
STATUTORY INSTRUMENTS

1996 No. 1715

**The Occupational Pension Schemes
(Scheme Administration) Regulations 1996**

[^{F1} PART V

GOVERNANCE OF RELEVANT SCHEMES

CHAPTER 1

GENERAL]

[^{F1} Assessment of charges and transaction costs

25.—(1) The trustees or managers of a relevant scheme must, at intervals of no more than one year—

(a) calculate—

(i) the charges [^{F2}borne by members of the scheme,]

(ii) in so far as they are able to do so, the transaction [^{F3}costs borne by members of the scheme, and]

^{F4} ...

[the returns on investments earned by assets in the scheme, and]

^{F5}(iii)

[the specified performance-based fees incurred in respect of assets in the scheme, and]

^{F6}(iv)

(b) assess the extent to which those charges [^{F7}, specified performance-based fees] and transaction costs represent good value for members.

[
^{F8}(1A) As part of the assessment referred to in paragraph (1)(b), the trustees or managers of a specified scheme [^{F9}other than a collective money purchase scheme] (see paragraph (5)) must assess—

(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 schemes (“comparison schemes”)—

(i) each of which satisfies one of the conditions in paragraph (1D)(a), and

(ii) at least one of which satisfies the condition in paragraph (1D)(b),

(b) the return on investments by comparison with the return on investments for each of the three comparison schemes, relating to—

(i) the default arrangement, and

(ii) any funds—

- (aa) which members are now able to select or were in the past able to select, and
 - (bb) in which assets relating to members are invested,
- and in each case the return on investments is to be calculated after deduction of any charges or transaction costs, and
- (c) how the administrative and governance criteria set out in paragraph (1C) are met by the scheme.]

[
^{F10}(1ZA) As part of the assessment referred to in paragraph (1)(b), the trustees of a collective money purchase scheme must assess how the administrative and governance criteria set out in paragraph (1C) are met by the scheme.]

[
^{F8}(1B) In making the assessment required under paragraph (1)(b), the trustees or managers of the specified scheme must have regard to any guidance issued by the Secretary of State by virtue of paragraph 2 of Schedule 18 to the Pensions Act 2014 in relation to that assessment.]

[
^{F8}(1C) The administration and governance criteria are—

- (a) the promptness and accuracy of core financial transactions;
- (b) the quality of the records kept by the trustees or managers;
- (c) the appropriateness of the default investment strategy [^{F11}(if any)] followed by the trustees or managers;

[for a collective money purchase scheme, the appropriateness of the investment principles
^{F12}(ca) governing decisions about investments for the purposes of the scheme, as set out in the latest statement prepared in accordance with regulation 2 (statement of investment principles) of the Occupational Pension Schemes (Investment) Regulations 2005;]

- (d) the quality of the scheme's investment governance;
- (e) the extent to which—
 - (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—
 - (aa) properly to exercise their functions, and
 - (bb) to operate the scheme effectively;
- (f) the quality of communication with the members of the scheme;
- (g) 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.]

[
^{F8}(1D) The conditions are that—

- (a) each comparison scheme is—
 - (i) an occupational pension scheme which on the relevant date held total assets equal to or greater than £100 million, or
 - (ii) 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;

- (b) the trustees or managers have had discussions with the comparison scheme on a transfer of the rights of members of the specified scheme to that scheme if the specified scheme is wound up.]

[
F⁸(1E) Where an occupational pension scheme provides both money purchase benefits within the meaning of section 181 of the Pension Schemes Act 1993 and benefits other than money purchase benefits—

- (b) the trustees or managers of the scheme are only required to comply with the obligations in paragraphs (1A) and (1B) in relation to the assets held for its money purchase benefits, and
- (c) the scheme may only be used as a comparison scheme in relation to the assets held for its money purchase benefits.]

(2) In this regulation (and in regulation 23), “charges” and “transaction costs” have the meanings given in regulation 2(1) of the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

(3) In relation to a scheme which is not a money purchase scheme, this regulation applies only in relation to charges and transaction costs which relate to the provision of money purchase benefits.]

[F¹³(4) Paragraphs (1A) to (1E) do not apply if—

- (a) the Regulator has been notified under section 62(4) or (5) of the Pensions Act 2004 before the date on which the trustees or managers of the scheme are required to prepare a statement under regulation 23(1) (“the annual statement”) that the winding up of the scheme in question has commenced, and
- (b) the trustees or managers of the scheme explain why they are not complying with paragraph (cb) in the annual statement.]

[F¹³(5) In this regulation—

“audited accounts” means the audited accounts which the trustees are required to obtain in accordance with regulation 2 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996;

“core financial transactions” has the same meaning as in regulation 24;

“default arrangement” has the meaning given in regulation 1(2) of the Occupational Pension Schemes (Investment) Regulations 2005;

“default investment strategy” means the default strategy referred to in regulation 2A(1)(c) of the Occupational Pension Schemes (Investment) Regulations 2005;

“ear-marked scheme” has the meaning given by regulation 1(2) of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996;

“relevant date” means the date on which the trustees obtain the audited accounts for the scheme year that ended most recently;

“specified scheme” means a relevant scheme which, on the relevant date—

- (i) held total assets worth less than £100 million, and
- (ii) has been operating for three or more years.]

[F¹³(6) In this regulation, a reference to the “total assets” of a scheme means—

- (a) in the case of a scheme in respect of which the trustees are required to obtain audited accounts, the total of the amount of the net assets of the scheme recorded in the audited accounts for the scheme year, or

- (b) in the case of a scheme which is an ear-marked scheme, the value of the assets of the scheme represented by any policies of insurance or annuity contracts that are specifically allocated to the provision of benefits for individual members or any other person who has a right to benefits under the scheme.]

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| F1 | Reg. 25 inserted (6.4.2015) by The Occupational Pension Schemes (Charges and Governance) Regulations 2015 (S.I. 2015/879) , regs. 1(2), 19 |
| F2 | Words in reg. 25(1)(a)(i) substituted (with application in accordance with reg. 1(3) of the amending S.I.) by The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 (S.I. 2021/1070) , regs. 1(2), 2(3)(a)(i) |
| F3 | Words in reg. 25(1)(a)(ii) substituted (with application in accordance with reg. 1(3) of the amending S.I.) by The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 (S.I. 2021/1070) , regs. 1(2), 2(3)(a)(ii) |
| F4 | Words in reg. 25(1)(a) omitted (with application in accordance with reg. 1(3) of the amending S.I.) by virtue of The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 (S.I. 2021/1070) , regs. 1(2), 2(3)(a)(iv) |
| F5 | Reg. 25(1)(a)(iii) inserted (with application in accordance with reg. 1(3) of the amending S.I.) by The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 (S.I. 2021/1070) , regs. 1(2), 2(3)(a)(iii) |
| F6 | Reg. 25(1)(a)(iv) inserted (with application in accordance with reg. 1(6) of the amending S.I.) by The Occupational Pension Schemes (Administration, Investment, Charges and Governance) and Pensions Dashboards (Amendment) Regulations 2023 (S.I. 2023/399) , regs. 1(3), 4(4)(a) |
| F7 | Words in reg. 25(1)(b) inserted (with application in accordance with reg. 1(6) of the amending S.I.) by The Occupational Pension Schemes (Administration, Investment, Charges and Governance) and Pensions Dashboards (Amendment) Regulations 2023 (S.I. 2023/399) , regs. 1(3), 4(4)(b) |
| F8 | Reg. 25(1A)-(1E) inserted (with application in accordance with reg. 1(4) of the amending S.I.) by The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 (S.I. 2021/1070) , regs. 1(2), 2(3)(b) |
| F9 | Words in reg. 25(1A) inserted (1.8.2022) by The Occupational Pension Schemes (Collective Money Purchase Schemes) Regulations 2022 (S.I. 2022/255) , reg. 1(3), Sch. 7 para. 1(5)(a) |
| F10 | Reg. 25(1ZA) inserted (1.8.2022) by The Occupational Pension Schemes (Collective Money Purchase Schemes) Regulations 2022 (S.I. 2022/255) , reg. 1(3), Sch. 7 para. 1(5)(b) |
| F11 | Words in reg. 25(1C)(c) inserted (1.8.2022) by The Occupational Pension Schemes (Collective Money Purchase Schemes) Regulations 2022 (S.I. 2022/255) , reg. 1(3), Sch. 7 para. 1(5)(c)(i) |
| F12 | Reg. 25(1C)(ca) inserted (1.8.2022) by The Occupational Pension Schemes (Collective Money Purchase Schemes) Regulations 2022 (S.I. 2022/255) , reg. 1(3), Sch. 7 para. 1(5)(c)(ii) |
| F13 | Reg. 25(4)-(6) inserted (with application in accordance with reg. 1(4) of the amending S.I.) by The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 (S.I. 2021/1070) , regs. 1(2), 2(3)(c) |

Changes to legislation:

There are currently no known outstanding effects for the The Occupational Pension Schemes (Scheme Administration) Regulations 1996, Section 25.