Chubb Pension Plan

Chairman's statement regarding the governance of defined contribution arrangements for the year ended 31 March 2021

1. Introduction

1.1. This statement has been prepared by the Trustees of the Chubb Pension Plan ("the Trustees") and reports on how the Trustees comply with the governance standards introduced under The Occupational Pension Schemes (Charges and Governance) Regulations 2015 ("the Regulations"), and subsequently amended by The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018.

1.2. The governance standards apply to defined contribution (DC) arrangements and are designed to help members achieve good outcomes from their pension savings.

1.3. This statement covers the Plan year 1 April 2020 to 31 March 2021. It may not, therefore, include any subsequent changes to the Plan since 31 March 2021.

1.4. As required by the Regulations, the Trustees will publish this Statement on a publicly accessible website.

2. The Plan's DC benefits

2.1. The Plan's DC benefits comprise of the following:

2.1.1. Some members retain a DC account in the Plan holding only legacy Protected Rights rebates. These members would normally have chosen to receive a refund of contributions on leaving the Plan. However, at the time of choosing to receive a refund of contributions, legislation required that any Protected Rights rebates a member had accrued remained invested in the Plan. These "Protected Rights funds" were DC in nature during the Plan year and during the Plan year, Protected Rights funds were in respect of four members.

2.1.2. Some members of the Plan have a DC underpin, under which the value of the member's defined benefit (DB) is compared to the value of the member's DC underpin account. The Plan will pay the higher of these benefits. If the benefit to be paid is the DC underpin, the benefit will be DC in nature. The Trustees have been informed that, during the Plan year, the DC underpin was not expected to bite and benefits for these members would all be DB in nature. The treatment of these benefits is not therefore covered by this Statement.

2.1.3. The Plan held Additional Voluntary Contribution (AVC) policies with five providers during the Plan Year. The vast majority of the assets are held with two providers. As the Protected Rights funds are determined to have been DC in nature during this Plan year, these AVC policies are subject to extra reporting which we have included in this Statement. The Trustees undertook an exercise to review all AVC policies during the Plan year.

3. The Plan's investment arrangements

3.1. The Plan is not used as a qualifying scheme by any sponsoring employer to meet its auto-enrolment duties on a DC basis.

3.2. The Plan has no default investment arrangements for the purposes of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the "Scheme Administration Regulations"). As there is no default arrangement, the requirement for a Statement of Investment Principles (SIP) prepared in accordance with regulation 2A of the Occupational Pension Scheme (Investment) Regulations 2005 does not apply.

Overview of the Plan's investment arrangements

3.3. Protected Rights funds are invested in the Chubb Common Investment Fund ("the CCIF") in line with the Plan's DB investment strategy. The CCIF operates as a unitised arrangement. Units within the CCIF are valued using the bid market value of assets on a monthly basis.

4. Core financial transactions

4.1. The governance standard require the Trustees to ensure that 'core financial transactions' are processed promptly and accurately. For the Plan, these comprise:

4.1.1. Transfer payments out of the Plan

4.1.2. Retirement benefit payments out of the Plan

4.2. As Protected Rights funds are invested in the CCIF in line with the Plan's DB investments, there are no investment switches available to members outside those made by the Trustees of the CCIF. Therefore, only transfers/payments out of the Plan are relevant in terms of core financial transactions.

4.3. Transactions in respect of the Protected Rights funds are undertaken on the Trustees' behalf by the administrator of the Plan, Buck Consultants (Administration & Investment) Limited ("Buck"), and the Trustees of the CCIF.

Controls and monitoring arrangements

4.4. The controls in place in relation to ensuring the promptness and accuracy of core financial transactions are:

4.4.1. The Trustees have a Service Level Agreement (SLA) in place with Buck, both in terms of timeliness and accuracy, and reporting of performance against those service levels.

4.4.2. The SLA sets out the timeline standards expected for each step of the Plan's main administration tasks, including core financial transactions. Buck aims to process at least 95% of core financial transactions within the SLAs set out below:

Core financial transaction	Service Level Agreement (days)
Transfers out of the plan	10
Retirement benefit payments	7

4.5. In order to monitor Buck's performance against agreed SLAs, the Trustees receive quarterly administration reports from Buck. These reports include cash flow monitoring, summaries of member transactions, reporting of service performance against the SLAs and identify any issues arising regarding administration timeliness and/or accuracy. Reports are considered at each Trustees Meeting.

4.6. The controls in place in relation to the accuracy of core financial transactions are:

4.6.1. Internal checking procedures are applied to all processes.

4.6.2. Monitoring of accuracy is undertaken via the auditing of the Plan's annual report and accounts and periodic auditing of the Plan's membership data. In addition, Buck's internal controls are subject to internal controls procedures.

4.7. The Trustees have reviewed the above processes and controls implemented by Buck and consider these to be suitably designed to achieve its objectives.

Issues occurring during the Plan Year

4.8. As highlighted in the Trustees statement covering the previous Plan year, the Trustees were formally made aware on 6 August 2020 that Buck had been misreporting its administration performance against agreed SLAs since late 2018/early 2019. Quarterly reports presented at Trustees meetings generally showed performance ranging from 95% to 100% however, in reality the average SLA during the period was around 80%. The Trustees subsequently submitted Breaches of Law reports to TPR on 27 August 2020, with further updates provided on 28 September 2020 and 27 November 2020 at TPR's request. The Trustees continued to liaise with TPR as to the recovery process throughout the reporting period. Overall, the Trustees have been notified of 94 breaches by Buck for the Plan as a whole.

4.9. To resolve, the service issues relating to the Plan's administration and the backlog of outstanding tasks accrued, the Trustees arranged weekly meetings with Buck to monitor progress and provide support in eliminating the backlog of work and in getting the administration performance up to agreed levels by the end of October 2020. The Plan's backlog was cleared ahead of this deadline in the week commencing 19 October 2020.

Plan AVCs and changes during the Plan Year

4.10. The AVC policies are provided by Aegon, Aviva, Phoenix Life, Standard Life and Utmost Life & Pensions ("Utmost"). The Trustees have delegated the administrative oversight of these AVC arrangements to Buck.

4.11. There are no formal SLAs in place with the AVC providers, however Buck reports to the Trustees as part of the Trustees meetings with any specific issues relating to the administration of the separate AVC policies.

5. Charges and transaction costs

5.1. Members bear charges and transaction costs, which will differ depending on the investment options in which their pension savings are invested:

5.1.1. Charges: these are expressed as a percentage of the value of a member's holdings within an investment fund, and can be made up of a combination of charges, e.g. annual management charge and additional expenses. We refer to the total annual charge as the Total Expense Ratio (TER).

5.1.2. Transaction costs: these relate to the variable costs incurred within an investment fund arising from the trading activities of the fund, e.g. incurred in the buying and selling of securities, which are not accounted for in the TER charge.

5.2. All administration, communication and other costs associated with running the Plan (other than administering the AVC arrangements) are met by the sponsoring employer.

5.3. The Trustees approached the CCIF's investment managers to obtain details of the member-borne charges and transaction costs incurred over the Plan year. Details are provided below.

Charges in relation to CCIF

5.4. The TER for the CCIF for the Plan year was 0.238% p.a.

5.5. The additional transaction costs incurred within the CCIF over the Plan year was 0.084% p.a. The average transaction costs incurred within the CCIF over the three-year period since disclosure requirements began is 0.905% p.a.

Charges in relation to AVCs

5.6. The following tables provides details of the charges and transaction costs for each of the investment options provided through the AVC arrangement over the Plan year.

Aegon

5.7. Members that hold AVC benefits with Aegon are invested in one, or a combination, of the funds detailed in the table below which includes details of the charges and transaction costs quoted by Aegon for these funds:

Investment option	TER (p.a.)	Transaction costs (year to 31 March 2021)	Average transaction costs (p.a.)
Aegon BlackRock LifePath Capital 2037-2039 (BLK)	0.41%	0.0341%	0.0341%*
Aegon BlackRock LifePath Capital 2031-2033 (BLK)	0.41%	0.0487%	0.0487%*
Aegon BlackRock LifePath Capital 2028-2030 (BLK)	0.41%	0.0540%	0.0540%*
Aegon BlackRock LifePath Capital 2025-2027 (BLK)	0.41%	0.0319%	0.0319%*
Aegon BlackRock LifePath Capital 2022-2024 (BLK)	0.41%	0.0227%	0.0227%*
Aegon BlackRock LifePath Capital 2019-2021 (BLK)	0.41%	0.0137%	0.0137%*
Aegon BlackRock Pacific Growth (BLK)	0.90%	0.1870%	0.2757%
Aegon BlackRock Japanese Growth (BLK)	0.90%	0.3140%	0.3133%
Aegon BlackRock European Growth (BLK)	0.90%	0.0509%	0.2236%
Aegon BlackRock American Growth (BLK)	0.90%	0.1982%	0.2127%
Aegon BlackRock UK Growth (BLK)	0.75%	0.1652%	0.1551%
Aegon BlackRock Balanced Growth (BLK)	0.75%	0.1615%	0.1472%
Aegon BlackRock 50/50 Global Growth (BLK)	0.75%	0.1799%	0.1933%
Aegon BlackRock Strategic Accumulation (BLK)	0.75%	0.1739%	0.1446%

*These funds only became available within the Aegon AVC arrangement following the transfer of Utmost AVCs in July 2020. As a result, we only report average transactions costs over a one-year period.

Utmost

5.8. Members that held AVC benefits with Utmost during the Plan year were invested wholly in the below funds during the Plan Year. Details of the charges and transaction costs quoted by Utmost for these funds are provided in the table below.

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Utmost Life & Pensions (Citi Code)	Fund Annual Management Charge %pa	Annualised Reporting Period	Underlying Open Ended Investment Company "OEIC" Net Transaction Cost %pa [1]	Stock lending %pa [2]	Equitable Life Fund Transaction Cost %pa [3]	Utmost Life & Pensions Total Charges Impact %pa [4]
Money Market	0.50	31/03/2021	0.000083	0.0000	0.0000	**0.50**
UK Secure Cash Pension	0.50	31/12/2020	0.000	0.0000	0.000	**0.50**

Notes:
[1] The costs to date are not calculated on the full arrival price slippage methodology, instead using industry supplied expected spreads for each asset category.
[2] When a fund lends stock it is entitled to receive 80% of the income earned. The remaining 20% belongs to the stock lending agent. The costs suffered by the fund are disclosed but not the income.
[3] This is the cost incurred on the Fund when it purchases or sells the underlying asset (OEIC) as the price may include a dilution adjustment. The purpose of dilution is to ensure the OEIC is not impacted by large investments or disinvestments.
[4] The total charges impact to policyholders on each Equitable Life Fund (With-Profit and Unit-Linked) of costs at both Fund and underlying OEIC level and include the annual management charge.

Other AVC providers

5.9. Information on the other three AVC providers is summarised in the table below:

AVC Provider	Investment option	TER (p.a.)	Transaction costs (p.a.)
Aviva	The Trustees have not been able to obtain any details of the costs and transaction costs incurred with the Aviva AVC arrangement. The Trustees are working with their Investment consultants to ensure this data is captured as soon as possible.		
Phoenix Life	LL Pension Traditional With Profits – V1 Fund	1%	0.542%
Standard Life	Heritage With Profits Fund asset mix 5	Standard Life states that "there are currently no charges or expenses as the Plan is paid up"	

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Investment transition carried out during the Plan year

5.10. During the Plan year, the Trustees, with the support of their advisers Barnett Waddingham, reviewed the ongoing suitability of Plan's AVC arrangements in April 2020. Following this review, the Trustees agreed that Utmost AVC members would experience better value in the Plan's primary AVC arrangement with Aegon. As a result, the Trustees decided to close the Utmost AVC arrangement and transfer its membership to the Aegon AVC arrangement in July 2020.

5.11. However, as the member data provided by Buck during the transfer process was incomplete, Aegon couldn't invest 4 members transferred AVCs as they required sufficient information to be setup as new joiners within the Aegon AVC arrangement. This resulted in members being out of market for a number of days whilst Buck collated the required information for Aegon. A profit and loss report was subsequently run by Aegon who confirmed to the Trustees that members were not negatively impacted by this delay.

5.12. There were no explicit costs to members for the transition, either in selling units in the Utmost funds or buying units in the Aegon Funds. Therefore, members' fund values immediately before and immediately after the transition were the same.

Impact of costs and charges

5.13 To demonstrate the impact of charges and transaction costs on members' pension savings over time, the Trustees have produced illustrations and these are set out in the appendix.

Value for members

The Trustees are required to assess annually the extent to which the charges and transaction costs borne by members represent good value. These member borne deductions cover the cost of providing the investment management services for the Protected Rights funds and also the administration services and communications for the AVC providers.

5.14 The CCIF has its own Board of Trustees which is supported by Barnett Waddingham as Investment Consultant and it is subject to Investment Monitoring and Operational Governance Reports.

5.15 The CCIF regularly reports to the Trustees on the performance of the fund.

5.16 The Trustees are satisfied with the performance of the CCIF and following a formal review in April 2020, the Plan's AVC providers. Having considered the charges the members bear, the Trustees believe that this represents good value for its members, although they note that there have been administrative difficulties during the Plan Year.

6 Trustee knowledge and understanding

The Trustee Board

6.1 The Trustee Board comprises six trustee directors, 2 of whom are nominated by the members.

6.2 One of the appointed trustee directors, Brian McGowan, is the chairman.

Trustee knowledge and understanding requirements

6.3 Trustees are required to be conversant with the Plan’s main documents, and have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension plans and investment of Plan assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator’s Code of Practice 07. The comments in this section relate to the Trustees as a body in dealing with the whole Plan and are not restricted to DC benefits.

Approach

6.4 The Trustees have put in place arrangements for ensuring that they take personal responsibility for keeping themselves up-to-date with relevant developments and carry out a self-assessment of training needs to identify knowledge gaps and training needs in relation to emerging legislation, Plan changes and upcoming matters in the Plan’s business plan.

6.5 The Secretary to the Trustees reviews the self-assessments and arranges for training to be made available to individual Trustees or to the full Trustee body as appropriate.

6.6 All of the existing Trustees have completed the Pension Regulator’s Trustee Toolkit and new Trustees are required to complete this within six months of taking up office. During the year no new Trustees were appointed during the Plan year.

6.7 In addition, the Trustees receive advice from with professional advisers as and when required, for example on consultancy, investment and legal matters. The professional advisers are engaged to pro-actively alert the Trustees on relevant changes to pension and trust law. Professional advisers also provide support in relation to understanding and reviewing the Plan’s documents, attending trustee meetings and often in the delivery of training at these meetings. The relevant skills and experience of those advisers is a key criterion when evaluating advisor performance or selecting new advisers.

6.8 The Trustees aim to remain conversant with the Plan's Trust Deed & Rules and the following Trust documents and policies, having reviewed them in the Plan year:

6.8.1 Statement of Investment Principles (SIP)

6.8.2 General Data Protection Regulation policies and procedures

6.8.3 Scheme Funding Report in respect of the actuarial valuation at 31 March 2021

6.8.4 Member Nominated Trustee selection process

Activities during the Plan year

6.9 The Trustees received the following training from their professional advisers and service providers during the Plan year:

6.9.1 Trustee requirements in relation to the SIP and requirements with effect from 1 October 2020

6.9.2 TPR's DB Code of Practice

6.10 During the period covered by this statement, the Trustees undertook a review and received professional advice on the following aspects of DC Plan governance:

6.10.1 The suitability of the Plan's AVC arrangements and the feasibility of AVC consolidation

6.10.2 The impact of Covid-19

6.10.3 The long-term investment strategy of the CCIF

6.10.4 Buck's operational review of its administration services and subsequent recovery plan

6.10.5 Trustee obligations in relation to statutory deadlines

6.11 The Trustees updated the Plan's SIP to incorporate changes made to target allocations in light of the phased implementation of Liability Driven Investment as well as the Trustees' stewardship policy and arrangements with fund managers.

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Assessment

6.12 The Trustees consider that their combined knowledge and understanding, together with their access to professional advice, enables them to properly and effectively exercise their trustee functions in the following ways:

6.12.1 The Trustees are able to challenge and question advisers, service providers and other parties effectively

6.12.2 The Trustees decisions are made in accordance with the Plan rules and in line with trust law duties

6.12.3 The Trustees decisions are not compromised by such things as conflicts or hospitality arrangements

[redacted]

28/10/21

Brian McGowan, Chairman of the Trustees

Date

Appendix – Illustrations on the impact of cost and charges

A1. To demonstrate the impact of member-borne charges and transaction costs on the value of members' pension savings, the Trustees have produced illustrations in accordance with statutory guidance. These show the impact of charges and transaction costs for representative cross-sections of the Plan membership. For the illustration, the savings pot has been projected twice; firstly to allow for the assumed investment return gross of the costs and charges of the fund the member is invested in and then again, but adjusted for the cumulative effect of the costs and charges of the fund.

Parameters used for the illustrations

A2. To determine the parameters used in the illustration, the Trustees have analysed the members invested relevant to the reporting period of this statement and ensured that the illustration takes into account the following:

A2.1. Protected Rights funds are fully invested in the CCIF

A2.2. Using the median pot size of those who hold Protected Rights funds as a representative pot size

A2.3. The approximate duration that the youngest member using the CCIF would take to reach NRA.

A3. The Trustees have determined not to include any illustrations for AVCs as it would be disproportionately burdensome given the amounts of money held in each of the individual AVC funds:

The CCIF

A4. All Protected Rights funds are invested in the CCIF.

Years of membership	Age: 55 Starting pot size £700	
0	£700	£700
1	£696	£688
3	£688	£665
5	£680	£642
10	£660	£590

A5. Notes to costs and charges illustrative example:

A5.1. Note on how to read this table: If a Protected Rights member had £700 invested in this option on 31 March 2021, when they came to retire in 10 years, the savings pot could reduce to £660 in today's terms if no charges are applied or to £590 in today's terms with charges applied.

A5.2. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation. It is for this reason some funds show negative real growth.

A5.3. Inflation is assumed to be 2.5% each year

A5.4. No further contributions are assumed to be paid

A5.6. Values shown are estimates and are not guaranteed

A5.7 Charges for the CCIF used in the illustration are those outlined in this statement

A5.8. The projected growth rates for the CCIF is 1.90 p.a. which is in line with those produced for the Plan's Statutory Money Purchase Illustrations (SMPI)

A5.9 The statutory guidance requires trustees to use an average of the last five years' transaction costs (insofar as they are able) when producing the illustrations. As we ve data for the last two years only, the figures are based on two year averages.