

## **Annual Governance Statement for the Plan Year Ending 31 December 2020**

Governance requirements apply to defined contribution (DC) pension schemes, to help members achieve a good outcome from their pension savings. For the Plan's Additional Voluntary Contribution (AVC) and transfers-in arrangement (referred to here as 'the Arrangement'), the Trustee of the Bristol Myers Squibb Pension Plan ('the Plan') is required to produce this yearly statement (which is signed by the Trustee Chair) to describe how these governance requirements have been met in relation to:

- the investment options in which members' funds are invested
- the requirements for processing financial transactions
- the charges and transaction costs borne by members, including an illustration of the cumulative effect of these costs and charges a value for members' assessment and
- Trustee knowledge and understanding.

This statement covers the period from 1 January 2020 to 31 December 2020.

### **Investment strategy**

The Arrangement is not being used by the employer to meet its automatic-enrolment obligations since its primary purpose was to facilitate the payment of AVCs as well as transfers-in of DC benefits from other plans. No default investment option has ever been applied to these investments.

The provider for the Arrangement is Prudential.

### **Financial transactions**

There are no contributions being paid into the Arrangement so the core financial transactions are limited to transfers-out, payments of benefits to members/beneficiaries and investment switches.

Administration of these transactions is undertaken by both the Plan's administrator (Willis Towers Watson) and Prudential, with the former acting as lead administrator.

There is an agreed Service Level Agreement (SLA) in place with both Prudential and the Plan's administrator that applies to all tasks and excludes time waiting for third parties.

The Trustee has a process in place for monitoring administration performance against the SLAs, which includes:

- The receipt of quarterly administration reports from the Plan's administrator that include details of any financial transactions relating to the Arrangement over the quarter and highlights if there have been any issues or delays, so that they can be addressed if needed
- An annual review of the administrator's success versus SLAs
- An annual review of Prudential, which considers administration performance as a core item.

The Trustee is satisfied that over the period covered by this statement that the Arrangement's core financial transactions have been processed promptly and accurately, for the following reasons:

- The Trustee's annual review of administration performance showed that Willis Towers Watson completed 100% of core financial transactions within its SLA
- Whilst the Trustee is unable to obtain Plan specific statistics for Prudential's SLA performance, an analysis of Prudential's transfer-out times across all its clients shows that its operating within industry targets.

## Charges and transaction costs

### Member-borne charges and transaction costs

The Trustee is required to set out in this statement the on-going charges borne by members of the Arrangement. These comprise of annual fund management charges plus additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the Total Expense Ratio (TER). The TER is paid by the members and is reflected in the unit price of the funds.

The Trustee is also required to separately disclose transaction costs that are borne by members. In the context of this statement, the transaction costs shown are those incurred when the Arrangement's fund manager (Prudential) buy and sell assets within each investment fund.

The level of charges and transactions costs applicable to each fund in which members' assets were invested during the Plan year is shown in the table below:

Fund	Annual Fund Management Charge	Additional Fund Expenses	Total Expense Ratio (TER)	Transaction Costs
Prudential With-Profits	1%	0.18%	<b>1.18%</b>	0.11%
Prudential Deposit Fund	There are no explicit charges as the monthly interest rate is declared net of charges			0.00%
Prudential International Equity Fund	0.75%	0.01%	<b>0.76%</b>	0.23%
Prudential Long Term Bond Fund	0.65%	0.01%	<b>0.66%</b>	0.15%
Prudential UK Property Fund	0.75%	0.53%	<b>1.28%</b>	0.00%
Prudential UK Equity Passive Fund	0.65%	0.01%	<b>0.66%</b>	0.07%
Prudential Long Term Gilt Passive Fund	0.65%	0.01%	<b>0.66%</b>	0.00%

- *The above charges and transaction costs have been supplied by Prudential.*
- *The transaction costs shown are over the period 1 October 2019 to 30 September 2020. At the time of writing, this is the latest period available by Prudential.*
- *When preparing this section of the statement, the Trustee has taken account of the DWP's statutory guidance on "Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes".*

### Illustration of charges and transaction costs

Over a period of time, the charges and transaction costs that are taken out of a member's AVC benefits can reduce the amount available to the member at retirement. In this section, the Trustee sets out illustrations of the cumulative impact of charges and transaction costs on different investment options in the Arrangement. These illustrations have been prepared in accordance with the DWP's statutory guidance on "Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes" on the projection of an example member's pension savings. In-line with this guidance, the Trustee has provided illustrations that cover:

- The fund with the lowest expected return (before charges) – this is the Deposit Fund
- The fund with lowest annual member borne costs – this is also the Deposit Fund
- The fund in which most members are invested – this is the With-Profits Fund
- The fund with the highest expected return (before charges) – this is the International Equity Fund
- The fund with highest annual member borne costs – this is the Property Fund

As each member has a different amount of savings within the Arrangement and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustee has had to make a number of assumptions about what these might be. These assumptions are explained beneath the table of illustrations.

The “before charges” figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The “after charges” figures represent the savings projection using the same assumed investment return but after deducting member borne charges and average transaction costs over time.

End of year	Deposit		With-Profits		International Equity		Property Fund	
	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£7,500	£7,500	£7,500	£7,500	£7,500	£7,500	£7,500	£7,500
1	£7,420	£7,420	£7,620	£7,570	£7,650	£7,620	£7,560	£7,490
5	£6,770	£6,770	£8,640	£8,180	£8,950	£8,610	£8,020	£7,380
10	£6,040	£6,040	£10,120	£9,000	£10,890	£10,030	£8,640	£7,250
15	£5,390	£5,390	£11,840	£9,900	£13,240	£11,690	£9,310	£7,130
20	£4,810	£4,810	£13,860	£10,900	£16,110	£13,630	£10,030	£7,000
25	£4,290	£4,290	£16,230	£12,000	£19,610	£15,880	£10,800	£6,880
30	£3,830	£3,830	£18,990	£13,210	£23,850	£18,510	£11,640	£6,760

### Assumptions

- The charges used in the illustrations are based on:
  - The Total Expense Ratios (TERs) shown previously in this statement
  - An average of transaction costs over all periods available from Prudential
- The starting pot size used is £7,500 with no ongoing contributions
- The projection is for 30 years, being the approximate duration that the youngest scheme member has until they reach the scheme’s Normal Pension Age.
- The annual growth rates before inflation assumed for each fund are as follows:
  - Deposit: 0.25%
  - With-Profits: 5.70%
  - International Equity: 6.50%
  - Property Fund: 4.00%
- Projected pension account values are shown in today’s terms by assuming future inflation of 2.5% each year.

### Value for members

The Trustee is required to assess the extent to which member borne charges and transaction costs represent good value for members.

There is no precise legal definition of “good value”, but in-line with the Pension Regulator’s guidance, the Trustee considers annually what members of the Arrangement receive in exchange for the charges they pay; noting that value for members does not necessarily mean the lowest fee.

The date of the last assessment was April 2021 (in respect of Plan year covered by this statement) and covered 4 key areas of membership, notably Governance, Administration, Investment and Communications.

In this assessment, the Trustee considered both the quality of those aspects of the Arrangement that members pay for, plus the broader benefits members receive without charge.

The assessment concluded that members are receiving 'High' value in all 4 key areas, with the table below providing a summary of the main conclusions:

<b>Plan area</b>	<b>Summary of assessment findings</b>	<b>Overall Value</b>
Governance	<ul style="list-style-type: none"> <li>Plan members benefit from the Trustee's governance framework for both the Arrangement and the wider Plan, the cost for which is not paid by members of the Arrangement.</li> <li>The Trustee undertakes an annual review of the Arrangement, which includes benchmarking of member charges, administration, and investment performance.</li> </ul>	<b>High</b>
Administration	<ul style="list-style-type: none"> <li>Member's only pay for that part of the Arrangement's administration undertaken by Prudential.</li> <li>The Plan's lead administrator (Willis Towers Watson) has performed 100% of core financial transactions within the Service Level Agreement.</li> </ul>	<b>High</b>
Investment	<ul style="list-style-type: none"> <li>Overall, the performance of Arrangement's funds has been satisfactory. In particular, the With-Profits and Deposit funds, in which nearly all of the assets are held, have both met their investment objectives.</li> <li>The annual management charges paid by members are broadly in-line with those seen in similar closed AVC arrangements.</li> <li>Transaction costs are in-line with market averages.</li> </ul>	<b>High</b>
Communications	<ul style="list-style-type: none"> <li>Only communications prepared and sent by Prudential are paid for by members of the Arrangement.</li> <li>Members receive a variety of communications, including an annual newsletter and at-retirement communications.</li> </ul>	<b>High</b>

In conclusion, in return for the charges they pay, the Trustee believes that members of the Arrangement are receiving 'High' value, particularly when taking into account the wider benefits of membership for which members do not pay.

### **Trustee knowledge and understanding (TKU)**

Each Trustee Director and the Trustee board as a whole is required to maintain appropriate levels of knowledge and understanding to run the Arrangement and the Plan. Each Trustee Director must:

- Be conversant with the trust deed and rules of the Plan, the Plan's Statement of Investment Principles (SIP) and any other document recording policy for the time being adopted by the Trustee relating to the administration of the Arrangement and the Plan more generally,
- Have, to the degree that is appropriate for the purposes of enabling the individual to properly exercise his or her functions as a Trustee Director, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment the assets of occupational pension schemes.

Details of how the above requirements have been met during the year covered by this statement are set out in this section.

All the Trustee Directors are familiar with and have access to the current Plan governing documentation, including the Trust Deed & Rules (together with any amendments), the SIP and key policies and procedures. In particular, the Trustee refers to the Trust Deed and Rules as part of considering and deciding to make any changes to the Plan and, where relevant, deciding individual member cases.

Further, the Trustee considers it has sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil its duties. This has been achieved as follows:

- All the Trustee Directors have completed the Pensions Regulator's Trustee Toolkit, which is a free online learning programme from the Pensions Regulator aimed at trustees of occupational pension schemes and designed to help trustees meet the minimum level of knowledge and understanding required by law).
- Regular training is provided with 'hot topics' presented at each quarterly Trustee meeting by Willis Towers Watson, and a legal update by the Plan's legal adviser.
- There is an induction process in place for new Trustee Directors. (Note there were no new Trustee Directors in 2020).

Aside from the above activity, during 2020, the Trustee received training on the following topics:

- A training session by the Trustee's DC advisors that covered both Prudential's capabilities and also the DC Code of Practice.
- A training session by the Trustee's investment advisor on Environmental, Social and Corporate Governance (ESG) and the Plan's current position.
- A training session on the composition of the Trustee board.

All training, including attendance at seminars and events, is recorded in the Trustee training log that is maintained by the Scheme Secretary.

The Trustee, with the help of its advisers, regularly considers training requirements for upcoming meetings, with periodic assessment of knowledge gaps undertaken.

Taking into account the above, the Trustee believes it is well placed to exercise its functions properly and effectively.

**Signed by the Trustee Chair on behalf of the Arrangement:**

**Date:** 9th June 2021