

Self-certified Impact Assessment

Title of measure	Disclosure of member-borne costs, charges and investments in occupational pension schemes
Lead Department/Agency	DWP
Expected date of implementation	2018
Origin	Domestic
Date	09/01/2018
Lead Departmental Contact	Tara Nicholson

Rationale for intervention and intended effects

Under the Occupational Pension Schemes (Scheme Administration) Regulations (SI 1996/1715)¹, trustees of relevant occupational schemes are required to calculate charges and, as far as they are able, transaction costs. They must also report, via the Chair's Statement², the levels of charges and transaction costs in the default fund, and the range of levels where there are more than one. They must also state the range of the levels of charges and transaction costs 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. The Chair's Statement must be disclosed to scheme members and certain other prescribed people upon request, provided under the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations (SI 2013/2734)³. However, trustees are not required to inform members of the availability of this information, and relatively few publish it or share it with members proactively.

It is also widely accepted, including by many trustees and some providers themselves, that trustees and providers have poor sight of transaction costs. This is why the Administration Regulations only require calculation and reporting of these costs as far as trustees are able. The reasons for the poor visibility of costs stem from a number of root causes – including the deduction of costs from the value of the underlying funds managed on their behalf, the historic unwillingness of asset managers to disclose the information, the lack of historic agreement as to what constitutes a transaction cost and differences in methodology around the calculation of implicit costs.

The Government recognises that transparency of costs and charges is fundamental for good scheme governance and to support consumers, employers and others in making comparisons and deciding between schemes⁴. So, with cross-party support, the Government tabled an amendment during the passage of the 2014 Pensions Act placing a legal duty

¹ <http://www.legislation.gov.uk/ukxi/1996/1715/made>

² The chair's statement was introduced into the Administration Regulations 1996 by the Charges and Governance Regulations 2015 (S.I. 2005/879) and requires trustees of relevant pension schemes to report annually on their default strategy, the scheme's costs and charges, and the extent to which they represent value for money, alongside statements on how they have met the requirements to carry out transactions promptly and accurately, and for trustee knowledge and understanding

³ <http://www.legislation.gov.uk/ukxi/2013/2734/contents/made>

⁴ https://publications.parliament.uk/pa/ld201314/ldhansrd/text/140226-0001.htm#st_95

on the Secretary of State to make regulations requiring that information about some or all charges and transaction costs of occupational pension schemes which are money purchase schemes to be disclosed and published. (A similar duty was also placed on the Financial Conduct Authority (FCA) to make corresponding rules for workplace personal pensions.) During the passage of the 2015 Pension Schemes Act, the Government also agreed, again with broad support, to consult to establish the best method of ensuring members know how and where their savings are invested.

To meet this commitment, the Government consulted⁵ on how these two policies should be implemented. The response to this consultation will be published on 26 February 2018 to coincide with the laying of the amending regulations. The regulations first come into force from 6 April 2018. To avoid a continuing information failure, it is important that the information is provided in a way which is meaningful and simple to understand for recipients. We are also keen to ensure that the measures are introduced without imposing significant burdens on pension scheme trustees or managers, for example, by including provisions to align with existing pension schemes' reporting years.

Viable policy options (including alternatives to regulation)

We have considered the following options:

- Option 1: Do nothing
- Option 2: Introduce regulations to ensure members can access information on the investment of their fund, and are provided with consistent reliable information about member-borne costs and charges.

Initial assessment of impact on business

- These two measures will impose new requirements on certain occupational pension schemes who will have to (i) extend cost and charge reporting in the Chair' statement (ii) publish information on costs and charges; and (iii) provide information on members' pooled fund investments if requested; and amend members' Annual Benefit statement to notify members that the information is available.
- Both measures are expected to be low cost.

Departmental signoff (SCS): David Bateman Date: 13/02/2018

Laura Webster Date: 16/02/2018

Economist signoff (*senior analyst*): Andrea Lee Date: 19/02/2018

Better Regulation Unit signoff: Fiona Kilpatrick Date: 14/02/2018

⁵ <https://www.gov.uk/government/consultations/occupational-pensions-improving-disclosure-of-costs-charges-and-investments>

Supporting evidence

1. The government has consulted on two new measures to improve transparency in occupational pensions:
 - Disclosure of member-borne costs and charges relating to money purchase benefits in certain occupational pension schemes;
 - Disclosure of pooled fund investments relating to money purchase benefits in certain occupational pension schemes.
2. These measures – and their expected impact on businesses - are summarised below.

Do Nothing:

3. Doing nothing is not an option for measure 1 in particular. The Secretary of State has a legal duty under section 44 of the Pensions Act 2014 to make regulations on the disclosure of costs and charges to members and making costs publicly available. Measure 1 fulfils this duty. Without the adoption of measure 1, the Secretary of State would be challenged by Parliament on failure to make regulations. In practice, the member would also not be aware of the costs and charges applied across all their funds, nor would trustees, employers or commentators alike be able to benchmark costs and charges across schemes – this would continue to leave costs and charges in pension schemes opaque and contribute to the lack of trust in pensions and disengagement amongst members.
4. A similar reason applies to measure 2 that requires the disclosure of certain information on the member's investment funds. Without this measure, members cannot proceed to find further information about their pooled funds. This lack of information means they would be unable to question and improve scheme investment strategy, and effective engagement or reporting by the scheme's appointed investment managers.
5. There is no business impact under the do nothing option, however members will lose out from not having clear information, which may lead to sub-optimal decisions and poorer retirement outcomes. This would not achieve the Government's policy objective. Given the lack of evidence and uncertainty, we have not estimated this cost to members.

Measure 1: Disclosure of member-borne costs and charges

6. This measure will require relevant schemes to publish information on charges and transaction costs on all fund options available to members, alongside specified sections of the Chair's Statement. Schemes should also publish this information on the internet for public consumption; and to add details to members' Annual Benefit statement informing them that this information is publicly available. They should also provide a link to where members can access it and information on how to obtain in paper format.
7. The measure will need to be implemented within 7 months of the first scheme year end date to fall on or after 6 April 2018. The first schemes will have until 6 November 2018 to

provide this information (schemes with a scheme year from 7 April 2017 to 6 April 2018) and final schemes (schemes with a scheme year from 6 April 2017 to 5 April 2018) will not be required to provide this until 5 November 2019.

8. The requirement is intended to apply (with limited exceptions) to the defined contribution (DC) parts of occupational pension schemes only. The costs and risks in defined benefits (DB) schemes are borne by the scheme sponsor. The members do not directly bear the risks and costs of pension investment and administration.
9. However, we also propose a number of exceptions, namely:
 - Schemes where the only money purchase benefits offered arise from Additional Voluntary Contributions (AVCs)⁶;
 - Relevant small schemes⁷;
 - Executive pension schemes⁸,
 - Single member schemes⁹; and
 - Public service pension schemes¹⁰
10. For the schemes that are affected by the Regulations, pension scheme trustees and managers will be required to:
 - Present information about costs and charges that they receive from fund managers in accordance with new statutory guidance¹¹. We intend this to ensure that it can be easily understood by members.
 - Publish this information online, alongside certain other specified sections of the Chair's statement to ensure appropriate context.
 - Insert additional details into members' Annual Benefit statement informing them that this information is available, the location of this publication and how to

⁶ Where Additional Voluntary Contributions (AVCs) are the only money purchase benefit offered by a scheme, they tend to be a very small proportion of the overall funds under management and the member will have other pension assets that carry little or no risk to them.

⁷ In the case of Relevant Small Schemes, all the members are trustees, or directors of a corporate trustee, and a requirement on trustees to disclose costs to themselves would be superfluous.

⁸ In an Executive Pension Scheme, the employer is the corporate trustee and the scheme members are all current or former directors of the employer. We believe these members will already have a high level of engagement and be in a position to obtain the information from the trustee without a statutory requirement being placed on the employer in their capacity as trustee.

⁹ Likewise, for single member schemes, where the majority of schemes are set up by and are for the benefit of the member on a similar basis to an executive pension scheme, it is anticipated that they are suitably engaged with the scheme. As such, bringing them within the scope would be disproportionate for the reasons outlined for Relevant Small schemes and Executive Pension Schemes.

¹⁰ These are strictly defined as schemes which fall within regulation 4(2) of the Disclosure Regulations, or do not fall within regulation 4(2) of those Regulations but are public service pension scheme as defined by section 318 of the 2004 Pensions Act. In practice, we are aware of no such schemes which meet this definition and offer money purchase benefits other than those used for Additional Voluntary Contributions.

¹¹ the statutory guidance sets out how pension schemes should go about producing an illustration to show the compounding effect of costs and charges, and how all the cost and charge information (the levels of costs and charges, the value for money statement, the default strategy and the compounding illustration) should be made available on the web.

access it, and how to obtain this information in paper format if they cannot access it online.

Measure 2: Disclosure of pooled fund investments¹²

11. This measure will require trustees and managers of occupational pension schemes which provide money purchase benefits (again, with limited exceptions) to provide information to members about their pooled fund investments, but only if a member requests the information. However, to ensure members are aware that they are entitled to request this information, schemes will also have to add a line to members' Annual Benefit statement, telling them how this information can be requested.
12. The measure will need to be implemented by 6 April 2019.
13. As above, it will apply to DC sections of hybrid schemes and DC trust-based schemes, except:
 - Schemes where the only money purchase benefits offered arise from Additional Voluntary Contributions (AVCs)
 - Relevant small schemes;
 - Executive pension schemes,
 - Single member schemes; and
 - Public service pension schemes
14. Schemes will be required to:
 - Disclose on request to members and recognised trade unions, the top level of funds for which public information is available (strictly, 'collective investment schemes'), in which members are directly invested;
 - Inform members via their Annual Benefit statement that they can request this information;
 - Look-through the 'unit-linked contracts' often found in pension schemes and about which little published information is available, to the first layer of underlying funds¹³;

¹² By pooled funds, we mean collective investment schemes – these include Undertakings for Collective Investment in Transferable Security (UCITS) funds, Non UCITs Retail Scheme (NURS) funds, investment trusts, and other types of regulated investments in which members' contributions are pooled with others', and certain information prescribed in FCA rules needs to be made publicly available.

¹³ By top level funds we mean the collective investment schemes in which members are directly invested, but not 'lower level' collective investment schemes in which the collective investment schemes themselves invest. Information on these 'sub-funds' is already readily available via the fund fact sheet for the top level fund, so it is unnecessary to require this additional disclosure. Many DC pension schemes invest in unit-linked contracts which constitute a long-term insurance policy which offer investors the returns of an underlying investments, typically one or more funds. Unit-linked contracts are subject to much lighter disclosure requirements, meaning that were the member to only receive information about the unit-linked contracts, they could have difficulty identifying the managers of the underlying assets or the top holdings.

- Disclose the fund holdings on which members are invested at the point of their request, or on a date no earlier than the date of request by 6 months provided that the member's investment options were the same as they are on the date of the request, whichever is the later. And respond within 2 months of such a request.

Estimated impacts

15. Both of these measures are expected to impose a small cost on pension schemes. These costs are set out below:

Measure 1: Disclosure of member-borne costs and charges

Costs to trustees and pension scheme administrators

16. Within this measure we expect that:

- A professional from each scheme (normally a trustee) would have to spend time presenting the information about costs and charges in a clear format so that it can be easily understood by members.
- An administrator would have to spend time uploading the document to the internet and inserting additional lines into the Annual Benefit statement.
- Where a scheme website is not already in existence or publicly available, an administrator will need to set up, as a minimum, the use of an online file-sharing website and upload the information.
- The trustees will have to familiarise themselves with the new rules.

17. An estimated 4,783 schemes are affected by this measure:

<i>Type of scheme</i>	<i>Number affected</i>
DC schemes (12+ members)	1,400
Hybrid schemes (dual section)	780
Micros excluding SSASs and EPPs ¹⁴	2,603
Total	4,783

Source: TPR scheme return, available at <http://www.thepensionsregulator.gov.uk/doc-library/dc-trust-presentation-of-scheme-return-data-2018.aspx>

Therefore our policy is that the disclosure requirements should 'look through' the unit-linked contract to any top-level funds used to fund the contract.

¹⁴ TPR publish data on micro schemes (those with less than 12 members) – which includes Small Self-Administered Schemes (SSAS's), Relevant Small Schemes (RSSs) and Executive Pension Plans (EPPs). However the data only provides a breakdown of schemes into SSASs, non-SSASs and unknown. We have ascribed those with unknown SSAS status into SSAS and non-SSAS by applying the proportion of those with known status which fall into SSAS and non-SSAS to the unknown category. To account for the fact that many of the micros will be RSSs and EPPs (which need excluding), we have excluded SSASs, as these will be RSSs. We have also excluded 1,750 from the non-SSASs to account for EPPs (based on internal MI from TPR).

18. Many of these 4,783 schemes will use third party administrators or providers. Therefore, the total number of schemes who will perform the administrative changes themselves will be lower. However, whether the scheme or administrator performs the changes the total number of changes will remain the same.

19. Based on the activities required, we have estimated the following time would be spent complying with the changes:

	Time taken	Wage costs (hourly)	Justification for assumptions
Trustees interpreting and presenting the information in a clear format	3 hours 20 minutes of a professional's time in year 1; 1 hour in subsequent years.	£25.08 ¹⁵	<ul style="list-style-type: none"> Trustees of these schemes already have a duty to request and report on charges and transaction costs as far as they are able for the default arrangement and the range of charges and transaction costs for other arrangements. This information must be included in the Chair's statement and is available to members upon request. Therefore trustees should be familiar with the charges that apply to their pension scheme. The policy is not overly prescriptive about how this information should be presented. While it is important that the information is presented clearly to members, we will leave it to schemes to decide what approach to use, subject to a few calculation requirements within the statutory guidance. A professional from the scheme would have to spend some time familiarising themselves with the regulations and Statutory Guidance. This will involve collating the information they already have access to on charges, interpreting the transaction cost information they receive from the fund manager and deciding what is the best way to present it so that it is clear to members. Therefore we have allowed for 3 hours and 20 minutes of a professional's time in the first year. This assumption is based on the previous impact

¹⁵ Based on a professionals wage: ASHE 2016, Table 2.5, uplifted by 27% for overheads, in line with Green Book guidance.

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/occupation2digit/socashetable2>

			<p>assessment for signposting to Pension Wise¹⁶, where it is assumed it would take 2 hours to change any product communication. We have allowed for an extra 45 minutes as collating the information is more complicated in this situation. We have allowed for an extra 35 minutes to read and understand the new regulations- around 25 minutes (given an expected length of 15 sides, based on an average reading time of 300 words per minute, 500 words per page) plus an additional 10 minutes to digest the information. This assumption is consistent with the Simplifying of advice requirements impact assessment¹⁷.</p> <ul style="list-style-type: none"> • Costs are expected to fall after the first year, as schemes will not need to re-familiarise themselves. They should also have an agreed presentation format by then meaning they will only need to update the numbers. This should therefore reduce the time taken to update communications. We have allowed for 1 hour of a professional's time in subsequent years to update the communications.
Uploading document to the internet	40 minutes of a pension administrator's time in year 1; 20 minutes in subsequent years.	£19.05 ¹⁸	<ul style="list-style-type: none"> • We have not been prescriptive about where this should be published – it can be on the provider's existing website, or just on a publicly available file-sharing website and therefore schemes will be able to pursue the option that represents the lowest cost to them. • For schemes that do not have their own website, they will need to use an online file-sharing website. Many services, including prominent social media sites, those offered by large search engine providers, and free well-known blogging sites offer straightforward publishing allowing documents to be found via a search engine. These sites tend to include comprehensive

¹⁶ <http://www.legislation.gov.uk/uksi/2015/482/impacts>

¹⁷ <http://www.legislation.gov.uk/uksi/2017/717/impacts>

¹⁸ Based on an administrators wage: ASHE 2016, Table 2.5, uplifted by 27% for overheads, in line with Green Book guidance.

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/occupation2digit/socashetable2>

			<p>guidance about publishing information.</p> <ul style="list-style-type: none"> • We have assumed it will take slightly longer in the first year to upload the document. This is due to schemes needing to familiarise themselves with the best way to ensure that the relevant information is publicly available. For this we have allowed 20 minutes. • In the first year and in subsequent years, we estimate it will take around 20 minutes for the administrator to upload the document to the decided outlet. This assumption is based on the Simplifying of advice requirement impact assessment⁸; that it takes 10 minutes to copy and paste a standard piece of text into existing communications, as we expect this activity to be similar in terms of complexity. We have added an additional 10 minutes for the upload itself to be completed.
Inserting lines to the Annual Benefit statement	10 minutes of a pension administrator's time in year 1, only.	£19.05 ⁹	<ul style="list-style-type: none"> • The line that schemes will have to insert into all Annual Benefit statements will be standardised - it does not need to be tailored to each member (although there are some circumstances where schemes might choose to). • Therefore they can simply add the new details in. • This assumption that it will take 10 minutes is consistent with the Simplifying of advice requirement impact assessment, of the time taken to add in a standard piece of text into existing communications¹⁹.

20. These time and wage assumptions give a cost of £99.48 per scheme in the first year and £31.43 in subsequent years. Applying these costs to all 4,783 affected schemes gives a total cost of **£475,824** in year one and **£150,340** in subsequent years. There is a slight discretion in the figures above, as the cost per scheme has been rounded for the purpose of this document.

21. There is a degree of uncertainty around these costs as we have limited evidence to inform our assumptions. The responses to the consultation suggested that the time required to insert the line into the Annual Benefit Statement (ABS) would be minimal. Assuming that the information is available from the asset managers, collating the information would not be too onerous after the first year when a presentation format has been decided. Some concerns were raised that this may take longer for older schemes, as well as schemes who have invested less in continuing to maintain and modernise IT capabilities. It was also raised in the consultation that system changes and website

¹⁹ http://www.legislation.gov.uk/ukia/2017/115/pdfs/ukia_20170115_en.pdf

design would be required to comply with uploading the information to a public site, however this would not be the case as public web-publishing utilities are freely available and can be used to comply with the requirements.

Benefits to members

22. The addition of a line into the Annual Benefit Statement informing members that information is accessible and where, could increase member engagement.
23. For those members who choose to engage, trustees collating and presenting the information in a clear and understandable way, alongside other relevant information required within the Chair's Statement, should help put the levels of costs and charges information in context. This should allow customers to make better financial decisions, which in turn should lead to a better outcome for members.
24. We believe that the requirement for schemes to publish costs and charges so that they are available to all should drive increased comparison by trustees (both with peers and with larger and more efficient schemes), and by commentators and service providers. As a result, our expectation is that this price transparency could encourage trustees to switch service providers such as administrators and asset managers to lower cost competitors, and to negotiate lower cost options with existing service providers. We also believe that it may encourage less efficient, typically smaller, pension schemes to consider whether they are acting in members' best interests by continuing, and as a result look to bulk transfer members to other schemes and wind-up.
25. Given the level of uncertainty and lack of data in this area, we have not quantified these potential benefits.

Measure 2: Disclosure of pooled fund investments

Costs to trustees and pension scheme administrators

26. Within this measure we think that the main costs will be:
 - Trustees will have to provide the information on pooled funds, which the Regulations require them to disclose, and send it to the member in the event of a member request.
 - Administrators need to insert an additional line into the Annual Benefit statement.
 - The trustees will have to familiarise themselves with the new rules.
27. An estimated 4,783 schemes are affected by this measure, as for measure 1.
28. Again, this is likely to be an over-estimate as it assumes that every scheme will be required to spend time complying with the changes. In practice, the number of unique businesses affected by the policy is likely to be significantly lower as many schemes will

use third party administrators or providers. However, the number of requests will remain the same whether a scheme self-administers or not.

29. There will be a cost to businesses in responding to member requests. Currently trustees should already have access to this information, which is collated regularly as part of trustees' fiduciary duty. Therefore, any member requests in the first six months would be met through information which trustees would be expected to have to hand and it simply needs to be collated and presented. For member requests in the second six months of each year, we would expect there to be a small cost to schemes in obtaining this information, as it would now in effect be statutorily required, before collating and presenting it to members.
30. Whilst the prescribed content for disclosure is clearly specified, the response format is not, therefore schemes can use the most cost effective way. Based on the assumption that it would take a pensions administrator 30 minutes to respond to each request, and a wage cost of £19.05 an hour²⁰, we estimate that it would cost schemes £9.53 per member request. However, schemes will only incur costs if and when a member requests the information. Schemes with many members may well opt to publish the information online and point members at the content on request, where existing disclosure regulations on the format of disclosures permit them to do so.
31. We do not have data on the likely frequency of member requests about pooled fund investments therefore we have based our current estimate on the limited information which we have available. We know from insights from providers that member engagement tends to be low. We have received information from several providers about the frequency of member requests for the scheme's annual report, which showed a very low rate of member requests, estimated at around 3-5 requests per 10,000 members. This is not exactly the same type of request and so there is some uncertainty around how far this can be applied to the requests for information on pooled funds - but it does suggest that member appetites for requesting detailed pensions information is currently low. In the absence of any better evidence, we have used this to guide our assumptions on how frequently members will request additional information on their pooled fund investments.
32. However, as the policy also involves the addition of a line in the Annual Benefit statement informing members how to request this information, it could lead to an increased frequency of requests. We have assumed requests will be twice as likely once members are informed that they are entitled to request this information, using an assumption of 8 requests per 10,000 members.
33. There are 16,273,930²¹ members in the 4,783 schemes covered by this policy change. Based on our assumption of 8 requests per 10,000 members, we estimate that there will be 13,019 member requests per year. This suggests a total cost to businesses from responding to member requests of **£124,007** per year.

²⁰ Source for wage assumptions: ASHE 2016, Table 2.5, uplifted by 27% for overheads, in line with Green Book guidance.

https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/occupation2digit_socashetable2

²¹ <http://www.thepensionsregulator.gov.uk/doc-library/dc-trust-presentation-of-scheme-return-data-2018.aspx>

34. Schemes will mostly only need to obtain updated information if a member request is made six months after the information was last updated. Given an estimate of 13,019 member requests per year, we would expect half of these requests to be six months after information was last updated, therefore 6,509 member requests. This equates to roughly 1.3 requests per scheme where information would need to be obtained and updated. Therefore, we are assuming that each scheme will need to do this once per year, for the first request made when the data is older than 6 months. However, as the vast majority of members are in a small number of schemes it is likely that requests will cluster in those schemes. Also, many schemes already update their information more frequently than annually; therefore this would not be an additional cost to them.
35. We estimate that it would take 1 hour of a professional's time to obtain and update this information. This is in line with the time expected to do this for costs and charges information. In the table above for costs and charges, we have estimated that it will take 2 hours of a professional's time to change the product communication, including obtaining and updating the information, and choosing a method of presenting this. We have estimated that in subsequent years it will only take 1 hour as this will only require the information to be obtained and updated. In the instance of obtaining and updating this information for fund investment, we therefore assume 1 hour. Given the wage cost for a pensions professional of £25.08 (including 27% overheads in line with the Green Book guidance), and estimated 1 hour of a professional's time and applying this to all 4,783 schemes, gives an estimated cost to business of **£119,968**.
36. This is likely to be an overestimate. It assumes that each scheme will have at least 1 request where they need to obtain and update this information, however it is likely that multiple requests are to the same scheme and therefore fund information would already be up to date.
37. The administrators will have to add an additional line into the Annual Benefit Statement informing members that they are allowed to request this information. This will be a standard line and we are assuming would be added at the same time as for measure 1 and so does not have any further marginal costs.
38. Overall, the disclosure of pooled fund investments is expected to cost **£243,796** in the first year, and in all subsequent years.

Benefits to members

39. The addition of a line into the Annual Benefit Statement informing members that information is accessible and where to obtain it, could increase member engagement.
40. For those members who choose to engage, the additional information should help them to make better financial decisions regarding their investments. Members can gain reassurance about how their schemes are investing on their behalf. They can also use it to bring trustees' attention to more or less effective reporting and investment by the asset managers the trustees have selected. Where these interventions result in

improvements to the default investment approach adopted by the trustees, the vast majority of the scheme membership should benefit.

41. We also anticipate that as members draw trustees' attention to more or less effective management or engagement by asset managers; it will inform and improve trustees' investment oversight and decision-making. Reports such as the FCA's Asset Management Market Study²² have tended to show that trustees are often unequal parties in engaging with asset managers and investment consultants, so additional engagement by the members they invest might well be beneficial.
42. Given the level of uncertainty and lack of data in this area, we have not quantified these potential benefits.

Summary of costs to business

43. The estimated cost in year one of both policies is **£0.72 million**, and in subsequent years is **£0.39 million**. The appraisal period is 10 years as the policy is expected to continue being active (in line with the rules in the Better Regulation Framework Manual), with costs, and non-monetised benefits continuing through later years.
44. The estimated Equivalised Annual Net Direct Cost to Businesses (EANDCB) is £0.4m per year.

Small and Micro Business Assessment

45. We do not expect that these regulations will have a disproportionate impact on small and micro businesses. The legislation applies to activities that are undertaken by small businesses.
46. Certain small and micro pension schemes have been deemed out of scope of the legislation as it would be disproportionate for it to apply to them. For these schemes, where the members are all trustees, or directors of a corporate trustee, it would be unreasonable to make trustees undertake the time and cost to provide the information in the prescribed way to themselves.
47. Most small businesses do not administer their own pension schemes, but instead use an external provider to meet their duties. It should also be noted that small and micro businesses are not the same as small and micro pension schemes. As many small and micro businesses use large pension schemes, there will be no disproportionate impact.
48. The consultation did not provide any evidence that this policy would have a disproportionate impact on small and micro-businesses.

²² See for example paras 4.19-4.22 and FCA response in the final report of the asset management market study <https://www.fca.org.uk/publications/market-studies/asset-management-market-study>

Risks and sensitivities

49. The cost to business is likely to be an over-estimate as it assumes that every scheme will be required to spend time complying with the changes. In practice, the number of unique businesses affected by the policy is likely to be significantly lower as many schemes will use third party administrators or providers, and many schemes will already be complying with these rules.
50. There is some uncertainty around these costs as we have limited evidence on the frequency of member requests and the cost to schemes of complying with the changes.
51. From the responses to the consultation there was some concern around the time and cost of presenting the costs and charges information to members and uploading to a publicly available space, as there was suggestion of system changes. However, this would not be necessary to comply with the regulations. There is some uncertainty about how different schemes will be affected, with consultation responses raising the point that schemes with multiple funds might require longer to collate fund information, and for non-technically advanced schemes there might be a larger amount of time required to present information on a publicly available online space.
52. However, our best current evidence suggests that these two policies will be low cost and will have a limited burden on businesses.