

Technical appendix

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

September 2021

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"> a. the aims and objectives of the trustees or managers in respect of such investments b. their policies in relation to the matters mentioned below in respect of the default arrangement, and 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. <p>Policies</p> <p>The policies to be covered in the SIP are in relation to:</p> <ul style="list-style-type: none"> i. the kinds of investments to be held ii. the balance between different kinds of investments iii. risks, including the ways in which risks are to be measured and managed iv. the expected return on investments v. the realisation of investments, and 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. 	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"> a. at least every three years, and b. without delay after any significant change in investment policy. 	Reg 23(1)(a)(ii) – Administration Regulations 1996
4	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.	Reg 23(1)(a)(iii) – Administration Regulations 1996
5	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.	Reg 23(1)(a)(iv) – Administration Regulations 1996
6	<p>Return on investments: Default arrangement</p> <p>For scheme years ending after 1 October 2021, the return on investments, after deduction of any charges or transaction costs relating to those investments (calculated in accordance with regulation 25(1)(a)) applicable to the default arrangement 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 the returns on investments earned by assets in the scheme.</p>	Reg 23(1)(aa)(i) – Administration Regulations 1996

Item	Requirement	Legislative reference
7	<p>Return on investments: Non-default arrangement</p> <p>For scheme years ending after 1 October 2021, the return on investments, after deduction of any charges or transaction costs relating to those investments (calculated in accordance with regulation 25(1)(a)) , which members:</p> <ul style="list-style-type: none"> a. are now able to select or were in the past able to select and b. in which assets relating to members are invested during the scheme year <p>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 the returns on investments earned by assets in the scheme.</p>	Reg 23(1)(aa)(ii)(aa) and (bb) – Administration Regulations 1996
8	<p>A description of how the requirement to secure that core scheme financial transactions are processed promptly and accurately, in accordance with regulation 24 have been met during the scheme year must be provided. Regulation 24 states that:</p> <ol style="list-style-type: none"> 1. The trustees or managers of a relevant scheme must secure that core financial transactions are processed promptly and accurately. 2. A ‘core financial transaction’ includes (but is not limited to): <ul style="list-style-type: none"> a. investment of contributions to the scheme b. transfers of assets relating to members into and out of the scheme c. transfers of assets relating to members between different investments within the scheme d. payments from the scheme to, or in respect of, members. 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. 	Reg 23(1)(b) – Administration Regulations 1996

Item	Requirement	Legislative reference
9	<p>Charges and transaction costs: Default arrangement</p> <p>The level of charges and transaction costs applicable to each default arrangement during the scheme year must be stated. 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"> i. the charges, and ii. in so far as they are able to do so, the transaction costs, <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>	Reg 23(1)(c)(i) – Administration Regulations 1996
10	<p>Charges and transaction costs: Non-default arrangement</p> <p>The level of charges and transaction costs applicable to each fund which members are now able to select or were in the past 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
11	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
12	Where the trustees or managers are required to assess the extent to which the charges and transaction costs borne by members represent good value for members, an explanation of that assessment and its results must be included in the statement.	Reg 23(1)(c)(iv) – Administration Regulations 1996

Item	Requirement	Legislative
13	<p>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.</p>	Reg 23(1)(ca) – Administration Regulations 1996
14	<p>Trustees or managers of a 'specified scheme' must include in the statement an explanation of the results of any assessment required by regulation 25(1A). A 'specified scheme' is a relevant scheme which, on the date on which the trustees obtain the audited accounts for the scheme year that ended most recently:</p> <ul style="list-style-type: none"> • held total assets worth less than £100 million, and • has been operating for three or more years. <p>Regulation 25(1A) states that the trustees or managers of a specified scheme must, as part of the assessment under regulation 25(1)(b) of the extent to which charges and transaction costs represent good value for money, assess:</p> <ol style="list-style-type: none"> a. the charges and transaction costs borne by members of the scheme by comparison with the charges and transaction costs borne by members of at least three 'comparison schemes'. b. the return on investments (after deduction of charges and transaction costs) by comparison with the return on investments (after deduction of charges and transaction costs) for each of the three 'comparison schemes', in relation to: <ol style="list-style-type: none"> i. the default arrangement, and ii. any funds which members are now able to select or were in the past able to select, and in which assets relating to members are invested. 	Reg 23(1)(cb) – Administration Regulations 1996

Item	Requirement	Legislative reference
14 (ctd)	<p>c. how the administrative and governance criteria set out in regulation 25(1C) are met by the scheme. These criteria are:</p> <ol style="list-style-type: none"> 1. The promptness and accuracy of core financial transactions. 2. The quality of the records kept by the trustees or managers. 3. The appropriateness of the default investment strategy followed by the trustees or managers. 4. The quality of the scheme’s investment governance. 5. The extent to which: <ol style="list-style-type: none"> i. the requirements of sections 247 and 248 of the Pensions Act 2004 (requirements for knowledge and understanding: individual and corporate trustees) are satisfied, and ii. the trustees or managers have the knowledge, understanding and skills to enable them to properly to exercise their functions and to operate the scheme effectively. 6. The quality of communication with the members of the scheme. 7. The effectiveness of the management of any conflicts of interest that might arise between or among trustees and managers, or between trustees, managers and third parties. 	Reg 23(1)(cb) – Administration Regulations 1996

Item	Requirement	Legislative reference
14 (ctd)	<p>Each 'comparison scheme' must be either:</p> <ol style="list-style-type: none"> 1. an occupational pension scheme which on the date on which the trustees obtain the audited accounts for the scheme year that ended most recently held total assets equal to or greater than £100 million, or 2. a personal pension scheme, which is not an investment-regulated pension scheme within the meaning of paragraph 1 of Schedule 29A to the Finance Act 2004. <p>In addition to the above, the trustees or managers must have had discussions with at least one of the 'comparison schemes' about a transfer of the rights of members of the 'specified scheme' to that 'comparison scheme' if the 'specified scheme' is wound up.</p> <p>Trustees or managers of a 'specified scheme' do not have to comply with the requirements of regulation 23(1)(cb) if they:</p> <ul style="list-style-type: none"> • have notified the regulator under section 62(4) or (5) of the Pensions Act 2004, the winding up of the scheme in question has commenced, and • explained why they are not complying with regulation 23(1)(cb) in the statement required by regulation 23(1)(c)(iv). 	Reg 23(1)(cb) – Administration Regulations 1996
15	<p>The statement should include:</p> <ol style="list-style-type: none"> 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 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. 	Reg 23(1)(d) – Administration Regulations 1996

Item	Requirement	Legislative reference
15 (ctd)	<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> <ol style="list-style-type: none"> 1. is conversant with: <ol style="list-style-type: none"> a. the trust deed and rules of the scheme b. any statement of investment principles for the time being maintained under section 35 of the Pensions Act 1995, and c. any other document recording policy for the time being adopted by the trustees relating to the administration of the scheme generally. 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: <ol style="list-style-type: none"> a. the law relating to pensions and trusts b. the principles relating to, and c. investment of the assets of such schemes. 	Reg 23(1)(d) – Administration Regulations 1996
16	<p>The statement must be signed on behalf of the trustees or managers by:</p> <ol style="list-style-type: none"> i. the chair, or 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. 	Reg 23(1)(e) – Administration Regulations 1996

Item	Requirement	Legislative reference
17	<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. '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. In addition, Regulation 28 states:</p> <p>A. For the purposes of determining whether an individual is non-affiliated, the following matters must be taken into account:</p> <ul style="list-style-type: none"> a. whether the person: <ul style="list-style-type: none"> 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 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; b. whether the person receives any payment or other benefit from a service provider, other than: <ul style="list-style-type: none"> 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 ii. a payment in respect of the person's role as trustee of the relevant multi-employer scheme 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. 	Reg 26(a) – Administration Regulations 1996

Item	Requirement	Legislative reference
17 (ctd)	<p>B. A trustee who is an individual is not to count as non-affiliated for:</p> <ul style="list-style-type: none"> a. any one period of more than five years, or 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. <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 not limited to a process which:</p> <ul style="list-style-type: none"> a. includes advertisement of the vacancy for a trustee in at least one appropriate national publication b. includes engagement of the services of a recruitment agency to assist in the selection of candidates or 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). <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"> a. the trustee is not to count as non-affiliated for any one period of more than five years b. a nominated individual must act as representative of the trustee and c. the nominated individual may not act as representative of the trustee for more than ten years in total. 	Reg 26(a) – Administration Regulations 1996

Item	Requirement	Legislative reference
17 (ctd)	<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"> 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 b. partnerships, each having the same persons as at least half of its partners. 	Reg 26(a) – Administration Regulations 1996
18	<p>Relevant multi-employer scheme</p> <p>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.</p>	Reg 26(b) – Administration Regulations 1996
19	<p>Relevant multi-employer scheme</p> <p>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).</p>	Reg 26(c) – Administration Regulations 1996

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