

# ALDERLEY WEALTH MANAGEMENT PENSION SCHEME

## THE CHAIR'S STATEMENT REGARDING DC GOVERNANCE: 1 JUNE 2022 TO 31 MAY 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 Alderley Wealth Management 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 June 2022 to 31 May 2023.

### **Trustee**

Independent Trustee Services Limited was appointed by the Pensions Regulator on 30 August 2017 to act as Trustee to the Scheme with exclusive powers.

On 1 February 2023 Independent Trustee Services Limited merged with Ross Trustees Services Limited to create Independent Governance Group ("IGG"). IGG is the trading name of Ross Trustees Services Limited, Independent Trustee Services Limited, Independent Trustee Limited, Clarity Trustees Limited, Clark Benefit Consulting Limited, Leadenhall Independent Trustees Limited all registered in England and Wales.

### **Default arrangement**

Due to the nature of the investments, there is no conventional default arrangement in place. IGG believe the Scheme membership is less than 100 members and therefore a Statement of Investment Principles (SIP) has not been prepared by the Trustee.

IGG understands that during the period there were six Scheme investments, namely; a shareholding in Haimachek UK Limited, a shareholding in GI Logics Limited, a bond investment with CGrowth Capital Bond Limited, Legal & General's Dynamic Diversified Fund, shares within 'eZono AG' (a non-listed company located in Jena/Germany) and cash in the Scheme bank account.

IGG's current understanding is that the equity investments in Haimachek, eZone AG and GI Logics are concentrated, long term, illiquid, high risk, challenging to value (if at all), and are therefore unlikely to be suitable for a pension Scheme.

### **Assets held at the end of the period 31 May 2023**

At 31 May 2023, the Scheme held:

- £438,850 in Legal & General's Dynamic Diversified Fund.
- £1,029,738 in the Trustee's Bank Account, which attracts interest (at the time of signing this Chair Statement) of 1.9%.
- Due to their illiquid nature Haimachek UK Limited, GI Logics, CGrowth Capital Bond Limited and eZono AG investments continue to be valued at nil.

## **Financial Compensation Fund ("FCF")**

IGG submitted an application for compensation to FCF in January 2022. On 20 July 2022, FCF confirmed their view that there are reasonable grounds for believing that a dishonesty offence has taken place and as a result there has been Scheme asset reductions attributable to that dishonesty offence. In March 2023, FCF paid the first instalment of compensation to the Scheme totalling £1,055,023.

## **Charges and transaction costs - LGIM's Dynamic Diversified Fund**

The Annual Management Charge of this fund is 0.50%. This fund seeks to achieve its objective by investing in a diversified range of asset classes, as well as by dynamically managing the fund's exposures in light of the investment outlook. The fund provides exposure to a range of different asset classes that may include equities (i.e. company shares), bonds (i.e. debt issued by governments and companies), property, commodities and listed infrastructure, private equity and global real estate companies (i.e. shares in companies involved in these activities). This exposure will be achieved through investing in a combination of passively and actively managed funds, as well as direct securities. The Trustee receives quarterly updates from LGIM for the Scheme's investment.

## **Additional transaction costs and expenses within the Dynamic Diversified Fund**

Transaction costs may be incurred in the day-to-day operation of the investment fund, e.g. in relation to an investment fund's trades and switching between investment funds. Transaction costs in particular will vary significantly depending on a fund's investment remit and on the market environment.

The Trustee approached LGIM to obtain details of any unreported costs incurred by members in the reporting period.

LGIM provided details of transaction costs incurred within the Dynamic Diversified Fund for the period 1 April 2022 to 31 March 2023\*. It should be noted that a positive figure is where the transaction costs have been a drag on the fund and a negative figure is where transaction costs have actually resulted in a gain.

*\*to be updated with costs for the period to 31 May 2023 once confirmed by LGIM*

LGIM confirmed that the total transaction costs over the period 1 April 2022 to 31 March 2023\* for the Dynamic Diversified Fund are 0.1182%.

*\*to be updated with costs for the period to 31 May 2023 once confirmed by LGIM*

There is no conventional default arrangement as the Trustee is unable to carry out a meaningful review of the strategy until the Scheme records have been reconciled and the FCF compensation process is complete.

The Trustee does not, therefore, carry out a conventional review of strategy and performance of the default arrangement but monitors performance and fees of the LGIM investment as explained above.

Once the FCF compensation process is complete and the Scheme records have been reconciled, this will allow the Trustee to implement a default strategy and determine the allocation of assets to individual members. At this stage a conventional Chair's Statement will be prepared.

## **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 until the FCF compensation process is complete and the Scheme records have been reconciled. Members' funds were invested by the original trustees in illiquid assets that mostly may have little or no value. Members' asset shares currently cannot be determined as the illiquid assets are difficult to 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).

## **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.

There have been no dealing costs in the reporting period. The Annual Management Charge for the LGIM DDF fund is 0.50%.

For the other 'investments' we are unaware of any dealing costs in the reporting period, so the Trustee is currently unable to confirm that any associated costs are reasonable.

Due to the circumstances surrounding the appointment of ITS, and based on the information available to the Trustee, the Trustee believes that the Scheme does not offer good value for money.

No member or employer contributions have been made during the period.

Pursuant to the appointment made by the Pensions Regulator on 30 August 2017 any fees incurred in managing the Scheme are met from the remaining scheme assets (i.e. members' funds). It should be noted however that any fees associated with the claim to the FCF are covered by FCF compensation.

From 6 April 2018 the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 introduced new requirements relating to the disclosure and publication of the level of charges and transaction costs by the trustees and managers of a relevant scheme. These changes are intended to improve transparency on costs. As part of the changes, the Trustee is required to illustrate the cumulative effect over time of the application of transaction costs and charges on the value of a member's benefits. However, as it is not possible to determine the value of members' benefits, we have not incurred the cost of producing illustrations of the monetary impact of charges on the value of members' benefits.

## **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 circumstances of the Scheme and that the costs in obtaining professional advice would be met from members’ funds (the Scheme assets), the Trustee has not taken independent advice on value for members as the Trustee believes the investments by their nature are inappropriate for a collective defined contribution pension scheme and do not represent good value for members.

Based on the information available the Trustee’s assessment concludes that overall 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).

It is the Trustee’s intention to commence the wind-up of the Scheme following completion of the FCF compensation process and the reconciliation of Scheme records.

### **Trustee’s 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 Trustee representatives of IGG take personal responsibility for keeping themselves up-to-date with relevant developments. The Trustee representatives receive regular training and maintain a detailed training log to ensure the trustee is complying with the standards set out by the Regulator. All Trustee representatives of IGG 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.

IGG is represented for the Scheme by Helen Frisby. Helen joined IGG in 2007. Helen represents IGG 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 Trustee representatives of IGG have received training on DC developments during the year including the requirements regarding Chair's statements.

IGG requires that each of the Trustee representatives undertake 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 Scheme assets remained invested in illiquid funds, and until the FCF compensation process is complete with Scheme records reconciled, it is not possible to review the investment strategy and improve member outcomes. There have been no member transactions to process; therefore, it has not been possible to measure our processes against these controls.

**The Chair's statement regarding DC governance was approved by the Trustee on 21 December 2023**

*Signed by Helen Frisby 21 December 2023*

**Signed:** .....  
**Helen Frisby**  
**Trustee Director**  
**Independent Governance Group**

**Date: 21 December 2023**