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

Chair's annual statement regarding governance of defined contribution benefits

Reporting period covered – 1 July 2018 to 30 June 2019

1. Introduction

1.1. 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").

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

2. The Plan's DC arrangements

2.1. The Plan's DC arrangements comprise:

2.1.1. The DC Section – provides benefits on a DC basis. The DC Section is structured on an unbundled basis with administration services in the reporting period provided by JLT Benefit Solutions Limited ("JLT" or "the Plan administrator") and investment management services provided by Legal & General Assurance (Pensions Management) Limited ("LGIM").

2.1.2. Additional Voluntary Contributions relating to the Defined Benefit Section ("DB AVCs") which are provided through bundled providers (i.e. administration and investment management services are provided through a single policy) with:

2.1.2.1. Equitable Life Assurance Society ("Equitable Life")

2.1.2.2. Legal & General Assurance Society ("L&G"), and

2.1.2.3. Old Mutual Wealth ("Old Mutual")

2.2. To put the governance arrangements around the DB AVCs into context, as at 30 June 2019:

2.2.1. One member held £282 of DB AVCs with Equitable Life,

2.2.2. Six members held £40,868 of DB AVCs with L&G, and

2.2.3. One member held £13,615 of DB AVCs with Old Mutual.

2.3. The Plan closed to future accrual with effect from 1 May 2019. Prior to this date the Plan was used as a 'Qualifying Scheme' by the Participating Employers (Crowe (U.K.) LLP and Crowe Clark Whitehill Services Limited) to satisfy their auto-enrolment obligations for the active membership to that date. From the 1 May 2019, the Plan has not been used as a Qualifying Scheme by the Participating Employers.

3. Default arrangement

3.1. Details of the current default investment arrangement within the DC Section are set out in Section 5 of the attached Statement of Investment Principles, which sets out the Trustees' investment objectives and the strategy of the Plan. It was prepared in accordance with regulation 2A of The Occupational Pension Schemes (Investment) Regulations 2005. The Statement of Investment Principles was signed after the end of the reporting year on 27 September 2019.

3.2. During the reporting period the Trustees, with the support of their investment adviser, monitored the performance of the default investment arrangement strategy and the individual funds which make up the default investment arrangement. The Trustees received four investment monitoring reports.

3.3. No review of the structure of the default investment arrangement was undertaken during the reporting period. The Trustees last undertook a comprehensive review of the default in March 2015. This review took into account the profile and needs of the membership. The Trustees, along with the Participating Employers, have considered the continued use of the DC Section to deliver DC pension benefits and whether alternative options outside the Plan could deliver updated investment strategies

4. Core financial transactions

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

4.2. For this purpose, the Plan's core financial transactions comprise:

4.2.1. investment of contributions

4.2.2. transfers out of the Plan

4.2.3. investment switches within the Plan

4.2.4. payments out of the Plan.

Controls in place

4.3. For the DC Section the Trustees delegate administration functions to JLT, the Plan administrator.

4.4. For the DB AVCs, such transactions would be processed by JLT in liaison with the AVC provider on behalf of the Trustees. If any issues arose with the AVC providers JLT would report these to the Trustees through the administration report.

4.5. The Trustees have Service Level Agreements (SLAs) in place with JLT. JLT undertakes to ensure that the core financial transactions are processed within the SLAs. JLT's performance against SLAs is recorded in the regular administration reports which they prepare:

Core financial transaction	Service Level Agreement
Contribution/allocations	3 working days
Transfer payments out	15 working days
Investment switches	10 working days
Retirement payments out of the Plan	10 working days

4.6. JLT monitors that contributions are paid within regulatory timescales.

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

4.7.1. JLT have a Financial Controls Team who use a dynamic checklist to monitor and reconcile transactions with the investment managers and ensure that they are accurately recorded on the database. The Trustees also review monthly cashflow projections and review bank account reconciliations included in the administration reports.

4.7.2. The Plan auditor checks the investments, bank transactions, life styling profiling, benefit payments, reconciliations, calculations, schedules and contributions as part of the annual audit process.

4.7.3. Each year, JLT prepare an Assurance Report on their Internal Controls. This report is externally audited and a copy is shared with the Trustees for review at their annual governance meeting.

4.8. Equitable Life, L&G and Old Mutual work to internal service targets.

4.9. During the Plan year, JLT provided the Trustees with two 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.

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

Issues occurring during the Plan year

4.11. Whilst the Trustees believe that core financial transactions were processed accurately during the Plan year, since the Plan year end JLT's appointment as administrators has been terminated.

4.12. Barnett Waddingham LLP commenced providing administration services to the Plan with effect from 1 September 2019.

5. Charges and transaction costs

5.1. 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

5.2. The charges applied to members within the DC Section of the Plan are structured by the investment manager as an annual Total Expense Ratio ("TER") (combining the headline annual management charge and published other expenses) which covers 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 are met by the Sponsoring Company.

5.3. The annual member-borne charge applicable to the default investment arrangement has been between 0.106% and 0.155%, depending on the point at which a member sits within the lifestyle strategy. The weighting of funds held by the member are determined by the period to pension age.

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

Fund	TER
LGIM UK Equity Index Fund	0.130% p.a.
LGIM Global Equity Fixed Weights (50:50) Index Fund	0.180% p.a.
LGIM Over 5 Years Index-Linked Gilts Index Fund	0.100% p.a.
LGIM Cash Fund	0.125% p.a.

5.5. The four LGIM funds which make up the default investment arrangement have also been offered to members on a self-select basis. In addition, the following fund is available on a self-select basis:

Fund	TER
LGIM Multi Asset Fund (formerly Consensus Fund)	0.2500% p.a.

Additional transaction costs within the DC Section

5.6. In addition to the charges above, transaction costs are 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.

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

5.8. LGIM provided details of transaction costs incurred within the funds for the period 1 July 2018 to 30 June 2019. 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	-0.0204%
LGIM Global Equity Fixed Weights (50:50) Index Fund	-0.0030%
LGIM Over 5 Years Index-Linked Gilts Index Fund	0.0340%
LGIM Cash Fund	0.0032%
LGIM Multi Asset Fund (formerly Consensus Fund)	0.0158%

LGIM states "*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 is placed in the market ('arrival price'). This is consistent with the implicit cost calculation methods allowable under PRIIPS guidance. The proportion of trades across Legal & General Investment Management for which the arrival price methodology was used to calculate implicit costs for the reporting period was 98% for equity trades, 88% for fixed income trades, 71% for FX [foreign exchange] trades, and 0% for other OTC [over-the-counter] and ETD [exchange traded derivatives] derivative trades. 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 any funds which hold an investment managed by a third party, 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. Where transaction cost information was not made available by the third party, transaction costs incurred by the externally managed fund have not been included. "

Charges in relation to the DB AVCs

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

The charges for the fund offered by Equitable Life are:

Fund	Annual Management Charge
Equitable Life With-Profits Fund	1.57% p.a. *

* Approximate figure quoted by Equitable Life which includes the costs of any guarantees.

The charges for the fund offered by L&G are:

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.

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

Additional transaction costs within the DB AVCs

5.10. The Trustees approached Equitable Life, L&G and Old Mutual to obtain details of any unreported costs incurred by members in the reporting period.

5.11. Equitable Life has stated that the transaction costs within the With-Profits Fund to 30 June 2019 were:
"

Equitable Life Fund (Citi Code)	*Fund Annual Management Charge %pa*	*Underlying Open Ended Investment Company "OEIC" Held (ISIN Number)*	*Annualised Reporting Period*	*OEIC Net Transaction Cost %pa [1]*	*Stocklending %pa [2]*	*Equitable Life Fund Transaction Cost %pa [3]*	*Equitable Life Fund Total Charges Impact %pa [4]*
With-Profits Fund [5]	*1.00*	*N/A*	*30/06/2019*	*N/A*	*0.00391*	*0.063229*	*1.07*

Notes from Equitable Life:
[1] The costs for the underlying OEICs held by each Fund are now being calculated on the full arrival price slippage methodology. The With-Profit Fund does not invest in OEICs but in direct assets.
[2] When a 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 is not impacted by large investments or disinvestments.
[4] The total charges impact to policyholders on each Equitable Life Fund (With-Profit and Unit-Linked) of costs at both Fund and underlying OEIC level and includes the annual management charge.
[5] This excludes the 0.5% for cost of guarantees. "

5.12. L&G has not yet been able to provide details of any further transaction costs incurred noting that all costs for this type of policy are reflected in the annual management charge.

5.13. Old Mutual is unable to provide details of any further transaction costs incurred.

5.14. Legislation was enacted early in 2018 to require investment managers to improve disclosure in this area. The Trustees believe that this, with development in how transaction costs are presented, will enable them to better disclose this information in future Plan years.

6. Cost & Charge Illustrative Examples

6.1 The Trustees have produced illustrations in line with February 2018 guidance from the Department for Work & Pensions entitled "Cost and charge reporting: guidance for trustees and managers of occupational schemes". These illustrations are set out below, and are designed to cater for representative cross-sections of the membership of the Plan's DC arrangements. For each individual illustration, each 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.

6.2 To determine the parameters used in these illustrations, the Trustees have analysed the Plan membership data relevant to the reporting period of this statement and ensured that the illustrations take into account the following:

- A representative range of real terms investment returns, including the lowest, the highest and the most popular (by number of members).
- A representative range of costs and charges, including the lowest and the highest.
- Representative pot sizes – for the Lifestyle strategy (the default investment arrangement) the following illustrations have been provided:

    - median pot size
    - median pot size for just those members with pot sizes under £120,000, and
    - median pot size for just those members with pot sizes over £120,000.
- Representative pot sizes – given the size of the Plan the median pot size for each self-select fund illustrated is deemed appropriate.
- The approximate duration that the youngest member using the fund would take to reach Normal Retirement Age ("NRA") which is age 65.

6.3 As the Plan is now closed to future contributions, the Trustees have not included any allowance for future contributions in these illustrations.

6.4 The Trustees have determined not to include any illustrations for AVCs as it would be disproportionately burdensome given the very small amounts of money held in the AVC arrangements.

Default investment arrangement (the Lifestyle Strategy)

This is the investment strategy that is used by the largest number of members in the DC Section (either because they have selected this strategy or due to it being the default investment arrangement).

Years of membership to NRA	Age: 45 Starting pot size: £71,000		Age: 45 Starting pot size: £180,000		Age: 45 Starting pot size: £58,000	
	Before charges	**After charges**	**Before charges**	**After charges**	**Before charges**	**After charges**
0	£71,000	£71,000	£180,000	£180,000	£58,000	£58,000
1	£70,740	£70,667	£179,341	£179,155	£57,788	£57,728
3	£71,362	£71,134	£180,918	£180,341	£58,296	£58,110
5	£73,325	£72,923	£185,894	£184,874	£59,899	£59,571
10	£83,896	£82,889	£212,694	£210,140	£68,535	£67,712
15	£101,594	£99,646	£257,563	£252,625	£82,993	£81,401
20	£123,027	£119,792	£311,898	£303,698	£100,501	£97,858

LGIM Multi Asset Fund (formerly Consensus Fund)

This fund incurs the highest costs by members within the DC Section.

Years of membership to NRA	Age: 45 Starting pot size: £52,500	
	Before charges	**After charges**
0	£52,500	£52,500
1	£53,320	£53,191
3	£54,997	£54,602
5	£56,727	£56,049
10	£61,295	£59,839
15	£66,231	£63,884
20	£71,564	£68,203

LGIM Over 5 Years Index-Linked Gilts Index Fund

This is the fund which incurs the lowest costs by members within the DC Section.

Years of membership to NRA	Age: 45 Starting pot size: £28,500	
	Before charges	**After charges**
0	£28,500	£28,500
1	£28,500	£28,472
3	£28,500	£28,417
5	£28,500	£28,361
10	£28,500	£28,223
15	£28,500	£28,085
20	£28,500	£27,948

LGIM UK Equity Index Fund

This fund is one of the funds anticipated to have the highest estimated real terms investment returns.

Years of membership to NRA	Age: 45 Starting pot size: £52,000	
	Before charges	**After charges**
0	£52,000	£52,000
1	£54,029	£53,963
3	£58,328	£58,115
5	£62,970	£62,586
10	£76,254	£75,328
15	£92,340	£90,664
20	£111,820	£109,121

LGIM Global Equity Fixed Weights (50:50) Index Fund

This fund is one of the funds anticipated to have the highest future real terms investment returns.

Years of membership to NRA	Age: 45 Starting pot size: £30,000	
	Before charges	**After charges**
0	£30,000	£30,000
1	£31,171	£31,118
3	£33,651	£33,481
5	£36,329	£36,023
10	£43,993	£43,255
15	£53,273	£51,938
20	£64,511	£62,365

LGIM Cash Fund

This fund is the fund anticipated to have the lowest future real terms investment returns.

Years of membership to NRA	Age: 45 Starting pot size: £6,000	
	Before charges	**After charges**
0	£6,000	£6,000
1	£5,912	£5,905
3	£5,740	£5,719
5	£5,574	£5,539
10	£5,178	£5,114
15	£4,810	£4,721
20	£4,468	£4,359

Notes to costs and charge illustrative examples

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.
2. Inflation is assumed to be 2.5% each year
3. No further contributions are assumed to be paid
4. Values shown are estimates and are not guaranteed
5. Charges for each fund used in the illustrations are those outlined in this statement
6. The projected growth rates for each fund or arrangement are in line with those produced for the Plan's 2019 Statutory Money Purchase Illustrations (SMPI), and are as follows:

Fund	Assumed Investment Return
LGIM UK Equity Index Fund	6.5%
LGIM Global Equity Fixed Weights (50:50) Index Fund	6.5%
LGIM Over 5 Years Index-Linked Gilts Index Fund	2.5%
LGIM Cash Fund	1.0%
LGIM Multi Asset Fund (formerly Consensus Fund)	4.1%

7. Value for members

7.1. Regulations require the Trustees to assess the extent to which the charges and transaction costs borne by members represent good value.

7.2. In relation to the Plan's DC arrangements, the member-borne charges relate to:

7.2.1. investment services for the DC Section

7.2.2. Equitable Life, L&G and Old Mutual's administration, investment and communication services for the DB AVCs

7.3. All other charges in relation to the Plan are met by the Sponsoring Employer.

7.4. An annual value for members' assessment was undertaken as at 30 June 2019 with the assistance of the Trustees' advisers.

7.4.1. The assessment considered in relation to investment services:

7.4.1.1. the range of investment options available and the design of the default

7.4.1.2. the arrangements for monitoring the performance of the investment funds

7.4.1.3. the governance arrangements

7.4.2. In relation to DB AVCs with Equitable Life, L&G and Old Mutual the Trustees also considered:

7.4.2.1. the administration services

7.4.2.2. the range of communication materials

7.4.3. Whether other options might be available in the market.

7.5. The Trustees concluded that the Plan offers good value in relation to the charges and transaction costs borne by members.

7.6. In reaching this conclusion, the Trustees recognised:

7.6.1. low cost does not necessarily mean better value

7.6.2. an updated Statement of Investment Principles was signed on 27 September 2019 which incorporated the Trustees' policy towards Environmental, Social and Governance ("ESG") factors.

7.6.3. a lifestyle strategy offering automatic de-risking approaching retirement is in place as a default option

7.6.4. alternative investment options covering the main asset classes can be selected by members

7.6.5. the Trustees have quarterly monitoring processes in place

7.6.6. following the closure of the DC section to future contributions in May 2019, the Trustees have, along with the Participating Employers, reviewed the continued use of the DC Section to deliver DC benefits and whether alternative options outside the Plan could deliver updated investment strategies. The Trustees expect to make changes to the arrangement in the 2019/20 Plan year.

7.7. In relative terms, the comparative charge for the Plan (i.e. 0.106% to 0.155% p.a. depending on where in the Lifestyle Strategy a member sits) is comfortably below the average charge of 0.42% p.a. identified for unbundled trust based schemes in the 2016 Pension Charges Survey (published by The Pension Regulator and Government Social Research in October 2017).

7.8. The following areas could be considered to detract value for members and the Trustees will be taking steps to address these areas in the coming year, where appropriate:

7.8.1. the security and liquidity of assets, and any protections available have not been formally recorded

7.8.2. the last formal review of the investment strategy was undertaken in March 2015 and the pensions market has evolved in this period, however any potential work in this area needs to be considered in the context of the future delivery strategy of the Plan as a whole

7.8.3. the frequency of the monitoring of the AVCs - the Trustees will consider a proportionate and pragmatic approach for the size of AVCs and the changes being made by Equitable Life and Legal & General in 2020.

7.9. The assessment considered just those services for which members bear or share the costs. Factors that were not considered but that add value include:

7.9.1. The services fully paid for by the Sponsoring Employer, e.g. the administration and communication services of the DC Section, and the services of legal advisers, consultants and auditors

7.9.2. The operation of the professional Trustee, with a duty to act in the best interest of members, which is paid for by the Sponsoring Employer

8. Trustee knowledge and understanding

The Trustee Board

8.1. 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.

8.2. 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.

8.3. 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.

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

Trust documentation and policies

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

8.5.1. Annual Report & Accounts including the Chair's Annual Statement

8.5.2. Annual benefit statement and investment communication to DC members

8.5.3. DC Governance and administration checklist

8.5.4. Risk register

8.5.5. Statement of Investment Principles which was update with an updated Statement of Investment Principles signed on 27 September 2019

8.5.6. Trust Deed & Rules with particular focus on the Trustees' powers as 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

8.6. All the Trustees have completed the Pensions Regulator's Trustee training toolkit or completed an appropriate formal qualification in trusteeship. During the year, the Chair of Trustees gained the Pensions Management Institute Award in Pension Trusteeship (Defined Contribution and Defined Benefit Schemes).

8.7. 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.

8.8. Training in the period covered:

8.8.1. DC focused agenda item at annual governance meeting

8.8.2. Current issues paper included in agenda pack for every Trustee meeting

8.8.3. DC governance requirements

8.8.4. ESG considerations

8.8.5. Closure to accrual

8.8.6. DC buy-out arrangements and options.

8.9. 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

8.10. 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.

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

8.11.1. The impact of the closure of the Plan to future accrual

8.11.2. Support to transition the administration services from JLT to Barnett Waddingham LLP

8.11.3. Updating the Statement of Investment Principles and setting their policy towards ESG factors

8.11.4. Strategic options for operating the DC Section following the closure and options for securing benefits outside of the Plan, including a buy-out provider market review and selection exercise.

Assessment

8.12. 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.

28 January 2020

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L Pointon, Chair of the Trustees

Representing Pi Consulting (Trustee Services) Limited Date