

LGPS regulation - 6 months on

Robert Plumb
Scheme Liaison Manager

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The Pensions
Regulator

The Pensions Regulator and the recent reforms

TPR established by Pensions Act 2004 to regulate work-based pensions

Our statutory objectives include:

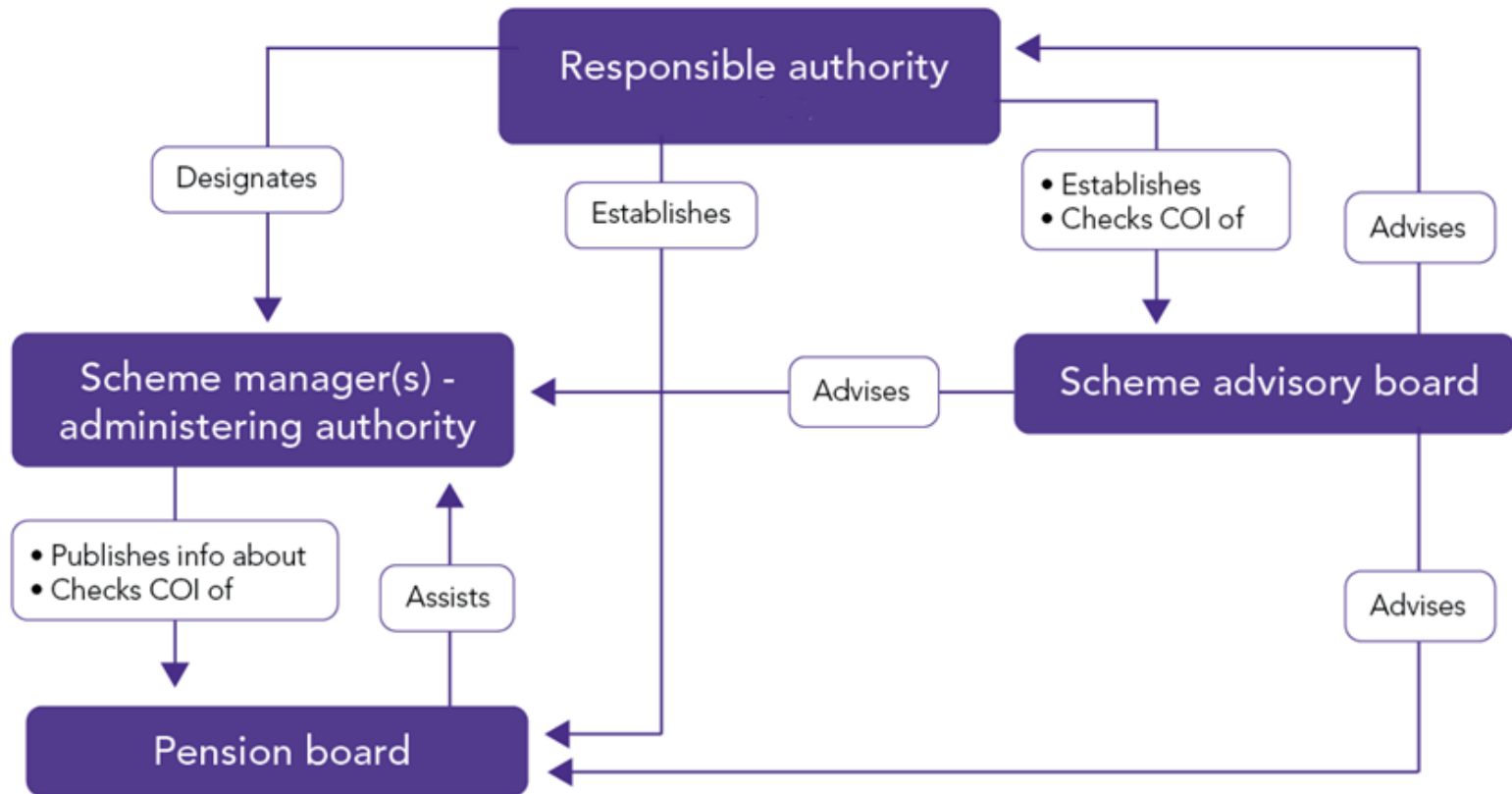
- protecting member benefits
- promoting good administration

The Public Service Pensions Act 2013

- places new responsibilities on scheme managers
- requires pension boards to assist the scheme managers
- requires us to produce a code of practice

LGPS scheme regulations provide more detailed legal requirements

New governance structure



Code of practice

1. Knowledge and understanding required by pension board members
2. Conflicts of interest and representation
3. Information to be published about schemes
4. Internal controls
5. Scheme record-keeping
6. Maintaining contributions
7. Information to be provided to members
8. Internal dispute resolution
9. Reporting breaches of the law

Topics included in our on-line toolkit are underlined

Knowledge and understanding

Basic requirement

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

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

Public service “toolkit”

- An education portal covering the main parts of our code of practice
- <https://education.thepensionsregulator.gov.uk/login/index.php>

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 must 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

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 sign-off/decision-making
 - procedures for assessing and managing risk
 - procedures for reviewing breaches of law
 - procedures for managing scheme contributions

Record-keeping

Scheme managers must keep records of:

1. members
2. scheme transactions
3. pension board meetings and decisions

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

Information to members

Annual benefit statements must be provided by the **scheme manager** to each **active member** – within 17 months of the establishment of the scheme, and then annually after that

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 joiner information or within 2 months of the date of joining the scheme
- to any member on request, within 2 months of the request

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

Our approach to regulation and enforcement

- Focus on education and enablement
- Enforce pensions law where needed
 - Risk-based
 - Proportionate, accountable, consistent, targeted, transparent
- Aiming to raise standards where necessary
- Planned interaction with schemes:
 - Registration and updates to registrable information
 - Survey
 - Scheme return

Thank you

Robert Plumb

The Pensions Regulator

Napier House

Brighton

BN1 4DW

Robert.Plumb@tpr.gov.uk

- For enquiries and reporting:
 - 0845 600 0707
 - customersupport@tpr.gov.uk or wb@tpr.gov.uk
 - <https://secure.thepensionsregulator.gov.uk/inform.aspx>