

# THE CHAIR'S STATEMENT REGARDING DC GOVERNANCE: 1 APRIL 2022 TO 31 MARCH 2023

This statement is produced pursuant to Regulation 17 of the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and Regulation 23 of The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended) (the 'Administration Regulations'). It explains how the **Berkeley Securities Limited Pension Scheme (the "Scheme")** is meeting the governance standards that apply to occupational pension schemes that provide money purchase benefits.

This document sets out the Statement covering the period from 1 April 2022 to 31 March 2023.

## **Default arrangement**

Leadenhall Independent Trustees Limited (LIT) was appointed by the Pensions Regulator on 17 March 2017 to act as Trustee to the Scheme, with exclusive powers.

There is no conventional default arrangement as the founders and original trustees invested the majority of the Scheme's assets in teak trees, managed by Mere Plantations Limited. As such, the Trustee is unable to carry out a meaningful review of the strategy as the assets are illiquid and performance cannot be measured unless and until the assets are realised. Therefore, the Trustee does not review the default strategy and performance of the default arrangements, neither regularly nor at least every three years.

The Trustee remains in contact with Mere Plantations Ltd but it remains unclear as to whether any funds will be realised although the Trustee believes that any recovery is unlikely. The Trustee is of the view that these purported investments are unsuitable for a pension arrangement.

Given the exceptionally limited cash funds available as well as the Scheme membership being less than 100, a Statement of Investment Principles (SIP) and Implementation Statement have not been prepared. The Trustee has established a strategy for managing the Scheme and submitted an application to the Fraud Compensation Fund (FCF).

In November 2022, the FCF accepted the Trustee's application for compensation and agreed in principle that there are reasonable grounds for believing the Scheme has suffered asset reductions attributable to dishonesty. This means that in principle compensation is payable to the Scheme.

## **Processing Scheme transactions**

The core financial transactions (including the investment of contributions, transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members) are not relevant as no member or employer contributions have been made during the period of this statement, and members are unable to transfer their benefits out of the Scheme as the Scheme assets, i.e. members' funds, were invested by the original trustees in illiquid assets that may have little or no value.

Due to the circumstances of the Scheme there have been no core financial transactions specified in the Administration Regulations (The Occupational Pension Schemes (Scheme Administration) Regulations 1996).

Following FCFs confirmation that in principle compensation is payable to the Scheme, Barnett Waddingham LLP has been appointed to assist with the administrative work required. Additionally, the Trustee has appointed Cooper Parry Group Limited to provide accounting services to the Scheme in respect of the compensation claim.

## **Transaction costs – default arrangement and additional funds**

The Administration Regulations require the Trustee to disclose the charges and transactions costs borne by DC scheme members and to assess the extent to which those charges and costs represent good value for money for members.

These transaction costs are not limited to the ongoing charges on member funds, but should also include trading costs incurred within such funds.

This is not applicable to the Scheme as no transactions were made during the reporting period and no fund charges levied. The initial costs involved in the investment are unclear but are unlikely to have been substantiated.

No other funds are made available as the investments are illiquid. No member or employer contributions have been made during the period.

There have been no dealing costs in the reporting period.

The Trustee is currently unable to confirm that any associated costs are reasonable.

The Trustee has been unsuccessful in its numerous attempts to recover costs from the sponsoring employer which as a result was put into liquidation by LIT in 2017 and dissolved on 3 October 2018.

All charges incurred by the Trustee in managing the Scheme, including external legal costs, are payable by the sponsoring employer. However, pursuant to the appointment made by the Pensions Regulator on 17 March 2017, any fees incurred in managing the Scheme are met from the remaining Scheme assets.

## **Value for Members**

The Trustee is aware of new regulations that apply to 'a specified scheme' (of which this Scheme is one) as described by The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 ('the 2021 Regulations') which means that the Trustee must carry out a more detailed assessment of Value for Members. As a pension trustee we would typically expect to adopt the following approach to assessing Value for Members for the last year:

- Costs and charges – to consider the costs and charges of the Scheme's investment funds and compare these with 3 other "comparator schemes"
- Net investment returns – to consider the net investment returns of the Scheme's investment arrangements and funds, and compare these with 3 other "comparator schemes"
- Scheme governance and administration – to assess the Scheme on an absolute basis against 7 key governance and administration criteria

However, due to the costs in obtaining professional advice which would be met from members' funds (the Scheme assets) we have not taken independent advice on value for members as we believe the investments by their nature are inappropriate for a collective defined contribution pension scheme and do not represent good value for members

The Trustee's assessment concludes that the Scheme's members do not get good value from the investments and through their membership of this Scheme, they do not get the following benefits either (which members may have got through another Scheme):

- Administration of the Scheme;
- Ongoing oversight and review of the Scheme's investment options including the default investment strategy;
- The efficiency of the administration processes

Overall, the Trustee believes that members did not get good value for money (for the last 12 months and any periods for which they were members of the Scheme before then).

Should the claim for FCF compensation be successful, it is the Trustee's intention, following receipt of FCF compensation, to commence the wind-up of the Scheme.

### **Trustee knowledge and understanding**

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Codes of Practice 07 and 13.

The Trustee has put in place arrangements for ensuring that all directors of LIT take personal responsibility for keeping themselves up-to-date with relevant developments. The Trustee receives regular training and maintains a detailed training log to ensure the trustee is complying with the standards set out by the Regulator. All directors of LIT have completed the Pension Regulator's Trustee Toolkit. As part of annual Trustee business planning, the Trustee considers training requirements for the year ahead, to support specific Trustee business needs.

LIT is represented for the Scheme by Helen Frisby. Helen joined LIT's sister company Independent Trustee Services Ltd (ITS) in 2007. Helen represents ITS on a variety of schemes, both Defined Benefit and Defined Contribution. Helen is a Fellow of the Pensions Management Institute and an Accredited Member of the Association of Professional Pension Trustees. All Directors of ITS/LIT have received training on DC developments during the year including the requirements regarding Chair's statements.

LIT requires that each of the Directors undertakes a minimum level of Continued Professional Development each year.

The current Trustee's knowledge and understanding and the continued assistance from the Scheme's advisors, enables the Trustee to perform its responsibilities to a high standard.

### **Governance statement**

As Trustee of the Scheme, we have reviewed and assessed our systems, processes and controls across key governance functions with those set out in The Pensions Regulator's:

- Code of Practice 13: Governance and administration of occupational defined contribution trust-based schemes
- Regulatory guidance for defined contribution schemes

Whilst the Scheme assets are invested in illiquid funds, it is not possible to improve the investment strategy and improve member outcomes at this time. There have been no member transactions to process; therefore, it has not been possible to measure our processes against these controls.

The Trustee is now working with the FCF to provide the information they need in order to establish the amount of compensation to be paid to the Scheme and the timing of the payment.

**The Chair's statement regarding DC governance was approved by the Trustee on 6 April 2023**

**Signed by Helen Frisby on 6 April 2023**