

SCHEDULE 5

Regulations 6 and 14

Systems and processes requirement

Preliminary

1. The matters that the Regulator must take into account in deciding, for the purposes of section 16 of the Act (systems and processes requirements), whether it is satisfied that the systems and processes used in running a collective money purchase scheme are sufficient to ensure that the scheme is run effectively are set out in paragraphs 2 to 14.

Features and functionality of IT systems

2. Whether the IT systems have the capacity and capability—
- (a) to process financial transactions securely, accurately and by automated means, including the core transactions described in regulation 24(2) of the Occupational Pension Schemes (Scheme Administration) Regulations 1996(1) (requirements for processing financial transactions);
 - (b) to make and receive electronic payments;
 - (c) to accept contributions from multiple sources;
 - (d) to exchange data with other IT systems, including those used by employers and service providers;
 - (e) to process information securely, accurately and by automated means for the purposes of calculating the rate or amount of benefits to be provided under the scheme, in accordance with the scheme rules;
 - (f) to reconcile data on transactions and produce reports so that those activities can be monitored and transaction errors rectified promptly;
 - (g) to identify and categorise transactions and payments for authorisation and countersigning at an appropriate level of authority;
 - (h) to be updated to reflect changes in the legal requirements affecting transactions, payments and records, including changes in tax thresholds, the annual allowance and the lifetime allowance.

Standards required of IT systems

3. Whether the IT systems—
- (a) are capable of being upgraded to reflect changes in required transactions and capacity;
 - (b) have restricted physical and electronic access, with firewalls and other appropriate protection against viruses and other threats;
 - (c) have a back-up system which allows data to be recovered if the main system fails.

Maintenance of IT systems

4. Whether the IT systems—
- (a) are maintained at regular intervals, either automatically or by a person with the appropriate skills and experience;

(1) [S.I. 1996/1715](#). Regulation 24 was inserted by [S.I. 2015/879](#).

- (b) are backed up and updated regularly, including the maintenance of firewalls and other preventative systems;
- (c) are monitored to ensure that their capacity is sufficient for the size of the scheme.

Member records

5. Whether the scheme's systems and processes ensure that—
- (a) there is an accurate record on the relevant IT system of each member's details, including the member's pensionable service and pensionable salary and, on an annual basis, the amount that represents the member's share of the available assets of the scheme;
 - (b) any unpaid contributions by or in respect of active members can be explained to the Regulator and remedied;
 - (c) members' records are reviewed regularly for completeness and accuracy and updated promptly with changes of information;
 - (d) errors in member's records can be identified and addressed, and any financial impact of such errors on members can be rectified;
 - (e) for each financial year, records are maintained—
 - (i) in respect of each person receiving payment of a pension or other benefits under the scheme, including the amount of benefits received during the year;
 - (ii) in respect of each person receiving payment of a periodic income in accordance with paragraph 7 of Schedule 6, including the amount of income received during the year;
 - (f) for each financial year, there is an accurate record of the amount that represents the value of accrued rights to benefits under the scheme that has been transferred out of the scheme during the financial year.

Trustees and others

6. Whether there are systems and processes—
- (a) for the fair and transparent recruitment, appointment, resignation and removal of trustees;
 - (b) for the fair and transparent recruitment, appointment, resignation and removal of the scheme actuary;
 - (c) for determining and recording that persons involved in the scheme in the capacities mentioned in section 11(2) of the Act (fit and proper persons requirement) are, and remain, fit and proper;
 - (d) for monitoring and recording trustees' learning and development, and for ensuring that it is appropriate for the scheme's activities;
 - (e) in relation to meetings of trustees, including—
 - (i) the intervals at which meetings of trustees are to take place;
 - (ii) the number of trustees required to authorise decisions on risk management, resource planning and investments;
 - (iii) the process for managing the scheme's business between meetings of the trustees;
 - (f) for recording, maintaining and managing all documents relating to the trustees in an accessible medium;
 - (g) for managing the scheme's business if one or more trustees are absent.

Contracts and service providers

7. Whether there are systems and processes—
- (a) for establishing that service providers have the necessary qualifications, experience or approval, as applicable;
 - (b) for establishing that service providers have the capability to provide their services in respect of the scheme—
 - (i) in accordance with any scheme rules that relate to those services;
 - (ii) in accordance with any statutory requirement in relation to those services to which the trustees are subject in respect of the scheme, to the extent that the services are provided on behalf of the trustees;
 - (c) for ensuring that trustees are appropriately engaged in overseeing service providers and in decisions concerning them, including their appointment;
 - (d) for informing the trustees of—
 - (i) any failure by service providers to deliver services;
 - (ii) any actions or omissions by service providers which may prejudice the effective running of the scheme;
 - (e) for recording, maintaining and managing all documents relating to service providers in an accessible medium.

Governance

8. Whether there are systems and processes—
- (a) for the identification of roles and responsibilities in respect of the governance of the scheme;
 - (b) for the appointment of persons with sufficient skills, knowledge and experience to carry out those roles and responsibilities;
 - (c) for setting clear objectives concerning the governance of the scheme and for monitoring whether those objectives are being met within the relevant timescales;
 - (d) for documenting and reporting matters relating to the governance of the scheme;
 - (e) for identifying and addressing any failures in the governance of the scheme.

Risk management

9. Whether there are systems and processes—
- (a) for identifying, managing and monitoring operational, financial, regulatory and compliance risks;
 - (b) for identifying, managing and monitoring risks in respect of the soundness of the design of the scheme;
 - (c) for recording and documenting risks in an appropriate and durable format;
 - (d) for ensuring that risks are managed in a timely manner by persons with the appropriate skills, knowledge and resources;
 - (e) for informing the trustees about risks that have arisen and the steps being taken to manage them.

Security

10. Whether there are systems and processes—
- (a) for preventing unauthorised access to sensitive records and infrastructure, including those containing member information, financial details or investment information;
 - (b) for monitoring and recording electronic and physical access to sensitive records and infrastructure;
 - (c) for ensuring the secure transfer of physical and electronic data and the secure conduct of transactions.

Resource planning

11. Whether there are systems and processes for ensuring that there are sufficient human resources with the skills, qualifications and capacity necessary to comply with the requirements of Part 1 of the Act (collective money purchase benefits) and, in particular—
- (a) to run and maintain the scheme’s systems and processes;
 - (b) to provide for the effective running of the scheme; and
 - (c) to send appropriate and timely notifications, information and documents to the Regulator, including information about the scheme’s systems and processes.

Investments

12. Whether there are systems and processes—
- (a) for investing contributions in a timely manner in accordance with the scheme’s investment policy;
 - (b) for recording investment decisions;
 - (c) for managing the scheme’s interaction with investment managers, and recording key decisions;
 - (d) for recording, managing and reviewing the risks associated with investment decisions; and
 - (e) for informing trustees about questions, decisions and risks relating to investments.

Valuation and benefit adjustment

13. Whether there are systems and processes—
- (a) for ensuring that the rules of the scheme meet the requirements of section 18 of the Act (calculation of benefits) and regulation 17;
 - (b) for ensuring that the trustees comply with section 19(1) of the Act (advice of scheme actuary);
 - (c) for establishing that the scheme actuary has complied with regulation 18;
 - (d) for ensuring that the trustees obtain actuarial valuations in accordance with section 20 of the Act (actuarial valuations) and regulation 19;
 - (e) for establishing that the scheme actuary has complied with section 21 of the Act (certificate that actuarial valuation prepared in accordance with scheme rules);
 - (f) for complying with the requirements of section 22 of the Act (benefits adjustments), where applicable;
 - (g) for responding to a direction given under section 23(2) of the Act (powers of the Pensions Regulator).

Member engagement

14. Whether there are systems and processes—
- (a) for facilitating members' engagement with the scheme;
 - (b) for bringing members' views to the attention of the trustees;
 - (c) for directing members' complaints to the correct channels for resolution.