

SCHEDULE 4

Regulation 10

SYSTEMS AND PROCESSES REQUIREMENTS

Features and functionality of IT systems

1. Whether the IT systems have the capacity and capability—
 - (a) to process financial transactions securely and accurately, including the core transactions described in regulation 24(2) of the Administration Regulations⁽¹⁾ (requirements for processing financial transactions);
 - (b) to make and receive electronic payments;
 - (c) to accept contributions from multiple sources;
 - (d) to exchange data with other IT systems, including those used by employers and service providers;
 - (e) to reconcile data on transactions and produce reports so that those activities can be monitored and transaction errors rectified promptly;
 - (f) to identify and categorise transactions and payments for authorisation and countersigning at an appropriate level of authority;
 - (g) to be updated to reflect changes in the legal requirements affecting transactions, payments and records, including changes in tax thresholds, the annual allowance and the lifetime allowance.

Standards required of IT systems

2. Whether the IT systems—
 - (a) are of sufficient standard to allow the scheme to meet its objectives as set out in the business plan;
 - (b) are capable of being upgraded to reflect changes in required transactions and capacity;
 - (c) have restricted physical and electronic access, with firewalls and other appropriate protection against viruses and other threats;
 - (d) have a back-up system which allows data to be recovered if the main system fails.

Maintenance of IT systems

3. Whether the IT systems—
 - (a) are maintained at regular intervals, either automatically or by a person with the appropriate skills and experience;
 - (b) are backed up and updated regularly, including the maintenance of firewalls and other preventative systems;
 - (c) are monitored to ensure that their capacity is sufficient for the size of the scheme.

Member records

4. Whether the scheme's systems and processes ensure that—
 - (a) there is an accurate record of each member's details, including the contributions made in respect of each active member for each pay period, on the relevant IT system;

(1) Regulation 24 was inserted by S.I. 2015/879.

- (b) any unpaid contribution in respect of active members can be explained to the Regulator and remedied;
- (c) members' records are reviewed regularly for completeness and accuracy and updated promptly with changes of information;
- (d) errors in members' records can be identified and addressed, and any financial impact of such errors on members can be rectified;
- (e) records are maintained in respect of each member in decumulation for each financial year including—
 - (i) the method of decumulation,
 - (ii) the total amount withdrawn from the scheme and the amount taken as free from income tax, and
 - (iii) the amount of pension income received.

Trustees and others

5. Whether there are systems and processes—
- (a) for the fair and transparent recruitment, appointment, resignation and removal of trustees;
 - (b) for determining and recording that persons involved in the scheme in the capacities listed in section 7(2) and (3) of the Act (fit and proper persons requirements) are, and remain, fit and proper;
 - (c) for monitoring and recording trustees' learning and development, and for ensuring that it is appropriate to the scheme's activities;
 - (d) in relation to meetings of trustees, including—
 - (i) the intervals at which meetings of trustees are to take place;
 - (ii) the number of trustees required to authorise decisions on risk management, resource planning and investments;
 - (iii) the process for managing the scheme's business between meetings of the trustees;
 - (e) for recording, maintaining and managing all documents relating to the trustees in an accessible, intelligible and durable medium;
 - (f) for managing the scheme's business if one or more trustees are absent.

Contracts and service providers

6. Whether there are systems and processes—
- (a) for ensuring that trustees and the scheme strategist are properly informed about service providers, and appropriately involved in decisions about them;
 - (b) for establishing and recording that service providers are, and remain, fit and proper;
 - (c) for informing the trustees about the appointment, removal, roles and responsibilities of service providers;
 - (d) for informing the trustees of—
 - (i) any failure by service providers to deliver services;
 - (ii) any actions or omissions by service providers which may prejudice—
 - (aa) the effective running of the scheme, or
 - (bb) the ability to meet the objectives set out in the scheme's business plan;

- (e) for recording, maintaining and managing all documents relating to service providers in an accessible, intelligible and durable medium.

Risk management

- 7. Whether there are systems and processes—
 - (a) for identifying, managing and monitoring operational, financial, regulatory and compliance risks;
 - (b) for recording and documenting risks in an appropriate and durable format;
 - (c) for ensuring that risks are managed in a timely manner by the appropriate persons;
 - (d) for informing the trustees about risks that have arisen and the steps being taken to manage them.

Security

- 8. Whether there are systems and processes—
 - (a) for preventing unauthorised access to sensitive records and infrastructure, including those containing member information, financial details or investment information;
 - (b) for monitoring and recording electronic and physical access to sensitive records and infrastructure;
 - (c) for ensuring the secure transfer of physical and electronic data and the secure conduct of transactions.

Resource planning

- 9. Whether there are systems and processes for ensuring that there are sufficient human resources with the skills, qualifications and capacity necessary to comply with the requirements of Part 1 of the Act and, in particular—
 - (a) to run and maintain the scheme's systems and processes,
 - (b) to meet the objectives in the scheme's business plan, and
 - (c) to send appropriate and timely notifications, information and documents to the Regulator, including information about the scheme's systems and processes.

Investments

- 10. Whether there are systems and processes—
 - (a) for investing contributions in a timely manner in accordance with members' instructions or, in the absence of instructions, with the scheme's default investment policy;
 - (b) for recording investment decisions and the associated instructions from members, or confirmation that a decision has been made without instructions;
 - (c) for managing the scheme's interaction with investment managers, and recording key decisions;
 - (d) for recording, managing and reviewing the risks associated with investment decisions;
 - (e) for informing trustees about questions, decisions and risks relating to investments;
 - (f) for ensuring that members receive timely and appropriate investment information and prompt replies to their enquiries and correspondence.

Draft Legislation: This is a draft item of legislation and has not yet been made as a UK Statutory Instrument. This draft has been replaced by a new draft, The Occupational Pension Schemes (Master Trusts) Regulations 2018 ISBN 978-0-11-117053-3

Member communication

11. Whether there are systems and processes—
- (a) for facilitating members' engagement with the scheme;
 - (b) for bringing members' views to the attention of the trustees;
 - (c) for directing members' complaints to the correct channels for resolution.