

Vertu Retirement Benefits Scheme ("the Vertu scheme")

Chair's Statement at 31 July 2023

Introduction

This Statement is provided in accordance with the Occupational Pension Schemes (Charges and Governance) Regulations 2015. This Statement covers the period 1 August 2022 to 31 July 2023.

Trustees

The Vertu scheme was established by Spyglass Limited in 2012. Mark Mashiter was the sole director of Spyglass Limited and the first Trustee.

Punter Southall Governance Services Limited (**PSGS**) was appointed as a Trustee by Spyglass Limited on 2 March 2015 with the objective of improving the governance of the Vertu scheme. Mark Mashiter was sole Trustee from 2012 and joint Trustee with PSGS until 17 July 2019 when he retired as a Trustee having given one month's written notice in accordance with the scheme rules.

In July 2023, PSGS changed its name to Vidett Governance Services Limited (**Vidett**) but it is the same company and has remained as the sole Trustee throughout the period covered by this Statement.

Summary

The Vertu scheme was established some years before the appointment of PSGS (now Vidett) 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 Vertu scheme was marketed has similarities with the marketing of other pension schemes associated with 'pension liberation' (pension scams).

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

Vertu scheme background and circumstances

The Vertu scheme is a defined contribution (DC) occupational pension scheme, established by a trust deed dated 17 February 2012 (amended: 11 September 2013). The Vertu scheme was set up by Spyglass Ltd as the Sponsor and by Mark Mashiter as the first Trustee. Members transferred-in to the scheme from other unconnected occupational pension schemes. No members were ever employees of Spyglass Ltd. No members paid any contributions over and above their initial transfer-in to the scheme. Spyglass Ltd did not employ any members or make any contributions to the scheme either on its own behalf, or on behalf of any of the members at any time.

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

The Vertu scheme was established by 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 Vertu 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 Vertu scheme was on the basis of the expectation of rapid increases to the value of the land held by the scheme. Some members who transferred-in to the scheme received a 'commission' payment from the agent arranging the land sales. This agent had no connection to the Trustees or to the Vertu scheme in any way. Subsequently, those 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 Vertu scheme to any member(s) at any time.

Company

Spyglass Limited was dissolved as a result of action taken by Companies House on 20 December 2016. Mark Mashiter was the sole director of Spyglass Ltd at that time. Following the dissolution of Spyglass Ltd, PSGS as Trustee recommended that the scheme should be terminated and having considered the scheme rules and taken advice, winding-up of the scheme was triggered on 21 March 2017. Therefore, during the period of this Statement and at the Year- End, the Vertu scheme is in winding-up.

The Trustee's strategy following commencement of winding-up was initially to market and sell all of the scheme's assets (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 was therefore 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 to all members in April 2017 informing them of the commencement of the winding-up of the scheme and the reasons for it. Further member Updates have been issued by PSGS annually. All of the member Updates advised that steps were being taken to sell the 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 Vertu scheme and the steps that Vidett is taking to wind-up the scheme.

Investment arrangements

The investment strategy put in place by Mark Mashiter as the first Trustee when the Vertu scheme was set up, was for the scheme to invest in plots of land located principally in Florida but also in other US states. 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 Vertu 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 scheme year or by members and the Sponsor 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 scheme on the basis that the sole

investment was the plots of land in the USA. From the outset, the 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 Mark Mashiter as the trustee at the time. 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 scheme's cashflow requirements and in order to regularise the investments by selling the land, which was recognised as an inappropriate and illiquid asset, 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 scheme 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 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 asset sales and 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 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 Vertu 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 (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 Atlanta (Georgia) and 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 and the scheme expenses, it was anticipated they would have a higher value and generate more funds than the plots held in Georgia and Arkansas.

Since 2019, the Florida plots held by the scheme have been being actively marketed. A small number of sales have been made against a background 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 and to sell the plots of land, we have recently appointed a specialist asset 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 Vertu 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 Vertu 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 Spyglass Limited as the Sponsor at any time and so it is not necessary to prepare a Statement of Investment Principles.

Charges and transaction costs

In accordance with the Vertu scheme rules, all of the costs, taxes and charges are met from the scheme assets. 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 and in addition, maintenance costs imposed by the US authorities such as grass cutting are also accruing against the value of the plots. Vidett has taken a proportionate approach to the work on the 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 Vertu 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 scheme to date and investigating its history will need to be met from the scheme assets and this will mean that there will be some substantial charges to be levied against members' funds when the assets (plots of land) are eventually sold.

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

Core financial transactions

The administration of the ~~Vetu~~ scheme is carried out by Broadstone Pensions Consulting 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 assets, based on the amount of each member's individual transfer-in when the scheme was set up. The scheme assets are pooled, no member has an individual 'pot' within the scheme. During the period covered by this Statement, there has not been sufficient funds available to settle existing member claims relating to retirement benefits, death benefits or to pay transfers-out. As the 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 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 the progress of the winding-up, advising changes of personal details (address changes) and assisting Vidett with member enquiries.

Based on an overview of the specific administration tasks undertaken by Broadstone during the Year, Vidett 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 ordinary member transactions such as 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-payment or delayed payment 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 in previous years 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 of the Vertu scheme.

The origin of the Vertu 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 Vertu scheme was established by Mark Mashiter and his company, Spyglass Ltd, 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 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 scheme. At the time, PSGS provided information and witness statements in relation to the Vertu scheme in order to assist the Police in connection with those investigations. The information and statements provided by PSGS confirmed that the scheme had no connection to Simon Colfer/Davies.

Since our appointment, Vidett has been working to sell the scheme assets (land). The illiquid nature of the land is not appropriate as an investment for occupational pension schemes as the scheme requires 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 Vertu scheme offers members poor value for money. On the present outlook, members will suffer a significant loss on their original transfer-in.

Communications

We have kept members informed of the developing circumstances by issuing regular annual newsletters. Members have full details of contacts at Broadstone and at Vidett and continue to make their expectations, views and concerns known. These are treated by Vidett 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.

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

The Trustee team working on the Vertu 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, Vidett is supported by other independent professional advisers who ensure that the team is kept up to date on the latest legislative, regulatory and market developments that apply to pension schemes and to the Vertu scheme as appropriate.

On the appointment of PSGS as Trustee (now Vidett), we followed our standard internal procedures for familiarising ourselves with the Vertu 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 Spyglass Ltd, has led to the 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 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 Vertu scheme, please contact:

The Trustee of the Vertu Retirement Benefits Scheme
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Issued by: Vidett Governance Services Limited as Trustee and Chair of the Vertu Retirement Benefits Scheme

March 2024