

Top tips for preparing your annual chair's statement

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I Over the last year, the Pensions Regulator (TPR) has issued numerous fines for chairs' statements that have not been completed or that fail to meet the legal requirements. Here are some top tips on how to avoid some of the more common errors:

1. Plan ahead

Do not leave it to the last minute!

Be clear on when your scheme year end is, and when the deadline falls for publishing the chair's statement in the annual report and accounts (seven months after the scheme year end). From this, you can then work backwards to determine at which trustee meeting the chair's statement needs to be signed off.

Determine who is responsible for drafting the statement, and updating the default statement of investment principles, if necessary each year, and what input is needed from advisers, in particular the scheme's lawyers, investment advisers and auditors.

It is also important to keep up to date with changes in the relevant areas, for example the additional requirements for reporting costs and charges which apply to chair's statements for scheme years ending on or after 6th April 2018, so that this can be factored into the planning.

2. The bigger picture

The chair's statement should be the end result of a scheme's annual governance journey. Work should have been undertaken throughout the year, including trustee training, monitoring core financial transactions, calculating member-borne costs and charges, and carrying out a value for members assessment, to ensure all underlying legal requirements have been met. If the right steps have been taken and appropriate records have been kept throughout the year, the statement will then be much easier to prepare.

3. Demonstrating compliance

TPR's guidance (updated in June 2018), makes clear what it expects trustees to cover in the chair's statement, and how. In particular, trustees need to describe and explain what they have done to manage the scheme over the year.

For example:

- it's not sufficient to simply state that the administrators have confirmed that core financial transactions have been processed promptly and accurately. There must be sufficient detail for TPR to understand any action the trustees have taken to ensure this. For example, is there a service level agreement in place with the administrator, and how did the trustees monitor performance against it?
- for the value for members assessment, the trustees' conclusion as to whether the scheme is offering value must be supported by an explanation of how this conclusion was reached
- trustees must explain how compliance with the legal requirements for trustee knowledge and understanding has been achieved, and how this has been assessed, for example, through a trustee effectiveness review.

4. The truth and nothing but the truth

It sounds obvious, but schemes should only include information that can be verified. This means ensuring that the statement is adapted each time to reflect the action the trustees took in that scheme year. Detailed records to evidence compliance should be kept, and would be useful in the event TPR asks for further information.

5. Remember your members

Finally, bear in mind that the intended audience for the chair's statement is the scheme members. There is a balance to be struck between including sufficient information to meet the requirements and keeping the statement easy for members to understand. Given the requirement to publish certain sections of the statement, for scheme years ending on or after 6th April 2018, on a publicly available website, this will become increasingly important.

