

## Regulating the public service pension schemes

Robert Plumb  
Scheme Liaison Manager

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### Who we are

Established by Pensions Act 2004 to regulate work-based pensions

Our statutory objectives include:

- protect member benefits
- promote good administration

Role extended by Public Service Pensions Act 2013

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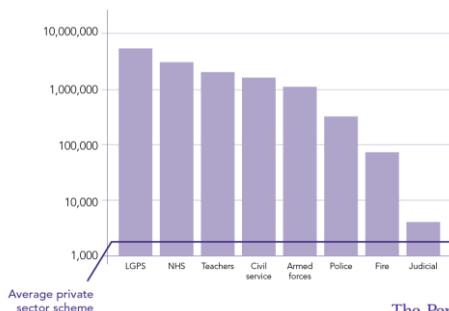
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### Public service scheme membership



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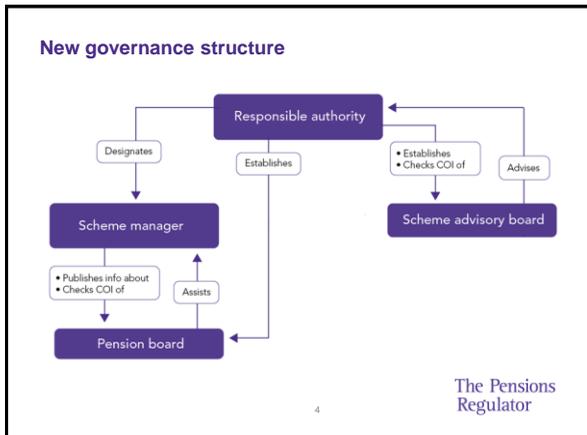
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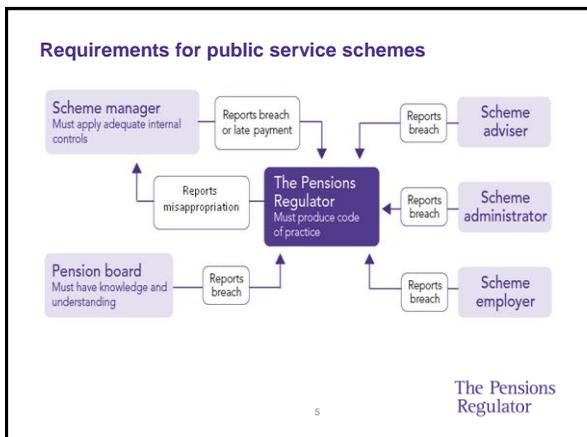
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- ### Code of practice (January 2015)
- Governing your scheme**
1. Knowledge and understanding required by pension board members
  2. Conflicts of interest and representation
  3. Publishing information about schemes
- Managing risks**
4. Internal 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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**Knowledge and understanding**

**Basic requirement**

- be conversant with scheme rules and administration policies
- have knowledge and understanding of pensions law and anything else prescribed in regulations

**When?**

- legal responsibilities begin from the date members take up their post, or from 1 April 2015 if later

**How much?**

- enough to exercise the functions of a pension board member
- 'conversance' = working knowledge of scheme rules & policy documents, so members can use them effectively in carrying out their duties

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**Knowledge and understanding – how much**

**All pension board members should:**

Know where scheme rules and administration policies are relevant and where a particular provision or policy may apply

Be aware of the range and extent of pensions law applying to the scheme and recognise when and how it impacts on their responsibilities

Understand any advice they are given

Be able to challenge any information or advice they are given and understand how that information or advice impacts on their decisions

Be able to challenge failures to comply with the scheme rules and legislation relating to governance and administration

Be able to challenge failures to meet the standards and expectations in any relevant TPR code of practice

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**Knowledge and understanding – of what**

**Administration policies e.g. documents on:**

- conflicts of interest, record-keeping, internal dispute resolution, reporting breaches, maintaining contributions and appointment of members
- risk assessment and management
- booklets, announcements and other communications which describe policies and procedures, and policy on communications
- board and sub-committee structure, terms of reference and procedures
- roles and responsibilities
- exercising discretionary functions
- accounting requirements
- administration strategy
- admission agreements
- investment governance, e.g. SIP and funding strategy

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### Knowledge and understanding – of what

**Other governance and administration documents to be familiar with:**

- the register of interests
- the risk register
- details of employer contributions payable by employers
- assurance reports
- third-party contracts and service level agreements
- stewardship reports from providers
- annual reports and accounts
- audit reports
- AVC contribution procedures, investment choices, performance reports

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### Managing knowledge and understanding

**Someone should:**

- maintain policies and arrangements for pension board members to acquire and maintain knowledge and understanding
- develop a learning framework, and keep records of learning activities
- help members decide how much knowledge and understanding they need
- provide new members with additional support and training, including pre-appointment training and/or mentoring by existing members
- keep an accessible list of relevant documents

**Pension board members should:**

- undertake a training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses
- dedicate sufficient time to their learning and development
- ensure they have appropriate knowledge and understanding

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### Educational material at tpr.gov.uk/public-service-schemes




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### E-learning system

- On our website, covering our code of practice

#### 3 Managing risk: Fiona's scheme

The next stage is to put in place controls to manage risks.

Remember that internal controls reduce, but do not eliminate, risk.

Fiona has considered potential controls to manage the 'red' risk she identified and evaluated using the 'RAG' status model.

She identifies the following controls:

- request a copy of the administrator's system recovery plans and data back-up procedures
- obtain an external review of the procedures to ensure that they are adequate
- request regular reports from the administrator to confirm back-up procedures are being followed
- commission annual checks to ensure procedures are being followed



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### Conflicts of interest and representation

Scheme regulations require the **scheme manager** to be satisfied there aren't any conflicts of interest on the **pension board**:

- any interest likely to prejudice a board member's exercise of functions
- may arise from personal interests or other responsibilities

Schemes should identify any potential conflicts of interest and pension board members must provide information for this purpose

Actual conflicts of interest are not allowed

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### Procedures to do with conflicts of interest

- There should be a documented conflicts policy and procedure, giving examples and the process to follow
- A register of interests should be maintained and published
- We recommend a three-step process to identify, monitor and manage potential conflicts of interest:
  - 1. Compulsory disclosure of interests, analysis of upcoming decisions and mitigation where possible
  - 2. Evaluation of interests and responsibilities, publication of interests, inclusion on agendas
  - 3. Openness and transparency with legal advice if needed

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### Examples (from our code of practice)

1. Investing to improve scheme administration vs. saving money
2. Outsourcing an activity vs. keeping it in-house
3. Representing the breadth of employers or membership versus representing narrow interests
4. Assisting the scheme manager vs. furthering own financial interest
5. Sharing information vs. duty of confidentiality

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### Representation on pension boards

They should be designed with regard to:

- proportionality
- fairness
- transparency
- mix of skills and experience needed
- balance of representation (e.g., of categories of members and employers).

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### Publishing information about schemes

**Scheme manager** must publish information about the **pension board**

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**Internal controls**

- **Scheme managers** must operate “adequate” internal controls
- Defined as:
  - administration procedures and arrangements
  - monitoring systems and arrangements
  - arrangements and procedures to protect scheme assets
- They should include:
  - a clear separation of duties
  - processes for escalation and decision-making
  - procedures for assessing and managing risk
  - procedures for reviewing breaches of law
  - procedures for managing scheme contributions

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**Record-keeping**

**Scheme managers** must:

1. keep records of members
2. keep records of scheme transactions
3. keep records of pension board meetings and decisions
4. meet the requirements of the Data Protection Act 1998

They should be able to show that records are complete and accurate

If needed, they should follow a data improvement plan

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**Maintaining contributions**

**Scheme manager** responsibilities:

1. Maintain a contribution schedule
2. Follow procedures enabling the identification of late payments
3. Establish the cause and circumstance of payment failure, the wider implications and what action has been taken by the employer
4. Notify us within 10 working days where late contribution payments are likely to be of material significance to us
5. Attempt to recover unpaid or underpaid contributions within 90 days of the due date

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### Information to members

Annual benefit statements must be provided by the **scheme manager** to each **active member**

Benefit statements must be sent to any member on request, within 2 months

Basic scheme information must be sent in various circumstances, e.g.:

- to prospective or new scheme members within 1 month of receiving jobholder information or within 2 months of the date of joining the scheme
- to others on request, within 2 months of the request

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### Internal dispute resolution

**Scheme managers** must operate arrangements to support the resolution of disputes between the scheme manager and a person with an interest in the scheme

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### Reporting breaches

- Who reports? - **everyone** connected with the scheme
- When they have reasonable cause to believe there has been a breach that is likely to be of material significance to the regulator
- What is of material significance to us can be considered from 4 aspects:

1. Cause	Dishonesty, poor governance, poor advice
2. Effect	If the matter appears to be the effect of non-compliance with PSPA2013, poor administration, inaccurate payments or theft
3. Reaction to the breach	If there has not been action to deal with it
4. Wider implications	If the breach suggests wider undetected problems

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### Our powers

1. **Information** – require any relevant person to produce any relevant document or information
2. **Inspection** – send in an inspector
3. **Skilled person report** – require scheme managers or pension board members to commission a report
4. **Improvement notices** – require anyone to stop contravening pensions law
5. **Appoint skilled person** – to assist the pension board
6. **Report misappropriation** – notify the scheme manager about pension board conflicts or misuse regarding assets
7. **Publish reports** – about a case
8. **Civil penalties** – up to £5,000 to an individual or £50,000 to a corporate body

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### What will regulation look like?

- Educate, enable and (if needed) enforce
- Proportionate, Accountable, Consistent, Targeted, Transparent
- Risk-based
- Aiming to raise standards where necessary

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### Thank you

Robert Plumb  
 The Pensions Regulator  
 Napier House  
 Brighton  
 BN1 4DW

tel: 01273 648472  
 email: robert.plumb@thepensionsregulator.gov.uk

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