

## Section 11 – Annual DC Governance Statement to 5 April 2023 (Forming part of the Trustee Report)

### Chair's Governance Statement for the Fund Year to 5 April 2023

#### Introduction

The Chair's Statement is designed to provide members with key information and assurances regarding the proper running of the Fund and the value it provides. This Statement relates to pension savings in Plan 18 and where relevant in the Plan 35 Additional Voluntary Contributions ('AVCs').

This statement has been prepared by the Fund Trustee in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996. It describes how the Trustee has met the statutory governance standards in relation to the DC Section during the Fund year ending 5 April 2023 in the following areas:

- The DC investment strategy and alternative investment arrangements
- requirements for processing core financial transactions;
- assessment of charges and transaction costs, including 'pounds and pence' illustrations demonstrating the potential impact of costs and charges on a member's DC savings over the course of their Fund membership;
- performance of the Fund's investments;
- assessment of Value for Members; and
- assessment of Trustee Knowledge and Understanding.

The Fund is closed to future contributions and is not used as a qualifying scheme for auto-enrolment purposes. Plan 18 members who retain assets in the Fund do so as they hold either a GMP underpin or other protected benefits that would be lost had they been transferred to the Aviva Master Trust. Although the Fund is closed to future contributions, the Trustee are committed to maintaining the best possible pension arrangement for the members.

#### Default Investment Arrangements and alternative investment options

Appended to this statement is a copy of the Trustee's latest Statement of Investment Principles ('SIP'). This document governs the Trustee's investment decisions, including its aims, objectives and policies for the Fund's default investment arrangements. The SIP was reviewed during the Fund year in May 2022 and was recently reviewed and agreed in August 2023.

This document is prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005. In line with disclosure requirements, the Trustee posted the updated SIP and the Chair's statement on a publicly accessible website.

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The Trustee recognises that members have differing investment needs and that these may change during the course of the members' working lives. It also recognises that members have different attitudes towards risk. The Trustee's primary investment objective is to provide an investment range that accommodates different investment objectives and attitudes to investment risk. The Trustee believes that ideally members should make their own investment decisions based on their individual circumstances. However, the Trustee recognises that not all members choose to make their own investment decision and a default investment option is in place.

## Chair's Governance Statement for the Fund Year to 5 April 2023

### Default Investment Arrangements and alternative investment options (continued)

The main objective of the current main default investment arrangement, the Lifestyle strategy, is to provide good member outcomes at retirement. The Trustee designed the lifestyle considering the profile of the membership and expected outcomes at retirement, and believes that the lifestyle manages members risk and return objectives in the glidepath of the lifestyle and reflects members' likely benefit choices at retirement.

The Lifestyle strategy automatically switches from higher risk, higher potential return investments to lower risk (or more appropriate) investments as members approach retirement. The lifestyle targets members taking their pension savings as a cash lump sum. However, some members may look to take their benefits in an alternative way, such as purchase of an annuity, and so the investment strategy also accommodates alternative retirement options.

Following an exercise to rationalise the Fund's Defined Contribution and AVC options, investments which had been held in a policy with Utmost Life & Pensions were transferred to the fund range managed by Legal & General Investment Management (LGIM). Where members had investments in both Utmost and LGIM funds, the proceeds from the sale of the Utmost funds were automatically invested into the same fund options as the members were using from the LGIM range. This means that a number of the LGIM funds, outside of the main default arrangement described above, are now also treated as default arrangements. The Trustee believes these options are suitable for members, given they had chosen them for their other savings in the Fund.

The Trustee is responsible for the Fund's investment governance, which includes setting and monitoring the investment strategy for the Plan 18 investments. The Trustee monitors the performance of all investment options twice a year. The Trustee will periodically, and on no less than a three-yearly cycle, review the appropriateness of the fund range for the Fund, and if necessary, make changes to the design. The Trustee will undertake an earlier review if there are any significant changes in investment policy or member demographics. The Trustee completed its triennial review of the investment strategy in September 2022 and as there have been no substantial changes to the membership demographics, the Trustee determined that no changes were required to either the default investment option or the self-select options.

### Processing of core financial transactions

Fund administration, including the processing of financial transactions, is undertaken by the Fund's administrator, Hymans Robertson, which provides quarterly reports to the Trustee Board. The Trustee has a service agreement in place with its administrator which covers the accuracy and timeliness expected for processing core financial transactions. Any errors or delays are investigated thoroughly, and action is taken to put things right as quickly as possible.

As the Fund is closed to future contributions, core financial transactions relating to both Plan 18 and Plan AVCs are limited but include transfers of assets into and out of the Fund, fund switches, and payments out of the Fund to and in respect of members.

Hymans Robertson have confirmed that bank accounts are monitored daily. Banking transactions have 6 people inputs including two checkers and two mandated signatories. All transactions involving the movement of funds are controlled through Hymans' cash management authorisation process controls. All transactions are reviewed and authorised before payment is made. Evidence of peer review and checking is recorded. Changes made to records by members and or automated systems are peer reviewed.

## Chair's Governance Statement for the Fund Year to 5 April 2023 (continued)

### Processing of core financial transactions (continued)

An annual external audit of Hymans Robertsons administration systems is carried out, called the AAF01/20 report. The independent reporting accountant gave an unqualified report on the fair representation, design suitability and operational effectiveness of the controls in place for Hyman Robertson's business as a whole and the underlying information technology systems. This highlighted two exceptions which were the only exceptions across Hyman Robertsons business as a whole, and therefore not necessarily the Fund itself. These are detailed below:

- Exception 1 was due to the failure to complete a signed-off checklist to evidence pension scheme member details and accounts for a client were accurately set-up onto the relevant systems, in accordance with the Scheme rules and individual elections. The error was shown as an exception within the report impacting one control. The team have been reminded of the importance of ensuring processes are followed and correct sign-off is recorded.
- Exception 2 was due to the failure to restrict access to in-scope systems and data to an individual contractor whose contract was not renewed. This was noted as an exception, impacting one control. This was not a scenario that occurs frequently, however the relevant teams have been made aware of the importance of ensuring access is restricted to authorised individuals in accordance with business requirements.

During the review period, the Trustee was satisfied that reporting from the Fund administrator evidenced that such financial transactions were processed promptly and accurately. These reports demonstrated that the administrator was operating broadly within the agreed service levels and within the statutory disclosure limits.

The Trustee, having considered these reports alongside the reports received from the Fund's appointed auditor, CLA Evelyn Partners Limited, has concluded that the Fund's core financial transactions have been processed promptly and accurately during the Fund year.

No member complaints were received during the Fund year. More widely in relation to performance against the agreed service level, the administrator completed 73% of cases within the service level agreement over the period 1 April 2022 to 31 March 2023 which is below the target set by the Trustee and administrators. The Trustee has been closely monitoring the service provided by the administrator to agree the necessary actions required to ensure these levels improve over the forthcoming year.

### Assessment of charges and transaction costs

The Trustee is required to set out the on-going charges borne by members in this statement, which are the annual fund management charges plus any additional fund expenses (such as custody costs, but excluding transaction costs), which in total is known as the total expense ratio ("TER"). The TER is paid by the members and is reflected in the unit price of the funds. In accordance with regulation 25(1)(a) of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, the Trustee is also required to separately disclose the transaction costs borne by members over the period.

The Trustee has calculated the 'charges' and the 'transaction costs', borne by members during the Fund year based on information provided to the Trustee by the Fund's investment managers taking account of the statutory guidance for the calculations and provision of information relating to charges and transaction costs.

For these purposes 'charges' means annual fund management charges plus any additional expenses excluding transaction costs, costs relating to certain court orders, charges relating to pension sharing under the Welfare Reform and Pensions Act 1999, winding up costs, or costs solely associated with the provision of death benefits. 'Transaction costs' are those incurred as a result of buying, selling, lending or borrowing investments.

**Chair's Governance Statement for the Fund Year to 5 April 2023 (continued)****Assessment of charges and transaction costs (continued)**

The table below lists the charges and transaction costs applying to all the Fund's DC investment funds. The charges paid by members relate solely to accessing the investments. Costs associated with the provision of administration and communications services is met by the Employer.

All charges and transaction cost information has been provided by Legal and General Investment Management ('LGIM'), the Fund's investment platform provider.

It should be noted that, due to the universal method used to calculate transaction costs, transaction costs reported by the investment platform provider can be negative, meaning the price of a trade when transacted was lower than when the instruction to make the trade took place. Where there is a negative cost we have quoted the cost as zero.

<b>Investment Fund</b>	<b>Fund Management Charge (%)</b>	<b>Other Expenses (%)</b>	<b>Total Expense Ratio (%)</b>	<b>Aggregate Transaction costs (%)</b>
Diversified Fund	0.30	0.02	0.32	0.00
All World Equity Index Fund	0.20	0.00	0.20	0.06
World (ex UK) Equity Index Fund	0.22	0.00	0.22	0.06
UK Equity Index Fund	0.10	0.08	0.18	0.03
Retirement Income Multi-Asset Fund	0.35	0.02	0.37	0.12
Cash Fund	0.12	0.00	0.12	0.04
Ethical Global Equity Index Fund	0.30	0.00	0.30	0.00
AAA-AA-A Corporate Bond Over 15 Year Index Fund	0.18	0.00	0.15	0.00
Managed Property Fund	0.73	0.07	0.80	0.00
Global Emerging Markets Equity Index Fund (AVC only)	0.45	0.15	0.60	0.04
Over 5 Year Index-Linked Gilts Fund (AVC only)	0.10	0.00	0.10	0.21

Source: Charges and transaction cost information provided by LGIM as at 31 March 2023, transaction costs for the year 1 April 2022 – 31 March 2023. No transaction cost information is missing.

Depending on how far a member is from their Target Retirement Date, the Total Expense Ratio (TER) applying to the default investment option, the lifestyle, ranges from 0.20% - 0.34%.

The TER applying to the funds in the wider fund range are between 0.10% to 0.80%. With the exception of the L&G Managed Property Fund, the current charges for the funds in the fund range, including the lifestyle, are materially below the charge cap of 0.75%. The charge cap applies to default arrangements as defined in the Occupational Pension Schemes (Charges and Governance) Regulations 2015. The Managed Property Fund does not classify as a default arrangement under this legislation.

## Chair's Governance Statement for the Fund Year to 5 April 2023 (continued)

### Assessment of charges and transaction costs (continued)

The AVC funds accessed through the DC Section have the same range of charges as the main DC Section.

Over a period, the costs and charges that are taken from members' funds can reduce the amount available to the member at retirement. The Trustee has set out illustrations of the impact of charges and transaction costs on different investment options in the Fund in the section below.

### Illustration of the effect of costs and charges

The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 require the Trustee to produce a "£ and pence" illustration showing the compounded effect of charges and transaction costs on a member's retirement savings.

The following table gives a summary of the projected fund and the impact of costs and charges up to a normal retirement age of 65. The figures are presented against three member examples:

- The Fund's youngest member;
- an average member; and
- a member approaching retirement.

Additionally, the table includes the performance of the funds over different time periods depending on the age of the member. The Trustee has decided to show the impact of investing in three of the available investment options. Whilst these funds may not be the most expensive or have the highest expected return, the Trustee has selected these as they have a significant amount of assets invested or are used by a significant proportion of the membership. These are the:

- **The lifestyle** – the default investment option for the Fund;
- **Cash Fund** – fund with the lowest expected return before costs; and
- **World (ex UK) Equity Index Fund** – fund with a significant amount of assets invested and the highest assumed investment return.

The Trustee has taken account of the statutory guidance on 'Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes' when preparing these illustrations. The assumptions used to calculate the illustrations are included at the end of this statement. It is important to note that the projected fund values are shown in today's terms. The figures are produced for illustrative purposes only and are in no way guaranteed.

## Chair's Governance Statement for the Fund Year to 5 April 2023 (continued)

## Illustration of the effect of costs and charges (continued)

Example Member	Projection period (years)	Default Lifestyle Strategy		L&G Cash Fund		L&G World (ex UK) Equity Index Fund	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
Youngest member	1	£3,661	£3,653	£3,521	£3,516	£3,661	£3,653
	3	£4,006	£3,980	£3,563	£3,549	£4,006	£3,978
	5	£4,383	£4,337	£3,606	£3,581	£4,383	£4,332
	10	£5,473	£5,358	£3,716	£3,664	£5,488	£5,363
	15	£6,707	£6,481	£3,829	£3,749	£6,871	£6,639
	20	£8,048	£7,657	£3,945	£3,836	£8,604	£8,218
	25	£9,402	£8,798	£4,065	£3,926	£10,774	£10,172
	28	£9,934	£9,221	£4,138	£3,980	£12,330	£11,562
Average member	1	£17,467	£17,418	£16,901	£16,877	£17,573	£17,532
	3	£18,832	£18,670	£17,104	£17,033	£19,227	£19,095
	5	£20,238	£19,938	£17,310	£17,190	£21,036	£20,796
	10	£23,864	£23,118	£17,836	£17,589	£26,341	£25,742
	14	£25,869	£24,781	£18,268	£17,915	£31,532	£30,534
Member approaching retirement	1	£18,637	£18,576	£18,209	£18,183	£18,933	£18,889
	3	£19,546	£19,365	£18,428	£18,351	£20,714	£20,572
	5	£20,203	£19,912	£18,650	£18,520	£22,664	£22,405

The assumptions are explained as follows (further notes and assumptions are included in Appendix A):

- the “before charges” figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs.
- the “after charges” figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs.

**Chair's Governance Statement for the Fund Year to 5 April 2023 (continued)****Performance of investment funds**

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 ('the 2021 Regulations') introduced requirements for trustees of relevant occupational pension schemes to calculate and state, in the Chair's Statement, the return on investments from their default and self-select funds, net of transaction costs and charges.

As the Fund uses a Lifestyle where the net returns will vary depending on member age, the Trustee have shown age specific results for savers aged 25, 45, and 55 at the start of the reporting period.

Fund Name	1 year performance (%)	3 year performance (per annum) (%)	5 year performance (per annum) (%)
<b>Lifestyle Fund</b>			
Member aged 25	-1.15	15.67	9.89
Member aged 45	-1.15	15.13	8.57
Member aged 55	-5.13	6.90	4.10
<b>Self-Select Funds</b>			
Diversified Fund	-5.13	6.62	3.96
All World Equity Index Fund	-1.15	15.67	9.89
World (ex UK) Equity Index Fund	-1.24	16.70	10.82
UK Equity Index Fund	2.91	13.81	5.02
Retirement Income Multi-Asset Fund	-2.93	5.19	3.39
Cash Fund	2.11	0.68	0.62
Ethical Global Equity Index Fund	0.55	17.29	11.72
AAA-AA-A Corporate Bond Over 15 Year Index Fund	-24.30	-10.26	-4.38
Managed Property Fund	-14.14	2.14	1.84
Global Emerging Markets Equity Index Fund (AVC only)	-5.33	8.72	1.62
Over 5 Year Index-Linked Gilts Fund (AVC only)	-30.50	-9.30	-4.21
<i>Notes: Performance information provided by LGIM.</i>			

Whilst it is important to understand the Fund's investment performance, it is also important to remember that pensions are a long-term investment. Members shouldn't make decisions based solely on short-term investment performance (either up or down). Members must also remember that investments can go down as well as up, and they may not get back the amount that they invest.




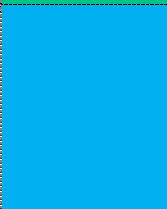

## Chair's Governance Statement for the Fund Year to 5 April 2023 (continued)

### Assessment of Value for Members ('VFM')

The Trustee is committed to ensuring that members receive value from their Fund membership (i.e. the costs and charges deducted from members' accounts provide good value in relation to the benefits and services provided by or on behalf of the Fund). The Trustee has undertaken a VFM assessment, with support from WTW. In line with the requirements of the Pensions Regulator's DC Code of Practice, this assessment considers the extent to which services paid for by members offer good value relative to their cost. It also considers more generally the range and quality of services and benefits associated with Fund membership.

Whilst it is difficult to give a precise legal definition of "good value", in forming its conclusions, the Trustee considered matters including the Plan's management and governance, administration, investment governance and communications and the general characteristics of the Plan's membership.

The table below provides the high-level results of this year's assessment carried out in September 2023. The assessment was undertaken taking account of the Pensions Regulator's Code of Practice No.13 (Governance and administration of occupational trust-based schemes providing money purchase benefits). Whilst the legal requirements of VFM assessments only focus on the benefits and services that are paid for by members, the Trustee has also considered the broader value provided to members which is not paid for by the member).

	Benefit service category and description	Paid for by	Rating
1.	<b>Charges</b> The competitiveness of the charges through benchmarking against both legislative and market comparators and research.	Members	
2.	<b>Scheme governance and management</b> Oversight and governance of the Trustee, ensuring the Scheme is compliant with relevant legislation, such as the charge cap, holding regular meetings to address issues that may impact members.	Trustee/ Employer	
3.	<b>Investment</b> The range and appropriateness of the investment options and strategies, as well as the objectives of the funds and performance against these objectives.	Members	
4.	<b>Administration</b> Oversight of the efficiency of the administration processes and the performance of the administrator, not only in terms of cases completed but also considering any complaints received, how these were dealt with and interactions with members.	Trustee/ Employer	
5.	<b>Communications</b> The quality and range of communications provided and available to members in written form, face to face and online, as well as support services available to members.	Trustee/ Employer	

#### Key:

Good Value		Sufficient Value		Poor Value	
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## Chair's Governance Statement for the Fund Year to 5 April 2023 (continued)

### Assessment of Value for Members ('VFM') (continued)

Only two rating categories have been applied to the Fund in this year's assessment:

**'Good value'** – A scheme offers good value for members if the scheme demonstrates it offers services that are of reasonable or good quality and broadly meet the specific needs of the membership.

**'Sufficient Value'** – A scheme offers sufficient value for members if the scheme demonstrates it offers services that are of reasonable quality and meet some of the specific needs of the membership.

Overall, the Trustee concluded that for the Fund services and features that members meet the cost for, either partially or in full, offer **good** value for money, based on the following:

- Charges for the Fund's default arrangement are well below the 'charge cap' of 0.75% per annum. The transaction costs incurred by the investments are reasonable.
- Members have access to various investment options, all of which have competitive fund management charges, and have been designed based on the Plan's membership demographics. All investment options have performed in line with the Trustee's expectations and the objectives stated in the SIP.
- Members do not currently pay for the Fund's administration costs, professional adviser costs or any costs (other than fund management) associated with the operation of the Fund.
- The high level of oversight and governance provided by the Trustee and its sub-committees.
- The administration services have been rated sufficient as the service levels fell below the agreed levels in place with the Fund administrator. The Trustee will work with the administrator to understand whether there are any issues impacting on the performance against the Service Level Agreement, with a view to improving the levels over the forthcoming year.

The Trustee has concluded that the Plan 35 AVC members also receive good value for money for the same reasons as listed above, and the ability for members to use their AVCs as cash as opposed to commuting DB pension.

### Trustee Knowledge and Understanding ('TKU')

The Trustee Directors are required to maintain appropriate levels of knowledge and understanding to run the Fund effectively and are committed to completing training either at relevant meetings or by personal study. Taking into account the knowledge and experience of the Trustee Directors with the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisors (e.g. investment consultants, legal advisors), the Trustee Directors believe they are well placed to exercise their functions as Trustee Directors of the Fund properly and effectively.

All Plan documents are reviewed by the Trustee and are available on a dedicated and secure Trustee website. At Trustee meetings, key Plan documents are referred to and reviewed if required to ensure these are being adhered to correctly when making decisions, including when deciding individual member cases. The Trustee Directors are conversant with the Fund's SIP, Trust Deed and Rules and various documents setting out the Trustee's policies and procedures. The Trustee understands when these documents require review, when and how to make changes to these documents and policies. The Trustee also believes that it has sufficient knowledge of the legal and regulatory requirements relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil their duties.

**Chair's Governance Statement for the Fund Year to 5 April 2023 (continued)****Trustee Knowledge and Understanding ('TKU') (continued)**

The Trustee meets these requirements with the following and with the assistance of professional advisors:

- Ongoing training, both as a group and individually to keep abreast of relevant developments. During the Fund year, this included training on various topics, these included market volatility, TCFD Investments, actuarial valuation, trustee effectiveness and the new Board portal software.
- The Trustees also attended various external events and webinars and provided feedback to the wider group at quarterly meetings.
- Encouraging all the individual trustees to complete tPR's Trustee Toolkit. The Trustee Toolkit is an online learning programme from tPR aimed at helping new trustees of occupational pension schemes meet the minimum level of knowledge and understanding.
- Receiving hot topics updates concerning legislative, regulatory and wider market developments from advisors on an ongoing basis.
- The Trustee reviews its training needs at least annually. A training log is maintained, and training needs are identified in the log.
- The Trustee's meeting agendas are prepared with support from professional advisors ensuring compliance and best practice.
- The Trustees reviewed and updated the Fund's Statement of Investment Principles (SIP), and also reviewed the conflicts policy, the IDRPs during the Fund year and the GDPR policy following the Fund year end.
- The Trustee is made up of both Employer nominated and member nominated Directors, with a wide range and complimentary skills and experience.

Based on these actions, taken individually and as a board of Trustees, and the professional advice available to them, the Trustees consider that their combined knowledge and understanding enables them to properly exercise their function as a Trustee Board.

**Signed by the Chair on behalf of the Trustee of the Fund:**

Signature:

Name: E Moss

Position: Chair of Trustee

Date: 23 October 2023

**Chair's Governance Statement for the Fund Year to 5 April 2023 (continued)****Appendix A – Notes to illustration of costs and charges**

1. Each member has a different amount of savings within the Fund and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustee has had to make a number of assumptions about what these might be.
2. Projected pension account values are shown in today's terms and do not need to be adjusted for future inflation.
3. The illustrations are estimates and are not guaranteed. They should not be relied upon to make investment decisions. They do not indicate the likely variances and volatility in the possible outcome from each fund. The illustrations are only for the purpose of understanding the long-term effect of charges on pension saving in the different investment funds available in the fund range.
4. Projected fund values are rounded to the nearest hundred pounds
5. Investment returns and costs/charges as a percentage reduction per annum are assumed to be deducted at the end of the year.
6. Charges and costs are deducted before applying investment returns.
7. Switching costs are not considered in the lifestyle strategy.
8. Inflation is assumed to be 2.5% each year.
9. No contributions are assumed as the Fund is a closed scheme.
10. Values shown are estimates and are not guaranteed.
11. The real projected growth rates for each fund are as follows:
  - Default Lifestyle strategy – from 1.480% to 4.600% (adjusted depending on term to retirement)
  - L&G Cash Fund – 0.600%
  - L&G World (ex UK) Equity Index Fund – 4.600%
12. Transactions costs and other charges have been provided by Legal & General Investment Management and cover the period 1 April 2020 – 31 March 2023. Transaction costs have been averaged by WTW using a time-based approach.
13. Pension scheme's normal retirement age is 65.
14. Example members:
  - Youngest member: age 37 with a fund value of £3,500
  - Average member: age 51 with a fund value of £16,800
  - Member approaching retirement: age 60 with a fund value of £18,100