

Important Announcement to members of and members who have transferred out of the following pension schemes (“the Schemes”)

Talton Management Limited Pension Trust
Fairdon Services Ltd Pension Trust
Strator Services Ltd Pension Trust
Rotinar Ltd Pension Trust

Background

Dalriada Trustees Limited (Dalriada) wrote to you previously regarding your membership of one of the above named Schemes and we now want to update members on the current position and the actions we have taken since our appointment.

On 8 May 2013 Dalriada was appointed by the Pensions Regulator as independent trustee with exclusive powers to the Schemes. All trustee powers and rights are now held by us.

Dalriada’s role as independent trustee is as follows:

- To administer the Schemes,
- To manage the Schemes’ assets and understand the nature of all assets held,
- To act in the best interests of all members and beneficiaries,
- To assist the Pensions Regulator with any enquiries in relation to the management of the Schemes.

Dalriada was appointed to the Schemes because of the Pension Regulator’s concerns that they had been used for ‘pension liberation’ or were simply just scams where members were at risk of losing all of their pension fund.

Pension liberation occurs where individuals are encouraged to transfer their existing pensions to new schemes in the expectation of getting money from their pension fund before the minimum retirement age of 55, either by way of a loan or some other form of cash inducement, often without being given the full facts about the risks and costs involved.

Schemes used for pension liberation put members at risk of having to pay large amounts of tax. Pension savings benefit from tax relief because they are meant to provide benefits in old age. If individuals try and take money out of their pensions early, HMRC will charge tax on any payment at a rate of up to 55%.

The Pensions Regulator has been running a campaign warning of the dangers of pension liberation. Because schemes used for pension liberation are often just scams this campaign is now called “pension scams” –

www.thepensionsregulator.gov.uk/pension-liberation-fraud.aspx

Generally, schemes that are scams and/or are used for pension liberation have high charges and often invest whatever money is left after these charges in risky and unusual investments. This can result in members losing their entire pension fund.

Members are not usually told about the risk of tax payments, or the charges involved made by those setting up the schemes, or about the way in which funds are being invested.

Court Action

In our previous Announcement we advised that there was some uncertainty about whether or not the Schemes were occupational pension schemes. As the Pensions Regulator can only appoint trustees to occupational pension schemes this might have meant Dalriada's appointment was not valid. Dalriada made an application to Court to determine whether or not the Schemes were occupational schemes. At the same time it sought to have the Court confirm Dalriada's appointment to the Schemes using the Court's own powers, which it did by way of an Order of the Court dated 16 June 2013.

The application to determine whether or not the Schemes were occupational pension schemes was heard either side of the Court's summer break in July and October 2013. In his judgment handed down on 21 October 2013, Mr Justice Morgan determined that the Schemes were occupational pension schemes.

This meant that the actions taken by the Pensions Regulator to appoint Dalriada were valid.

Administration

Dalriada has received copies of the member files that were seized by City of London Police from the previous administrators. Based on those records we have now created proper administration records on our computer systems.

This is something any company would need to do to be able to run and manage a pension scheme properly and be able to work out members' benefits and provide the necessary benefit statements.

The fact that the previous administrators did not provide this electronic information or even appear to use a proper pension administration system suggests that the Schemes were never intended to be conventional pension schemes.

As well as taking control of the Schemes' bank accounts, Dalriada has also obtained copy bank statements for the Schemes. These have been reconciled against the member files and we have now created the necessary accounting and financial records that will enable us to prepare annual Reports and Accounts for the Schemes as we are required to do under pensions law.

Once the Scheme Reports and Accounts have been prepared and audited, they will be made available to members. Dalriada will contact members again at that time.

Again, Dalriada received no financial records from the previous administrators which it would expect to be readily available in the case of conventional pension schemes. The need to construct financial records from scratch has meant a significant amount of work for us.

Dalriada has set up a dedicated helpline number and e-mail address (shown below) should members wish to contact us with regard to their membership of the Schemes or to provide further information – see the **'What should I do if I have any further questions?'** section below.

Previous trustees

The previous Trustee was a company called Trainor Management Services Limited, a company owned and controlled by Charles Conway.

The previous administrators were Conder Administration Limited, also owned and controlled by Charles Conway.

Current position

Dalriada has found that the Schemes did not make any investments and might have been established for the purpose of acting as feeder schemes for the Lincoln Pension Umbrella Trust (LPUT). This means funds would be transferred into one of the Schemes and then transferred out again shortly afterwards to LPUT.

Current Scheme membership is made up of those members who transferred into the Schemes but who did not subsequently transfer to LPUT. For those members, funds are currently held in cash.

However, the Pensions Regulator is claiming that LPUT is not a recognised occupational pension scheme and is currently involved in Court action with LPUT and the parties responsible for setting it up.

This means that any transfers to LPUT might be "unauthorised payments". Pension schemes can make certain "authorised payments" as set out in law. For example, the cash sums paid when a member retires or the lump sum paid when a member dies. These lump sum "authorised payments" can usually be paid tax free.

"Unauthorised payments" are subject to tax charges.

If the transfers to LPUT are found to be "unauthorised payments", there is a possibility that the Schemes themselves may also be subject to tax penalties. If so, this will reduce the remaining funds held in the Schemes.

We are making enquires of the Regulator with regard to their ongoing Court action and, also, HMRC regarding the tax position.

However, there is a possibility that this will not be clarified until after the Regulator's Court action has been concluded, the timing of which is uncertain.

Until Dalriada is clear on the tax position, we are unable to place a value on members' benefits.

It would be very helpful if members could:

- provide copies of any information you were provided with about the Schemes (for example a booklet or any other explanatory literature)
- say if you were provided with any information about how your pension fund would be invested
- confirm whether you were offered any form of cash payment in return for joining one of the Schemes

- if you were offered a cash payment, confirm if the possible tax consequences were explained
- confirm if you received a payment and, if so, how much was it for, who arranged it and where was it paid from.

Dalriada would like to thank those members that have already been in contact and provided some information.

Costs

Usually, where a scheme is an occupational scheme, some, if not all, of the costs of running the scheme would be met by the employer. The employers linked to the Schemes do not appear to have ever actively traded nor do they appear to have any assets or means to contribute to the costs of running the Schemes. This means that Dalriada's costs and legal costs, have been, and will continue to be, met from Scheme funds. The fact that there was no genuine employer behind the Schemes is further evidence that they were not conventional occupational pension schemes.

Whilst Dalriada will do all it can to minimise costs, because of the number of complex issues associated with these types of scheme, not least the work involved in setting up proper administration records, costs will be significant and will impact on the value of the Schemes' funds.

What should I do if I have any further questions?

Should you have any queries in relation to this announcement or your membership of the Schemes, please contact us.

You can contact us as follows:

By Telephone: 028 9085 0935

By Post: Dalriada Trustees Limited
22 Great Victoria Street
Belfast
BT2 7BA

Via e-mail: conderadmin@dalriadatrustees.co.uk

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