

## **The Business Way Pension Scheme (the "Scheme")**

### **Annual Governance Statement for the Scheme Year ending 24th March 2021**

Trustees are required to prepare a statement showing how they have met certain minimum governance standards in relation to defined contribution benefits. The Scheme is a Defined Contribution arrangement.

The minimum governance standards cover five principal areas relating to the Scheme's defined contribution benefits, namely:

- the investment strategy relating to the default investment arrangements,
- processing of core financial transactions,
- calculating charges payable from the members' funds and transaction costs including an illustration of the compounding effect of charges borne by members,
- an assessment of the value for money of investments held for members and,
- the level of the trustees' knowledge and understanding.

In addition, I have reported on the suitability of the Scheme's investments.

As Chair of the Scheme, I, on behalf of Punter Southall Governance Services Limited ("PSGS"), have to report on how the Trustee complies with these minimum standards and have done below. As will be seen, with one proviso, it is the Trustee's opinion that the Scheme does not comply with any of the minimum governance standards due to the way the Scheme was run by predecessor trustees up to 20th November 2018 when PSGS was appointed to be the Trustee by the Pensions Regulator. The proviso is that the current Trustee has a high level of knowledge and understanding on how the Scheme should be run.

#### **Default Arrangements**

A default arrangement is an investment strategy chosen by the Trustee in which members' funds are invested if they do not wish to make their own choice of investments. It would normally be conservatively based on investing in assets which may be expected to give real returns up to, say, 10 years from a member's expected retirement date and then moved into less volatile assets such as cash and bonds as a member nears retirement. An analysis of the membership of the Scheme would usually be undertaken to determine the most suitable default arrangement for the Scheme.

The Scheme has no default arrangement and has no plans for one given the nature (ie the illiquidity) of its current investments.

#### **Suitability of Investments and Core Financial Transactions**

The Trustee is required to explain how it ensures that core financial transactions for the Scheme are processed promptly and accurately.

Each member chose individual investments when they joined the Scheme and transferred-in benefits from previous pension arrangements. In the opinion of the Trustee none of the investments offered to members were investments which were suitable for the Scheme as they were highly illiquid (ie not easily realisable for cash) and carried far more risk than they should have done for a pension scheme of this type. The Trustee believes that the majority of the Scheme's assets have little or no value.

The Trustee is unable to monitor the performance of any of the investments mainly because the amount of available information is limited or non-existent.

The Scheme's administrator has detail for each member about the initial investments made and information is available regarding interest payments which have been made. However, at this stage there is little point in carrying out an exercise to update members' records until the Trustee is satisfied that the assets have value as the interest payments will be required to meet the Scheme's running costs.

The Trustee's policy is to realise all assets when this can be achieved. From the date of its appointments, none have been realised due to the illiquid nature of the investments. A number of the Scheme's investments are in administration or receivership. No future investments will be made until the future of the Scheme can be decided.

Following the Trustee's appointment, the Scheme no longer accepts contributions or transfers in and due to the issues outlined in this statement regarding the investments has been unable to pay any member benefits including transfer values.

No benefit statements are being issued to members due to the lack of information on the value of investments and a letter was issued to each member in October 2019 giving detail on each of the Scheme's investments as assessed by the Trustee.

### **Assessment of member-borne charges and transaction costs**

In accordance with regulations 25(1)(a) of the Administration Regulations, the Trustee is required to report on the charges and transaction costs and their assessment of the extent to which these charges and costs represent good value for money. This is normally important because the transaction costs and charges borne by the members directly impact on their pension savings. For this reason, the Trustee would normally keep the level of these under regular review.

There have been no transaction charges since PSGS was appointed as the Trustee, as no investments have been bought or sold and no administration charges paid, although this may change in the future.

The costs of the Trustee and other costs associated with running the Scheme and investigating its history will need to be met from the Scheme and this will mean that there will be some substantial charges to be levied against members' funds when they are realised.

Due to the nature of the Scheme's investments and the unknown level of the future costs in running the Scheme, the Trustee is unable to provide an example illustration which shows the impact on pension savings of expenses in accordance with regulations 23(1)(ca) of the Administration Regulations, as inserted by the 2018 regulations.

### **Value for money assessment**

None of the investments held by the Scheme would constitute good value for money in terms of their high-risk nature and illiquidity given requirements of Scheme members. The Trustee is unable to change this position as it is currently unable to realise any of the investments and it is unlikely to be able to do so in the near future.

### **Trustee Knowledge and Understanding**

The Trustee has in-depth knowledge of the trust deed and rules. It would normally regularly review all the trust documentation as part of the ongoing governance of the Scheme but has yet to do so given the Scheme's circumstances.

As Chair I am an actuary specialising in pensions schemes, have completed the Pensions Regulator's Toolkit and regularly receive Continual Professional Development from pension experts, seminars and conferences. I am also an accredited professional trustee under the

Pensions Management Institutes accreditation standards. The Trustee carries out a similar role for other occupational schemes and also undergoes training from PSGS's internal resources. As such, the requirement under section 248 of the Pensions Act 2004 (requirement for knowledge and understanding) has been met during the Scheme year by the Trustee.

**Exemptions to DC Code of practice no.13**

All contributions to the Scheme have ceased.

The Scheme has less than 100 members and therefore is not required to have a Statement of Investment Principles.

**Signed for and on behalf of PSGS as the Trustee of the Business Way Pension Scheme**

Edwin Bruce-Gardner

Chair of the Trustee

12th October 2021