Housekeeping

- No fire drill planned

- Fire exit at the back of the room

- This meeting is being filmed

- Please turn off mobile phones

- Please complete feedback forms

Agenda

9:30am – 10:00am	Recent Developments and Hot Topics	Debbie Sharp, Pensions Administration Manager
10:00am – 10:30am	Employer Role and Responsibilities	Rebecca Clough, Communications and Governance Team Leader
10:30am – 10:45am	Break with Refreshments	
10:45am – 11:30am	iConnect Developments	An update on online leavers forms from Colin Lewis of Heywoods
11:30am – 12:15pm	The role of The Pensions Regulator	An insight into the role of The Pensions Regulator from Neil Wilson, Industry Liaison Manager
12:15am	Close and Questions	

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SHROPSHIRE COUNTY
PENSION FUND

Scheme wide hot topics

- Academy consultation
  - Work commissioned by MHCLG and DfE to review the treatment of academies within and across different LGPS Funds.

- Exit payment reform
  – understood to be no policy change but government priority on these reforms is unclear

Covered in more detail today

- Scheme valuations and cost management process

- LGPS Amendment Regulations 2018 came into force on 14 May 2018

Scheme Valuations and Cost Management Process

- Draft direction issued by HMT
- GAD also issued a Technical Bulletin and a statement to Parliament
- Covering scheme valuations and cost management for **all Public Sector Schemes**
- LGPS only funded Public Sector Scheme all others unfunded
- LGPS also has SAB cost management process

A lot to digest and understand how it might affect LGPS Funds

In summary from GAD and HMT

- Change to member benefits or contributions where the cost cap floor has been breached

- Important to note - dual cost cap process for LGPS which differs from the unfunded schemes

- Differing views between the LGPS Scheme Advisory Board cost management process and HMT process

- Scheme valuations to move to every 4 years – separate exercise from individual fund valuation with own actuary

SHROPSHIRE COUNTY
PENSION FUND

In summary from SAB

- SAB appears more likely to suggest upwards cost pressure because of assumptions made under 50/50 take up, baseline cost of pay and effect of commutation of benefits

Implications for the LGPS

- The two processes (Treasury direction and SAB cost cap mechanism) currently leads to opposing results for the LGPS

- Could be an agreement - any recommendations suggested by SAB being taken into account in the HMT process?

The Local Government Pension Scheme (Amendment) Regulations 2018

Technical amendments to deliver policy intent

Change to Regulations	Impact on Employer
Cancellation of membership of the 50/50 section	Must cease 50/50 memberships if the member is auto enrolled **OR** goes to nil pay, no requirement for both together
Contributions during absence from work	Members receiving both PP **AND** APP should be credited with earned pension
Calculation of assumed pensionable pay (APP)	ERs can use their discretion if APP is materially lower than what the PP would be had the member been at work
Aggregation	A small number of members joining the 2014 scheme had no time limit to make an election to aggregate their benefits. Now aligned with all other members. ERs should update their discretion policy.

The Local Government Pension Scheme (Amendment) Regulations 2018

Technical amendments to deliver policy intent

Change to Regulations	Impact on Employer
Benefits payable where a member is dismissed on the grounds of redundancy or business efficiency	Clarification that ERs should only pay the **active** pension benefits unreduced, other benefits relating to the same employment will be subject to reductions
Clarification of statutory pay definition Prior to the amendment, statutory sick pay was inadvertently not included in the definition of statutory pay.	ERs to include statutory sick pay if you haven't been

The Local Government Pension Scheme (Amendment) Regulations 2018

New regulations

Change to Regulations	Impact on Employer
Election for early payment of deferred benefits at age 55 for leavers before 1 April 1998	An election for early payment can only be made at age 55. If a member is over 55 they can now only take payment at their NRD, not 60 if their NRD is later. This was not MHCLG's intention though*
Election for early payment of deferred benefits from age 55 for leavers between 1 April 1998 and 31 March 2014	Members can now choose to take early payment of their deferred benefits from age 55 with reductions, without the need for employer consent

*Consultation opened on 3 October 2018

The Local Government Pension Scheme (Amendment) Regulations 2018

New regulations

Change to Regulations	Impact of Employer
Requirement to pay exit credits	Allows the Fund to pay any surplus to ERs if upon exit
Backdating of admission agreements – start date of admission agreement may be earlier than the date the admission agreement is completed	Useful change where there are delays in finalising admission agreements

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SHROPSHIRE COUNTY PENSION FUND

Proposed changes still under discussion

Fair Deal
- Not be introduced into the LGPS at this time.
- Government state they still remain committed to introducing Fair Deal
- Consultation on new proposals by the end of the year.

Uncrystallised Funds Pension Lump Sum (UFPLS) - AVCs
- Not introduced due to substantial administration complexities
- Member must transfer AVC out of the LGPS if want to take an UFPLS

End of Automatic aggregation
- Proposal to end automatic combining of benefits not taken forward
*(Member with deferred benefit re-joins – within 5 years Public Service Pensions Act 2013 states **final salary protection** must be provided)*

Latest news – closer to home

2017/2018 – data overview

- 100% of employers sending data monthly - using iConnect

- Data received with less manual intervention

- 89 LGPS Funds – SCPF early adopters of monthly collection of data

- Individual leavers form still required to determine benefits – 2132 actual scheme leavers

- iConnect developments - covered later by Colin Lewis

Key iConnect data facts for 2017/18 Employer Events Policy

12,699	196,514	402,588
address updates	contributions postings	pay data postings

6,452	5,268
notifications of starters	notifications of leavers

2017/2018 – Work undertaken

- Changed payroll system

- Data quality exercise undertaken ready for 2018 Scheme return
    - Data improvement plan in place

- Checked processes inline with new Data Protection legislation

- Completed scheme year end balancing – (7 employers still not returned their compliance form and year end statement so will be logged as a breach)

- Annual Benefit Statements - active members - issued by deadline

Areas for development

- Outsourcings – still not always being notified

- Late submission of iConnect data
    - Logged as a breach
    - 41% of employers logged at least 1 breach in this area
    - Indicating good time to refresh training

- Dealing with ill health retirements – RC

- Knowing your role - RC

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SHROPSHIRE COUNTY
PENSION FUND

Contracting other Services

- Engage with us before invitation to tender

- New employer doesn't automatically pay same employer rate as transferring employer

- New employer rate is calculated by the Fund Actuary

- How are they going to tender?

What we do to help

- Employers guide on our website

- Provide training – this meeting but would you like anything else?

- Do you have enough resource for your pensions responsibilities? Help with business case

- Email bulletins

- Helpdesk for queries

- Filming these meetings – can be used as training

Annual Meeting 2018

When?

15th November 2018 11am – 1pm

Covering:

- LGPS Central update

- Administration news

- Investment latest
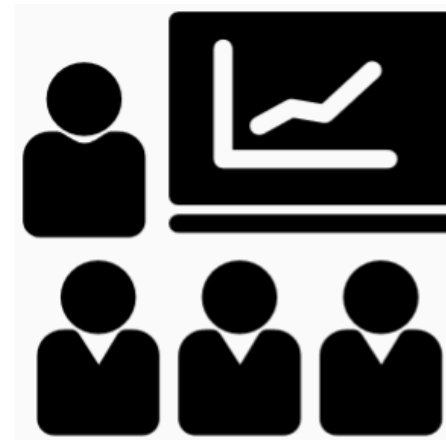
Don't worry – the meeting is filmed if you can't make it

Any questions?

About us

45,668 active, deferred and pensioner members

139 employers

25 staff

8,062 calls per year

6,541 email queries

808 member drop ins

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SHROPSHIRE COUNTY
PENSION FUND
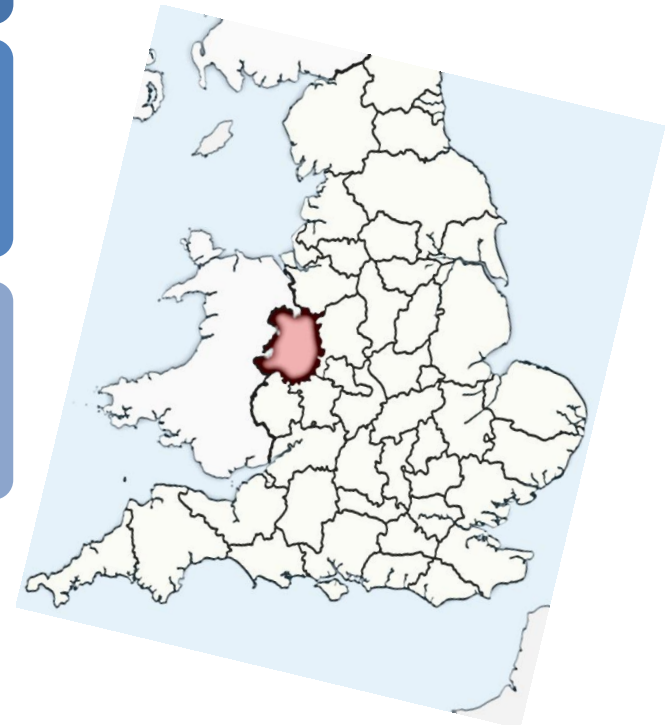
Our role

Pay member benefits accurately and on time according to scheme regulations

Communicate effectively with members

Set out and assist scheme employers with responsibilities

Collect and check data and contributions

Engage with Pensions Committee and Pension Board

Keep robust internal controls

Data protection definition – "Data Controller"

Issue annual benefit statements

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SHROPSHIRE COUNTY
PENSION FUND

Challenges we face

- More complex scheme design – different rules across different periods of membership

- More data to hold and check – CARE benefits

- Helping members understand the scheme

- Liaising with more employers and varied payroll providers

- Ensuring we don't hold unnecessary data

Employer role

- Bringing members into the scheme and setting contribution rate

- Collecting contributions

- Providing the data we require accurately and on time

- Decision maker (ill health, flexible retiremen

- Data protection definition – "Data Controller"

Challenges you face

- More complex scheme design – APP, final salary pay, CARE pay etc

- More data to hold and share

- Communicating with your employees – following scheme rules and national auto enrolment rules

- Instructing your payroll/HR providers

- Pensions is only part of your role

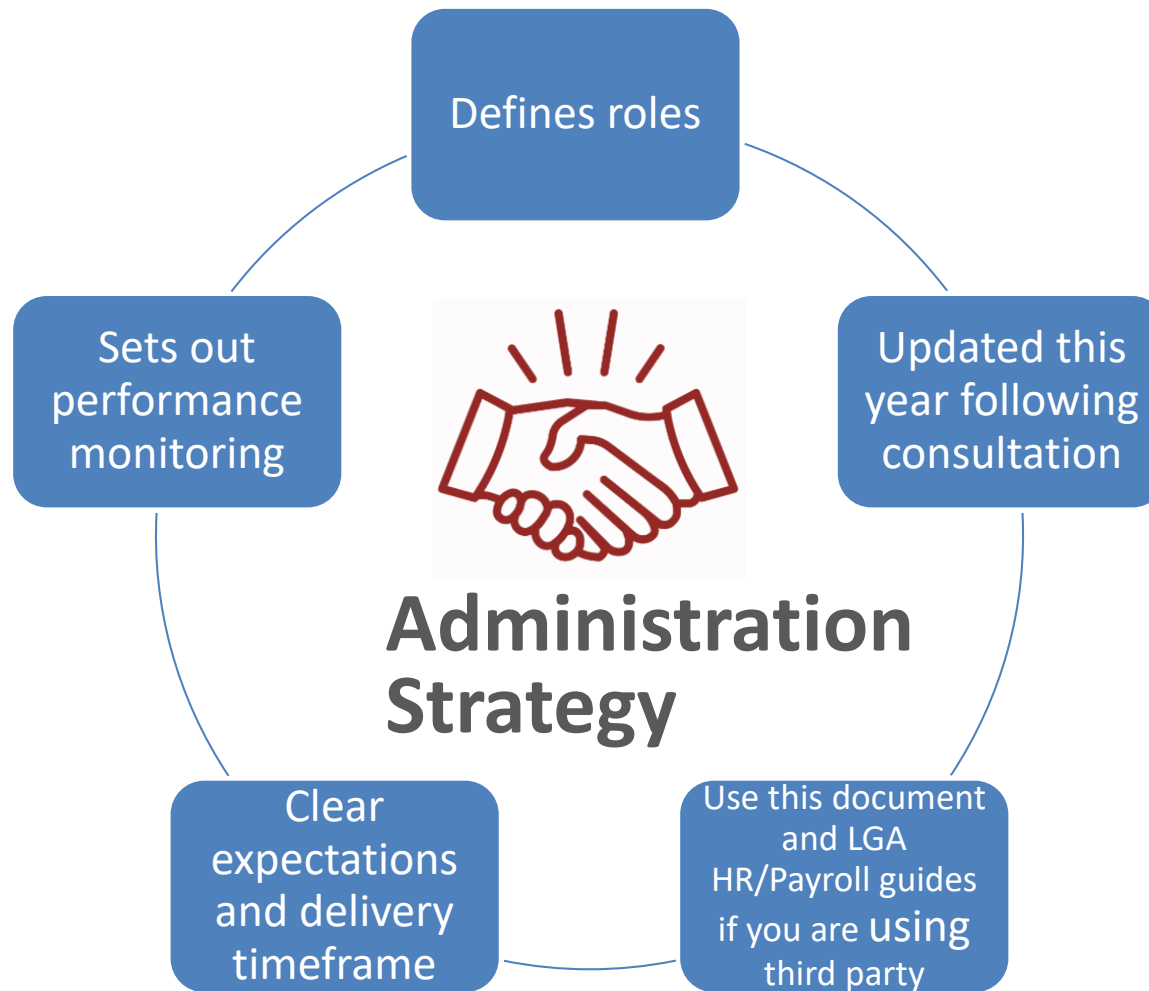Employer LGPS responsibilities cannot be shifted to a third party

WHOSE FAULT ?
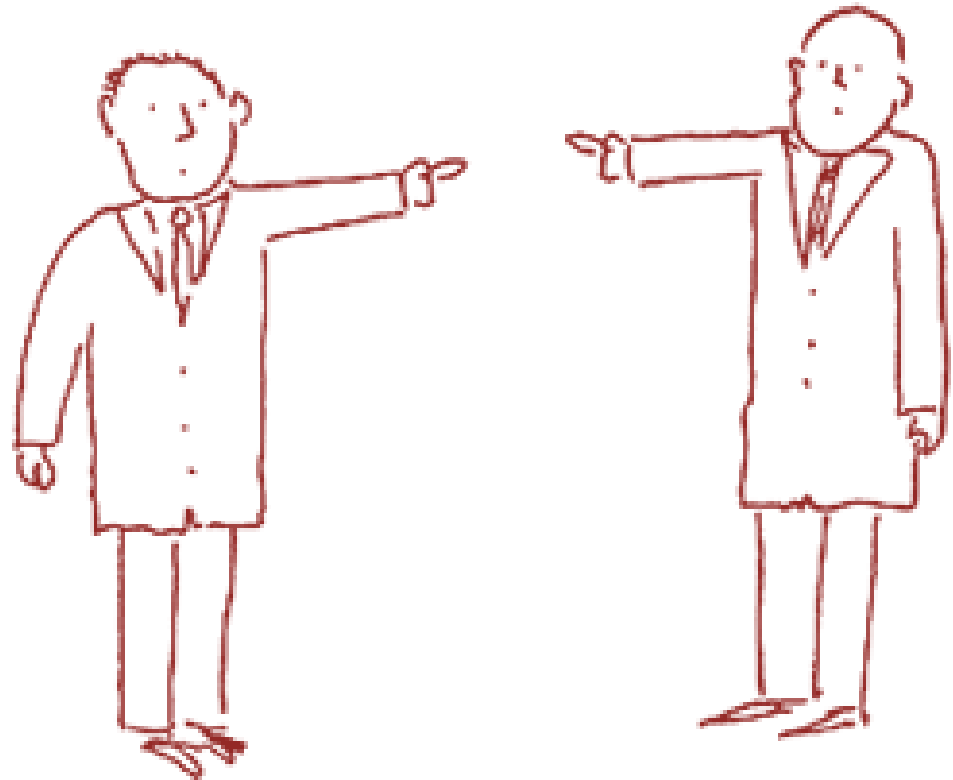
Considerations when choosing a third party

❑ Have you chosen a provider that has a good reputation?

❑ Can they hold and share the data we need?

❑ Do you have a service level agreement?

❑ Are you aware what they are doing on your behalf?

❑ Assurance reports

Defines roles

Updated this year following consultation

Use this document and LGA HR/Payroll guides if you are using third party

Clear expectations and delivery timeframe

Sets out performance monitoring

Administration Strategy

Found with all our other policies at
www.shropshirecountypensionfund.co.uk

lgps
for you, from now, for the future

SHROPSHIRE COUNTY
PENSION FUND

Why does it matter?

Pre 2014 Scheme	Post 2014 Scheme
All benefits based on final salary (FTE) and you could get it right at the end...... 🙂	Benefits based on actual salary per year - incorrect CARE pension for any year will be revalued incorrectly forever...... 🙁

Not just getting member benefits paid correctly!

- Could save you £'s! Wrong data means liabilities calculated incorrectly
- Save you time - Getting it right first time avoids queries from us
- Happy members? Reduced appeals

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PENSION FUND

How we avoid getting things wrong

- ❑ Robust internal controls – at year end, iConnect monthly verification, final checks before benefit payment

- ❑ Internal and external audits

- ❑ Monitor breaches to identify training requirements - reported to pensions committee and board

- ❑ Escalate non-compliance to senior management within scheme employers

- ❑ Measure data quality and report to score to the Pensions Regulator

- ❑ Utilise the ability to impose charges
- ❑ Communicating with members - ABS online access

Updated leaver forms

- A lot of information is needed

- Separated out ill health retirements – we know this is a complex area

- This form instigates the calculation and payment of member benefits – is the correct person signing them?

- Do not keep large paper copies

- Good to receive feedback – we have introduced a fillable PDF form as a result

Dealing with ill health retirements

Refer to our employers area on website for guidance

It is **your decision** – but must follow regulations

Make sure you evidence **your decision** – clearly explained in notice letter

Popular for appeals – make sure **you're aware** of appeal response deadlines

Template letters – would these be useful?

Communication we use

Employer website developments

My Pension Online developments

- 'New look' system being developed

- 39% active members registered - can you help us increase this number?

- We can come to your workplace to help members with registration process

Do retirement calcs

Update personal details

Members can...

View benefit statement

Check pay

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SHROPSHIRE COUNTY
PENSION FUND

Any questions?

COFFEE BREAK
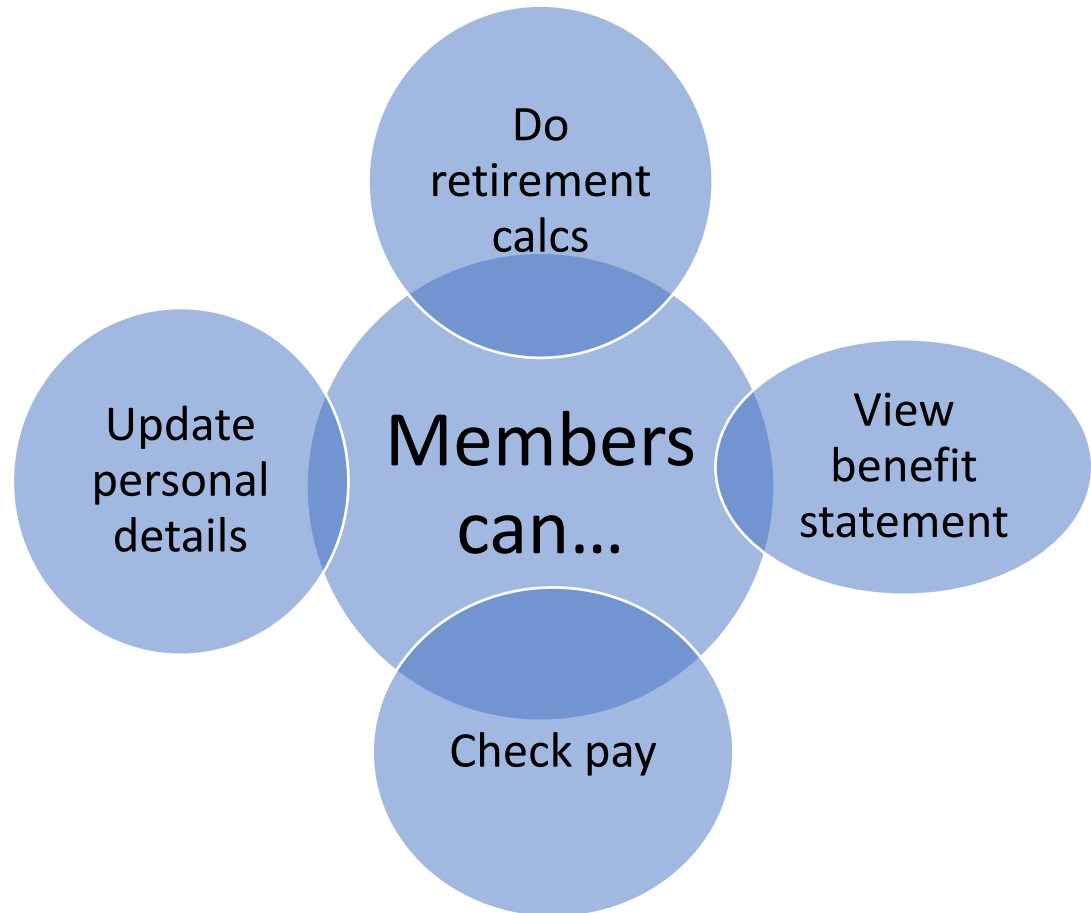
Shropshire Pension Fund : Employers Forum

The Data Exchange Solution for the Public Sector

October 2018 | Colin Lewis

Electronic Leaver Forms

Leaver Forms

Share Initial Design

Validate the Design

Decide what to keep

Identify changes to the process

Aquila Heywood

i CONNECT / EMPLOYER SERVICES (LIVE) ▼

DASHBOARD

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0%   100%

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<TO DO-FOR TEAM> ▼
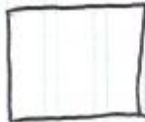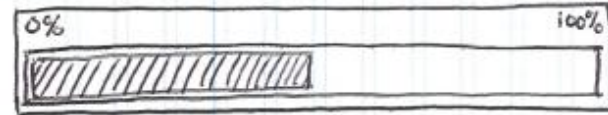
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i-Connect

i CONNECT / EMPLOYER SERVICES (LIVE)

REPORT LEAVER

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| SAVE | SUBMIT |

① FIND MEMBER   ✓

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< PAY + CONTRIBUTIONS >

| SAVE | SUBMIT |

i-Connect

i CONNECT / EMPLOYER SERVICES (LIVE)

REPORT LEAVER

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SAVE   SUBMIT

① FIND MEMBER   ✔

SEARCH BY

EMPLOYER
JOB TITLE
NATIONAL INSURANCE NUM
PAY REFERENCE NUM
SURNAME

ENTER NATIONAL INSURANCE NUM *   SAVE SEARCH   LOAD SEARCH

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SAVE   SUBMIT

i-Connect

i CONNECT /EMPLOYER SERVICES (LIVE)

REPORT LEAVER

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SAVE SUBMIT

i CONNECT /EMPLOYER SERVICES (LIVE)

REPORT LEAVER

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SAVE SUBMIT

① FIND MEMBER   ✓

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SAVE SUBMIT

i-Connect

i CONNECT / EMPLOYER SERVICES (LIVE)

REPORT LEAVER

SAVE | SUBMIT

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② < REASON FOR LEAVING >   ⌄

WHY IS MEMBER LEAVING ? * [SELECT... ▼]   DATE LEAVING * [DD / MM / YYYY ▦]

MORE DETAIL? [< FREE TEXT FIELD >]

< CHECK LIST >

< FIND MEMBER >

< REASON FOR LEAVING >

< PAY + CONTRIBUTIONS >

SAVE | SUBMIT

iCONNECT /EMPLOYER SERVICES (LIVE)

REPORT LEAVER

<CONTEXT FOR PROCESS>

SAVE | SUBMIT

① <SURNAME 2> <NINO 2> <PAYROLL REF> <JOB TITLE> >

② <REASON FOR LEAVING> ⌄

WHY IS MEMBER LEAVING? * [ ]

DATE LEAVING * [DD/MM/YYYY] ▦

MORE DETAIL? [

NORMAL RETIREMENT
- - -

<CHECKLIST>

<FIND MEMBER> ✓

<REASON FOR LEAVING>

<PAY + CONTRIBUTIONS>

SAVE | SUBMIT

i-Connect

i CONNECT /EMPLOYER SERVICES (LIVE)

REPORT LEAVER

< CONTEXT FOR PROCESS>

SAVE   SUBMIT

① <SURNAME 2> <NINO 2> <PAYROLL REF> <JOB TITLE>   ❯

② <NORMAL RETIREMENT>   ˅

WHY IS MEMBER LEAVING? ✱   <NORMAL RETIREMENT>   DATE LEAVING ✱   <DATE ADDED>   ▦

MORE DETAIL?

ADD DOCUMENT ⊕

③ <PAY + CONTRIBUTIONS + FINANCIALS>   ❯

<CHECKLIST>

<FIND MEMBER> ✓

<REASON FOR LEAVING> ✓

<PAY + CONTRIBUTIONS>

SAVE   SUBMIT

REPORT LEAVER ⑦ (LINK TO EMPLOYER GUIDE)

<CONTEXT>

| SAVE | SUBMIT |

①MEMBER: JC4640098 <MEMBER NAME> <PAYROLL REF> >

②<NORMAL RETIREMENT> >

③ PAY + CONTRIBUTIONS + FINANCIALS

<< CHECK LIST >
< FIND MEMBER> ✓
< REASON FOR ✓
   LEAVING >
< PAY +
   CONTRIBUTIONS>

< CONTEXT FOR NORMAL RETIREMENT >

CARE SCHEME ⑦	MAIN	50 / 50
FROM : 01/04/YYYY TO LEAVING	£	£
PREVIOUS YEAR	£	£

EMPLOYEE CONTRIBUTIONS ⑦	MAIN	50/50
FROM : 01/04/YYYY TO LEAVING	£	£
PREVIOUS YEAR	£	£

NATIONAL INSURANCE INFO	
FROM : 01/04/YYYY	NOT REQUIRED
FROM : 01/04/YYYY-1 - 31/03/YYYY-1	£
FROM : 01/04/ YYYY-2 - 31/03/YYYY-2	£

iCONNECT /EMPLOYER SERVICES (LIVE)

REPORT LEAVER

< CONTEXT FOR PROCESS >

SAVE | SUBMIT

| ① < SURNAME 2 > < NINO 2 > < PAYROLL REF > < JOB TITLE > | ❯ |

| ② < NORMAL RETIREMENT > | ❯ |

| ③ < PAY + CONTRIBUTIONS + FINANCIALS > | ⌄ |

< CONTEXT FOR NORMAL RETIREMENT >

CARE SCHEME		MAIN	50 / 50
FROM : 01 / 04 / YYYY TO LEAVING	✳	£	£
PREVIOUS YEAR	✳	£	£

EMPLOYEE CONTRIBUTIONS		MAIN	50/50
FROM : 01/04/YYYY TO LEAVING	✳	£	£
PREVIOUS YEAR	✳	£	£

NATIONAL INSURANCE INFO		
FROM : 01/04/ YYYY	NOT REQUIRED	
FROM : 01/04/(YYYY-1) - (31/3/YYYY-1)	✳	£
FROM : 01/04/(YYYY-2) - (31/3/YYYY-2)	✳	£

FINAL PAY	£

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< REASON FOR LEAVING > ✅

< PAY + CONTRIBUTIONS >

SAVE | SUBMIT

<COMPLIANCE STATEMENTS>

☐ <STATEMENT 1>

☐ <STATEMENT 2>

| CONFIRM | | RETURN TO SUBMISSION |

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FOR THIS TYPE OF SUBMISSION>.

<REASON FOR SAVING>

<PLEASE CONFIRM REASON FOR SAVING>   ▼

CONFIRM   RETURN TO SUBMISSION

REPORT LEAVER   — SAVED FOR LATER

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FOR THIS TYPE OF SUBMISSION>

<REASON FOR SAVING>

DOCUMENTS MISSING

NEED TO RAISE QUERY

. . . .

. . . .

REPORT LEAVER   – SAVED FOR LATER

<EXPLAIN REQUIREMENTS OF EMPLOYER
FOR THIS TYPE OF SUBMISSION>.

<REASON FOR SAVING>

| DOCUMENTS MISSING ▼ |

| CONFIRM | | RETURN TO SUBMISSION |

Electronic Leaver Forms

Reduce paper forms scanning indexing Improve efficiency

One Stop Shop for Employers

Secure transmission

Right data at the right time

Cost reductions

Thank you

www.aquilaheywood.co.uk

Public Service Pension
Employers

Employers Meeting
Shropshire County Pension Fund

Neil Wilson
Industry liaison manager

11 October 2018

The information we provide is for guidance only and should not be taken as a definitive interpretation of the law.

Agenda

- Our role, responsibilities and powers

- Your role and responsibilities

- Our expectations

- The importance of good data

- Scheme returns

- Reporting a breach

- Lessons from casework

- Data related initiatives: GDPR, pensions dashboard

- The need for cyber resilience

The Pensions Regulator

Introduction

- We regulate the governance and administration of public service pension schemes, which provide pensions for civil servants, the judiciary, local government, teachers, health service workers, members of fire and rescue services, members of police forces and members of the armed forces

- Our Code of Practice 14 sets out the standards of conduct and practice we expect

8 workforces

16.5 million memberships

24,000 employers

The Pensions Regulator

Our roles and responsibilities

- We regulate compliance with the Governance and Administration requirements introduced by the Public Service Pensions Act 2013:

  - we engage mainly with scheme managers and pension boards

  - investment: not the what (compliance with investment regulations) but the how (investment governance) - LGPS only

    - www.tpr.gov.uk/guidance/db-investment.aspx

- To educate and enable:

  - codes, toolkit, news-by-email

    - www.tpr.gov.uk/doc-library/codes.aspx

    - https://trusteetoolkit.thepensionsregulator.gov.uk/

    - https://forms.thepensionsregulator.gov.uk/news-by-email/subscribe

- To enforce:

  - improvement and third party notices, fines etc

Our regulatory powers

- Appoint a skilled person to assist the pension board
- Civil penalties – up to £5,000 to an individual or £50,000 to a corporate body
- Collect data through the scheme return
- Criminal prosecution
- Improvement notices and third party notices – require specific action to be taken within a certain time
- Information – require any relevant person to produce any relevant document or information
- Inspection – at own premises and/or premises of a third party
- Publish reports about a case (which might include naming those at fault)
- Recover unpaid contributions from employers on behalf of the scheme manager
- Report misappropriation – notify the scheme manager about pension board conflicts or misuse regarding assets
- Skilled person report – require scheme managers to provide a report made by a skilled person nominated by the regulator

The Pensions Regulator

Legislative scope: Code of practice 14

Scheme governance:

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

TPR focus 2018

- Ongoing risk assessment and intelligence gathering

  ➢ www.tpr.gov.uk/docs/public-service-research-2018.pdf

- Key focus areas:

  – record-keeping and data quality

> We have changed as a regulator; we are being **clearer** with those we regulate, **quicker** to act where our expectations are not being met - and **tougher** on employers that do not comply with their duties and trustees who do not act in the interests of their members.

The Pensions Regulator

2017 survey

- 191 of the 207 public service pension schemes completed the survey (92% covering 98% of all memberships)
  - This compares to a response rate of 90% in 2016, 48% in 2015 and 53% in 2013

Scheme type	Interviews	Schemes		Memberships[1]	
		Universe	Survey coverage	Universe	Survey coverage
Other	11	11	100%	9,978,735	100%
Firefighters	49	50	98%	114,024	97%
Local Government	88	100	88%	6,246,498	94%
Police	43	46	93%	372,312	97%
Total	**191**	**207**	**92%**	**16,711,569**	**98%**

Who are we trying to reach

- Employers

- Scheme managers, scheme advisory boards, pension scheme board members (public sector pension schemes)

- Advisers, including actuaries, accountants and pensions lawyers

- Service providers

- Particular focus on the disengaged and those at risk of non-compliance

- Trustees, including chairs and professional trustees

Employer legal responsibilities - England and Wales

Regulation 80 of the LGPS (England and Wales) regulations 2013 states:

- A scheme employer '*must give that authority such other information as it requires for discharging its scheme functions*' and

- '*Within three months of the end of each scheme year, each scheme employer must give a statement to the appropriate administering authority giving the following details in respect of each employee who has been an **active member** during the scheme year*':

  - the employee's name, gender, date of birth, NI number, unique reference number relating to each employment

  - the dates of active membership

  - pensionable pay received and employee contribution deducted

  - any employer contribution in relation to the employee's pensionable pay

  - any additional employee or employer contributions

  - ➢ www.lgpsregs.org/schemeregs/lgpsregs2013/timeline.php#r80

Our expectation - employer responsibilites

Two way engagement approach:

- Employers:
    - required to provide information requested
    - have awareness of terms of employer agreements
    - abide by contract terms / obligations under regulations
    - manage HR / payroll systems
    - provide quality data (eg member joiner and leaver forms)
    - report a material breach of law
- Scheme managers:
    - follow scheme regulations, rules and requirements
    - have awareness of terms of employer agreements
    - have clear, robust, published processes / deadlines / communications
    - designate a scheme contact point
    - follow through on non compliance
    - understand material breach of law reporting requirements

The Pensions Regulator

Local pension boards

Pension boards are responsible for assisting the scheme manager in securing compliance with:

- scheme regulations

- other governance and administration legislation

- any requirements of The Pensions Regulator

- additional matters, if specified by scheme regulations

- pension boards need to have an equal number of employer representatives and member representatives (they may also have other types of members, such as independent experts).

• For simple guides to pension boards:

➢ www.tpr.gov.uk/public-service-schemes/pension-guides.aspx#s18403

The Pensions Regulator

Record keeping

- Good record keeping is a key part to the successful running of a scheme and allows schemes to meet their legal obligations

- We know from engagement that standards vary widely, and some schemes do not prioritise this appropriately, so TPR expects:

    - scheme managers to engage with administrators over service and security

    - assess data and put in place a plan to address issues

- Guidance on developing an improvement plan:

    ➤ www.tpr.gov.uk/docs/improve-data-guide.pdf

The Pensions Regulator

Improving your data

- Scheme managers should undertake an **annual** data review and put in place an improvement plan where they identify issues - data improvement is a continuous process, not a one-off exercise

- Our quick guide (www.tpr.gov.uk/docs/improve-data-guide.pdf) can help you design a plan or assess an existing one

- Poor data integrity has a real impact on members - accurate records are key to ensuring:
  - the right members get the right benefits at the right time,
  - accurate valuations and calculation of the cost cap

- The data needed to run an efficient and effective scheme should be checked regularly – both 'common data' (applicable to all schemes) and 'conditional data' (dependent on scheme type, structure and system design) (www.tpr.gov.uk/docs/measure-data-guide.pdf)

- Data should be well managed day to day to ensure it is accurate and complete

- Though administrators may look after records on a day to day basis, scheme managers are still accountable

The Pensions Regulator

Record keeping - survey results

Most schemes have conducted a data review in the last year

Last data review
75% in last 12 months
15% longer ago
2% never
8% don't know

Almost two-thirds identified issues in their latest review

Identified issues
62% identified issues
25% no issues identified
3% don't know if issues
10% not reviewed (inc. DK)

In most cases data rectification is in progress but not complete

Data improvement plans
19% data improvement plan
43% no data improvement plan
28% no issues identified (inc. DK)
10% not reviewed (inc. DK)

Many schemes are doing an annual data review, but take up of data improvement plans is low. Decrease in LGPS carrying out a data review and employer data is a bigger concern than for other schemes.

Record keeping - overview

- We consider 90% of employers providing good quality data to be an important threshold
- 62% of all schemes reported that that at least 90% of their employers provided **timely data**
- And 55% of all schemes reported that at least 90% of their employers provided **accurate and complete data**

What proportion of your scheme's employers provide you with timely, accurate and complete data?

Proportion where at least 90% of employers provide:	Schemes	Memberships	Other	Fire & Rescue	Local Govt	Police
Timely data	62%	54%	55%	71%	51%	79%
Accurate/complete data	55%	39%	36%	65%	41%	79%

All respondents **(Base, Don't know, Did not answer question**) - Schemes (191, 9-12%, 2%), Memberships (191, 2- 14%, 0%), Other (11, 0-18%, 0%), Fire (49, 20-22%, 2%), **LG (88, 6-7%, 0%),** Police (43, 7-9%, 7%)

In LGPS, the proportion of schemes that did **NOT** report that that at least 90% of their employers provided timely data was **53%*** - and **62%*** did **NOT** report 90%+ accurate and complete data (*includes 7% of LGPS schemes that didn't know).

Scheme return requirements 2018

- From 2018 will be asked to report on:
  - when scheme last measured common data
  - common data score
  - when scheme last measured scheme specific (conditional) data
  - scheme specific data score
- This will help us understand and segment the landscape and target interventions / track progress
- Common data = data used to identify members (eg DOB, NINO, name)
- Scheme specific data = other data needed to run the scheme:
  - in public service schemes this includes data required by the regulations, data needed for valuation, compliance with scheme regulations etc
- This change for public service schemes may require systems and process changes (www.tpr.gov.uk/docs/measure-data-guide.pdf)
- For more information on the scheme return www.tpr.gov.uk/public-service-schemes/reporting-duties.aspx

Member communications - survey

Proportion of active members receiving annual benefit statement by statutory deadline

	Bar	Value
100%		60%
90 - 99%		22%
70 - 89%		10%
50 - 69%		1%
0 - 49%		4%
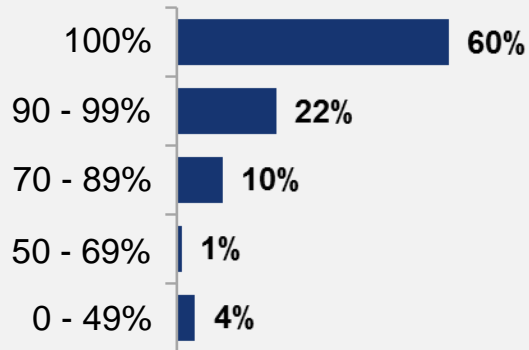
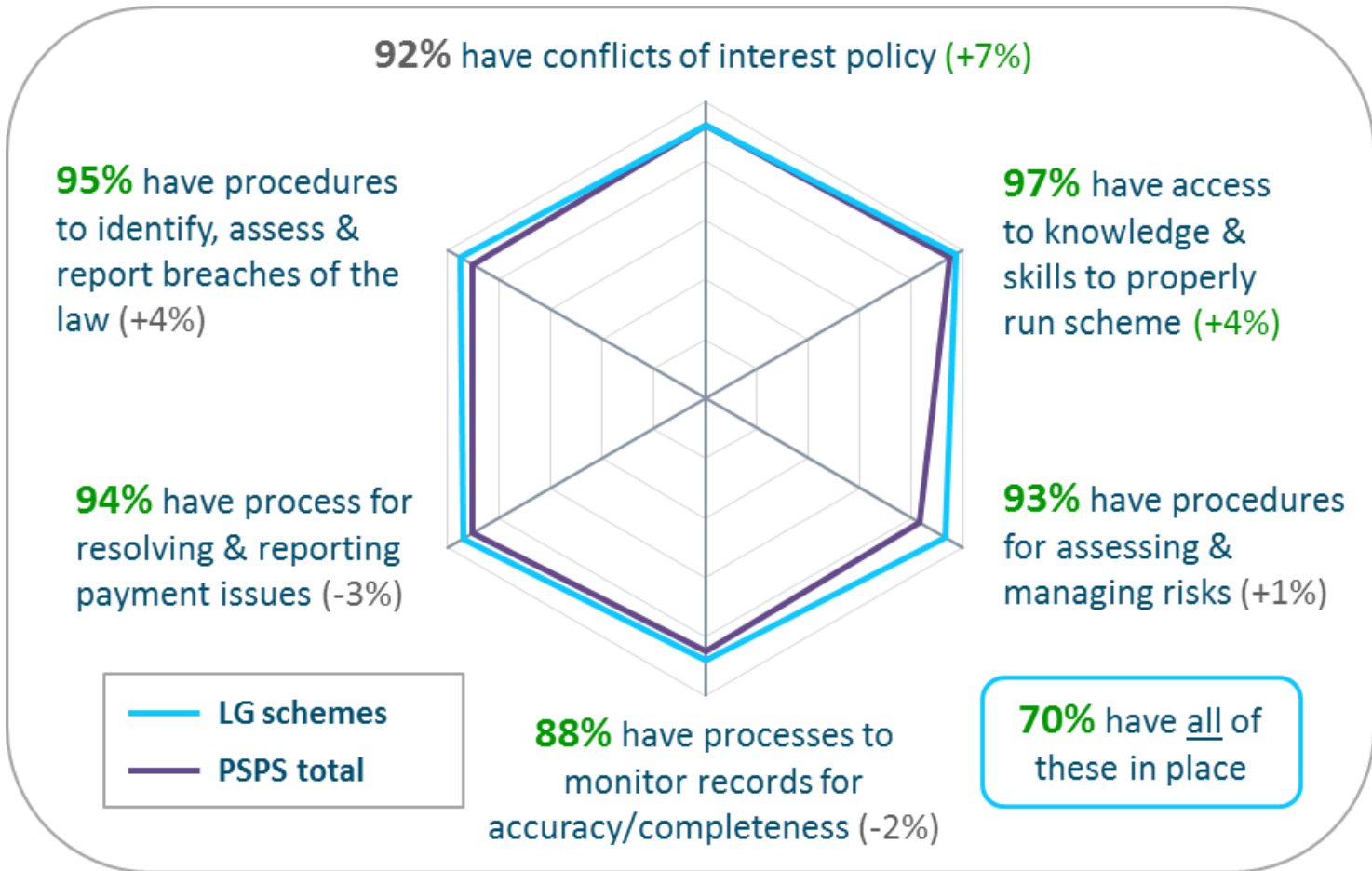| Mean % receiving by deadline	
2017 survey	93%
2016 survey	75%

- Significant improvements over the last year
- 60% of schemes reported that <u>all</u> members received their ABS on time (up from 43% in 2016)
- The mean was 93% (up from 75% in 2016)

In LGPS 45% of schemes reported that 100% of members received their ABS by the statutory deadline

Reporting breaches of law

- Legal duty to report a breach of the law that is likely of material significance to TPR for:
  - scheme manager
  - pension board member
  - professional advisers
  - employers
  - administrators and others providing advice to the manager
- Reporters to determine if a breach has occurred based on reasonable cause and not a mere suspicion
- TPR provides example scenarios and RAG system for assessing scale of materiality by way of:
  - cause
  - effect
  - reaction
  - wider implications

➤ www.tpr.gov.uk/docs/PS-reporting-breaches-examples-traffic-light-framework.pdf

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Key processes

92% have conflicts of interest policy (+7%)

97% have access to knowledge & skills to properly run scheme (+4%)

95% have procedures to identify, assess & report breaches of the law (+4%)

94% have process for resolving & reporting payment issues (-3%)

93% have procedures for assessing & managing risks (+1%)

88% have processes to monitor records for accuracy/completeness (-2%)

70% have all of these in place

— LG schemes
— PSPS total

30% LGPS do not have all 6 key processes in place

Breaches of law reports - Teachers' Pension Scheme

- 2 breach of law reports were received in 2016 from an administrator

- 43 employers were failing to submit their End of Year Certificates (EOYCs) to the scheme manager by the legal deadline

- The administrator had made multiple contacts with each employer

- Our engagement:

  - we engaged with the non-compliant employers

  - the engagement identified a lack of knowledge and understanding by employers on EOYC submissions

  - all but one employer is now compliant

  - the scheme manager removed the final employer from the scheme (the employer has now gone insolvent)

- For more detail:

  ➢ www.tpr.gov.uk/docs/regulatory-intervention-section-89-teachers.pdf

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Key lessons

- Scheme managers have a legal obligation to maintain certain data

- Employers provide most of the data needed

- Both employers and scheme managers must ensure they are meeting their legal obligations to the scheme:

  - employers must ensure they understand their obligations to the scheme

  - scheme managers must have robust processes to ensure accurate data is provided on time

- TPR can, and has, intervened where these actions don't resolve the issues:

  - a range of powers at our disposal, including the issuing of an improvement notice and / or third party compliance notice and associated fines

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Public service pension scheme fined £1000

- We issued a £1,000 fine against the London Borough of Barnet scheme manager for failing to submit its 2016 scheme return:

  - we issued a scheme return notice to the scheme manager on 9 July 2016, requesting the scheme return be submitted by 12 August

  - the return was not received and further communications from TPR not replied to

  - so the matter was referred to TPR's Determinations Panel on 24 February 2017

  - the penalty notice was issued to the scheme manager on 13 April and paid on 9 June

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Key lessons

- Outsourcing does **not** reduce or remove a scheme manager's responsibility or accountability.

- It is the legal responsibility of trustees and managers to submit a scheme return by the specified deadline:

  – failure to submit may signal further governance and administration problems within the scheme

  – good scheme governance is a key factor to achieving positive outcomes for members

- The £1,000 fine against the scheme manager took into account:

  – size of scheme (23,000 members)

  – governance and administration being a priority for TPR

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

£5,000

per individual and

£50,000

in other cases

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What does this mean in practice

- Make sure there are appropriate internal controls:
  - service level agreements are set up, even with in-house administrators
  - there are processes to receive, check and review data
  - and processes around the Data Protection Act and data breaches
    - more guidance coming from us
- Data to be reviewed:
  - annually and on triggering events (new administrator)
  - common / scheme specific data
  - the review is robust
- Robust data improvement plans:
  - new guidance coming from TPR

What are the challenges facing pension schemes

- Member engagement:
  - online access
- Enhanced requirements:
  - increased reporting requirements
  - pensions dashboard (might become a legal requirement to provide member benefit data)
  - cyber security

Pensions dashboard

- Put forward in Budget 2016

- Prototype dashboard delivered by the ABI - https://pensionsdashboardproject.uk/industry/about-the-pensions-dashboard-project/

- DWP now leading on feasibility study

- Whether scheme participation will be voluntary or mandatory is to be confirmed

Cyber resilience in pensions schemes

- Pension schemes are potentially valuable targets for fraudsters as they hold large amounts of personal information

- Scheme managers are responsible for putting in place controls to ensure the security of data and assets

- TPR CEO has said that cyber security should be on risk registers

- Not just an administrator problem – (eg what controls are around the data shared with the scheme actuary, legal advisors and pension board)

- Not just about cyber 'defence' but cyber resilience:

    - look at systems, processes and people (access and training) to reduce the risk

    - prepare for when things go wrong – how to recover data, how to report internally and externally (members, ICO, TPR)

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Mitigation against cyber threats

- Most cyber attacks exploit basic weaknesses in software and IT systems
- Our guidance to trustees and scheme managers on principles for building cyber resilience:

    www.tpr.gov.uk/guidance/cyber-security-principles-for-pension-schemes.aspx

- Government estimates that 80% of breaches could be prevented by following these 10 steps from the National Cyber Security Centre (part of GCHQ):

    www.ncsc.gov.uk/guidance/10-steps-executive-summary

- Cyber Essentials is a Government-backed, industry-supported scheme to help organisations protect themselves against the most common threats found on the internet. It shows you how to fix basic weaknesses and get a good level of cyber security in place.

    www.cyberaware.gov.uk/cyberessentials

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Summary

- Our key focus areas are record-keeping and data quality
- Employers must provide accurate and timely data for record keeping
- Data quality to be continuously reviewed:
  - the reviews are sufficiently comprehensive
  - and robust data improvement plans are in place and progressed
- Good governance and administration - make sure there are appropriate controls:
  - service level agreements are set up, even with in-house administrators
  - report breaches of the law when appropriate
- Additional scheme return requirements this year
- Scheme managers are responsible for having controls for cyber resilience
- Outsourcing does **not** reduce or remove a scheme manager's responsibility or accountability

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Useful tools, checklists and guidance - (i)

- **Annual benefits statement -**
www.tpr.gov.uk/docs/public-service-annual-benefit-statements-guide.pdf
www.tpr.gov.uk/docs/public-service-annual-benefits-statement-checklist.pdf
www.tpr.gov.uk/docs/PS-guide-key-information-to-provide-to-members.pdf

- **Data measuring guidance -** www.tpr.gov.uk/docs/measure-data-guide.pdf

- **GDPR guidance - Information Commissioner's Office (ICO) -**
https://ico.org.uk/for-organisations/guidance-index/

- **Improvement plan guidance -** www.tpr.gov.uk/docs/improve-data-guide.pdf

- **Internal controls checklist -** www.tpr.gov.uk/docs/public-service-internal-controls-checklist.pdf

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Useful tools, checklists and guidance - (ii)

- **Public service - scheme self assessment toolkit -** www.tpr.gov.uk/public-service-schemes/assess-your-scheme.aspx
- **Public service - personal self assessment tool -** https://education.thepensionsregulator.gov.uk/login/index.php
- **Reporting a breach -** www.tpr.gov.uk/docs/PS-reporting-breaches-examples-traffic-light-framework.pdf
- **Risk register example -** www.tpr.gov.uk/docs/public-service-example-risk-register.pdf
- **Scheme return -** www.tpr.gov.uk/public-service-schemes/reporting-duties.aspx
- **Trustee Toolkit -** https://trusteetoolkit.thepensionsregulator.gov.uk/

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Useful links

- **Our website -** www.tpr.gov.uk/
- **Codes -** www.tpr.gov.uk/doc-library/codes.aspx
- **Code of practice 14 - Governance and administration of public service pension schemes -** www.tpr.gov.uk/public-service-schemes/code-of-practice.aspx
- **Governance -** www.tpr.gov.uk/21c-trustee
- **Latest research -** www.tpr.gov.uk/public-service-schemes/research-and-analysis.aspx
- **NAO report -** www.tpr.gov.uk/docs/vfm-review.pdf
- **Pension scams -** www.tpr.gov.uk/pension-scams.aspx
- **Public service area -** www.tpr.gov.uk/public-service-schemes.aspx
- **TPR Future -** www.tpr.gov.uk/about-us/protecting-workplace-pensions.aspx

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Thank you

We are here to help!

Request a guest speaker:
https://secure.thepensionsregulator.gov.uk/speaker-request.aspx

Contact us at:
www.tpr.gov.uk/contact-us.aspx

Subscribe to our news by email:
https://forms.thepensionsregulator.gov.uk/subscribe.aspx

The information we provide is for guidance only and should not be taken as a definitive interpretation of the law.

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Additional slides

National Cyber Security Centre

What you can do to combat cyber attacks

Reducing The Impact
Most cyber attacks are composed of four stages: **Survey, Delivery, Breach and Affect.** The following **security controls,** applied at each stage of an attack, can reduce your organisation's exposure to a successful cyber attack.

Survey → Delivery → Breach → Affect

Survey

User Education
Train all users to consider what they include in publicly available documents and web content. Users should also be aware of the risks from discussing work-related topics on social media, and the potential of being targeted by phishing attacks.

Who might be attacking you?

Cyber Criminals interested in making money through fraud or from the sale of valuable information.

Industrial competitors and foreign intelligence services interested in gaining an economic advantage for their companies or countries.

Hackers who find interfering with computer systems an enjoyable challenge.

Hacktivists who wish to attack companies for political or ideological motives.

Employees, or those who have legitimate access, either by accidental or deliberate misuse.

Delivery

Network Perimeter Defences
Can block insecure or unnecessary services, or only allow permitted websites to be accessed.

Malware Protection
Can block malicious emails and prevent mailware being downloaded from websites.
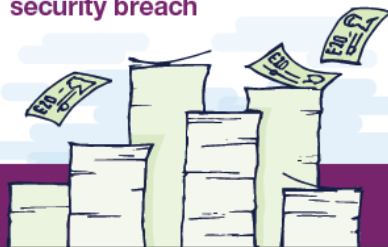
Password Policy
Can prevent users from selecting easily guessed passwords and locks accounts after a low number of failed attempts.

Secure Configuration
Restrict system functionality to the minimum needed for business operation, systematically apply to every device that is used to conduct business.

£600K-£1.15m

Average cost of security breach

Breach

Patch Management
Apply patches at the earliest possibility to limit exposure to known software vulnerabilities.

Monitoring
Monitor and analyse all network activity to identify any malicious or unusual activity.

Malware Protection
Malware protection within the internet gateway can detect malicious code in an important item.

Secure Configuration
Remove unnecessary software and default user accounts. Ensure default passwords are changed, and that automatic features that could activate malware are turned off.

User Access
Well maintained user access controls can restrict the applications, privileges and data that users can access.

User Training
User training is extremely valuable in reducing the likelihood of successful social engineering attacks.

Device Controls
Devices within the internal gateway should be used to prevent unauthorised access to critical services or inherently insecure services that may still be required internally.

Affect

Controls For The Affect Stage
Once an attacker has achieved full access, it's much harder to detect their actions and eradicate their presence. This is where a more in-depth, holistic approach to cyber security can help.

10 Steps To Cyber Security outlines many of the features of a complete cyber risk management regime.

81%
of large companies reporting breach

National Cyber Security Centre
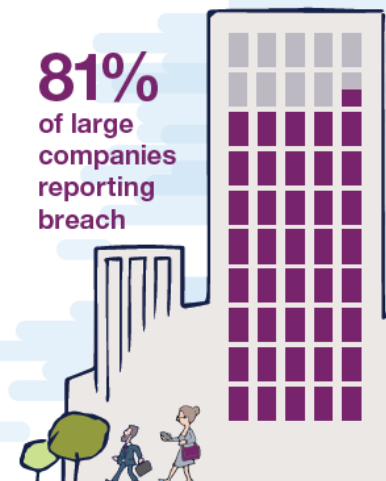
10 Steps to Cyber Security

Defining and communicating your Board's Information Risk Regime is central to your organisation's overall cyber security strategy. The National Cyber Security Centre recommends you review this regime – together with the nine associated security areas described below, in order to protect your business against the majority of cyber attacks.

Network Security

Protect your networks from attack. Defend the network perimeter, filter out unauthorised access and malicious content. Monitor and test security controls.

User education and awareness

Produce user security policies covering acceptable and secure use of your systems. Include in staff training. Maintain awareness of cyber risks.

Malware prevention

Produce relevant policies and establish anti-malware defences across your organisation.

Removable media controls

Produce a policy to control all access to removable media. Limit media types and use. Scan all media for malware before importing onto the corporate system.

Secure configuration

Apply security patches and ensure the secure configuration of all systems is maintained. Create a system inventory and define a baseline build for all devices.

Make cyber risk a priority for your Board

Produce supporting risk management policies

Determine your risk appetite

Set up your Risk Management Regime

Assess the risks to your organisation's information and systems with the same vigour you would for legal, regulatory, financial or operational risks. To achieve this, embed a Risk Management Regime across your organisation, supported by the Board and senior managers.

Managing user privileges

Establish effective management processes and limit the number of privileged accounts. Limit user privileges and monitor user activity. Control access to activity and audit logs.

Incident management

Establish an incident response and disaster recovery capability. Test your incident management plans. Provide specialist training. Report criminal incidents to law enforcement.

Monitoring

Establish a monitoring strategy and produce supporting policies. Continuously monitor all systems and networks. Analyse logs for unusual activity that could indicate an attack.

Home and mobile working

Develop a mobile working policy and train staff to adhere to it. Apply the secure baseline and build to all devices. Protect data both in transit and at rest.

For more information go to **www.ncsc.gov.uk** **@ncsc**