

DC Governance: The Chair's Statement

The Pensions Regulator has recently published a [quick guide to the chair's statement](#). This guide sets out the legal requirements and the Regulator's expectations as to how trustees should meet them. It is written in the form of a checklist.

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Background

The requirement to have a chair of trustees applies to occupational trust-based pension schemes providing money purchase benefits (with some exceptions, such as those schemes where the only money purchase benefits are provided from additional voluntary contributions).

Trustees (of schemes that are not exempt from the requirement) must prepare a governance statement within seven months of the end of each scheme year, which is signed by the chair. The statement must be made available on request, to members and others, as part of the pension scheme's annual report and financial statements, which must be prepared and signed off within the same period.

Trustees will also have to declare to the Pensions Regulator, as part of the scheme return, who the chair of trustees is, and that a governance statement has been prepared.

Failure to produce a statement attracts an automatic penalty of between £500 and £2,000.

What must the annual governance statement cover?

The requirements are set out in legislation and include:

- The latest statement of investment principles (SIP) in relation to the scheme's default arrangement(s), including details of any review of the SIP undertaken during the scheme year.
- The level of charges and transaction costs applicable to the default arrangement(s) during the scheme year and those applicable to all funds which are not part of the default arrangement and in which assets relating to members are invested during the scheme year.
- A trustee assessment of the extent to which the charges and transaction costs represent good value for members.
- How core financial transactions have been processed promptly and accurately during the scheme year.
- How the statutory requirements for trustee knowledge and understanding have been met during the scheme year, along with details of how the combined knowledge and understanding of the trustees, and the advice which is available to them, enables them to properly exercise their functions as trustees.

Guidance from the Pensions Regulator

The Pensions Regulator's updated [code of practice no. 13](#), on the governance and administration of occupational trust-based schemes providing money purchase benefits, came into effect at the end of July 2016.

This has been produced to reflect recent major legislative changes, such as the pension freedoms and the new governance standards, in relation to defined contribution pension savings. The code is underpinned by separate practical guidance providing information on how trustees might meet the standards in practice.

The Regulator's [sixth guide to communicating and reporting](#) (to be read alongside the code of practice) contains guidance on the chair's statement and the Regulator advises trustees that anything written in the chair's statement is backed up by documented evidence. The evidence does not need to be appended to the statement, but 'There must be an audit trail to enable sign-off and to demonstrate a proper process'.

Find Out More

Contact your consultant to discuss how we can help you design a process to enable you to meet the legislative requirements, including an appropriate audit trail. We can also help you prepare a statement that is designed to best suit the needs of your members.

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