

Annual Chair's Statement

5G Futures Pension ("the Scheme") - Plan year end – 18 May 2020

1) Introduction and historic background

The Scheme is an occupational defined contribution scheme. The trustee of the Scheme is Pi Trustee Services 5G Limited ("the Trustee"). This statement has been prepared by the Trustee 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 the scheme; and
- the trustee's compliance with the statutory knowledge and understanding requirements.

This statement covers the period 19 May 2019 to 18 May 2020 ("the Relevant Period") and is the fifth statement produced by the Chair.

On 8 May 2013 the Pensions Regulator (tPR) appointed Pi Consulting (Trustee Services) Limited ("PTS") as a Professional Independent Trustee to the 5G Futures Pension, under sections 7 & 9 of the Pensions Act 1995. The appointment gave PTS control of the trustee powers and duties in relation to the Scheme, to the exclusion of all other trustees of the Scheme.

With effect from 16 September 2016 the Pensions Regulator transferred the trusteeship to PTS's sister company, Pi Trustee Services 5G Limited, the Trustee. The Trustee has been granted sole powers and duties to the exclusion of all other Trustees.

References below to 'the Previous Trustees' refer to John Garry Williams (known as Garry Williams) and Susan Lynn Huxley. Both Previous Trustees were suspended by the Pensions Regulator on 8 May 2013 and that suspension ran for 2 years. Since then, the Pensions Regulator has taken further action and both individuals are now prohibited from being a trustee. In April 2017 tPR published a regulatory intervention report under section 89 of the Pensions Act 2004 in relation to the Scheme.

On appointment, PTS reviewed the investments of the Scheme. It appeared to PTS that the Previous Trustees had invested a member's notional account in accordance with either the instructions of the members' or their adviser/introducer, without thought as to the suitability, liquidity or valuation of assets in the future. The vast majority of the investments made by the Previous Trustees were in unregulated investments, many from outside of the European Union, and are not easily or readily tradable.

Because of the nature of the investments, it has not been possible to regularise the Scheme assets in accordance with some of the governance standards that are expected of occupational pension schemes. The Chair's Statement has been produced against this background.

2) Default Investment Arrangement

The Scheme does not have a default investment arrangement, as no contributions have been paid into the Scheme since 6 April 2015. The Trustee will not accept any further pension contributions or transfer payments into the Scheme.

The Trustee has prepared a Statement of Investment Principles (SIP) for the Scheme that covers the investment of the Scheme's assets that represent the Scheme's non default arrangements. However,

for the reasons described earlier, and because the cost of preparing the SIP is met from members funds, the Trustee has concluded that it would not be in members best interests for the Trustee to incur further costs by seeking further advice on the Scheme's investment strategy. A copy of the SIP is attached to this Chair's Statement, and at the following website:-

<https://www.pipartnershipgroup.co.uk/pi-pension-trustees/chair-statements/>

3) Requirements for processing financial transactions

Regulation 23(1)(b) of the Administration Regulations requires the Trustee to describe how core financial transactions have been processed promptly and accurately during the scheme year. Core financial transactions include:

- investment of contributions paid to the Scheme;
- transfers of members' assets between different investment options available in the Scheme;
- payments from the Scheme to, or in respect of, members, and;
- transfers into and out of the Scheme.

The Trustee has considered each of the points above and can state as follows:

3.1 Investment of contributions paid to the Scheme

No contributions were received by the Scheme during the Relevant Period.

3.2 Transfers of members' assets between different investment options available in the Scheme

As most of the investments are unregulated and illiquid the option to switch between investments has not been offered to members.

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

Given the nature of the investments made by the Previous Trustees, it is not possible to determine the value of each member's notional account with any certainty and therefore it is anticipated that no benefits will be paid in the short term. This position will be kept under review as action to recover assets is progressed and if the Trustee is successful in obtaining compensation from the Fraud Compensation Fund. Pension payments to the one pensioner in the Scheme, who was receiving an income from the Scheme under a 'drawdown' arrangement, were suspended until the value of her notional account can be quantified.

3.4 Transfers into and out of the Scheme

Upon appointment PTS ceased to accept new transfer payments into the Scheme, with the exception of a few payments received shortly after the appointment where it was not possible to stop the payment of the transfer value into the Scheme's bank account. Legal advice taken at the time confirmed that the individuals to whom these transfer payments related became members of the Scheme and their transfer values became part of the common fund and were invested in the Insight Sterling Liquidity Fund. No other transfer payments into or out of the Scheme have taken place. No transfer values can be quoted or paid as it is not possible to place values on members' notional accounts at this time.

3.5 Amounts recovered

On 13 October 2020 the Scheme recovered an amount of £334,031.48 from Alliance Wealth Limited and others.

4) Assessment of member-borne charges and transaction costs

4.1 Level 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 given previously, it has not been possible to quantify the charges (the Total Expense Ratio) applicable to any funds except the Scheme's holdings in the Insight Sterling Liquidity Fund. This fund was established by the Trustee to hold the Scheme's cash assets. The Trustee obtained investment advice from Barnett Waddingham in the selection of this fund. The Total Expense Ratio that applies to the Sterling Liquidity Fund was 0.15% per annum.

Members had charges deducted from their notional funds by the Previous Trustees. These included Scheme charges, introducers' charges, investment charges, escrow agent charges on the handling of funds and other charges. Some of these charges are not transparent and it has not been possible to identify all of the charges that have been applied to some investments. Overall the charges paid by members appear to be significantly in excess of the statutory charge cap of 0.75% per annum.

Again, because of the reasons described above, the Trustee has been unable to transfer the assets to alternative funds in order that these charges may be reduced.

Because of the uncertainty over the level of charges and the level of transaction costs it has not been possible to prepare an illustration of the impact of these costs on members funds.

During the period:

- There has been no switching between investment funds
- The remaining assets of the Scheme are being used to meet the costs of administering the Scheme, including seeking recovery of monies invested by the Previous Trustees.
- In the absence of a solvent sponsoring employer, all costs incurred by the Trustee in relation to the management of the Scheme and the recovery of assets are met from the members' notional funds.

4.2 Value assessment

Under 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 in section 4.1 above represented good value for members. This assessment is required to include a review of the performance of the Scheme's investments in the context of their investment objectives.

The Trustees investment objectives are to make the investments appropriate for the Scheme. However, as the majority of the investments are in unregulated vehicles which are largely illiquid and with no ready market, the Trustee has had to continue to hold these investments as they are. It has therefore not been possible to make any changes to the investments so that they are appropriate for the Scheme and comply in full with the investment regulations that govern occupational pension schemes.

The Pension Regulator is aware of the investments made by the Previous Trustees.

In view of the circumstances of the Scheme, it may be considered that the investments made by the Previous Trustees do not represent good value for money for members, due to their lack of liquidity, high charges, unregulated nature, and the absence of markets to trade the investments on.

However, the Trustee believes the charges relating to the Insight Sterling Liquidity Fund represent good value for money to members.

4.3 Application to the Fraud Compensation Fund (FCF)

In view of the very considerable losses and high costs that members of the Scheme have incurred, the Trustee has made an application for compensation to the Fraud Compensation Fund. In view of the range of investments under the Scheme the application was detailed and complex. A number of meetings with the FCF have subsequently taken place.

On 5 November 2020 the High Court handed down a decision in relation to another pension scheme which is in a similar position to the Scheme and which is also claiming compensation under the FCF. The Trustee has been advised that this judgement is helpful and is continuing to work with the FCF to progress its claim.

5) Annual Accounts

Prior to the appointment of PTS, the Previous Trustees took no action to prepare audited annual accounts.

Since the appointment of PTS (and subsequently PTS 5G), with the assistance of Grant Thornton, the Trustee has reconciled the Scheme's bank account since the Scheme's inception. Draft accounts have also been prepared by Grant Thornton for the period 20 May 2008 to 6 June 2013. This period covers the timing of all transfer payments into the Scheme.

The Trustee put the audit of these accounts on hold, pending discussions with the FCF to clarify their requirements for audited accounts in order to progress the claim. The Trustee is mindful that the cost of the account preparations and audit costs are paid from the members funds and therefore it does not want to incur further costs should the FCF require the accounts in a different format or to different dates. As a result, subsequent year's accounts have not been produced, and the plan is to produce a consolidated set once the FCF's requirements are known.

6) Trustee knowledge and understanding

The Trustee is a professional independent trustee company and was appointed as trustee of the Scheme by the Pensions Regulator. The directors of the trustee company's own knowledge and understanding, together with the advice which is available to them, enables them to exercise their duties as directors of the trustee company that undertakes the role of Trustee of the Scheme. The main team at Pi Trustee Services 5G Limited that are involved in the management of the Scheme have relevant pension qualifications, either as Fellows of the Pensions Management Institute or Fellow of the Chartered Insurance Institute. Pi Trustee Services 5G Limited requires all its directors to undertake continuous professional development and to complete the Pensions Regulator's Trustee Toolkit.

The Trustee has appointed professional advisors to assist with the management of the Scheme; legal advice is provided by Taylor Wessing, Crowe Clark Whitehill are the Scheme auditors, Barnett Waddingham are investment advisors and Grant Thornton provide forensic services and investment advice as required.

The directors of the trustee company have taken steps to meet the requirements of section 248 of the Pensions Act 2004 during the relevant period. They have undertaken training on key agenda items and are kept abreast of pension legislation and any relevant developments. The Trustee fully utilises the knowledge of the appointed professional advisers who are present, when required, at Trustee meetings. The Trustee periodically reviews its training requirements to ensure that any new needs that arise are identified.

As part of its ongoing supervision of the Scheme, the Trustee has a working knowledge of the Trust Deed and rules of the Scheme, the Statement of investment Principles, and other documents relating to the Scheme’s policies.

Signed on behalf of Pi Trustee Services 5G Limited as Sole Trustee of 5G Futures Pension.



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John Oldland (Chair)
Director
Pi Trustee Services 5G Limited

Date 17 December 2020

5G Futures Pension

Statement of Investment Principles

1. Introduction

The Trustee of the 5G Futures Pension (the “Scheme”) has drawn up this Statement of Investment Principles (the “Statement”) to comply with the requirements of Section 35 of the Pensions Act 1995 (“the Act”) and subsequent legislation.

The current trustee was appointed by the Pension Regulator as sole trustee of the Scheme.

Following our appointment, we established that the previous Trustees had invested the Scheme assets in a wide range of unregulated investments and had not sought independent regulated investment advice regarding the suitability of these investments. No Statement of Investment Principles had been prepared.

This Statement has therefore been prepared by the current Trustee.

At the current time, the Trustee does not have sufficient information to be able to meet all of the requirements in relation to the Statement of Investment Principles.

In addition, the cost of taking advice on this matter would be taken from member funds, and the Trustee does not consider that it would be in the members interests to incur these costs at this time.

The Trustee has submitted a claim to the Fraud Compensation Fund and will review the situation if the claim is accepted and compensation received.

2. Investment Arrangements

The cash assets of the Scheme are held in a cash fund with Insight investment Management (Global) Limited. This fund was selected on the basis of advice provided by the Trustee’s investment consultant, Barnett Waddingham.

The balance of the Schemes assets are predominantly invested in a range of unregulated investments selected by the previous Trustees.

3. Environmental, Social and Governance Issues, Stewardship, and Climate Change

The Trustee believes that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. The Trustee accordingly considers these issues in the context of the anticipated time horizon over which the assets will be held.

At the current time, the Trustee does not have sufficient information to be able to confirm whether the investments held by the Scheme take appropriate account of ESG factors.

4. Corporate governance and voting policy

Where the assets are investment in regulated pooled investment funds, the Trustee's policy is to delegate responsibility for engaging with, monitoring investee companies and exercising voting rights to the pooled fund investment managers and expects these managers to use their discretion to act in the long term financial interests of investors.

However, the majority of the investments are held in unregulated investments, and insufficient information is available to understand the governance of the majority of these investments.

5. Compliance with this Statement

The Trustee will monitor compliance with this Statement as appropriate and take regulated investment advice as required.

The Trustee of the 5G Futures Pension

Date: 30 September 2020