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STATUTORY INSTRUMENTS

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**2022 No.**

**PENSIONS**

**The Occupational Pension Schemes (Investment) (Employer-related investments by Master Trusts) (Amendment) Regulations 2022**

<i>Made</i>	- - - -	***
<i>Laid before Parliament</i>		***
<i>Coming into force</i>	- -	[xxx]

The Secretary of State for Work and Pensions, in exercise of the powers conferred by sections 113(1) and (3) and 182(2) and (3) of the Pension Schemes Act 1993(a), sections 40(1) and (2), 41(1), 118(1), 124(1) and 174(2) and (3) of the Pensions Act 1995(b) and sections 77 and 144(2) and (4) of the Pensions Act 2008(c), makes the following Regulations.

In accordance with section 185(1) of the Pension Schemes Act 1993 and section 120(1) of the Pensions Act 1995, the Secretary of State has consulted with such persons as the Secretary of State considers appropriate.

**Citation, extent and commencement**

- 1.—(1) These Regulations may be cited as the Occupational Pension Schemes (Investment) (Employer-related investments by Master Trusts) (Amendment) Regulations 2022.
- (2) These Regulations extend to England and Wales and Scotland.
- (3) These Regulations come into force on [xxx].

**The Occupational Pension Schemes (Investment) Regulations 2005**

- 2.—(1) The Occupational Pension Schemes (Investment) Regulations 2005(d) are amended as follows.
- (2) In regulation 1 (Citation, commencement and interpretation)(e), in paragraph (5) after “these Regulations” insert “, save in relation to regulation 16A”.
- (3) In regulation 12 (Restrictions on employer-related investments)(f)—

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(a) 1993 c. 48. Section 113(1) is amended by section 52(1) of the Child Support, Pensions and Social Security Act 2000 (c. 19) and prospectively amended by section 38 of the Pension Schemes Act 2015 (c. 8) and section 128(c) of the Pension Schemes Act 2021 (c. 1). Section 185(1) is amended by Schedule 3 (paragraph 46), Schedule 5 (paragraph 80) and Schedule 7, Part 1 to the Pensions Act 1995 (c. 26).

(b) 1995 c. 26. Section 124(1) is cited for the meaning it gives to “prescribed” and “regulations”.

(c) 2008 c. 30

(d) S.I. 2005/3378

(e) There are amendments to regulation 1 but they are not relevant to this instrument.

(f) Regulation 12 is amended by S.I. 2007/814 and S.I. 2009/615.

- (a) in paragraph (2), for “13 and 16” substitute “13, 16, 16A and 16B”;
- (b) in paragraph (2A), for “15A and 16” substitute “15A, 16, 16A and 16B”;
- (c) in paragraph (2B), for “regulation 16” substitute “regulations 16, 16A and 16B”; and
- (d) at the beginning of paragraph (3), insert “Subject to regulations 16A and 16B,”.

(4) In regulation 16 (Multi-employer schemes)(a), at the beginning of paragraph (5), insert “Subject to regulations 16A and 16B,”.

(5) After regulation 16 insert—

**“Authorised Master Trust schemes**

**16A.**—(1) Subject to paragraphs (2) and (3), this regulation applies to a scheme which is—

- (a) a Master Trust scheme to which Part 1 of the Pension Schemes Act 2017(b) applies (Master Trusts);
- (b) authorised in accordance with section 5(4)(a) of the Pension Schemes Act 2017 (decision on application for authorisation of a Master Trust scheme); and
- (c) used by 500 or more employers.

(2) This regulation continues to apply to a scheme during any period of less than 2 years in which the number of employers using the scheme falls below 500.

(3) If a scheme to which this regulation applies ceases to be authorised in accordance with section 5(4)(a) of the Pension Schemes Act 2017, this regulation continues to apply to the scheme until the date which is two years after the date on which a decision to withdraw authorisation from the scheme becomes final in accordance with section 35 of the Pension Schemes Act 2017.

(4) For the purposes of determining whether the scheme complies with regulation 12(2) (restrictions on employer-related investments), “employer-related investments” means—

- (a) shares or other securities issued by the scheme funder, by the scheme strategist, or by any person who is connected with, or an associate of, the scheme funder or the scheme strategist;
- (b) land which is occupied or used by, or subject to a lease in favour of, the scheme funder, the scheme strategist, or any person who is connected with, or an associate of, the scheme funder or the scheme strategist;
- (c) property (other than land) which is used for the purposes of any business carried on by the scheme funder, the scheme strategist, or any person who is connected with, or an associate of, the scheme funder or the scheme strategist;
- (d) loans to the scheme funder, the scheme strategist, or any person who is connected with, or an associate of, the scheme funder or the scheme strategist;
- (e) any guarantee of, or security given to secure, obligations of the scheme funder, the scheme strategist, or a person who is connected with, or an associate of, the scheme funder or the scheme strategist, and for the purposes of section 40 of the 1995 Act and these Regulations a guarantee or security given by the trustees shall be regarded as an investment of resources of the scheme equal to the amount of the obligations guaranteed or secured;
- (f) any loan arrangement entered into with any person whereby the trustees’ right to or expectation of repayment depends on the actions or situation of the scheme funder, the scheme strategist or a person who is connected with, or an associate of, the scheme funder or the scheme strategist, unless it was not the trustees’ purpose in entering into the arrangement to provide financial assistance to the scheme funder,

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(a) Regulation 16 is amended by S.I. 2009/615.

(b) 2017 c. 17

the scheme strategist or a person who is connected with, or an associate of, the scheme funder or the scheme strategist;

- (g) the proportion attributable to the scheme's resources (whether directly or through any intervening collective investment scheme) of any investments which—
  - (i) have been made by the operator of any collective investment scheme, and
  - (ii) would, if they had been made by the scheme, have met any of the descriptions set out in paragraphs (a) to (f); and
- (h) where any of a scheme's resources are invested in an insurance policy that meets the description set out in regulation 11(d), the proportion of the scheme's resources invested in that policy which is the same proportion as B is of A where—

A represents all the assets of the insurer held in the fund, and

B represents that part of A which would, if invested by the scheme, have met any of the descriptions set out in paragraphs (a) to (f); and
- (i) where any of a scheme's resources are invested in an insurance policy that meets the description set out in regulation 11(e), any investments made by the insurer from those premiums or other consideration or monies, which would have met any of the descriptions set out in paragraphs (a) to (f) if they had been made by the scheme.

(5) For the purposes of determining whether the scheme complies with regulation 12(2A) and (2B), “employer-related loan” means—

- (a) a loan to the scheme funder, the scheme strategist or a person who is connected with, or an associate of, the scheme funder or the scheme strategist (including one which falls within this description by virtue of section 40(3) of the 1995 Act);
- (b) a security described in paragraph (4)(a) which is an instrument creating or acknowledging indebtedness, except any such security which is listed on a recognised stock exchange;
- (c) an employer-related investment prescribed as such by regulation 11(b), which meets the description set out in paragraph (4)(e); and
- (d) an employer-related investment prescribed as such by regulation 11(c), which meets the description set out in paragraph (4)(f).

(6) For the purposes of determining under regulation 12(3) whether the trustees or managers of a scheme have entered into a transaction at an undervalue, “employer-related investment” has the meaning set out in paragraph (4).

(7) In regulation 13(10) (investments to which restrictions do not apply), “employer-related investments” has the meaning set out in paragraph (4).

(8) Regulation 16(5)(a) applies with the omission of “and in any event must not exceed 20 per cent of the current market value of the scheme”.

(9) If an investment comes within the definition of “employer-related investments” set out in paragraph (4) on or after [xxx], other than as a result of new investment by the scheme, the investment may be retained, or left undischarged, until whichever is the latest of—

- (a) the date falling two years after the date on which it first fell within the definition set out in paragraph (4); and
- (b) where repayment cannot by virtue of contractual or other legal obligations be required, or where disinvestment cannot be effected before the date mentioned in sub-paragraph (a), the earliest date on which repayment can be enforced or disinvestment effected.

(10) Paragraph (9) does not apply in respect of any sum regarded as a loan under section 40(3) of the 1995 Act.

(11) Where a Master Trust scheme provides money purchase benefits in conjunction with other benefits, references in this regulation to a Master Trust scheme are to a Master Trust scheme only to the extent that it provides money purchase benefits.

(12) For the purposes of this regulation—

“employer” means a person who employs or engages persons who are, or are entitled to become, members of the scheme;

“money purchase benefits” has the meaning set out in section 181 of the Pension Schemes Act 1993;

“scheme funder” and “scheme strategist” have the meanings set out in section 39 of the Pension Schemes Act 2017; and

“securities” has the meaning set out in section 40(2A) of the 1995 Act.

### **Schemes to which regulation 16A ceases to apply**

**16B.** To the extent that—

(a) an investment becomes an employer-related loan or an employer-related investment as a result of regulation 16A ceasing to apply to a scheme; and

(b) repayment or disinvestment cannot be effected immediately by virtue of contractual or other legal obligations,

that investment may be retained until the earliest date on which, having regard to contractual and other legal obligations, repayment or disinvestment can be effected.”

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

**3.**—(1) The Occupational Pension Schemes (Requirement to Obtain Audited Accounts and a Statement from the Auditor) Regulations 1996(a) are amended as follows.

(2) In regulation 3A (information to be included in the accounts audited by the auditor)(b)—

(a) at the start of paragraph (7) insert “Subject to paragraph (8),”; and

(b) after paragraph (7) insert—

“(8) Where regulation 16A of the Occupational Pension Schemes (Investment) Regulations 2005 applies (authorised master trust schemes), any employer-related investments which do not meet the definition in paragraph (4) of regulation 16A may be disregarded.”.

### **The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013**

**4.**—(1) The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013(c) are amended as follows.

(2) In paragraph 33 of Part 5 of Schedule 3 (information that applies to the scheme to be given on request)—

(a) at the start of sub-paragraph (2) insert “Subject to sub-paragraph (3),”; and

(b) after sub-paragraph (2) insert—

“(3) Where regulation 16A of the Occupational Pension Schemes (Investment) Regulations 2005 applies (authorised master trust schemes), any employer-related

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(a) S.I. 1996/1975

(b) Regulation 3A was inserted by S.I. 2016/229.

(c) S.I. 2013/2734

investments which do not meet the definition in paragraph (4) of regulation 16A may be disregarded.”.

**The Application of Pension Legislation to the National Employment Savings Trust Corporation Regulations 2010**

5. In the Application of Pension Legislation to the National Employment Savings Trust Corporation Regulations 2010(a), paragraph (b) of regulation 4 is omitted.

Signatory text

Address	<i>Name</i>
Date	Parliamentary Under Secretary of State Department for Work and Pensions

**EXPLANATORY NOTE**

*(This note is not part of the Regulations)*

These regulations narrow the scope of investments that come within the definition of “employer-related investments” for large Master Trust schemes with 500 or more participating employers.

Regulation 2 amends the Occupational Pension Schemes (Investment) Regulations 2005 (S.I. 2005/3378) so that the restrictions on employer-related investments by large Master Trusts only apply to investments relating to the scheme funder, the scheme strategist and persons connected to or associated with the scheme funder or the scheme strategist.

Regulation 3 amends the Occupational Pension Schemes (Requirement to Obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, so that the accounting requirements for large Master Trust schemes reflect the updated provisions on employer-related investments that apply in respect of those schemes.

Regulation 4 amends the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, so that the information that must be disclosed on request to members of large Master Trust schemes reflects the updated provisions on employer-related investments that apply in respect of those schemes.

Regulation 5 makes consequential amendments to the Application of Pension Legislation to the National Employment Savings Trust Corporation Regulations 2010 (S.I. 2010/8) to remove a provision which is no longer needed as a result of the changes made by regulation 2.

A full regulatory impact assessment of the effect that this instrument will have on the costs of business, the voluntary sector and the public sector is available from [legislation.gov.uk](http://legislation.gov.uk). A hard copy of the impact assessment may be obtained from the Department for Work and Pensions, Caxton House, Tothill Street, London SW1H 9NA.

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(a) S.I. 2010/8