

Pensions Research Accountants Group

**Guidance for the Preparation of
Summary Reports**

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INTRODUCTION

There is increasing recognition of the value of good communication by trustees to the membership of pension schemes. Summary reports are a useful way to convey essential financial information to the membership as well as being an opportunity to convey important non-financial information. They can, for example, demonstrate the value of the scheme, explain the benefits and set out the general operation of the scheme, including the trustees' approach to risk management and governance.

There are legal requirements¹ to supply information to members at various times and for other information to be made available should a member or representative body request it. Summary reports, whilst not a substitute, can be a valuable addition to the statutory information flow.

APPLICATION

This guidance is applicable to defined benefit and defined contribution schemes whatever their size.

Summary reports will vary widely in terms of both content and form depending on the circumstances of the scheme. The key principle is that trustees should consider the needs of their own members such that any report produced is informative and easily understood by the intended recipients. For some schemes, it may be appropriate to produce different reports for different groups of membership as the needs of different sections are not always the same; for example, defined contribution and defined benefit sections.

This guidance is to help trustees and those responsible for the preparation of summary reports consider the form and content of their report and establish the most appropriate means of communication. However, discussion with members and advisers is also recommended to ensure that the summary report is of practical value to the membership.

FORMAT

Summary reports have traditionally been produced in hardcopy, but increasingly member portals and websites are being used. The preparers of summary reports should consider the different media available, the accessibility of the chosen media and the manner in which information can be presented in a meaningful way. If, for example, the report is being produced electronically the membership's access to the internet must be considered.

Other considerations include:

- The use of graphics can help explain complex information;
- Frequently Asked Questions (FAQs) can be used to convey non-financial information and give a sense of member involvement; and
- Inclusion of a glossary of terms, although the report should be written in plain English and jargon avoided.

¹ These are largely set out in the Occupational Pension Schemes (Disclosure of Information) Regulations 1996. A summary of the key requirements is available on Sacker & Partners website (www.sackers.com).

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The prime objective should be for the report to be interesting and pertinent to the membership of the scheme.

TIMING

A summary report is likely to be produced annually and its preparation may be closely linked to the planning process for the production of the Full Annual Report. However, in issuing a summary report, the key considerations will be the needs of the membership, their expectations for the provision of relevant information in a timely manner and the extent to which their other information needs have been satisfied.

Members of most defined benefit schemes will be receiving annual summary funding statements and members of money purchase schemes will be receiving annual benefit statements. It will vary from scheme to scheme as to whether it is appropriate to combine a summary report with these other communications. The key considerations are:

- The possibility of providing too much information at once; and
- The coincidence of the timing of the availability of actuarial information/members statements and the other information included in the summary report.

The prime objective is for relevant information to be provided in a timely manner whilst remaining clear and helpful.

CONTENT

The information which is included in summary reports must be consistent with the Full Annual Report and should not be misleading either by omission or amalgamation of details.

Financial Information

The SORP recommends that “summarised accounts are to be accompanied by a statement, signed on behalf of the trustees, indicating:

- a) that they are not the statutory accounts but a summary of information relating to both the Fund Account and the Net Assets Statement;
- b) whether the full financial statements from which the summary is derived have as yet been audited;
- c) where they have been audited, whether there was an unqualified audit opinion on the accounts and an unqualified audit statement about contributions;
- d) where the audit opinion on the financial statements or the statement about contributions is qualified, sufficient details should be provided in the summary financial information to enable the reader to appreciate the significance of the report; and
- e) details of how the full annual report can be obtained.”

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The summary report can include either direct extracts of financial information from the full annual report or abbreviated information. An extract is likely to mirror the SORP format for particular disclosures, whereas abbreviated information is likely to be presented to convey specific messages and emphasise key items. Care needs to be taken not to show information out of context.

The financial information included could be:

- Fund account**
 - Reconciliation of opening net assets to closing net assets by key caption
 - Explanation of any significant transactions and variations from the previous year
- Investments**
 - Summary of the investments held

Comparative amounts should be included.

There is no requirement for trustees to attach to summary reports a statement from the auditor giving an opinion as to whether the summary financial information is consistent with the full audited accounts. However, the SORP recommends that as a matter of good practice trustees include the auditor in the distribution of any publications containing summary financial information. The preparers of summary reports may also find it beneficial to give the auditor the opportunity to comment on a draft.

Non-financial information

As explained above, summary reports provide an opportunity to communicate with members about various aspects of the scheme and wider pensions issues. The topics that could be included in a summary report are:

- Confirmation that contributions have been received in accordance with the schedule of contributions or the payment schedule;
- Outline of the scheme's funding position², the recovery plan (if any) and explanation of the factors affecting any changes since the previous report;
- The trustees' approach to monitoring the strength of the employer, events concerning the employer which may impact on the strength of the covenant³ and how any matters that have arisen have been addressed;
- Investment strategy and an explanation of any significant changes in investments since the previous report;
- Disclosure of investment performance over a meaningful period compared to benchmarks;
- Executive summary or chairman's statement highlighting key developments

² Contingent assets and any security held by the trustees should be disclosed.

³ Trustees will need to have due regard to confidentiality.

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- An update on important scheme specific developments including a summary of significant changes in the rules and any changes to trustees and their advisers;
- General information that members should be aware of including changes in laws or regulations;
- A brief explanation of the trustee role, the key elements of their governance arrangements and approach to risk management;
- Scheme contact details and a Pensions Department “roundup” including details of relevant personnel;
- Availability and role of The Pensions Advisory Service, the Pensions Ombudsman, the Pensions Regulator and the Pension Protection Fund;
- Membership data suitably summarised;
- An encouragement to defined contribution members to review their overall retirement planning which may include consideration of the suitability of investment choices and the level of contributions; and
- An encouragement to members to complete an Expression of Wishes form and to keep it up to date.

DEFINED CONTRIBUTION ARRANGEMENTS

The principles underlying summary reports for defined contribution schemes are fundamentally the same as those for defined benefit schemes. However, where members are offered a choice of investment funds, information should not be aggregated as it is the performance of individual funds which is meaningful.

EXAMPLES OF BEST PRACTICE

PRAG runs an annual award for summary reports. Copies of the winning entries and reports by the judges are available on the summary reports page of the PRAG website (www.prag.org.uk/156/). When referring to these, caution should be exercised as there have been changes to both legislation and this guidance since they were produced.

PUBLICATION

This document has been prepared by a Pensions Research Accountants' Group (PRAG) working party. Any comments are welcome, and should be addressed to the working party chairman, Bob Hymas at Baker Tilly UK Audit LLP, 12 Gleneagles Court, Brighton Road, Crawley, West Sussex, RH10 6AD or bob.hymas@bakertilly.co.uk

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