Chubb Pension Plan ("the Plan")

Chairman's statement regarding the governance of defined contribution arrangements

Scheme year - 1 April 2024 to 31 March 2025

1. Introduction

1.1. This statement has been prepared by the Trustees of the Chubb Pension Plan ("the Trustees"), to report on compliance with governance standards. It has been prepared in accordance with The Occupational Pension Schemes (Scheme Administration) Regulations 1996.

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

1.3. This statement covers the Plan year 1 April 2024 to 31 March 2025. It may not, therefore, include any subsequent changes to the Plan since 31 March 2025.

1.4. As required by the Regulations; the Trustees will publish this Statement on a publicly accessible website. The web address for the website will be https://chubbfs.com/uk-en/reports/.

2. The Plan's DC arrangements

2.1. The Plan'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 Plan from 6 April 1997 to 'contract out' of the State Pension Scheme. These Protected Rights remained invested within the Plan's defined benefit (DB) investment strategy.

2.1.2. DC 'underpin' accounts apply for some members, under which they will receive the greater of a DB entitlement and the comparable pension that can be secured by the DC underpin accounts. The Trustees have been informed by the Plan's administrator, Gallagher (previously Buck prior to acquisition by Gallagher during the reporting period), that during the Plan year, comparable pension 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 Plan held Additional Voluntary Contribution (AVC) policies with four providers during the Plan year.

3. The Plan's investment arrangements

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

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

Overview of the Plan's investment arrangements

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

4. Core financial transactions

4.1. The Trustees have a duty to ensure that 'core financial transactions' are processed promptly and accurately.

4.2. Core financial transactions comprise the following:

4.2.1. Transfer payments out of the Plan

4.2.2. Retirement/death benefit payments out of the Plan

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

4.4. Core financial transactions in respect of the Protected Rights benefits are undertaken on the Trustees' behalf by the administrator of the Plan, Gallagher.

Controls and monitoring arrangements

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

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

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

Core financial transaction	Service level
Transfer payments out	10 working days
Retirement benefit payments	7 working days

4.5.3. In order to monitor Gallagher's performance against the agreed SLA's, the Trustees receive quarterly administration reports from Gallagher. These reports include cash flow monitoring, summaries of member transactions, reporting of service performance against 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 reported and escalated (where necessary) at each Trustees' meeting.

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

4.5.4.1. Internal checking procedures are applied to all processes.

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

4.5.5. The Trustees have reviewed the above processes and controls implemented by Gallagher and consider these to be suitably designed to achieve their objectives.

Performance during the Plan year

4.6. Following the identification of service issues by Gallagher (then Buck) as highlighted in the Trustees' statements covering the previous four Plan years, the Trustees have continued to monitor Gallagher's performance relating to core financial transactions closely.

4.7. Despite an improvement in service levels in the previous Plan year, following Buck's acquisition by Gallagher, service levels have dipped with achieved SLA's continuously declining throughout the reporting period.

4.8. Gallagher have attributed the decline to staffing issues and an increased backlog of cases as a result of the recent data cleanse exercise undertaken for the Plan. The Trustee has been in continuous and constructive dialogue with Gallager throughout the reporting period to help improve available resource and better streamline processes to help the Plan's administration return to normal levels.

4.9. The Trustees have clauses within their service agreement with Gallagher to include performance-related fees whereby Gallager's fees for its services are reduced where SLA targets are missed.

4.10. Due to the continuing administration issues being experienced by the Plan. the Chairman of the Trustees has lodged an ongoing complaint with Gallagher regarding its service levels.

4.11. In addition to the above, Gallagher are still required to attend the quarterly Administration Sub-Committee meetings to report to the Trustees on its progress relating to the above issues.

Plan AVCs

4.12. The AVC policies are provided by Aegon, Aviva, Phoenix Life and Standard Life. The Trustees have delegated the administrative oversight of these AVC arrangements to Gallagher.

4.13. There are no formal SLAs in place with the AVC providers, however Gallagher reports to the Trustees with any specific issues relating to the administration of the separate AVC policies at quarterly Administration Sub-Committee and regular Trustee meetings.

Assessment

4.14. The Trustees believe that these measures enable it to effectively monitor the promptness and accuracy of core financial transactions of the Plan's administration for its DC and AVC arrangements. Whilst acknowledging the issues experienced, due to the very low value of Protected Rights benefits during the Plan year, the Trustees believe that core financial transactions have largely been processed promptly and accurately and where they were not, appropriate compensation has been awarded to members.

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.

Charges in relation to the Plan Portfolio

5.2. The TER for the Plan Portfolio for the Plan year was 0.10%

5.3. The additional transaction costs incurred within the Plan Portfolio over the Plan year was 0.01%

Charges in relation to AVCs

5.4. The following table provides details of the charges and transaction costs for each of the investment options provided through the AVC arrangement over the Plan year (data sourced from Aegon):

Investment option	TER (p.a.)	Transaction costs (year to 31 March 2025)	Average 5-year transaction costs (p.a.)
Aegon Blackrock Cash (BLK)	0.30%	0.0138%	0.0145%
Aegon Blackrock LifePath Capital 2037-2039 (BLK)	0.41%	0.0436%	0.0450%*
Aegon Blackrock LifePath Capital 2031-2033 (BLK)	0.41%	0.0392%	0.0378%
Aegon Blackrock LifePath Capital 2028-2030 (BLK)	0.41%	0.0320%	0.0418%
Aegon Blackrock LifePath Capital 2025-2027 (BLK)	0.41%	0.0246%	0.0298%
Aegon Blackrock LifePath Capital 2022-2024 (BLK)	0.41%	0.0127%	0.0195%
Aegon Blackrock European Growth (BLK)	0.90%	0.0398%	0.0794%
Aegon Blackrock American Flexible Equity (BLK)	0.90%	0.5075%	0.2136%
Aegon Blackrock UK Growth (BLK)	0.75%	0.2976%	0.1979%
Aegon Blackrock Balanced Growth (BLK)	0.75%	0.2804%	0.1818%
Aegon Blackrock 50/50 Global Growth (BLK)	0.75%	0.3365%	0.2109%
Aegon Blackrock Strategic Accumulation (BLK)	0.75%	0.3200%	0.2039%

* 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 figure for this fund is a four-year average.

Other AVC providers

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

AVC Provider	Investment option	TER (p.a.)	Transaction costs (p.a.)
Aviva	The Trustees have not been able to obtain any details of the costs and transaction costs incurred with the Aviva AVC arrangement. The Trustees are working with their advisers to ensure this data is captured as soon as possible.		
Phoenix Life	LL Pension Traditional With Profits – V1 Fund	1%	0.1267%
Standard Life	Holding account	Standard Life states that "there are currently no charges or expenses as the Plan is paid up"	

Impact of costs and charges

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

6. Net investment returns

6.1. The Trustees are required to disclose returns, net of charges and transaction costs, for the default investment arrangement and for each fund that members are able, or were previously able, to select and in which members' assets were invested during the Plan year. As all Plan benefits (except AVCs) are invested in line with the Plan's DB strategy, the Trustees have provided the returns of the Plan Portfolio for the Plan year. When preparing this section of the statement the Trustees have taken account of the relevant statutory guidance.

Investment Fund	Annualised Return –1 year to 31 March 2025	Annualised Return – 3 years to 31 March 2025	Annualised Return – 5 years to 31 March 2025
Plan Portfolio	1.3%	-9.2%	-1.7%

7. Value for members

7.1. Regulations require the Trustees to assess the extent to which the charges and transaction costs borne by members in the Plan provides value for members. These member-borne deductions cover the cost of providing the investment management services for the Protected Rights funds and also the administration services and communications for the AVC providers.

7.2. The Trustees' governance of the Plan Portfolio is supported by Barnett Waddingham as Investment Consultant and subject to Investment Monitoring and Operational Governance Reports.

7.3. Barnett Waddingham report directly to the Trustees on the performance of the Plan Portfolio.

7.4. The Trustees were satisfied with the performance of the Plan Portfolio during the Plan year. Having considered the charges the members bear, the Trustees believe that this represents good value for its members, although it notes the ongoing administrative difficulties during the Plan year.

8. Trustee knowledge and understanding

The Trustee Board

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

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

Trustee knowledge and understanding requirements

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

Approach

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

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

8.6. All of the existing Trustees have completed the Pension Regulator's Trustee Toolkit and new Trustees are required to complete this within six months of taking up office.

8.7. The Trustee appointment & removal policy formally documents the induction process for new trustees. The process includes sessions with the Trustees' legal, actuarial and investment advisers, as well as the Secretary to the Trustees.

8.8. In addition, the Trustees receive 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 Trustees on relevant changes to pension and trust law. Professional advisers also provide support in relation to understanding and reviewing the Plan's documents, attending trustee meetings and often in the delivery of training at these meetings. The relevant skills and experience of those advisers is a key criterion when evaluating advisor performance or selecting new advisers.

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

8.9.1. the Internal Dispute Resolution Procedure Policy

8.9.2. the Conflicts of Interest Policy

8.9.3. the Gifts & Hospitality Policy

8.9.4. the Remuneration and Fees Policy

8.9.5. the Scheme Continuity Plan

8.9.6. the Business Continuity Escalation Plan

8.9.7. the Cyber Security Policy

8.9.8. the Whistleblowing Policy

8.9.9. the Risk Register

8.9.10. the Risk Management Policy

8.9.11. the Succession Plan

8.9.12. the GDPR Policy

8.9.13. the Trustee Training Policy

8.9.14. the Annual Report and Accounts

8.10. The structured training programme was followed during the Plan year with annual self-assessments completed by all trustee directors, and the training programme itself was also reviewed. The training log was reviewed and updated.

Activities over the Plan year

8.11. The Trustees received training at trustee meetings from their professional advisers and service providers over the Plan year on the following topics:

8.11.1. Market movements and discount rates

8.11.2. Surpluses and asset ceilings

8.11.3. Inflation trends and assumptions

8.11.4. Mortality projects

8.11.5. High Court case impact

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

8.12.1. GMP Rectification and Equalisation

Assessment

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

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

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

8.13.3. The Trustees' decisions are not compromised by such things as conflicts or hospitality arrangements

This statement was approved by the Trustees and signed on their behalf by:

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Brian McGowan, Chairman of the Trustees Date

Appendix 1 – 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 Trustees have produced illustrations in accordance with statutory guidance. These show the impact of charges and transaction costs for representative cross-sections of the Plan membership. For the illustration, the savings pot has been projected twice; firstly, to allow for the assumed investment return gross of the costs and charges of the fund the member is invested in and then again but adjusted for the cumulative effect of the costs and charges of the fund.

Parameters used for the illustrations

A1.2. To determine the parameters used in the illustration, the Trustees have analysed the members invested relevant to the reporting period of this statement and ensured that the illustration takes into account the following.

A1.2.1. Protected Rights funds are fully invested in the Plan 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 Plan Portfolio would take to reach Normal Retirement Age ("NRA").

A1.2.4. The Trustees have determined not to include any illustrations for AVCs as it would be disproportionately burdensome given the amounts of money held in each of the individual AVC funds.

A1.3. Contributions: the illustrations assume no future contributions.

A1.4. Timeframe: the illustrations are shown over a 25-year time frame as this covers the approximate duration that the youngest member would take to reach retirement age.

Guidance to the illustrations

A1.5. The savings pot has been projected twice: firstly for the assumed investment return gross of costs and charges; and secondly for the assumed investment return net of costs and charges.

A1.6. Projected pot sizes are shown in today's terms, so do not need to be reduced further for the effects of future inflation. Inflation is assumed to remain constant throughout the term of the illustrations, at 2.5% per year. It is for this reason that real growth (after inflation) may be negative.

A1.7. The real-terms rates of growth used in the illustrations are calculated by reference to the Financial Reporting Council's AS TM1. The projected growth rates for the Plan Portfolio is 4.00% p.a.

A1.8. Values shown are estimates and not guaranteed.

A1.9. The starting date for the illustrations is 31 March 2025.

The Plan Portfolio

Years from taking benefits	Starting pot size: £1,750 Future contributions: No	
	Before charges	After charges
0	£1,750	£1,750
1	£1,776	£1,774
5	£1,882	£1,872
10	£2,024	£2,002
15	£2,176	£2,142
20	£2,340	£2,291
25	£2,516	£2,451

A1.10. Note on how to read this table: If a member had £1,750 invested in this option on 31 March 2025, when they came to retire in 10 years the savings pot could grow to £2,024 but to £2,002 with charges applied.