

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

Annual Governance Statement for the year ending 31 December 2022

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 Vidett Governance Services Limited ("Vidett") have to report on how the Trustee complies with these minimum standards and have done below.

The Plan is in wind-up as the employer is dissolved. Although, the Trustee believes that members of the Plan are receiving fair value for money, noting the characteristics of the with profit policy, returns including charges and Guaranteed minimum annuity rate.

Default Arrangement

There is only one fund available to members in the Plan and this is the Phoenix Life Deposit Administration account. As this is the only fund, it is the default investment arrangement in accordance with the Regulations.

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

The Deposit Administration account is a with-profits arrangement. This type of fund smooths investment returns over the long-term 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 (SIP) under s35 Pensions Act 1995 and Investment regulations. In addition, the Plan has not been used for Auto-enrolment purposes. As a result, there is no requirement for this Statement to review the SIP or comment on whether the SIP has been followed.

The Trustee regularly reviews the performance of the Phoenix Life with-profits policy to ensure it is still fit for purpose.

Vidett were appointed as Trustee 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 the adviser fees can only be met from the assets of the Plan, the Trustee has taken the view that it would not be in members' interests to incur the expense of taking investment advice to potentially switch to an alternative default arrangement. If the assets were transferred from the Plan, members may lose out on the annual bonuses added to the fund by Phoenix Life. There may also be exit penalties applied. It is therefore not unreasonable for the Trustee to maintain the investment in the with-profits policy at this time.

Following the insolvency of the employer, the Trustee is actively winding up the Plan in accordance with the Rules; as part of this process, the Trustee will secure members' benefits in individual policies in due course.

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 undertake all of the financial transactions.

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

As no further contributions are being paid into the Plan, the only financial transactions are either transfer values, retirement settlements for members or death benefit payments in respect of 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 publicly available.

We review the annual with-profits reports provided by Phoenix Life to ensure the annual bonuses paid to the Plan are 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, Vidett, is a sole professional trustee on the Pension Regulator's register of trustees. Employees responsible for the management of the Plan undertake regular training to ensure they have up to date knowledge to undertake their trustee responsibilities. Vidett has an annual external audit of its internal controls which includes these training requirements.

The Trustee team working on the Plan have many years of experience of winding up defined contribution 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 undertaking ongoing training.

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

J Double

James Double

Chair of the Trustee

Date: 24 July 2023

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 not publicly available. 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 members' funds on investment advice to consider whether there are more appropriate funds available to members than the with profits fund. 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 2022 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.

