

# Draft DC Chair's Statement

## Clyde & Co Pension Scheme

30 September 2024

*This paper has been prepared for the Trustee of the Clyde & Co Pension Scheme – DC Section (the “Scheme”) in response to your request that we provide a draft DC Chair's Statement for the Scheme.*

There is a requirement for most trust-based defined contribution (“DC”) schemes to produce an annual Chair's Statement (the “Statement”). The Statement should outline how the Scheme has complied with the prescribed minimum governance standards for DC schemes. You requested that we provide a draft Statement for the Scheme, which we have enclosed. The draft is based on the [industry-wide template](#) that was created from a project driven by LCP, working with the Pensions and Lifetime Savings Association.

In producing the draft Statement, we have relied on information provided by Utmost Life and Standard Life. As at the Scheme Year end, there were no members invested in the funds previously made available by Standard Life, so we have included information as far as we are able for these funds, based on limited information provided by Standard Life.

The Pensions Regulator (“TPR”) can issue fines for non-compliant Chair's statements. We have produced the draft Statement based on our template, which has been guided by our understanding of the requirements. However, it is the Trustee's responsibility to produce a compliant Statement, and therefore we suggest that you obtain legal advice to confirm that all requirements have been met; for efficiency we suggest that the legal adviser is asked to restrict their comments to those that are essential.

TPR has issued a [“Quick guide to the chair's statement”](#) which includes a checklist of items to include for each section of the Statement. It also gives some examples of good practice for each requirement, as well as some common misunderstandings and omissions TPR has seen in statements so far.

If you are comfortable with the Statement, then it should be physically pen & paper signed by the Chair of the Trustee and included in your Report and Accounts ending 5 April 2024 to comply with the relevant regulations. The

Statement needs to be finalised within seven months of the end of the Scheme Year.

The Statement of Investment Principles (“SIP”) wording covering the DC default investment arrangement (the “Default”) must be appended to the signed Statement. As the Scheme does not have a Default, this is not applicable. However, in our experience most trustees attach the whole SIP in any case and it is best practice to do so. Please find enclosed the SIP that we understand is the current “in force” version.

Chair's statements must include the investment return, net of charges and transaction costs, of each investment option that members can select or were in the past able to select, and in which member assets were invested during the Scheme Year. DWP guidance indicates that figures for net investment returns should be shown for the Scheme Year at a minimum, but recommends including returns for at least five years where possible. To reduce costs we have taken a pragmatic approach and shown the figures for one and four years based on availability of data. Please contact me if you would like to discuss the possibility of including earlier investment returns. We are keeping a record of returns each year which will build up to showing longer periods in future chair's statements.

Your Scheme has total assets (DB and DC) of less than £100m as at the latest Scheme Year end, and, therefore, the requirement to assess the value achieved by your DC arrangements in a more holistic and detailed value for members (“VFM”) assessment applies. TPR's expectation is that where such schemes do not demonstrate VFM, trustees should wind up the existing DC Section and consolidate members into a larger scheme, unless they can promptly improve VFM.

### Requirement for publication on the internet

You are required to publish the charges and transaction costs illustration and certain other parts (see below) of the Statement on a website for public access (including, potentially, viewing by TPR).

- The information should be publicly available in a manner which allows for the content to be indexed by search engines. No passwords or personal information can be required to view it.
- It can be published on the Scheme's or employer's website or another website such as a social media site.
- A specific web address for the location of the published materials on the internet must be included in members' Annual Benefit Statement (where

members do not receive one, they must be sent a separate notification containing this information).

At a high level the minimum material required to be published is:

- the SIP covering the Default, and details of any review of the Default strategy and performance of the Default or if no review was undertaken, the date of the latest review (as noted above, there is no Default in place, so this is not relevant to the Scheme);
- member borne charges (including the amount of any performance-based fees incurred in relation to each default during the Scheme Year), transaction costs, and net investment returns for each investment option in which members were able to select during the scheme year and had member assets invested in during the year;
- the illustration of charges and transaction costs; and
- an explanation of the value for members' assessment.

In other words, most of the Statement apart from details of the Scheme's administration and Trustee knowledge and understanding. However, TPR's guidance encourages schemes to publish the full Chair's Statement. Although the original Statement must be physically signed, we recommend that the signature is removed from the version which is published (to help prevent fraud).

You should satisfy yourselves that you have considered the needs of disabled people in publishing the information (for example whether the text can be enlarged so it can be read by visually impaired people).

## Contact

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# *Chair's DC Governance Statement, covering 6 April 2023 to 5 April 2024*

## **1. Introduction and members' summary**

The Clyde & Co Pension Scheme's (the "Scheme's") DC benefits are in respect of Additional Voluntary Contributions ("AVCs") or historic transferred-in benefits, which may include a Guaranteed Minimum Pension ("GMP"). If there is an attaching GMP pension, then the member benefit is either the attaching GMP pension or, if the value of the member's DC account is greater, the member will also receive the balance as a DC benefit.

As at 5 April 2024, the Scheme had 13 members holding DC benefits. The DC arrangements are closed to new members. The DC benefits held with Utmost Life ("Utmost") do not allow any further contributions and are not used for auto-enrolment. Previously, benefits were also held with Standard Life, but as at the Scheme Year end there were no members invested in these arrangements.

Governance requirements apply to DC pension arrangements, to help members achieve a good outcome from their pension savings. We, the Trustee of the Scheme, are required to produce a yearly statement (signed by the Chair of Trustees) covering:

- the design and oversight of the default investment option (ie. where contributions are invested for members that do not wish to choose their own investments);
- processing of core financial transactions (ie. administration of the Scheme, such as the payment of benefits);
- the charges and transaction costs borne by members for the investment options members have assets in, such as "legacy" funds;
- an illustration of the cumulative effect of these costs and charges;
- net returns of the investment options;
- how the value members obtain from the Scheme is assessed; and
- Trustee knowledge and understanding.

The key points that we would like members reading this Statement to take away are as follows:

- We regularly monitor the investment arrangements, and we are satisfied that the default and other investment options remain suitable for the membership.
- The administrator has processed core financial transactions promptly and accurately to an acceptable level during the Scheme Year, and we remain comfortable with the administrator's performance.
- Fees can have a material impact on the value of your pension savings and the fee impact is greater the more time passes, since fees reduce the amount of money that can grow with future investment returns. Fees for the investment options are set out in this Statement.
- Please rest assured that we are looking after your best interests as members, and we undertake training and receive advice as appropriate so that we have sufficient knowledge and understanding to do so effectively.

## **2. Default arrangements**

The DC benefits and the AVCs in the Scheme do not have a default arrangement. The DC accounts in respect of the transferred-in benefits do not accept further contributions.

Although there is no default arrangement in place, members do have the option of selecting a lifestyle strategy, Utmost's 'Investing by Age' strategy. Lifestyle strategies switch members' investments automatically as they approach retirement.

## **3. Requirements for processing core financial transactions**

The processing of core financial transactions is carried out by the administrator of the Scheme, namely Utmost. Core financial transactions include (but are not limited to): the processing of transfers in and out of the Scheme, transfers of assets between different investments within the Scheme, and payments to members / beneficiaries.

We recognise that delay and error can cause significant issues for members. We have received assurance from Utmost that there are adequate internal controls to support prompt and accurate processing of core financial transactions.

The Scheme has a Service Level Agreement ("SLA") in place with the administrator that covers the accuracy and timeliness of all core financial

transactions. The key processes adopted by the administrator to help it meet the SLA are as follows:

- It aims to complete 95% of payments out within 5 days, 95% of illustrations within 10 days, and 90% of general servicing enquiries within ten working days;
- It monitors its SLAs on a regular basis to ensure disinvestments do not fall outside of the agreed timescales;
- It provides an annual audit statement (summarising the transactions that have taken place during the period);
- It has confirmed it has internal standards that ensure that staff are properly trained, qualified, supervised, and monitored. Staff are also encouraged to enhance their skills and knowledge by attending external training courses where appropriate.

To help us monitor whether service levels are being met, we receive annual reports about the administrator's performance and compliance with the SLAs. Any issues identified as part of our review processes would be raised with the administrators immediately, and steps would be taken to resolve the issues.

Utmot has confirmed that all SLAs were met during the most recent period for which data is available (ie. 2023), and that there were no administration errors or member complaints during the Scheme Year.

Based on our review processes, we are satisfied that over the period covered by this Statement:

- the administrator was operating appropriate procedures, checks and controls, and operating within the agreed SLA;
- there have been no material administration issues in relation to processing core financial transactions; and
- core financial transactions have been processed promptly and accurately to an acceptable level during the Scheme Year.

#### 4. Member-borne charges and transaction costs

We are required to set out the ongoing charges incurred by members over the period covered by this Statement, which are annual fund management charges plus additional fund expenses, such as custody costs, but excluding transaction

costs; this is also known as the total expense ratio ("TER"). The TER is paid by the members and is reflected in the unit price of the funds.

We are also required to disclose transaction cost figures. In the context of this Statement, the transaction costs shown are those incurred when the Scheme's fund managers buy and sell assets within investment funds, but are exclusive of any costs incurred when members invest in and switch between funds. The TER and transaction costs are the only costs borne by members.

The charges and transaction costs have been supplied by Utmot. When preparing this section of the Statement we have taken account of the relevant statutory guidance.

Under the prescribed way in which transaction costs have been calculated it is possible for figures to be negative, where market movements are favourable between the time a trade is placed and it is executed. However, Utmot has confirmed that all transaction costs were positive for the Scheme Year.

#### Defined Contribution and AVC options

Members have the option to invest in a range of unit-linked funds with Utmot. For the period covered by this Statement, annualised charges and transaction costs for each fund available to members are set out in the following table.

##### Self-select fund charges and transaction costs (% per annum)

Fund name	TER	Transaction costs
Standard Life At Retirement (Multi Asset Universal) Pension Fund	0.71%	Not provided <sup>1</sup>
Standard Life Multi Asset Managed (20-60% Shares) Pension Fund	0.69%	Not provided <sup>1</sup>
Utmot Life Multi-Asset Cautious Pension Fund	0.75%	0.24%
Utmot Life Multi-Asset Moderate Pension Fund	0.75%	0.21%

<sup>1</sup>Standard Life was unable to provide transaction costs for these funds as at 31 March 2024. No members were invested in these funds as at the end of the Scheme Year.

#### Illustration of charges and transaction costs

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings. In preparing this illustration, we had regard to the relevant statutory guidance.

- The “before costs” figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The “after costs” figures represent the savings projection using the same assumed investment return but after deducting member borne charges and an allowance for transaction costs.
- The transaction cost figures used in the illustration are those provided by the managers over the past four years, subject to a floor of zero (so the illustration does not assume a negative cost over the long term). We have used the average annualised transaction costs over the past four years as this is the longest period over which figures were available, and should be more indicative of longer-term costs compared to only using figures over the Scheme Year.
- The illustration is shown for all DC and AVC investments used within the Scheme.

#### Projected pension pot in today's money

Years invested	Utmost Multi-Asset Cautious		Utmost Multi-Asset Moderate	
	Before costs	After costs	Before costs	After costs
1	£18,100	£17,900	£8,000	£8,000
3	£18,300	£17,700	£8,100	£7,900
5	£18,500	£17,500	£8,200	£7,800
10	£18,900	£17,000	£8,400	£7,600

#### Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund. The numbers shown in the illustration are rounded to the nearest £100 for simplicity.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- Annual inflation is assumed to be 2.5%, which is in line with the specified assumption used in the SMPI guidance.
- The starting pot size used is £18,000 for the Utmost Multi-Asset Cautious Pension Fund and £8,000 for the Utmost Multi-Asset Moderate Pension

Fund. These figures are calculated as the average (mean) holding per member in each investment fund.

- The projection is for 10 years, being the approximate duration that the youngest scheme member has until they reach the scheme's Normal Pension Age.
- Contributions are not reflected in the projections, because the Scheme is closed to future DC contributions.
- The projected annual returns (before costs) used are as follows:
  - Utmost Multi-Asset Cautious Fund: 0.5% above inflation.
  - Utmost Multi-Asset Moderate Fund: 0.5% above inflation.
- No allowance for active management outperformance has been made.

## 5. Investment returns

This section shows the annual return, after the deduction of member borne charges and transaction costs, for all investment options in which member assets were invested during the Scheme Year, over periods to Scheme Year end. We have had regard to the statutory guidance in preparing this Section.

#### Net returns over periods to Scheme Year end<sup>1</sup>

Fund name	1 year (%)	4 years (% pa)
Utmost Life Multi-Asset Cautious Pension Fund	5.0	1.1
Utmost Life Multi-Asset Moderate Pension Fund	9.8	6.3

<sup>1</sup>Standard Life has not provided performance for the Standard Life At Retirement (Multi Asset Universal) Pension Fund and the Standard Life Multi Asset Managed (20-60% Shares) Pension Fund as at 31 March 2024, as no members were invested in these funds.

## 6. Value for members assessment

We are required to assess every year the extent to which member borne charges and transaction costs represent good value for members and to explain that assessment. There is no legal definition of 'good value' which means that determining this is subjective. Our general policy in relation to value for member considerations is set out below.

We review all member-borne charges (including transaction costs, where available) annually, with the aim of ensuring that members are obtaining value for



money given the circumstances of the Scheme. We note that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment.

Our assessment included a review of the performance of the Scheme's investment funds (after all charges and transaction costs) in the context of their investment objectives. The returns on the investment funds members can choose during the period covered by this statement have been consistent with their stated investment objectives.

In carrying out the assessment, we also consider the other benefits members receive from the Scheme, which include:

- our oversight and governance, including ensuring the Scheme is compliant with relevant legislation, and holding regular meetings to monitor the Scheme and address any material issues that may impact members;
- the range of investment options and strategies;
- the quality of communications delivered to members;
- the quality of support services, such as the Scheme website where members can access fund information online; and
- the efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards.

As detailed in the earlier section covering the processing of core financial transactions, we are comfortable with the quality and efficiency of the administration processes.

We believe that the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches and expect this to lead to greater investment returns net of costs over time.

## 6.1 Additional requirement – comparator schemes

For scheme years ending after 31 December 2021, trustees of schemes with under £100m of assets under management (assessed on the basis of total scheme assets, including the value of defined benefit arrangements) that have been operating for at least three years must now carry out a more detailed assessment of the value for members delivered by their scheme. At the end of the Scheme Year, total assets in the Scheme were below £100m, so the Trustee

carried out this additional assessment as part of its ongoing governance activities.

With the help of its DC investment adviser, the Trustee assessed the Scheme against three master trusts (called 'comparator schemes') that could receive the DC assets of the Scheme, covering the following areas:

- details of the charges they would offer if they assumed responsibility for the Scheme – this compared member-borne charges for the options available in the Scheme in which members were invested during the Scheme Year; and
- comparative fund performance – this compared the net investment returns for the investment options in which members were invested during the Scheme Year and the comparator arrangements over the short-term (1 year) and, where possible, the longer term.

The additional requirements also stipulate that a self-assessment of the governance and administration arrangements of the Scheme must be carried out.

The additional value for members analysis undertaken concluded that:

- members could pay lower charges in a master trust than they pay in the existing Scheme;
- the net investment returns for the investment options members were invested in during the period were lower than those achieved by similar funds in the comparator arrangements over the periods compared;
- the governance and administration arrangements in place in the Scheme are adequate, noting that Utmost met the agreed service level standards (see section 3 above).

## 6.2 Value for members – overall conclusions

Following the value for members assessment, the Trustee has concluded that the DC Section does not deliver good value for members and better terms may be available in another arrangement. However, this is complicated by the fact that the assets in the Scheme are subject to a GMP underpin, which have historically been more difficult to buy-out. The Trustee continues to review the situation for members with DC benefits with a GMP underpin alongside future strategy considerations for DB and DC benefits.

## 7. Trustee knowledge and understanding

We are required to have appropriate knowledge of the law and practice relating to pensions and trusts, as well as an understanding of the matters relating to funding and investment of assets of occupational pension schemes and other matters to run the Scheme effectively. We are also required to be conversant with regards to the Scheme's governing documents.

The degree of knowledge and understanding required is that appropriate for the purposes of enabling proper execution of functions relating to the trusteeship of the Scheme.

The Scheme operates under a sole trustee model and has appointed The Law Debenture Pension Trust Corporation PLC ("LDPTC") to this role. LDPTC is an established provider of independent pension trusteeship services in the UK that has a track record of providing professional high-quality trustee services to over 200 trust-based pension schemes.

LDPTC is familiar with and has access to copies of the Scheme's governing documentation and documentation setting out its policies, including the Trust Deed & Rules and SIP (which sets out the policies on investment matters). In particular, we refer to the Trust Deed and Rules as part of considering and deciding to make any changes to the Scheme, and the SIP is formally reviewed annually and as part of making any change to the Scheme's investments. Further, we believe that we have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil our duties.

Under LDPTC's TKU framework, all its Directors complete the Pensions Regulator's Trustee Toolkit online training (an online learning programme, designed to help trustees of pension schemes meet the minimum level of knowledge and understanding required by law). They are also Accredited Members of the Association of Professional Pension Trustees, or members in the process of obtaining accreditation.

All Directors also undertake continuous professional development ("CPD") activity. This includes:

- A programme of meetings with external advisers, fund managers, investment banks and other industry participants to discuss developments in their respective areas.
- Bespoke training sessions on current technical and market developments in the pensions industry.

- Investment and pensions seminars and conferences including speaking at and moderating sessions.
- Participation within a range of trade associations and professional bodies including the Pensions Management Institute, the Institute and Faculty of Actuaries, the Association of Professional Pension Trustees, the Society of Pension Professionals and the Pension Fund Investment Forum.

In addition to this CPD activity, LDPTC has a comprehensive management and reporting structure centred on ongoing staff development, peer input, and peer review.

LDPTC's sole trustee governance model combined with its TKU framework is designed to ensure that schemes are run to high standards. There is a quarterly internal peer review process and documented approval of two Trustee Directors for key decisions and signing of significant scheme documents. Peer reviews follow a set format, which incorporates a review of scheme activity, regulatory requirements, and performance against objectives. Copies of scheme documents and correspondence are maintained in an accessible electronic folder structure. This framework ensures a working knowledge of the scheme documents and up-to-date knowledge of the scheme.

LDPTC obtains annually an independent report under Technical release AAF 02/07 of the Audit and Assurance Faculty ("AAF") of the Institute of Chartered Accountants in England & Wales ("ICAEW"). This is subject to external audit and demonstrates that LDPTC operates sound internal procedures and controls and is committed to high standards of governance, thereby minimising exposure to risk on the part of the schemes to which it is appointed.

LDPTC also has access to legal and other professional advice as and when required.

Taking into account our knowledge and experience with the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisors (e.g. investment consultants, legal advisors), we believe we are well placed to exercise our functions as Trustee of the Scheme properly.

\_\_\_\_\_ Date: \_\_\_\_\_

**Signed by the Chair of Trustees of the Clyde & Co Pension Scheme**