

Nationwide Accident Repair Services Pension Fund (“the Fund”)

Chair’s statement regarding the governance of defined contribution arrangements

Scheme year - 1 January 2020 to 2 September 2020

1. Introduction

- 1.1. This statement has been prepared by Fund’s Trustee, 20-20 Trustee Services Limited (“the Trustee”), to report on compliance with governance standards.
- 1.2. The governance standards apply to defined contribution (DC) arrangements and are designed to help members achieve good outcomes from their pension savings.
- 1.3. The Fund entered an assessment period for entry into the Pension Protection Fund (“the PPF”) on 3 September 2020 as the Principal and Participating Employer, Nationwide Accident Repair Services Limited (“the Employer”) became insolvent.
- 1.4. Prior to the Fund entering the PPF, the Trustees are required to secure all DC benefits outside of the Fund and are in the process of doing so by taking advice from their advisers, Barnett Waddingham LLP, on a suitable solution.
- 1.5. This statement covers the period 1 January 2020 to 2 September 2020. The Trustee was not an appointed trustee of the Fund for the majority of the period under review and considers, given the timing and reasons for its appointment and the impending discharge of the remaining DC funds, that there is limited value to members of fully addressing the current governance regulations but has sought to do so where possible. The Trustee considers it reasonable and proportionate that its resources and efforts are more appropriately directed in governing and managing the discharge process effectively.

2. The Fund’s DC arrangements

- 2.1. The Fund’s DC arrangements comprise:
 - 2.1.1. The Defined Contribution Section (“the DC Section”), ignoring additional voluntary contributions (AVCs). The DC Section is administered by Barnett Waddingham and closed to further contributions from 3 September 2020, as a result of the Fund entering the PPF assessment period. AVCs are provided through ‘bundled’ service arrangements (administration, investment and communication services) with Standard Life. This arrangement is closed to further contributions

3. Default investment arrangements

- 3.1. For members who are automatically enrolled into the Fund’s DC Section and do not make an alternative selection, contributions are invested in the default investment option (“the default”).
- 3.2. For members of the Fund who hold both DB and DC benefits, the default investment option is the Cash Lifestyling Option.
- 3.3. For members of the Fund who hold DC benefits only, the default investment option is the Balanced Lifestyling Option.
- 3.4. The key features of the Cash Lifestyling Option are:
 - 3.4.1. The default uses a ‘lifestyle’ strategy to automatically reduce risk/volatility in the years approaching retirement age.
 - 3.4.2. Up until 5 years before a member’s retirement age, the default allocates 100% to the Legal & General Investment Management (LGIM) Global Equity 70:30 Index Fund.

- 3.4.3. Over the 5 years to a member's retirement age, the default automatically and gradually switches out of the LGIM Global Equity 70:30 Index Fund and into the LGIM Cash Fund.
- 3.5. The key features of the Balanced Lifestyling Option are:
 - 3.5.1. The default uses a 'lifestyle' strategy to automatically reduce risk/volatility in the years approaching retirement age.
 - 3.5.2. Up until 5 years before a member's retirement age, the default allocates 100% to the Legal & General Investment Management (LGIM) Global Equity 70:30 Index Fund.
 - 3.5.3. Over the 5 years to a member's retirement age, the default automatically and gradually switches out of the LGIM Global Equity 70:30 Index Fund and into the LGIM Diversified Fund, LGIM Gilt Fund and the LGIM Cash Fund.

Aims and objectives of the default

The Trustee's specific objectives for the default investment strategy are to:

- 3.6. Invest in suitable growth assets in the period leading up to retirement with the aim of maximising returns over that period subject to an acceptable degree of risk; and
- 3.7. Ensure there is an appropriate level of diversification in the default investment strategy and that there is an emphasis on managing fluctuations in the value of members' funds as retirement approaches.

Review of the default

- 3.8. No formal review of the default was undertaken in the scheme year. The strategy and performance of the default were last formally reviewed as at September 2015.
- 3.9. The Trustee will take into account future investment fund considerations as part of the Market Review/Provider selection process of the discharge of the DC benefits. The Trustee will assess the most appropriate investment strategy given the profile of the membership of the DC arrangements.

4. Core financial transactions

- 4.1. The Trustee has a duty to ensure that 'core financial transactions' are processed promptly and accurately.
- 4.2. Core financial transactions comprise the following:
 - 4.2.1. transfers into and out of the Fund
 - 4.2.2. investment switches within the Fund
 - 4.2.3. payments out of the Fund
- 4.3. Core financial transactions for the DC Section during the scheme year were undertaken by XPS Administration Services Limited. Following the Fund's entry into the PPF assessment period, the Fund's administration has subsequently been carried out by Barnett Waddingham
- 4.4. The Trustee does not have sight of the controls and monitoring arrangements that were in place prior to their appointment at the end of the scheme year. As such, we have focussed on the current arrangements that have been put in place following our appointment.
- 4.5. Core financial transactions for the AVC arrangement are undertaken by Standard Life.

Controls and monitoring arrangements

- 4.6. The controls in place in relation to ensuring the promptness and accuracy of core financial transactions are:
- 4.6.1. The Trustee has a Service Level Agreement (SLA) in place covering the accuracy and promptness of transactions, under which Barnett Waddingham have defined SLAs for certain tasks. This covers not only payments of AVCs out of the Fund but also the administrator's other services, such as assisting with member queries and amending member records.
 - 4.6.2. The Trustee receives quarterly stewardship reports from the Fund's administrator which provide details of any notifiable events, complaints and upcoming decisions. The administrator's performance against the SLA is tracked on a quarterly basis. Any issues uncovered regarding inaccuracies with core financial transactions are included within the quarterly reporting and considered at each Trustee meeting.
 - 4.6.3. The Fund's membership data is periodically reviewed.
 - 4.6.4. Barnett Waddingham's administration processes are subject to a formal external audit for the annual assurance report on internal controls.
 - 4.6.5. Daily monitoring of the Trustee bank account.
 - 4.6.6. External audit of the annual report and accounts.

Performance during the scheme year

- 4.7. The Trustee received quarterly reports from the administrator during the scheme year and was satisfied with the performance against target SLAs.
- 4.8. The Trustee is aware of a delay in investing contributions in respect of August 2020 payroll deductions. The Fund received employee and employer contributions in respect of employees who were employed by the new purchaser. These contributions were invested with LGIM on 12 October 2020.
- 4.9. The Fund did not receive employee and employer contributions for 24 members who were made redundant following the Employer's insolvency. The Fund has made a claim to the Redundancy Payments Service in respect of these contributions. To ensure that members are not disadvantaged, the Fund has invested an equivalent amount in respect of the August 2020 contributions for these members. Units were purchased on 8 July 2021.

5. Member-borne charges and transaction costs

- 5.1. Members bear charges and transaction costs, which will differ depending on the investment options in which their pension savings are invested:
 - 5.1.1. Charges: these are expressed as a percentage of the value of a member's holdings within an investment fund, and can be made up of a combination of charges, e.g. annual management charge and additional expenses. We refer to the total annual charge as the Total Expense Ratio (TER).
 - 5.1.2. Transaction costs: these relate to the variable costs incurred within an investment fund arising from the trading activities of the fund, e.g. incurred in the buying and selling of securities, which are not accounted for in the TER charge.

Charges in relation to the DC Section

5.2. The following table provides details of the charges and transaction costs for each of the investment options provided through the DC Section over the scheme year (data sourced from each relevant investment manager):

Investment option	TER (p.a.)	Transaction costs (p.a.)
Cash Lifestyling (default investment arrangement) *	0.125% - 0.183%	0.00% - 0.005%
Balanced Lifestyling (default investment arrangement) *	0.031% - 0.086%	0.00% - 0.030%
Annuity Lifestyling (alternative lifestyle strategy) *	0.106% - 0.183%	0.005% - 0.029%
Drawdown Lifestyling (alternative lifestyle strategy) *	0.183% - 0.268%	0.00% - 0.005%
LGIM Global Equity 70:30 Index Fund	0.183%	0.005%
LGIM Over 15 Year Gilts Index Fund	0.100%	0.038%
LGIM Diversified Fund	0.315%	0.000%
LGIM Cash Fund	0.125%	0.000%

* The quoted charges and transaction costs for each lifestyle strategy are calculated as a composite of the underlying fund charges and transaction costs. These fund holdings and therefore also charges will vary depending upon each member's term to retirement age.

Charges in relation to AVCs

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

Investment option	TER (p.a.)	Transaction costs (p.a.)
Standard Life Multi Asset Managed (20-60% Shares) Fund	1.020%	0.001%
Standard Life At Retirement (Multi Asset Universe) Fund	1.038%	0.002%
Standard Life Managed Pension Fund	1.023%	0.001%
Standard Life Money Market Fund	1.010%	0.000%
Standard Life Pension With Profits Fund	No explicit charge*	0.001%
Standard Life Pension Millennium With Profits Fund	No explicit charge*	0.001%

*Standard Life makes deduction from the fund to cover management expenses and the cost of guarantees. These are not expressed as explicit costs but in effect reduce the amount that is paid as bonuses.

Impact of costs and charges

5.4. To demonstrate the impact of charges and transaction costs on members' pension savings over time, the Trustee has produced illustrations and these are set out in the appendix.

Value for members

- 5.5. The Trustee is required to assess annually the extent to which the charges and transaction costs borne by members represent good value. The Trustee is not aware that such an assessment was carried out during the scheme year prior to its appointment.
- 5.6. The charges in respect of the DC Section are currently met by the members. The annual member charge applicable to the investment options available during the reporting period was between 0.100% - 0.268% p.a. of the value of member's funds. There are no additional policy fees and no bid/offer spread.
- 5.7. The charges in respect of the AVC arrangements are currently met by the members.
- 5.8. The Trustee's activities have been focussed on the comparative overall value available for members and are now looking to discharge the DC benefits during the PPF assessment period. As part of the work in selecting a suitable provider, this will include analysis against a range of selection criteria:
 - 5.9.1. Appropriateness of the buyout arrangement
 - 5.9.2. Charges
 - 5.9.3. Asset transition
 - 5.9.4. Administration and communications
 - 5.9.5. Market presence and commitment
 - 5.9.6. Default investment solutions

6. Trustee knowledge and understanding

The Trustee Board

- 6.1. The Trustee is a professional, independent trustee company, 20-20 Trustee Services Limited. All individual Trustee representatives are individually accredited members of the Association of Professional Pension Trustees.

Trustee knowledge and understanding requirements

- 6.2. Trustees are required to be conversant with a scheme's main documents, and have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of scheme assets.
- 6.3. The Trustee has put in place arrangements for ensuring that each Trustee takes personal responsibility for keeping up to date with recent developments and consider training requirements each quarter. Training logs are maintained for the Trustee and training is provided regularly. Training plans are bespoke, and tailored to issues that arise on the Trustee's business plan.
- 6.4. Training topics considered by the Trustee included Fund expenses, environmental, social and governance ("ESG") risks and opportunities and updates in pension legislation.
- 6.5. The Trustee is conversant with, and has demonstrated a working knowledge of, the Trust Deed and Rules. If there are any ambiguities over the interpretation of the Trust Deed and Rules, advice is sought from the Fund's legal advisers.
- 6.6. The Trustee is conversant with, and has a working knowledge of, the Statement of Investment Principles.
- 6.7. The Trustee consults with professional advisers as and when required, for example on consultancy, investment and legal matters. The professional advisers are engaged to pro-actively alert the Trustee on relevant changes to pension and trust law. Professional advisers also provide support in relation to

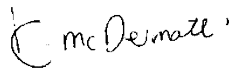
understanding and reviewing the Fund's documents, attending trustee meetings and often in the delivery of training at these meetings.

Activities over the scheme year

- 6.8. The current Trustee is not party to the professional advice that the previous Trustees took during the period covered by this statement. Since its appointment the current Trustee has taken professional advice regarding:
 - 6.8.1 The provision of the Chair's Statement
 - 6.8.2 The assessment period tasks for entry into the PPF
 - 6.8.3 Retirement date equalisation
 - 6.8.4 Scheme rule changes in the three year period prior to the Fund entering PPF assessment

Assessment

- 6.9. The Trustee considers that their combined knowledge and understanding, together with their access to professional advice, enables them to properly and effectively exercise their trustee functions in the following ways:
 - 6.9.1. The Trustee is able to challenge and question advisers, service providers and other parties effectively
 - 6.9.2. Trustee decisions are made in accordance with the Scheme rules and in line with trust law duties and PPF assessment period requirements
 - 6.9.3. The Trustee's decisions are not compromised by such things as conflicts or hospitality arrangements



21 February 2022

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Chair of the Trustee

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Date

Appendix – Illustrations on the impact of cost and charges

A1.1. To demonstrate the impact of member-borne charges and transaction costs on the value of members' pension savings, the Trustee has produced illustrations in accordance with statutory guidance. These show the impact of charges and transaction costs for representative cross-sections of the membership and investment options.

Parameters used for the illustrations

A1.2. The membership of the DC Section and the investment options offered were analysed in determining the parameters to be used.

A1.3. Pot size: pot sizes of £10,000, £28,000 and £48,000 have been used; these represent the 25th percentile, the median and the 75th percentile of pot values (rounded to the nearest £500) of DC Section members as at 2 September 2020.

A1.4. Deferred members: illustrations have been provided for deferred members assuming no future contributions.

A1.5. Timeframe: the illustrations are shown over a 30 year time frame as this covers the approximate duration that the youngest member would take to reach retirement age.

A1.6. Investment options: the investment options selected for the illustrations include the most popular by number of members (the Default), the highest charged fund and the lowest charged fund.

Investment option	Rationale for inclusion	Assumed return above inflation*	TER	Transaction cost**
Cash Lifestyling Strategy	Default strategy and most popular choice	-2.6% - 2.4%	0.125% - 0.183%	0.00% - 0.005%
LGIM Diversified Fund	Highest charge	1.9%	0.315%	0.00%
LGIM Over 15 Years Gilt Index Fund	Lowest charge	-2.7%	0.100%	0.038%

* Projected growth rates, gross of costs and charges, for each investment option are in line with the 2019 Statutory Money Purchase Illustrations (SMPIs).

** The statutory guidance requires trustees to use an average of the last five years' transaction costs (insofar as they are able) when producing the illustrations. As we have data for the last three years only, the figures are three year averages.

Guidance to the illustrations

A1.7. For each illustration, the savings pot has been projected twice: firstly for the assumed investment return gross of costs and charges; and secondly for the assumed investment return net of costs and charges.

A1.8. Projected pot sizes are shown in today's terms, so do not need to be reduced further for the effects of future inflation. Inflation is assumed to remain constant throughout the term of the illustrations, at 2.5% per year.

A1.9. Values shown are estimates and not guaranteed.

A1.10. The starting date for the illustrations is 2 September 2020.

A1.11. The illustrations are presented in two different ways:

A1.11.1. For the default, a lifestyle strategy, the illustrations should be read based on the number of years until the member reaches their retirement age. This is because the underlying funds used and therefore the costs and charges changes over time and this is reflected in the illustrations.

A1.11.2. For the self-select funds, the illustrations should be read based upon the number of future years that a member expects to be invested in those funds.

Cash Lifestyling Strategy

A1.12. This is the default strategy for the DC Section and the most popular choice by number of members.

Illustration basis	Years from taking benefits	Starting pot size £10,000		Starting pot size £28,000		Starting pot size £48,000	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
	0	£10,000	£10,000	£28,000	£28,000	£48,000	£48,000
	5	£10,192	£10,112	£28,537	£28,313	£48,921	£48,537
	10	£11,442	£11,251	£32,038	£31,504	£54,923	£54,006
	15	£12,846	£12,519	£35,969	£35,053	£61,661	£60,092
	20	£14,422	£13,930	£40,382	£39,003	£69,226	£66,863
	25	£16,191	£15,499	£45,336	£43,398	£77,719	£74,397
	30	£18,178	£17,246	£50,898	£48,289	£87,254	£82,780

A1.13. Note on how to read this table: If a member had £10,000 invested in this option on 2 September 2020, when they came to retire in 10 years, the savings pot could grow to £11,422 if no charges are applied but to £11,251 with charges applied.

LGIM Diversified Fund

A1.14. This is the option with the highest charges provided through the DC Section.

Illustration basis	Years from taking benefits	Starting pot size £10,000		Starting pot size £28,000		Starting pot size £48,000	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
	0	£10,000	£10,000	£28,000	£28,000	£48,000	£48,000
	5	£10,962	£10,797	£30,693	£30,232	£52,617	£51,826
	10	£12,016	£11,658	£33,645	£32,641	£57,678	£55,957
	15	£13,172	£12,587	£36,881	£35,243	£63,225	£60,416
	20	£14,439	£13,590	£40,429	£38,052	£69,306	£65,232
	25	£15,828	£14,673	£44,317	£41,085	£75,973	£70,431
	30	£17,350	£15,843	£48,580	£44,359	£83,280	£76,045

A1.15. Note on how to read this table: If a member had £10,000 invested in this option on 2 September 2020, when they came to retire in 10 years, the savings pot could grow to £12,016 if no charges are applied but to £11,658 with charges applied.

LGIM Over 15 Years Gilt Index Fund

A1.16. This is the option with the lowest charges provided through the DC Section.

Illustration basis	Years from taking benefits	Starting pot size £10,000		Starting pot size £28,000		Starting pot size £48,000	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
	0	£10,000	£10,000	£28,000	£28,000	£48,000	£48,000
	5	£9,160	£9,082	£25,649	£25,429	£43,970	£43,592
	10	£9,394	£9,196	£26,304	£25,747	£45,092	£44,139
	15	£10,298	£9,928	£28,834	£27,800	£49,429	£47,657
	20	£11,288	£10,720	£31,607	£30,015	£54,183	£51,455
	25	£12,374	£11,574	£34,647	£32,408	£59,395	£55,556
	30	£13,564	£12,497	£37,980	£34,991	£65,108	£59,984

A1.17. Note on how to read this table: If a member had £10,000 invested in this option on 2 September 2020, when they came to retire in 10 years, the savings pot could be to £9,394 if no charges are applied or £9,196 with charges applied.