

Chair's Statement

Chubb Pension Plan ("the Plan")

Chair's statement regarding the governance of defined contribution arrangements

Plan year - 1 April 2021 to 31 March 2022

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 2021 to 31 March 2022. It may not, therefore, include any subsequent changes to the Plan since 31 March 2022.
- 1.4. As required by the Regulations, the Trustees will publish this Statement on a publicly accessible website. The web address for the website will be <https://www.chubbfiresecurity.com/en/uk/about/pension-scheme/>.

2. The Plan's DC benefits

- 2.1. The Plan's DC benefits comprise of the following:
 - 2.1.1. DC benefits for some members who had short periods of membership after 5 April 1997 and who received a refund of part of their contributions. The DC benefits represent retained 'Protected Rights', a result of the method used by the Plan from 6 April 1997 to 'contract out' of the State Pension Scheme. These Protected remained invested within the Plan's defined benefit (DB) investment strategy.
 - 2.1.2. DC 'underpin' accounts apply for some members, under which they will receive the greater of a DB entitlement and the comparable pension that can be secured by the DC underpin account. The Trustees have been informed by the Plan's administrator, Buck, that during the Plan year, comparable pensions that could be secured by DC underpin accounts were not expected to be greater. Benefits for these members are therefore expected to be DB in nature and are not considered further in this Statement.
 - 2.1.3. The Plan held Additional Voluntary Contribution (AVC) policies with four providers during the Plan Year. The vast majority of the assets are held with two providers.

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.

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Overview of the Plan's investment arrangements

- 3.3. Up until the 1 March 2022, Protected Rights funds were invested in the Chubb Common Investment Fund ("the CCIF") in line with the Plan's DB investment strategy. The CCIF operated as a unitised arrangement. Units within the CCIF were valued using the bid market value of assets on a monthly basis. Following a decision by the Trustees, the Plan's investments (including all the units the Plan held) were withdrawn from the CCIF as part of a wider change to the Plan's DB investment strategy. From 1 March 2022 all Protected Rights benefits were invested in line with the Plan's new DB investment strategy ("the Plan's Portfolio") which mirrors its previous holdings within the CCIF.

4. Core financial transactions

- 4.1. The governance standard requires 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 line with the Plan's DB investments, there are no investment switches available to members outside those made by the Trustees of the CCIF (prior to 1 March 2022) and the Plan's Trustees (post 1 March 2022). 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 prior to 1 March 2022, 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.

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- 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.
- 4.10. In response to the issues noted above, the Trustees received compensation from Buck for the serious breaches of its performance levels. However, the Trustees continue to monitor Buck's performance against SLAs at Trustees' meetings and Administration Sub-Committee meetings.
- 4.11. As a result of this oversight, during the Plan year there was an improvement into Buck's performance against SLAs, with levels reaching normality, although in Q4 2021 these levels once again dipped.

Plan AVCs

- 4.12. The AVC policies are provided by Aegon, Aviva, Phoenix Life and Standard Life. The Trustees have delegated the administrative oversight of these AVC arrangements to Buck. Buck were unable to provide a valuation of the policies at 31 March 2022 although all members with AVCs had received a benefit statement in accordance with the disclosure regulations. As a result, a prior year value, adjusted for withdrawals, was adopted for accounting purposes. However, the Trustee will be obtaining a current valuation from the providers for their records going forward.
- 4.13. 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.

Trustee view of core financial transactions

- 4.14. The Trustees believe that these measures enable it to effectively monitor the promptness and accuracy of core financial transactions of the Plan's administration for its DC and AVC arrangements. Whilst acknowledging the issues experienced, due to the very low number of Protected Rights members during the Plan year that were DC in nature, the Trustees are confident that all related core financial transactions over the reporting period have been processed promptly and correctly.

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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 and Plan Portfolio'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 Plan Portfolio

- 5.4. The TER for the Plan Portfolio for the Plan year was 0.096% p.a.
- 5.5. The additional transaction costs incurred within the Plan Portfolio over the Plan year was 0.025% 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 alongside details of the charges and transaction costs quoted by Aegon for these funds:

Investment option	TER (p.a.)	Transaction costs (year to 31 March 2022)	Average transaction costs (p.a.)*
Aegon BlackRock Japanese Growth (BLK)	0.90%	0.3985%	0.4066%
Aegon BlackRock European Growth (BLK)	0.90%	0.0395%	0.1355%
Aegon BlackRock American Flexible Equity (BLK)	0.90%	0.1040%	0.1617%
Aegon BlackRock UK Growth (BLK)	0.75%	0.0953%	0.1312%
Aegon BlackRock Balanced Growth (BLK)	0.76%	0.1119%	0.1443%
Aegon BlackRock 50/50 Global Growth (BLK)	0.75%	0.1357%	0.1793%
Aegon BlackRock Strategic Accumulation (BLK)	0.75%	0.1299%	0.1760%

*Average Transaction Costs covering over a three-year period

Other AVC providers

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

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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"	

*Despite requests from the Trustee to Phoenix Life, at the time of publishing this statement Phoenix Life has not confirmed transaction costs incurred during the Plan year that were applicable to the policy. The Trustee will continue to request this information. Once received the Trustee will consider the information and if material make amends to this statement and republish on the website.

Impact of costs and charges

- 5.9 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. The 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.

- 5.10 The CCIF had its own Board of Trustees which was supported by Barnett Waddingham as Investment Consultant and subject to Investment Monitoring and Operational Governance Reports. From 1 March 2022 the Trustees were supported in the same manner in relation to the Plan Portfolio.
- 5.11 The CCIF regularly reported to the Trustees on the performance of the fund. Since 1 March 2022, Barnett Waddingham in its role as investment adviser now reports directly to the Trustees on the performance of the Plan Portfolio.
- 5.12 The Trustee was satisfied with the performance of both the CCIF and Plan Portfolio during the Plan year. Having considered the charges the members bear, the Trustees believe that this represents good value for its members, although it notes that administrative difficulties continued somewhat during the Plan year.

6 Disclosure of net investment returns

- 6.1. The Trustees are required to disclose returns, net of charges and transaction costs, for each investment strategy and fund that members are able, or were previously able, to select and in which members' assets were invested during the Plan year. As all Plan benefits (except AVCs) are invested in line with the Plan's DB strategy, noting the changes under 3.3, the Trustees have provided a blended return of the Plan's assets held under the CCIF up until 1 March 2022 and the Plan's Portfolio for the remainder of the Plan year. When preparing this section of the statement the Trustees have taken account of the relevant statutory guidance.

Investment fund	Annualised Return – 1 year to 31 March 2022	Annualised Return – 5 years to 31 March 2022
Plan Portfolio	0.3%	6.0%

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7 Trustee knowledge and understanding

The Trustee Board

- 7.1 The Trustee Board comprises six trustee directors, 2 of whom are nominated by the members.
- 7.2 One of the appointed trustee directors, Brian McGowan, is the chair.

Trustee knowledge and understanding requirements

- 7.3 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

- 7.4 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.
- 7.5 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.
- 7.6 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 Plan year two new Trustees were appointed, all of which were nominated by members. The new Trustees are in the process of completing the Pension Regulator's Trustee Toolkit.
- 7.7 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.
- 7.8 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:
 - 7.8.1 Statement of Investment Principles (SIP)
 - 7.8.2 General Data Protection Regulation policies and procedures
 - 7.8.3 Member Nominated Trustee selection process
 - 7.8.4 Terms of Reference for each of the Administration, Legislative Compliance and Pensioner Buy-in & Data Cleanse Sub-Committees
 - 7.8.5 Conflicts of Interest Policy

Activities during the Plan year

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

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- 7.9.1 Cyber Security
- 7.9.2 TPR's DB Code of Practice
- 7.9.3 Buck's Data Journey Plan
- 7.10 During the period covered by this statement, the Trustees undertook a review and received professional advice on the following aspects of DC Plan governance:
 - 7.1.1. The withdrawal from the CCIF and setup of the Fund Portfolio
 - 7.1.2. Fund De-risking Strategy
 - 7.1.3. Buck's operational review of its administration services and subsequent recovery plan
 - 7.1.4. Buck's Cyber Security controls
 - 7.10.1 The calculation that determines the benefits payable for DB members with a DC Underpin

Assessment

- 7.11 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:
 - 7.11.1 The Trustees are able to challenge and question advisers, service providers and other parties effectively
 - 7.11.2 The Trustees decisions are made in accordance with the Plan rules and in line with trust law duties
 - 7.11.3 The Trustees decisions are not compromised by such things as conflicts or hospitality arrangements

This Chair's statement regarding the governance of defined contribution arrangements was approved by the trustees and signed on their behalf by:

.....
Brian McGowan, Chair of the Trustees

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Date

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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 Plan Portfolio
 - 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 Plan Portfolio 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 Plan Portfolio

- A4. All Protected Rights funds are invested in the Plan Portfolio.

Years of membership	Age: 55	
	Starting pot size £700	
0	£700	£700
1	£696	£695
3	£688	£685
5	£680	£676
10	£660	£652

- 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 2022, 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 £652 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 Plan Portfolio used in the illustration are those outlined in this statement
- A5.8. The projected growth rates for the Plan Portfolio is 1.90% p.a. which is in line with those produced for the Plan's 2021 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 have data for the last year only, the figures are based on the one-year average.