# Scheme Return Changes 2016/17

# The Pensions Regulator (PR)

# RPC rating: fit for purpose

## Description of proposal

Trust-based occupational pension schemes must provide a regular return of information on the scheme to the regulator. The information requirements from scheme returns may change from time to time, reflecting changes in legislation or pensions landscape (e.g. development of new products). This measure covers changes to the scheme return requirements for 2016-17.

Defined Contribution (DC) schemes with fewer than 12 members must complete a return every 3 years; all other schemes must complete returns annually.

## Impacts of proposal

The changes to the scheme return cover around 39,955 schemes, comprising of: 32,049 micro DC schemes; 1,641 non-micro DC schemes; 1,096 hybrid schemes and 5,169 Direct Benefit (DB) schemes.

The actual number of businesses affected will be much lower as the scheme return is often completed by the scheme administrator. Some administrators provide services to multiple schemes. The regulator estimates that there are 15,645 administrators.

Familiarisation costs: The changes are summarised in a short document. The immediate cost to administrators of reading and interpreting the information on the new requirements is estimated to be £40,000 in total. The regulator also noted that for larger administrators, there may be a desire to update internal guidance documents and cascade the information to team leaders and junior administrative staff. However, the regulator assumes that this is not common practice, and has not monetised this activity.

IT time and costs: The new request is a variant of existing information requests so is likely to require a modification of existing database queries. The regulator estimates that this change would take less than an hour to implement. The regulator also notes that large administrators would seek to update user interfaces, which would require html programming. This would take 1 to 2 days of IT resources. However, as this change would be undertaken by no more than a handful of large third party administrators, the regulator has excluded it from the analysis as they expect the impact to be negligible.

The total IT cost for DB and hybrid schemes is £89,000.

Data input time and costs: Firms will incur additional administration costs from typing in details of transfers for revised administrator reports. This results in a total cost of £1,600.

Input collected from trustees and advisors: Trustees and advisors will need to answer additional questions for each scheme. This results in a one-off cost of £400 for non-micros and £7,000 for DB and hybrid schemes. As only a third of micro schemes complete their returns each year, the cost incurred is £2,800 for years 1, 2 and 3.

After year 1, the regulator assumes that most elements of the return will be automatically pre-populated. Therefore, the on-going cost is negligible.

## Quality of submission

The regulator has presented a clear analysis of the costs and benefits of the proposal, which is proportionate to the estimated EANDCB.

To improve the analysis, the regulator could include a brief justification for the conclusion that the impacts it has discounted are negligible.

**Departmental assessment**

| Classification | Qualifying regulatory provision |
|---|---|
| Equivalent annual net direct cost to business (EANDCB) | £0.0 million |
| Business net present value | -£0.1 million |
| Societal net present value | -£0.1 million |

**RPC assessment**

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|---|---|
| Classification | Qualifying regulatory provision |
| EANDCB – RPC validated[1] | £0.0 million |
| Business Impact Target (BIT) Score[1] | £0.0 million |
| Small and micro business assessment | Not required |

**Michael Gibbons CBE,** Chairman

[1] For reporting purposes, the RPC validates EANDCB and BIT score figures to the nearest £100,000.