

Important Announcement to members of the following pension scheme (“the Scheme”)

Carrick Harbours Retirement Benefits Scheme

Since our appointment as independent trustee to the Scheme, Dalriada Trustees Limited (Dalriada) has issued a number of Announcements to members. The Announcements contain important information about the above named scheme and we thought it would be useful if we put all the key points into a single document.

Who is Dalriada and why did it get involved with the Scheme?

Dalriada is a professional independent trustee who was appointed by Court Order to take over the running of the Scheme on 19 September 2013. Dalriada is experienced in dealing with pension schemes that have complex issues and / or have unusual investments.

Because it is an independent trustee, Dalriada is not linked in any way with the original trustees or promoters of the Scheme. Dalriada effectively replaced the original Trustees, Timothy Walker and Desmond Cheyne, and was given exclusive powers to deal with the Scheme. The original trustees have had no involvement in running the Scheme since our appointment.

Dalriada was appointed because the Pensions Regulator (tPR) was concerned that the Scheme was being used for pension liberation.

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. This is usually by way of a loan or some form of cash inducement.

Pension liberation can become fraudulent if members have not been given the full facts about the risks and costs involved.

Schemes used for pension liberation generally have high charges and often invest whatever money is left after these charges in risky and unusual investments. They also 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

Why does the Scheme need a trustee and what does a trustee do?

Like most occupational pension schemes, the Scheme has been set up “under trust”. This means that the funds are held by “someone else” for the benefit of the members and the “someone else” is known as the trustee or trustees. So for the Scheme to operate at all it needs to have a trustee in place.

Trustees of pension schemes have a lot of responsibilities, the main one being to act in the members’ interests.

Pension scheme trustees can't do what they want with schemes. They must run a scheme as set out in the scheme's trust deed and rules. Trustees must also know the laws and regulations which set out what pension schemes can and cannot do.

If something in a scheme's rules contradicts something in law, trustees must do what the law says.

If it is not clear how trustees should apply the rules or the law to their scheme, they must take legal advice, and sometimes ask for guidance from the Court.

What did Dalriada do when it was appointed?

On appointment Dalriada took control of the Scheme's bank account and took any member files that were available. Based on these, we 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 there did not appear to be a proper pension administration system or proper record keeping meant that the Scheme was in a very poor state of organisation at the time of Dalriada's appointment, much worse than Dalriada is usually used to seeing when dealing with occupational schemes.

Again, Dalriada would expect financial records 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 extra work.

Dalriada has also spent a large amount of time in identifying the various investments made by the Scheme.

Dalriada sought information from the previous trustees and the people responsible for the investments. Generally, they were unhelpful and uncooperative which has made it very difficult for us to properly understand how funds were held and what they are worth.

What progress has been made in relation to the Scheme's investments?

Dalriada has been working to gain control of the investments made by the original trustees. These investments are considered high risk and unusual compared to those usually made by conventional pension schemes.

The current position with regard to the investments is as follows:-

1. **DAMAF Properties Limited (DAMAF)** – £200,000 was invested in buy to let hotel rooms on the outskirts of Dundee. On 9 April 2014 DAMAF (who had changed name from MAP Property & Leisure Angus Ltd) went into voluntary liquidation. Dalriada was advised that the company had only around £8,000 in assets with little chance of any more money becoming available. The company suffered some funding issues and the land owner ended the contract.
2. **MAP Property & Leisure Springside Limited** - £234,000 was invested in buy to let hotel rooms in Edinburgh. Dalriada's legal advisers have been in contact and it looks like this development may still proceed. If so, Dalriada may be able to get back the monies invested.

What is the current position with regard to future legal action?

Because of the nature of this Scheme, it is fundamental that Dalriada fully understand the value of the investments in order to try to get some funds back into the Scheme. Should Dalriada be unsuccessful in having monies returned to the Scheme, it may be necessary to take Court action, as previously suggested. Dalriada will, however, keep members informed of events if Court proceedings were considered necessary.

What is the current position with HMRC on tax?

As previously advised there are potential tax charges involved with "pension liberation". Payments made to members where pension liberation in a scheme has been confirmed have the potential to 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.

As before, however, it will take some time before the tax position for this Scheme can be established and Dalriada can determine what impact, if any, this might have.

What is the latest position with regard to transfer values and member benefit calculations?

As mentioned above, it is vital that Dalriada understand the investments made by the previous trustees and their value. Until we can establish what funds can be recovered into the Scheme, final costs are known, and the tax position is clarified, we are unable to calculate the value of any member benefits, including transfer values.

Dalriada understands members' frustrations with the length of time being taken to resolve the issues but please be advised that we are doing all we can to get to a position of clarity as quickly as possible. As soon as we are at a point where we can calculate benefits, we will do so.

Member Documentation / Information

Once again, Dalriada would like to thank those members who have forwarded correspondence or provided details connected to the Scheme. If you have not done so, we would welcome any material you feel would be appropriate to enable us to continue our investigations.

Current position

Please be assured that we are devoting our full attention to this matter and will work closely and co-operatively with all relevant parties on your behalf and in the best interests of all members.

Finally, please be advised that we have set up a page on our website:
www.dalriadatrustees.co.uk/carrickharbours.

We have included Frequently Asked Questions (FAQs) on this page and will update the website when further information becomes available. We will also upload all Announcements to this page. As you will be aware, the costs of answering queries have to be met from the assets of the

Scheme. In order to minimise these costs it would be very helpful if you could, in the first instance, check the FAQs to see if your question is answered there.

Should you, however, have any specific personal queries in relation to this Announcement, your membership of the Scheme or should you wish to provide us with further information, please contact us.

You can contact us as follows:

By Telephone: 028 9085 0934

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

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

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