

# Technical appendix

To be read alongside [A quick guide to the chair's statement](#)

June 2018

The Pensions  
Regulator

Item	Requirement	Legislative reference
1	The statement must be prepared within seven months of the end of each scheme year.	Reg 23(1) – Administration Regulations 1996
2	<p>The latest version of the SIP for the default arrangement, prepared in accordance with regulation 2A of the Investment Regulations 2005 must be included in the statement. The statement must be in writing and must cover at least the following matters:</p> <ul style="list-style-type: none"> <li>a. the aims and objectives of the trustees or managers in respect of such investments</li> <li>b. their policies in relation to the matters mentioned below in respect of the default arrangement and</li> <li>c. an explanation of how the aims and objectives mentioned in sub-paragraph (a) and the policies mentioned in sub-paragraph (b) (together “the default strategy”) are intended to ensure that assets are invested in the best interests of the group of persons consisting of relevant members and relevant beneficiaries.</li> </ul> <p><b>Policies</b></p> <p>The policies to be covered in the SIP are in relation to:</p> <ul style="list-style-type: none"> <li>i. the kinds of investments to be held</li> <li>ii. the balance between different kinds of investments</li> <li>iii. risks, including the ways in which risks are to be measured and managed</li> <li>iv. the expected return on investments</li> <li>v. the realisation of investments and</li> <li>vi. the extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments.</li> </ul>	Reg 23(1)(a)(i) – Administration Regulations 1996

Item	Requirement	Legislative reference
3	<p>If undertaken during the scheme year, the review of the default arrangement and its performance, in accordance with regulation 2A(2) of the Investment Regulations 2005, must be described. This requires a review to be undertaken:</p> <ul style="list-style-type: none"> <li>a. at least every three years and</li> <li>b. without delay after any significant change in investment policy.</li> </ul>	Reg 23(1)(a)(ii) – Administration Regulations 1996
4	<p>If any changes were made as a result of the review under regulation 2A(2) of the Investment Regulations 2005, an explanation must be provided.</p>	Reg 23(1)(a)(iii) – Administration Regulations 1996
5	<p>Where no review under regulation 2A(2) of the Investment Regulations 2005 was undertaken during the year, the date of the last review must be provided.</p>	Reg 23(1)(a)(iv) – Administration Regulations 1996
6	<p>A <b>description</b> of how the requirement to secure that core scheme financial transactions are processed <b>promptly</b> and <b>accurately</b>, in accordance with regulation 24 have been met during the scheme year must be provided. Regulation 24 states that:</p> <ul style="list-style-type: none"> <li>1. The trustees or managers of a relevant scheme must secure that core financial transactions are processed promptly and accurately.</li> <li>2. A “core financial transaction” includes (<b>but is not limited to</b>): <ul style="list-style-type: none"> <li>a. investment of contributions to the scheme</li> <li>b. transfers of assets relating to members into and out of the scheme</li> <li>c. transfers of assets relating to members between different investments within the scheme</li> <li>d. payments from the scheme to, or in respect of, members.</li> </ul> </li> <li>3. In relation to a scheme which is not a money-purchase scheme, this regulation applies only in relation to the provision of money-purchase benefits.</li> </ul>	Reg 23(1)(b) – Administration Regulations 1996

Item	Requirement	Legislative reference
7	<p><b>Charges and transaction costs: Default arrangement</b></p> <p>For scheme years ending before 6 April 2018, in relation to the charges and transaction costs which the trustees or managers are required to calculate in accordance with regulation 25(1)(a) of the Administration Regulations 1996, the level of charges and transaction costs applicable to the default arrangement during the scheme year or, where the scheme has more than one default arrangement, the range of the levels of charges and transaction costs applicable to those arrangements must be stated.</p> <p>For scheme years ending on 6 April 2018 or after, the level of charges and transaction costs applicable to each default arrangement during the scheme year must be stated.</p> <p>Regulation 25(1)(a) states that the trustees or managers of a relevant scheme must, at intervals of no more than one year calculate:</p> <ul style="list-style-type: none"> <li>i. the charges and</li> <li>ii. in so far as they are able to do so, the transaction costs,</li> </ul> <p>borne by members of the scheme.</p> <p>["Charges" for these purposes are not limited to those associated with investments provided under FCA rules. In addition, trustees are already expected to combine the information they receive from the insurer or investment manager with other scheme running costs borne by members, such as governance, administration, legal fees and payments for consultants.]</p>	<p>Reg 23(1)(c)(i) – Administration Regulations 1996</p>

Item	Requirement	Legislative reference
8	<p><b>Charges and transaction costs: Non-default arrangement</b></p> <p>For scheme years ending before 6 April 2018, the range of the levels of charges and transaction costs applicable to all funds which are not part of the default arrangement and in which assets relating to members are invested during the scheme year must be stated.</p> <p>For scheme years ending on 6 April 2018 or after, the level of charges and transaction costs applicable to each fund which members are able to select and in which assets relating to members are invested during the scheme year must be stated.</p>	Reg 23(1)(c)(ii) – Administration Regulations 1996
9	Any information about transaction costs which the trustees or managers have been unable to obtain must be indicated in the statement and an explanation of what steps are being taken to obtain that information in the future must be provided.	Reg 23(1)(c)(iii) – Administration Regulations 1996
10	An explanation of the trustees’ or managers’ assessment, required under regulation 25(1)(b), of the extent to which the charges and transaction costs represent good value for members must be included in the statement	Reg 23(1)(c)(iv) – Administration Regulations 1996
11	For scheme years ending on 6 April 2018 or after, in relation to the charges and transaction costs which trustees or managers are required to calculate in accordance with regulation 25(1)(a) of these Regulations, an illustrative example of the cumulative effect over time of the application of those charges and costs on the value of a member’s accrued rights to money purchase benefits must be included in the statement.	Reg 23(1)(ca) – Administration Regulations 1996

Item	Requirement	Legislative
12	<p>The statement should include:</p> <ul style="list-style-type: none"> <li>a. a description of how the requirements of s247 and 248 Pensions Act 2004 (requirements for knowledge and understanding) have been met during the scheme year and</li> <li>b. an explanation of how the combined knowledge and understanding of the trustees, together with the advice which is available to them, enables them properly to exercise their functions as trustees of the scheme.</li> </ul> <p>Sections 247 and 248 of the Pensions Act 2004 require that each trustee (or, in the case of a corporate trustee, each individual who exercises any function which the company has as trustee of the scheme):</p> <p>(1) is conversant with:</p> <ul style="list-style-type: none"> <li>(a) the trust deed and rules of the scheme,</li> <li>(b) any statement of investment principles for the time being maintained under section 35 of the Pensions Act 1995,</li> <li>... and</li> <li>(d) any other document recording policy for the time being adopted by the trustees relating to the administration of the scheme generally; and</li> </ul> <p>(2) has, to the degree that is appropriate for the purposes of enabling the individual properly to exercise his functions as trustee, knowledge and understanding of:</p> <ul style="list-style-type: none"> <li>(a) the law relating to pensions and trusts,</li> <li>(b) the principles relating to: <ul style="list-style-type: none"> <li>..., and</li> <li>(ii) investment of the assets of such schemes</li> </ul> </li> </ul>	Reg 23(1)(d) – Administration Regulations 1996

Item	Requirement	Legislative reference
13	<p>The statement must be signed on behalf of the trustees or managers by:</p> <ul style="list-style-type: none"> <li>(i) the chair or</li> <li>(ii) where the chair has ceased to hold office as chair for any reason and a replacement has not yet been appointed, a person appointed by the trustees or managers to act as the chair in the interim period.</li> </ul>	Reg 23(1)(e) – Administration Regulations 1996
<b>Relevant multi-employer schemes</b>		
14	<p>Information about how the requirements of regulation 27(2) (majority of trustees and chair to be non-affiliated) have been met during the year.</p> <p>“Non-affiliated” is defined in regulation 27 as being independent of any undertaking which provides advisory, administration, investment or other services in respect of the relevant multi-employer scheme.</p> <p>In addition, regulation 28 states:</p> <ul style="list-style-type: none"> <li>(a) For the purposes of determining whether an individual is non-affiliated, the following matters must be taken into account: <ul style="list-style-type: none"> <li>a. whether the person: <ul style="list-style-type: none"> <li>i. is a director, manager, partner or employee of an undertaking which provides advisory, administration, investment or other services in respect of the scheme (a “service provider” ) or an undertaking which is connected to a service provider; or</li> <li>ii. has been such a director, manager, partner or employee during the period of five years ending with the date of the person’s appointment as a trustee;</li> </ul> </li> </ul> </li> </ul>	Reg 26(a) – Administration Regulations 1996

Item	Requirement	Legislative reference
14 (ctd)	<ul style="list-style-type: none"> <li>b. whether the person receives any payment or other benefit from a service provider, other than:               <ul style="list-style-type: none"> <li>i. a payment or other benefit in respect of a role in the governance of a personal pension scheme in which the person is required to act in the interests of some or all of the scheme members or</li> <li>ii. a payment in respect of the person's role as trustee of the relevant multi-employer scheme</li> </ul> </li> <li>c. whether or not, in the person's relationship with a service provider, the person's obligations to the service provider conflict with their obligations as a trustee of the relevant multi-employer scheme and whether their obligations as a trustee will take priority in the case of a conflict.</li> </ul> <p>(b) A trustee who is an individual is not to count as non-affiliated for:</p> <ul style="list-style-type: none"> <li>a. any one period of more than five years or</li> <li>b. more than ten years in total, unless more than five years have elapsed since the trustee last held office as a trustee of the same relevant multi employer scheme.</li> </ul> <p>(c) the appointment process for a person who is to count as non-affiliated must be open and transparent, which means that it should include but is <b>not limited</b> to a process which:</p> <ul style="list-style-type: none"> <li>a. includes advertisement of the vacancy for a trustee in at least one appropriate national publication</li> <li>b. includes engagement of the services of a recruitment agency to assist in the selection of candidates or</li> <li>c. meets the requirements of section 241(2) or, as the case may be, 242(2) of the 2004 Act (nomination and selection of member-nominated trustees and member-nominated directors of corporate trustees).</li> </ul>	Reg 26(a) – Administration Regulations 1996

Item	Requirement	Legislative reference
14 (ctd)	<p>(d) paragraphs (a) to (c) above apply to an individual who is a director of a corporate trustee and to whom regulation 27 applies as if he or she were a trustee as they apply to a trustee who is an individual.</p> <p>(e) Where a trustee who is to count as non-affiliated for the purposes of regulation 27(2) is a professional trustee body:</p> <ul style="list-style-type: none"> <li>a. the trustee is not to count as non-affiliated for any one period of more than five years</li> <li>b. a nominated individual must act as representative of the trustee and</li> <li>c. the nominated individual may not act as representative of the trustee for more than ten years in total.</li> </ul> <p>(f) For the purposes of paragraph(a) a (i) above, two undertakings are “connected” if they are:</p> <ul style="list-style-type: none"> <li>a. part of a group of companies consisting of a holding company and one or more subsidiaries within the meaning of section 1159(1) of the Companies Act 2006 or</li> <li>b. partnerships, each having the same persons as at least half of its partners.</li> </ul>	Reg 26(a) – Administration Regulations 1996
15	Relevant multi-employer scheme – where a non-affiliated trustee (within the meaning of regulations 27 and 28) was appointed during the year, details of how regulation 28(1) (open and transparent appointment process) was met.	Reg 26(b) – Administration Regulations 1996
16	Relevant multi-employer scheme – details of the arrangements in place during the year to meet the requirement of regulation 29 (representation of the views of members to the trustees or managers).	Reg 26(c) – Administration Regulations 1996

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