Texas Instruments Limited Pension Plan

The Chair's Annual Governance Statement 2021

Introduction

The Chair's Statement is designed to provide members with key information and assurances regarding the proper running of the Texas Instruments Limited Pension Plan ("the Plan") and the value it provides.

This statement has been prepared by the Plan Trustees to demonstrate how the DC Section of the Plan has complied with the governance standards introduced under The Occupational Pension Schemes (Charges and Governance) Regulations 2015[1]. It describes how the Trustees have met the statutory governance standards in relation to the DC Section during the Plan year ending 5 April 2021 in the following areas:

- The DC investment strategy and alternative investment arrangements
- requirements for processing core financial transactions;
- assessment of charges and transaction costs, including 'pounds and pence' illustrations demonstrating the potential impact of costs and charges on a member's DC savings over the course of their Plan membership;
- assessment of Value for Members (VfM); and
- assessment of Trustee Knowledge and Understanding (TKU).

Investment strategy – relating to the Plan's default[2] arrangement

The Trustees have prepared a Statement of Investment Principles (SIP) which governs their decisions about investments, including their aims, objectives and policies for the Plan's default investment strategy (The Texas Default Lifetime Investment Programme). In particular, the SIP covers:

- The Trustees investment policies on the types of assets to be held, risk, return and ethical investing, and;
- How the default investment strategy is intended to ensure that assets are invested in the best interests of members and beneficiaries.

The Plan's latest SIP was agreed and signed in September 2020. A copy of the relevant sections of the SIP in relation to the DC Section are included as an appendix to this Statement.

In line with disclosure requirements, the Trustees have posted the latest SIP and Chair's Statement on a publicly accessible website: https://vfm.aviva.co.uk/texas-instruments-f70512/.

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[1] Inserted into Regulation 23 of The Occupational Pension Schemes (Scheme Administration) Regulations 1996

[2] The definition of default arrangement in this context is similar to that which relates to the charge cap (with modifications to remove automatic enrolment references) – see Regulation 20 of The Occupational Pension Schemes (Investment) Regulations 2005.

Default investment strategy

The Plan is used as a qualifying scheme for auto-enrolment.

The Trustees undertake a review of the performance of the funds annually and aim to review the default strategy triennially. The Trustees will undertake an earlier review if there are any significant changes in investment policy or member demographics.

Based on their understanding of the Plan's membership, the Trustees believe a default investment strategy that targets annuity purchase and a tax-free cash lump sum (25% of a member's pension account) at retirement is likely to meet a typical member's requirements for income in retirement. This does not mean that members must take their benefits in this format at retirement – it merely determines the default investment strategy that will be in place pre-retirement. Members who intend to take their retirement benefits through other formats have the option of choosing their own investment strategy.

The Trustees believe that members should generally make their own investment decisions based on their individual circumstances but have made available a default investment option, namely the Texas Default Lifetime Investment Programme. The Trustees regard their duty as making available a range of investment options which enables members to tailor their investment strategies to their own needs.

When a member following the default strategy (the Texas Default Lifetime Investment Programme) is ten or more years from their Investment Programme Retirement Date (IPRD) their pension account will be invested in a global equity fund that aims to achieve long-term growth.

When a member is ten years from retirement, their pension account is gradually moved automatically into lower-risk funds (Protection phase). Two years from IPRD, cash is introduced as an asset class, with 25% of the member's pension account being invested in cash by the time they reach their IPRD.

A proportion of members will actively choose the default investment strategy because they believe it is appropriate for them. However, most Plan members choose to make an active investment decision and are therefore invested in one or more of the Plan's self-select funds.

Taking into account the demographics of the Plan's membership and the Trustees' views of how the membership will behave at retirement, as well as the majority of the Plan's members investing in one or more self-select funds, the Trustees believe that the current default strategy (the Texas Default Lifetime Investment Programme) is appropriate and will continue to review this over time, at least triennially, or after significant changes to the Plan demographic, if sooner.

The last such formal review of the default investment strategy took place in October 2018. As a result of this review as well as the current membership demographics and investment choices, no changes were made to the design of the default arrangement.

Financial transactions and servicing

The Trustees monitor the core financial transactions of the DC Section of the Plan. These include the investment of contributions, transfers into and out of the Plan, fund switches and payments out of the Plan to and in respect of members.

The Trustees must ensure that financial transactions are processed promptly and accurately. In practice this responsibility is delegated to the Plan's provider administrator, Aviva. Monitoring of core financial transactions is achieved through the review of quarterly reporting and monthly reconciliation of contribution payments carried out by Aviva and the sponsoring employer, Texas Instruments Limited.

The Trustees and the sponsoring employer review Aviva's year-end report for the DC section of the Plan. This is to ensure that all financial transactions and the membership numbers are reported correctly for inclusion in the Annual Report and Accounts of the Plan.

Aviva provides reports to the Trustees on a quarterly basis which details how quickly and effectively the Plan's administration servicing is being carried out, including core financial transactions, the majority of which are carried out by straight-through processing.

The method by which Aviva assess member servicing is such that tasks are measured from the time initial member contact is made with Aviva until the task has been fully completed. This is known as 'end to end reporting'. The aim of the 'end to end' approach is to provide a more holistic view of the journey a member takes when Aviva completes work on their account. Over the year under review, the Trustees have been provided with details of how Aviva's speed of servicing has performed.

Below is a summary of the average time taken for Aviva to complete each process type for the year under review:

Process	Number of items	Average days taken to complete
Manual contributions and payments	28	10
Customer amendments	37	2
General administration	66	17
Leaver process	9	14
New entrant/joiner	5	1
Fund switch	4	1
Quotes	4	7
Retirement quotes	7	20
Death claims	1	65
Transfer in	1	127
Transfer out process	11	17
Total	173	12

For a number of cases, over the period under review the 'average days taken to complete' a process appeared to be longer than the Trustees would have expected. For such cases, Aviva investigate why such delays occurred and provided the Trustees with the explanations of why the cases appeared to take the length of time to complete. In the main, the Trustees were satisfied with Aviva's explanations, however for a small number of cases, where it was felt that the time taken was excessive, Aviva was requested to provide detailed background. In addition, the Trustees sought assurances from Aviva that their approach to handling certain processes was improved to avoid any future delays in completing cases. Where any errors or delays occurred, action was taken to rectify the individual processes as quickly as possible.

In addition, the Trustees requested that Aviva report the number of cases outstanding at the end of each quarter and this was implemented throughout the year under review.

During the Plan year to 5 April 2021 there have been no material core financial transaction issues which were required to be reported by the Trustees. The Trustees remain confident that the processes and controls in place with Aviva are robust and having considered the reports received from Aviva have concluded that the Plan's core financial transactions have been processed promptly and accurately during the Plan year.

There have been two member complaints during the Plan year. One of the complaints related to a transfer in of a member's benefits to the Plan and was rejected on the basis that the delay in transferring the benefits arose with the ceding scheme.

The other complaint which was upheld related to the delay in the processing of a claim for a deceased member of the Plan. The complaint was resolved and an inconvenience and distress payment was made by Aviva to the deceased member's widow.

The Plan's accounts are audited annually by the Plan's appointed auditors, Ernst & Young LLP.

Fund charges and transaction costs

The Trustees are required to set out the ongoing charges borne by members in this Statement, which are the annual fund management charges plus any additional fund expenses (such as custody costs, but excluding transaction costs), which in total is known as the Total Expense Ratio ("TER"). In accordance with regulation 25(1)(a) of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, the Trustees are also required to separately disclose the transaction costs borne by members over the period.

For the Plan, the TER was 0.50% for the Plan year to 5 April 2021. This cost is paid for by the Plan's sponsoring employer, Texas Instruments Limited for Active members. Deferred members have this charge deducted from their respective pension accounts.

Transactions costs are those incurred as a result of buying, selling, lending or borrowing investments. These costs are reflected in the value of the assets you buy and sell on any given day. The total transaction costs experienced by a member will depend on the funds they invest in and the stage of the respective lifestyle option which the member has reached.

Each fund will also have underlying transaction costs associated with it due to the cost of trading the underlying assets through the day-to-day investment management of the fund. These costs are calculated by Aviva using their own methods.

As stated previously, Texas Instruments Limited meets the transaction costs for Active members. Deferred members have this charge deducted from their respective pension account.

Details of the TERs and transaction costs for the Texas Default Lifetime Programme are set out below:

Fund	Total Expense Ratio (TER)* (% per annum)	Aggregate transaction costs (% per annum to 5 April 2021)
Aviva Pension BlackRock (30:70) Currency Hedged Global Equity Index Tracker IE	0.50	0.23
Aviva Pension BlackRock Over 15 Year Gilt Index Tracker IE	0.50	0.03
Aviva Pension BlackRock Over 15 Year Corporate Bond Index Tracker IE	0.50	0.14
Aviva Pension BlackRock Sterling Liquidity IE	0.50	0.01

* The member charge is met by the sponsoring employer for Active members on a quarterly billing basis.

None of the individual components of the default exceed the charge cap (0.75%), so the default will not exceed this benchmark for a member at any point. As above, the member charge is met by the sponsoring employer for Active members. For Deferred members, the charge is deducted from members' respective pension accounts.

The TERs and transaction costs applied to all funds used by members of the Plan are set out below:

Fund	Total Expense Ratio (TER)* (% per annum)	Aggregate transaction costs (% per annum to 5 April 2021)
Aviva Pension BlackRock (50:50) Global Equity Index Tracker IE	0.50	0.14
Aviva Pension BlackRock Over 5 Year Index-Linked Gilt Index Tracker IE	0.50	0.03
Aviva Pension BlackRock (30:70) Currency Hedged Global Equity Index Tracker IE	0.50	0.23
Aviva Pension BlackRock Over 15 Year Gilt Index Tracker IE	0.50	0.03
Aviva Pension BlackRock Over 15 Year Corporate Bond Index Tracker IE	0.50	0.14
Aviva Pension BlackRock Sterling Liquidity IE	0.50	0.01

* The member charge is met by the sponsoring employer for Active members on a quarterly billing basis.

Over a period, the costs and charges that are taken from members' funds can reduce the amount available to the member at retirement. The Trustees have set out illustrations of the impact of charges and transaction costs on different funds in the Plan in the section below.

Costs and charges illustrations

The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 require the Trustees to produce a "£ and pence" illustration showing the compounded effect of costs and charges. As a result the Trustees have set out an illustration below which shows the projected value, over different time horizons, of the two largest self-select funds by asset value. The assumptions made to calculate the illustrations are shown below the table.

Example Member	Projection period (Years)	Aviva Pension BlackRock (50:50) Global Equity Index Tracker Fund		Aviva Pensions BlackRock Over 5 Year Index-Linked Gilt Index Tracker Fund	
		Before charges	After charges	Before charges	After charges
Youngest member	1	£4,100	£4,100	£3,900	£3,900
	3	£4,200	£4,200	£3,800	£3,800
	5	£4,400	£4,300	£3,700	£3,600
	10	£4,900	£4,600	£3,400	£3,300
	15	£5,400	£5,000	£3,200	£2,900
	20	£5,900	£5,300	£3,000	£2,600
	25	£6,600	£5,700	£2,700	£2,400
	30	£7,200	£6,100	£2,500	£2,100
	35	£8,000	£6,600	£2,400	£1,900
	36	£8,200	£6,700	£2,300	£1,900
Average aged member	1	£40,800	£40,600	£39,400	£39,200
	3	£42,400	£41,700	£38,200	£37,600
	5	£44,200	£42,900	£37,100	£36,100
	10	£48,800	£46,100	£34,400	£32,500
	15	£53,800	£49,500	£31,900	£29,300
Approaching retirement	1	£66,300	£65,900	£64,000	£63,700
	2	£67,600	£66,900	£63,100	£62,400

Assumptions and notes

1. Projected pension account values are shown in today's terms, rounded to the nearest hundred.
2. Costs/charges that are shown as a monetary amount reduction are paid halfway through the year.
3. Investment returns and costs/charges as a percentage reduction per annum are assumed to be deducted at the end of the year.
4. Charges and costs are deducted before applying investment returns.
5. Inflation is assumed to be 2.5% each year.
6. No additional contributions are assumed (the illustrations are in respect of Deferred members as the Active members do not currently meet any Plan charges themselves).
7. Values shown are estimates and are not guaranteed.
8. The real projected growth rates for each fund are as follow:
    - Aviva Pension BlackRock (50:50) Global Equity Index Tracker Fund: 2.0%
    - Aviva Pension BlackRock Over 5 Year Index-Linked Gilt Index Tracker Fund: -1.5%
9. Transactions costs and other charges have been provided by Aviva and covered the year to 5 April 2021.
10. Transaction costs have been averaged by Willis Towers Watson using a time-based approach.
11. The Scheme's normal retirement age is 65.
12. Example members
    - Youngest: age 29, total annual contribution: nil, starting fund value: £4,000.
    - Average: age 50, total annual contribution: nil, starting fund value: £40,000.
    - Approaching retirement: age 63, total annual contribution: nil, starting fund value: £65,000

Value for Members (VfM)

The Trustees are committed to ensuring that members receive value for money from the Plan (i.e. the costs and charges deducted from members' pension accounts and contributions paid provide good value in relation to the benefits and services provided by or on behalf of the Plan). The Trustees undertake periodic Value for Members (VfM) assessments in line with The Pensions Regulator's revised Code of Practice No 13, with support from their advisers.

In August 2021, the Trustees received an independent Value for Members (VfM) assessment from Willis Towers Watson. In line with the requirements of the Pensions Regulator's DC Code of Practice, this assessment considered the extent to which services paid for by members offer good value relative to costs.

As it stands, Active members do not currently pay any Plan charges (those being paid by the sponsoring employer), however Deferred members do pay charges themselves. For this reason, the legal requirements to assess Value for Members set out by the Pensions Regulator covers all elements of the Plan (with the exception of scheme governance and management) for the Deferred members and the assessment was carried out on that basis.

In forming its conclusions, the Trustees considered performance across the key areas of the Plan. The table below provides the high-level results of this year's assessment (noting that the legal requirements of VFM assessments only focus on the benefits and services that are paid for by members)

Benefit and services category	Paid for by	Value for Members	Broader Value
Charges	Company/Members*		
Scheme governance and management	Company	Not applicable	Not assessed
Investment	Company/Members*		
Administration	Company/Members*		
Communications	Company/Members*		

* Charges paid by Company for Active members only. Deferred members pay Plan charges.

Key:

Excellent Value	Good Value	Sufficient Value	Poor Value

The Trustees concluded that for the year to 5 April 2021, overall the Plan provided '**sufficient**' value for members. The key findings of the assessment were:

- For Active members of the Plan, the sponsoring employer, Texas Instruments Limited pays all charges relating to the Plan on behalf of the members.
- The elements of the Plan for which Deferred members bear the cost is access to the Plan's investment funds (and investment performance), administration and communications. The costs are levied via the Plan charges which are deducted from the Deferred members' pension accounts.
- The average fund management charges applying to the fund range is higher than the average for schemes with a similar proportion of passive assets, therefore we believe members have received '**sufficient**' value in respect of the fund charges applied over the Plan year.
- The Trustees continue to believe that the investment options remain appropriate. The investment rating remains '**sufficient**'.

- The administration of the Plan provides members with '**good**' value as a result of the vast majority of cases being completed within reasonable timeframes. In addition, Aviva provides quarterly reporting to the Trustees as well as ongoing engagement on a number of administrative aspects of the Plan.
- The range of communications material is rated as '**sufficient**' for the Plan. This reflects the level of at retirement support provided to members approaching retirement and the Plan not providing all aspects of pension freedoms options to members.
- Overall, the Trustees consider that the Plan provides '**sufficient**' value for members, based on the charges borne by the members.

As part of their ongoing governance of the Plan, the Trustees along with the guidance of their professional advisers, regularly review all aspects of the Plan in order to improve the overall value provided to the Plan's members.

Trustee knowledge and understanding (TKU)

The Trustees are required to maintain appropriate levels of knowledge and understanding to run the Plan effectively and are committed to completing training either at relevant meetings or by personal study. Taking into account the knowledge and experience of the Trustees with the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisors (e.g. investment consultants, legal advisors), the Trustees believe they are well placed to exercise their functions as Trustees of the Plan properly and effectively.

The Trustees have a strong TKU process in place which, together with the advice available to them, enables them to exercise their functions as Trustees of the Plan. The Trustees' approach to meeting the TKU requirements includes:

- Ensuring that all Trustees have access to the legal documentation and policies relating to the Plan through a secure online portal and are aware of their obligation to have a working knowledge of the Plan's Trust Deed and Rules, and other key documentation such as the SIP.
- Maintaining a rolling programme of bespoke Trustees training, which is delivered over designated training sessions and within Trustees' meetings, where appropriate. During the Plan year, this included training on various topics such as the wider DC pensions market and new governance requirements, for example, preparing an implementation statement outlining how and the extent to which the Trustees have followed the SIP during the Plan year.
- A requirement for all Trustees to complete the Pensions Regulator's (tPR) Trustee Toolkit.
- Recording all training and attendance at appropriate seminars in the Trustees' training log in order to support the Chair's Statement.
- Receiving hot topics updates concerning legislative, regulatory and wider market developments from advisors on an ongoing basis.
- Circulating to each Trustee topical and general updates from its advisers about matters relevant to the Plan.
- Carrying out a TKU effectiveness self-assessment on an ongoing basis.
- The Trustees are made up of both Employer nominated and member nominated, with a wide range and complimentary skills and experience.

The Trustees are supported by the Plan's professional advisers and all Trustees' decisions are supported by professional advice where required. This includes attendance of professional advisers at formal quarterly Trustees' meetings, and other meetings as appropriate.

Reflecting upon the above TKU process in place and the advice available to them, the Trustees are satisfied that they have sufficient knowledge and understanding of both the law relating to pensions and trusts and the relevant principles relating occupational pension schemes, such as the Plan, in order to enable them to carry out their roles. The Trustees consider that they have a working knowledge of the Plan's Trust Deed and Rules, the current SIP, and other key Plan documentation and policies. The Trustees are therefore satisfied that they have met the relevant TKU legislative requirements.

Signed by the Chair on behalf of the Trustees of the Plan:

.... 5 / 11 / 2021 ....

Andreas Topitsch Date