evaluation of its effectiveness during 2018, via a self-assessment survey, against the Pension Regulator's guidance in this area. Actions have been identified as part of ongoing improvement, including enhanced training in 2019.

In conclusion, given the above, the Trustee's combined knowledge and understanding, and advice available to it, the Trustee believes that it can properly exercise its function and is therefore satisfied that it has met its knowledge and understanding duties during the Plan year covered by this statement.

**Signed by the Chair on behalf of the Trustee of the Plan**

**Date:**