

Timios Pension Scheme ("the Timios scheme")

Chair's Statement at 31 July 2022

Introduction

This Statement is provided in accordance with the Occupational Pension Schemes (Charges and Governance) Regulations 2015. This Statement covers the period 1 August 2021 to 31 July 2022.

Trustees

The Scheme was established by Timios Limited in 2012. Charles Calveley was the sole director of Timios Limited and the first Trustee of the Timios scheme.

Punter Southall Governance Services Limited (**PSGS**) was appointed as a Trustee by Timios Limited on 2 March 2015 with the objective of improving the governance of the Timios scheme. Mark Mashiter replaced Charles Calveley as Trustee in May 2014. Mark Mashiter was the sole Trustee from 2014 and joint Trustee with PSGS from March 2015 until 17 July 2019 when he retired as a Trustee having given one month's written notice in accordance with the Timios scheme rules.

PSGS has remained as the sole Trustee throughout the period covered by this Statement.

Summary

The Timios scheme was established some years before the appointment of PSGS as Trustee. It was marketed to individuals as a vehicle to transfer their pension savings from other pension schemes into overseas land investments with claimed potential for growth. To encourage transfers, some members were offered cash back from the transfer payment. The manner in which the Timios scheme was marketed has similarities with the marketing of other pension schemes associated with 'pension liberation' (pension scams).

The Timios scheme is currently being wound up and the objective is to sell all of the assets, settle costs and pay benefits or facilitate transfers to other pension arrangements as soon as practicable.

Timios scheme background and circumstances

The Timios scheme is a defined contribution (DC) occupational pension scheme, established by a trust deed dated 12 February 2012 (amended: 1 October 2013). The Timios scheme was set up by Timios Ltd as the Sponsor and by Charles Calveley as the first Trustee. Members transferred-in to the Timios scheme from other unconnected occupational pension schemes. No members were ever employees of Timios Ltd. No members paid any contributions over and above their initial transfer-in to the Timios scheme. Timios Ltd did not employ any members or make any contributions to the Timios scheme either on its own behalf, or on behalf of any of the members at any time.

The Timios scheme was closed in 2013 to new members and to new transfers-in.

The Timios scheme was established by Charles Calveley in conjunction with Mark Mashiter as a means to take advantage of investing in what was claimed to be historically low land prices in the USA. Mark Mashiter's own business and expertise was stated to be in the buying and selling of land in the USA and worldwide. The Timios scheme was marketed in conjunction with a firm called

Fortitude Trading, run by Simon Colfer (also known as Simon Davies) who was subsequently sentenced to a 12 months' suspended sentence after being found guilty of a complex pension fraud. The marketing of the Timios scheme was on the basis of the expectation of rapid increases to the value of the land held by it. Some members who transferred-in to the Timios scheme received a 'commission' payment from the agent arranging the land sales. This agent had no connection to the Trustees or to the Timios scheme in any way. Subsequently, those Timios scheme members who were paid a 'commission' have received tax demands from HMRC on the basis that such payments are unauthorised. No commission payments have ever been made by the Timios scheme to any member(s) at any time.

Company

Timios Limited was dissolved as a result of action taken by Companies House on 7 March 2017. Charles Calveley was the sole director of the company at that time. Following the dissolution of Timios Ltd, PSGS as Trustee recommended that the Timios scheme should be terminated and having considered the scheme rules and taken advice, winding-up of the Timios scheme was triggered on 21 March 2017. Therefore, during the period of this Statement and at the Year- End, the Timios scheme is in winding-up.

The Trustees' strategy following commencement of winding-up was to market and sell all of the Timios scheme's assets (the plots of land) in bulk so that funds were available to secure members' benefits. The key focus of PSGS at the time of triggering wind-up in 2017 and subsequently has therefore been to sell the land in bulk as soon as practicable, and to discharge members' entitlements by transfer to alternative pension arrangements.

A member Update was issued by PSGS to all members in April 2017 informing them of the commencement of the winding-up of the Timios scheme and the reasons for it. Further member Updates have been issued by PSGS in May 2018, July 2019 and March 2020. All of the member Updates advised that steps were being taken to sell the Timios scheme assets and it was likely there would be long delays while the plots of land are marketed and sold, since land is an illiquid asset.

The Pensions Regulator is aware of the present circumstances of the Timios scheme and the steps that PSGS is taking to complete the winding-up.

Investment arrangements

The investment strategy put in place by Charles Calveley as Trustee when the Timios scheme was set up and in conjunction with Mark Mashiter, was for the Timios scheme to invest in plots of land located principally in Florida but also in Arkansas. We are advised that each plot of land is approximately a ¼ acre in size and has the US equivalent of UK planning permission. The land is vacant (undeveloped) and the plots are scattered within the counties of each US State.

The Timios scheme is not and never has been a 'qualifying scheme' for Auto-enrolment ('AE') purposes and no AE contributions were paid by members during the Year or by members and Timios Ltd at any other time. There is not, and never has been, any member investment choice or a default fund available to members. Members chose to transfer-in to the Timios scheme on the basis that the sole investment was the plots of land in the USA. From the outset, the Timios scheme has invested only

in the plots of land in the USA and this was made clear from the documentation provided to potential members as issued by Charles Calveley and Mark Mashiter as the first Trustees. To the extent that Regulations require it, the investment in plots of undeveloped land could be considered to be a 'default arrangement' under the regulations for governance requirements because there are no other options available to members.

In 2015 and shortly after the appointment of PSGS as Trustee, the Trustees obtained written investment advice in light of the Timios scheme's cashflow requirements and in order to regularise the investments by selling the land, which was recognised as an inappropriate and illiquid asset for an occupational pension scheme, and re-investing the funds in liquid assets in the UK. The investment advice proposed a strategy of making disinvestments (land sales) over a period of years to avoid a 'fire sale' and any economic fluctuations that may affect the land values.

In light of the investment advice, PSGS instructed Mark Mashiter to undertake a disposal strategy of the land held in the US to raise the funds needed to pay benefits to members that had fallen due and in order to settle the large number of outstanding fees, expenses and the tax liability due to the US tax authorities on the undeveloped land plots. Very few plots of land were sold by Mark Mashiter on behalf of the Timios scheme and of the plots sold, these were done on a 'piecemeal' basis reflecting market demand that generated a low volume of funds. The lack of land sales and lack of funds available for cashflow has contributed directly to the large backlog of unsettled member benefits at the Year-End as well as the large amount of outstanding fees due to PSGS as Trustee and to the Timios scheme advisers.

As a result of the continued pressing need to have funds available to settle members' benefits and scheme expenses, the decision was taken to wind-up the Timios scheme in order to secure members' benefits. This decision was taken by PSGS on the basis that the scheme assets should be sold in bulk if possible and within a short time frame.

PSGS commenced work in 2017 to find a suitable and experienced realtor (land agent) in the US with experience of selling vacant land in the US Counties/States where the plots of land are located. The land is principally located in Florida, but also in Bella Vista (Arkansas). After some considerable time involving numerous discussions with a number of US realtor firms and individuals in the US with knowledge of the market for vacant land, PSGS appointed a specialist firm of realtors in June 2019 to market the plots of land in Florida. The decision to initially market the land in Florida is because this is where the majority of the plots are located and given the urgent need to settle members' benefits, scheme fees and expenses, it was anticipated they would have a higher value and generate more funds than the plots held in Arkansas.

During the period covered by this Statement, the Florida plots held by the Timios scheme were being actively marketed. A small number of sales have been made against a background of at the present time of a lack of demand for scattered plots of undeveloped land. However, due to the difficulty of selling the land either in bulk, on an individual basis or as parcels of land grouped together, the realtors we engaged in 2019 and subsequent realtors we appointed have all decided not to continue trying to market and sell the land on our behalf. This clearly demonstrates the difficulty of selling the plots of land for a meaningful value.

Land taxes

To complicate matters, for a large number of the plots of land the annual Land Tax owed to the US tax authorities has not been paid for a number of years. As a result, the United States Internal Revenue Service (IRS) has taken a lien (legal right) over these plots and auctioned them to settle outstanding taxes. For these cases, PSGS has submitted claims to the IRS in order to recover any excess funds paid for the plot(s) at auction and after deduction of the taxes due to the IRS.

To assist us with these claims, we have appointed a specialist recovery firm.

Statement of Investment Principles

The Trustees have not prepared a Statement of Investment Principles ('SIP') on the basis that there have always been less than 100 members in the Timios scheme from the outset, so there is no requirement to put in place a SIP under s35 Pensions Act 1995 and the Investment regulations. In addition, the Timios scheme is not used for Auto-enrolment purposes, there is no default fund in the usual sense and no contributions have been made by the members or by Timios Limited at any time and so it is not necessary to prepare a Statement of Investment Principles.

Charges and transaction costs

In accordance with the scheme rules, all of the costs, taxes and charges are met from the assets held by the Timios scheme. The Trustees have always been mindful that the ultimate values obtained from selling the land are not currently known and that the impact of the costs and charges on those values may have a material effect on the net funds available for distribution to members. Land taxes are continuing to accrue on the plots that have not yet been sold and in addition, maintenance costs imposed by the US authorities such as grass cutting are also accruing against the value of the plots. PSGS has taken a proportionate approach to the work on the Timios scheme in order to manage costs as far as possible. However, as a result of the lack of sales made in recent years, there are a large number of outstanding adviser and Trustee fee invoices that will need to be settled once funds are available.

Whilst total costs and charges are not yet available, they will include:

- Costs relating to the sale of the land, including any land taxes & maintenance costs due to the US authorities
- Exchange rate costs \$ v £
- Adviser fees, including administration, audit, legal and investment advisory fees
- Trustee fees

Assessment of member-borne charges and transaction costs

In accordance with regulation 25(1)(a) of the Administration Regulations, the Trustee is required to report on the Timios scheme charges and transaction costs borne by members and their assessment of the extent to which these charges and costs represent good value for money. This is important because the transaction costs and charges borne by members directly impact on the value of the pension fund and hence their pension savings.

The costs associated with running the Timios scheme to date and investigating its history will need to be met from the funds held and this will mean that there will be some substantial charges to be levied against members' funds when the Timios scheme assets (plots of land) are eventually all sold.

Due to the nature of the Timios 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 regulation 23(1)(ca) of the Administration Regulations, as inserted by the 2018 regulations.

Core financial transactions

The administration of the Timios scheme is carried out by Broadstone Pensions Consulting Limited (previously known as Quattro Pensions Limited), who were appointed by the (then) Trustees in July 2014. At the outset, the Trustees agreed Service Level standards ('SLAs' relating to the standard administration work). We confirm that the SLAs were met in prior years and during the time that there were funds available to settle members' benefits.

Members' individual benefits are designated as a percentage share of the total Timios scheme assets, based on the amount of each member's individual transfer-in when the scheme was set up. The assets are pooled, no member has an individual 'pot' within the Timios scheme. During the Year, there have not been any funds available to settle existing member claims relating to retirement benefits, death benefits or to pay transfers-out. As the Timios scheme is in winding-up, no new member claims can be accepted, and the lack of funds has prevented payment of any benefits.

During the Year, there were no transfers paid in to or out of the Timios scheme and there were no joiners or leavers. There were no new contributions to invest. Given that no new contributions are due, and none have been paid by members, we have no comments to make about the reconciliation and timely investment of contributions. There were no investment switches made during the year as the only investment is the plots of land held in the USA.

Administration activity undertaken by Broadstone during the year has been limited to dealing with member enquiries regarding the progress of the winding-up and assisting PSGS with Data Subject Access Requests received from scheme members.

Based on an overview of the specific administration tasks undertaken by Broadstone during the year, PSGS as Trustee is satisfied that Broadstone has provided an accurate and timely service to members and to the Trustee to the extent that they are able to. However, because of the lack of funds, it has not been possible to process transfer value requests and settle benefits due because the land cannot be sold at this time to provide the necessary cashflow to pay benefits. A number of complaints have been dealt with in relation to non or delayed payments of benefits.

Furthermore, the limited sales arranged by Mark Mashiter in previous years remain opaque in terms of understanding the market value achieved and expenses incurred, and this is currently under investigation.

Recovery of a small fraction of the overall scheme assets has been secured to date from land sales at auction and via interested buyers. However, until further recoveries have been secured, the Trustee is

unable to make any payments to members as we have to treat all members equitably and we cannot do so until all assets have been recovered.

Value for members

The Trustee is required to undertake a 'Value for Members' assessment for the Timios scheme.

The origin of the Timios scheme is rooted in Mark Mashiter's stated experience of land sales and purchases and the marketing by Fortitude Trading encouraging members to transfer into the scheme. The Timios scheme was established by Charles Calveley in conjunction with Mark Mashiter and his company to take advantage of investing in the low values of land in the US in 2012 on the expectation that the land would increase in value and those individuals who joined the Timios scheme would benefit from this. As noted above, Simon John Colfer (also known as Simon Davies) of Fortitude Trading has been found guilty of pensions fraud in relation to the sales and marketing of other separate pension arrangements that are not connected to the Timios scheme. PSGS has provided information and witness statements in relation to the Timios scheme in order to assist the Police in connection with those investigations. The information and statements provided by PSGS confirm that the scheme had no connection to Simon Colfer/Davies.

Since our appointment, PSGS has been working to sell the land. The illiquid nature of land is not appropriate as an investment for occupational pension schemes as pension schemes require regular access to funds to pay benefits to members as they fall due.

Given the information now available, the challenging outlook for sales, the land taxes and maintenance costs being imposed by the US authorities, we conclude the Timios scheme offers members poor value for money. On the present outlook, members will suffer a significant loss on their original transfer-in.

Communications

PSGS has kept members informed of the developing circumstances by issuing regular annual newsletters and did so during the period covered by this Statement. Members have full details of contacts at Broadstone and at PSGS and continue to make their expectations, views and concerns known. These are treated by PSGS as sympathetically as possible although it is fair to say that the circumstances and challenges leave little scope for conventional good member outcomes.

Trustee Knowledge & Understanding

It is a requirement that the Trustee continues to have sufficient knowledge and understanding to fulfil its duties.

PSGS is a professional trustee with experience across a wide range of DC and DB arrangements and its staff undertake regular training and maintain training logs. PSGS is subject to an annual AAF audit that requires yearly reviews and evidence of training completed, identifying skills gaps and continuing competence. PSGS holds copies of key scheme documents in a secure electronic filing system.

The Trustee team working on the Timios scheme have passed the Pension Regulator's trustee toolkit and are PMI Accredited Trustees. They have trustee and governance experience of DC schemes, including hybrid arrangements, DC master trusts and workplace pension schemes such as group SIPPs.

The team members are also Associates and Fellows of the Pensions Management Institute (APMI and FPMI respectively) and undertake Continuous Professional Development (CPD) to meet the requirements for membership. More widely, PSGS is supported by other independent professional advisers who ensure that PSGS is kept up to date on the latest legislative, regulatory and market developments that apply to pension schemes and to the Timios scheme as appropriate.

On the appointment of PSGS as Trustee, we followed our standard internal procedures for familiarising ourselves with the Timios scheme documentation and issues. This identified the illiquid nature of the investments and problems with cashflow and governance. Key advisers were appointed, and advice taken as appropriate. A strategy to disinvest the assets by selling the land was agreed by the Trustees, but not executed by Mark Mashiter. This, and the dissolution of Timios Ltd, has led to the Timios scheme triggering wind-up and the appointment of a number of realtors with experience of selling vacant land plots in the Florida counties where the majority of the land is located.

The Trustee believes that it meets the appropriate level of knowledge and understanding to properly exercise its responsibilities, despite the challenges presented by the illiquid assets held by the Timios scheme. Once the land is sold in due course, the Trustee will settle all outstanding costs and inform members of their share of the remaining funds. Members have been warned this will not be a quick process. Members' benefits will be secured in due course in accordance with their instructions and the winding up can then be concluded. The necessary final accounts will be put in place and relevant notices given to HMRC, the Pensions Regulator and the Data Protection Register. The Trustee has knowledge and experience of winding-up DC schemes, having concluded wind-ups of a number of own-trust schemes and Pensions Regulator appointments.

How to contact the Trustee

If you have any queries regarding the Timios scheme, please contact:

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Issued by: Punter Southall Governance Services Ltd as Trustee and Chair of the Timios Pension Scheme

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