



**The
Pensions
Regulator**

Making workplace pensions work

An introduction to The Pensions Regulator

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TPR – what is our role?

- We are a public body that protects workplace pensions in the UK
- We make sure employers, trustees, pension specialists and business advisers can fulfil their duties to savers
- Our regulatory powers enable us to deal with risks to schemes and members' benefits, and tackle risks in a focused, targeted and proportionate manner
- Pension regulation covers a large number of areas
- Hot topics – pension scams campaign, 'Future of Trusteeship and Governance' consultation, pensions dashboard

The evolving Pensions Regulator

- Our role is to protect workplace pensions
- We are being **clearer, quicker and tougher**
- We are changing in five key areas:
 - clarifying our identity
 - setting clear expectations
 - improving our regulatory oversight
 - using a wider range of regulatory interventions
 - being more efficient and effective

TPR Future - Setting the scene & approach to regulation

- Historically adopted reactive rather than proactive approach
- Changed pension landscape and we are adapting to this world
- Frontline regulation teams fall broadly into 2 categories – Supervision & Enforcement
- Developing strong 2 way relationships with some strategically important DC, DB & PS schemes
- Early feedback is that schemes appreciate this engagement
- Continually adapting to emerging risks and changing landscape
- Expect us to be clearer, quicker and tougher

Driving compliance through supervision

- One-to-one supervision is part of our evolving approach to protecting and regulating pensions
- In addition to the process for authorisation and supervision of authorised master trusts, supervision is being introduced for other workplace DB and DC schemes in both the public and private sectors



Supervision

- Pro active engagement trustees, employers, scheme managers and other stakeholders to protect the interests of members
- Relationship building
- Proactive, high-volume activity linked to regulatory strategy
- Making better use of our data and lessons learnt to inform focus of future interventions
- Intelligence led reactive engagement to specific events
- Clearer, quicker, tougher interventions

Enforcement

- Carry out an investigations into breaches of law, non-compliance or other issues
- Investigate regulatory, civil and criminal matters
- Work closely with other organisations including the Insolvency Service, Serious Fraud Office and various police forces

Three take aways...

1. Clearer, quicker, tougher: better clarity and measurable compliance
2. Proactive supervision approach
3. Extending our reach

Our roles and responsibilities

- We regulate compliance with the Governance and Administration requirements introduced by the Public Service Pensions Act 2013
 - we engage mainly with scheme managers and pension boards
 - codes, toolkit, news-by-email
 - improvement and third party notices, fines etc

Our regulatory powers

- Collect data, obtain information, conduct inspections
- Civil penalties
- Criminal prosecution
- Improvement notices and third party notices
- Skilled person report
- Appoint a person to assist the pension board
- Recover unpaid contributions from employers on behalf of the scheme manager
- Publish reports about cases

Employer responsibilities

Scheme Managers:

- Scheme regulations / rules requirements
- Awareness of employer admission agreements
- Clear, robust, published processes / deadlines / communications
- Designated scheme contact point
- Follow through on non compliance
- Understand material breach of law reporting requirements

Employers:

- Requirement to provide information requested
- Awareness of terms of employer admission agreements & requirements of regulations
- Abide by contract terms / obligations under regulations
- Manage HR / payroll systems
- Quality data / member joiner / leaver forms

Teachers' Pension Scheme

- 2 breach of law reports were received in 2016 from an administrator
- 43 employers were failing to submit their End of Year Certificates (EOYCs) to the scheme manager by the legal deadline
- The administrator had made multiple contacts with each employer
- Our engagement:
 - we engaged with the non-compliant employers
 - the engagement identified a lack of knowledge and understanding by employers
 - all but one employer complied
 - the scheme manager removed the final employer from the scheme

Key issues

- Scheme managers have a legal obligation to maintain certain data
- Employers provide most of the data needed
- Both employers and scheme managers must ensure they are meeting their legal obligations to the scheme:
 - employers must ensure they understand their obligations to the scheme
 - scheme managers must have robust processes to ensure accurate data is provided on time
- TPR can, and has, intervened where these actions don't resolve the issues:
 - a range of powers at our disposal, including the issuing of an improvement notice and / or third party compliance notice and associated fines

Local government scheme

- We issued a £1,000 fine against the London Borough of Barnet scheme manager for failing to submit its 2016 scheme return:
 - we issued a scheme return notice to the scheme manager
 - the return was not received and further communications were not replied to
 - the matter was referred to TPR's Determinations Panel and a penalty notice was issued

Key lessons

- Outsourcing does **not** reduce or remove a scheme manager's responsibility or accountability.
- It is the legal responsibility of managers to submit a scheme return by the specified deadline:
 - failure to submit may signal further governance and administration problems within the scheme
 - good scheme governance is a key factor to achieving positive outcomes for members
- The £1,000 fine against the scheme manager took into account:
 - size of scheme (23,000 members)
 - governance and administration being a priority for TPR



Failure to provide the scheme return by the deadline can lead to fines of up to

£5,000

per individual and

£50,000

in other cases

The use of an Improvement Notice

- In September 2015, the Oxfordshire LGPS fund contacted us to say that no ABSs had been issued to scheme members for the year 2014-2015
- This was due to poor data, and the fund's employers failing to provide accurate data and employment histories
- We worked with them to revise the fund's Pension Administration Strategy (PAS)
- They created a data improvement plan, which addressed not only the issue of the ABSs being sent out late or not at all, but also the wider governance and administration of the fund
- However, we remained concerned and the scheme manager failed to rectify the breaches and prevent their reoccurrence
- We issued a Warning Notice to the scheme manager in May 2018, and an Improvement Notice in August 2018

Outcome

- Cooperation with the scheme manager meant we were able to set out our expectations clearly
- The new PAS includes issuing fines to employers for non-compliance as well as reporting individual non compliant employers to us
- The scheme manager has also conducted a data cleansing exercise
- The scheme manager worked with us, seeking to find ways to improve the governance and administration of the fund, including improving staffing levels, outsourcing work where appropriate, and educating the employers in the fund about their obligations
- The scheme manager is engaging with other funds and has shared their experiences of improving data quality and the knowledge they gained in the process at industry conferences

Scottish Teachers' Pension Scheme

- Following the earlier alerts, we received a breach of law report from the SPPA in August 2018
- Separately, the SPPA voluntarily provided us with its plan for resolving the situation
- We opened a case to remedy the failings and prevent the issues from happening again
- While we were satisfied that the SPPA's initial plan to rectify the problems was feasible, we were concerned that it would take too long to resolve the issues
- We issued an Improvement Notice in February 2018. We regularly engaged with the SPPA afterwards to keep track of the steps they were taking to comply by our deadline
- We did not take action against participating employers. We were satisfied that the scheme manager was taking all appropriate steps to secure employer compliance using internal controls and powers granted to them by scheme regulations

Outcome

- The SPPA worked closely with us, seeking to find ways to improve the governance and administration of the scheme
- We were able to educate the SPPA about our expectations, enabling them to produce a robust data improvement plan
- SPPA now engage extensively with participating employers, improving both the scheme's understanding of the employers' needs, and employers' understanding about the scheme
- We continue to work collaboratively with the SPPA to support it with improving the general governance and administration of the scheme

Conclusion