
STATUTORY INSTRUMENTS

1996 No. 1975

PENSIONS

**The Occupational Pension Schemes
(Requirement to obtain Audited Accounts and a
Statement from the Auditor) Regulations 1996**

Made - - - - 25th July 1996
Coming into force - - 6th April 1997

Whereas a draft of these Regulations was laid before Parliament in accordance with the provisions of section 175(2) of the Pensions Act 1995(1) and approved by resolution of each House of Parliament:

Now, therefore, the Secretary of State for Social Security in exercise of powers conferred on him by sections 41(1) and (6), 116(1), 124(1) and 174(2) and (3) of the Pensions Act 1995(2), and of all other powers enabling him in that behalf, by this instrument, which is made before the end of the period of six months beginning with the coming into force of the provisions of Part I of that Act by virtue of which they are made(3), hereby makes the following regulations:

Citation, commencement and interpretation

1.—(1) These Regulations may be cited as the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and shall come into force on 6th April 1997.

(2) In these Regulations—

“ear-marked scheme” means an occupational pension scheme which is a money purchase scheme under which all the benefits are secured by one or more policies of insurance or annuity contracts and such policies or contracts are specifically allocated to the provision of benefits for individual members or any other person who has a right to benefits under the scheme;

“money purchase scheme” has the same meaning as in section 181(1) of the Pension Schemes Act 1993(4); and

“scheme year” means—

(1) 1995 c. 26.
(2) Section 124(1) is cited because of the meaning ascribed to “prescribed” and “regulations”.
(3) See section 120(2)(c) of the Pensions Act 1995. This provides that the requirement to consult does not apply where regulations are made before the end of six months beginning with the coming into force of the provisions of Part I of the Pensions Act 1995 by virtue of which they are made.
(4) 1993 c. 48.

- (a) a year specified for the purposes of the scheme in any document comprising the scheme or, if none, a period of 12 months commencing on 1st April or on such date as the trustees or managers select; or
 - (b) such other period (if any) exceeding 6 months but not exceeding 18 months as is selected by the trustees or managers in connection with—
 - (i) the commencement or termination of the scheme, or
 - (ii) a variation of the date on which the year or period referred to in paragraph (a) is to commence.
- (3) In these Regulations, unless the context otherwise requires, a reference—
- (a) to a numbered regulation is to the regulation bearing that number in these Regulations;
 - (b) in a regulation to a numbered paragraph is to the paragraph bearing that number in that regulation.

Requirement of trustees or managers to obtain documents

2.—(1) Subject to paragraph (2), where the requirement of section 47(1)(a) of the Pensions Act 1995 (requirement to appoint an individual or a firm as auditor) applies, the trustees or managers of an occupational pension scheme shall obtain not more than seven months after the end of each scheme year which ends on or after 6th April 1997 —

- (a) accounts, prepared in accordance with regulation 3, audited by the auditor;
- (b) the auditor’s statement, prepared in accordance with regulation 4, about contributions under the scheme.

(2) The requirement to obtain accounts in accordance with paragraph (1)(a) shall not apply to the trustees or managers of an ear-marked scheme.

(3) Where the trustees or managers fail to obtain accounts audited by the auditor or the auditor’s statement in accordance with paragraph (1), and there is no reasonable excuse for the failure to do so, they are guilty of an offence and liable on summary conviction to a fine not exceeding level 5 on the standard scale.

Form and content of the accounts audited by the auditor

3. The accounts audited by the auditor of the scheme shall—
- (a) contain the information specified in the Schedule to these Regulations;
 - (b) show a true and fair view of—
 - (i) the financial transactions of the scheme during the scheme year;
 - (ii) the amount and disposition of the assets at the end of the scheme year;
 - (iii) the liabilities of the scheme, other than the liabilities to pay pensions and benefits after the end of the scheme year; and
 - (c) contain a report by the auditor as to whether or not in his opinion the requirements of paragraphs (a) and (b) are satisfied.

Form and content of the auditor’s statement

4. The auditor’s statement about contributions under the scheme shall contain—
- (a) a statement as to whether or not in his opinion contributions have been paid in accordance with the schedule of contributions or payment schedule; and
 - (b) if the statement under paragraph (a) is negative or qualified, a statement of the reasons.

Signed by authority of the Secretary of State for Social Security.

25th July 1996

Oliver Heald
Parliamentary Under-Secretary of State,
Department of Social Security

SCHEDULE

Regulation 3

CONTENTS OF ACCOUNTS AUDITED BY THE AUDITOR OF THE SCHEME

1. An account of the financial additions to, withdrawals from and changes in value of the fund of the scheme during the scheme year to which the accounts relate.

2.—(1) A statement, as at the end of the scheme year to which the accounts relate, of the assets at market value, or trustees' or managers' estimate thereof where market value is not readily ascertainable and liabilities of the scheme, other than liabilities to pay pensions and benefits after the end of that scheme year—

- (a) giving, in the case of any assets which are stated at an estimate of their market value, the reason why the valuation is an estimate;
- (b) showing the distribution of the investments and other assets of the schemes between each of the following categories (where none of the investments falls within a particular category, that fact is not required to be stated), namely—
 - (i) insurance policies;
 - (ii) public sector fixed interest investments and separately showing quoted securities and unquoted securities;
 - (iii) other fixed interest investments and separately showing quoted securities and unquoted securities;
 - (iv) index-linked securities and separately showing quoted securities and unquoted securities;
 - (v) equities (including convertible shares) and separately showing quoted equities and unquoted equities;
 - (vi) property (which in this paragraph means any right or interest in freehold or leasehold land or buildings);
 - (vii) unit trusts invested in property;
 - (viii) other unit trusts;
 - (ix) managed funds (other than unit trusts) invested in property;
 - (x) other managed funds (not being unit trusts);
 - (xi) loans (whether or not secured by mortgages);
 - (xii) cash deposits and cash in hand;
 - (xiii) investments and other assets not included in heads (i) to (xii) above; and
- (c) showing separately, in the case of investments in each category, investments in the United Kingdom and investments outside the United Kingdom, and in the case of investments mentioned in heads (vii) to (x) of sub-paragraph (b) investments where the company operating the unit trust or managed funds is, and investments where it is not, a company registered in the United Kingdom.

(2) Where the assets include insurance policies which are specifically allocated to the provision of benefits for, and which provide all the benefits payable under the scheme to, particular members or other persons in respect of particular members or both, those policies must be included in the statement and there must be a note of the existence of such policies but that entry need not include their market value or an estimate.

3. Where any assets or liabilities are denominated in currencies other than sterling, a translation of those assets into sterling and an explanation of the basis on which they have been translated.

4. Particulars of any investment (other than in UK Government securities) in which more than 5 per cent. of the total value of the net assets of the scheme is invested, and if any such investment is an insurance policy, a statement of its main characteristics.

5. Particulars of any employer-related investments, within the meaning of section 40 of the Pensions Act 1995 (restriction on employer-related investments) including those in excess of the restriction prescribed in regulations made under powers contained within that section.

6. In respect of every amount shown in the accounts other than the amounts referred to in paragraph 7, a statement of the corresponding amount for the scheme year previous to the one to which the accounts relate, except in a case where regulation 2 is complied with by trustees of a scheme for the first time.

7. The total amount of the purchases and the total amount of the sales of investments during the scheme year to which the accounts relate.

8. A statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice, the guidelines (“Financial Reports of Pension Schemes”) published by the Pensions Research Accountants Group or another organisation approved for this purpose by the Accounting Standards Board, current at the end of the scheme year to which the accounts relate and, if not, an indication of where there are any material departures from those guidelines.

EXPLANATORY NOTE

(This note is not part of the Regulations)

The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 (“the Regulations”) make provision in respect of documents which the trustees or managers of an occupational pension scheme must obtain.

The Regulations are made before the end of the period of six months beginning with the coming into force of the provisions of Part I of the Pensions Act 1995 by virtue of which they are made and therefore the requirement to consult does not apply.

Regulation 1 relates to citation, commencement and interpretation.

Regulation 2 requires trustees or managers to obtain accounts and the auditor’s statement within a prescribed time. Trustees or managers who fail to obtain accounts or the auditor’s statement without reasonable excuse are guilty of an offence and liable to a fine.

Regulation 3 and the Schedule makes provision in respect of the form and content of accounts.

Regulation 4 makes provision in respect of the auditor’s statement.

An assessment of the compliance cost for employers of the measures arising from the Pensions Act 1995, including regulations, has been placed in the libraries of both Houses of Parliament. Copies can be obtained by post from the Department of Social Security, Private Pensions, 11th Floor, Adelphi, 1–11 John Adam Street, London WC2N 6HT.