

**Texas Instruments Limited Pension Plan  
Annual Implementation Statement for the year ending 5 April 2020**

**1. Introduction**

This document is the Annual Implementation Statement (“the implementation statement”) prepared by the Trustees of the Texas Instruments Limited Pension Plan (the “Plan”) covering the Plan year to 5 April 2020.

The purpose of this statement is to:

- set out the extent to which, in the opinion of the Trustees, the Plan’s Statement of Investment Principles (“SIP”) required under section 35 of the Pensions Act 1995, as amended, has been followed during the year
- detail any reviews of the SIP that the Trustees have undertaken, and any changes made to the SIP over the year as a result of the review
- describe the voting behaviour by, or on behalf of, the Trustees over the year.

A copy of this implementation statement will be made available within the Plan’s annual report and accounts on the following website: [https://epa.towerswatson.com/pls/paweb/ww\\_pa.homepage](https://epa.towerswatson.com/pls/paweb/ww_pa.homepage). In addition, the implementation statement will be available alongside the Plan’s SIP on the following websites: <https://vfm.aviva.co.uk/texas-instruments-f70510/> (for the Plan’s active Defined Contribution (“DC”) members) and <https://vfm.aviva.co.uk/texas-instruments-f70512/> (for the Plan’s deferred DC members).

**2. Review of, and changes to the SIP**

The SIP was reviewed and updated during the Plan year, and the revised version of the SIP was agreed by the Trustees in September 2019. The changes reflected regulatory requirements with regards to the Trustees’ policies in relation to:

- financially material considerations, including Environmental, Social and Governance (“ESG”) considerations, and the extent to which these are considered in the selection, retention and realisation of investments;
- the extent to which (if at all) non-financial factors, including members’ views, are considered in the selection, retention and realisation of investments; and
- undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustees would monitor and engage with relevant persons about relevant matters).

Following the end of the Plan year, the SIP has been updated as at September 2020, to take into account further regulatory requirements. This implementation statement does not cover details of those changes as they were made after year end.

**3. Adherence to the SIP**

Overall the Trustees believe the policies outlined in the SIP have been adhered to during the Plan year. The remaining parts of this implementation statement set out details of how this has been achieved for the Defined Benefit (“DB”) and DC sections. These details relate to those parts of the SIP which set out the Trustees’ policies, and not those which are statements of fact.

## **Defined Benefits (“DB”) section**

### **Plan objectives**

The Trustees have a long-term objective of meeting benefit payments directly from the Plan’s assets as and when they fall due. The Plan will also consider the merits of transferring the liabilities to an insurer at an opportune time in the future (i.e. transact a buy-out or buy-in of the Plan’s liabilities).

Details of the Plan’s investment objectives are provided in the SIP and include funding level targets on a variety of measures which are relevant for the Plan. The Trustees, together with the Plan Actuary and Investment Consultant, monitor the Plan’s funding level on these measures on an ongoing basis through the Willis Towers Watson Asset Liability Suite.

The Trustees carried out a review of the investment strategy over the year and, as required by the SIP, this took into account the Plan’s investment objectives.

### **Investment beliefs**

The Trustees updated the Plan’s SIP in September 2019 to include their beliefs on responsible investing. The Trustees understand that sustainability factors (including those related to ESG and climate change) and stewardship may impact the Plan’s financial outcomes and their policy is to delegate the day-to-day consideration of these factors to the investment managers.

### **Investment Strategy**

The current investment policy allocates 30% of the Plan’s assets to equity assets, 34.5% to Index-Linked Gilts, 18% to Fixed-Interest Gilts and 17.5% to Corporate bonds.

As stated in the SIP, the asset allocation of the Plan will be reviewed as required and at a minimum on an annual basis. The Trustees undertook an investment strategy review in October 2019 which considered options for adjusting the asset allocation to more closely reflect the long-term investment objectives, taking into account the Plan’s latest funding position and market conditions at the time. The Trustees will consider carrying out a further review of the investment strategy to reflect the results of the Plan’s actuarial valuation as at 5 April 2020.

The Trustees monitor the asset allocation on at least a quarterly basis through reports received from the Investment Consultant which are discussed at the Trustee meetings.

### **Investment Managers**

The Trustees have appointed one passive manager, BlackRock, for quoted assets and one specialist active manager, CBRE, to manage the property portfolio. The property portfolio is currently being wound down.

The Trustees are not involved in the investment managers’ day-to-day method of operation but their policy is to monitor the returns achieved by the managers relative to their respective benchmarks on a regular basis. During the year, the Trustees have received regular reporting on portfolio returns relative to the benchmark from the Investment Consultant. Any relevant investment manager updates have also been discussed at the Trustee meetings with the Investment Consultant.

Over the year, there were no changes to the Plan’s investment managers.

## **Additional Voluntary Contributions (“AVCs”)**

The Trustees provide a facility for members of the DB section to pay AVCs into the Plan. The assets attributable to these contributions are held separately from the main fund in the form of insurance contracts with a number of Life Assurance Companies. Members participating in this arrangement each receive an annual statement confirming the amounts held on their behalf and the movements in the year. In addition to the AVC assets held in the form of insurance contracts, contributions are also made into some of the investments of the DC section and these AVC assets are indistinguishable from the assets of the DC section.

## **Defined Contribution (“DC”) section**

### **Investment Objectives and Options**

The DC section has been established primarily to pay benefits to members on retiring from the Plan as well as to provide benefits to members’ dependants on death before retirement. These benefits are funded, in part, by member contributions. In the DC section, the Company contributes a specified amount on behalf of each member.

The Trustees’ investment objective is to make available a range of Investment Funds which serve to meet in general the varying investment needs and risk tolerances of the DC section.

Full details of the lifetime journeys and self-select fund options are included in the Appendix to this implementation statement.

The Trustees have sought advice from the Plan’s Investment Consultant throughout the year.

The Trustees’ policy is to carry out a review of the default strategy every three years in line with the Pensions Regulator’s governance requirements. The last review was carried out in 2018 and the next review is scheduled to take place in 2021.

### **Risk**

The Trustees take advice from the Investment Consultant in relation to measuring the level of risk inherent to members via the investment options/funds offered.

The Trustees have considered risks for the DC section of the Plan from a number of perspectives. The Trustees monitor these risks on a regular basis and a more detailed review of the risks relating to the default strategy will be carried out as part of the 2021 triennial review.

The Trustees provide the Plan’s members with three guides and information on all the investment funds, which includes an explanation of the risks associated with investing.

### **Monitoring**

The Trustees monitor the performance of all the investment funds annually via the report and accounts statement provided by their Investment Consultant. This provides the Trustees with a breakdown of return and risk metrics of the funds. In addition to this, the Trustees currently receive information on fund values on a quarterly basis as part of the governance reports provided by Aviva. The Trustees engaged with Aviva during the year and it was agreed that Aviva will include fund performance as part of their quarterly reporting going forward.

#### 4. Voting and engagement

The Trustees have delegated the day-to-day voting and engagement activity relating to the assets to the Plan's investment managers. The Trustees recognise that with a largely passive portfolio, the managers take no material decisions on the holdings to be included in the portfolio. However, the Trustees expect the managers to engage with the companies and issuers in which they invest in relation to the financial and non-financial implications of sustainability issues.

The Trustees' policy is to engage with the managers to understand their policies on sustainability and stewardship, and review these policies regularly to ensure that the managers are carrying out their delegated responsibilities.

During the year the Trustees, through the Investment Consultant, arranged to receive regular sustainability and stewardship reporting from BlackRock in line with the Trustees' policy as stated in the SIP.

##### Summary of voting over the year

The Plan's equity investments are managed by BlackRock via pooled funds on an index-tracking basis. Given the indexed nature of the mandates, BlackRock are limited by the equities they must hold in the portfolio.

Voting information on the Plan's bond holdings (also managed by BlackRock) is not provided as the vast majority of loan and debt securities do not come with voting rights.

A summary of the voting on behalf of the Plan over the year to 31 March 2020 is provided in the following table in respect of the BlackRock equity funds in the DB and DC sections. This table shows the number of vote resolutions in which BlackRock were eligible to participate for the specified fund, the percentage of those eligible vote resolutions that they exercised, and the percentages of the exercised votes where they voted for management, against management or where they abstained.

BlackRock Fund	Number of votes eligible	% of votes exercised	% of votes for	% of votes against	% abstained/ other	Significant votes cast
UK Equity (DB section)	15,596	99%	93%	5%	2%	BlackRock classified 2 of the votes cast over the year as most significant. The votes related to a range of sustainability issues including climate change and BlackRock voted in line with management.
Currency Hedged World ex-UK Equity (DB section)	26,001	95%	91%	8%	1%	BlackRock classified 5 of the votes cast over the year as most significant. The votes related to board composition, compensation, shareholder rights and other governance issues. BlackRock voted in

						line with management on most of these but against management on some proposals regarding executive compensation and the election of a long-tenured compensation committee member.
30:70 Currency Hedged Global Equity (DB and DC sections)	53,331	95%	93%	6%	1%	BlackRock classified 5 of the votes cast over the year as most significant. The votes related to board composition, compensation, shareholder rights and other governance issues. BlackRock voted in line with management on most of these but against management on some proposals regarding executive compensation and the election of a long-tenured compensation committee member.
Emerging Markets Equity (DB section)	16,722	90%	90%	8%	2%	BlackRock classified one vote cast over the year as most significant. The vote related to a range of sustainability issues and BlackRock voted in line with management.
50:50 Global Equity (DC section)	34,661	96%	93%	6%	1%	BlackRock was unable to provide the significant votes information for this fund at the time of preparing this statement.

## **Appendix – DC Investment Options**

### **Self-Select Range**

The following funds are available to the members of the Defined Contribution Section.

- BlackRock 30:70 Currency Hedged Global Equity Index Fund
- BlackRock 50:50 Global Equity Index Fund
- BlackRock Over 5 Year Index-Linked Gilt Index Fund
- BlackRock Over 15 Year Gilt Index Fund
- BlackRock Over 15 Year Corporate Bond Index Fund
- BlackRock Cash Fund

### **Lifetime Investment Programmes**

The Plan offers members three Lifetime Investment Programme strategy options which take the members from a Growth Phase through the Pre-Retirement Phase to their retirement portfolio over a period of either 5 years or 10 years.

#### **Default option**

The Trustees decided that the default investment option should be a Lifetime Investment Programme strategy as follows:

##### Growth Phase Allocation

- BlackRock 30:70 Currency Hedged Global Equity Index Fund : 100%

##### Pre-Retirement Phase

- Uniform transition to Retirement Allocation over period of 10 years from retirement
- Cash will be introduced 3 years from members' retirement date
- Switching will occur on a quarterly basis

##### Retirement Allocation

- BlackRock Over 15 Year Corporate Bond Index Fund : 38%
- BlackRock Over 15 Year Gilt Index Fund : 37%
- BlackRock Cash Fund : 25%

The Plan provides the following funds to its Defined Contribution members:

<b>Mandate description</b>	
<b>Equities</b>	
BlackRock Aquila Life (30:70) Currency Hedged Global Equity Index Fund	Passively managed equities portfolio 10% MSCI Emerging Markets Index, 30% FTSE All Share Index, 60% FTSE AW Developed ex-UK Currency Hedged Index
BlackRock Aquila Life (50:50) Global Equity Index Fund	Passively managed equities portfolio 50% FTSE All Share Index, 16.7% FTSE AW Developed Europe ex UK Index 16.7% FTSE AW USA Index 8.3% FTSE AW Japan Index 8.3% FTSE AW Developed Asia Pacific ex-Japan Index
<b>Bonds</b>	
BlackRock Aquila Life Over 5 Years UK Index-Linked Gilt Index Fund	Passively managed gilts portfolio FTSE Actuaries Government Securities Index-Linked Over 5 Years Index
BlackRock Aquila Life Over 15 Years Gilt Index Fund	Passively managed gilts portfolio FTSE Actuaries UK Gilts Over 15 Years Index.
BlackRock Aquila Life Over 15 Year Corporate Bond Index Fund	Passively managed gilts portfolio iBoxx Over 15 Years Sterling Non-Gilts Index
<b>Cash</b>	
BlackRock Aquila Life Cash Fund	The Fund invests in short-term Sterling instruments and aims for competitive returns on investments whilst maintaining capital security. The objective is to outperform 7 day LIBID, net of fees.