The Pensions Regulator – our view on progress

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7 September 2016

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THE PENSIONS REGULATOR

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Who we are

- Established by Pensions Act 2004 to regulate work-based pensions

- Statutory objectives set out in legislation

- We regulate the governance and administration of public service schemes

- Seek to improve standards and drive compliance including with Public Service Pensions Act 2013

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Our approach

- Risk-based and proportionate, while minimising burdens where possible

- Take account of Regulators' Code and PACTT principles of good regulation

- Educate, enable and enforce

- The best way to support the regulated community to understand and fulfil its obligations is to provide appropriate guidance and tools
    - PS code
    - PS toolkit

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Code of practice

Governing your scheme

1. Knowledge and understanding required by pension board members
2. Conflicts of interest and representation
3. Publishing information about schemes

Managing risks

4. Internal controls

Administration

5. Scheme record-keeping
6. Maintaining contributions
7. Providing information to members

Resolving issues

8. Internal dispute resolution
9. Reporting breaches of the law

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Regulatory powers

Collect data – through scheme return

Information – require any relevant person to produce any relevant document or information

Inspection – send in an inspector

Skilled person report – require scheme managers to provide a report made by a skilled person nominated by the regulator

Improvement notices and third party notices – require specific action to be taken within a certain time.

Appoint skilled person – to assist the pension board

Report misappropriation – notify the scheme manager about pension board conflicts or misuse regarding assets

Recover unpaid contributions from employers on behalf of the scheme manager

Publish reports – about a case

Civil penalties – up to £5,000 to an individual or £50,000 to a corporate body
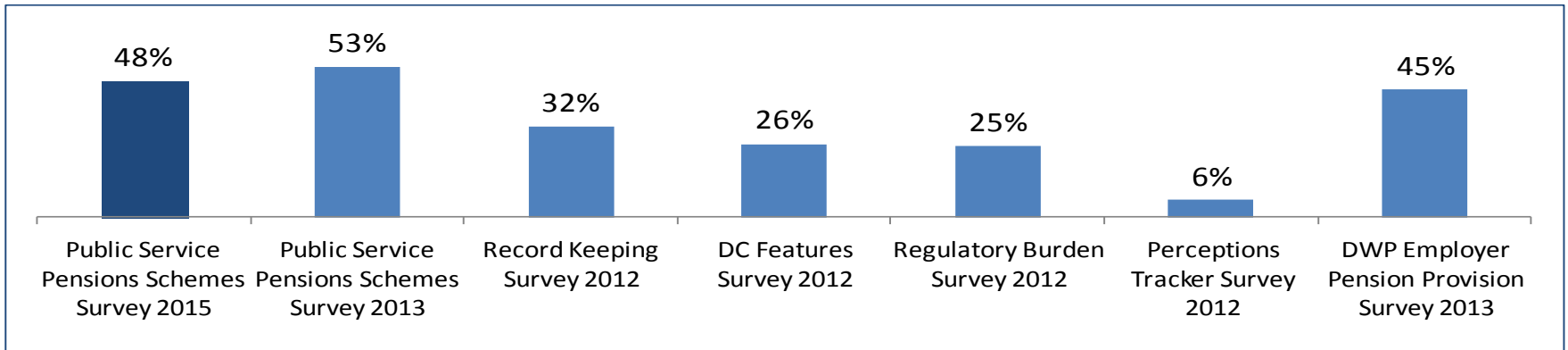
2015 G&A SURVEY

Governance and administration survey

- Purpose
  - To assess how schemes were meeting the legal requirements around governance and administration (G&A) and the standard to which schemes are being run
  - To encourage schemes to self-assess
  - To inform our risk analysis – landscape and scheme level

- For firefighters pension schemes, each locally administered part reported as separate 'scheme'
- Fieldwork ran between 23rd July and 4th September 2015, data collected using interactive pdf
- Respondents chose to provide anonymous or attributed surveys.

- Assumptions on non-response and progress/compliance

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Governance and administration survey

- Response rate of PS schemes 48% overall, covering 85% of membership
  - Compares favourably with other survey response rates
- FPS: 14/45 schemes – 30% response rate, covering 55% of membership

Survey	Response Rate
Public Service Pensions Schemes Survey 2015	48%
Public Service Pensions Schemes Survey 2013	53%
Record Keeping Survey 2012	32%
DC Features Survey 2012	26%
Regulatory Burden Survey 2012	25%
Perceptions Tracker Survey 2012	6%
DWP Employer Pension Provision Survey 2013	45%

- Report published 10 December

- Caveat: small sample

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Key findings – Processes

- Progress is being made in terms of understanding the new requirements and setting up processes, though slower than other cohorts
  - Report good levels of awareness and understanding
  - 7/14 respondents had fully established and operational pension boards

Some progress on processes, though lower than aggregate PS score
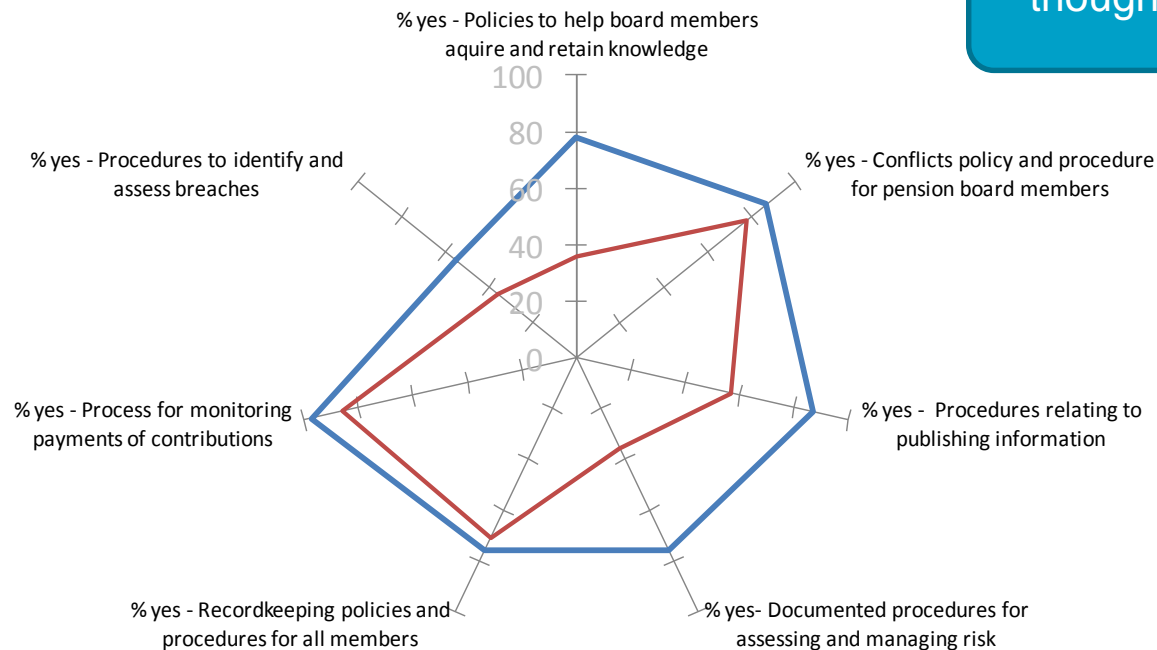
= Overall PS score

= FPS score

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Key findings - processes

- High gaps in processes
  - Reporting breaches
  - Knowledge & Understanding processes
  - Publishing information
  - Assessing and managing risks
- Need to also consider:
  - Efficiency of processes in delivering outcomes
  - Process review

Processes should be fit for purpose and deliver good outcomes

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Key findings - actions

We expect all schemes to assess themselves against the legal requirements and the code and have a plan of action to address gaps

Conclusions

- Progress slower than in other cohorts

- Concerns around certain key processes (in particular around risk management) and actions (data reviews)

- Need to raise awareness of G&A requirements and improve engagement with the regulator

TPR FOCUS 2016/17

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TPR focus 16/17

- Risk assessment and intelligence gathering

- Focus on:

  - Basic compliance

  - Top 3 risks:

    - Record-keeping

    - Internal controls

    - Poor and ineffective communications

We will use our educate/enable/enforce regulatory approach to help schemes comply and address key risks

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Basic compliance

- Registration and scheme return

- Pension board in place

- Information published about pension board

  - Available to all classes of members and eligible employees without them needing to request it

  - Other parties should be able to request it

  - Scheme manager to determine most appropriate way of providing information, considering accessibility issues

- All schemes should have assessed themselves against the Act and Code and put a plan in place to address issues

  - Self assessment tool

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Top 3 risks – highlights

- Record-keeping
  - Schemes who need one should have robust improvement plan in place
- Internal controls
  - Lessons from the NAO report into CSP apply across all schemes – employer and administrator controls
  - Reporting breaches – early engagement and material significance
- Communications
  - Lessons learnt from ABS 2015

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WORKING WITH THE SCHEME ADVISORY BOARD

Working with the scheme advisory board

- Complementary roles – regulation/guidance and advice
- Ongoing engagement
- Identifying best practice and issues
- Support messaging

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ANY QUESTIONS?