

# THE CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE

## 1 APRIL 2023 TO 31 MARCH 2024

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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 **Halford Assets 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 2023 to 31 March 2024.

### **Trustee**

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 as the Pensions Regulator had concerns over the manner in which the Scheme was set up and run, and the unconventional way in which members' funds had been invested. LIT is part of the Independent Governance Group ("IGG") and IGG is the trading name of LIT.

### **Scheme background**

The previous trustee of the Scheme invested the Scheme's assets in teak trees in Ghana. IGG applied to the Fraud Compensation Fund (FCF) in February 2018. In November 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 July 2023, FCF paid the first instalment of compensation to the Scheme totalling £3,086,131 in relation to losses attributable to the Scheme's investment in teak trees. Further instalments of FCF compensation are due.

Once the FCF compensation claim is complete and member records are reconciled, IGG intend to wind up the Scheme and secure benefits for members with an alternative pension arrangement.

### **Default arrangement**

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

Following the first instalment of funds from the FCF, IGG has taken investment advice and is currently implementing this advice. This advice reflects the expected short-term nature of the investment whilst the FCF claim is completed before IGG wind up the Scheme and secure benefits for members with an alternative pension arrangement.

### **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 claim is completed and the remaining funds are allocated between members.

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 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 transaction 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 member or employer contributions have been made during the period.

There have been no dealing costs in the reporting period.

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

IGG has been unsuccessful in its numerous attempts to recover costs from the sponsoring employer which as a result was put into liquidation by IGG in 2017 and dissolved on 28 February 2019.

All charges incurred by IGG 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. It should be noted however that any fees associated with the claim to the FCF are covered by FCF compensation.

Trustee Fees incurred from appointment to 31 March 2024:	<b>£77,878</b>
Legal fees incurred from appointment to 31 March 2024:	<b>£3,751</b>
Administration and other fees incurred from appointment to 31 March 2024:	<b>£45,435</b>
<b>Total:</b>	<b>£127,064</b>

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, we are 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 Scheme is a specified scheme as described by The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 which means that we 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

The Scheme is not conventional and 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.

IGG’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, IGG 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).

Once the FCF compensation process is complete and the Scheme records have been reconciled, this will allow IGG 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.

## 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.

IGG 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**

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 implement and review a default investment strategy. There have been no member transactions to process; therefore, it has not been possible to measure our processes against these controls.

In working towards completion of the FCF claim and the wind up of the Scheme with members' benefits transferred to an alternative pension arrangement, we believe we are working to improve member outcomes.

**The Chair's statement regarding DC governance was approved by the Trustee of the Halford Asset Pension Scheme in October 2024**

**Signed:  
Helen Frisby**

**October 2024**