

Public Disclosure Requirements for Defined Contribution Schemes

Regulatory background

New Regulations [SI 2018/233] have recently been made, introducing several new disclosure regulations for Defined Contribution Schemes. In addition, statutory guidance relating to the information about the scheme's charges and transaction costs has been provided.

The date of these amended requirements is effectively 7 months after the end of the scheme year beginning on/after 6 April 2018; except that the benefit statement additional disclosures have been aligned with the revised Chair's Statement (so no requirement to signpost to an as-yet not produced Chair's Statement) and the pooled fund information is only effective from 6 April 2019.

The requirements are now:

Chair's Statement:

- Within seven months of the end of each scheme year
 - Contains details of level of charges and transaction costs borne by members
 - Contain a 'value for money' assessment
 - Previously default arrangements could be excluded from the statement; now all funds available to members (although still only ones which have assets invested) must be reported on
 - Must now include an illustrative example of the cumulative effect over time of the charges and transaction costs on the value of a member's accrued rights – there is new guidance (dated September 2018) from the DWP about how this should be produced (covered below).
 - From 1 October 2020, an 'implementation statement' will need to be published stating how Trustees have acted on the SIP.

Pooled Funds

The following information will need to be provided about pooled funds, on request and within 2 months:

- The ISIN number of each collective investment scheme in which the member is invested.

Website:

- A publically available website (not requiring a login or requiring any personal information or charge for access) will need to provide:
 - Details of the default arrangement, including
 - a statement of the default investment strategy
 - a description of any review of the default strategy undertaken in the last scheme year; and explanation of any changes resulting from such a review *or* the date of the last review if none carried out in last year
 - The following information (which is also found in the Chair's Statement):
 - Details of the scheme's charges and transaction costs
 - A value for money statement
 - An illustrative example of the cumulative effect of charges
 - From 1 October 2019, the Statement of Investment Principles (SIP) will need to be published.
- If a member requests hard-copy information, this must be provided within 2 months provided the Trustees are satisfied it would be unreasonable for the individual to obtain the information from the website.

Further website considerations

- The publically available website will also need to be published 'in a manner which allows for the content to be indexed by search engines':
 - Should not include text preventing indexation
 - Should be linked to other pages which are found by search engines
 - If published via social media / blogging / repository; it must be made public and able to be indexed.
- The direct link should be easy to type as members may need to type it from their benefit statement.
- The information should be easily printable from the webpage and should be downloadable.
- Disabled users' needs should be taken into account including:
 - If screen reading software for visually impaired people can read the content logically
 - If text can be enlarged / contrast is adequate;
 - If text is simple and clearly written for cognitively impaired users.
 - Information on this is covered by the Word Wide Web Consortium's Web Accessibility Initiative's WCAG 2.0 and the BSI's BS 8878:2010
- Schemes may wish to consider publishing the SIP, Chair's Statement and Annual report elsewhere including, potentially, on a password protected site; but this does not remove the requirement to publish the other required information on a publically available site.

Benefit Statements:

- Signposting to the information on the publically-available website needs to take place in the benefit statements:
 - Include a statement that the information is available on the website
 - The website address; and details where on the website it may be found
 - “An explanation of how the recipient may read the information on the website”
(further investigation of this point seems to suggest that this does not mean that we need to explain to members how to use the internet, but for instance if a PDF viewer is required, signpost to a free download of such a product, etc.)
 - A statement explaining the circumstances in which the information will be provided in hard-copy.
- Signposting to the pooled funds information available on request must also take place.

Cost Illustration

Costs and charges typically paid by a member should be produced

- in a figure in pounds & pence,
- using a realistic and representative range of combinations of
 - pot size,
 - contribution rates,
 - real terms gross investment returns,
 - time and rate of charges and costs.

The guidance refers to the FCA’s ‘Conduct of Business Sourcebook’ (CoBS) illustrations, which project at various years in the future, for each fund and for the default arrangement; in real terms, using the 2.5% inflation and a £10,000 pot. Contributions increase with earnings.

Pot size should be ‘one or more typical pot sizes’ – if one, a median may be useful.

Contributions may be assumed to increase at 1.5% real, as an assumption for future salary growth, in line with CoBS assumptions. *If* a scheme does not charge contributions and it is ‘disproportionately burdensome’ to show the effect of future contributions, no future contributions may be assumed.

Investment returns should be in line with AS TM1 (the standard used for projections in benefit statements) *or* the intermediate CoBS rate (2.5% until 6 April 2019, 3% thereafter). Dealing costs aren’t dealt with in TM1 or in CoBS; so the investment return in TM1/CoBS *plus* an allowance for transaction costs is permitted. A range of illustrations should be shown for the investment options with lowest / highest returns and for the most popular (by member number, not assets). The investment return assumption must be disclosed.

Transaction costs should be based on an average of the previous 5 years’ transaction costs, or shorter period as is available. Any flat fees must be increase with inflation (2.5% until 5 April 2019; 2% for CPI or 3% for RPI thereafter may be used).

Time should include the duration that the *youngest scheme member* enrolled has until reaching the scheme’s normal pension age. Additional illustrations may be used, using the scheme’s demographics to decide which are appropriate.