т	rustees Singleton Engineering Pension Scheme
Т	rustees meeting held on Thursday, 9 October 2014 at 11.32am
	at the offices of Singleton Engineering (UK) Ltd
Present:	Duncan Singleton, Martin Singleton, Peter Singleton, David Singleton, and Roger Bloomer (who took the minutes)
Split of the Singleton Engineering Pension Scheme	DJS referred to an email sent by PWS to D Nicklin asking whether the trustees could pay a different amount to the fund value and asked PWS the purpose of this question. PWS said that after the previous meeting there were four questions that he had to address and Lindi had contacted Graham Williams on his behalf with these.
	The first was the value of the fund required to give a pension of £56,000 per annum. He said that Graham had been non-committal but if Peter took his fund he could get £56,000 per annum but this would be more than the fund would generate.
	Secondly, Graham was asked if PWS could be paid more than the fund value and Graham confirmed that the small self administered scheme could have an interest in property but the cash transfer could not be enhanced.
	Both Graham Williams and David Nicklin had confirmed the property at Eden could be split. Graham confirmed that the P & M Pension Scheme could be for Peter alone but a second trustee would be required and Lindi would be able to fulfil this position.
	PWS said that Graham was also asked whether the Skandia sum assured would change if the premium stayed the same and Graham's advice was that the sum assured would stay the same if the premium stayed the same.
	DCS referred to the valuation information and opinions provided by Lyndon Brett which was a little unclear and the email from PWS subsequently asking for the valuation of units B and E. He had today received a reply from Lyndon Brett, which was distributed, taking into account the fact that Sleabridge had ceased trading and there was a creditors meeting scheduled and it was requested that DCS forward this email to all trustees.
	DJS produced a diagrammatic representation of the figures. In February 2013 the valuation for the whole property was $\pounds1,200,000$ and the value has now reduced as a consequence of Sleabridge to $\pounds1,050,000$ , a drop of $\pounds150,000$ .

Lyndon had produced alternative valuations if the property were sub divided; initially with the property units A and D at a value of £460,000 and B and E at £520,000 with no alteration to the configuration of the toilet area. Alternatively, if the toilet area were absorbed into the units B and E area that would increase its value to £575,000 and reduce the area occupied by units and A and D to £450,000. Thus, the total value as a consequence of subdividing the property would be either £980,000 or £1,025,000.

PWS said that the second alternative can be ignored as it was not appropriate.

DJS pointed out that the first alternative resulted in a loss compared to the February 2013 value of £220,000, whereas alternative B was a loss of £175,000. He went on to say that Lyndon Brett did not recommend the property being split as the property was worth more as a whole property than the total sum of two individual parts.

MHS said the split was not sensible because of the effect on services and drains etc. DJS said that the property would be worth less if split and said he was not in favour of it being split. It was not logical to split it and Lyndon Brett's figures confirm that.

PWS said that splitting the property would be more favourable for him as he could then possibly receive his fund value of £671,000, less £520,000 for units B and E, plus a cash sum. DJS pointed out that the PWS fund of £671,000 was based on a valuation for the Eden factory of £1,200,000 and if the transfer were based on Lyndon Brett's values the fund would need to be recalculated, taking into account the new value. DCS said the fund value would drop to about £620,000. PWS questioned whether, if this was the case, he would receive £520,000 value of the property and £100,000 cash. DCS said that this would be based on the first alternative.

DJS said that if the property was split the fund value would decrease further as the figure calculated by DCS was merely based on a drop in value of  $\pounds150,000$ , whereas the first alternative the total loss is  $\pounds220,000$  and based on that he does not think it could be split.

DCS suggested that on that basis the loss for PWS would be around  $\pounds72,500$  and he would not be in favour of the split as the original proposal was for the Eden factory to go as a whole.

DJS asked PWS for his thoughts on the first proposal from the previous meeting, for the fund value to be paid to him. PWS asked what the figure would be. DJS said that as there had been a significant event with regard to Sleabridge there might be need of a revaluation. RCB calculated the fund value of £671,000 as at 5 April 2014 as a proportion of the whole and this represented 30.988%. This gave a reduction based on the £150,000 drop in value of £46,000 approximately. DCS calculated the fund value for PWS as a consequence of the revaluation would be

 $\pounds$ 624,600. DJS confirmed that the difference would be due to Sleabridge moving out based on the Lyndon Brett figures. DCS said that the Sleabridge rent was fixed at quite a high level.

DJS asked what figure PWS was looking for. PWS said that the value at  $\pounds 625,000$ , if he took a pension, would only amount to  $\pounds 31,000$  whereas currently he was able to take  $\pounds 56,000$  per annum and, therefore, this was not acceptable.

DCS said that the value of the fund attributable to PWS was  $\pounds 671,000$  based upon the fund value and rental income but the fund value had dropped and so he believed that the  $\pounds 671,000$  would fall by around  $\pounds 56,000$ . PWS said he was not qualified to comment on what figure would be applicable. DJS pointed out that there had been a drop in the value of fund due to the tenant moving out.

DCS pointed out that PWS could buy an annuity at 5%, possibly, but this was guaranteed, whereas the pension from the Singleton Engineering Pension Scheme cannot be guaranteed.

DJS pointed out that the pension attributable to MHS was £44,000 and this had fallen to £24,000 so PWS could possibly get £56,000 now but this could fall and to some extent the pension had, as Sleabridge had moved out, Merriott could move out in future and Singleton Engineering UK could drop the units rented from the pension scheme, thus diminishing the rental income.

PWS pointed out that you can take whatever pension you wish but you are taxed at 55% on any excess and he does not want a pension of just  $\pounds$ 31,000.

DJS said the fund would have to be revalued. MHS said he did not feel it was right to spend another £5,000 on having the fund revalued.

DCS said that in his view option 2 has been rejected, the split of the Eden factory and, therefore, that left option 1 of paying PWS a lump sum. No other options had come to light and, therefore, the meeting needed to decide how to proceed.

PWS suggested that the meeting vote on the two options.

DJS said he thought that PWS was mistaken on the £56,000 pension level as this was no longer the case based on today's circumstances.

DCS said that a draw down is based on the fund value which in turn is based on rental income. A fund could be invested into stocks and shares with a higher return but at a higher risk. All four have a share of the existing fund and this is likely to drop in value as a result of Sleabridge. MHS said even if Sleabridge had not gone bust the splitting of Eden would not be acceptable and it appears that paying a lump sum to PWS is not acceptable, therefore, he was unsure as to how to proceed.

PWS pointed out that income is the main priority for him and not fund value. The fund value may well be fluid due to rent reviews and asking him to take the fund value results in a loss of income. The scheme was set up for the directors, spouses and dependents and he is not prepared to accept a drop.

DCS pointed out that it had been agreed to split the funds. PWS said it was not right if he took a fund value of  $\pounds$ 625,000 there would be a drop in pension to  $\pounds$ 31,000 at 5%. DJS said he believed PWS was over-egging the figure of  $\pounds$ 56,000 as this was more risky and can change vastly. You had to decide whether to go for a lower income and less risk.

MHS pointed out that Merriott Plastics and Singleton Engineering (UK) Ltd were not unique and PWS could have another property paying a similar level of income. The trustees cannot work together and so must split the scheme. The scheme was incurring additional costs for fees of Lyndon Brett and RCB and he said he had not worked hard over the years to pay professionals. The scheme must be split.

DJS agreed that the scheme must be split. The fund for PWS was  $\pounds 671,000$  two weeks ago and would now drop by  $\pounds 46,000$  to  $\pounds 625,000$ . If the trustees were to pay out  $\pounds 671,000$ , ignoring the effect of Sleabridge on the Eden factory, would that be considered by PWS? PWS said that this was not very attractive but he would consider it.

MHS asked PWS what he would suggest as PWS had a difference of opinion to the other three trustees. PWS said he would prefer not to split the scheme as it was detrimental to him and to him alone due to the big drop in pension. DJS said the fund is either £625,000 or £671,000 and therefore they were not asking PWS to take a drop. PWS said there would be a drop in pension. MHS said not if it was put into property. PWS said it was difficult to get more than 5%. DJS said that the point he believed MHS was making was that PWS could buy a property with his share of the fund and get a similar income.

MHS reiterated that the scheme was unworkable and must be split. DJS referred to letters agreeing to the split. PWS stated that this was subject to the figures. DCS said the scheme was unworkable, PWS does not trust the fellow trustees or consider them capable and, therefore, it must be split as it would be untenable to continue. DJS asked PWS if it was the case that he was no longer in favour of the split. PWS said that now figures are available he realises it is not in his interest and the agreement was subject to figures being provided and agreed. DCS said that the solicitors had written to confirm that PWS will execute all documentation to split the scheme once figures were agreed and if this would not be delayed. DJS pointed out that it was minuted in the previous meeting that the figures had been agreed. MHS agreed that the figures had been

agreed but PWS did not like the consequences. DJS said that PWS had agreed the figures at the last meeting. PWS said he was not prepared to accept a big cut as he did not work hard for these repercussions. DCS said that the P & M Scheme had been set up to enable the split for PWS and MHS and that was now dead in the water due to the comments of PWS. He said that PWS cannot buy Eden and so the only option is for the scheme to buy PWS out as PWS cannot buy the others out.

DJS said that the scheme would be split once the figures were produced and agreed. It was minuted that all trustees agreed the figures produced by Gavin McCloskey and the solicitor of PWS had stated on his behalf, that once agreed there would be all speed to split the fund. Was this no longer the case? PWS said he was not able to take a lower income and will not take out £671,000. DCS asked if PWS wanted some of the other members funds. DJS asked if it was no longer the case that PWS agreed to the split of the fund. PWS said he did not agree the figures. DJS said they were agreed at the previous meeting.

PWS suggested a vote on the options.

DCS asked for agreement to option 2, the split of the Eden factory, and MHS, DJS and DCS were against this with PWS abstaining.

DCS proposed option 1 that PWS's fund be paid out and MHS, DJS and DCS were in favour of this and PWS was against this.

DJS asked if the fund value were to be taken of £671,000 and MHS, DJS and DCS were in favour of this. DJS said that MHS agreed the fund value of £671,000 and PWS had confirmed this. DCS said that all members had agreed the fund values but PWS's contention was that he would not get the same return. There was a position of stalemate and therefore he believed that all trustees needed to take advice as it was agreed that the scheme should be split and it was unworkable as there was no trust between the trustees.

DJS asked PWS whether that once figures were agreed and the solicitor had confirmed all documentation will be executed, this was no longer the position. PWS said they have not been agreed to his satisfaction.

Cheque Signatories: DCS said that he had thought long and hard about the proposal for all cheques to be signed by all trustees but that he felt this was not realistic, or practical, and he said they should stick with three signatories. DJS said he was happy for the other three trustees to sign if he is away. PWS pointed out that there used to be four trustees signing when Namulas were trustees and they, plus three others trustees, had to sign cheques which had been workable and so it was capable of being done in this way. DJS pointed out that in those days there were four trustees working in the same building and he felt the position should remain as it is. RCB wondered whether a compromise might be if the trustees are sent by email details of payments to be made for them to confirm. DCS said he

was of the view they should stick with three signatories and there was no need to amend.

PWS asked why Martin Holley had not contacted the bank following the previous meeting. DJS said that Martin Holley had been in touch with the bank. PWS said the bank had told him Martin Holley had not spoken to them.

DCS proposed a vote for the cheque signatory position to remain the same. MHS, DJS and DCS were in favour and PWS was against.

There being no further business the meeting closed at 12.27pm.