

New Disclosure Requirements for Defined Contribution Occupational Pension Schemes effective from 6 April 2018

New disclosure requirements have come into force for occupational pension schemes which provide money purchase benefits.

The new requirements apply to 'relevant schemes' only and exclude Additional Voluntary Contributions schemes, schemes that are not required to provide an annual report, public service pension schemes, schemes with only one member, executive pension schemes, small self-administered schemes – where there are fewer than 12 members and where all members are trustees.

Key changes covered by the new regulations

- Transaction costs and charges, and the cumulative effect of those costs and charges on a members fund, are to be included in the Chairman's Statement
- Information of transaction costs and charges must be available on a website
- The website where the information can be found must be referenced on the Member Annual Benefit Statements

Chairman's Statement

In addition to current requirements, the Chairman's Statement must include the following information:

- Levels of charges and transaction costs for default funds and individual funds selected by members;
- Illustrative examples of the cumulative effect of scheme specific charges and transaction costs on the value of member's funds up to the member's Normal Pension Age;
- Additional information on pooled funds

Illustration of the cumulative effect of the scheme specific charges and transaction costs

DWP guidance states that illustrations should be in pounds and pence, prepared using a realistic and representative range of combinations of fund size, contribution rates, real term investment returns, and a representative range of scheme specific funds, and include the lowest and highest charges and transaction costs. However, trustees can decide how they want the illustrations to be presented depending on the characteristics and diversity of their scheme membership and fund offerings.

Website

The Chairman's Statement must be available on a public website.

Timing of the issue of the additional information

The information must be made available on the same annual cycle as the Chairman's Statement and schemes whose year runs from 6 April 2017 to 5 April 2018 will have 7 months after the last day of the first scheme year ending on or after 6 April 2018 to produce the information, that is, until **5 November 2019**.



The first schemes affected will be those whose scheme year end date is the last day of the first scheme year ending on or after 6 April 2018. For example, if the scheme year end date is 6 April 2018, it will mean the scheme has until **6 November 2018** to publish the information.

Member Annual Benefit Statements

Once the requirement to publish the information applies, the following information is to be included on the member's **Annual Benefit Statement**:

- The website address;
- An explanation of how the member may access the website;
- Details of where on the website the information is available;
- An explanation explaining the circumstances in which the information will be provided, on request, in hard copy form.

Pooled funds

Where a scheme invests in a collective investment for which there is publicly available information, trustees should disclose the names of the International Securities Identification Number (ISIN) of all the funds in which they are directly invested during the year.

Where a scheme invests in a unit-linked contract, if any information is available, trustees must disclose the name given by the investment manager to each underlying fund directly attributable to that contract and the ISIN reference. This information must be available to the member on request within two months.

Disclosure of information on a scheme's pooled funds will come into force on 6 April 2019.

Comment

These changes are welcomed as we believe it is important that current members and those considering joining occupational defined contribution schemes are fully aware of underlying transaction costs and charges relating to their investments, and understand the effect that they will have on their funds overtime.

What can Cartwright do to help?

We can assist in the redrafting of the Chairman's Statement, Member Annual Benefit Statements, and help in the design of the illustrative examples of the effect of charges to ensure the requirements are met. Where clients do not have an intranet site on which the Chairman's Statement may be posted, Cartwright can assist by setting up a website in the name of the scheme and providing access to scheme members and employees on which it can be accessed.

We recommend that these new disclosure requirements are adopted as soon as possible.

If you would like to discuss this further, please get in touch with your usual contact at Cartwright.

Mill Pool House
Mill Lane
Godalming
Surrey GU7 1EY

T: 01483 860201

E: enquiries@cartwright.co.uk

250 Fowler Avenue
Farnborough Business Park
Farnborough
Hampshire GU14 7JP

T: 01252 894883

E: enquiries@cartwright.co.uk

Marlborough House
Victoria Road South
Chelmsford
Essex CM1 1LN

T: 01245 293300

E: enquiries@cartwright.co.uk

The Mansley Business Centre
Timothys Bridge Road
Stratford Enterprise Park
Stratford-upon-Avon
CV37 9NQ

T: 01245 293300

E: enquiries@cartwright.co.uk

