

Chubb Security Pension Fund

(Fund Registration Number 10094555)

Annual Report For The Year Ended
31 March 2023

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The Trustee's Report

Introduction

The Trustee is pleased to present its report on the Chubb Security Pension Fund ("the Fund") for the year ended 31 March 2023.

The Fund is an occupational defined benefit pension plan established under English law by a Trust Deed and Rules dated 1 May 1980 and is currently governed by a replacement definitive Deed and New Rules (as subsequently amended) which was adopted on 19 May 2000.

The Fund is registered in the United Kingdom. The registered office is at Ground Floor, 2 Lotus Park, Staines, Middlesex, TW18 3AG.

In accordance with HMRC requirements the Fund is registered under Chapter 2, Part 4 of the Finance Act 2004. As a consequence, if payable, both employee and employer contributions are normally eligible for tax relief and income and capital gains earned by the Fund receive preferential tax treatment.

Following consultation with active members in accordance with legislation and after a period of reflection, the Principal Employer decided to proceed with its proposals to close the Fund to the future accrual of benefits. The closure became effective on 31 March 2020.

Management of the Fund

The Fund has a corporate Trustee, Chubb Security (Pensions) Limited. The names of the Directors during the year, are as follows:

Name	Nominated/appointed by	Date of appointment	Date of removal
B D McGowan (Chairman)	Employer		
H Dulay	Members		
I Fixter	Members		
C Forbes	Employer		
W Jones	Employer		
K Krumm	Employer		5 June 2023
C Walters	Members		
K Bettmann	Employer	5 June 2023	

The Trustee is responsible for setting the strategy and for managing the Fund and the directors meet four times a year for this purpose.

All occupational pension schemes must implement arrangements that provide for at least one-third of the trustee directors to be member-nominated. The arrangements for the nomination and selection must be proportionate, fair and transparent.

Four directors of the Trustee company are appointed and removed by the Principal Employer and three directors are member nominated and are deferred or pensioner members of the Fund.

The Trustee has delegated the day-to-day management and operation of the Fund's affairs to professional organisations.

The Trustee's Report (Cont)

Changes to Fund Rules

A Deed of Amendment dated 20 June 2023 aligned the Rules of the Fund (or vice-versa) with historical administrative practices in order to agree a benefit specification for the buy-in of the Fund liabilities. A separate Deed of Augmentation dated 20 June 2023 corrected a number of historical administration errors that had been identified under the benefit specification review.

The Principal Employer

The Principal Employer is:

Chubb International Holdings Limited, Ground Floor, 2 Lotus Park, Staines, Middlesex TW18 3AG.

Financial development of the Fund

The financial statements have been prepared and audited in compliance with regulations made under sections 41 (1) and (6) of Pensions Act 1995.

During the year, the fund account decreased by £235.9 million to £643.9 million as follows:

	£millions
Net withdrawals from dealing with members	(37.4)
Net returns on investments	(198.5)
Net decrease in the fund	(235.9)

The significant fall in asset values the year is largely due to the market volatility in the year as detailed on page 5.

Fund membership

Details of the Fund membership at the end of the Fund year were as follows:

	2023	2022
	Number	Number
Deferred members	1,726	1,875
Pensioners	4,021	4,151
Total	5,747	6,026

Pensioners include 999 (2022: 1,061) individuals receiving a pension following the death of their spouse.

The above membership details include 134 (2022: 134) members for whom the Fund is in receipt of annuity payments.

Defined contribution benefits

Whilst the Fund is a defined benefit pension arrangement it does (in addition to standard Additional Voluntary Contribution (AVC) arrangements) have some defined contribution (DC) benefits.

- (a) 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 Fund from 6 April 1997 to 'contract out' of the State Pension Scheme. These Protected remained invested within the Fund's defined benefit (DB) investment strategy.
- (b) 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 Trustee has been advised by the Fund's administrator that, during the Fund 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.

The Trustee's Report (Cont)

Fund advisers

The Trustee retains a number of professional advisers in connection with the operation of the Fund. In line with UK pension scheme best practice, the Trustee has a policy of periodically reviewing all of its external advisers and service providers

The advisers currently appointed are as follows:

Scheme Actuary	P Houghton, Barnett Waddingham LLP
Advising Actuaries	Barnett Waddingham LLP
Administrator of the Fund benefits	Buck Consultants (Administration and Investment) Limited
Legal Advisers	CMS Cameron McKenna Nabarro Olswang LLP
Independent Auditors	PricewaterhouseCoopers LLP
Investment Managers	BlackRock Investment Management (UK) Limited (until 13 April 2023) Insight Investment Management Ruffer LLP (until 13 April 2023)
AVC provider	Aegon
Bulk Purchase Annuity Provider	Phoenix Life Limited (from 20 June 2023)
Investment Advisers	Barnett Waddingham LLP
Custodian of the Fund assets	Bank of New York Mellon
Covenant Adviser	Cardano
Bankers	Lloyds Bank plc
Secretary to the Trustee Directors	P Clarke – Barnett Waddingham LLP (until 13 September 2023) H Willcox – Barnett Waddingham LLP (from 13 September 2023)

Tax status of Fund

The Fund is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and, to the Trustee's knowledge, there is no reason why the Fund's registered status should be prejudiced or withdrawn.

Bulk Annuity Purchase

On 20 June 2023, the Trustee entered into a bulk purchase annuity insurance contract with Phoenix Life Limited to secure future pension payments for all deferred and pensioner members of the Fund at that date. Under this insurance policy, Phoenix Life will begin to make monthly payments to the Fund from December 2023 onwards to cover the pensions in payment for pensioners in the Plan. The initial premium totalling £543.7m was paid by the Fund to Phoenix Life in July 2023 via payments of cash and transfers of stocks.

The Trustee's Report (Cont)

Transfer values

All cash equivalents (transfer values) paid during the year were calculated and verified in the manner required by the Pension Schemes Act 1993 and subsequent amendments. No discretionary benefits are included in the calculation of transfer values. A cash equivalent is the amount which a Fund member is entitled under social security legislation to have applied as a transfer payment to another permitted pension arrangement or a buy-out policy.

Pension Increases

Pensions were subject to increases as at 1 April 2022.

For those members who joined the Fund after 1 December 1995, pensions increase by the lower of 5% or the increase in the Retail Prices Index (RPI). This is referred to as Limited Price Indexation (LPI). RPI measured as at September 2021 was 4.9% and the Fund has to provide this level of increase on all pensions earned on or after 6 April 1997.

Members who joined prior to 1 December 1995 continue to receive a minimum increase of 4% per annum (new basis) or 3% per annum (old basis). Such members will only receive increases above these minimum rates where the cumulative LPI increase exceeds their cumulative rate of increases over any two-year consecutive period, as provided by legislation.

The average increase in total pensions in payment in the year to 31 March 2023 was 4.1%.

Deferred pensions were increased in accordance with statutory requirements.

There were no discretionary pensions increases awarded during the year.

Increases to pensions in payment made in respect of members who joined the Fund before 1 December 1995 over the last ten years have been 4% per annum on total pension in payment except for;

- members who retained entitlement to old basis terms received 3% on the excess above the Guaranteed Minimum Pension from 1 April 2005 to 1 April 2015.
- members who have mixed benefits receive a combination of the increases applicable to old/new basis members.

Codes of Practice

The Trustee is aware of and adheres to the Codes of Practice issued by The Pensions Regulator ("TPR"). The objectives of these codes are to protect members' benefits, reduce the risk of calls on the Pension Protection Fund ("PPF") and to promote good administration.

The Pensions Regulator: Record Keeping

TPR issues guidance on all aspects of pension scheme data record keeping to all those responsible for the data (the trustees) and those who administer pension schemes. The guidance covers both common data and scheme-specific data (conditional). The guidance sets out good practice in helping trustees to assess risks associated with record keeping. Improved data means that trustees and employers will be able to make a more precise assessment of their financial liabilities. Schemes are expected to keep their data under regular review and set targets for the improvement in the standard of data recorded.

More information can be found at:

<https://www.thepensionsregulator.gov.uk/en/trustees/contributions-data-and-transfers/record-keeping>

The Trustee's Report (Cont)

Market conditions and other matters

During 2022/2023, geopolitical issues (such as Russia's war in Ukraine) and economic issues (such as increases in the rates of inflation and interest rates and movements in foreign currencies), have had a profound effect on domestic and global economies, with disruption and volatility in the financial markets.

The Trustee, in conjunction with its advisors, monitors the situation closely and determines any actions that are considered to be necessary. This includes monitoring the Fund's investment portfolio, the operational impact on the Fund and the covenant of the Employer.

Following the Government's policy announcement on 23 September 2022, the financial markets experienced a period of volatility, in particular the UK Government Bond markets. This saw large falls in the value of government bonds and thus pension scheme liabilities, which are valued relative to government bonds.

Consequent on the changes in government bond values, as expected, the overall value of the Fund's investment portfolio has significantly declined. That said, the value of the Fund's liabilities has also fallen by a similar amount, in line with the risk management approach, which has left the Fund's estimated funding levels to remain broadly unchanged. The latest actuarial report which was carried out as at 31 March 2023 disclosed a funding level of 102% as noted on page 7.

Despite the fact that the Fund is now much smaller in asset value terms, the Trustee has no concerns regarding the funding level of the Fund, nor its ability to meet the payment of benefits to members, or its ability to continue as a going concern.

In overall terms, the Fund's net assets have fallen from £880m at 31 March 2022 to £644m at 31 March 2023, principally as a result of a change in market value of investments of negative £212m and commensurate with the negative investment performance of 22.8% in the year shown below.

The Trustee will continue to monitor the situation and are well placed to take any action as required.

GMP equalisation

In October 2018, the High Court determined that benefits provided to members who had contracted out of the state second pension must be recalculated to reflect the equalisation of state pension ages from May 1990 to April 1997 between men and women. In November 2020, a further ruling by the High Court determined that transfers out of a scheme in respect of members who had contracted out of the state second pension must also be recalculated to reflect the equalisation of state pension ages from May 1990 to April 1997 between men and women.

The Fund is required to equalise Guaranteed Minimum Pension (GMP) liabilities which will result in an increase in liabilities to provide benefits.

Under the ruling pension schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts.

A detailed estimate of the past service element, which would be applicable for the Fund financial statements, has yet to be estimated but the Trustee considers that it is likely to be immaterial to the financial statements.

Contact for further information

If, as a Fund member, you wish to obtain further information about the Fund, including copies of the Fund documentation, your own pension position, or who to contact in the event of a problem or complaint, please write to or telephone: Buck Consultants the Fund administrators:

Buck Consultants (Administration and Investment) Limited
PO Box 322
Mitcheldean
GL14 9BH
Tel: 0330 123 9563, Or email: chubbpensions@buck.com

The Trustee's Report (Cont)

Statement of trustee's Responsibilities

The trustee's responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), are the responsibility of the trustee. Pension scheme regulations require, and the trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the fund during the fund year and of the amount and disposition at the end of the fund year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the fund year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging these responsibilities, the trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the fund will continue as a going concern.

The trustee is also responsible for making available certain other information about the fund in the form of an annual report.

The trustee has a general responsibility for ensuring that accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the fund and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The trustee is also responsible for the maintenance and integrity of the <https://chubbfs.com/uk-en/reports/> website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The trustee's responsibilities in respect of contributions

The trustee is responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable to the fund by or on behalf of employers and the active members of the fund and the dates on or before which such contributions are to be paid.

The trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the fund and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the fund in accordance with the schedule of contributions.

Where breaches of the schedule occur, the trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

The Trustee's Report (Cont)

Report on Actuarial Liabilities

As required by Financial Reporting Standard 102, 'Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102), the financial statements do not include liabilities in respect of promised retirement benefits.

Under Section 222 of the Pensions Act 2004, the Fund is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its Technical Provisions. The Technical Provisions represent the present value of the benefits members are entitled to at the valuation date. This is assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to Fund members on request.

The most recent full actuarial valuation of the Fund was carried out as at 31 March 2021. This showed that on that date:

The value of the Technical Provisions was: £943.6m

The value of the assets was: £923.3m

Therefore the Plan had a funding deficit of £20.3m corresponding to a funding level of 98%.

In years where there is no actuarial valuation, the Scheme Actuary produces an estimate of the funding position known as an actuarial report. The latest report was carried out as at 31 March 2023 and disclosed a funding level of 102%, corresponding to a funding surplus of £11.6m, when assessed using the method and assumptions set out in the Trustee's Statement of Funding Principles.

The next actuarial valuation will be carried out as at 31 March 2024 and must be completed by no later than 30 June 2025.

The method and significant actuarial assumptions used to determine the Technical Provisions are as follows (all assumptions adopted are set out in the Statement of Funding Principles dated 19 January 2022):

Method

The actuarial method used in the calculation of the Technical Provisions as at 31 March 2021 is the Projected Unit Method.

Actuarial assumptions – The key assumptions used as at 31 March 2021 are:

Discount rate	0.35% p.a. above the Bank of England gilt curve
Retail Prices Index (RPI) inflation	Bank of England implied inflation curve
Consumer Prices Index (CPI) inflation	Pre-2030: RPI less 0.8% p.a. Post-2030: RPI
Pension increases	Calculated as relevant inflation assumptions, taking into account any caps of collars based on a statistical model
Pre-retirement and post-retirement mortality table	110% of S3PA
Pre-retirement and post-retirement mortality projections	CMI 2020 with a long term rate of improvement of 1.75% p.a., an initial addition parameter of 0.75% p.a. and the default smoothing parameter and 2020 weight parameter
Allowance for cash commutation	25% of pension using cash factors in force at the valuation date uplifted by 10%
GMP equalisation/data and benefit uncertainty reserve	2% of liabilities
Allowance for expenses	2.5% of liabilities

The Trustee's Report (Cont)

Investment report

Investment managers

The Fund's Trust Deed and Rules permit the Trustee to delegate the task of investment management to outside experts. BlackRock Investment Management (UK) Limited ("Blackrock"), Insight Investment Management ("Insight") and Ruffer LLP ("Ruffer") are professional external investment managers and have taken full responsibility for investing the Fund's assets. The Trustee sets the investment strategy for the Fund after taking advice from the Fund's investment adviser. The Trustee has put in place a mandate with its investment manager which implements this strategy. The investment managers are remunerated by fees based on a percentage of funds under management, and these fees are met by the Fund.

Investment principles

The Trustee has produced a Statement of Investment Principles as required by section 35 of the Pensions Act 1995 and a copy of the statement is available online at the following address: <https://chubbfd.com/uk-en/wp-content/uploads/sites/2/2023/02/Chubb-Security-Pension-Fund-Statement-of-Investment-Principle-2022.pdf>

There were no significant departures from the stated principles during the year under review. Small deviations from the benchmark allocation are to be expected as a result of fluctuations in asset prices.

Implementation Statement

There is a requirement for most trust-based defined benefit pension schemes to produce an annual Implementation Statement which covers the year. The Implementation Statement sets out how, and the extent to which, the Trustee has followed its policies on engagement and voting as set out in the Statement of Investment Principles over the Fund year, as well as a description of voting behaviour over the Fund year. The Fund's Implementation Statement, covering the period 1 April 2022 to 31 March 2023, is enclosed within this Annual Report from pages 35 to 39 and forms part of this Trustee's Report.

Changes to investments to the year-end

During the year to 31 March 2023, there have been no significant departures from the stated principles. Small deviations from the benchmark allocation are to be expected as a result of fluctuations in asset prices. Subsequent to the end of the year, the Fund changed its investments, in preparation for a buy-in transaction. The Fund's holding with Ruffer & Blackrock were fully disinvested on 13 April 2023. In July 2023, approximately £543.7m was transferred from Insight to Phoenix Life Limited to pay the initial premium for the bulk purchase annuity contract, via a payment of cash and transfer of stocks.

Investment strategy

The Trustee's primary investment objectives are to ensure that: sufficient resources are available to meet all liabilities as they fall due; investment returns are maximised at an acceptable level of risk; and funding level volatility is reduced.

The Trustee sets the investment strategy for the Fund taking into account considerations such as the strength of the Employer Covenant, the long-term liabilities of the Fund and the funding agreed with the Employer.

The Trustee's Report (Cont)

The strategy as at 31 March 2023 is to hold the following asset allocations.

Asset class	Benchmark Allocation (%)
Growth	
Multi-asset	18
Protection	
Liability Driven Investment	82
Corporate bonds	28
Gilts	52
Cash	2
Total	100

Voting rights and social, environmental and ethical considerations

The Trustee believes that environmental, social and governance (ESG) factors, including management of climate related risks, are potentially financially material and therefore have a policy to take these into account, alongside other factors, in the selection, retention and realisation of investments. However, these factors do not take precedence over other financial and non-financial factors, including but not limited to historical performance or fees. The Trustee may consider both financial and non-financial factors when selecting or reviewing the Fund's investments.

The Trustee does not apply any specific ethical criteria to their investments.

As the Fund's material investments (except the Insight Bonds and LDI) are held in pooled funds, ESG considerations are set by each of the investment managers. The Fund's investment managers will ultimately act in the best interests of the Fund's assets to maximise returns for a given level of risk. The Trustee does not currently impose any specific ESG-related restrictions or requirements on the segregated bonds mandate with Insight, so ESG considerations are determined at their discretion. The Trustee is aware of the approach that each of their investment managers take in relation to ESG considerations.

The Trustee believes that good stewardship and positive engagement can lead to improved governance and better risk-adjusted investor returns. The Trustee delegates the exercise of rights (including voting rights) attached to the Fund's investments to the investment managers. The managers are all signatories to the UN Principles of Responsible Investment and to the UK Stewardship Code.

In selecting, monitoring and reviewing their investment managers, where appropriate, the Trustee will consider investment managers' policies on engagement and how these policies have been implemented. The Trustee has not considered it appropriate to take into account individual members' views when establishing the policy on environmental, social and governance factors, engagement and voting rights.

The Trustee's Report (Cont)

Assets as at 31 March 2023

Fund	31 March 2023		31 March 2022	
	Valuation £000	Allocation	Valuation £000	Allocation
BlackRock Dynamic Diversified Growth Fund	54,508	8.5%	63,230	7.4%
Ruffer Absolute Return Fund	108,994	17.0 %	107,581	12.5%
Insight Buy and Maintain Bonds	195,777	30.6%	238,846	27.7%
Insight Segregated LDI	276,302	43.2%	448,735	52.2%
Chubb Common Investment Fund	19	0.0%	1,624	0.2%
Bank of New York Mellon Cash and Liquidity	4,652	0.7	-	-
Total	640,252	100%	860,016	100%

Assets above excludes AVC investments and insurance policies.

Performance to 31 March 2023

	12 months (%)		3 years p.a. (%)		5 years p.a. (%)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
Chubb Security Pension Fund	-22.8%	-23.0%	-6.0%	-6.9%	-2.8%	-3.0%

Economic and market conditions over the year to 31 March 2023

Economic Environment

The 12-month period to 31 March 2023 began with inflation in the developed world at its highest rate in several decades. Inflation had risen over 2021 as the global economy reopened following the COVID pandemic. However, just as inflation appeared to be peaking, the Russian invasion of Ukraine in February 2022 provided a secondary inflationary impulse to the economy. The rest of the period to 31 March 2023 was therefore dominated by rising inflation, central banks raising interest rates in an attempt to bring inflation under control, and elevated volatility as markets struggled to adjust to higher interest rates. These factors resulted in most asset classes producing deeply negative returns over the year.

Following the Russian invasion of Ukraine in February 2022, western governments responded by imposing sanctions on Russia and their ally, Belarus. This included sanctions on the Russian financial system, including restrictions on trading Russian government bonds. However, the bigger impact on global markets came through commodity prices, particularly natural gas, as both sides gradually introduced measures to reduce the supply of Russian gas to Europe. Natural gas prices rose to an all-time high and would remain highly elevated in Europe throughout the middle of the year as gas was stockpiled for winter. However, the end of the stockpiling period and a relatively warm winter helped natural gas prices to fall nearly 60% over the final quarter of 2022.

The Trustee's Report (Cont)

US CPI inflation peaked in June 2022 at 9.1%, before falling to 5.0% in March 2023 as supply chain disruption and pandemic stimulus measures passed through the system. However, European gas prices meant that UK and EU inflation reached a higher and later peak in October 2022, with UK CPI inflation reaching 11.1% and Eurozone inflation reaching 10.6%. This high level of inflation forced central banks to raise interest rates at the fastest pace for several decades and reduce or reverse asset purchase programmes. From May 2022, central banks started to step up the pace of rate rises from 0.25% increments to 0.5% or 0.75% increments at each meeting. By the end of 2022, interest rates had reached 3.5% (Bank of England), 4.25-4.50% (Federal Reserve) and 2.5% (ECB), their highest levels since the Global Financial Crisis. The Bank of England interest rate has continued to rise post 31 March 2023. The scale and pace of the rate rises enacted by central banks contributed to significant disruption across markets, including a UK gilt crisis in 2022 and a banking crisis in 2023, and this led to central banks looking to slow the pace of rate rises to limit further disruption.

Rising inflation and interest rates resulted in rising government bond yields across the world. The pace of the rise was steep with UK 15-year nominal gilt yields rising from 1.15% on 31 December 2021 to 3.16% on 31 August 2022, broadly in line with other developed market government bonds. However, on 23 September, the new UK government produced a fiscal statement that significantly increased borrowing. This contributed to a further sharp rise in gilt yields. 15-year gilt yields spiked as high as 4.9% on the morning of 28 September. The speed and scale of this rise in long-term gilt yields was far larger than at any time since the early 1970's and later that day the Bank of England stepped in to calm markets. It announced that it would purchase up to £65bn of long dated gilts. Purchases were later extended to include index-linked gilts and increase the maximum daily purchase limit, although only around £19bn of total purchases were made. This intervention, alongside the replacement of Liz Truss as Prime Minister by Rishi Sunak, calmed markets and by 23 November 15-year yields had fallen back to 3.28%. The Bank of England was therefore also able to sell the gilts purchased during this intervention back into the market, selling the final gilts in the first week of 2023.

In March 2023, two US banks, Silicon Valley Bank and Signature Bank, failed with the US government having to step in to guarantee deposits. These were the first failures of a large US bank since 2008. The failure of Silicon Valley Bank in particular was closely tied to its inability to adjust to the swift rise in central bank interest rates. The failures caused wider disruption in banking markets that spread to Credit Suisse, which had been suffering from falling deposits for some time. This required the Swiss government to step in and arrange for UBS to purchase Credit Suisse. By the end of the quarter the disruption had subsided, and the overall market impact was limited outside the banking sector.

Over the year, all major central banks tightened monetary policy as economies recovered to pre-pandemic levels and inflation rose far above target.

- The Bank of England (BoE) raised the base rate from 0.75% to 4.25% over the year. In November 2022 began to actively sell down its stock of bonds. After the BoE's intervention in September and October, it was able to sell all the gilts it had bought during that period by the first week of 2023.
- The US Federal Reserve (The Fed) raised the Federal Funds Rate range from 0.75%-1.00% at the beginning of the year to 4.75%-5.00% in March 2023. The Fed began the process of reducing its balance sheet in June 2022 as it announced that the proceeds from its US Treasury holdings would no longer be reinvested below a monthly cap of \$30bn from June to August and \$60bn after that.
- The European Central Bank (ECB) raised its main lending rate from 0.0% to 3.5% over the year to 31 March 2023. The ECB decided to end its Asset Purchase Programme (APP) effective from 1 July 2022 and to cease reinvestment of the proceeds from the APP assets in March 2023 at a rate of €15 billion per month.

The Trustee's Report (Cont)

Market Performance

The 12 months to 31 March 2023 saw negative returns across almost all asset classes.

- **Equities:** Overall, global equities produced negative total returns over the year to 31 March 2023, falling by 5.0% in local currency terms. The best performing region, in local currency terms, was Japan (+5.0%), and the worst performing region was North America (-8.2%).
- **Bonds:** Over the year to 31 March 2023, UK gilt yields rose significantly across all maturities. UK fixed interest gilts (all stocks) produced very deep negative returns (-16.3%) and UK index-linked gilts (all stocks) delivered even deeper negative returns (-26.7%) as implied inflation fell over the year. UK corporate bond spreads (all stocks) widened significantly (0.4%) over the year.
- **Property:** The MSCI UK All Property Index fell by 13.0% over the 12 months to 31 March 2023.

Employer related investments

At 31 March 2023, the Fund had no employer related investments (2022: nil).

Nature, disposition, marketability, security and valuation

The Trustee has considered the nature, disposition, marketability, security and valuation of the Fund's investments and considers them to be appropriate relative to the reasons for holding each class of investment. More details about investments are given in the notes to the financial statements.

Custodial arrangements

Bank of New York Mellon acts as custodian for the Insight Investment Management segregated portfolios. These investments are held in a designated nominee account at Bank of New York Mellon, in the name of the Trustee of the Fund.

The global custodian of the CCIF is Bank of New York Mellon.

Approval of Trustee's Report

The Trustee's Report on pages 1 to 12 was approved by the Trustee and signed on its behalf by:

B D McGowan

Date: _____

Summary of contributions payable in the year

During the year, no contributions were payable to the Fund by the Employer under the Schedule of Contributions dated 20 January 2022.

Approved by the Trustee and signed on its behalf by:

B D McGowan

Date: _____

Independent auditors' statement about contributions

to the trustee of Chubb Security Pension Fund

Statement about contributions

Opinion

In our opinion, the payable under the schedule of contribution for the fund year ended 31 March 2023 as reported in Chubb Security Pension Fund's summary of contributions have, in all material respects, been paid in accordance with the schedule of contributions certified by the fund actuary on 20 January 2022.

We have examined Chubb Security Pension Fund's summary of contributions for the fund year ended 31 March 2023 which is set out on the previous page.

Basis for opinion

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have, in all material respects, been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the fund under the schedule of contributions, and the timing of those payments.

Responsibilities for the statement about contributions

Responsibilities of the trustee in respect of contributions

As explained more fully in the statement of trustee's responsibilities, the fund's trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the fund by employers in accordance with relevant requirements.

Auditors' responsibilities in respect of the statement about contributions

It is our responsibility to provide a statement about contributions and to report our opinion to you.

Use of this report

This report, including the opinion, has been prepared for and only for the trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
London

Date:

Independent auditors' report

to the trustee of Chubb Security Pension Fund

Report on the audit of the financial statements

Opinion

In our opinion, Chubb Security Pension Fund's financial statements:

- show a true and fair view of the financial transactions of the fund during the year ended 31 March 2023, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

We have audited the financial statements, included in the Annual Report, which comprise: the Statement of Net Assets available for benefits as at 31 March 2023; the Fund Account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the fund's ability to continue as a going concern.

Our responsibilities and the responsibilities of the trustee with respect to going concern are described in the relevant sections of this report.

Independent auditors' report to the trustee of Chubb Security Pension Fund (Cont)

Reporting on other information

The other information comprises all the information in the Annual Report other than the financial statements, our auditors' report thereon and our auditors' statement about contributions. The trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the trustee for the financial statements

As explained more fully in the statement of trustee's responsibilities, the trustee is responsible for ensuring that the financial statements are prepared in accordance with the applicable framework and for being satisfied that they show a true and fair view. The trustee is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, the trustee is responsible for assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intends to wind up the fund, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the fund and its environment, we identified that the principal risks of non-compliance with laws and regulations related to the administration of the fund in accordance with the Pensions Acts 1995 and 2004 and regulations made under them, and codes of practice issued by the Pensions Regulator; and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered the direct impact of these laws and regulations on the financial statements. We evaluated incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls, by the trustee and those responsible for, or involved in, the preparation of the underlying accounting records and financial statements, and

Independent auditors' report to the trustee of Chubb Security Pension Fund (Cont)

determined that the principal risks were related to posting inappropriate journals to conceal misappropriation of assets and inappropriate adjustments of asset valuations. Audit procedures performed by the engagement team included:

- Testing journal entries where we identified particular fraud risk criteria.
- Obtaining independent confirmations of material investment valuations and cash balances at the year end.
- Testing estimates and judgements made in the preparation of the financial statements for indicators of bias.
- Reviewing meeting minutes, any correspondence with the Pensions Regulator, and significant contracts and agreements.
- Holding discussions with the trustee to identify significant or unusual transactions and known or suspected instances of fraud or non-compliance with applicable laws and regulations.
- Assessing financial statement disclosures, and agreeing these to supporting evidence, for compliance with the Pensions Acts 1995 and 2004 and regulations made under them.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
London

Date:

The Financial Statements

Fund Account

for the year ended 31 March 2023

	Note	31 March 2023 £000	31 March 2022 £000
Contributions and benefits			
Employer contributions	4	-	24,548
Total contributions		-	24,548
Other income	5	-	13
		-	24,561
Benefits paid or payable	6	(29,184)	(28,954)
Transfers to other schemes	7	(6,632)	(17,278)
Administrative expenses	8	(1,544)	(1,677)
		(37,360)	(47,909)
Net withdrawals from dealings with members		(37,360)	(23,348)
Returns on investments			
Investment income	9	14,313	601
Change in market value of investments	10	(212,266)	(20,781)
Investment management expenses	11	(593)	(206)
Net return on investments		(198,546)	(20,386)
Net decrease in the fund during the year		(235,906)	(43,734)
Net assets of the Fund			
Opening net assets		879,810	923,544
Closing net assets		643,904	879,810

The notes on pages 20 to 32 form part of these financial statements.

The Financial Statements (Cont)

Statement of Net Assets

available for benefits as at 31 March 2023

	Note	31 March 2023 £000	31 March 2022 £000
Investment assets:			
Bonds	10	645,593	769,297
Pooled investment vehicles	13	176,381	179,110
Derivatives	14	9,016	2,306
Insurance policies	18	59	68
AVC investments	17	245	274
Reverse repurchase agreements	16	19,747	39,417
Cash deposits	10	423	1,149
Other investment balances	15	4,566	4,906
		856,030	996,527
Investment liabilities:			
Derivatives	14	(9,570)	(2,016)
Repurchase agreements	16	(205,904)	(134,151)
Other investment balances	15	-	(2)
		(215,474)	(136,169)
Total net investments	10	640,556	860,358
Current assets	22	4,206	20,123
Current liabilities	23	(858)	(671)
		643,904	879,810
Total net assets available for benefits		643,904	879,810

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which takes into account such obligations, is dealt with in the Report on Actuarial Liabilities on page 7 of the Annual Report, and these financial statements should be read in conjunction with this report.

The notes on pages 20 to 32 form part of these financial statements.

These financial statements on pages 18 to 32 were approved by the Trustee and signed on its behalf by:

B D McGowan

Date: _____

Notes to the Financial Statements

1. General information

The Chubb Security Pension Fund (the 'Fund') was established under English law by a Trust Deed and Rules dated 1 May 1980 and is currently governed by a replacement definitive Trust Deed and New Rules which was adopted on 19 May 2000 (as subsequently amended).

The Fund is an occupational defined benefit pension plan registered in the United Kingdom. The office is at Ground Floor, 2 Lotus Park, Staines, Middlesex TW18 3AG.

2. Basis of preparation of the financial statements

The individual financial statements of Chubb Security Pension Fund have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised June 2018) ("the SORP").

3. Accounting policies

The principal accounting policies of the Fund which are applied consistently are as follows:

Currency

- The Fund's functional and presentational currency is pounds sterling. Monetary items denominated in foreign currency are translated into sterling using the closing exchange rates at the Fund year-end. Foreign currency transactions are recorded in sterling at the spot exchange rate at the date of the transaction. Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

Contributions

- Contributions made by the Employer are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions and Recovery Plan under which they are payable.

Payments to members

- Pensions in payment are accounted for in the period to which they relate.
- Benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken, or if there is no member choice, on the date of retiring or leaving.
- Where members have a choice regarding the form and timing of their benefit, benefits are accounted for on an accruals basis on the later of the date of retiring or leaving and the date the option is exercised. Other benefits are accounted for on an accruals basis on the date of retiring or leaving.
- Individual transfers out of the Fund are accounted for when member liability is discharged which is normally when the transfer amount is paid.
- Where the Trustee agrees or is required to settle tax liabilities on behalf of a member (such as where lifetime or annual allowances are exceeded) with a consequent reduction in that member's benefits receivable from the Fund, any taxation due is accounted for on the same basis as the event giving rise to the tax liability and shown separately within "Benefits paid or payable".

Expenses and other payments

- Administrative expenses are accounted for on an accruals basis.
- Investment management expenses are accounted for on an accruals basis and shown net within "Returns on investments". Transaction costs are included in the cost of purchases and sale proceeds.

Investment income

- Income from bonds is accounted for on an accruals basis and includes interest bought and sold on investment purchases and sales.
- Investment income arising from the underlying investments of the remaining pooled investment vehicles is reinvested within the pooled investment vehicles and reflected in the unit price. Thus, it is reported within "Change in market value".
- Income from cash and short-term deposits is accounted for on an accruals basis.
- Receipts from annuity insurance policies are accounted for as investment income on an accruals basis.

Notes to the Financial Statements (Cont)

3. Accounting policies (Cont)

- Receipts or payments under swap contracts, representing the difference between the swapped cash flows, are included in investment income.
- Interest payable on repurchase agreements and receivable on reverse repurchase agreements is accounted for in the period it falls due.

Investments

- The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.
- The number and value of units held within the Chubb Common Investment Fund (CCIF) is provided by the CCIF custodian. The units are single priced and the underlying accounting policies and methodology for the fair valuation and classification of assets and liabilities held within the CCIF are detailed in the CCIF financial statement set out in Appendix I.
- Quoted securities in active markets are usually valued at the current bid prices or at the valuation date nearest to the year end.
- Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV) determined in accordance with fair value principles, provided by the pooled investment manager.
- Bonds are stated at their clean prices. Accrued income is accounted for within "Investment income" and within "Investment income receivable" included as "Other investment balances".
- Annuities have been valued by the Fund Actuary at the amount of the related obligation, determined using the most recent Scheme Funding valuation assumptions updated for market conditions at the reporting date.
- AVC investments securing additional benefits for those members electing to pay additional voluntary contributions ("AVCs") are included in the statement of net assets available for benefits. The market value of these investments is the fair value advised by the investment manager at the year end date.
- Exchange traded futures are valued as the sum of the daily mark-to-market, which is a calculated difference between the settlement prices at the reporting date and the inception date.
- Over the counter (OTC) derivatives are valued using the following valuation techniques:
 - Swaps – current value of future cash flows arising from the swap determined using discounted cash flow models and market data at the reporting date.
 - Forward foreign exchange (Forward FX) – the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
- Repurchase agreements are accounted for as follows:
 - Repurchase agreements (repo) – the Fund continues to recognise and value the securities that are delivered out as collateral and includes them in the financial statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a payable amount.
 - Reverse repurchase agreements (reverse repo) – the Fund does not recognise the securities received as collateral in its financial statements. The Fund does recognise the cash delivered to the counterparty as a receivable in the financial statements.

Critical accounting judgments and estimation uncertainty

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Trustee makes estimate and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. For the Fund, the Trustee believes the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of the Fund investments and, in particular, those classified in Level 3 of the fair-value hierarchy. Explanation of the key assumptions underpinning the valuation of investments are included above and within note 19.

Notes to the Financial Statements (Cont)

4. Contributions

	2023	2022
	£000	£000
Employer contributions		
Deficit funding	-	20,000
Additional expense contributions	-	1,128
Section 75 debt	-	3,420
	-	24,548

In accordance with the Schedule of Contributions dated 29 May 2019, with effect from 1 April 2021 the Employer was to pay all expenses in respect of the Fund. The additional contributions in the table above represent the expenses paid by the Fund, which have been refunded by the Employer up to 31 December 2021.

Following the completion of the 31 March 2021 actuarial valuation an updated Schedule of Contributions dated 20 January 2022, was agreed. Under the new Schedule the Employer agreed to pay a one off contribution of £20m in the prior year in respect of the shortfall in funding as set out in the Recovery Plan. Also, under the new Schedule, all fees and expenses are to be paid by the Fund.

During the prior year, the Employer paid a Section 75 debt contribution of £3,420,000 in respect of TG Products Limited, a former Participating Employer who ceased participation in the Fund during the previous year.

5. Other income

	2023	2022
	£000	£000
Claims on term insurance policies	-	13

6. Benefits paid or payable

	2023	2022
	£000	£000
Pensions	26,746	26,119
Commutation of pensions and lump sum retirement benefits	2,364	2,534
Lump sum death benefits	74	301
	29,184	28,954

7. Transfers to other schemes

	2023	2022
	£000	£000
Individual transfers to other schemes	6,632	17,278

Notes to the Financial Statements (Cont)

8. Administrative expenses

	2023	2022
	£000	£000
Administration and processing	479	571
Actuarial fees	592	562
Pensions Regulator and Pension Protection Fund levies	51	41
Audit fees	49	38
Trustee fees	80	67
Legal and other professional fees	293	398
	1,544	1,677

Under the Schedule of Contributions, dated 29 May 2019, fees were due to be met by the Employer with effect from 1 April 2021.

All fees paid by the Fund between 1 April 2021 and 31 December 2021 were reimbursed by the Employer and are included as Employer expense contributions in note 4.

A new Schedule of Contributions was certified on 20 January 2022, under which administrative expenses are all met by the Fund.

9. Investment income

	2023	2022
	£000	£000
Income from bonds	14,239	710
Income from pooled investment vehicles	108	-
Net receipts from swaps	27	-
Net interest on repurchase agreements / reverse repurchase agreements	(179)	(130)
Annuity income	21	21
Interest on cash deposits	97	-
	14,313	601

Income from Bonds has increased significantly in the year as the Fund only started to directly invest in Bonds in February 2022. Previously the Fund's investments were principally held in the CCIF.

Notes to the Financial Statements (Cont)

10. Reconciliation of investments

	Value at 1 April 2022 £000	Purchases at cost and Derivative Payments £000	Sales proceeds and derivative receipts £000	Change in market value £000	Value at 31 March 2023 £000
Bonds	769,297	194,970	(114,594)	(204,080)	645,593
Pooled investment vehicles:					
CCIF invested units	1,624	-	(1,211)	(394)	19
Other pooled investment vehicles	177,486	83,756	(84,070)	(810)	176,362
<i>Total Pooled investment vehicles</i>	<i>179,110</i>	<i>83,756</i>	<i>(85,281)</i>	<i>(1,204)</i>	<i>176,381</i>
Derivatives - net	290	15,964	(9,885)	(6,923)	(554)
Insurance policies	68	-	-	(9)	59
AVC Investments	274	-	(16)	(13)	245
	949,039	294,690	(209,776)	(212,229)	821,724
Cash deposits	1,149			(37)	423
Other investment balances	4,904			-	4,566
Amounts receivable under reverse repurchase agreements	39,417			-	19,747
Amounts payable under repurchase agreements	(134,151)			-	(205,904)
Net investment assets	860,358			(212,266)	640,556

The majority of the assets were withdrawn from the CCIF in February and March 2022 and transferred into new investment arrangements for the Fund, with only a small holding in the CCIF arrangement remaining as at the year end.

The annual report and financial statements of the CCIF for the year ended 31 March 2023 are attached to these financial statements at Appendix I. These financial statements provide detail of the movements in the underlying assets of the CCIF in the year to 31 March 2023 and the valuation of the assets at that date.

Also included in the financial statements of the CCIF are details of the investment transaction costs of the CCIF, the fair value hierarchy of financial instruments, details of investment risks relating to the assets held within the CCIF, the investment strategy, the concentration of assets and details of employer related investments held indirectly through the assets of the CCIF.

Transaction costs are included in the cost of purchases and deducted from sale proceeds. Direct transaction costs include costs charged to the Fund such as fees, commissions and stamp duty. The Fund incurred £1k in direct transaction costs in the year (2022: £nil).

Indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles. The amount of indirect costs is not separately provided to the Fund.

Employer related investments

At 31 March 2023 and 31 March 2022, there were no direct or indirect employer related investments.

Notes to the Financial Statements (Cont)

11. Investment management expenses

	2023	2022
	£000	£000
Administration, management and custody	593	206

12. Taxation

The Fund is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

13. Pooled investment vehicles

The Fund's investments in pooled investment vehicles at the year-end comprised:

	2023	2022
	£000	£000
Diversified Growth Fund	108,994	107,581
Absolute Return Fund	54,508	63,230
Liquidity Funds	12,860	6,675
CCIF*	19	1,624
	176,381	179,110

* Detail of the assets underlying the investment in the CCIF is included in the annual report and financial statements of the CCIF, which are attached to these financial statements in Appendix I.

14. Derivatives

Objectives and policies for holding derivatives

The Trustee has authorised the use of derivative financial instruments by the investment managers as part of their investment strategy as follows;

- Futures and Swaps: Interest rate swaps and bond and interest rate futures may be used by bond managers for the purposes of implementing duration, country allocation, yield curve and investment views.
- Forward foreign currency: FX may be used for currency hedging purposes, but not for speculative purposes.

At the year end the Fund had the following derivatives:

	2023		2022	
	Asset £000	Liability £000	Asset £000	Liability £000
Exchange traded				
Futures	88	(149)	164	(21)
Over-the-counter contracts				
Forward FX contracts	959	(36)	167	(937)
Swaps	7,969	(9,385)	1,975	(1,058)
	9,016	(9,570)	2,306	(2,016)

Notes to the Financial Statements (Cont)

14. Derivatives (Cont)

A summary of the Fund's outstanding derivative contracts at the year-end aggregated by key characteristics is set out below:

Futures contracts

Nature	Notional amounts £000	Duration	Asset value £000	Liability value £000
UK Gilt exchange traded	2,170	<3 Months	46	-
Overseas exchange traded	5,296	<3 Months	42	(149)
Total 2023	7,466		88	(149)
Total 2022	10,812		164	(21)

Forward FX contracts

Type	Nominal value £000	Duration	Asset value £000	Liability value £000
EUR/GBP	8,311	1-3 months	48	-
GBP/USD	1,380	1-2 months	-	(36)
USD/GBP	55,808	1-3 months	911	-
Total 2023	65,499		959	(36)
Total 2022	101,510		167	(937)

The nominal value represents the sterling value of the foreign currency amount of the contract translated at the year end spot rate.

OTC Swaps

Nature	Notional amounts £000	Duration	Asset value £000	Liability value £000
UK interest rate swap	60,940	5-29 years	162	(9,385)
Overseas interest rate swap	62,040	3-27 years	7,807	-
Total 2023	122,980		7,969	(9,385)
Total 2022	109,130		1,975	(1,058)

At the Fund year end, the counterparties had deposited £8.9 million (2022: £2.0 million) of cash collateral and the Fund posted cash collateral amounting to £9.3 million (2022: £1.5 million).

Notes to the Financial Statements (Cont)

15. Other investment balances

The other investment balances held by the Fund at the year-end are as follows:

	2023	2022
	£'000	£'000
Investment assets		
Interest receivable	4,566	4,906
	2023	2022
	£000	£000
Investment liabilities		
Overpaid annuity income	-	(2)
Net other investment balances	4,566	4,904

16. Repurchase and reverse repurchase agreements

	2023	2022
	£000	£000
Amounts payable under repurchase agreements	(205,904)	(134,151)
Amounts receivable under reverse repurchase agreements	19,747	39,417
	(186,157)	(94,734)

Bonds with a fair value of £205.5m (2022: £123.4m) had been sold subject to repurchase contracts therefore continued to be recognised in the financial statements. There were 15 repurchase agreements at 31 March 2023 (2022: 8) with maturities between April and July 2023.

Bonds with a fair value of £1.9m (2022: £10.9m) were received as collateral at 31 March 2023 in respect of reverse repurchase agreements is not recognised in the financial statements. Cash delivered to the counterparties was recognised as amounts receivable in the table above. There were 3 (2022: 3) reverse repurchase agreements, with maturities between May and June 2023.

17. AVC Investments

The Trustee holds assets invested separately from the main fund in the form of insurance policies securing additional benefits on a money purchase basis for those members that have elected to pay additional voluntary contributions. Members participating in this arrangement each receive annual statements confirming the amounts held to their account and the movements in the year. The aggregate amounts of AVC investments at the year end are as follows:

	2023	2022
	£000	£000
Aegon (unit linked)	245	274

18. Insurance policies

Annuity policies provide an income to the Fund as disclosed in note 9. The value of these policies is estimated annually by the Fund Actuary.

	2023	2022
	£000	£000
Annuities	59	68

Notes to the Financial Statements (Cont)

19. Fair value hierarchy

The fair value of financial instruments has been disclosed using the following fair value hierarchy:

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

A fair value measurement is categorised in its entirety on the basis of the lowest level input which is significant to the fair value measurement in its entirety.

The Fund's investment assets and liabilities fall within the above hierarchy levels as follows:

	As at 31 March 2023			Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Bonds	-	645,593	-	645,593
Pooled investment vehicles	-	176,362	19	176,381
Insurance policies	-	-	59	59
Derivatives - net	-	(554)	-	(554)
AVC investments	-	245	-	245
Cash deposits	423	-	-	423
Other investment balances	4,566	-	-	4,566
Repurchase and reverse repurchase agreements - net	-	(186,157)	-	(186,157)
	4,989	635,489	78	640,556

	As at 31 March 2022			Total £000
	Level 1 £000	Level 2 £000	Level 3 £000	
Bonds	-	769,297	-	769,297
Pooled investment vehicles	-	177,486	1,624	179,110
Insurance policies	-	-	68	68
Derivatives – net	-	290	-	290
AVC investments	-	274	-	274
Cash deposits	1,149	-	-	1,149
Other investment balances	4,904	-	-	4,904
Repurchase and reverse repurchase agreements – net	-	(94,734)	-	(94,734)
	6,053	852,613	1,692	860,358

Notes to the Financial Statements (Cont)

20. Investment risk disclosures

Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- **Currency risk:** this is the risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in foreign exchange rates
- **Interest rate risk:** this is the risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in market interest rates
- **Other price risk:** this is the risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee determines the investment strategy. The Fund has exposure to these risks because of the investments it makes.

Further information on the Trustee's approach to risk management, credit and market risk at the year-end is set out below. This does not include legacy insurance policies nor AVC investments as these are not considered significant in relation to the overall investments of the Fund.

Investment strategy

The investment objective of the Fund is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the Fund payable under the Trust Deed and Rules as they fall due.

The Trustees set the investment strategy for the Fund taking into account considerations such as the strength of the employer covenant, the long term liabilities of the DB section and the funding agreed with the Employer. The investment strategy is set out in the Fund's Statement of Investment Principles (SIP).

The strategy at 31 March 2023 is to hold the following asset allocations.

Asset class	Benchmark Allocation (%)
Growth	
Multi-asset	18
Protection	
Liability Driven Investment	82
Corporate bonds	28
Gilts	52
Cash	2
Total	100

Notes to the Financial Statements (Cont)

20. Investment risk disclosures (Cont)

Credit risk

The Fund is subject to credit risk because it directly invests in bonds, derivatives, repurchase agreements, has cash balances and holds units in pooled investment vehicles (PIVs). The Fund has indirect exposure to credit risks from the underlying investments held by the pooled investment vehicles.

Analysis of direct credit risk as at 31 March 2023

	Investment grade* £000	Non-investment grade* £000	Unrated £000	2023 £000	2022 £000
Bonds	644,448	1,145	-	645,593	769,297
Derivatives – net	-	-	(554)	(554)	290
Cash	-	-	423	423	1,149
PIVs	-	-	176,381	176,381	179,110
Reverse repurchase agreements	-	-	19,747	19,747	39,417
Repurchase agreements	-	-	(205,904)	(205,904)	(134,151)
	644,448	1,145	(9,907)	635,686	855,112

* Bonds with a rating of BBB- (on the Standard & Poor's and Fitch scale) or Baa3 (on Moody's) or better are considered investment-grade.

The credit risk arising on bonds is mitigated by predominantly investing in government bonds and corporate bonds which are at least investment grade credit rated. The Fund might also invest in high yield bonds, which are non-investment grade. The associated credit risk is mitigated by placing restrictions on the assets that may be held within the bond portfolio.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter (OTC). The Fund holds both exchange traded and OTC derivatives. OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Plan is subject to risk of failure of the counterparty. The risk is reduced through collateral arrangements.

Cash is held within financial institutions which are at least investment grade credit rated.

The pooled investment arrangements used by the Fund comprise a Jersey domiciled unit trust, UK and Irish domiciled open-ended investment companies and a UK domiciled common investment fund. Direct credit risk arising from Pooled Investments Vehicles (PIVs) are mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled manager operates and the Trustees' due diligence of the pooled manager. The PIVs themselves are unrated.

A summary of pooled investment vehicles by type of arrangement is as follows:

	2023 (£000)	2022 (£000)
Jersey domiciled unit trust	54,508	63,230
UK domiciled Undertakings for the Collective Investment in Transferable Securities Open-Ended Investment Company	108,994	107,581
Irish domiciled Undertakings for the Collective Investment in Transferable Securities Open-Ended Investment Company	12,860	6,675
UK domiciled common investment fund	19	1,624
Total	176,381	179,110

Indirect credit risk arises in relation to underlying investments held in the pooled investment vehicles. This risk is mitigated by only investing in pooled funds which invest in at least investment grade credit rated securities or use active management.

The Trustee monitors the performance of the investment managers on a regular basis in addition to having meetings with the investment managers from time to time as necessary. The Trustee has a written agreement with the investment managers, which contains a number of restrictions on how the investment managers may operate.

Notes to the Financial Statements (Cont)

20. Investment risk disclosures (Cont)

Market risk: Interest rates

The Fund is subject to interest rate risk because some of the Fund's investments are held in bonds as segregated investments or through pooled vehicles, repurchase agreements, reverse repurchase agreements and cash. Under this strategy, if interest rates fall, the value of the bonds investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, these investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

Market risk: Currency

The Fund is exposed to currency risk because some of its investments are held in overseas markets. For example, the Fund invests indirectly in overseas equities and bonds through a pooled investment vehicle.

The Fund's liabilities are denominated in sterling and currency hedging is employed to manage the impact of exchange rate fluctuations on the Fund's investments.

Market risk: Other price

Other price risk arises principally in relation to the Fund's return seeking portfolio which includes holdings in absolute return funds. Other price risk also arises due to the inflation linkage of some of the bonds held as segregated investments or through pooled vehicles. Under this strategy, if inflation expectations rise, the value of these bonds investments will rise to help match the increase in actuarial liabilities. Similarly, if inflation expectations fall, these investments will fall in value, as will the actuarial liabilities.

The Fund manages other price risk from return seeking exposure by investing in a pooled fund that invests in a diverse portfolio of instruments across various markets. According to the Fund's Statement of Investment Principles (SIP), the investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities. In addition, the asset allocation is detailed in the Appendix of the SIP document and is monitored on a regular basis by the Trustee.

Other matters

During 2022/2023, geopolitical issues (such as Russia's war in Ukraine) and economic issues (such as increases in the rates of inflation and interest rates and movements in foreign currencies) have had a profound effect on domestic and global economies, with disruption and volatility in the financial markets. The Trustee, in conjunction with its advisers, monitors the situation closely and determine any actions that are considered to be necessary. This includes monitoring the Fund's investment portfolio, the operational impact on the Fund and the covenant of the Employer.

The extent of the impact on the Fund's investment portfolio, including financial performance, will depend on future developments in financial markets and the overall economy, all of which are uncertain and cannot be predicted. Since the year end, the value of the Fund's investment assets and investment liabilities have been impacted. Whilst the Trustee monitors the overall position, it has not, at this time, quantified the change (being an increase or decrease) in market value of the investment assets and investment liabilities as markets remain fluid and unpredictable and therefore such an estimate cannot be made.

21. Concentration of investments

The following investments each account for more than 5% of the Fund's net assets at the year-end:

	2023		2022	
	£000	%	£000	%
Ruffer Absolute Return Fund	108,994	16.9	107,581	12.2
Blackrock Diversified Growth Fund	54,508	8.5	63,230	7.2

22. Current assets

	2023	2022
	£000	£000
Cash at bank	1,908	20,031
Prepaid pensions	1,967	-
Due from employer (VAT recovery)	331	87
Other debtors	-	5
	4,206	20,123

Notes to the Financial Statements (Cont)

23. Current liabilities

	2023	2022
	£000	£000
Unpaid benefits	133	230
Accrued expenses	725	441
	858	671

24. Contingent liabilities and contractual commitments

In the opinion of the Trustee, except for the matter detailed below, the Fund had no contingent liabilities at 31 March 2023 (2022: £nil).

Equalisation of Guaranteed Minimum Pensions (GMP)

In October 2018, the High Court determined that benefits provided to members who had contracted out of the state second pension must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 between men and women. In November 2020, a further ruling by the High Court determined that transfers out of a scheme in respect of members who had contracted out of the state second pension must also be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 between men and women. The Trustee is now reviewing, with its advisers, the implications of this ruling on the Fund. As soon as this review is finalised and any liability quantified, a communication will be issued to affected members.

25. Related party transactions

Transactions with related parties of the Fund comprise;

Key management personnel

- In the year Trustee fees were paid to B D McGowan, I Fixter and W Jones for trustee services to the Fund. The aggregate amount paid was £37,000 (2022: £26,000). In addition, the Fund paid Trustee fees to B D McGowan, T P Allen, W Jones and G P Smart for trustee services to the CCIF. The aggregate amount paid was £43,000 including expenses (2022: £41,000). All Trustee fee payments are accounted for within note 8 of the financial statements.
- H Dulay, I Fixter & C Walters, all of whom are Trustee Directors of the Fund, are in receipt of pensions from the Fund in accordance with the rules of the Fund.

Employer and other related parties

- During the year the Fund, along with the related Chubb Pension Plan, participated in the Chubb Common Investment Fund.
- VAT amounting to £nil (2022: £262k) was recovered from Chubb Group Limited in the year. £331k was recoverable at the year-end (2022: £87k).
- B D McGowan, W Jones, K Krumm and K Bettmann (Trustee Directors of the Fund) are also Trustees of the related Chubb Pension Plan.

26. Subsequent events

On 20 June 2023, the Trustee entered into a bulk purchase annuity insurance contract with Phoenix Life Limited to secure future pension payments for all deferred and pensioner members of the Fund at that date. Under this insurance policy, Phoenix Life will begin to make monthly payments to the Fund from December 2023 onwards to cover the pensions in payment for pensioners in the Fund. The initial premium totalling £543.7m was paid by the Fund to Phoenix Life in July 2023 via payments of cash and transfers of stocks.

Certificate of Adequacy of Contributions

Chubb Security Pension Fund

Certification of the Schedule of Contributions

Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the Statutory Funding Objective is expected to be met by the end of the period specified in the Recovery Plan dated 19 January 2022 and can then be expected to continue to be met for the period for the remaining period for which the Schedule is expected to be in force.

Adherence to Statement of Funding Principles

I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 19 January 2022.

The certification of the adequacy of the rates of contributions for the purpose of securing that the Statutory Funding Objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Fund's liabilities by the purchase of annuities, if the Fund were to be wound up.

Signature:



Date:

20 January 2022

Name: Paul Houghton

Qualification: Fellow of the Institute and Faculty of Actuaries

Address: Decimal Place
Chiltern Avenue
Amersham
Buckinghamshire
HP6 5FG

Employer: Barnett Waddingham LLP

Schedule of Contributions

Chubb Security Pension Fund Schedule of Contributions

Status

This Schedule of Contributions has been prepared by the Trustee of the Chubb Security Pension Fund (the "Fund"), after obtaining the advice of the Scheme Actuary appointed by the Trustee and with the agreement of Chubb International Holdings Limited (the "Employer").

Contributions to be paid by the Employer from 1 January 2022 to 31 January 2027

In respect of the shortfall in funding as set out in the Recovery Plan dated 19 January 2022: A one-off payment of £20,000,000, to be paid towards the Fund within 30 days of the date of signing.


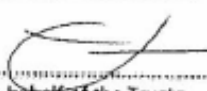
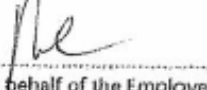
All expenses and the Pension Protection Fund levy will be paid by the Fund.

Other provisions

The Employer contributions are subject to review at the next actuarial valuation which must be carried out with an effective date no later than 31 March 2024.

The Employer may pay contributions in addition to the amounts shown above at any time. Any contributions paid at a rate higher than that required can be offset against later payments due at the request of the Employer.

This schedule has been agreed by the Trustee and the Employer

Signed:  On behalf of the Trustee	Name: <u>Brian McCosken</u>	Position: <u>Trustee Director</u>
Signed:  On behalf of the Trustee	Name: <u>WARNER JONES</u>	Position: <u>TRUSTEE DIRECTOR</u>
Signed:  On behalf of the Employer	Name: <u>Paul Gwynan</u>	Position: <u>DIRECTOR</u>

Date: 19 January 2022

Implementation Statement

Chubb Security Pension Fund (CSPF)

Purpose of this statement

This Implementation Statement has been produced by the Trustee of the **Chubb Security Pension Fund (“the Fund”)** to set out the following information over the year to **31 March 2023**:

- How the Trustee’s policies on exercising rights (including voting rights) and engagement have been followed over the year; and
- The voting behaviour of the Trustee, or that undertaken on their behalf, over the year.

The Statement has been prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

Stewardship Policy

The Statement of Investment Principles (SIP), dated August 2022, describes the Trustee policy on the exercise of rights (including voting rights) and engagement activities. It has been made available online here:

[Chubb Security Pension Fund – Statement of Investment Principles](#)

The Trustee periodically review engagement activities undertaken by their investment managers to ensure that the policies outlined above are being met and may explore these issues with their investment managers as part of their ongoing monitoring. The Trustee expect managers to engage with key stakeholders where appropriate. The Trustee is currently comfortable with all the investment managers.

At this time, the Trustee has not set stewardship priorities / themes for the Fund given target and now completion of a buy-out this year.

How voting and engagement policies have been followed

The Fund invests using pooled funds and segregated portfolios. Assets with voting rights attached are invested entirely in pooled funds and, as such, the Trustee delegates responsibility for carrying out voting and engagement activities to the fund managers.

Each year, the Trustee receives and review voting information and engagement information (via production of this Statement) from the asset managers, which they review to ensure alignment with their own policies.

Having reviewed the above in accordance with their policies, the Trustee is comfortable that the actions of the fund managers are in alignment with the Fund’s stewardship policies.

The Trustee has reviewed the stewardship and engagement activities of the current managers during the year and were satisfied that their actions were reasonable in the context of the Trustee’s own policies and no remedial action was required during the period. Additional information on the voting and engagement activities carried out for the Fund’s investments are provided on the following pages.

Prepared by the Trustee of the Chubb Security Pension Fund

Implementation Statement (Cont)

Voting Data

This section provides a summary of the voting activity undertaken by the investment managers within the Fund's Growth Portfolio on behalf of the Trustees over the year to 31 March 2023. The cash, gilts and bonds with Insight have no voting rights and therefore no voting information are shown for those assets.

Manager	Ruffer	BlackRock Investment Management
Fund name	Ruffer Absolute Return Fund	BlackRock BIJF Dynamic Diversified Growth Fund
Structure	Pooled	
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.	
No. of eligible meetings	77	893
No. of eligible votes	1,305	11,775
% of resolutions voted	100.0	92.0
% of resolutions abstained	0.1	1.0
% of resolutions voted with management¹	94.2	94.0
% of resolutions voted against management¹	5.7	5.0
Proxy voting advisor employed	Ruffer considers research and recommendations provided by Institutional Shareholder Services (ISS). However, Ruffer do not delegate stewardship activities and retain ultimate discretion in line with their own guidelines.	BlackRock use Institutional Shareholder Services' (ISS) electronic platform to execute their vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, they work with proxy research firms who apply their proxy
% of resolutions voted against proxy voter recommendation	7.1	0.0

¹ As a percentage of the total number of resolutions voted on

¹ As a percentage of the total number of resolutions voted on

Implementation Statement (Cont)

Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustee over the year to be set out. However, recent guidance states that a significant vote is likely to be one that is linked to one or more of a scheme's stewardship priorities / themes. At this time, the Trustee has not set stewardship priorities / themes for the Fund.

For this Implementation Statement the Trustee has asked the investment managers to determine what they believe to be a "significant vote". Ruffer and BlackRock have provided a numerous selection of votes which they believe to be significant, and in the interest of concise reporting the tables below show three of these votes for each fund.

Ruffer, Absolute Return Fund

	Vote 1	Vote 2	Vote 3
Company name	Equinor ASA	BP Plc	The Charles Schwab Corporation
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.54	3.10	0.35
Summary of the resolution	Vote on approving Energy Transition Plan	Vote on approving shareholder resolution on climate change targets	Vote to report on lobbying payments and policy
How the manager voted	For	Against	For
Rationale for the voting decision	Ruffer have been impressed by Equinor's efforts to decarbonise. Equinor is at the forefront of offshore wind developments. They have been profitable in their venture to decarbonise which Ruffer are keen to support.	Ruffer voted in line with ISS and management. Ruffer have done extensive work on BP's work on the energy transition and climate change and Ruffer think they are industry leading. Ruffer support management in their effort to provide clean, reliable and affordable energy and therefore Ruffer voted against the shareholder resolution.	The proposal seeks to ensure the company discloses any lobbying payments, this is a reasonable proposal and Ruffer believe warrants a vote FOR, in line with ISS's recommendation.
Outcome of the vote	The resolution passed with 96.6% votes in favour.	The resolution passed with 85.1% votes in favour.	The resolution failed with 65.1% votes against
Implications of the outcome	Ruffer will monitor how the company progresses and improves over time, and continue to support credible energy transition strategies and initiatives.	Ruffer will monitor how the company progresses and improves over time, and continue to support credible energy transition strategies and initiatives which are currently in place, and will vote against shareholder resolutions which deem as unnecessary.	Ruffer will continue to engage with the company on governance issues and vote in favour of policies that favour disclosure on lobbying payments.
Criteria on which the vote is considered "significant"	The management resolutions aimed to increase the transparency of the company's climate transition planning and outcomes.	Ruffer support management in their effort to provide clean, reliable and affordable energy .	Ruffer support SH resolutions in their effort to get accurate and transparent information on the company's revenue streams.

Implementation Statement (Cont)

BlackRock, Dynamic Diversified Growth Fund

	Vote 1	Vote 2	Vote 3
Company name	Rio Tinto Plc	McDonald's corporation	Amazon.com, Inc.
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Not provided	Not provided	Not provided
Summary of the resolution	Approve climate action plan	Issue transparency report on Global Public Policy and Political Influence	Advisory Vote to Ratify Named Executive Officers' Compensation
How the manager voted	For	Against	For
Rationale for the voting decision	Not provided	Not provided	Not provided
Outcome of the vote	Pass	Fail	Pass
Implications of the outcome	Not provided	Not provided	Not provided
Criteria on which the vote is considered "significant"	Not provided	Not provided	Not provided

Implementation Statement (Cont)

Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustee. The table below provides a summary of the engagement activities undertaken by each manager during the year for the relevant funds.

Engagement activities are limited for the Fund's LDI and cash funds due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

Manager	Ruffer	Insight	BlackRock
Fund name	Absolute Return Fund	Buy & Maintain Bonds (incl. a GBP Liquidity Fund); and Liability Driven Investment (LDI).	BIJF Dynamic Diversified Growth Fund
Number of engagements undertaken on behalf of the holdings in this fund in the year	15	165	383
Number of entities engaged on behalf of the holdings in this fund in the year	39	644	Not provided
Number of engagements undertaken at a firm level in the year	41	1,178	3,963

Examples of engagement activity undertaken over the year to 31 March 2023

Ruffer, Absolute Return Fund

Ruffer engaged with ArcelorMittal on environmental issues where Ruffer co-leads the CA100+ group.

Ruffer will continue to engage with ArcelorMittal on its progress with the Climate Action 100+ Net-Zero Benchmark, focusing on climate-related lobbying, governance (in particular, remuneration) and medium-term greenhouse gas emissions reduction targets as our core priorities. Ruffer will also continue to engage on the science-based emissions reduction targets and the company's remuneration policy.

Insight

Insight engaged with Equinor on environmental issues, including carbon emissions and providing guidance for its energy production mix.

Insight will continue to engage with Equinor on its plans for those oilfields deemed 'unconventional' to assess the environmental/biodiversity impact of these projects. Excluding the three oilfields suggested to be 'conventional' by Equinor, this would push their controversial revenues score below the threshold. However, given the heightened biodiversity risk in the Arctic, Insight decided to keep the definition of these oilfields as 'unconventional'.

Chair's Statement

Chubb Security Pension Fund ("The Fund")

Chair's statement regarding the governance of defined contribution arrangements

Scheme year - 1 April 2022 to 31 March 2023

1. Introduction

- 1.1. This statement has been prepared by the Trustee of the Chubb Security Pension Fund ("the Trustee"), to report on compliance 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 scheme year 1 April 2022 to 31 March 2023. It may not, therefore, include any subsequent changes to the Fund since 31 March 2023.
- 1.4. As required by the Regulations, the Trustee will publish this Statement on a publicly accessible website. The web address for the website will be <https://chubbfund.com/uk-en/reports/>.

2. The Fund's DC arrangements

- 2.1. The Fund's DC arrangements comprise:
 - 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 Fund from 6 April 1997 to 'contract out' of the State Pension Scheme. These Protected Rights remained invested within the Fund'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 Trustee has been informed by the Fund's administrator, Buck, that during the Fund year, comparable pensions that could be secured by DC underpin accounts were not expected to be greater than the DB entitlement. Benefits for these members are therefore expected to be DB in nature and are not considered further in this Statement.
 - 2.1.3. The Fund held an Additional Voluntary Contribution (AVC) policy with one provider during the reporting period.

3. The Fund's investment arrangements

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

Chair’s Statement (Cont)

Overview of the Fund’s investment arrangements

3.3. All Protected Rights benefits were invested in line with the Fund’s DB investment strategy (“the Fund Portfolio”). The Fund Portfolio operates as a unitised arrangement. Units within the Fund Portfolio are valued using the market value of assets which are reported on a monthly basis.

4. Core financial transactions

4.1. The Trustee has a duty to ensure that ‘core financial transactions’ are processed promptly and accurately, for the Fund these comprise the following:

4.1.1. Transfer payments out of the Fund

4.1.2. Retirement/death benefit payments out of the Fund

4.2. As Protected Rights benefits are invested in the Fund Portfolio, there are no investment switches available to members outside those made by the Trustee. Therefore, only transfers/payments out of the Fund are relevant in terms of core financial transactions.

4.3. Transactions in respect of the Protected Rights benefits are undertaken on the Trustee’s behalf by the administrator of the Fund, Buck.

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 Trustee has 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 Fund’s main administration tasks, including core financial transactions. Buck aims to process at least 95% of core financial transactions within the SLAs set below:

Core financial transaction	Service level
Transfers out of the Fund	10 working days
Retirement benefit payments	7 working days

4.5. In order to monitor Buck’s performance against agreed SLAs, the Trustee receives 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 and performance discussed at each Administration Sub-Committee meeting from which the outcomes of these discussions are considered at each Trustee 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 Fund’s annual report and accounts and periodic auditing of the Fund’s membership data. In addition, Buck’s internal controls are subject to internal controls procedures.

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

Chair's Statement (Cont)

Performance during the Fund year

- 4.8. Following the identification of service issues by Buck as highlighted in the Trustee's statements covering the previous two Fund years, the Trustee has continued to closely monitor Buck's performance relating to core financial transactions closely. The Trustee is now satisfied that Buck's ongoing performance against SLAs have largely returned to acceptable levels although where SLA targets are being missed, the Trustee is concerned over the length of time taken by Buck to clear any backlog. Furthermore, following data cleansing exercises undertaken during the Fund year, more outstanding tasks relating to core financial transactions have been identified that the Trustee is working with Buck to resolve.
- 4.9. Buck are required to attend Quarterly Administration Sub-Committee meetings to monitor the above issues and the Trustee continues to work with Buck to improve the processing of core financial transactions, such as in relation to unclaimed benefits during the Fund year. The Trustee has agreed with Buck a framework for reducing the fees paid by the Fund to Buck where performance falls short of SLAs.

Fund AVCs

- 4.10. The AVC policy was provided by Aegon during the reporting period. The Trustee has delegated the administrative oversight of the AVC arrangements to Buck.
- 4.11. There are no formal SLAs in place with the AVC provider, however Buck reports to the Trustee as part of the Trustee's meetings with any specific issues relating to the administration of the AVC policy.

Trustee view of core financial transactions

- 4.12. The Trustee believes that these measures enable it to effectively monitor the promptness and accuracy of core financial transactions of the Fund'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 Fund year, the Trustee is confident that all related core financial transactions over the reporting period have been processed promptly and correctly.

5. Member-borne 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 Fund (other than administering the AVC arrangements) are met by the sponsoring employer.
- 5.3. The Trustee approached the Fund Portfolio's investment managers to obtain details of the member-borne charges and transaction costs incurred over the Fund year. Details are provided below.

Charges in relation to Fund Portfolio

- 5.4. The TER for the Fund Portfolio for the Fund year was 0.2709% p.a.
- 5.5. The additional transaction costs incurred within the Fund Portfolio over the Fund year was 0.2394% p.a.

Chair's Statement (Cont)

Charges in relation to AVCs

5.6. The following tables provide details of the charges and transaction costs for each of the investment options provided through the Aegon AVC arrangement over the Fund year:

Investment option	TER (p.a.)	Transaction costs (year to 31 March 2023)	Average transaction costs (p.a.)*
Aegon BlackRock LifePath Capital 2034-2036 (BLK)	0.41%	0.0584%	0.0487%
Aegon BlackRock LifePath Capital 2031-2033 (BLK)	0.41%	0.0372%	0.0386%
Aegon BlackRock LifePath Capital 2028-2030 (BLK)	0.41%	0.0563%	0.0499%
Aegon BlackRock LifePath Capital 2025-2027 (BLK)	0.41%	0.0424%	0.0346%
Aegon BlackRock LifePath Capital 2022-2024 (BLK)	0.41%	0.0241%	0.0234%
Aegon BlackRock Cash (BLK)	0.33%	0.0132%	0.0137%
Aegon BlackRock Long Gilt (BLK)	0.30%	-0.0211%**	-0.0278%**
Aegon BlackRock Index-Linked Gilt (BLK)	0.30%	0.0363%	0.0065%
Aegon BlackRock American Flexible Equity (BLK)	0.90%	0.0583%	0.1358%
Aegon BlackRock 50/50 Global Equity Index Tracker (BLK)	0.66%	0.0640%	0.1053%
Aegon BlackRock Balanced Growth (BLK)	0.75%	0.1275%	0.1401%
Aegon BlackRock 50/50 Global Growth (BLK)	0.75%	0.1322%	0.1675%
Aegon BlackRock Strategic Accumulation (BLK)	0.75%	0.1263%	0.1636%

* The statutory guidance requires trustees to disclose an average of the last five years' transaction costs (insofar as they are able). As we have data for the last four years only, the figures are four-year averages for all funds except the LifePath Capital Funds which are three-year averages.

** In certain circumstances, the methodology used for calculating transaction costs (known as slippage) can lead to negative costs being reported. This can be, for example, where other market activity pushes down the price of the asset being traded, whilst the transaction was in progress, resulting in the asset being purchased for a lower price than when the trade was initiated.

Impact of costs and charges

5.7. To demonstrate the impact of charges and transaction costs on members' pension savings over time, the Trustee has produced illustrations, and these are set out in the Appendix.

6. Disclosure of net investment returns

The Trustee is 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 Fund Year. As all Fund benefits (except AVCs) are invested in line with the Fund's DB strategy. The Trustee has provided the returns of the Fund Portfolio for the Fund year. When preparing this section of the statement the Trustee has taken account of the relevant statutory guidance.

Chair's Statement (Cont)

Investment Fund	Annualised Return –1 year to 31 March 2023	Annualised Return – 3 years to 31 March 2023	Annualised Return – 5 years to 31 March 2023
Fund Portfolio	-22.8%	-6.0%	-2.8%

7. Value for members

The Trustee is 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 provider. Regulations require the Trustee to assess the extent to which the Scheme provides value for members.

- 7.1. The Trustee's governance of the Fund Portfolio is supported by Barnett Waddingham as Investment Consultant and subject to Investment Monitoring and Operational Governance Reports.
- 7.2. Barnett Waddingham report directly to the Trustee on the performance of the Fund Portfolio.
- 7.3. The Trustee was satisfied with the performance of the Fund Portfolio during the Fund year. Having considered the charges the members bear, the Trustee believes that this represents good value for its members, although it notes that administrative difficulties continued somewhat during the Fund year.

8. Trustee knowledge and understanding

The Trustee Board

- 8.1. The Trustee Board comprises seven trustee directors, three of whom are nominated by the members.
- 8.2. One of the Company appointed trustee directors, Brian McGowan is the chair.

Trustee knowledge and understanding requirements

- 8.3. Trustee directors are required to be conversant with the Fund'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 Fund assets and other matters to enable them to exercise their functions as trustee directors properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 07. The comments in this section relate to the Trustee as a body in dealing with the whole Fund and are not restricted to DC benefits.

Approach

- 8.4. The Trustee has put in place arrangements for ensuring that trustee directors 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, Fund changes and upcoming matters in the Fund's business plan.
- 8.5. The Secretary to the Trustee reviews the self-assessments and arranges for training to be made available to individual trustee directors or to the full Trustee board as appropriate.
- 8.6. All of the existing trustee directors have completed the Pension Regulator's Trustee Toolkit and new trustee directors are required to complete this within six months of taking up office. During the Fund year no new trustee directors were appointed.
- 8.7. The trustee director appointment & removal policy was updated during the Fund year, formally documenting the induction process for new trustee directors. The new process includes sessions with the Trustee's legal, actuarial and investment advisers, as well as the Fund Secretary.

Chair's Statement (Cont)

- 8.8. In addition, the Trustee received advice from professional advisers as and when required, for example on consultancy, investment and legal matters. The professional advisers are engaged to pro-actively alert the trustee directors on relevant changes to pension and trust law. Professional advisers also provide support in relation to understanding and reviewing the Fund'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.
- 8.9. The Trustee aims to remain conversant with the Fund's Trust Deed & Rules and the following Trust documents and policies, having reviewed them in the Fund year:
- 8.9.1. Statement of Investment Principles (SIP)
 - 8.9.2. General Data Protection Regulation Law & Breach Register
 - 8.9.3. Privacy Notice
 - 8.9.4. Trustee Director Appointment & Removal process
 - 8.9.5. Terms of Reference for each of the Administration, Legislative Compliance and Pensioner Buy-in & Data Cleanse Sub-Committees
 - 8.9.6. Conflicts of Interest Policy
 - 8.9.7. Internal Dispute Resolution Procedure
 - 8.9.8. Training policy and log
 - 8.9.9. Whistleblowing and Breach Notification Policy
 - 8.9.10. Objectives for investment advisers
 - 8.9.11. Trust Deed & Rules (following legal advice on benefit specification)

Activities over the Fund year

- 8.10. The Trustee received the following training from their professional advisers and service providers during the Fund year:
- 8.10.1. Pension Dashboard Regulations
 - 8.10.2. Longevity risk mitigation and insurance transactions
 - 8.10.3. Taxation and inflationary pressures
 - 8.10.4. Climate change guidance
 - 8.10.5. State Pension Age
 - 8.10.6. Finance Act 2022
 - 8.10.7. Reporting on Stewardship
 - 8.10.8. VFM developments in DC schemes
 - 8.10.9. Scam warnings
 - 8.10.10. Equality, Diversity & Inclusion
 - 8.10.11. Collective DC Legislation
- 8.11. During the period covered by this statement, the Trustee undertook a review and received professional advice on the following aspects of DC Fund governance:
- 8.11.1. Effective System of Governance

Chair's Statement (Cont)

8.11.2. Pension Dashboard readiness

8.11.3. Investing for Buy-out

8.11.4. Bulk Annuity Buy-in

8.11.5. Benefit Specification

8.11.6. The calculation that determines the benefits payable for DB members with a DC Underpin

Assessment

8.12. The Trustee considers 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:

8.12.1. The Trustee is able to challenge and question advisers, service providers and other parties effectively.

8.12.2. The Trustee's decisions are made in accordance with the Fund rules and in line with trust law duties

8.12.3. The Trustee's decisions are not compromised by such things as conflicts or hospitality arrangements.

.....
Brian McGowan, Chair of the Trustee

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Date

Chair's Statement (Cont)

Appendix – Illustrations on the impact of cost and charges

A1.1. To demonstrate the impact of member-borne charges and transaction costs on the value of members' pension savings, the Trustee has produced illustrations in accordance with statutory guidance. These show the impact of charges and transaction costs for representative cross-sections of the Fund 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

A1.2. To determine the parameters used in the illustration, the Trustee has analysed the membership from the previous Fund year and ensured that the illustration takes into account the following:

- A1.2.1. Protected Rights funds are fully invested in the Fund Portfolio.
- A1.2.2. Using the median pot size of those who hold Protected Rights funds as a representative pot size.
- A1.2.3. The approximate duration that the youngest member using the Fund Portfolio would take to reach Normal Retirement Age ("NRA").
- A1.2.4. The Trustee has 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 Fund Portfolio

A1.3. All Protected Rights funds are invested in the Fund Portfolio.

Years of membership	Age: 45	
	Starting pot size £5,000	
0	£5,000	£5,000
1	£4,971	£4,946
3	£4,913	£4,839
5	£4,855	£4,735
10	£4,715	£4,484
15	£4,579	£4,246
20	£4,446	£4,021

A1.4. Note on how to read this table: If a Protected Rights member had £5,000 invested in this option on 31 March 2023, when they came to retire in 10 years, the savings pot could reduce to £4,715 in today's terms if no charges are applied or to £4,484 in today's terms with charges applied.

- A1.4.1. 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.
- A1.4.2. Inflation is assumed to be 2.5% each year
- A1.4.3. No further contributions are assumed to be paid
- A1.4.4. Values shown are estimates and are not guaranteed
- A1.4.5. Charges for the Fund Portfolio used in the illustration are those outlined in this statement
- A1.4.6. The projected growth rates for the Fund Portfolio is 1.90% p.a. which is in line with those produced for the Fund's 2021 Statutory Money Purchase Illustrations (SMPI).

Chair's Statement (Cont)

A1.4.7. 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 this year only.

Appendix I – Chubb Common Investment Fund Report & Financial Statements