
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations impose obligations on trustees and managers of certain occupational pension schemes in relation to charges imposed by and governance of those schemes. These Regulations are made mainly using powers in the Pensions Act 2014 (c. 19).

Part 1 contains interpretation provisions including definitions of ‘relevant scheme’ (regulation 2(1)) and ‘default arrangement’ (regulation 3).

Part 2 contains restrictions on charges imposed on members of relevant schemes. With the exception of regulation 11 (non-contributing members), these restrictions apply to members with rights in the default arrangement of a relevant scheme.

Regulations 4 to 6 impose limits on the charges which can be imposed and prohibits certain charges. Regulations 7 and 8 provide alternative ways of assessing the charges imposed on a member.

Regulation 9 provides for a member to agree that services provided will not be covered by the provisions of these Regulations as long as certain conditions are met.

Regulation 10 allows trustees and managers to take action in relation to a default arrangement where, despite their best endeavours, they are unlikely to be able to comply with the charge limits. Regulation 13 makes amendments to other regulations as a consequence of regulation 10.

Regulation 11 prohibits trustees and managers from imposing higher charges on members who are not contributing than they would on comparable members who are contributing to the pension scheme.

Regulation 12 makes amendments to the Stakeholder Pension Scheme Regulations 2000 (S.I. 2000/1403) to provide that the provisions in these Regulations apply to stakeholder pension schemes, where appropriate.

Part 3, Chapter 1 contains provisions relating to governance of relevant schemes by making amendments to the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (S.I. 1996/1715) and the Occupational Pension Schemes (Investment) Regulations 2005 (S.I. 2005/3378). These provisions include the overriding of any provision in the trust deed or scheme rules which limits the choice of service providers (regulation 15). They also impose duties on trustees and managers to:

- appoint a chair of trustees or managers (regulation 16);
- prepare an annual statement of governance (regulation 17);
- process core financial transactions promptly and fairly (regulation 18);
- calculate and assess the value for money of charges and transaction costs (regulation 19); and
- prepare a statement of investment principles in relation to the default arrangement (regulation 20).

Chapter 2 of Part 3 contains additional governance requirements for multi-employer schemes (known as ‘master trusts’). This includes additional provisions for the annual statement (referred to in (b) above), the appointment of trustees and the representation of members (regulation 22).

Regulation 23 provides that the third limb of the definition of “multi-employer scheme” which is inserted by regulation 21 and relates to schemes established by or under an enactment is omitted from 6th April 2016.

Draft Legislation: This is a draft item of legislation. This draft has since been made as a UK Statutory Instrument: *The Occupational Pension Schemes (Charges and Governance) Regulations 2015 No. 879*

Part 4 contains compliance provisions in relation to the duties imposed by these Regulations.

Two separate assessments of the impact of regulations in this instrument have been made. A copy of each of the impact assessments for Parts 2 and 3 respectively is available in the libraries of both Houses of Parliament and alongside this instrument on www.legislation.gov.uk. Copies may also be obtained from the Better Regulation Unit of the Department for Work and Pensions, 2D, Caxton House, Tothill Street, London SW1H 9NA.