

# Life

## An introduction from your Chairman, Philip Lowndes



I am again pleased to introduce this edition of our annual Trustee's newsletter for members of the Novartis UK Pension Scheme, covering the year ended 31 December 2021.

As you will know, the Defined Contribution section of the Scheme was closed with effect from 1 June 2020, with its members and their benefits transferring to a new Master Trust arrangement with Legal & General. As a result, the Scheme's membership now comprises those members who are entitled on retirement to deferred benefits from the Scheme's Final Salary section which they earned before benefit accrual in that Section ceased at the end of 2011, and those members already receiving pensions from the Final Salary section. Even though the Scheme no longer has any current contributing members, it remains just as important as ever that the Scheme continues to be properly funded and efficiently managed, and that we continue to communicate with you about the Scheme as fully as we have done previously.

2021 began with further Covid-19 related lockdowns in many countries around the world, including the UK. However, the vaccine roll-out and the easing of restrictions drove greater optimism and gradual economic recovery as the year progressed. As a result, the Scheme's investments again performed quite well, generating investment income and gains of over £41 million. Although this was significantly down on the previous year, it meant that the Scheme's income again comfortably exceeded its expenditure, and the overall value of the Scheme increased from just over £1.62 billion to nearly £1.65 billion, a rise of around 1.5%.

Demonstrating its continued strong commitment to fully supporting the Scheme, the Company is continuing to pay in extra contributions at the rate of around £27 million per year, in line with the "recovery plan" agreed after the 2015 actuarial valuation and continued after the 2018 valuation. This plan is designed to correct the shortfall (measured at £140.6 million by the most recent actuarial update as at 31 December 2020) in the Scheme's assets compared to its liabilities, by November 2025. The next three-yearly full valuation as at 31 December 2021 is currently being carried out; this will provide a fully up-to-date picture of the Scheme's longer-term financial position, and we will report on this to members once the valuation has been agreed, which will be later this year or early in 2023.

As your Trustee board we will of course continue to monitor closely all developments which impact upon the Scheme, and to keep you informed of any issues that may affect you. As ever, I hope you will find this annual report useful and informative.

With best regards,

A handwritten signature in blue ink, appearing to be 'P. Lowndes', written in a cursive style.

Philip Lowndes, Chairman of the Trustee Board





# Scheme Finances

The Scheme's income and expenditure in the financial year to 31 December 2021, and other detailed financial information, are given in the formal, audited Trustee's Report and Accounts. In that document the Scheme's auditors have given an unqualified opinion that the financial statements give a true and fair view of the financial transactions that have taken place, and that the Company's contributions have been fully paid in as required. You can ask to see a copy of the Report and Accounts if you wish by contacting the Scheme's administrators via the contact details on page 6 of this newsletter. The key points are as follows:

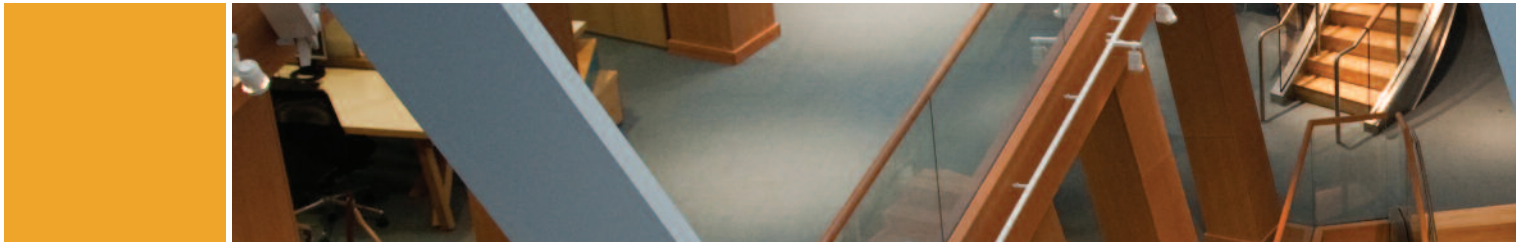
	2020 £,000	2021 £,000
<b>THE VALUE OF THE FUND AT THE START OF THE YEAR WAS</b>	£1,416,456	£1,621,612
<b>THE MONEY RECEIVED DURING THE YEAR WAS:</b>		
Company contributions	£36,876	£27,803*
Transfers-in of individual members' benefits from other schemes, and other income	£496	£1
Transfer from DC section	£1,238	£786
Income from investments ( <i>dividends, interest etc.</i> )	£15,038	£14,499
<b>TOTAL INCOME</b>	£53,648	£43,089
<b>THE MONEY PAID OUT DURING THE YEAR WAS:</b>		
Pension payments and annuities purchased	£25,076	£25,754
Tax-free lump sum retirement benefits	£4,759	£3,575
Lump sum benefits on members' deaths in service or in retirement	£434	£238
Transfers of leaving members' benefits to other schemes	£24,708	£13,047
Investment Management fees	£2,716	£2,232
Administrative expenses ( <i>including administration, consultancy, actuarial, legal, auditing, etc.</i> )	£1,324	£1,505
<b>TOTAL EXPENDITURE</b>	£59,017	£46,351
<b>THIS GIVES NET INCOME/(EXPENDITURE) OF</b>	(£5,369)	(£3,262)
<b>Plus increase/(decrease) in market value of investments</b>	£210,525	£27,032
<b>SO THE VALUE OF THE FUND AT THE END OF THE YEAR WAS</b>	£1,621,612	£1,645,382

## Scheme membership

Total membership of the Scheme fell slightly to 7,259 (2020 figures in brackets below). As the Scheme has been closed to benefit accrual since 2011, there are no current contributing members; former contributing members are eligible for deferred pensions from the Scheme on their retirement.

Members eligible for deferred pensions on retirement	4,147 (4,327)
Retired members already receiving pensions (including dependants)	3,112 (3,028)





# Investment Report

The Scheme's assets are invested through professional investment managers, and - even though members are no longer paying contributions to or accruing benefits in the Scheme - it remains just as important as ever that investment performance is achieved that meets the needs of the Scheme's overall funding strategy. Here we report on the investment climate which prevailed during 2021, the strategy followed by the Scheme, and the performance which resulted.

## Investment climate

Although 2021 began with further Covid-19 related lockdowns in many countries around the world, including the UK, the vaccine roll-out in developed countries and the easing of restrictions drove greater optimism and gradual economic recovery as the year progressed. This was tempered, however, by rising inflation and supply chain stresses.

As a result, over the year as a whole most of the world's equity markets performed reasonably well. At a global level, developed markets as measured by the FTSE World index returned 22.1%. At a regional level, European markets returned 17.4% as indicated by the FTSE World Europe ex-UK index. At a country level, UK stocks as measured by the FTSE All Share index produced growth of 18.3%. The FTSE USA index rose by 28.0%, and the FTSE Japan index by 2.5%. UK equities underperformed global equities this year after the previous year's strong outperformance.

The property markets also fared well during the year, with the MSCI UK All Property Index, for example, returning 19.9%. The performance of the bond markets was much more patchy, however: the FTSE Gilts All Stocks Index fell by 5.2% and the corresponding Over 15 Year gilts index decreased by 7.3%, although the FTSE All Stocks Index-Linked Gilts Index produced a positive return of 4.2%.

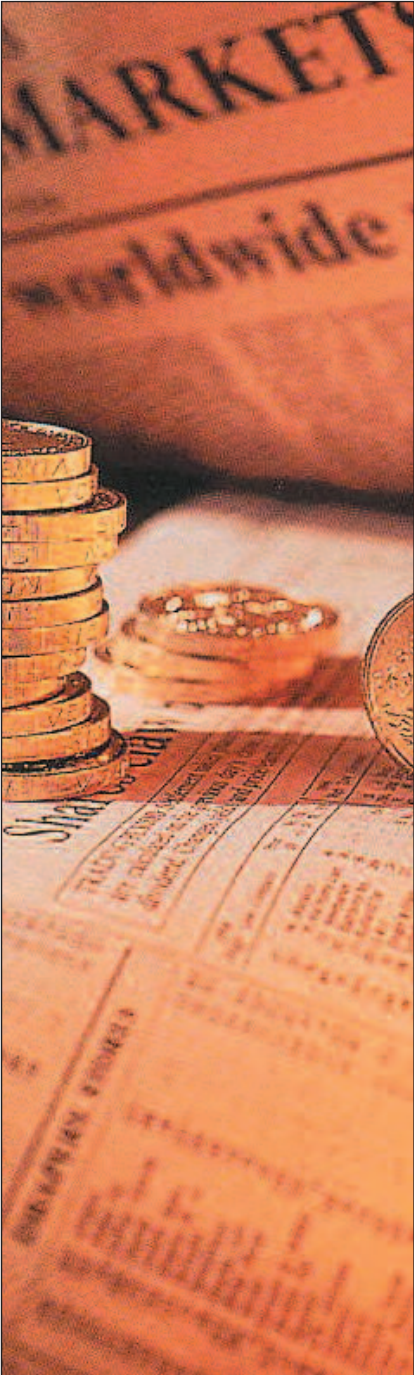
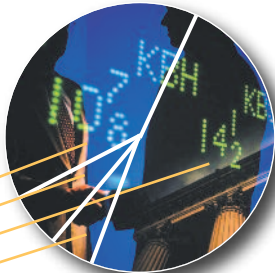
## Strategy

The Trustee Board's strategy of materially reducing the Scheme's risk profile continued during 2021, with the objective of ensuring that all members' benefits are payable when they fall due. As a result, the decision was made towards the end of the year to appoint Wellington Global to manage a multi-asset credit portfolio, funded by transferring 5% of the Scheme's total assets from the Liability Driven Investment (LDI) mandate managed by Schroders. Following this change, the Scheme's assets were invested as follows at the end of 2021:

- 17.6% of the assets were managed by **Legal & General**, in "actively managed" corporate bonds and in cash instruments.
- **Aviva Fund Management** were responsible for a portfolio of High Lease Value property, comprising another 8.8% of the assets.
- A further 51.2% of the assets were invested under a Liability Driven Investment (LDI) mandate through **Schroders Investment Management**.
- 17.3% of the assets were invested in a corporate bonds portfolio with **Royal London Asset Management**.
- The remaining 5.1% of the assets were held (with effect from 9 December 2021) in a Responsible Values Multi-Asset Credit portfolio managed by **Wellington Global**.

The target breakdown of the overall portfolio between asset types at the end of the year was as follows (31 December 2020 figures in brackets):

Corporate Bonds	35.0% (35.0%)
Property	8.0% (8.0%)
LDI mandate & cash	52.0% (57.0%)
Multi-Asset Credit	5.0% (0.0%)





## Performance

The Trustee board monitor the performance of our investment managers closely, and assess it by reference to pre-set “benchmarks” based on the market trends described opposite. The following results were delivered by the managers who were in place for the full year (ie. excluding Wellington Global):

	2021		Average over last 3 years	
	BENCHMARK	PERFORMANCE	BENCHMARK	PERFORMANCE
Legal & General - Corporate bonds	-1.3%	-2.0%	3.8%	4.5%
Aviva (HLV Property)	12.3%	12.9%	7.5%	8.3%
Schroder	2.7%	2.7%	11.3%	11.2%
Royal London	-3.1%	-2.3%	4.5%	5.1%
<b>TOTAL SCHEME</b>	<b>2.5%</b>	<b>2.4%</b>	<b>8.4%</b>	<b>8.3%</b>

## Statement of Investment Principles & Implementation Statement

The Scheme is legally obliged to publish a Statement of Investment Principles and an Implementation Statement annually. If you wish to see these documents, you can find them at:

<https://novartis.compendiatouch.co.uk>

## Update on HMRC Allowances

The **Lifetime Allowance** is a limit imposed by HM Revenue & Customs on the total size of your pension “pot” earned from all sources over your working life. This includes the value of your Novartis Scheme benefits, benefits from any previous employers’ schemes, AVCs and any personal pension arrangements, but excludes your State pension entitlement. The Allowance in 2022/23 remains the same as the previous year at **£1.073 million**, and this figure is now frozen until 2026. If your “pot” at retirement exceeds the Allowance, the excess will incur tax charges.

The amount of annual pension savings you can make (including the amount the Company contributes to the Scheme on your behalf) that benefit from tax relief is limited by the **Annual Allowance**. This Allowance is currently 100% of your earnings or £40,000, whichever amount is the lower, and any pension savings you make above this give rise to a tax charge.

Higher earning individuals with taxable income plus pension savings of over £240,000 pa. (2022/23) have a “**Tapered Annual Allowance**”. Essentially this means that for every £2 your income goes over £240,000, the Annual Allowance limiting the amount of pension savings you can make that year which benefits from tax relief is reduced by £1, from £40,000 down to a minimum of £4,000.

You can obtain further information about these Allowances at: [www.gov.uk/tax-on-your-private-pension](http://www.gov.uk/tax-on-your-private-pension) or by contacting the Scheme’s administrators. You may also wish to seek regulated financial advice.







# Your Pensions **Team**

## Your Trustee board

The Scheme's Trustee is Novartis UK Pension Scheme Trustees Limited and the members of the Trustee board are Directors of this company. Richard Farrar is Secretary to the Trustee board. The Trustee board met formally four times during the year.

The full Trustee board was unchanged from the previous year and is as follows:

Company-nominated	Member-nominated
Philip Lowndes (Chairman)	Russell Cory
Richard Jarvis	Graham Dumbleton
Richard Brazier	
Julie Campbell	

## Professional Advisers

The Trustee board have overall responsibility for running the Scheme. However, they delegate some of the more specialised tasks to external professional advisers, whose performance they monitor closely. Our advisers during 2021 were unchanged from the previous year, apart from the addition of Wellington Global to our roster of investment managers in November 2021 (as mentioned on page 3):

<b>Actuarial Consultants</b>	Mercer
<b>Scheme Administrators</b>	Equiniti Paymaster
<b>Investment Managers</b>	Legal & General Investment Management
	Aviva Fund Management
	Royal London Asset Management
	Schroder Investment Management
	Wellington Global (from 5 November 2021)
<b>Investment Advisers</b>	Mercer
<b>Investment Custodians</b>	HSBC Global Investor Services
<b>Auditors</b>	Deloitte
<b>Solicitors</b>	DLA Piper UK
<b>AVC Providers</b>	Utmost Life & Pensions, Phoenix Life, Standard Life
<b>Bankers</b>	Lloyds

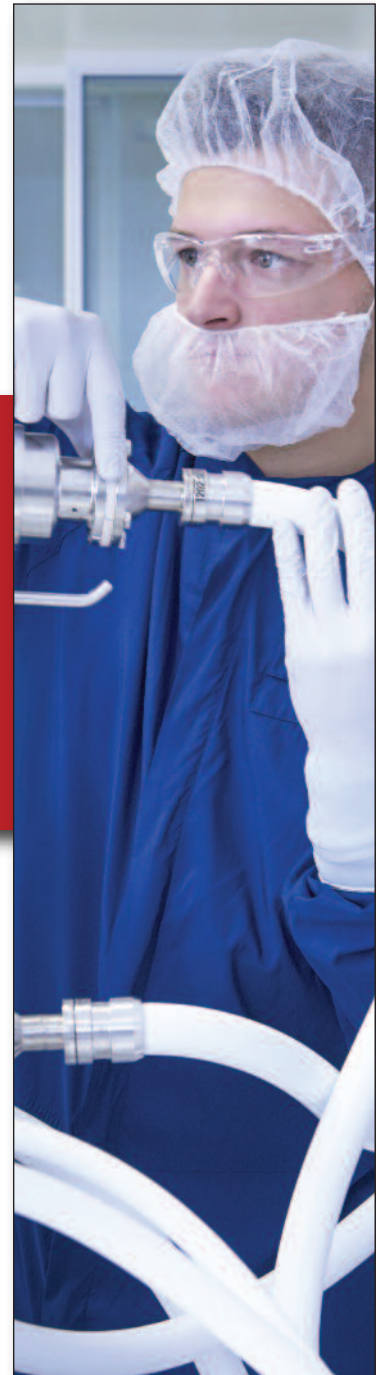
## Monitor your Scheme benefits online

You can keep track of your Novartis Scheme benefits through our highly secure online portal at:

<https://novartis.compdiatouch.co.uk>

If you have any difficulties accessing the portal, please contact the Scheme's administrators using the address details on page 6 of this newsletter.

The portal also enables you to access all the Scheme's current literature including the Membership Handbook, Guide to Additional Retirement Savings, "Life" newsletters, etc. You can also update your Expression of Wish form which helps the Trustee board in the event of your death; access calculations of your benefits and your pension payslip; and download all the forms you may need during your membership such as Election to Opt Out, AVCs, etc.





# Newsdesk

## Your State Pension

### *If you reached State Pension Age before 6 April 2016...*

If you reached State Pension Age before 6 April 2016 then, in addition to your Novartis pension, you will normally be receiving the **State Basic Pension** as well in your retirement. The full rates (effective 6 April 2022) at which the State Basic Pension will be paid, if you made the required amount of National Insurance contributions during your working life, are £7,376.20 per year (£141.85 per week) for a single person and £11,796.20 per year (£226.85 per week) for a married couple.

You may also be receiving the **State Second Pension (S2P)**, which is an earnings-related pension on top of the State Basic Pension - it was previously called the State Earnings-Related Pension (SERPS). This will depend on how many years during your working life, if any, you were "contracted-in" to S2P/SERPS. During your membership of the Scheme's Final Salary section you were "contracted-out" of S2P/SERPS, and you will not be receiving any S2P/SERPS pension for that period.

### *If you've not yet reached State Pension Age (or you've reached it since 6 April 2016)...*

Both the State Basic Pension and S2P were abolished with effect from 6 April 2016. Everyone reaching State Pension Age after that date will instead receive a **universal, single-tier State pension**. The full amount of this is £185.15 per week (£9,627.80 per year) in 2022/23; the actual amount you receive, though, will depend on your National Insurance contribution record, and because you were contracted-out of S2P/SERPS as a member of the Novartis Scheme Final Salary section (therefore paying lower National Insurance contributions), you will probably receive less than that full amount.

You can obtain an online forecast of how much State Pension you are likely to receive at: [www.gov.uk/check-state-pension](http://www.gov.uk/check-state-pension)

You can find more information about the new State pension generally at: [www.gov.uk/new-state-pension](http://www.gov.uk/new-state-pension)

Benefits from the State Pension Scheme are payable from your State Pension Age, which will depend on when you were born; generally it will be between 65 and 68. You can find out your exact State Pension Age under current law at: [www.gov.uk/state-pension-age](http://www.gov.uk/state-pension-age)

### *Your annual pension increase...*

Whatever State Pension you receive, the amount is usually increased annually (under the government's "triple lock") in line with either the growth in average earnings, the rise in the Consumer Prices Index, or 2.5% (whichever is the highest). The "triple lock" was however suspended for 2022/23 due to a much higher rise in average earnings than normal following the Covid-19 pandemic. As a result, the increase from April 2022 was 3.1%.

## Former Sandoz and Wander members - early retirement

As a reminder, if you are a former member of the Sandoz Retirement Benefit Plan or the Wander Limited Pension Fund and have not as yet drawn your benefits, subject to the Rules of the Scheme you are able, with the consent of the Trustee board, to take your benefits from age 60 without an early retirement reduction applying. Therefore if you are approaching or are above age 60 and wish to take your benefits, please contact the Scheme's administrators.



## AVCs/Variable Pay Accounts

Members who transferred into the new defined contribution Novartis Pension Plan during 2020, but who still have AVCs or Variable Pay Accounts within the Novartis UK Pension Scheme, are reminded that they can if they wish transfer these to their new Plan. If you would like to consider this, please contact the Scheme's administrators by emailing: [novartis@equiniti.com](mailto:novartis@equiniti.com).

## For more information

If you have a query about your Scheme membership, you should in the first instance contact the Scheme's administrators: **Novartis UK Pension Administrators**, Equiniti Paymaster, Sutherland House, Russell Way, Crawley, West Sussex, RH10 1UH. Helpline: **0333 207 5956** Email: [novartis@equiniti.com](mailto:novartis@equiniti.com)

