

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 2023.

As you will know, the Scheme's membership now comprises solely those people who are entitled on retirement to deferred benefits from the Scheme's Final Salary section which they earned before benefit accrual 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 as important as ever that the Scheme continues to be properly funded and efficiently managed so that your benefits remain secure, and that we continue to communicate with you about the Scheme as fully as we have done previously.

Following a period of financial market volatility, 2023 showed more positive momentum in most of the world's investment markets, driven by lower inflation, productivity growth, and stronger earnings and economic activity data. As a result, the Scheme's investments generated satisfactory income and gains of just over £28.4 million. This meant that the overall value of the Scheme's assets increased slightly from £1.02 billion to nearly £1.04 billion, a rise of just under 1.5%.

As we reported last year, the three-yearly full actuarial valuation of the Scheme as at 31 December 2021 indicated that the Scheme was now in surplus to the tune of £48.9 million, with a funding level of 103%, and that the Company's contributions could therefore cease. The next full valuation will be carried out at 31 December 2024, and if the Scheme has fallen back into deficit at that time, the Trustee board and the Company will agree a new rate of contributions. In the meantime, the Trustee board continue to monitor the Scheme's funding position and recently received an approximate update as at 31 December 2023 showing that the surplus had in fact increased to £82 million, equivalent to a funding level of 109%. Further details in relation to the funding of the Scheme are provided in the enclosed Summary Funding Statement.

As your Trustee board we will of course continue to monitor closely all developments which impact upon the Scheme and your benefits, 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 read 'Philip 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 2023, 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 paid in full 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:

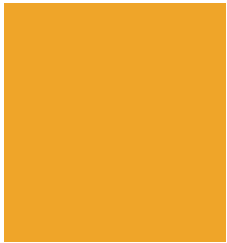
	2022 £,000	2023 £,000
THE VALUE OF THE FUND AT THE START OF THE YEAR WAS	£1,645,382	£1,023,853
THE MONEY RECEIVED DURING THE YEAR WAS:		
Company contributions	£29,139	£26,298*
Transfer from DC section	£886	£626
Income from investments (<i>dividends, interest etc.</i>)	£13,045	£5,985
TOTAL INCOME	£43,070	£32,909
THE MONEY PAID OUT DURING THE YEAR WAS:		
Pension payments and annuities purchased	£26,992	£28,797
Tax-free lump sum retirement benefits and other payments	£3,919	£5,608
Lump sum benefits on members' deaths in service or in retirement	£27	£91
Transfers of leaving members' benefits to other schemes	£15,962	£1,288
Investment Management fees	£1,643	£1,660
Administrative expenses (<i>including administration, consultancy, actuarial, legal, auditing, etc.</i>)	£2,054	£2,942
TOTAL EXPENDITURE	£50,597	£40,386
THIS GIVES NET INCOME/(EXPENDITURE) OF	(£7,527)	(£7,477)
Plus increase/(decrease) in market value of investments	(£614,002)	£22,438
SO THE VALUE OF THE FUND AT THE END OF THE YEAR WAS	£1,023,853	£1,038,814

* This included contributions of £5.9 million relating to the closure of Novartis Grimsby Ltd and the spin-off of Sandoz Limited, both of which ceased to be participating employers in the Scheme with effect from 30th June 2023.

Scheme membership

Total membership of the Scheme fell slightly to 7,112 (2022 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	3,792 (3,962)
Retired members already receiving pensions (including dependants)	3,320 (3,204)



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 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 2023, the strategy followed by the Scheme, and the performance which resulted.

Investment climate

Following a year of extreme volatility and significant negative returns in 2022, 2023 started on a more positive note in most of the world's investment markets as fears of recession receded and inflation declined. Markets weakened in quarter 3, however, as optimism faded that the high level of interest rates would soon end, and, in October, due to the renewed conflict in the Middle East. The last two months of the year were strong, though, as the US Federal Reserve signalled that interest rate reductions may be on the way in 2024. Overall, the year showed positive momentum, driven by lower inflation, productivity growth, and stronger earnings and economic activity data.

As a result, over the year as a whole most of the world's equity markets performed reasonably well. The FTSE All-Share Index in the UK, for example, rose by 3.9% over the year. In North America the Dow Jones Industrial Average, for instance, produced a return of 13.7%. A typical European index, the Dax in Germany, increased by 20.3%. And in the Far East, the Japanese Nikkei index grew by 28.2%.

The bond markets also fared satisfactorily, with the FTSE Gilts All Stocks Index rising by 3.7% over the year, and UK Corporate Bonds, as measured by the ICE Bank of America Merrill Lynch Sterling Non-Gilts Index, producing a return of 8.6%. As far as the property markets were concerned, the MSCI UK All Property Index, for example, returned -0.1% over the year.

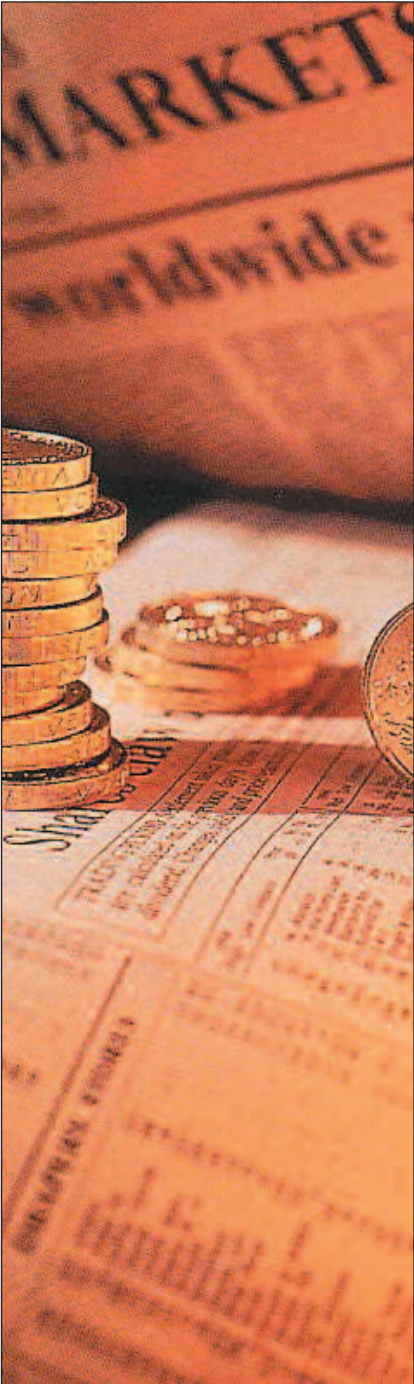
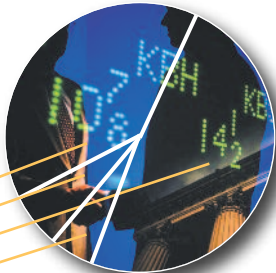
Strategy

The Trustee Board's strategy of materially reducing the Scheme's risk profile continued during 2023, with the objective of ensuring that all members' benefits are payable when they fall due. The Scheme's assets were invested as follows at the end of the year:

- 21.2% of the assets were managed by **Legal & General Investment Management**, in "actively managed" corporate bonds and in cash instruments.
- **Aviva Fund Management** were responsible for a portfolio of High Lease Value property, comprising another 10.9% of the assets.
- A further 37.8% of the assets were invested under a Liability Driven Investment (LDI) mandate through **Schroders Investment Management**.
- 23.1% of the assets were invested in a corporate bonds portfolio with **Royal London Asset Management**.
- The remaining 7.0% of the assets were held in a Responsible Values Multi-Asset Credit portfolio managed by **Wellington Global**.

The target breakdown of the overall portfolio between asset types was unchanged from the end of the previous year as follows (31 December 2022 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%)





As last year, the actual allocations listed on the previous page deviated materially from this target breakdown due to the extreme volatility of the bond markets during the third and fourth quarters of 2022, and the resulting fall in the value of the Schroders LDI portfolio. The Trustee board are continuing to monitor this position, but believe that the LDI portfolio continues to meet its objectives within our overall investment strategy designed to meet the Scheme's liabilities.

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 climate described opposite. The following results were delivered, and these produced a satisfactory increase in the value of the Scheme's investments as shown in the Accounts on page 2 of this newsletter, in particular when compared with the value of the Scheme's liabilities:

	2023		Average over last 3 years	
	BENCHMARK	PERFORMANCE	BENCHMARK	PERFORMANCE
Legal & General - Corporate bonds	8.2%	10.4%	-4.0%	-3.3%
Aviva (HLV Property)	-5.3%	-4.9%	-2.1%	-0.4%
Wellington	12.3%	11.0%	n/a	n/a
Schroder	-3.6%	-3.7%	-26.1%	-26.1%
Royal London	8.6%	9.5%	-4.7%	-4.8%
TOTAL SCHEME	1.4%	2.9%	-12.9%	-12.7%

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/schemeinformation>

Update on HMRC Allowances

As we reported last year, the **Lifetime Allowance** was effectively **abolished with effect from 6 April 2023**. For most people, the only limit which now applies to your Novartis Scheme pension is the **Lump Sum** you can take at retirement by converting your pension for a cash sum. This states that in normal circumstances, the maximum amount that can be withdrawn as a tax-free cash sum is 25% of the value of your benefits in the Scheme, up to a maximum in 2024/25 of £268,275.

You can obtain further information about HMRC Allowances at:

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; in addition one Governance meeting was held and there were three meetings of the Investment Sub-Committee.

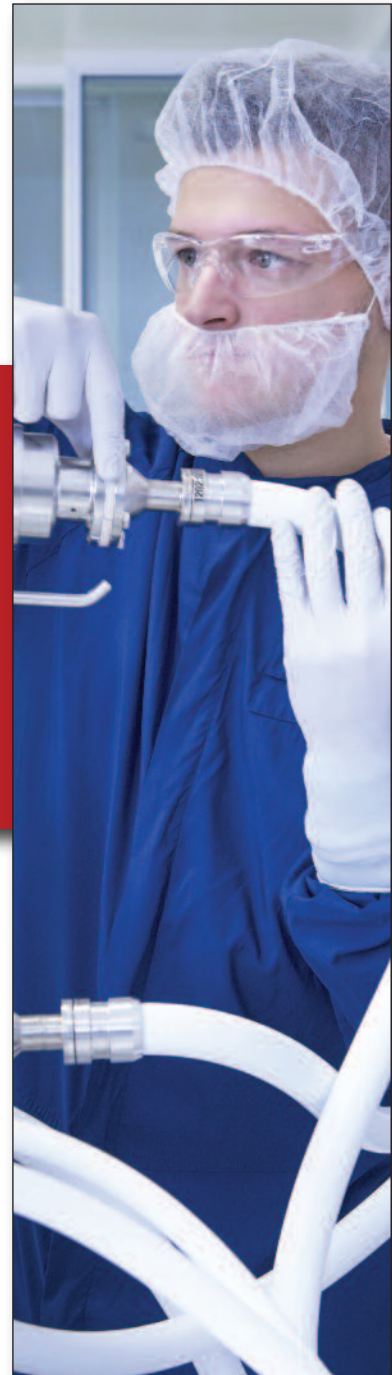
The Trustee board remained the same as at the end of 2022, as follows:

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

Professional Advisers

The Trustee board has overall responsibility for running the Scheme. However, it delegates some of the more specialised tasks to external professional advisers, whose performance is monitored closely. Our advisers during 2023 were unchanged from the previous year:

Actuarial Consultants	Mercer
Scheme Administrators	EQ Retirement Solutions
Investment Managers	Legal & General Investment Management Aviva Fund Management Royal London Asset Management Schroder Investment Management Wellington Global
Investment Advisers	Mercer
Investment Custodians	HSBC Global Investor Services
Auditors	Deloitte
Solicitors	DLA Piper UK
AVC Providers	Utmost Life & Pensions Phoenix Life Standard Life
Bankers	Lloyds



Monitor your Scheme benefits online

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

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

The portal also enables you to view the Scheme's current literature; access calculations of your benefits and your pension payslip; and download forms you may need during your membership. If you have any difficulties accessing the portal, please contact the Scheme's administrators using the address details on page 6 of this newsletter. If you have not registered on this platform, we would encourage you to do so. You can obtain registration details by contacting the Scheme's administrators.



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 2024) at which the State Basic Pension will be paid, if you made the required amount of National Insurance contributions during your working life, are £8,814.00 per year (£169.50 per week) for a single person and £14,094.60 per year (£271.05 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 £221.20 per week (£11,502.40 per year) in 2024/25; 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's Final Salary section (therefore paying lower NI 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

You can find more information about the new State pension generally at: 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. Anyone born between 6 October 1954 and 5 April 1960 will reach their SPA on their 66th birthday. For those born after 5 April 1960, there will be a phased increase in SPA to 67, and (according to current plans) eventually to 68. You can find out your exact State Pension Age under current law at: www.gov.uk/state-pension-age

At present, the earliest age when you can retire from a registered pension scheme in the UK without tax penalties is usually 55. This is known as the Normal Minimum Pension Age (NMPA). However, if you are in ill health, you may be able to access your pension before you reach this age. If you're planning to take early retirement in a few years' time, it's important to note that from 6 April 2028, the NMPA will rise from 55 to 57 so that it remains 10 years below the State Pension Age.

Your annual pension increase...

Whatever State Pension you receive, the amount of it is currently increased annually (under the government's "triple lock") in line with either that year's growth in average earnings, the rise in the Consumer Prices Index, or 2.5% (whichever is the highest). As a result, the increase from April 2024 was 8.5%.

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 Novartis Pension Plan in 2020, but still have AVCs or VP Accounts within the Novartis UK Pension Scheme, are reminded that you can if you wish transfer these to the new Plan, without affecting the Final Salary benefits. If you would like to consider this, please contact the Scheme's administrators. If you do not wish to transfer your AVCs or VP Accounts, it is important that you keep your investments under review so that they remain appropriate for your retirement needs.

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, EQ Retirement Solutions, Sutherland House, Russell Way, Crawley, West Sussex, RH10 1UH**. Helpline: **0333 207 5956** Email: novartis@equiniti.com