

## **Embolden Executive Pension Scheme (the "Scheme")**

### **Annual Governance Statement for the Scheme Year ending 1 January 2024**

Trustees are required to prepare a statement showing how they have met certain minimum governance standards in relation to defined contribution benefits. The Scheme is a Defined Contribution arrangement.

The minimum governance standards cover five principal areas relating to the Scheme's defined contribution benefits, namely:

- the default investment arrangements and any other investment options where applicable,
- processing of core financial transactions,
- calculating member borne charges and transaction costs and explaining how they represent value for money for the members and
- the level of the trustees' knowledge and understanding
- enhanced value for money test which involves assessing the quality of the administration and governance of the scheme against seven key metrics and comparing the scheme's costs & charges and net returns against 3 other schemes.

In addition, I have reported on the suitability of the Scheme's investments.

As Chair of the Scheme, on behalf of Vidett Governance Services Limited ('VGS') (which changed its name from Punter Southall Governance Services Limited on 3 July 2023) I have to report on how the Trustee complies with these minimum standards and have done so below. As will be seen, with one exception, it is the Trustee's opinion that the Scheme does not comply with any of the minimum governance standards due to the way the Scheme was established and run by predecessor trustees up to 19 April 2018 when VGS was appointed to be the Trustee by The Pensions Regulator. The exception is that the Trustee has a high level of knowledge and understanding of how the Scheme should be run.

#### **Default Arrangements**

A default arrangement is an investment strategy chosen by the Trustee in which members' funds are invested if they do not wish to make their own choice of investments. It would normally reflect a conservative approach, based on investing in assets expected to give returns in excess of inflation up to, say, 10 years from a member's expected retirement date at which point investments would be moved into less volatile assets such as cash and bonds as a member nears retirement. An analysis of the membership of the Scheme would usually be undertaken to determine the most suitable default arrangement for the Scheme.

The Scheme has no default arrangement and has no plans for one given the nature (ie the illiquidity and irrecoverability) of certain of its current investments.

All members originally had had their funds invested in the following underlying assets :

- Crystal Investment Holdings bonds – approximately 80% of each member's fund
- Dolphin Trust bonds - approximately 13% of each member's fund
- CHC Markets trading account run by KBW Associates - approximately 7% of each member's fund.

The Trustee obtained investment advice from Broadstone in December 2019 to identify a suitable fund to invest the redemptions or other recoveries from the above investments during

the period until transfer values could be recommenced and the process to wind the Scheme up could be started.

Broadstone advised the Trustee to invest these amounts in the LGIM Retirement Income Multi Asset Fund.

### **Suitability of Investments and Core Financial Transactions**

The Trustee is required to explain how it ensures that core financial transactions for the Scheme are processed promptly and accurately.

Each member's funds were invested in Crystal Investment bonds, Dolphin Trust bonds and CMC Markets trading account when their transfer value was paid into the Scheme. In the opinion of the Trustee none of the investments offered to members were investments which were suitable for the Scheme as they were highly illiquid (ie not easily realisable for cash) and carried far more risk than was appropriate for a pension scheme of this type. The Trustee has serious concerns that the Scheme's assets have lost significant value.

The Trustee is unable to monitor the performance of the majority of the investments because available information is limited or non-existent.

The Trustee's policy is to realise all assets when this can be achieved. Initially following our appointment, there had been interest payments and limited early bond redemptions from Crystal Investment Holdings. Whilst there have been some further interest payments and bond redemptions, these have been delayed,. We remain in correspondence with Crystal Investment Holdings with a view to recovering further future payments.

The CMC Markets account was closed with a small sum being returned to the Scheme bank account meaning almost all the original investment had been lost due to investment losses and commission payments.

Any redemptions from Dolphin Trust (now known as German property Group) look very unlikely as it has entered into insolvency.

Following the Trustee's appointment, the Scheme no longer accepts contributions or transfers in and, due to the issues outlined in this statement regarding the investments, has been unable to pay any member benefits including transfer values.

No benefit statements are being issued to members due to the lack of information on the value of investments.

### **Assessment of member-borne charges and transaction costs**

In accordance with regulations 25(1)(a) of the Administration Regulations, the Trustee is required to report on the charges and transaction costs and their assessment of the extent to which these charges and costs represent good value for money. This is normally important because the transaction costs and charges borne by the members directly impact on their pension savings. For this reason, the Trustee keeps the level of these under regular review.

The costs of the Trustee and other adviser costs associated with running the Scheme and investigating its history will need to be met from the Scheme and this will mean that there will be some substantial charges to be levied against members' funds when they are realised.

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

## **Trustee Knowledge and Understanding**

The Trustee has in-depth knowledge of the trust deed and rules. VGS was appointed to the Scheme by The Pensions Regulator because it is a professional trustee company that is on The Pension Regulator's register and has evidenced the ability to deal with the challenges faced by schemes of this nature.

As Chair I am a professional trustee, have completed The Pensions Regulator's Trustee Toolkit and regularly receive CPD from pension experts, seminars and conferences. The Trustee carries out a similar role for other occupational schemes and also undergoes training from VGS's internal resources. As such, the requirement under section 248 of the Pensions Act 2004 (requirement for knowledge and understanding) has been met during the Scheme year by the Trustee.

## **Enhanced value for money test**

We are aware of the requirement to assess the quality of the administration and governance of the Scheme against seven key metrics and comparing the Scheme's costs & charges and net returns against 3 other schemes.

However, as this Scheme is a TPR appointment and we have confirmed the Scheme fails the VFM tests, as outlined above, the trustees have agreed there is no value spending more of the scheme's funds in undertaking this analysis.

## **Exemptions to DC Code of practice no.13**

All contributions to the Scheme have ceased.

The Scheme has less than 100 members and therefore is not required to have a Statement of Investment Principles.

## **Signed for and on behalf of VGS as the Trustee of the Embolden Executive Pension Scheme**

*James Double*

James Double

Chair of the Trustee

09 February 2024