

Macroscan Systems Limited Employees' Cash Accumulation Plan (the "Plan")

Annual Governance Statement for the year ending 31 December 2019

From 6 April 2015 trustees are required to prepare a statement showing how they have met certain minimum governance standards in relation to defined contribution benefits. All benefits in the Plan are defined contribution benefits.

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

- the default investment arrangement,
- core financial transactions,
- value from member borne deductions and
- the trustees' knowledge, understanding and resources.

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.

Default Arrangement

The Phoenix Life Deposit Administration account is the default strategy.

Phoenix Life (formally NPI) were appointed to manage the Defined Contribution Section assets when the Plan was set by the Company and original Trustees.

The Deposit Administration account is a with-profits arrangement which smooths investment returns to help lower the volatility associated with the underlying investments.

The Plan has less than 100 members so is exempt for the requirement to have a Statement of Investment Principles under s35 Pensions Act 1995 and Investment regulations. In addition, the Plan has not been used for Auto-enrolment purposes.

The Trustee regularly review the performance of the Phoenix Life funds to ensure they are still fit for purpose.

PSGS were appointed to the Plan by the Pensions Regulator as the sponsoring employer is insolvent and there were no trustees to manage the funds. There have been no contributions to the Plan for several years and the average fund value is less than £7,000 per member. As all adviser fees can only be met from the assets of the Plan the Trustee has taken the view that it would not be in member's interests to incur the expense of taking investment advice to potentially switch to an alternative default arrangement. The Trustee is actively winding up the Plan.

Core Financial Transactions

The Trustee is required to explain how they ensure that core financial transactions are processed promptly and accurately.

Each member has an individual earmarked policy with Phoenix Life. Therefore, Phoenix Life administer all of the financial transactions.

The Trustee monitors performance of Phoenix Life service standard on a case by case basis.

As no more contributions are paid into the Plan the only financial transactions would be either a transfer value or a retirement settlement from members. All member communications are directed to the Trustee in the first instance so we are aware of any retirement or transfer requests and are able to monitor this without specific reporting from Phoenix Life

The Trustee is confident that the processes and controls in place with the administrator are robust and will ensure that the financial transactions are dealt with accurately and in a timely manner.

Assessment of member-borne charges and transaction costs

The default arrangement is a with-profits policy and as such there are no explicit charges and transaction costs. The investment returns are smoothed by the addition of annual bonuses and final bonuses at retirement. When the underlying assets have performed well the bonus will not fully reflect the increase in the underlying assets so that in years when the underlying assets have fallen there is no reduction in the value of the with profits fund. Phoenix Life takes charges from the profits of the fund but details of these charges are not available.

We review the annual with-profits reports provided by Phoenix Life to ensure the profit sharing is appropriate.

The Trustee was appointed by the Pension Regulator to wind up the Plan as the employer has been dissolved. The Trustee has discharged the policies of all those members who they have been able to contact. They are continuing to attempt to trace members and investigating options to discharge benefits for those members they are unable to trace.

Trustee Knowledge and Understanding

The Trustee, PSGS, is a sole professional trustee on the pension regulator's register. Employees responsible for the management of the scheme undertake regular training to ensure they have up to date knowledge to undertake their trustee responsibilities. PSGS have an annual external audit of their internal controls which includes these training requirements.

The Trustee team working on the Plan have years of experience of winding up Defined Contributions schemes and undertake regular training to ensure they keep up to date with regulatory requirements and industry practice.

The requirement under section 248 of the Pensions Act 2004 (requirement for knowledge and understanding) has been met during the Plan year by the Trustee undertake ongoing training.

Signed for and on behalf of The Trustee of the Macroscan Systems Limited Employees' Cash Accumulation Plan

James Double

Chair of the Trustee

Date: 31 July 2020

Illustration of charges levied on members

As all members benefits are invested in the Phoenix Life Deposit Administration account, which is a with profits policy, the underlying charges are unknown. Therefore, we are not able to provide an illustration of the effect of charges levied on members.

The only remaining members in the Plan are those we have been unable to trace which is preventing the winding up of the Plan. It is not appropriate to spend member's funds on investment advice to consider whether there are more appropriate funds than this with profits fund for members. The cost of any advice obtained will more than outweigh any potential increased returns in future.

As we are unable to provide an illustration of the effect of underlying charges levied on members, we have instead set out an illustration of the effect of the estimated investment returns after the deduction of underlying charges on an example pension pot over time. This is for illustration only. The actual returns received are likely to differ over time as will individual member's pension pot sizes. This illustration is based on:

- The Default arrangement.
- An initial pension pot of £7,000.
- Member is currently 5 years from Normal Retirement Date.
- There are no further contributions paid into the fund.
- Investment Returns (after inflation and charges) are estimated as at 31 December 2019 as 0.5% p.a. for the with-profits policy
- Inflation of 2.5% p.a.
- Projected pension pot values are shown in terms of current prices, i.e. the actual figures will be higher to the extent that there is future inflation.

Illustration

