

Pinnacle Pension Scheme (“the Scheme”)

Annual Chair’s Statement as at 24th March 2020

1. Introduction and Historic Background

The Scheme is an occupational defined contribution pension scheme. The trustee is Pi Consulting (Trustee Services) Limited (“PTS”). This statement has been prepared in accordance with regulation 23 of The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (“the Administration Regulations”).

Regulation 23 sets out what information has to be included in a chair’s statement in relation to:

- The investment strategy relating to a scheme’s default option;
- The processing of scheme financial transactions;
- Charges and transaction costs within a scheme; and
- The trustee’s compliance with the statutory knowledge and understanding requirements

This statement covers the period up to 24th March 2020 (the “Relevant Period”) and is, as far as we are able to establish, the first such statement to be produced. It includes information which we have obtained since the 24th March 2020.

On 13th March 2020 the Pensions Regulator appointed PTS as the trustee of the Scheme, under sections 7 & 9 of the Pensions Act 1995. This appointment means that PTS are the only trustee of the Scheme to the exclusion of all previous trustees.

The previous trustees were New Path Productions Limited and Chartwell Trustee Pension Solutions Limited. New Path was compulsorily struck off and dissolved by Companies House on 15th September 2015 and Chartwell was wound up by order of the High Court on 6th June 2018.

The Scheme appears to have been funded entirely by transfer values from members’ other pension arrangements. It appears therefore that it was not used for automatic enrolment purposes.

No further contributions or transfer values will be accepted into the Scheme

We will report periodically to members and to the Regulator

2. Documents

PTS have obtained a number of documents from the Official Receiver of Chartwell Trustee Pension Solutions Limited in relation to the Scheme. This includes what appears to be a complete list of the members of the Scheme.

PTS has not seen little evidence of any attempt by the previous trustees to comply with much of the legislation around pension schemes. We have not yet been able to trace any of the principal governance documents that would be expected, including annual accounts.

3. Investments

Because the Scheme was not used for auto-enrolment, there is no requirement to have a default investment arrangement.

The trustee is required to produce a Statement of Investment Principles and this is attached to this Statement. There is no evidence that the previous trustees did this. Any work on investment strategy will have to be paid for from members' assets and therefore we intend to keep the work on this to an absolute minimum.

According to the returns submitted to the Pensions Regulator by the previous trustees, there were assets of around £3.8m as at 24th March 2017. In the absence of any audited accounts we are not able to verify this figure.

It appears that the assets of the scheme, apart from a small amount in a bank account currently being transferred from the Official Receiver to a trust account managed by PTS, consist entirely of storage pods managed by Store First at a number of locations in England and Scotland. The purchase of these storage pods appears to have been carried out through the Hetherington Partnership, a law firm which has now been closed down by the Solicitors' Regulation Authority ("SRA"). We are in correspondence with the Intervening Agent appointed by the SRA to manage Hetherington's affairs, to try to trace documentation evidencing the Scheme's ownership of the storage pods.

Whilst we have a substantial list of storage pod numbers and locations that we have compiled from the papers transferred to us by the Official Receiver, we cannot be sure at this stage whether the list is complete and accurate. Once we are, we intend to start a process of establishing title to the pods, whether they are marketable and what they might be worth. We will need to take professional advice at some stages of this exercise, but we will keep the costs as low as possible.

We will look for evidence of any other investments held by the Scheme, but at the moment we have not found any.

We are not able to trace any evidence that the previous trustees complied with the extensive regulations in relation to pension scheme investment, that requires Trustees to invest in predominantly regulated investments. The Storage pod investments are unregulated.

4. Requirements for processing financial transactions

In a defined contribution scheme of this type, members do not directly own specific assets. There is a pool of assets owned by the trust and these are used to place a notional value on each member's account within the Scheme; so it is necessary to be certain, not only of the total value of the assets, but also the total of members' interests in the Scheme, in order to value any member's individual account within the scheme. Please bear this in mind as you read the following section.

Regulation 23(1)(b) of the Administration Regulations requires the trustee to describe how core financial transactions have been processed promptly and accurately, under the following headings:

- Investment of Contributions paid to the Scheme

As far as we can establish, no contributions have ever been paid to the Scheme (but see the section below relating to transfers)

- Transfers of Members' Assets between different investment options available in the Scheme

As far as we can establish, no investment options have ever been offered to members

- Payments from the Scheme to, or in respect of, members

Given the nature of the investments made by the previous trustees it is not currently possible to determine the value of each member's notional account within the scheme with any certainty and therefore no members' benefits have been or will be paid in the near future. This situation will of course be kept under review as we work towards establishing and realising the value of the scheme's assets.

- Transfers into and out of the Scheme

No further transfers into the Scheme will be accepted. No transfers out of the Scheme will be possible until we have been able to place a definitive value on each member's notional account within the Scheme

- 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 charges and, in so far as it is able to do so, the transaction costs borne by members of the Scheme, and state the range of the levels of those costs applicable to all funds in which assets relating to members are invested during the scheme year.

During the Relevant Period, for the reasons set out above, it is not possible to quote the charges (the Total Expense Ratio) applicable to the Scheme's investments.

Members had charges deducted from their notional funds by the previous trustees. This may have included introducer fees, administration charges, legal fees, property service costs and other charges. As the Scheme was not used for auto enrolment the statutory fee cap does not apply. It is not possible to quantify the charges which were deducted.

The trustee cannot at present transfer the assets to alternative investments where it would be possible to quantify the costs being borne by members but, as and when we are able to sell any assets the proceeds will be invested in secure low cost funds.

Because of the uncertainty over the costs, it has not been possible to prepare an illustration of the impact of these costs on members notional funds.

During the period we are not able to identify that there has been any switching between assets.

The cash assets currently held will be used initially to meet the costs of administering the Scheme, including the identification, securing and disposing of assets purchased by the previous trustees. In the absence of a solvent employer, all costs incurred by the trustee in relation to the management of the scheme and the recovery of assets are met from members' notional funds. Our own fees are set by the Pensions Regulator.

- Value Assessment

In accordance with Regulation 25(1)(b) of the Administration Regulations, the trustee is required to assess the extent to which the charges and transaction costs set out above represent good value for members, including a review of the performance of the Scheme's assets in the context of their investment objectives.

The trustee's investment objectives should be to make investments appropriate to the Scheme. However, as virtually all of the assets appear to be in unregulated and illiquid assets, PTS has no option but to hold these assets as they are for the time being. We do not consider that the investments are appropriate for the Scheme, have found no evidence of a Statement of Investment Principles, nor proper records of the investments and are not clear at this stage how easy, or difficult, it will be to establish our title to the assets, value or sell them. We do not consider that the regulations regarding pension scheme investments have been complied with. The Pensions Regulator is aware of the nature of the investments made by the previous trustees, and we have updated them on our progress with establishing the necessary details. In view of all of this, we consider that the investments made by the previous trustees are unlikely to represent good value for money for members due to their lack of liquidity, difficulty of establishing the transaction costs, and their unregulated nature.

5. Fraud Compensation Fund

We have not yet been able to establish whether the Scheme meets all of the criteria for a claim to the Fraud Compensation Fund <https://www.ppf.co.uk/fraud-compensation-fund> Any application which we do decide to make is likely to be detailed and complex and take some time to resolve.

6. Pension Scheme Annual Report and Accounts

We have not yet found any evidence that the previous trustees prepared an Annual Report and Audited Accounts at any time during the life of the Scheme. We are currently trying to reconcile the Scheme's records and it is our intention to produce Audited Scheme Accounts. However, past statutory deadline have been missed, and, in view of the amount of work needing to be done to establish the value of the Scheme's assets, it is not yet clear whether we will be able to produce any meaningful accounts in the short term.. It is likely that any accounts which are produced will be heavily qualified by the auditor, particularly if we are unable to trace any audited accounts for earlier periods. We are mindful that the cost of accounts preparation and audit will be met from members' notional accounts, and so will keep this work to a necessary minimum. The requirements may vary, depending on whether it appears that the Scheme is eligible for the Fraud Compensation Scheme or not.

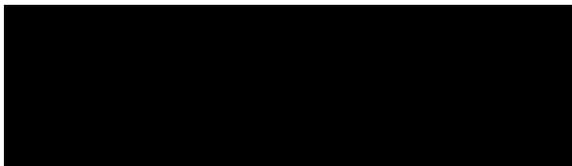
7. Trustee Knowledge and Understanding

PTS is a professional and independent trustee company, appointed by the Pensions Regulator as the sole trustee of this Scheme. The directors and the key staff of PTS all have appropriate qualifications, and have had to demonstrate to the Regulator that they are fit and proper people to carry out a trustee function. Those with professional qualifications are subject to Continuing Professional Development requirements and the key members of the team are applying to the Association of Professional Pension Trustees for accreditation as professional trustees, a new status which will commence on 1st July 2020. They have completed the Pensions Regulator's Trustee Toolkit.

PTS will appoint legal, investment, accounting and property advisers as required when we need professional services or advice to meet the statutory requirements placed on us as the trustee of the Scheme.

The Directors and Key Staff of PTS have taken steps to ensure that they meet the requirements of section 248 of the Pensions Act 2004 during the Relevant Period. They regularly undertake training on key developments in pensions legislation and best practice. As part of its ongoing management of the Scheme they have a working knowledge of the Scheme's Trust Deed and Rules and other key documents.

Signed on behalf of Pi Consulting (Trustee Services) Limited
as sole trustee of the Pinnacle Pension Scheme



Nigel Hill

Date: 12th June 2020