

## PENSION REGULATOR CODE OF PRACTICE 14 - COMPLIANCE ANALYSIS

Powys Pension Fund

TEXT

		Action Required	Current Position
22	Scheme manager - each public service pension scheme has one or more persons responsible for managing or administering the scheme. Public service pension schemes can have different persons acting as scheme manager for different parts of the pension scheme. For the locally administered schemes, the scheme managers may be the local administering authorities or a person representing an authority or police force.		<i>The Administering Authority is designated scheme manager under the regulations.</i>
23	Pension board – the scheme manager (or each scheme manager) for a scheme has a pension board with responsibility for assisting the scheme manager to comply with the scheme regulations and other legislation relating to the governance and administration of the scheme and any requirements imposed by the regulator. The pension board must also assist the scheme manager with such other matters as the scheme regulations may specify. It will be for scheme regulations and the scheme manager to determine precisely what the pension board’s role, responsibilities and duties entail.		<i>A Local Pension Board has been established and operates under a prescribed Terms of Reference. The Board was established on</i>
<b>Governing your Scheme</b>			
38	Schemes <b>should</b> establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members. Schemes <b>should</b> designate a person to take responsibility for ensuring that a framework is developed and implemented.		Training Log kep. Maintened by Secretary to the Board
39	However, it is the responsibility of individual pension board members to ensure that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the pension board.		Carry out an up to date skills and knowledge analysis. Ongoing Feb 2019
40	Pension board members <b>must be conversant with their scheme rules</b> , which are primarily found in the scheme regulations, and documented administration policies currently in force for their pension scheme. Being ‘conversant’ means having a working knowledge of the scheme regulations and policies, so that pension board members can use them effectively when carrying out their duties.		Analyse results of Training needa assessment
41	They <b>must also have knowledge and understanding of the law</b> relating to pensions (and any other matters prescribed in legislation) to the degree appropriate for them to be able to carry out their role, responsibilities and duties.		Analyse results of Training needa assessment

42	<p>In terms of documented administration policies, specific documents recording policy about administration will vary from scheme to scheme. However, the following are examples of administration policies which the regulator considers to be particularly pertinent and would expect to be documented where relevant to a pension scheme, and with which pension board members must therefore be conversant where applicable. This list is not exhaustive and other documented policies may fall into this category:</p> <p>any scheme-approved policies relating to:  conflicts of interest and the register of interests  record-keeping  internal dispute resolution  reporting breaches  the appointment of pension board members  maintaining contributions to the scheme  risk assessments/management and risk register policies for the scheme</p> <p>scheme booklets, announcements and other key member and employer communications, which describe scheme policies and procedures</p> <p>the roles, responsibilities and duties of the scheme manager, pension board and individual pension board members</p> <p>In terms of reference, structure and operational policies of the pension board and/or any sub-committee</p> <p>statements of policy about the exercise of discretionary functions, statements of policy about communications with members and scheme employers  the pension administration strategy, or equivalent, and</p> <p>any admission body (or equivalent) policies.</p>		Available. Ongoing.
43	<p>For pension board members of funded pension schemes, documents which record policy about the administration of the scheme will include those relating to funding and investment matters. For example, where relevant they must be conversant with the statement of investment principles and the funding strategy statement.</p>		Available on website
44	<p>Pension board members must also be conversant with any other documented policies relating to the administration of the scheme. For example, where applicable, they must be conversant with policies relating to:</p> <p>the contribution rate or amount (or the range/variability where there is no one single rate or amount) payable by employers participating in the scheme</p> <p>statements of assurance (for example, assurance reports from administrators)</p>		
45	<p>Where DC or DC AVC options are offered, pension board members should also be familiar with the requirements for the payment of member contributions to the providers, the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.</p>		AVC Training has been carried out. New AVC Risk documentation introduced.
46	<p><b>Schemes should prepare and keep an updated list of the documents with which they consider pension board members need to be conversant.</b> This will enable them to effectively carry out their role. They should make sure that both the list and the documents are available in accessible formats.</p>		

47	The roles, responsibilities and duties of pension boards and their individual members will vary between pension schemes. Matters for which the pension board is responsible will be set out in scheme regulations. Clear guidance on the roles, responsibilities and duties of pension boards and the members of those boards should be set out in scheme documentation.		
48	Schemes <b>should assist individual pension board members</b> to determine the degree of knowledge and understanding that is sufficient for them to effectively carry out their role, responsibilities and duties as a pension board member.		Carry out Training needs questionnaire. Done Feb 2019
49	Pension board members <b>must have a working knowledge of their scheme regulations and documented administration policies</b> . They <b>should understand their scheme regulations and policies</b> in enough detail to know where they are relevant to an issue and where a particular provision or policy may apply.		
50	Pension board members <b>must have knowledge and understanding of the law relating to pensions</b> (and any other prescribed matters) sufficient for them to exercise the functions of their role. Pension board members should be aware of the range and extent of the law relating to pensions which applies to their scheme, and have sufficient understanding of the content and effect of that law to recognise when and how it impacts on their responsibilities and duties.		
51	Pension board members <b>should be able to identify and where relevant challenge any failure to comply with:</b>  the scheme regulations  other legislation relating to the governance and administration of the scheme  any requirements imposed by the regulator, or  any failure to meet the standards and expectations set out in any relevant codes of practice issued by the regulator.		
52	Pension board members' breadth of knowledge and understanding <b>should be sufficient</b> to allow them to understand fully and challenge any information or advice they are given. They <b>should understand</b> how that information or advice impacts on any issue or decision relevant to their responsibilities and duties.		
53	Pension board members of funded pension schemes <b>should ensure that</b> they have the appropriate degree of knowledge and understanding of funding and investment matters relating to their scheme to enable them to effectively carry out their role. This includes having a working knowledge of provisions in their scheme regulations and administration policies that relate to funding and investment, as well as knowledge and understanding of relevant law relating to pensions.		Training Needs Self Assessment carried out feb 2019
54	All board members <b>should attain appropriate knowledge</b> so that they are able to understand the relevant law in relation to their scheme and role. The degree of knowledge and understanding required of pension board members may vary according to the role of the board member, as well as the expertise of the board member. For example, a board member who is also a pensions law expert (for instance, as a result of their day job) <b>should have a greater level of knowledge</b> than that considered appropriate for board members without this background.		Training Needs Self Assessment carried out feb 2019
55	Pension board members <b>should invest sufficient time in their learning and development</b> alongside their other responsibilities and duties. <b>Schemes should provide</b> pension board members with the relevant training and support that they require. Training is an important part of the individual's role and will help to ensure that they have the necessary knowledge and understanding to effectively meet their legal obligations.		Training Needs Self Assessment carried out feb 2019
56	Newly appointed pension <b>board members should be aware</b> that their responsibilities and duties as a pension board member begin from the date they take up their post. Therefore, they <b>should immediately start to familiarise</b> themselves with the scheme regulations, documents recording policy about the administration		Training Needs Self Assessment carried out feb 2019

57	Pension board members <b>should undertake a personal training needs analysis</b> and regularly review their skills, competencies and knowledge to identify gaps or weaknesses. They <b>should use a personalised training plan</b> to document and address these promptly.		Training Needs Self Assessment carried out feb 2019
58	Learning <b>programmes should be flexible</b> , allowing pension board members to update particular areas of learning where required and to acquire new areas of knowledge in the event of any change. For example, pension board members who take on new responsibilities will need to ensure that they gain appropriate knowledge and understanding relevant to carrying out those new responsibilities.		
59	The regulator will provide an e-learning programme to help meet the needs of pension board members, whether or not they have access to other learning. If schemes choose alternative learning programmes they should be confident that those programmes:  cover the type and degree of knowledge and understanding required  reflect the legal requirements, and  are delivered within an appropriate timescale.		Group Training during 2019
60	Schemes <b>should keep appropriate records of the learning activities of individual pension board members and the board as a whole</b> . This will help pension board members to demonstrate steps they have taken to comply with legal requirements and how they have mitigated risks associated with knowledge gaps. A good external learning programme will maintain records of the learning activities of individuals on the programme or of group activities, if these have taken place.		

### Conflicts of Interest and Representation

62	In relation to the pension board, <b>scheme regulations must include provision</b> requiring the scheme manager to be satisfied:  that a person to be appointed as a member of the pension board does not have a conflict of interest and  from time to time, that none of the members of the pension board has a conflict of interest.		
63	Scheme <b>regulations must require</b> each member or proposed member of a pension board to provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of meeting the requirements referred to above.		
64	Scheme <b>regulations must include provision</b> requiring the pension board to include employer representatives and member representatives in equal numbers.		

70	Some, if not all, of the ‘Seven principles of public life’ (formerly known as the ‘Nolan principles’) will already apply to people carrying out roles in public service pension schemes, for example through the Ministerial code, Civil Service code or other codes of conduct. These <b>principles should be applied to all pension board members</b> in the exercise of their functions as they require the highest standards of conduct. <b>Schemes should incorporate the principles into</b> any codes of conduct (and across their policies and processes) and other internal standards for pension boards.		
73	Scheme regulations will set out matters for which the pension board is responsible. <b>Schemes should set out</b> clear guidance on the roles, responsibilities and duties of pension boards and the members of those boards in scheme documentation. This <b>should cover</b> , for example, whether they have responsibility for administering or monitoring the administration of the scheme; developing, delivering or overseeing compliance with requirements for governance and/or administration policies; and taking or scrutinising decisions relating to governance and/or administration. Regardless of their remit, potential conflicts of interest affecting pension board members need to be identified, monitored and managed effectively.		
74	<b>Schemes should consider</b> potential conflicts of interest in relation to the full scope of roles, responsibilities and duties of pension board members. It is recommended that all those involved in the management or administration of public service pension schemes take professional legal advice when considering issues to do with conflicts of interest.		
76	<b>Schemes should ensure</b> that there is an agreed and documented conflicts policy and procedure, which includes identifying, monitoring and managing potential conflicts of interest. They should keep this under regular review. Policies and procedures should include examples of scenarios giving rise to conflicts of interest, how a conflict might arise specifically in relation to a pension board member and the process that pension board members and scheme managers should follow to address a situation where board members are subject to a potential or actual conflict of interest.		
77	Broadly, <b>schemes should consider potential conflicts</b> of interest in three stages:  identifying  monitoring, and  managing.		
78	<b>Schemes should cultivate a culture of openness and transparency. They should recognise</b> the need for continual consideration of potential conflicts. Disclosure of interests which have the potential to become conflicts of interest should not be ignored. Pension <b>board members should have a clear understanding of their role</b> and the circumstances in which they may find themselves in a position of conflict of interest. They should know how to manage potential conflicts.		
79	<b>Pension board members</b> , and people who are proposed to be appointed to a pension board, <b>must provide</b> scheme managers with <b>information</b> that they reasonably require to be satisfied that pension board members and proposed members do not have a conflict of interest.		
80	<b>Schemes should ensure</b> that pension board members are appointed under procedures that require them to disclose any interests, including other responsibilities, which could become conflicts of interest and which may adversely affect their suitability for the role, before they are appointed.		

81	All terms of engagement, for example appointment letters, <b>should include a clause requiring disclosure</b> of all interests, including any other responsibilities, which have the potential to become conflicts of interest, as soon as they arise. All interests disclosed should be recorded. See the section of this code on 'Monitoring potential conflicts'.		
82	<b>Schemes should take time to consider</b> what important matters or decisions are likely to be considered during, for example, the year ahead and identify and consider any potential or actual conflicts of interest that may arise in the future. <b>Pension board members should be notified as soon as practically possible and mitigations should be put in place</b> to prevent these conflicts from materialising.		
83	As part of their risk assessment process, <b>schemes should identify, evaluate and manage dual interests</b> which have the potential to become conflicts of interest and pose a risk to the scheme and possibly members, if they are not mitigated. <b>Schemes should evaluate</b> the nature of any dual interests and assess the likely consequences were a conflict of interest to materialise.		
84	<b>A register of interests should provide</b> a simple and effective means of recording and monitoring dual interests and responsibilities. <b>Schemes should also capture decisions</b> about how to manage potential conflicts of interest in their risk registers or elsewhere. The register of interests and other relevant <b>documents should be circulated to</b> the pension board for ongoing review and published, for example on a scheme's website.		
85	<b>Conflicts of interest should be included as an opening agenda item</b> at board meetings and revisited during the meeting, where necessary. This provides an opportunity for those present to declare any interests, including other responsibilities, which <b>have the potential to become conflicts of interest</b> , and to minute discussions about how they will be managed to prevent an actual conflict arising.		
86	<b>Schemes should establish and operate procedures</b> which ensure that pension boards are not compromised by potentially conflicted members. They <b>should consider</b> and determine the roles and responsibilities of pension boards and individual board members carefully to ensure that conflicts of interest do not arise, nor are perceived to have arisen.		
90	While scheme regulations <b>must require pension boards to have an equal number</b> of employer and member representatives, there is flexibility to design arrangements which best suit each scheme.		

91	<p>Arrangements should be designed with regard to the principles of proportionality, fairness and transparency, and with the aim of ensuring that a pension board has the right balance of skills, experience and representation (for example, of membership categories and categories of employers participating in the scheme). <b>Those responsible for appointing members to a pension board should also consider the mix of skills</b> and experience needed on the pension board in order for the board to operate effectively in light of its particular role, responsibilities and duties.</p>		
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**Publishing Information about Schemes**

92	<p><b>The scheme manager for a public service scheme must publish information</b> about the pension board for the scheme(s) and <b>keep that information up-to-date.</b></p>		
93	<p>The information <b>must include:</b></p> <ul style="list-style-type: none"> <li>who the members of the pension board are</li> <li>representation on the board of members of the scheme(s), and</li> <li>the matters falling within the pension board’s responsibility.</li> </ul>		
94	<p>Scheme members will want to know that their scheme is being efficiently and effectively managed. Public service pension <b>schemes should have a properly constituted</b>, trained and competent pension board, which is responsible for assisting the scheme manager to comply with the scheme regulations and other legislation relating to the governance and administration of the scheme and requirements imposed by the regulator.</p>		
95	<p><b>Scheme managers must publish the information required about the pension board</b> and keep that information up-to-date. This will ensure that scheme members can easily access information about who the pension board members are, how pension scheme members are represented on the pension board and the responsibilities of the board as a whole.</p>		

96	<p>When publishing information about the identity of pension board members, the representation of scheme members and matters for which the board is responsible, <b>schemes should also publish</b> useful related information about the pension board such as:</p> <p>the employment and job title (where relevant) and any other relevant position held by each board member</p> <p>the pension board appointment process</p> <p>who each pension board member represents</p> <p>the full terms of reference for the pension board, including details of how it will operate, and</p> <p>any specific roles and responsibilities of individual pension board members.</p>		
97	<p>Schemes <b>should also consider publishing information</b> about pension board business, for example board papers, agendas and minutes of meetings (redacted to the extent that they contain confidential information and/or data covered by the Data Protection Act 1998). They <b>should consider any requests for additional information</b> to be published, to encourage scheme member engagement and promote a culture of transparency.</p>		
98	<p><b>Scheme managers must ensure that information published about the pension board is kept up-to-date. Schemes should have policies</b> and processes to monitor all published data on an ongoing basis to ensure it is accurate and complete.</p>		

## Managing Risks

104	<p>Good internal controls are an important characteristic of a well-run scheme and one of the main components of the scheme manager's role in securing the effective governance and administration of the scheme. Internal controls can help protect pension schemes from adverse risks, which could be detrimental to the scheme and members if they are not mitigated.</p>		Discussed at each Board meeting
105	<p><b>Scheme managers must establish and operate internal controls. These should address</b> significant risks which are likely to have a material impact on the scheme. Scheme managers <b>should employ a risk-based approach</b> and ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls. They <b>should seek advice, as necessary.</b></p>		Discussed at each Board meeting



106	<p>Before implementing an internal controls framework, <b>schemes should carry out a risk assessment.</b> They should begin by:</p> <p>setting the objectives of the scheme</p> <p>determining the various functions and activities carried out in the running of the scheme, and</p> <p>identifying the main risks associated with those objectives, functions and activities.</p>		Discussed at each Board meeting
107	<p>An effective risk assessment process will help schemes to identify a wide range of internal and external risks, which are critical to the scheme and members. When identifying risks, <b>schemes should refer to relevant sources</b> of information, such as records of internal disputes and legislative breaches, the register of interests, internal and external audit reports and service contracts.</p>		Discussed at each Board meeting
108	<p>Once schemes have identified risks, they <b>should record them in a risk register and review them regularly. Schemes should keep appropriate records</b> to help scheme managers demonstrate steps they have taken to comply, if necessary, with legal requirements.</p>		Discussed at each Board meeting
109	<p><b>should consider both these areas</b> when determining the order of priority for managing risks and focus on those areas where the impact and likelihood of a risk materialising is high.</p>		Discussed at each Board meeting
110	<p>administering authority. <b>Schemes should review their existing arrangements and procedures</b> to determine whether they can prevent and detect errors in scheme operations and help mitigate pension scheme-related risks. For example, schemes could obtain assurance about their existing controls through direct testing or by obtaining reports on controls. <b>Any such review should be appropriate to the outcome of the risk evaluation.</b></p>		Discussed at each Board meeting
111	<p><b>Schemes should consider what internal controls are appropriate to mitigate the main risks they have identified and how best to monitor them.</b> For example, the scheme manager(s) for a funded scheme should establish and operate internal controls that regularly assess the effectiveness of investment-related decision making. Scheme managers for all pension schemes should establish and operate internal controls that regularly assess the effectiveness of data management and record-keeping.</p>		Discussed at each Board meeting
113	<p>Risk assessment is a <b>continual process and should take account of a changing environment</b> and new and emerging risks, including significant changes in or affecting the scheme and employers who participate in the scheme.</p>		Discussed at each Board meeting
114	<p>For example, where relevant, <b>schemes should put in place systems and processes for making an objective assessment of the strength of an employer's covenant</b> (which should include analysis of their financial position, prospects and ability to pay the necessary employer contributions).</p>		In Place - exercise to be undertaken again soon
115	<p>An effective risk assessment process will provide a mechanism to detect weaknesses at an early stage. <b>Schemes should periodically review the adequacy of internal controls in:</b></p> <p>mitigating risks</p> <p>supporting longer-term strategic aims, for example relating to investments</p> <p>identifying success (or otherwise) in achieving agreed objectives, and</p> <p>providing a framework against which compliance with the scheme regulations and legislation can be monitored.</p>		

116	<p><b>Internal or external audits and/or quality assurance processes should ensure that adequate internal controls are in place and being operated effectively.</b> Reviews should take place when substantial changes take place, such as changes to pension scheme personnel, implementation of new administration systems or processes, or where a control has been found to be inadequate.</p>		<p>Annually reviewed by Wales Audit Office. Internal Audit completed in 2016 - still awaiting final report for signing.</p>
119	<p>The legal requirements relating to internal controls apply equally where schemes outsource services connected with the running of the scheme. <b>Providers should be required to demonstrate that they will have adequate internal controls in their tenders</b> for delivering services. <b>The requirements should be incorporated in the terms of engagement</b> and contract between the scheme and service provider. Outsourced services may include, for example, the maintenance of records and data, calculation of benefits and investment management services. Where services are outsourced, <b>scheme managers should be satisfied that internal controls associated with those services are adequate and effective.</b></p>		
120	<p>An increasing number of service providers are obtaining independent assurance reports to help demonstrate their ability to deliver quality administration services. <b>Schemes should ask their service providers to demonstrate</b> that they have adequate internal controls relating to the services they provide. <b>It is vital that schemes ensure they receive sufficient assurance from service providers.</b> For example, the information from providers should be sufficiently detailed and comprehensive and the <b>service level agreements should cover all services that are outsourced. Schemes should also consider including provisions in contracts for outsourced services requiring compliance with appropriate standards.</b> This should help to ensure effective administration.</p>		
<b>Administration</b>			
124	<p>Failure to maintain complete and accurate records and put in place effective internal controls to achieve this can affect the ability of schemes to carry out basic functions. Poor record-keeping can result in schemes failing to pay benefits in accordance with scheme regulations, processing incorrect transactions and ultimately paying members incorrect benefits. For funded schemes, it may lead to schemes managing investment risks ineffectively. There is also the potential for the maladministration of members' contributions and failure to identify any misappropriation of assets. <b>Schemes should be able to demonstrate to the regulator, where required, that they keep accurate, up-to-date and enduring records to be able to govern and administer their pension scheme efficiently.</b></p>		<p>Data Quality testing Undertaken in 2018.</p>
125	<p><b>Scheme managers must establish and operate adequate internal controls, which should include processes</b> and systems to support record-keeping requirements and ensure that they are effective at all times.</p>		<p>Data Quality and Testing Policy in place</p>
126	<p><b>Scheme managers must ensure that member data across all membership categories specified in the Record Keeping Regulations is complete and accurate. Member data should be subject to regular data evaluation.</b></p>		<p>Data Quality and Testing Policy in place</p>

127	<b>Scheme managers must keep specific member data, which will enable them to uniquely identify a scheme member and calculate benefits correctly.</b> This is particularly important with the establishment of career average revalued earnings (CARE) schemes. <b>Scheme managers must be able to provide members with accurate information regarding their pension benefits (accrued benefits to date and their future projected entitlements)</b> in accordance with legislative requirements, as well as pay the right benefits to the right person (including all beneficiaries) at the right time.		
128	<b>Schemes should require participating employers to provide them with timely and accurate data in order</b> for the scheme manager to be able to fulfil their legal obligations. <b>Schemes should seek to ensure that processes are established by employers</b> which enable the transmission of complete and accurate data from the outset. Processes will vary from employer to employer, depending on factors such as employee turnover, pay periods, number of employees who are members and the timing and number of payroll processing systems.		
129	<b>Schemes should seek to ensure that employers understand the main events</b> which require information about members to be passed from the employer to the scheme and/or another employer, such as when an employee:  joins or leaves the scheme  changes their rate of contributions  changes their name, address or salary  changes their member status, and  transfers employment between scheme employers.		Guidance and training provided at time of Admission into Fund
130	<b>Schemes should ensure that appropriate procedures and timescales are in place for scheme employers to provide updated information when member data changes,</b> for checking scheme data against employer data and for receiving information which may affect the profile of the scheme. If an employer fails to act according to the procedures set out above, meaning that they and/or scheme managers may not be complying with legal requirements, those under a statutory duty to report breaches of the law to the regulator under section 70 of the Pensions Act 2004 should assess whether there has been a relevant breach and take action as necessary.		Guidance and training provided at time of Admission into Fund
131	<b>Schemes should be able to trace the flow of funds into and out of the scheme and reconcile these against expected contributions and scheme costs.</b> In doing so, they will have clear oversight of the core scheme transactions and <b>should be able to mitigate risks swiftly.</b>		
132	Scheme managers <b>must keep records of transactions made to and from</b> the scheme and any amount due to the scheme which has been written off. They <b>should be able to demonstrate</b> that they do so.		
133	<b>Scheme managers must keep records of pension board meetings including any decisions made. Schemes should also keep records of key discussions,</b> which may include topics such as compliance with policies relating to administration of the scheme.		Available in Minutes
134	<b>Scheme managers must also keep records relating to any decision taken by members of the pension board other than at a pension board meeting, or taken by a committee/sub-committee, which has not been ratified by the pension board. The records must include the date, time and place of the decision and the names of board members participating in that decision. This will ensure that there is a clear and transparent audit trail of the decisions made in relation to the scheme.</b>		Available in Minutes

135	<b>Schemes should retain records for as long as they are needed.</b> It is likely that data will need to be held for long periods of time and schemes will need to retain some records for a member even after that individual has retired, ensuring that pension benefits can be properly administered over the lifetime of the member and their beneficiaries. <b>Schemes should have in place adequate systems and processes to enable the retention</b> of records for the necessary time periods.		Currently 15 years following GDPR review.
136	<b>Schemes should have policies and processes that monitor data on an ongoing basis to ensure it is accurate and complete,</b> regardless of the volume of scheme transactions. This <b>should be in relation to all membership categories</b> , including pensioner member data where queries may arise once the pension is being paid.		Monthly Data exchange and cleanse via iconnect
137	<b>Schemes should adopt a proportionate and risk-based approach to monitoring,</b> based on any known or historical issues that may have occurred in relation to the scheme's administration. This is particularly important for the effective administration of CARE pension schemes, which requires schemes to hold significantly more data than needed for final salary schemes.		
138	<b>Schemes should continually review their data and carry out a data review exercise at least annually.</b> This <b>should include an assessment of the accuracy and completeness</b> of the member information data held. Schemes should decide the frequency and nature of the review in light of factors such as the level of data quality, any issues identified and key scheme events.		Data Quality testing and Improvement Plan
139	Where the <b>management of scheme data has been outsourced, it is vital that schemes understand and are satisfied that the controls in place will ensure the integrity of scheme member data.</b> They <b>should ensure that the administrator has assessed the risks that poor or deficient member records</b> may present to the scheme and has taken the necessary steps to mitigate them, where applicable.		Data Quality testing and Improvement Plan
140	Where there has been a change of administrator or the administration system/platform, <b>schemes should review and cleanse data records and satisfy themselves</b> that all data are complete and accurate.		
141	Where schemes <b>identify poor quality or missing data, they should put a data improvement plan in place</b> to address these issues. The plan <b>should have specific data improvement measures</b> which schemes can monitor and a defined end date within a reasonable timeframe when the scheme will have complete and accurate data.		Data Quality testing and Improvement Plan
142	<b>Schemes should ensure that member records are reconciled with information held by the employer,</b> for example postal address or electronic address (email address) changes and new starters. Schemes should also ensure that the numbers of scheme members is as expected based on the number of leavers and joiners since the last reconciliation. Schemes should be able to determine those members who are approaching retirement, those who are active members and those who are deferred members.		Monthly/Annual Reconciliation
143	Schemes <b>must ensure that processes that are created to manage scheme member data meet the requirements of the Data Protection Act 1998 and the data protection principles.</b>		reviewed under GDPR May 2018
144	Schemes <b>should understand:</b> <ul style="list-style-type: none"> <li>• their obligations as data controllers and who the data processors are in relation to the scheme</li> <li>• the difference between personal data and sensitive personal data (as defined in the Data Protection Act 1998)</li> <li>• how data are held and how they should respond to data requests from different parties</li> <li>• the systems which need to be in place to store, move and destroy data, and</li> <li>• how data protection affects member communications.</li> </ul>		reviewed under GDPR May 2018
146	Where applicable, schemes should be able to demonstrate that they keep records in accordance with these and any other relevant legal requirements. Schemes should read the relevant legislation and any guidance in conjunction with this code where applicable.		reviewed under GDPR May 2018

Maintaining Contributions		
147	<p><b>Employer contributions must be paid to the scheme in accordance with any requirements in the scheme regulations.</b> Where employer contributions are not paid on or before the date they are due under the scheme and the scheme manager has reasonable cause to believe that the failure is likely to be of material significance to the regulator in the exercise of any of its functions, the scheme manager must give a written report of the matter to the regulator as soon as reasonably practicable.</p>	Breaches Log and Policy in place
148	<p><b>at the latest by the 19th day of the month following the deduction, or by the 22nd day if paid electronically</b> (the 'prescribed period'), or earlier if required by scheme regulations. References to 'days' means all days. References to 'working days' do not include Saturdays, Sundays or Bank Holidays.</p>	
149	<p><b>failure is likely to be of material significance</b> to the regulator in the exercise of any of its functions, they <b>must give notice of the failure to the regulator</b> and the member within a reasonable period after the end of the prescribed period. Where there is a failure to pay employee contributions on an earlier date in accordance with scheme regulations, <b>schemes should also consider their statutory duty under section 70 of the Pensions Act 2004 to assess and if necessary report breaches of the law.</b> For more information about reporting breaches of the law, see this section of the code.</p>	
150	<p>As part of the requirement to establish and operate adequate internal controls, <b>scheme managers should ensure that there are effective procedures and processes in place to identify payment failures that are – and are not – of material significance to the regulator.</b> A 'payment failure' is where contribution payments are not paid to the scheme by the due date(s), or within the prescribed period and a 'materially significant payment failure' refers to a payment failure which is likely to be of material significance to the regulator in the exercise of its functions.</p>	Breaches Log and Policy in place
151	<p>Schemes <b>should monitor pension contributions, resolve payment issues and report payment failures, as appropriate,</b> so that the scheme is administered and managed in accordance with the scheme regulations and other legal requirements.</p>	
152	<p>Adequate procedures and processes are likely to involve:</p> <ul style="list-style-type: none"> <li>developing a record to monitor the payment of contributions</li> <li>monitoring the payment of contributions</li> <li>managing overdue contributions, and</li> <li>reporting materially significant payment failures.</li> </ul>	
153	<p>These procedures and processes <b>should help scheme managers to meet their statutory duty to report materially significant payment failures to the regulator,</b> as well as ensuring the effective management of scheme contributions and payment of the right pension.</p>	Breaches Log and Policy in place
155	<p>Public service pension schemes which meet these exemptions <b>should nonetheless develop a record for monitoring the payment of contributions to the scheme</b> (a contribution monitoring record, which must reflect any requirements in scheme regulations where relevant). <b>Schemes should prepare the contributions monitoring record in consultation with employees.</b></p>	
156	<p>A contributions monitoring record will enable schemes to check whether contributions have been paid on time and in full, and, if they have not, provide a trigger for escalation for schemes to investigate the payment failure and consideration of whether scheme managers need to report to the regulator and, where relevant, members.</p>	

157	<p>A <b>contributions monitoring record should include the following information:</b></p> <ul style="list-style-type: none"> <li>• contribution rates</li> <li>• the date(s) on or before which employer contributions are to be paid to the scheme</li> <li>• the date by when, or period within which, the employee contributions are to be paid to the scheme</li> <li>• the rate or amount of interest payable where the payment of contributions is late.</li> </ul>		
158	The date when employer contributions must be paid is the date on or before which they are due under the scheme in accordance with the scheme regulations (or other scheme documentation). Schemes should assess the timing of payments against the date specified.		
161	Schemes <b>should monitor contributions on an ongoing basis for all the membership categories within the scheme. Schemes should regularly check payments due against the contributions monitoring record.</b>		
162	Schemes <b>should apply a risk-based and proportionate approach to help identify employers and situations which present a higher risk of payment failures</b> occurring and which are likely to be of material significance and require the scheme manager to intervene.		
163	Schemes <b>should be aware of what is to be paid in accordance with the contributions monitoring record</b> or other scheme documentation, which may be used by the pension scheme. Schemes <b>should also have a process in place to identify where payments are late or have been underpaid, overpaid or not paid at all.</b>		
165	Schemes <b>should have adequate internal controls in place to monitor the sharing of payment information between the employer, pension scheme and member.</b> Where the necessary payment information is not automatically available or provided by employers, <b>schemes should request the additional information</b> they need. Schemes may not need to obtain payment information as a matter of course, only where it is required for effective monitoring.		
166	Scheme managers must record and retain information on transactions, including any employer and employee contributions received and payments of pensions and benefits, which will support them in their administration and monitoring responsibilities.		
167	Where the <b>administration of scheme contributions is outsourced</b> to a service provider, <b>schemes should ensure that there is a process in place to obtain regular information on the payment of contributions to the scheme</b> and a <b>clear procedure in place</b> to enable them to identify and resolve payment failures which may occur.		
168	<p>When schemes identify or are notified of a problem, they <b>should assess whether a payment failure has occurred before taking steps to resolve and, if necessary, report it.</b> During their assessment, <b>schemes should take into account:</b></p> <ul style="list-style-type: none"> <li>• legitimate agreed payments made directly by an employer for scheme purposes, ie where the scheme has agreed that a contributions payment can be made late due to exceptional circumstances</li> <li>• legitimate agreed payment arrangements made between an employee and employer, ie where the employer has agreed that a contribution payment can be made late due to exceptional circumstances</li> <li>• contributions paid directly to a pension provider, scheme administrator or investment manager</li> <li>• any AVCs included with an employer's overall payment.</li> </ul>		

169	<p>Where schemes identify a payment failure, they should follow a process to resolve issues quickly. This should normally involve the following steps:</p> <p>a. Investigate any apparent employer failure to pay contributions in accordance with the contributions monitoring record or legal requirements.</p> <p>b. Contact the employer promptly to alert them to the payment failure and to seek to resolve the overdue payment.</p> <p>c. Discuss it further with the employer as soon as practicable to find out the cause and circumstances of the payment failure.</p> <p>d. Ask the employer to resolve the payment failure and take steps to avoid a recurrence in the future.</p>		
170	<p>information will help to provide evidence of schemes' effective monitoring processes and could help to demonstrate that the scheme manager has met the legal requirement to establish and operate adequate internal controls. It will also form part of the decision of whether or not to report a payment failure to the regulator and, where relevant, members.</p>		
171	<p>The regulator recognises that a monitoring process based on information provided by employers may not be able to confirm deliberate underpayment or non-payment, or fraudulent behaviour by an employer. Schemes <b>should review current processes or develop a new process which is able to detect situations where fraud</b> may be more likely to occur and where additional checks may be appropriate.</p>		
<b>Providing information to Members</b>			
188	<p>Scheme regulations must require scheme managers to provide an annual benefit information statement to each active member of a DB scheme established under the 2013 Act or new public body scheme. The statement must include a description of the benefits earned by a member in respect of their pensionable service.</p>		Procedures in place
189	<p>The first statement must be provided no later than 17 months after the scheme regulations establishing the scheme come into force. Subsequent statements must be provided at least annually after that date.</p>		Procedures in place
190	<p>Statements must also comply with HM Treasury directions in terms of any other information which must be included and the manner in which they must be provided to members.</p>		Annual Review exercise on All Wales basis
191	<p>Managers of a scheme must also provide a benefit statement following a request by an active, deferred or pension credit member of a DB scheme if the information has not been provided to that member in the previous 12 months before that request.</p>		Procedures in place
192	<p>These benefit statements must include information about the amount of benefits by reference to a particular date and how they are calculated. The full details depend on the type of member making the request.</p>		Compliant
193	<p>The information must be given as soon as practicable but no more than two months after the date the request is made.</p>		Procedures in place

196	<p>Under the Disclosure Regulations 2013, managers of a scheme must provide other information to members and others in certain circumstances (for example, on request). The Regulations set out the information which must be given, the timescales for providing such information and the methods that may be used. Not all information must be provided in respect of all public service pension schemes (there are some exemptions for specified public service schemes or according to the type of benefit offered), but information which scheme managers may need to provide includes:</p> <ul style="list-style-type: none"> <li>• basic scheme information</li> <li>• information about the scheme that has materially altered</li> <li>• information about the constitution of the scheme</li> <li>• annual report (this requirement will generally not apply to unfunded DB public service pension schemes and DB schemes for local government workers) information about funding principles, actuarial valuations and payment schedules (these requirements will generally not apply to unfunded DB public service pension schemes and DB schemes for local government workers)</li> <li>• information about transfer credits</li> <li>• information about lifestyling (this requirement will not apply in respect of DB benefits in public service pension schemes)</li> <li>• information about accessing benefits, and</li> <li>• information about benefits in payment.</li> </ul>		Compliant
197	<p>The detail of the information that must be provided to scheme members and others and any exemptions are set out in the Disclosure Regulations 2013. Managers must provide the required information, along with confirmation that members may request further information and the postal and email addresses to which a person should send those requests and enquiries.</p>		
198	<p>Managers of a scheme must ensure that scheme members and others are given information in accordance with the Disclosure Regulations 2013, unless they are an 'excluded person' (as defined above).</p>		



199	<p>The Disclosure Regulations 2013 make provision for scheme members and others to receive information that is relevant to their pension rights and entitlements under the scheme. The categories of people who are entitled to receive information vary according to the different types of information, and there are exemptions where information has already been provided in a specified period. The detail of who is entitled to any particular type of information is set out in the Disclosure Regulations 2013 but may include any of the following ('a relevant person'):</p> <ul style="list-style-type: none"> <li>• active members</li> <li>• deferred members</li> <li>• pensioner members</li> <li>• prospective members</li> <li>• spouses or civil partners of members or prospective members</li> <li>• other beneficiaries, and</li> <li>• recognised trade unions.</li> </ul>		
200	<p>Managers must disclose certain basic information about the scheme and the benefits it provides to a prospective member (if practicable to do so) or a new member. Where the manager has received jobholder information for the member or prospective member they must provide the information within a month of the jobholder information being received. Where they have not received jobholder information, they must provide the information within two months of the date the person became an active member of the scheme.</p>		procedures in place. Compliant.
201	<p>Managers must also provide information on request to a relevant person within two months of the request being made, except where the same information was provided to the same person or trade union in the 12 month before the request.</p>		Compliant. Procedures in place in workflow system.

203	<p>Generally, schemes may choose how they provide information to scheme members, including by post, electronically (by email or by making it available on a website) or by any other means permitted by the law. For benefit statements issued under the 2013 Act, HM Treasury directions may specify how the information must be provided. Where schemes wish to provide information required under the Disclosure Regulations 2013 by electronic means there are important steps and safeguards that must first be met. These include:</p> <ul style="list-style-type: none"> <li>• scheme members and beneficiaries being provided with the option to opt out of receiving information electronically by giving written notice to the scheme</li> <li>• managers being satisfied that the electronic communications have been designed: <ul style="list-style-type: none"> <li>– so that the person will be able to access and either store or print the relevant information and</li> <li>– taking into account the requirements of disabled people</li> <li>• ensuring that members and beneficiaries who were members or beneficiaries of the public service pension scheme on 1 December 2010 (where the scheme had not provided information electronically prior to that date) has been sent a written notice (other than via email or website), informing them that: <ul style="list-style-type: none"> <li>– it is proposed to provide information electronically in the future and</li> <li>– scheme members and beneficiaries may opt out of receiving information electronically by sending written notice.</li> </ul> </li> </ul> </li> </ul>		<p>Exercise carried out and majority of scheme documentation delivered electronically, except to those who have opted out of e-communications</p>
204	<p>Where schemes make information or a document available on a website for the first time, they must give notice (other than via a website) to the recipient. They must ensure that the notice includes:</p> <ul style="list-style-type: none"> <li>• a statement advising that the information is available on the website</li> <li>• the website address</li> <li>• details of where on the website the information or document can be read, and</li> <li>• an explanation of how the information or document may be read on the website.</li> </ul>		<p>Compliant</p>

205	<p>When any subsequent information is made available on a website, managers of a scheme must give a notice (other than via a website) to recipients informing them that the information is available on the website. This notice will not be required where:</p> <ul style="list-style-type: none"> <li>• at least two documents have been given to the recipient by hand or sent to the recipient's last known postal address</li> <li>• each of those letters asks the recipient to give their electronic (email) address to the scheme and informs the recipient of their right to request (in writing) that information or documents are not to be provided electronically</li> <li>• a third letter has been given to the recipient by hand or sent to the recipient's last known postal address and includes a statement that further information will be available to read on the website and that no further notifications will be sent to the recipient and</li> <li>• the managers of the scheme do not know the recipient's email address and have not received a written request that information or documents are not to be provided to the recipient electronically.</li> </ul>		Exercise carried out and majority of scheme documentation delivered electronically, except to those who have opted out of e-communications
206	<p>In some cases, the Disclosure Regulations 2013 specify that information must be made available by one of the following methods:</p> <ul style="list-style-type: none"> <li>• available to view free of charge, at a place that is reasonable having regard to the request</li> <li>• published on a website (in which case the procedure to be followed before making information available on a website does not apply, except that the person or trade union must be notified of certain details)</li> <li>• given for a charge that does not exceed the expense incurred in preparing, posting and packing the information, or</li> <li>• publicly available elsewhere.</li> </ul>		Compliant
207	<p>Schemes should design and deliver communications to scheme members in a way that ensures they are able to engage with their pension provision. Information should be clear and simple to understand as well as being accurate and easily accessible. It is important that members are able to understand their pension arrangements and make informed decisions where required.</p>		Ongoing Exercise
208	<p>Schemes should attempt to make contact with their scheme members and, where contact is not possible, schemes should carry out a tracing exercise to locate the member and ensure that their member data are up-to-date.</p>		Numbers of "Gone Away" members identified. Address tracing exercise to be undertaken mid 2019
209	<p>Where a person has made a request for information, schemes should acknowledge receipt if they are unable to provide the information at that stage. Schemes may encounter situations where the time period for providing information takes longer than expected. In these circumstances, schemes should notify the person and let them know when they are likely to receive the information. Scheme managers and managers (where different) must provide information in accordance with the time periods specified in the 2013 Act and Disclosure Regulations 2013.</p>		Compliant
210	<p>To promote transparency, schemes should make information readily available at all times to ensure that prospective and existing members are able to access information when they require it.</p>		Website, Intranet

## Resolving Issues

216	Dispute resolution arrangements may require people with an interest in the scheme to first refer matters in dispute to a 'specified person' in order for that person to consider and give their decision on those matters. The specified person's decision may then be confirmed or replaced by the decision taken by the scheme manager after reconsideration of the matters.		Pensions Decision - Pensions Administration Manager. Employer decision - HR Manager
217	Scheme managers and specified persons (if used as part of a scheme's procedure) must take the decision required on the matters in dispute within a reasonable period of receiving the application. They must notify the applicant of the decision within a reasonable period of having taken it.		IDRP information made available to Specified Person
218	Internal dispute resolution procedures must state the manner in which an application for the resolution of a pension dispute is to be made, the particulars which must be included in such an application and the manner in which any decisions required in relation to such an application are to be reached and given. The procedure must specify a reasonable period within which applications must be made by certain people.		Detail in Letter.
219	Scheme managers must provide information about the scheme's dispute resolution procedure as well as information about The Pensions Advisory Service (TPAS) and the Pensions Ombudsman to certain people at certain stages.		Included in letters
220	Scheme members expect their pension scheme to be managed effectively. Where a person with an interest in the scheme is not satisfied with any matter relating to the scheme (for example a decision which affects them), they have the right to ask for that matter to be reviewed.		Included in letters
222	Schemes can operate a two-stage procedure with a 'specified person' undertaking the first-stage decision. Alternatively, they may adopt a single-stage procedure if they consider that is more appropriate for their scheme.		Two-stage adopted
223	With the exception of certain matters outlined below, the law does not prescribe the detail of the dispute resolution procedure. Schemes should decide on this and ensure it is fit for purpose.		Noted.
224	<p>Schemes may choose to specify time limits within which the following people must apply for a dispute to be resolved:</p> <ul style="list-style-type: none"> <li>• scheme members</li> <li>• widows, widowers, surviving civil partners or surviving dependants of deceased scheme members</li> <li>• surviving non-dependant beneficiaries of deceased scheme members, and</li> <li>• prospective scheme members.</li> </ul>		Within 6 months of being notified of decision

225	If schemes decide to specify time limits, they should publish and make those time limits readily available to ensure that those with an interest in the scheme are aware that they must submit an application within a prescribed time limit.		Within 6 months of being notified of decision
226	<p>Scheme managers must ensure their scheme's procedure specifies a reasonable period within which applications by the following people must be made:</p> <ul style="list-style-type: none"> <li>• a person who has ceased to be within the categories in paragraph 224 above</li> <li>• a person who claims that they were a person within the categories in paragraph 224 above and has ceased to be such a person, and the dispute relates to whether they are such a person.</li> </ul>		Noted.
227	A reasonable period would be six months beginning immediately after the date on which the person ceased to be, or claims they ceased to be, a person with an interest in the scheme. However, schemes have the flexibility to exercise their judgement and take an application outside a specified time period, if appropriate.		6 months applied
228	Managers and specified persons (where applicable) must decide the matter in dispute within a reasonable period of receiving the application. A reasonable period is within four months of receiving the application. In the case of a two-stage dispute resolution procedure, the reasonable period applies to each stage separately. Where a dispute is referred to scheme managers for a second-stage decision, the reasonable period begins when the managers receive the referral. However, there may be cases where it will be possible to process an application sooner than the reasonable time given. Where this is the case, there should not be a delay in taking the decision.		Matter to be acted upon quickly but within 4 months
229	There may be exceptional circumstances of a particular dispute which may prevent the process being completed within the reasonable time period stated above. For instance, where the dispute involves unusually complex and labour-intensive calculations or research, or delays occur that are outside the control of the scheme manager (or specified person), or because they need to obtain independent evidence.		Noted.
230	The regulator recognises that the circumstances of each dispute are different and decision times may vary. Schemes should be satisfied that the time taken to reach a decision is appropriate to the situation and be able to demonstrate this, if necessary.		Procedure is documented and evidenced
231	Applicants must be notified of the decision made by a scheme manager and specified person (where applicable) within a reasonable time period after the decision has been made <sup>123</sup> . Schemes should usually notify applicants of the decision no later than 15 working days after the decision has been made. However, there may be cases where it is possible to notify an applicant sooner than the reasonable time given. Where this is the case, there should not be a delay in notifying them of the decision.		Procedures in place to notify
232	Applicants must be notified of the decision made by a scheme manager and specified person (where applicable) within a reasonable time period after the decision has been made <sup>123</sup> . Schemes should usually notify applicants of the decision no later than 15 working days after the decision has been made. However, there may be cases where it is possible to notify an applicant sooner than the reasonable time given. Where this is the case, there should not be a delay in notifying them of the decision.		Procedures in place to notify

233	Scheme regulations or other documents recording policy about the administration of the scheme should specify internal dispute resolution arrangements. Schemes should focus on educating and raising awareness of their internal dispute resolution arrangements and ensuring that they are implemented.		Included in correspondence.
234	Schemes should ensure that the effectiveness of the arrangements is assessed regularly and be satisfied that those following the process are complying with the requirements set, which includes effective decision making. This is particularly important where the arrangements require employers participating in the pension scheme to carry out duties as part of the process, for example where schemes have implemented the two-stage procedure and employers are acting as the specified person for the first stage		Guidance provided to Employers and individuals where appropriate
235	Schemes should confirm and communicate their arrangements to members, for example, in the joining booklet. Schemes should make their arrangements accessible to potential applicants, for example by publishing them on a scheme website.		Information readily available
236	<p>Scheme managers must provide the following information about the procedure and processes the scheme has in place for the internal resolution of disputes to certain people in certain circumstances<sup>124</sup>:</p> <ul style="list-style-type: none"> <li>• prospective members, if it is practicable to do so</li> <li>• any scheme members who have not already been given the information</li> <li>• certain relevant people who request the information and who have not been given that information in the previous 12 months, and</li> <li>• members or prospective members when schemes receive jobholder information, or when a jobholder becomes an active member, in connection with automatic enrolment.</li> </ul>		Information available.
237	Scheme managers must also provide the postal or email address and job title of the person to contact in order to make use of the internal dispute arrangements.		Included in correspondence
238	<p>In addition, scheme managers must provide information about TPAS and the Pensions Ombudsman at certain stages<sup>125</sup>. Upon receiving an application for the resolution of a pension dispute, scheme managers (or the specified person) must make the applicant aware as soon as reasonably practicable that TPAS is available to assist members and beneficiaries of the scheme and provide contact details for TPAS. When notifying the applicant of the decision, scheme managers must also inform the applicant that the Pensions Ombudsman is available to investigate and determine complaints or disputes of fact or law relating to a public service pension scheme and provide the Pension Ombudsman's contact details.</p>		Included in correspondence

239	<p>Schemes can decide what information they need from applicants to reach a decision on a disputed matter and how applications should be submitted. Schemes should ensure they make the following information available to applicants:</p> <ul style="list-style-type: none"> <li>• the procedure and processes to apply for a dispute to be resolved</li> <li>• the information that an applicant must include</li> <li>• the process by which any decisions are reached, and</li> <li>• an acknowledgement once an application has been received.</li> </ul>		Information available.
240	<p>When reviewing an application, scheme managers and specified persons (where relevant) should ensure that they have all the appropriate information to make an informed decision. They should request further information if required. Scheme managers and specified persons should be satisfied that the times taken to reach a decision and notify the applicant are appropriate to the situation and that they have taken the necessary action to meet the reasonable time periods. Scheme managers should be able to demonstrate this to the regulator if required.</p>		Noted.
<b>Reporting Breaches of the Law</b>			
244	<p>Schemes should be satisfied that those responsible for reporting breaches are made aware of the legal requirements and this guidance. Schemes should provide training for scheme managers and pension board members. All others under the statutory duty to report should ensure they have a sufficient level of knowledge and understanding to fulfil that duty. This means having sufficient familiarity with the legal requirements and procedures and processes for reporting.</p>		
245	<p>Identifying and assessing a breach of the law is important in reducing risk and providing an early warning of possible malpractice in public service pension schemes. Those people with a responsibility to report breaches, including scheme managers and pension board members, should establish and operate appropriate and effective procedures to ensure that they are able to meet their legal obligations. Procedures should enable people to raise concerns and facilitate the objective consideration of those matters. It is important that procedures allow reporters to decide within an appropriate timescale whether they must report a breach. Reporters should not rely on waiting for others to report.</p>		

246	<p>Procedures should include the following features:</p> <ul style="list-style-type: none"> <li>• a process for obtaining clarification of the law around the suspected breach where needed</li> <li>• a process for clarifying the facts around the suspected breach where they are not known</li> <li>• a process for consideration of the material significance of the breach by taking into account its cause, effect, the reaction to it, and its wider implications, including (where appropriate) dialogue with the scheme manager or pension board</li> <li>• a clear process for referral to the appropriate level of seniority at which decisions can be made on whether to report to the regulator</li> <li>• an established procedure for dealing with difficult cases</li> <li>• a timeframe for the procedure to take place that is appropriate to the breach and allows the report to be made as soon as reasonably practicable</li> <li>• a system to record breaches even if they are not reported to the regulator (the record of past breaches may be relevant in deciding whether to report future breaches, for example it may reveal a systemic issue), and</li> <li>• a process for identifying promptly any breaches that are so serious they must always be reported.</li> </ul>		
247	<p>Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and, for funded pension schemes, making investment or investment-related decisions.</p>		
248	<p>Having ‘reasonable cause’ to believe that a breach has occurred means more than merely having a suspicion that cannot be substantiated.</p>		
249	<p>Reporters should ensure that where a breach is suspected, they carry out checks to establish whether or not a breach has in fact occurred. For example, a member of a funded pension scheme may allege that there has been a misappropriation of scheme assets where they have seen in the annual accounts that the scheme’s assets have fallen. However, the real reason for the apparent loss in value of scheme assets may be due to the behaviour of the stock market over the period. This would mean that there is not reasonable cause to believe that a breach has occurred.</p>		
250	<p>Where the reporter does not know the facts or events around the suspected breach, it will usually be appropriate to check with the pension board or scheme manager or with others who are in a position to confirm what has happened. It would not be appropriate to check in cases of theft, suspected fraud or other serious offences where discussions might alert those implicated or impede the actions of the police or a regulatory authority. Under these circumstances the reporter should alert the regulator without delay.</p>		



251	If the reporter is unclear about the relevant legal provision, they should clarify their understanding of the law to the extent necessary to form a view.		
252	In establishing whether there is reasonable cause to believe that a breach has occurred, it is not necessary for a reporter to gather all the evidence which the regulator may require before taking legal action. A delay in reporting may exacerbate or increase the risk of the breach.		
253	<p>In deciding whether a breach is likely to be of ‘material significance’ to the regulator. It would be advisable for those with a statutory duty to report to consider the:</p> <ul style="list-style-type: none"> <li>• cause of the breach</li> <li>• effect of the breach</li> <li>• reaction to the breach, and</li> <li>• wider implications of the breach.</li> </ul>		
254	When deciding whether to report, those responsible should consider these points together. Reporters should take into account expert or professional advice, where appropriate, when deciding whether the breach is likely to be of material significance to the regulator.		
255	<p>The breach is likely to be of material significance to the regulator where it was caused by:</p> <ul style="list-style-type: none"> <li>• dishonesty</li> <li>• poor governance or administration</li> <li>• slow or inappropriate decision making practices</li> <li>• incomplete or inaccurate advice, or</li> <li>• acting (or failing to act) in deliberate contravention of the law.</li> </ul>		
256	When deciding whether a breach is of material significance, those responsible should consider other reported and unreported breaches of which they are aware. However, historical information should be considered with care, particularly if changes have been made to address previously identified problems.		

257	<p>A breach will not normally be materially significant if it has arisen from an isolated incident, for example resulting from teething problems with a new system or procedure, or from an unusual or unpredictable combination of circumstances. But in such a situation, it is also important to consider other aspects of the breach such as the effect it has had and to be aware that persistent isolated breaches could be indicative of wider scheme issues.</p>		
258	<p>Reporters need to consider the effects of any breach, but with the regulator's role in relation to public service pension schemes and its statutory objectives in mind, the following matters in particular should be considered likely to be of material significance to the regulator:</p> <ul style="list-style-type: none"> <li>• pension board members not having the appropriate degree of knowledge and understanding, which may result in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements</li> <li>• pension board members having a conflict of interest, which may result in them being prejudiced in the way that they carry out their role, ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements</li> <li>• adequate internal controls not being established and operated, which may lead to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time</li> <li>• accurate information about benefits and scheme administration not being provided to scheme members and others, which may result in members not being able to effectively plan or make decisions about their retirement</li> <li>• appropriate records not being maintained, which may result in member benefits being calculated incorrectly and/or not being paid to the right person at the right time</li> <li>• pension board members misappropriating any assets of the scheme or being likely to do so, which may result in scheme assets not being safeguarded, and</li> <li>• any other breach which may result in the scheme being poorly governed, managed or administered.</li> </ul>		
259	<p>Reporters need to take care to consider the effects of the breach, including any other breaches occurring as a result of the initial breach and the effects of those resulting breaches.</p>		
260	<p>Where prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, notify any affected members, the regulator will not normally consider this to be materially significant.</p>		
261	<p>Where prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, notify any affected members, the regulator will not normally consider this to be materially significant.</p>		

262	<p>Reporters should consider the wider implications of a breach when they assess which breaches are likely to be materially significant to the regulator. For example, a breach is likely to be of material significance where the fact that the breach has occurred makes it appear more likely that other breaches will emerge in the future. This may be due to the scheme manager or pension board members having a lack of appropriate knowledge and understanding to fulfil their responsibilities or where other pension schemes may be affected. For instance, public service pension schemes administered by the same organisation may be detrimentally affected where a system failure has caused the breach to occur.</p>		
263	<p>Reports must be submitted in writing and can be sent by post or electronically, including by email or by fax. Wherever possible reporters should use the standard format available via the Exchange online service on the regulator’s website.</p>		
264	<p>The report should be dated and include as a minimum:</p> <ul style="list-style-type: none"> <li>• full name of the scheme</li> <li>• description of the breach or breaches</li> <li>• any relevant dates</li> <li>• name of the employer or scheme manager (where known)</li> <li>• name, position and contact details of the reporter, and</li> <li>• role of the reporter in relation to the scheme.</li> </ul>		
265	<p>Additional information that would help the regulator includes:</p> <ul style="list-style-type: none"> <li>• the reason the breach is thought to be of material significance to the regulator</li> <li>• the address of the scheme</li> <li>• the contact details of the scheme manager (if different to the scheme address)</li> <li>• the pension scheme’s registry number (if available), and</li> <li>• whether the concern has been reported before.</li> </ul>		
266	<p>Reporters should mark urgent reports as such and draw attention to matters they consider particularly serious. They can precede a written report with a telephone call, if appropriate.</p>		
268	<p>The regulator will acknowledge all reports within five working days of receipt, however it will not generally keep a reporter informed of the steps taken in response to a report of a breach as there are restrictions on the information it can disclose.</p>		

269	The reporter should provide further information or reports of further breaches if this may help the regulator to exercise its functions. The regulator may make contact to request further information.		
270	Breaches should be reported as soon as reasonably practicable, which will depend on the circumstances. In particular, the time taken should reflect the seriousness of the suspected breach.		
271	In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, the regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert the regulator to the breach.		
273	The statutory duty to report does not, however, override 'legal privilege' <sup>134</sup> . This means that oral and written communications between a professional legal adviser and their client, or a person representing that client, while obtaining legal advice, do not have to be disclosed. Where appropriate a legal adviser will be able to provide further information on this.		
275	The Employment Rights Act 1996 (ERA) provides protection for employees making a whistleblowing disclosure to the regulator. Consequently, where individuals employed by firms or another organisation having a statutory duty to report disagree with a decision not to report to the regulator, they may have protection under the ERA if they make an individual report in good faith. The regulator expects such individual reports to be rare and confined to the most serious cases.		

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