Horwath Clark Whitehill Staff Pension Plan ("the Plan")

Chair's annual statement regarding governance of defined contribution benefits

Reporting period covered – 1 July 2019 to 30 June 2020

1 Introduction

This statement has been prepared by the Plan's Trustees ("the Trustees") and reports on how the Trustees during the reporting period complied with the governance standards, introduced under The Occupational Pension Schemes (Charges and Governance) Regulations 2015 ("the Regulations").

The governance standards relate to defined contribution ("DC") benefits, also commonly referred to as money purchase benefits.

2 The Plan's DC Section

The DC Section provided benefits on a DC basis. The DC Section was structured on an unbundled basis with administration services in the reporting period provided by Barnett Waddingham LLP ("BW" or "the Plan administrator"). Investment management services were provided by Legal & General Assurance (Pensions Management) Limited ("LGIM").

Discharge of the DC Section

Following a consultation period with its employees, the Plan's sponsoring employers, Crowe (U.K.) LLP and Crowe Clark Whitehill Services Limited (together referred to as "the Company"), took the decision to close the DC Section of the Plan to accrual with effect from 1 May 2019. From this date, the Company redirected future pension accrual, for the 13 remaining active members at that time, to the Legal & General WorkSave Pension Plan (a group personal pension arrangement) which was already being used as the pension vehicle for the majority of employees.

Prior to 1 May 2019, the DC Section of the Plan was used as a 'Qualifying Scheme' by the Company to satisfy its auto-enrolment obligations for the active membership to that date. From the 1 May 2019, the DC Section of the Plan has not been used as a Qualifying Scheme by the Company.

Following the closure by the Company, the Trustees were asked to consider securing existing benefits for the 32 preserved DC Section members outside the Plan. The priority of the Trustees was to make decisions which they believed to be in the best interests of members overall. Having undertaken a review of the pension provider market and the modern pension propositions available compared to the DC Section, the Trustees elected to transfer all the DC Section benefits to a Legal & General WorkSave Buy-out Plan (a trustee buy-out plan).

A communication was issued to all DC Section members on 20 May 2020 confirming the decision to transfer all DC Section benefits to the Legal & General WorkSave Buy-out Plan. A bulk transfer took place on 29 June 2020 and all DC Section benefits were discharged on this date. The bulk transfer process is described in Section 5 of this statement.

3 Additional Voluntary Contributions

Additional Voluntary Contributions relating to the Defined Benefit Section ("DB AVCs"), which are held on a DC basis, are provided through bundled providers (i.e. administration and investment management services are provided through a single policy). There are three arrangements:

1) Equitable Life/Utmost

One member holds £661 (as at 30 June 2020) of DB AVCs with Utmost Life and Pensions ("Utmost"). Prior to 1 January 2020 these DB AVCs were held with the Equitable Life Assurance Society ("Equitable Life"),

On 1 January 2020, assets held with Equitable Life were transferred to Utmost and the Equitable Life With-Profits Fund was closed, as part of a wider transfer of business:

- The decision to transfer was led by the two providers and upon provision of proposals that were considered at a Policyholders' Meeting and Extraordinary General Meeting on 1 November 2019 where a vote was held. Ultimately, policyholders voted overwhelmingly in favour of the proposals, which also received High Court approval on 4 December 2019.
- The transfer of assets from Equitable Life to Utmost took place on 1 January 2020. Members invested in the With-Profits Fund received an uplift in value to compensate for guarantees lost as part of the unitisation process and were invested in the Utmost Secure Cash Fund up to the end of June 2020, from which point members will be gradually transitioned over a six month period to the Utmost Investing by Age lifestyle strategy.
- There were no explicit costs to members for the transition, either in selling units in the Equitable Life funds or buying units in the Utmost Funds. Therefore, members' fund values immediately before and immediately after the transition will be the same.

2) Old Mutual

One member holds £13,615 (as at 30 June 2020) of DB AVCs with Old Mutual Wealth ("Old Mutual").

3) L&G/Trustees' bank account

Six members hold £41,011 (as at 30 June 2020) of DB AVCs in the Trustees' bank account. Prior to 27 February 2020 these DB AVCs were held with Legal & General Assurance Society ("L&G").

L&G took the decision to close the type of AVC policy utilised within the Plan. No alternative AVC policy was offered by L&G and it disinvested the DB AVCs back to the Trustees' bank account on 26 February 2020. As the DB AVCs held with L&G were invested in a cash fund, the Trustees took the decision to retain the DB AVCs in the Trustees' bank account until the DB AVCs are secured outside of the Plan.

There were no explicit costs to members for the transition, therefore, members' fund values immediately before and immediately after the transition will be the same.

Discharge of the DB AVCs

The Trustees have taken the decision to secure the DB AVCs outside the Plan with the Legal & General WorkSave Buy-out Plan. The rationale being that the same improved proposition and value implemented for the DC Section should also be implemented for the DB AVCs.

The DB AVCs will be discharged from the Plan to the Legal & General WorkSave Buy-out Plan during the 2020/21 Plan year.

4 Default arrangement

Following the changes described above, the Plan has no default investment arrangements for the purposes of the Occupational Pension Schemes (Scheme Administration) Regulations 1996. 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.

5 Core financial transactions

The Regulations require the Trustees to ensure that 'core financial transactions' are processed promptly and accurately.

For this purpose, the Plan's core financial transactions during the reporting period comprised:

- transfers out of the Plan
- investment switches within the Plan
- payments out of the Plan.

Controls in place

The Trustees delegate administration functions to BW, which is the appointed Plan administrator. BW replaced JLT Benefit Solutions Limited as Plan administrator with effect from 1 September 2019.

On take on of the administration services, BW identified a number of data issues within the DC Section which were resolved in the period, prior to the transfer to the Legal & General WorkSave Buy-out Plan.

The Trustees had Service Level Agreements ("SLAs") in place with BW. BW undertakes to ensure that 95% of the core financial transactions are processed within the SLAs set out below:

Core financial transaction	Service Level Agreement
Transfer payments out	3 working days
Investment switches	5 working days
Retirement payments out of the Plan	5 working days

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

- BW operates a pooled banking facility. The BW pension administration system is updated daily to show reconciled balances to the pooled banking system. Financial Conduct Authority regulations for holding client monies mean that BW must carry out an internal and external reconciliation every day. BW is audited annually and this is evidenced to the independent auditor.
- 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, BW's processes are subject to internal controls procedures.
- BW also publishes an annual Assurance Report on Internal Controls which is externally audited.
- During the Plan year, BW provided the Trustee with quarterly administration reports that include cash flow monitoring, summaries of member transactions, reporting of service performance against the SLAs and identifying any issues arising regarding administration timeliness and/or accuracy.

Utmost and Old Mutual work to internal service targets.

The Trustees believe that these measures enabled them to monitor the promptness and accuracy of core financial transactions.

Bulk transition

For the bulk transfer of benefits from the DC Section to the Legal & General WorkSave Buy-out Plan, the Trustees, with support from Barnett Waddingham LLP, put in place robust processes to ensure the accuracy of the transactions. This included the following:

- A detailed project plan was maintained, with clear timescales and responsibilities in place for the asset transition and regular project calls were held. This ensured the smooth running of the project.
- The transition was implemented via a novation of units from LGIM to the Legal & General WorkSave Buy-out Plan, meaning that on transfer members were not exposed to any out of market risk and no transaction costs were incurred.
- An audit of member units and values was undertaken prior to transfer, in order to ensure that the correct amounts had been transferred and applied for all members.

Issues occurring during the Plan year

Based on the above, the Trustees are satisfied that the core financial transactions have been processed promptly and accurately during the period covered by this statement, and during the discharge of the DC Section, and that suitable controls and measures were in place to monitor performance. Importantly, no material issues have been identified.

6 Charges and transaction costs

Members bear charges deducted from the funds in which their DC benefits are invested. The charges differ between the investment funds available.

Charges in relation to the DC Section

The charges applied to members within the DC Section of the Plan were structured by the investment manager as an annual Total Expense Ratio ("TER") (combining the headline annual management charge and published other expenses) which covered the cost of investment management. The TER differs between the investment funds available. All administration, communication and other costs associated with running the DC Section of the Plan were met by the Company.

The annual member-borne charge applicable to the default investment arrangement in the reporting period was between 0.106% and 0.157%, depending on the point at which a member sat within the lifestyle strategy. The weighting of funds held by the member was determined by the period to pension age.

The charges for the individual investment funds used by the default investment arrangement were:

Fund	Annual Management Charge	Other expenses	TER
LGIM UK Equity Index Fund	0.1007%	0.0305%	0.1312%
LGIM Global Equity Fixed Weights (50:50) Index Fund	0.1658%	0.0175%	0.1833%
LGIM Over 5 Years Index-Linked Gilts Index Fund	0.1001%	0.0000%	0.1001%
LGIM Cash Fund	0.1249%	0.0000%	0.1249%

The four LGIM funds which made up the default investment arrangement were also offered to members on a self-select basis. In addition, the following fund was available on a self-select basis:

Fund	Annual Management Charge	Other expenses	TER
LGIM Multi Asset Fund (formerly Consensus Fund)	0.2508%	0.0056%	0.2564%

In addition to the charges above, transaction costs were incurred in the day-to-day operation of the investment funds, e.g. in relation to an investment fund's trades and switching between investment funds. Transaction costs in particular will vary significantly depending on a fund's investment remit and on the market environment.

The Trustees approached LGIM to obtain details of any unreported costs incurred by members in the reporting period.

LGIM provided details of transaction costs incurred within the funds for the period 1 July 2019 to 30 June 2020. It should be noted that a positive figure is where the transaction costs have been a drag on the fund and a negative figure is where transaction costs have actually resulted in a gain. This may occur, for example, when buying an asset, the valuation price when placing the order might be higher than the actual price paid. This gain may offset other transaction costs resulting in a total negative transaction cost for the fund.

Investment fund	Transaction costs within fund (%)
LGIM UK Equity Index Fund	-0.0263%
LGIM Global Equity Fixed Weights (50:50) Index Fund	0.0102%
LGIM Over 5 Years Index-Linked Gilts Index Fund	0.1321%
LGIM Cash Fund	-0.0034%
LGIM Multi Asset Fund (formerly Consensus Fund)	0.0485%

Notes from LGIM regarding the transaction costs: This is the average cost incurred over the last financial year as a necessary part of buying and selling the funds' underlying investments in order to achieve the investment objectives. A proportion of these costs is recovered directly from investors joining and leaving the fund. In the case of shares, broker commissions are paid by the fund on each transaction. Transfer taxes and/or stamp duty may also be payable. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread. LGIM capture these costs using the implicit cost methodology set out in FCA rules and PRIIPs guidance. Implicit transaction costs have been calculated as the difference between the price at which a deal was struck and the mid-market price of an asset at the time the order was placed in the market. Where the arrival price was not available, the implicit cost was calculated as the difference between the price at which a deal was struck and the mid-market opening price on the day of the trade. Where the mid-market opening price was not available, the mid-market previous closing price was used. Where the previous mid-market closing price was not available, a fixed fee was used to estimate the implicit costs of each trade.

For all funds which hold an investment managed by a third party, LGIM states "*the transaction costs provided by the third party manager are represented in this report as an indirect external fund transaction cost. Legal & General cannot guarantee the accuracy, integrity or completeness of such third party data. The recipient understands and acknowledges that any third party data in the disclosure may contain inaccuracies and/or omission and may not be independently verified.*"

Charges in relation to the DB AVCs

The costs of the investment, administration and communication services provided by the Equitable Life/Utmost, Old Mutual and L&G, through the AVCs, are met by the members through the charges levied by the providers.

Equitable Life/Utmost

For the period up to 31 December 2019, the DB AVC member with Equitable Life was invested in the Equitable Life With-Profits Fund. Data is for the year to 31 December 2019:

Fund name	AMC	OEIC net transaction cost [1]	Stock Lending costs [2]	Transaction costs [3]	Total charge [4]
Equitable Life With Profits Fund	1.00% [5]	N/A	0.00391%	1.03557% [6]	2.04%

[1] The costs for the underlying OEICs held by each Fund are now being calculated on the full arrival price slippage methodology.

[2] When Aberdeen Standard Investment fund lends stock it is entitled to receive 85% of the income earned. The remaining 15% belongs to the stocklending agent. The costs suffered by the fund are disclosed but not the income in accordance with regulations.

[3] This is the cost incurred on the Fund when it purchases or sells the underlying asset (OEIC) as the price may include a dilution adjustment. The purpose of dilution is to ensure the OEIC performance is not impacted by large investments or disinvestments.

[4] The total charges impact to policyholders on each Equitable Life Fund of costs at both Fund and underlying OEIC level and includes the annual management charge.

[5] This excludes the 0.5% p.a. cost for the guarantees that were attached to the fund.

[6] Equitable Life has confirmed that the transaction costs for this fund include the costs incurred from closing the With Profits Fund as at 31 December 2019.

For the period 1 January 2020 to 30 June 2020, the DB AVC member formerly with Equitable Life was invested in the Secure Cash fund provided by Utmost. Data is for the year to 31 March 2020:

Fund name	AMC	OEIC net transaction cost	Stock Lending costs	Transaction costs [1]	Total charge [2]
Utmost Secure Cash Fund	0.50%	0.00000%	0.00000%	0.00100%	0.50%

[1] This is the cost incurred on the Fund when it purchases or sells the underlying asset (OEIC) as the price may include a dilution adjustment. The purpose of dilution is to ensure the OEIC performance is not impacted by large investments or disinvestments.

[2] The total charges impact to policyholders on each Equitable Life Fund of costs at both Fund and underlying OEIC level and includes the annual management charge.

Old Mutual

The charges for the fund offered by Old Mutual are:

Fund	Total Expense Ratio plus fixed deductions
Old Mutual Wealth Prof Index Balanced Fund	0.33% p.a. plus £131.12 deducted in year for "tiered management" and "maintenance" charges

The Trustees approached Old Mutual to obtain details of any unreported costs incurred by members in the reporting period. Old Mutual is unable to provide details of any further transaction costs incurred.

L&G/Trustees' bank account

Up to 26 February 2020, the charges for the fund offered by L&G were:

Fund	Annual Management Charge
Legal & General Assurance (Pensions Management) Limited - Occupational Pension Scheme AVC Fund *(the AVC Fund is invested in the Cash Fund)*	0.125% p.a.

L&G has not provided details of any further transaction costs incurred noting that all costs for this type of policy are reflected in the annual management charge.

From 27 February 2020, on closure of the L&G AVC policy, the AVCs were paid to the Trustees' bank account. Within the Trustees' bank account the AVCs are not subject directly to any charges to the members.

7 Cost & Charge Illustrative Examples

To demonstrate the impact of charges applied through the Plan, in last year's Chair's Statement the Trustees produced illustrations in line with statutory guidance, i.e. the September 2018 guidance from the Department for Work & Pensions entitled "Reporting of costs, charges and other information: guidance for trustees and managers of relevant occupational schemes." These illustrations were designed to cater for representative cross-sections of the membership of Plan's DC arrangements.

As the DC Section of the Plan no longer holds any members or assets, illustrations have not been provided in this Statement.

The Trustees have also determined not to include any illustrations for DB AVCs as it would be disproportionately burdensome given the very small amounts of money held in the DB AVC arrangements, and given these are scheduled to be secured outside the Plan in the 2020/21 year.

8 Value for members

The Trustees are required to assess the extent to which the charges and transaction costs borne by members represent good value. These member borne deductions covered the cost of providing the investment management services only for the DC Section, and investment management, administration and communication services for the DB AVCs.

As part of the overall review of the structure of DC benefits held through the Plan, the Trustees assessed the value for members delivered through the DC Section and DB AVCs relative to that through alternative pension providers, and then in detail against the Legal & General WorkSave Buy-out Plan. The Trustee also considered the wider range of services provided through the Legal & General WorkSave Buy-out Plan and the support available to members.

As a result of this review, the Trustees felt that there would be improved value to members in transferring accrued benefits to the Legal & General WorkSave Buy-out Plan and the DC Section bulk transfer took place on 29 June 2020, and the DB AVCs will follow in the 2020/21 Plan year.

9 Trustee knowledge and understanding

The Trustee Board

The Trustee Board is made up of three Trustees, of whom one is a professional independent trustee. One is member-nominated, meeting statutory requirements for the composition of trustee boards. No new trustees were appointed in the reporting period.

The professional independent trustee is Pi Consulting (Trustee Services) Limited represented by Lynn Pointon, bringing a high degree of pensions experience, knowledge and expertise. Pi Consulting (Trustee Services) Limited also serves as the Chair of the Trustees.

The Trustees are required to be conversant with the Plan's main documents and have appropriate knowledge and understanding of the law relating to pensions and trusts and investment of Plan assets to enable them to properly exercise their functions.

The Trustees address the requirements through a combination of training and taking professional advice.

Trust documentation and policies

During the reporting period the Trustees reviewed the following Trust documents and policies, and in doing so ensured they were conversant with the documents:

- Annual Report & Accounts including the Chair's Annual Statement
- Risk register
- Trust Deed & Rules with particular focus on the Trustees' powers to how the DC Section operates, what changes can be made to the DC Section and how benefits currently held in the DC Section might be secured outside the Plan.

Trustee training

All the Trustees have completed the Pensions Regulator's Trustee training toolkit or completed an appropriate formal qualification in trusteeship. The Chair of Trustees has APPT accreditation.

Training is a standing item on each agenda and a record of training undertaken during meetings is maintained. The Trustees supplement this with activities such as attending seminars and conferences and reading pensions-related articles.

Training in the period covered:

- Barnett Waddingham LLP current issues paper included in agenda pack for every Trustee meeting
- DC governance requirements
- DC asset transitions.

The Trustees maintain a training log, and the professional trustee maintains a log of training undertaken and complies with the Continuous Professional Development requirements of the Institute and Faculty of Actuaries.

Access to professional advice

The Trustees consulted with professional advisers as and when required, for example on consultancy, governance and legal matters. The professional advisers alerted the Trustees, and where appropriate provide training, on relevant changes to pension and trust law.

During the reporting period, the Trustees took professional advice on the operation of the Plan, areas with particular focus on the DC arrangements were:

- Support to transition the administration services
- Undertaking value for member assessment and production of DC governance statement
- Strategic options for securing benefits outside of the Plan, including asset transition planning and implementation
- The powers within the Trust Deed & Rules to discharge DC Section and DB AVC members' benefits
- DC governance requirements post discharge of the DC Section.

Assessment

The Trustees consider that their combined knowledge, skills and understanding together with the advice which is available to them from their advisers enables them to properly exercise their trustee functions in relation to the Plan.

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L Pointon, Chair of the Trustees

Representing Pi Consulting (Trustee Services) Limited Date