

The Pensions  
Regulator

# Annual Report and Accounts 2013-2014





# Annual Report and Accounts

2013-2014

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# Chairman's Foreword

As the new chairman of The Pensions Regulator from 1 April 2014, I am pleased to say that I inherit an organisation with a significant record of achievement even in the context of the rapidly changing and dynamic area of pensions.

Automatic enrolment has been a success story to date and we are well placed to meet the challenges ahead. In the last year we made good progress through the first phase of the reform, affecting large employers, and began preparations for the thousands of medium-sized employers due to stage in the coming months and the many more small and micro employers to follow.

On the DC side, this year has seen the culmination of a number of work streams, both within the regulator and externally, designed to improve the outcomes for members on retirement. They included our new code of practice for DC occupational schemes, the Department for Work and Pensions' (DWP's) minimum quality standards for both occupational and work-based personal pension schemes, an industry-led voluntary assurance framework for DC master trusts and the government's announcement of a forthcoming charge cap on the default funds of DC schemes that qualify for automatic enrolment. There is no doubt that these initiatives will contribute to a more secure future for the millions of people newly saving into pension schemes.

It has been an equally important year for the regulation of DB schemes and, while we maintained a strong grip on the core demands of casework and recovery plan analysis, we also revised our approach to DB funding in light of our new statutory objective to minimise any adverse impact on the sustainable growth of the employers that sponsor DB schemes.



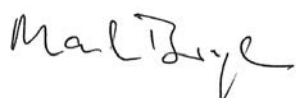
Automatic enrolment has been a success story to date and we are well placed to meet the challenges ahead.

Looking to the future, continuing developments across the pensions landscape are to be expected, either as a result of government policy, for example on decumulation or defined ambition, or arising from wider market developments. With this in mind, and as we set out in our Corporate Plan 2014-2017 published in May, in the year ahead we are going to adopt greater flexibility. More specifically, while in previous years we focused our strategy on vertical product and regulatory lines, this year we have taken a more integrated, horizontal approach.

The many achievements outlined in this report stand testament to a great deal of hard work by the staff of the regulator but also reflect the very constructive relations that exist between it and the many schemes, companies and businesses with whom we interact. We value our engagement with the wider regulated community and we remain very open to its ideas and suggestions.

While conscious of our status as an independent regulator, we place a high importance on maintaining strong working relationships with our broad range of stakeholders, both in government and the wider pensions arena.

Finally, as my term of office started after the period covered in this report, I would like to put on record the Board's appreciation of the strong leadership of my predecessor, Michael O'Higgins, who played a key role in directing our work and achievements over the last three years.



**Mark Boyle**

Chairman, The Pensions Regulator  
18 June 2014

# Management Commentary, Strategic Report and Directors' Report

- Chief Executive's Report
- Introduction
- Strategic themes
- Key performance indicator outcomes
- Governance Statement and  
Accountability Reports
- Financial Review, Statutory Accounts  
and Notes to the Accounts
- Sustainability Report
- Appendices 1 to 4



# Chief Executive's Report

The past financial year was one of substantial delivery for The Pensions Regulator (the regulator) during a time of change for pensions in the UK. We responded to the requirements of a new statutory objective and took steps to both codify and clarify our expectations on those running and advising DB schemes, DC schemes and public service schemes<sup>1</sup>. In 2013-2014, we also played our role in supporting the automatic enrolment of the three millionth worker, which was a significant milestone for the reform.

## DB regulation

We maintained a strong focus on our work with DB schemes, which hold the majority of private pension assets and account for around 12 million memberships. During the year, we assessed more than 1,600 recovery plans, commenced work on over 600 cases, considered around 40 applications for clearance and undertook investigation in approximately 50 instances where we had identified a risk that employer sponsors might seek to avoid their pension responsibilities. Our 2013 annual funding statement emphasised to trustees the wide range of approaches they could take in developing funding plans and we engaged directly with a number of schemes during their triennial valuation process.

Following the Chancellor's announcement in the 2013 Budget that the regulator would receive a new statutory objective to minimise any adverse impact on the sustainable growth of an employer in relation to DB funding, we consulted with industry stakeholders on a revised approach to DB regulation. Our draft strategy, code of practice and policy set out clear guidance for trustees and employers on how to formulate funding plans that aim to pay the promised level of benefits without compromising the strength of the businesses that support schemes. We listened to concerns raised by stakeholders during the consultation period, and the outcome of this engagement was influential in helping us to finalise our views.

<sup>1</sup> Our extended role in respect of the governance and administration of public service schemes is expected to come into force by April 2015. In this report, the term 'public service pension scheme' refers to the schemes to be established under the Public Service Pensions Act 2013 and the Public Service Pensions Act (Northern Ireland) 2014. Although public service schemes are established as DB schemes primarily, references to DB schemes in this report refer to trust-based DB schemes only.

## DC regulation

In the context of the increasing adoption of DC schemes for automatic enrolment, 2013-2014 was a key year for DC regulation. In particular, we presented a clear and comprehensive view on the standards we expect DC scheme trustees to be able to demonstrate by producing a new code of practice, regulatory guidance, and compliance and enforcement policy. The quality features underpinning these publications, which complement the government's new legal minimum standards for DC schemes, lay the groundwork for value-for-money provision that delivers a good outcome for members.

To help employers identify good schemes without having to seek costly advice, we worked with the Institute of Chartered Accountants in England and Wales (ICAEW) to develop a voluntary assurance framework for multi-employer master trusts. Master trusts are proving to be a popular and accessible choice of pension provision for automatic enrolment and this framework enables employers to select schemes that meet appropriate standards.

Whether workplace DC schemes are trust- or contract-based, members should have confidence they will receive a good outcome from their savings. To this end, we worked with the Financial Conduct Authority (FCA) to produce a joint publication on our respective roles in DC regulation. It explained our approach to achieving consistency for DC members and clarified the ways in which we will work with the FCA to meet this goal.

During the year, we supported the government to develop its minimum quality standards and on other initiatives relating to scheme costs and charges and the automatic transfer of small pension pots.

## Scheme governance and administration

Alongside promoting the key messages on governance and administration set out in our DB and DC codes of practice and guidance, we also built a new regulatory framework for public service pension schemes. There are more than 200 registered schemes of this type which together represent the interests of around 13 million memberships and more than 22,000 employers. Our draft code of practice and regulatory strategy for public service schemes set out how we aim to improve their efficiency and ensure that savers receive the right benefits at the right time.

Protecting member benefits from the potential dangers of pension scams and pension liberation activity remained a priority, and we took a number of cases to the High Court to prevent the misuse of scheme assets. We played a leading role in the multi-agency forum, Project Bloom, which co-ordinates efforts to detect and prevent the use of pension liberation models, and raised awareness of the risks among trustees and other interested parties. We also contributed to an industry group tasked with producing a voluntary code to set the standard for dealing with member requests for transfers between pension schemes.

There are various ways in which we can monitor the running of schemes, including through surveys, scheme returns and intelligence analysis. In 2013-2014, we expanded our approach to gathering information by carrying out a thematic review of record-keeping practices. This resulted in the opening of seven case investigations and revealed a number of failings among schemes in relation to the maintenance of complete and accurate data. The findings may lead to enforcement action if we identify breaches of pension legislation.

## Automatic enrolment

In 2013-2014 more than 10,500 employers completed the automatic enrolment set-up process and registered with us, and over 3.2 million eligible jobholders were automatically enrolled into qualifying schemes. All of the employers whose duties came into effect in the last year are now regularly contributing to these schemes.

Our focus remained on the education and enablement of employers and the establishment of a pro-compliance environment. We sent more than 110,000 letters and 30,000 nudge emails to employers and responded to over 50,000 automatic enrolment-related enquiries from employers and their advisers. We published guidance to help employers with limited pensions experience to identify quality arrangements and supported providers, advisers and payroll software developers to help employers prepare effectively for their duties to come into effect. We also created an online planning tool which was used by more than 100,000 employers during the year.

continued...



Protecting member benefits from the potential dangers of pension scams and pension liberation activity remained a priority in 2013-2014.

Automatic enrolment continued...

Our research among employers in the autumn of 2013 indicated that awareness and understanding of automatic enrolment remained high among medium-sized employers and increased among small employers. Those medium-sized employers with staging dates in April, May and July 2014 were well prepared for their duties to commence, with most having contacted providers and chosen a pension scheme for their workers in advance. Related research carried out among intermediaries showed that the majority of financial and business advisers were either already helping or planning to help employers to comply<sup>2</sup>.

Following the automatic enrolment of their workers, employers are required to make contributions to their scheme. To help trustees and providers monitor contributions, we published revised codes of practice for both trust- and contract-based DC schemes alongside an online portal to provide a structure for reporting late or missing payments. Employers are also required to complete the automatic enrolment registration process by submitting a declaration of compliance to the regulator. We monitored employer compliance with this requirement throughout the year and published updated figures on a monthly basis.

We successfully established a pro-compliance culture among those employers who reached their staging date in 2013-2014: over 99% were compliant without the need for us to use our powers. We continue to emphasise to those employers yet to stage that routine compliance has been achieved to date and that we will help them to address any concerns they may have ahead of their own staging date.

## Efficiency and effectiveness

As a public body it is essential that we operate as efficiently and effectively as possible, with due regard to the standards set out in HMT's Managing public money guidance. In order to regulate effectively, we must remain an agile organisation, able to target our regulatory interventions at the most acute risks and where they can have the greatest impact.

We continued to improve our processes wherever possible in 2013-2014 which included the development of enhanced digital technology to reach the diverse and expanding regulatory community. Our achievement in this area was reflected in the substantial growth in visitors to our website<sup>3</sup>. We also undertook an extensive review of our core systems, including document and case management, and identified areas for improvement. Overall, we continued to promote a fair and inclusive environment for our staff and took steps to improve workforce equality and diversity. Our staff rose to and met the challenges we encountered in the past year, demonstrating our ability to adapt to emerging risks and an increasingly complex caseload.

<sup>2</sup>  
View full details of our automatic enrolment research and analysis at: [www.tpr.gov.uk/doc-library/research-analysis.aspx#s5188](http://www.tpr.gov.uk/doc-library/research-analysis.aspx#s5188)

<sup>3</sup>  
A 160% increase on 2012-2013.

Following the close of 2013-2014, I'm pleased to say we met the majority of our targets for that year which is a particular accomplishment during a period of growth for the regulator and ongoing pensions reform. However, partly due to the changing policy environment and also due to the inherent challenges of communicating with many thousands of small schemes, we did not fulfil all of our targets.

We have taken steps to help ensure we achieve our targets for 2014-2015 including the development of an enhanced approach to setting our corporate priorities and improved measures of the outcomes we seek to achieve. We will also place a greater emphasis on evaluating our performance, ensuring that we keep on track to achieve our plan and improving our resource management. In making these adjustments, we aim to build on the findings of the DWP's Triennial Review of pension bodies in June 2013 which concluded that the regulator has strong governance arrangements in place.

On a final note, I would like to welcome our new chairman, Mark Boyle. Mark's experience spans both the public and private sectors, and I'm confident he will provide a fresh perspective on the issues we face and a clear direction for the years ahead.



**Stephen Soper**

Interim chief executive, The Pensions Regulator  
18 June 2014



We continued to improve our processes wherever possible in 2013-2014 which included the development of enhanced digital technology to reach the diverse and expanding regulatory community.

# Introduction

The Pensions Regulator is the UK regulator of work-based pensions. We are a non-departmental public body established under the Pensions Act 2004<sup>4</sup>. Our sponsoring body is the DWP and Parliament sets the legal framework within which we regulate.

We are responsible for regulating occupational DB schemes and occupational DC schemes, and for regulating limited aspects of work-based personal pensions. We are also tasked with maximising employer compliance with the employer duties and safeguards related to automatic enrolment into pensions. From April 2015, we will have an extended role in respect of public service pension schemes, with responsibility for regulating their governance and administration but not their funding.

The funding of regulation is derived from two main sources: a Grant-in-Aid from the DWP, which is recoverable from a levy on pension schemes (not borne by general taxation) and a separate Grant-in-Aid from general taxation. We collect the levy on behalf of the Secretary of State for Work and Pensions.

4

In this Annual Report and Accounts, references to the law that applies in Great Britain should be taken to include corresponding legislation in Northern Ireland.

## Annual Report and Accounts

The Annual Report and Accounts 2013-2014 sets out what we delivered within each of the themes set out in our Corporate Plan 2013-2016: reducing risks to DB scheme members; improving outcomes for DC scheme members; improving governance and administration; maximising employer compliance with automatic enrolment; and delivering operational efficiency and effectiveness. The themes illustrated our strategic direction for 2013-2014 and we have included KPI outcomes for each theme as part of our performance evaluation process.

The Governance Statement and Accountability Reports outline the main responsibilities and 2013-2014 activities of our Board, Committee of Non-executive Members, Audit and Risk Assurance Committee, Remuneration Committee, Determinations Panel and senior management team. They also include details on our systems of internal controls and risk management.

The Financial Review provides an overall summary of our performance in 2013-2014 and includes a Remuneration Report. A more detailed breakdown of our expenditure is set out in the Statutory Accounts and Notes to the Accounts.

The Sustainability Report details our approach to environment issues, including how we have performed in relation to our commitment to reducing carbon emissions by 25% baselined against 2009-2010 by the target date of 2014-2015.

Finally, we include four appendices on:

- the pensions landscape
- formal exercises of delegated powers
- key publications, web activity and events during the year, and
- our workforce diversity profile.

In drafting this document, we have met all of the specific disclosure requirements set out in the government financial reporting manual.

## Government partners

We work closely on both strategic and operational pensions matters with a number of government and regulatory bodies.

The DWP and HM Treasury (HMT) are responsible for developing government policy in respect of private pensions and we provide technical advice where appropriate. The Pensions Regulator operates under the stewardship of the DWP, the Secretary of State appoints the chair of the regulator and the non-executive Board directors. The stewardship role also includes approving our annual Corporate Plan.

The Pension Protection Fund (PPF) provides compensation to members of eligible DB pension schemes where certain qualifying criteria apply, and we have a statutory objective to minimise the risk of calls on the PPF (see page 17). To achieve our objective, we work with the PPF to monitor schemes and share information on mutual risks.

The FCA regulates the providers of DC work-based personal pension schemes and we support it in this task. We also work closely with the FCA on European issues that affect work-based pensions.

The Pensions Advisory Service (TPAS) is an independent non-profit organisation that provides free information, advice and guidance to individuals in relation to pension arrangements. We help TPAS to offer guidance on issues including automatic enrolment and pension liberation.

We engage with a number of additional government partners on specific issues, including HM Revenue & Customs (HMRC), the Pensions Ombudsman, the Prudential Regulation Authority (PRA), the Financial Reporting Council (FRC) and the Insolvency Service among others.

## Co-operation with regulators in other countries

We work closely with regulators from other countries in order to protect member benefits effectively in situations where company sponsors have a global presence. We also work with the European Insurance and Occupational Pensions Authority (EIOPA) through representation on internal committees and panels, and by contributing to its governance and decision-making through the board of supervisors. We are committed to sharing best practice with international regulators where possible. We are a member of the OECD Working Party on Private Pensions (WPPP) and the International Organisation of Pension Supervisors (IOPS).



## Regulatory approach

The regulator operates under statutory objectives set out in the Pensions Act 2004<sup>5</sup>. These guide the exercise of our powers which are derived from a range of legislation dating from 1993 to 2014.

Our statutory objectives are:

- To protect the benefits of members of occupational pension schemes.
- To protect the benefits of members of personal pension schemes where direct payment arrangements are in place.
- To reduce the risk of situations arising which may lead to compensation being payable from the PPF.
- To promote, and to improve understanding of, the good administration of work-based pension schemes.
- To maximise employer compliance with employer duties and the employment safeguards.
- In relation to DB scheme funding only, to minimise any adverse impact on the sustainable growth of an employer<sup>6</sup>.

In undertaking our work we take account of the regulators' code<sup>7</sup> and the principles of good regulation set out in the Legislative and Regulatory Reform Act 2006. That is to be: proportionate, accountable, consistent, transparent and targeted (PACTT). We track and evaluate our performance against these principles. We also operate within other relevant legislation, including the Human Rights Act 1998 and the Data Protection Act 1998.

As a risk-based regulator, we formulate our strategy and allocate our resources based on an assessment of priority risks in the context of our statutory objectives. We categorise the risks we identify in terms of the threat they pose, the extent to which we can mitigate them and the regulator's willingness to accept risk. We focus on those areas where our actions are likely to have the greatest impact.

Educate, enable and enforce is the operational approach we take to implement our regulatory strategy in each of our business areas. Educating and enabling includes producing codes of practice, guidance, toolkits, information and campaigns to communicate our regulatory expectations to those we regulate and other key audiences. Where appropriate, we have a number of enforcement options available to us.

5  
As amended by the Pensions Acts 2008 and 2014.

6  
This objective is due to come into force in July 2014.

7  
This replaced the regulators' compliance code and came into force in April 2014.

# Strategic theme 1: Reducing risks to DB scheme members

In 2013-2014, the government proposed a new statutory objective for the regulator to minimise any adverse impact on the sustainable growth of an employer in relation to DB funding.

In light of this change, we revised our regulatory approach to DB scheme regulation and published for consultation a draft code of practice and policy for DB funding and a draft regulatory strategy. Together these documents set out how we will promote well run, adequately funded schemes supported by strong employer sponsors<sup>8</sup>. We also assessed recovery plans from more than 1,600 schemes, proactively engaged with schemes where appropriate and investigated key risks.

## Educate and enable

We published our second annual funding statement in May 2013. This statement was relevant for trustees of all schemes but was aimed primarily at schemes with valuation dates between 22 September 2012 and 21 September 2013. The key messages were on the flexibilities available to trustees in developing their funding plans, considerations to take into account when setting contribution levels and the importance of taking an integrated approach to scheme risk assessment. Follow-up research indicated that all three target audiences for the survey – trustees, employers and actuaries – found it helpful, with the majority of actuaries stating that the flexibilities they will advise schemes to employ are consistent with those set out by the regulator. We published our third annual funding statement in June 2014.

<sup>8</sup>  
We published the final documents in June 2014.

To increase trustee awareness and understanding of the developments in our approach to DB regulation more generally, and of risks brought about by the current environment, we updated three of the modules in our Trustee toolkit<sup>9</sup> this year:

- How a DB scheme works
- Funding your DB scheme, and
- DB recovery plans, contributions and funding principles.

We produced one section 89 report<sup>10</sup> in 2013-2014, which related to the MF Global UK Pension Fund. This case was a good example of a situation where the possibility of formal enforcement action from the regulator in response to employer sponsor insolvency proved influential in bringing about a positive outcome for scheme members.

To help trustees to manage and mitigate particular risks to their schemes, we published statements on double counting payments into DB schemes and identifying the scheme's statutory employer in October 2013 and December 2013 respectively. In recognition of the innovative methods that can be used to help employers meet their funding obligations, we also produced new guidance for trustees on how to manage the risks that may arise from entering into an asset-backed contribution arrangement.

We continued to conduct in-depth research and analysis in respect of DB schemes. In particular, we carried out a study into the costs of administering DB schemes of different sizes to enable employer sponsors and trustees to view their scheme in the context of market comparables and prompt them to assess the extent to which they are achieving value for money for their members<sup>11</sup>.

In partnership with the PPF, we also produced the eighth edition of the Purple Book. This annual statistics publication indicated no major change in the DB funding trends seen over the previous few years; schemes continue to reduce risks by moving from investment in equities to bonds, cash and deposits, and hedge funds. It also reported an improvement in the economic environment since the end of March 2013 and a resultant growth in scheme funding levels.

9

Our online learning resource, the Trustee toolkit, which encapsulates the basics of trustee knowledge and understanding, is available free of charge to all trustees.

10

Under s89 of the Pensions Act 2004 the regulator may, if it considers it appropriate to do so in any particular circumstances, publish a report of the consideration given by it to the exercise of its functions in relation to those circumstances and the results of that consideration. We produce s89 reports to educate and inform our stakeholders and with a view to increasing our regulatory transparency, among other matters.

11

We published a report on this research in April 2014. It demonstrated a wide variation in scheme expenses.

## Monitoring, compliance and enforcement

Where DB schemes are subject to part 3 of the Pensions Act 2004, they are required to meet the statutory funding objective. Where a scheme is not funded to this level, a recovery plan must be put in place<sup>12</sup>.

This year we established an enhanced recovery plan process. As proposed in our 2013 annual funding statement, we expanded and developed the suite of risk indicators we use to assess valuation submissions in order to focus our interventions more effectively on schemes that we believe pose the greatest risks to member benefits.

We received 1,649 recovery plans for schemes with valuation dates between 22 September 2011 and 21 September 2012. Alongside recovery plans, we also undertook 608 DB cases where risks were raised through other routes, such as intelligence analysis, notifiable events<sup>13</sup>, reported breaches (including through whistleblowers), information on scheme returns as well as through the valuation process.

Following the positive response to our programme of proactive engagement with schemes in 2012-2013, we carried out a similar exercise in 2013-2014. We used our risk assessment framework to identify a group of schemes to engage with before they submitted their valuation. This gave us an opportunity to influence outcomes where appropriate and understand how schemes are incorporating our guidance. It also provided valuable insight into the challenges schemes face and helped to inform the development of our new regulatory material.

We considered approximately 44 clearance cases in 2013-2014, many of which demonstrated the increasingly complex arrangements entered into by sponsors of DB schemes. We issued seven clearance statements in relation to contribution notices and seven clearance statements in relation to financial support directions. We also undertook investigation in approximately 55 avoidance cases.



We received 1,649 recovery plans in 2013-2014 and undertook 608 DB cases where risks were raised through other routes.

12  
Section 226(1) Pensions Act 2004.

13  
See section 69 Pensions Act 2004 and Regulations made there under.

## Regulatory policy

In December 2013, we published for consultation our new strategy for DB scheme regulation and our revised funding policy and funding code of practice. The consultation closed in February 2014<sup>14</sup>.

### Draft regulatory strategy

The strategy set out our high-level approach to balancing the requirements of our statutory objectives with a focus on protecting member benefits through adequately funded and well-governed schemes supported by strong employer sponsors. It explained how we will assess and prioritise risks in order to inform our interventions and develop our policies.

### Draft funding code of practice

The code provided practical guidance for trustees on how to comply with their scheme funding obligations while considering the needs of the employer sponsor supporting the scheme. In particular, it set out our view that trustees should take an integrated approach to risk management, taking account of employer covenant, investment strategy and funding. It examined the interaction between these three strands and explained the elements that trustees should consider in respect of each.

### Draft funding policy

The policy highlighted our new statutory objective and explained that we will encourage trustees and employers to work collaboratively to use the flexibilities in the system appropriately to best suit the needs of both the scheme and employer sponsor. It set out how we will use a suite of risk indicators to provide us with a rounded view of scheme characteristics and risks, and target our interventions accordingly.

14  
The responses received during the consultation informed the final documents which were published on our website in June 2014.

# Strategic theme 2: Improving outcomes for DC scheme members

A key focus for the regulator in 2013-2014 was promoting the quality of DC arrangements, particularly those being used for automatic enrolment. Our main objective is for people to be enrolled into good quality, value-for-money schemes that deliver a good outcome for members. We laid the foundations for this with our new DC code of practice, regulatory guidance, compliance and enforcement policy, and scheme assessment and governance statement templates. We also helped to develop a voluntary independent assurance framework for master trusts and supported the government with its initiatives on minimum legal quality standards, a cap on charges and the automatic transfer of small pots.

## Educate and enable

To help trustees demonstrate the quality of their scheme, we published a governance statement template on our website. We set out our expectation that trustees will regularly assess their schemes against the standards set out in our code of practice and guidance for DC schemes (see page 24), and the template provided an aid for trustees and pension scheme managers to outline how they discharged their responsibilities during the course of the year.

In certain areas of DC regulation, we believe the use of voluntary assurance frameworks will complement both legislative requirements and our educational activities to help improve outcomes for members. This year we worked with the ICAEW to produce a voluntary assurance framework for master trusts.

The framework, which was based on our DC quality features, set out control objectives that must be met in respect of the running of the scheme. Master trusts are being used more widely as a result of automatic enrolment and this framework established a tool for them to demonstrate to employers that their scheme is run to a high standard<sup>15</sup>.

15  
The framework came into effect in May 2014.

The FCA regulates the providers of DC work-based personal pension schemes, including group personal pensions. We continue to work closely with the FCA and in March 2014 we published a joint regulatory guide for trustees, advisers and providers. The guide clarified the regulatory focus and approach of each regulator, including how the two regulators interact and how they manage any overlaps in regulatory structure and shared risks. The guide also demonstrated the common elements in the regulators' approaches.

## Monitoring, compliance and enforcement

Our compliance and enforcement policy for DC trust-based schemes outlined the objectives of our risk framework for DC regulation and identified key risk areas such as poor governance and administration. It explained our approach to monitoring DC schemes, including gathering information, responding to whistleblowers and carrying out thematic reviews. It also detailed some of the information that we may require from trustees and their advisers during investigations, and examples of the factors that we may take into account when deciding whether or not to take enforcement action.

In 2013-2014, we began to implement this policy. For example, we published guidance for trustees, employers and their advisers, among others, setting out examples of what to consider when deciding whether to report breaches of the law by occupational DC schemes in areas such as trustee knowledge and understanding and internal record-keeping controls.

We also continued to monitor schemes through the research and analysis we carried out to gather information for our annual official statistics publication on DC trust-based schemes. DC trust 2014 reflected the evolving nature of the DC landscape brought about by automatic enrolment and the ongoing trend to close DB schemes to new members. The overall intelligence gained influences our regulatory plans and helps us to focus on priority areas.



Our compliance and enforcement policy for DC trust-based schemes outlined the objectives of our risk framework for DC regulation and identified key risk areas.

## Regulatory policy

We published our code of practice for the governance and administration of DC schemes in July 2013. This came into effect in November 2013 and we issued complementary regulatory material at that time comprising guidance, our strategy for DC regulation and our DC compliance and enforcement policy.

## Regulatory strategy

The strategy set out our approach to the regulation of occupational DC schemes and also explained how we intend to work with providers, employers and the FCA in the regulation of work-based personal pensions. The overarching aim of the strategy was to support the pensions sector to deliver schemes and products that promote good outcomes for members of all DC schemes and provide quality schemes for automatic enrolment.

## Code of practice

The code was founded on a number of quality features relating to the requirements of pensions legislation that describe those activities, behaviours and processes that we believe are more likely to deliver good member outcomes. The code applies to trustees of occupational DC schemes and provided practical guidance on how to incorporate the features. The code covered the areas of risk management, investment, conflicts of interest, adviser appointment and administration.

## Regulatory guidance

The guidance accompanied the code and addressed those quality features that are not underpinned by legislation but that reflect our view of good practice. It provided information on a broad range of issues including value for money, transparency of costs and charges and member communications.

## Compliance and enforcement policy

The policy outlined our approach to monitoring schemes, carrying out investigations and making decisions on taking enforcement action.



We worked closely with the DWP in developing the new approach to DC regulation and, in parallel, contributed to the formation of the DWP's minimum legal quality standards<sup>16</sup>. We provided technical advice on issues including how to define the standards, how to regulate against them and how trustees can comply with them. We also worked with the DWP on its proposals for the automatic transfer of small pots, its consultations on defined ambition schemes and costs and charges, and the progression of the Pensions Bill 2013<sup>17</sup>.

We continued to benefit from the expertise of our DC practitioner panel in 2013-2014. The sessions we held with the panel enabled us to test a number of ideas and products throughout their development, improving the final products and, importantly, helping us to ensure that they work in practice. We used the insight gained from these sessions to inform the development of our DC code, guidance, compliance and enforcement policy and web-based templates.

Additionally, we supported the development of terms of reference for the Independent Project Board, which is due to report on a value-for-money audit of both trust- and contract-based DC schemes later in 2014.

16  
Due to come into force in 2015.

17  
Came into force in May 2014 as the Pensions Act 2014.

# Strategic theme 3: Improving governance and administration

Raising standards of knowledge and understanding among scheme trustees remained a priority for the regulator in 2013-2014. We also prepared for our extended role in respect of the governance and administration of public service pension schemes<sup>18</sup>, undertook a range of work to disrupt pension liberation activity and pension scams, and carried out a thematic review of current record-keeping standards in schemes. We fought pension liberation on a number of fronts, including our ongoing Scorpion awareness campaign, the multi-agency collaboration through Project Bloom and a new industry working group, in addition to our own high-profile casework and court appearances.

## Educate and enable

We continued to educate trustees through a range of communication channels designed to increase their awareness and understanding of good practice, encourage their engagement with the issues facing their scheme and help them take action to manage and mitigate risks to member benefits. Our Trustee toolkit provided a core resource for trustees to improve and assess their knowledge, and we updated the modules where relevant throughout the year.

We also developed and published new regulatory policy relevant to trustees of both DB and DC schemes, and started to raise awareness of the key messages around governance and administration through newsletters, webinars and events.

Ahead of our forthcoming responsibilities in respect of the governance and administration of public service schemes, we published information and research on current practice within those schemes. This report was intended to provide educational information for key stakeholders on this area of our work and included descriptions of the schemes, bringing out key features, similarities and differences.

18  
From April 2015, we will assume extended regulatory responsibility for the governance and administration, but not the funding, of public service pension schemes.

To gain insight on particular issues and risks relating to pension liberation, especially around member transfers, we hosted an event for government and industry partners in September 2013. As a result of the discussions that took place during the workshops we joined a new industry group, established in January 2014, to develop a voluntary code to set the standard for dealing with requests by members for transfers between schemes and the due diligence that is required.

In October 2013, we welcomed a High Court ruling which provided greater clarity in respect of the legal status of a number of suspected pension liberation schemes. This helped to inform our regulatory plans and ensure our ability to take action against such schemes where we believe there has been a misuse of member funds. To help disrupt pension liberation activity generally, we continued to work with government and industry partners, including the DWP, HMRC, the FCA and the Pensions Administration Standards Association (PASA), to raise awareness of the associated risks among trustees, administrators, providers and members.

To further promote security for members, we published a statement on trustee prohibition orders<sup>19</sup> in June 2013 to help provide the industry with increased clarity on this power. The statement set out examples of the relevant factors we will take into account when investigating whether a trustee is a 'fit and proper person' to be a trustee of a pension scheme.

With regard to improving scheme administration, we continued to engage with PASA and supported its accreditation programme by actively encouraging trustees and administrators to seek accreditation. We also contributed to PASA's industry code of conduct on administrator provider transfers, published in August 2013, and to the development of its code of conduct for the standardisation of administration error reporting.

19  
Set out in section 3 of the Pensions Act 1995, as amended by the Pensions Act 2004.

## Monitoring, compliance and enforcement

Our annual scheme governance survey and record-keeping survey help us to monitor core elements of governance and administration standards in schemes. The 2013 scheme governance survey showed that while there are improvements in some areas, such as increased documentation of internal controls<sup>20</sup>, overall standards remain inconsistent. A lack of significant movement in the findings from our scheme governance surveys over the past few years in important areas – including whether schemes have a formal documented policy on trustee knowledge and understanding or a training programme in place for its trustees – has led to our decision to review our approach to improving governance and administration in occupational pension schemes, which will take place in 2014-2015.

Similarly, our annual record-keeping survey, published in July 2013, showed that many schemes are still falling short of the standards we set out in our 2010 record-keeping guidance. In particular, the survey revealed that while 81% of large trust-based schemes frequently review the accuracy of common data<sup>21</sup> only 55% of small trust-based schemes have regular meetings for this purpose. The measurement of conditional data<sup>22</sup> was shown to be less of a priority for large trust-based schemes, with 42% failing to generate a conditional data score.

To gain an overall view of the size of the problem and consider what steps we may need to take to mitigate the risks arising from poor record-keeping, we conducted a thematic review across 2013-2014. We published a report on this review in March 2014 which concluded that, while there is some good practice in the industry, there are also various areas of concern. We opened a number of case investigations as a result of the review, which may lead to enforcement action if we find breaches of pensions legislation. This work was part of an ongoing programme of thematic reviews which we will use to proactively engage with schemes and providers.

In total, we considered around 80 governance and administration cases in 2013-2014 where significant risks to good member outcomes had arisen. We also reviewed our approach to pension liberation case selection in order to focus on cases where new models are being used to inappropriately release pension funds and to concentrate our resources on the areas presenting the highest risks. We continued to contribute to wider enforcement activities in high profile pension liberation cases, for example where police raids were carried out. We also took a number of cases to the High Court to ensure that misappropriated assets could be frozen and member benefits protected.

20  
75% of schemes compared to 68% in 2012.

21  
Name, date of birth and National Insurance number, for example.

22  
Detailed data such as contribution history and date of leaving employer.

## Regulatory policy

In preparation for our extended regulatory role in respect of the governance and administration of public service pension schemes, we published for consultation in Great Britain a draft code of practice and regulatory strategy. We will undertake a similar consultation in Northern Ireland in 2014-2015. We developed these documents following engagement with HMT, the DWP, the Northern Ireland Assembly and public service pension schemes, among other bodies. Final documents will be published in the autumn of 2014.

### **Draft public service pension schemes code of practice**

This set out practical guidance for scheme managers and the members of pension boards of public service pension schemes on the standards we expect across a number of areas. The areas covered included scheme governance, managing risks, administration and resolving issues. When final, the code will provide those who run the schemes with a central reference point for these key areas of activity.

### **Draft public service pension schemes regulatory strategy**

This explained our approach to the regulation of public service schemes and set out the factors we will take into account when considering enforcement action. It also included information on how we will assess risk, set policies and measure our impact.

# Strategic theme 4: Maximising employer compliance with automatic enrolment

By the end of the financial year 2013-2014, more than 3 million eligible job holders had begun saving into a work-based pension scheme and around 15,000 employers had reached their staging date.

By 2018, a further 1.3 million employers will be subject to the automatic enrolment duties and safeguards. To maximise compliance, one of our central tasks over the past year was to help employers prepare effectively for their staging date. In particular, we focused on raising awareness and understanding of the reforms among employers, providers, suppliers and advisers, maintaining a positive stakeholder perception of automatic enrolment, and detecting and addressing non-compliance among employers whose staging date had passed.

## Educate and enable

To establish a pro-compliance culture among employers and to help advisers and suppliers provide the advice and products necessary for employers to comply we took a targeted approach to engagement tailored to distinct industry groups.

### Employers

Over the past year, we supported the remaining large employers (250 plus workers) to automatically enrol their workers, make contributions to their scheme and complete the registration process<sup>23</sup>. We also focused on preparing medium-sized employers (50-249 workers) to reach their staging dates from early 2014. In particular, we launched a new online planning tool tailored to medium-sized employers entitled 'Create your action plan for automatic enrolment'<sup>24</sup>. The tool made it clear that employers should start their preparations around 12 months in advance of their staging date and set out when they should aim to complete particular tasks. More than 100,000 employers created an automatic enrolment plan using this method.

23  
In order to complete registration, employers must submit a declaration of compliance to the regulator within five months of their staging date.

24  
Download the tool at: [www.tpr.gov.uk/employers/planning-for-automatic-enrolment.aspx](http://www.tpr.gov.uk/employers/planning-for-automatic-enrolment.aspx)

We commenced writing to medium-sized and small (5-49 workers) employers periodically from 12 months prior to their staging date. In 2013-2014, we sent out more than 110,000 letters and around 32,000 email nudge messages to employers, and continued to host speaker events, develop and present webinars, and work with the DWP to develop effective media campaigns.

In July 2013, we published a quick guide for employers with limited pensions experience to select a good quality pension scheme for automatic enrolment, which included information on types of scheme, investment options and value for money. In early 2014, we also updated our detailed guidance on automatic enrolment for all employers to take account of legislative changes that came into force during 2013. The guides cover a wide range of topics including information on workforce assessment, minimum requirements for pension schemes, safeguarding individuals and keeping records.

Awareness of automatic enrolment among the smaller medium-sized employers surveyed by the regulator in autumn 2013 remained high in comparison to the spring 2013 survey at 94%, and awareness among small employers rose from 75% to 82%. Levels of understanding among smaller medium-sized employers around how to discharge their duties remained largely constant at 67% and again significantly increased among small employers from 40% to 50%.

## Advisers/intermediaries

Our research suggests that medium-sized and small employers are likely to rely on advice from financial advisers, providers and accountants to help them to comply with their duties.

To help advisers to recommend schemes and products that promote good member outcomes, we published quick guides in July 2013 for both financial advisers and accountants on their respective roles in the implementation of automatic enrolment. The guide for financial advisers explained that there may be a need to support employers in the ongoing administration and management of schemes as well as in initial scheme selection. The guide for accountants focused more on their role to provide practical support, for example in the management of employee records and PAYE arrangements.

Our survey of intermediaries in autumn 2013 showed that levels of awareness of automatic enrolment remained high. Understanding levels remained at a similar level for most intermediary types, with payroll administrators and accountants more likely to understand automatic enrolment than when they were surveyed in spring 2013<sup>25</sup>.

25  
Download the survey results at: [www.tpr.gov.uk/docs/autumn-2013-intermediary-final-report.pdf](http://www.tpr.gov.uk/docs/autumn-2013-intermediary-final-report.pdf)

## Suppliers

In November 2013, we held a conference for automatic enrolment scheme providers and payroll professional bodies. This presented an opportunity to consider the issues affecting suppliers, share information on what employers have to do to comply with their duties and discuss ways in which providers and payroll bodies can help them in this task. The conference was very well received and we will look to host similar events in the future. Throughout the year, we continued to support providers to offer good quality schemes by raising awareness of the standards set out in our code of practice for the good governance and administration of occupational DC schemes. We also made improvements to the methods we use to measure supplier awareness and understanding to ensure we are able to accurately track our progress in communicating to this group.

In January 2014, we published revised forecast figures in respect of the volumes of employers to become subject to the automatic enrolment duties and safeguards over the next four years<sup>26</sup>, which gave suppliers useful insight into capacity and demand on a quarterly basis. We also worked with payroll software developers in order to gain a set of standard pension data which will help to facilitate integration between pension providers and payroll software providers.

## Trustees

We published a quick guide for trustees in October 2013 which set out the factors they may need to consider if an employer approaches their scheme with a view to using it for automatic enrolment.

26  
View our employer staging forecast at:  
[www.tpr.gov.uk/docs/automatic-enrolment-employer-staging-forecast.pdf](http://www.tpr.gov.uk/docs/automatic-enrolment-employer-staging-forecast.pdf)



## Monitoring, compliance and enforcement

We conducted ongoing research and analysis to monitor industry perceptions of automatic enrolment as well as employer compliance with their duties. In July 2013, we published our first automatic enrolment commentary and analysis publication which included background information on the reforms, our approach to building employer awareness and engagement, employer registration figures to date and a summary of our related research. It also outlined the types of pension schemes used by employers and described forthcoming trends and challenges. We continued to update employer registration figures on a monthly basis throughout 2013-2014.

While we focused on supporting compliance through education and enablement activities, we took enforcement action where appropriate. We issued our first compliance notice in the second quarter of 2013-2014 and a total of 14 throughout the year. We carried out three thorough fact-finding drives in areas where we had identified particular risks and directly intervened to facilitate employer compliance. We also reviewed more than 800 potential instances of non-compliance with automatic enrolment duties and worked with employers where appropriate to prevent a breach of the law occurring.

## Regulatory policy

To help ensure that contribution payments to schemes are maintained, we published two revised codes of practice and accompanying guidance. The codes<sup>27</sup>, which came into force in September 2013, applied to occupational pension schemes and personal pension schemes respectively. They set out how trustees and scheme managers should meet their obligations and duties to monitor the payment of contributions, provide the information necessary to enable members to check contributions, and report material failures to the regulator and to members within a reasonable period. To support this work, we launched an online portal in February 2014 to enable providers to track and report on contribution levels.

27  
View the codes at:  
[www.tpr.gov.uk/doc-library/codes.aspx](http://www.tpr.gov.uk/doc-library/codes.aspx)

# Strategic theme 5: Delivering operational efficiency and effectiveness

As a public body it is essential that we operate as efficiently and effectively as possible, with due regard to the standards set out in HMT's Managing public money guidance. In 2013-2014 we developed plans to deliver a programme of efficiency gains which will achieve ongoing reductions in our operating costs.

## Efficiency

Despite a growth in regulatory activity in respect of automatic enrolment and DC regulation, resulting in an overall increase in our costs, we have sought to minimise cost increases to our core Levy budget.

### Our systems and processes

During the year we carried out a full-scale review of our core systems, including document management and case management. The review identified a need for substantial investment in IT reflecting a long period of under investment and a significant increase in both the volume and complexity of our work. We are in discussion with the DWP in relation to business cases to fund this investment.



Our aim is to maintain a work environment that is fair and inclusive and that promotes respect for all.

## Our people

In 2013-2014, we expanded our staff numbers in order to deliver our growing remit. We filled 258 vacancies and welcomed 13 secondees from other government organisations and private firms. We continued to support our staff by providing opportunities for learning and development, including technical and management qualifications, mentoring and industry placements. Throughout the year, we maintained a comprehensive programme of internal communication to ensure that staff remained informed of developments that affected the work of the regulator as well as any other relevant matters of interest or concern. We also signed a revised partnership agreement with the Public and Commercial Services (PCS) union. The agreement will help us to develop better employment relationships, including building trust in the workplace, better sharing of information between the regulator and the PCS, and a commitment to work together where appropriate.

### Sickness absence rate

Our sickness absence rate in 2013-2014 was lower than the average for both the private and public sectors: 2.7% against our target of 3.3%, which is based on the Chartered Institute of Personnel and Development (CIPD) average rate for all employment sectors (2013). The public sector average rate was 3.8%.

### Equality and diversity

We take practical steps to support our staff at work. Our aim is to maintain a work environment that is fair and inclusive and that promotes respect for all. We seek to achieve this through a single equality scheme action plan and our key achievements this year included carrying out a voluntary equal pay audit and supporting the Windsor Fellowship<sup>28</sup> leadership programme for the fifth consecutive year.

The voluntary audit provided us with a valuable insight into our gender pay profile and revealed an 11% difference in the average earnings of full-time equivalent women and men. This compares with the National UK levels of 10%<sup>29</sup>. In certain instances there are justifiable explanations for differences in average pay where particular specialist skills are concentrated in one gender currently. Where differentials continue to exist, we are not complacent and will work together with the Remuneration Committee to fully understand our position, ensure a full justification is provided and take action where necessary to address the gap. Our current workforce diversity profile is set out in detail in Appendix 4 to this report on pages 150 to 152.

28 UK charity which aims to educate, train and develop people from under-represented groups in society.

29 [www.ons.gov.uk/ons/rel/ashe/annual-survey-of-hours-and-earnings/2013-provisional-results/stb-ashe-statistical-bulletin-2013.html](http://www.ons.gov.uk/ons/rel/ashe/annual-survey-of-hours-and-earnings/2013-provisional-results/stb-ashe-statistical-bulletin-2013.html)

## Effectiveness

The DWP launched its Triennial Review of pensions bodies in June 2013, which covered the regulator, TPAS, the Pensions Ombudsman and the Pension Protection Fund Ombudsman. The review included a thorough assessment of our governance arrangements, covering matters such as best regulatory practice, the role and activities of the chairman and Board, financial management, our public transparency and the conduct of the Board and regulator staff. The report on the review concluded that we have strong governance arrangements in place. It also recommended that there should be no change in our current status as a regulator of pensions and that we should remain a non-departmental public body.

We continued to build on positive industry perceptions of our role. Our 2013-2014 perceptions survey showed further progress on previous years with 69% of stakeholders rating our performance over the past year as 'good' or 'very good', compared to 66% in the 2012-2013 survey and 64% in 2011-2012.

## Online services and digital marketing

The growth in our responsibilities in recent years, particularly in respect of automatic enrolment and public service pension schemes, has led to an increase in the number and diversity of audiences we seek to communicate with. To this end, we developed a new three-year digital strategy in 2013-2014 focusing on the use of efficient and effective web technology which will provide our target audiences with easy access to the information they require.

There was a substantial growth in the number of visits to our website in 2013-2014, showing a 162% increase on 2012-2013 volumes. Our visitor profile changed significantly in 2013-2014, with employers accounting for half of visits compared to less than 25% in early 2012. Of those visitors, just over 50% were small and micro employers. In particular, the use of mobile devices rose from 4% of total visits in 2012-2013 to around one third in 2013-2014. This is driven by both the accessibility provided by mobile devices and our use of mobile advertising to increase awareness of automatic enrolment among employers.

In the past year, we delivered 2,030 web updates and 13 campaigns, compared to 878 and 4 respectively in 2012-2013. One of our main focus points was our automatic enrolment employer awareness campaign targeted at employers who were within 12 months of their staging date. Overall, we received around 700,000 responses to the campaign, with mobile devices accounting for the majority.

We prompted employers to 'act now' by visiting our website to find out what they need to do and when via the online planning tool we developed for this purpose in spring 2013. The campaign resulted in the creation of more than 100,000 online plans. We also delivered a range of campaigns designed to promote key messages from our DC code of practice and DB consultation as well as educational campaigns to help improve trustee knowledge and understanding.

We continued to update our Trustee toolkit, which included the publication of 30 updated and two new downloadable resources. There were 11,744 unique downloads by trustees and a further 9,000 by other stakeholders over the year. We also hosted four webinars in 2013-2014 on subjects including preparing for automatic enrolment and implementing payroll systems for automatic enrolment.

Across the year, our online events attracted 5,656 registrations and 4,255 delegates. Compared to 2012-2013, membership of our LinkedIn group increased by 64%, our Twitter followership grew by 163% and our news-by-email subscription list increased by 25%. Overall, we made in excess of 1,238,997 contacts in 2013-2014 via our low-cost email channel.

We maintained high levels of website accessibility in 2013-2014, verified by an independent audit, and helped to ensure the high quality of our content through the introduction of a new monitoring tool.



There was a substantial growth in the number of visits to our website in 2013-2014, showing a 162% increase on 2012-2013 volumes.

## Customer satisfaction

Overall, we provided a high quality service to customers throughout 2013-2014 and our target to answer 80% of calls within 20 seconds was exceeded by around 7%. We received a total of 110,242 enquiries during 2013-2014, which is more than a 35% increase on the previous year.

## Automatic enrolment

Received 55,893 enquiries in 2013-2014:

- 38,391 by telephone and 17,502 by letter or email:  
of the telephone calls, 87% were answered within 20 seconds and 1% were abandoned.
- 99% of all contacts were responded to within 10 working days.

## Scheme regulation

Received 21,537 enquiries in 2013-2014, up by over 1,500 on 2012-2013:

- 13,033 by telephone and 8,504 by letter or email:  
of the telephone calls, 88% were answered within 20 seconds and 4% were abandoned.
- 91% of all contacts were responded to within 10 working days.

## Scheme information management

Received 31,327 enquiries in 2013-2014, down by over 12,000 on 2012-2013:

- 18,161 by telephone and 13,166 by letter or email:  
of the telephone calls, 88% were answered within 20 seconds and 1% were abandoned.
- 97% of all contacts were responded to within 10 working days.

## Whistleblowing

Received 1,485 reports in 2013-2014<sup>30</sup>, up by almost 700 on 2012-2013:

- 1,023 by telephone and 463 by letter or email:  
of the telephone calls, 85% were answered within 20 seconds and 6% were abandoned.

The joint scheme registration system with HMRC resulted in 6,355 new schemes registering with the regulator or confirming the reason why they are not required to register. We also identified 1,333 schemes where we were required to undertake action to obtain up-to-date contact data.

30  
This figure represents non-statutory whistleblowers only.

# Key performance indicator outcomes

Our aim is to measure, as far as practicable, our regulatory interventions against our statutory objectives and Corporate Plan, both in terms of what the interventions have achieved and how effectively we deliver them. These measures are principally secured through survey results and management information. They are reported to the regulator's Board and the DWP on a quarterly basis.

The Board adopts our KPIs annually and they are published in our Corporate Plan. They are based on proposals from the senior management team. Where possible, we seek to achieve stability in our KPIs so that they will apply over a number of years. However, they are set in response to our assessment of the key risks to the achievement of our statutory objectives and corporate priorities, so it is also to be expected that KPIs may change from year to year. In the event of a change being considered necessary, the Board takes a decision on whether or not to amend, add or withdraw a KPI.

We have included below a detailed explanation of how we performed against the targets set within each strategic theme outlined in our Corporate Plan 2013-2016.

We designate the outcome of a KPI as green, amber or red in the tables below, where:

- **Green** denotes a KPI for which the target was achieved
- **Amber** denotes a KPI for which the target was marginally missed: the result was likely to be within the margin of error for the target or, in the case of a KPI target with multiple parts, the majority of parts were achieved, and
- **Red** denotes a KPI for which the target was missed by a significant degree.

## Strategic theme 1: Reducing risks to DB scheme members

The table below outlines how we performed against our KPIs relating to DB scheme regulation as set out in our Corporate Plan 2013-2016.

KPI	Outcome
<p><b>Understanding of our scheme funding expectations</b></p> <p>Effectiveness of our activity to inform schemes submitting a scheme valuation in the following cycle. (This KPI relates to our 2013 annual funding statement. It consisted of survey measures among employers, trustees and their advisers associated with schemes with effective valuation dates between September 2011 and September 2012.)</p>	<p>We missed achieving the target for this KPI by a small margin. (Amber)</p> <p>74% of employers, 86% of trustees and 82% of actuaries rated our statement as helpful, against the target of 75%.</p> <p>The target for awareness of the messages in the statement was 80% across the three audiences on average. Awareness was high among actuaries (97%) and the target was achieved. However, it was below target among employers (53%) and trustees (66%).</p> <p>We set a target of 93% of employers and trustees to understand the key messages in the statement. We achieved the target among trustees (96%) but marginally missed it among employers (91%).</p> <p>The majority of actuaries (82%) stated that the flexibilities they will be advising schemes to use are consistent with the regulator's views, missing our target of 84%.</p>
<p><b>Risk management</b></p> <p>Trustees of DB schemes take account of funding, employer covenant and investments in their approach to risk management.</p>	<p>We did not achieve the target for this KPI. (Red)</p> <p>Two fifths (42%) of the schemes surveyed in quarter four said that they 'fully integrate' the management of the following risks: scheme funding, scheme investments and the employer covenant, against a target of 54%.</p> <p>We set an increase target of 54% for this KPI on the basis that we would publish our funding code and regulatory approach in the middle of the year. However, in order to allow time to fully take account of our new statutory objective to minimise any adverse impact on the sustainable growth of an employer, publication was delayed and this reduced the effectiveness of our regulatory communications on this topic.</p>



KPI	Outcome
<p><b>Recovery plan response time</b></p> <p>Reduction in the time we take to deal with recovery plans<sup>31</sup>.</p>	<p>We did not achieve the target for this KPI. (Red)</p> <p>Our target for this KPI was to respond to 80% of schemes that submitted a recovery plan to us within three months (measured on a rolling 12-month basis). We responded to 80% of schemes within 4.3 months. Nevertheless, the performance has improved since the time when the target was first set in 2012-2013 when the average response time exceeded five months.</p> <p>We have been making changes to the risk indicators and tools used to calibrate recovery plan submissions. These process improvements now in train should deliver a faster turnaround of recovery plans in 2014-2015.</p>

31  
This KPI measures the average period of time taken by the regulator to make an initial decision on recovery plans.

## Strategic theme 2: Improving outcomes for DC scheme members

The table below outlines how we performed against our KPIs relating to DC scheme regulation as set out in our Corporate Plan 2013-2016.

KPI	Outcome
<p><b>DC programme delivery milestones</b></p> <p>Project delivery is to plan. We achieve our planned business objectives without disruption.</p>	<p>We achieved the target for this KPI. (Green)</p> <p>We have achieved our target of 100% of delivery milestones. It has been a positive year for our DC programme, culminating in the delivery of a code of practice for trust-based DC schemes, accompanying guidance and our regulatory strategy.</p>
<p><b>Six principles for good work-based DC schemes</b></p> <p>The level of awareness of the principles among both the supply-side and demand-side audiences who are engaging with automatic enrolment.</p>	<p>We did not achieve the target for this KPI. (Red)</p> <p>When surveyed, 12% of employers who received a letter 12 months in advance of their automatic enrolment staging date were aware of our six principles against a target of 60%. Of the advisers supporting these employers, 52% were aware of the principles against our target of 90%.</p> <p>In quarter one we altered our approach in relation to achieving our regulatory objectives in this area with the result that this KPI no longer provided a good measure of our effectiveness.</p> <p>In order to make choosing a scheme as easy as possible for employers, our communications focused not on the six principles themselves but on supporting employers in choosing a good quality scheme. To this end we produced in July 2013 a guide for employers. In addition all communications to employers due to go through the automatic enrolment staging process were used to direct them to this guide on our website. We also produced guides for independent financial advisers and accountants.</p>

KPI	Outcome
<p><b>Implementation of scheme features for good outcomes</b></p> <p>The proportion of the features underlying our six DC principles are included in trust-based schemes.</p>	<p>We did not achieve the target for this KPI. (Red)</p> <p>When surveyed, 61% of large schemes had at least 80% of the quality features in place, missing our target of 75%. Of the small and medium-sized schemes surveyed, 42% met this criterion or had a plan in place to review their scheme against the features, missing our target of 50%.</p> <p>Over the year, we worked closely with the DWP on the development of its Command Paper 'Better workplace pensions', published in March 2014. It introduces minimum quality standards and lays the foundation for driving up standards in DC schemes. The new legislative requirements will give the regulator a firm basis for intervention where necessary to ensure take-up of the features.</p> <p>By the time the automatic enrolment staging period ends in 2018, we aim to ensure that a very high proportion of members are enrolled into schemes where our six DC principles and underlying quality features are met. The targets for 2013-2014 aimed at achieving an interim step on the way to the 2018 target.</p>
<p><b>Trustee understanding of scheme charges</b></p> <p>Trustee boards' collective level of understanding of the charges incurred by the members in their scheme.</p>	<p>We missed achieving the target for this KPI by a small margin. (Amber)</p> <p>Trustees with an understanding of the three key costs and charges now stands at 37%, slightly higher than 32% a year previously, but lower than our target of 41%.</p> <p>We decided in October not to carry out our planned communications activity on this subject once the DWP's intention to produce their Command Paper was known. Instead the focus of our work was on contributing to the DWP's Command Paper which lays the foundations for a more far-reaching legislative framework to ensure that the costs and charges borne by members represent value for money.</p> <p>By the time the automatic enrolment staging period ends in 2018, we aim to ensure that a very high proportion of members are enrolled in a scheme where trustees have a good understanding of scheme charges.</p>

### Strategic theme 3: Improving governance and administration

The table below outlines how we performed against our KPIs relating to scheme governance and administration as set out in our Corporate Plan 2013-2016.

KPI	Outcome
<p><b>Trustee knowledge and understanding</b></p> <p>Toolkit usage among lay trustees to average 4,000 module completions per quarter.</p>	<p>We did not achieve the target for this KPI. (Red)</p> <p>A total of 12,483 modules of our Trustee toolkit were successfully completed in 2013-2014 against our cumulative target of 16,000, which we missed.</p> <p>The main factor restricting our performance in this area was the limited communications opportunities in relation to DB schemes given the additional time needed to develop the DB funding code of practice.</p>
<p><b>Record-keeping</b></p> <p>The proportion of member records with all of the common data items in place according to our guidelines for common data.</p>	<p>We achieved the target for this KPI. (Green)</p> <p>Among schemes being used for automatic enrolment the proportion of members with all common data items recorded is 73%, versus our target of 70%, as measured in our annual record-keeping survey.</p> <p>The further adoption by schemes of our DC code of practice, which includes record-keeping requirements, along with our work to promote PASA accreditation and implementation of the DWP's Command Paper should drive up the proportion of members for whom this target is met. The outcome of our case investigations from our recent thematic review should also be a significant driver towards improved record-keeping.</p>

## Strategic theme 4: Maximising employer compliance with automatic enrolment

The table below outlines how we performed against our KPIs relating to automatic enrolment as set out in our Corporate Plan 2013-2016.

KPI	Outcome
<p><b>Programme delivery milestones</b></p> <p>Project delivery is to plan. We achieve our planned business objectives without disruption.</p>	<p>We achieved the target for this KPI. (Green)</p> <p>All 20 of the key milestones for the programme were achieved on time, with the target thereby achieved.</p>
<p><b>Registrations</b></p> <p>Employers register with the regulator.</p>	<p>We achieved the target for this KPI. (Green)</p> <p>We exceeded our target of 4,600, with a total of 6,791 employers registering with the regulator by the year end. The main reason for the target being exceeded is the number of affiliated employers that have come to light as a result of our engagement activities.</p>
<p><b>Employer communications effectiveness</b></p> <p>The proportion of employers whose staging date falls in 2013-2014 who are aware of and understand their automatic enrolment duties, as measured in our employer tracking survey.</p>	<p>We achieved the target for this KPI. (Green)</p> <p>We exceeded our targets in relation to this KPI. For employers surveyed three months before their staging date, 99% were aware of and 87% understood their automatic duties, versus targets of 95% and 80% respectively. This target has been achieved in all 18 automatic enrolment stages to date.</p>
<p><b>Provider and adviser communications effectiveness</b></p> <p>The proportion of providers and advisers supporting employers who understand automatic enrolment and can therefore provide the required assistance to employers.</p>	<p>We missed achieving the target for this KPI by a small margin. (Amber)</p> <p>The target for this KPI required those intermediaries supporting employers with staging dates in the following 12 months to have a high level (95%) of awareness and understanding of the key automatic enrolment duties. We missed the target marginally overall. It was achieved for three of the five audiences (pension providers, employee benefit consultants and independent financial advisers). The remaining two audiences, payroll software providers and payroll administrators, achieved the target in relation to awareness (96% and 98% respectively) but missed it in relation to understanding (89% and 88%).</p>

## Strategic theme 5: Delivering operational efficiency and effectiveness

The table below outlines how we performed against our KPIs relating to operational efficiency and effectiveness as set out in our Corporate Plan 2013-2016.

KPI	Outcome
<p><b>Principles of better regulation principles (PACTT)</b></p> <p>We continue to be authoritative and to demonstrate improvements in our observance of the five principles of better regulation (see page 17) as evidenced by our perceptions tracker survey.</p>	<p>We achieved the target for this KPI. (Green)</p> <p>We set a target of 70% of our key audiences to rate us positively on average across the different elements of the better regulation principles, representing the right balance that a regulator should achieve to be seen as effective and fair. We achieved a result of 73%, the same as the result in 2012-2013.</p>
<p><b>Stakeholder perceptions</b></p> <p>Our performance against our statutory objectives, as measured by our stakeholder perceptions survey.</p>	<p>We achieved the target for this KPI. (Green)</p> <p>Our target for stakeholders, on average, to rate us as at least 'effective' in our delivery against our statutory objectives was met. On a five-point scale (where one equates to 'very effective' and five equates to 'not at all effective') the average rating increased from 2.2 in 2012-2013 to 1.9 in 2013-2014. Improvements in the perception of our performance in respect of DB regulation, DC regulation and automatic enrolment were recorded.</p>

KPI	Outcome
<p><b>Customer service</b></p> <p>Level of customer satisfaction, as measured by our customer and website satisfaction research.</p>	<p>We missed achieving the target for this KPI by a small margin. (Amber)</p> <p>The customer support element of this target was 80% of those contacting us by phone surveyed saying that they rate the service they received as at least 'very good'. We achieved this target with a result of 82%.</p> <p>We failed the online services part of the target. The target was 78% of website visitors obtaining on average 'all' or 'most' of the information they wanted from the website plus a 'very good' or 'good' score in response to questions on user perceptions. The result was 67%.</p> <p>The target was missed owing to the website not yet being optimised for small and micro employers who are still over a year away from their automatic enrolment staging dates but have come to our website early to look into the automatic enrolment process.</p> <p>The website is currently being redesigned to meet the full needs of these audiences.</p>
<p><b>Employee engagement</b></p> <p>Employee engagement, as measured through the engagement index<sup>32</sup> in our employee engagement survey.</p>	<p>We achieved the target for this KPI. (Green)</p> <p>We met our target of 78% which, like last year's result, reflects a positive response across all of our engagement index measures. This score compares favourably to other public sector and finance sector organisations.</p>

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The six measures that make up the employee engagement index are:

- I feel committed to the regulator's goals
- I am satisfied with my job
- I feel proud to work for the regulator
- I would recommend the regulator as a good place to work
- I feel encouraged to suggest ideas to improve our ways of doing things
- I feel encouraged to go the extra mile and work when required.

# Governance Statement and Accountability Reports



# Governance Statement

## Scope of responsibility

As accounting officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the regulator's statutory objectives and functions, and for reviewing its effectiveness. My review is informed by the work of the internal auditors, the Audit and Risk Assurance Committee, the managers who have responsibility for the development and maintenance of the internal control framework, and the plan in place to address weaknesses and ensure continuous improvement of the system. It is also informed by comments made by the external auditors in their annual Audit Completion Report.

## Overview

The statutory objectives, functions and governance arrangements for the regulator are laid out primarily in the Pensions Act 2004 ('the Act'), with a further statutory objective added by the Pensions Act 2008 and, in relation to DB scheme funding only, an additional objective from 2014 to minimise any adverse impact on the sustainable growth of an employer. The regulator is operationally independent of government, and is overseen by a Board of executive and non-executive members. The regulator's plans, finances and key appointments are subject to the approval of the DWP. The regulator is the UK regulator of work-based pensions.

As the interim chief executive, I am the accounting officer for the regulator. My responsibilities as accounting officer include propriety and regularity of the public finances and keeping proper records, and are set out in the Non-Departmental Public Bodies Accounting Officers Memorandum issued by HMT and published in Managing public money. As the accounting officer, I am accountable (through the DWP chief accounting officer) to Parliament for regularity and propriety.

Having reviewed the evidence provided from risk management and internal controls, and from the internal audit opinion, I am satisfied that the regulator has maintained a sound system of internal control during the financial year 2013-2014, operating effectively across the organisation, on which I can rely as accounting officer. Where control issues arose over the year they have been, or are in the process of being, mitigated. There were no significant control failures or data losses.

The regulator is placing efficiency and effectiveness at the heart of its planning, as one of four corporate priorities for 2014-2017. The need to upgrade core IT infrastructure, including case management and document management, reflects a significant increase in volume and complexity of regulatory work. Having reviewed major projects and programme management, and to provide further ongoing assurance, management is taking steps to develop further the corporate IT strategy, its linkages to the regulator's business objectives, and to improve project management capacity and competency. This will be achieved through, among other things, a new programme management office, thereby strengthening programme assurance frameworks and associated procurements. These steps will be implemented through 2014-2015.

## Board

### Board structure

The regulator is subject to legislative requirements as to Board composition, its powers, functions, committee structure and responsibilities. It is accountable to Parliament through Ministers and is supported by a secretariat. Sections 1 to 3 and Schedule 1 to the Act set requirements for establishment of the regulator and composition of the Board.

The Board structure at the end of the reporting period comprised the chairman, six non-executive directors, the interim chief executive and two executive directors. A non-executive director appointment announced by the Secretary of State for Work and Pensions in January 2013 took effect from August 2013.

The then chief executive resigned in March 2013 in order to take up a new post and left the regulator at the end of June 2013. I was appointed as interim chief executive from 1 August 2013 and in post through to the end of the reporting period. Board members' appointment dates, terms of office, committee membership and biographies are set out on pages 65 to 71.

## Responsibilities of the Board

As required by the Act, and under the framework document agreed between the regulator and the DWP, the key responsibilities of the Board are:

- overseeing the regulator's strategic direction and making key decisions on policy
- ensuring the regulator is properly run as a public body and has effective internal controls, and
- ensuring compliance with statutory and administrative requirements for the use of public funds.

Further detail is available in the Board's Code of Conduct and its Standing Orders<sup>33</sup>. These include:

- setting the strategic direction of the organisation, within the policy and resources framework agreed with the Minister for Pensions, and approving the Corporate Plan
- setting priorities, high level objectives and key operational targets
- monitoring performance against the key operational targets, or other output measures, by which the success of the regulator is to be judged
- overseeing management of corporate risk
- ensuring adequate resourcing and effective resource management
- ensuring that a sound framework is in place to manage the exercise of regulatory functions
- making arrangements for and approving the appointment of the chief executive and executive directors
- ensuring that high standards of corporate governance are observed at all times, including keeping its own performance under review
- ensuring timely submission of the Annual Report and Accounts to the Secretary of State and the Comptroller and Auditor General
- ensuring that the Board operates within the limits of its statutory authority and any delegated authority agreed with the DWP, and in accordance with any other conditions relating to the use of public funds
- ensuring that, in reaching decisions, the Board had taken into account any guidance issued by the government, and
- ensuring that the Board operates sound environmental policies and practices, and operates within the framework of the government's sustainable development strategy.

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To download these documents go to:  
[www.tpr.gov.uk/about-us/the-board.aspx](http://www.tpr.gov.uk/about-us/the-board.aspx)

continued...

Responsibilities of the Board continued...

The Board publishes and regularly reviews its Code of Conduct and its Standing Orders, which also cover aspects such as the terms of reference of the Board committees and the management of conflicts of interest. It has an ongoing system for managing any conflicts of interest that may arise. These include a minuted check at the start of each meeting of whether any conflicts arise.

As an arm's length body, the Board has taken into account the principles of the government's 2011 Corporate Governance Code as part of its own governance framework. An audit on governance and risk assessed the regulator against this Code in autumn 2013. It confirmed that corporate governance is strong and made one low-risk finding in this respect, which has been followed up by the DWP and the regulator's management. The Board reviewed its Code of Conduct and Standing Orders in December 2013 and updated these in line with ongoing good practice.

### **Board meetings from 1 April 2013 to 31 March 2014**

In the year from 1 April 2013 to 31 March 2014, there were eight meetings of the Board, five meetings of the Audit and Risk Assurance Committee, three meetings of the Remuneration Committee and seven meetings of the Committee of Non-executive Members. In addition there were two strategy 'away day' discussion meetings, in May and November 2013, at which the Board received extensive briefings on operational and market developments, and discussed strategic issues, as part of the process of developing and reviewing the regulator's plans. Throughout the year, the chief executives of the Boards of the PPF and of the regulator continued to attend the meetings of each other's Boards as observers. At the December 2013 Board meeting, the Determinations Panel chairman discussed the Panel's role and work with Board members.

Board subcommittee meetings were also arranged. One group focused specifically on DB strategy and held three meetings; a second discussed corporate planning. Audit and Risk Assurance Committee members also met senior management team members twice to discuss progress with the planning and implementation of major IT programmes.

## Board evaluation

An internal review of the Board's effectiveness was undertaken in spring 2013, which was led by the chairman of the Audit and Risk Assurance Committee. Aspects covered included:

- the operation of the Board
- the work of the Board
- composition and culture
- support and organisation, and
- overall impact.

The Board's overall assessment was positive. The recommendations, which were agreed by the Board and have since been followed up, included more opportunities for free-ranging discussions among non-executives, creating a greater linkage between the regulator's strategic objectives, operational performance and key performance indicators, and giving greater focus and clarity to Board papers.

The Board considers that it receives adequate information and quality of data, including management information, from its committees and through the reports it receives. These include regular reports from the chief executive, and from the directors for DB, DC, automatic enrolment and finance.

During summer 2013, the chairman held individual appraisal discussions with each of the three non-executive directors who were not new to their roles.

## Role of the Board chairman

The chairman's role is strategic leadership responsibility for the regulator. This includes:

- chairing the Board, keeping under review the strategic direction of the regulator, and leading the regulator in the fulfilment of its statutory objectives and functions
- chairing the Committee of Non-executive Members, in order to discharge the non-executive functions of the regulator, including ensuring that the internal financial controls secure the proper conduct of its financial affairs
- appraising the performance of non-executive members of the Board and the chief executive, and
- working with the regulator's chief executive in ensuring that the internal operations of the regulator are conducted effectively and with maximum efficiency toward achieving its objectives and functions; communicating on behalf of the regulator with key stakeholders; and ensuring stewardship mechanisms are in place and operating effectively.

## Role of the chief executive

The chief executive is also the regulator's accounting officer, with responsibility for ensuring that operational costs represent value for money and that the regulator's business is delivered in a cost effective manner, and leads the senior management team and staff. The role has executive responsibility for securing that the statutory objectives and functions of the regulator are exercised efficiently and effectively, for leading stewardship arrangements with government, for working with key stakeholders, and as an executive member of the Board, contributing to and reviewing the strategic direction of the organisation.

## Board committees

### Committee of Non-executive Members

As required under section 8 of the Act, this Committee, as permitted by section 8 sub-paragraphs (7) and (8) of the Act, continued to have two standing subcommittees: an Audit and Risk Assurance Committee to which it delegated its function at section 8(4)(a), and a Remuneration Committee to which it delegated its function at section 8(4)(b).

The Committee of Non-executive Members is required to prepare a report on the discharge of its functions for inclusion in the regulator's Annual Report and Accounts. These functions are the duty under section 8(4)(a) to keep under review the question of whether the regulator's internal financial controls secure the proper conduct of its financial affairs, and the duty under section 8(4)(b) and paragraph 8(4)(b) of schedule 1 to the Act, subject to the approval of the Secretary of State, to determine the terms and conditions as to remuneration of the chief executive.

Under paragraphs 18 and 20(1)(c) of schedule 1 to the Act, which give the Board the power to determine its own procedures and to authorise any of its committees to exercise any of its functions, the Board and the Committee of Non-executive Members have agreed additional non-statutory areas of responsibility to be included in the terms of reference for each sub-committee. The terms of reference of the committees are published as part of the Board's Standing Orders.

A report of the activities of the Committee of Non-executive Members during 2013-2014 is on page 72.

### Audit and Risk Assurance Committee

Terms of reference for the Audit and Risk Assurance Committee have been agreed by the Board and the Committee of Non-executive Members, covering both the statutory function delegated from the Committee of Non-executive Members and additional areas of responsibility delegated by the Board. These are published as part of the Board's Standing Orders. The Audit and Risk Assurance Committee reports during the year on its activities to the Board through its minutes and oral reports. A report of the activities of the Audit and Risk Assurance Committee during 2013-2014 is on pages 73 to 76.

## Remuneration Committee

Terms of reference for the Remuneration Committee have been agreed by the Board and the Committee of Non-executive Members, covering both the statutory function delegated from the Committee of Non-executive Members and additional responsibilities delegated by the Board: in addition to its ongoing reward-related focus, to keep under review the regulator's human resource strategy and consider emerging people issues, especially in relation to talent attraction, development and retention and long-term human resource planning, with a particular focus on leadership capability, and to update the Board accordingly. The terms of reference are published as part of the Board's Standing Orders.

The Remuneration Committee reports during the year on its activities to the Board, primarily through oral reports.

A report on the activities of the Remuneration Committee during 2013-2014 is on pages 77 to 78.

## Determinations Panel

Section 9 of the Act requires the regulator to establish and maintain a committee called the Determinations Panel ('the Panel'), whose purpose is to exercise, on behalf of the regulator, certain regulatory functions, as set out in Schedule 2 to that Act. A report of the activities of the Panel during 2013-2014 is on pages 79 to 82.

## DWP stewardship

The accounting officer's line of accountability is through the DWP. The DWP, through the nominated steward, receives reports on performance, finance and risk, has regular accountability review meetings, and attends the regulator's Audit and Risk Assurance Committee. The stewardship framework is set out in a published joint Management Statement and Financial Memorandum.



## Senior management team

The corporate governance systems of the Board and its committees are further supported in the regulator's executive arm by the senior management team (SMT). The operational management and business planning functions are co-ordinated by the SMT, chaired by the interim chief executive, to:

- oversee key business processes
- oversee development projects
- oversee organisational change activity
- co-ordinate activity across business areas
- assess strategic and operational risk and plan mitigations
- recommend financial and operational plans to the Board
- manage the budget, and
- manage human resources.

During the year, SMT membership developed to reflect changing senior level responsibilities. At the end of the period, SMT membership comprised the interim chief executive (as chairman), the executive director for automatic enrolment, the executive director for DC, governance and administration, the (interim) executive director for DB regulation, the director of risk, finance and procurement, the director of communications, the director of corporate strategy, policy and performance, the director of IT, the director of HR and environment, and the director of legal services. The corporate secretary also attends. The SMT meets weekly, reviewing key control metrics in accordance with priority risk areas.

## Control framework

The system of internal control has been in place at the regulator for the year ended 31 March 2014 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance. The control system supports the achievement of the regulator's objectives, while safeguarding public funds and departmental assets. It is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The regulator's commitment to value for money underpins its planning and control systems. The control system has evolved to ensure the regulator is compliant with the requirements on government spending, and to track and monitor service delivery in areas most affected.

## Internal controls

Key components of the system of internal control are:

- codes of conduct and supporting training materials where appropriate, for Board members, staff and contractors, setting out expectations of behaviour, and the policy framework for declaring and managing conflicts of interest, ensuring data protection and information security, countering the risk of fraud, and providing for a system of whistleblowing
- standing orders and terms of reference for the Board and its committees, and schedules of financial and regulatory delegations, which are approved by the Board and which are reviewed at least once a year; also terms of reference for the SMT and its standing panels, which are kept under review by the SMT
- a business planning system linking strategic, operational and personal objectives, subject to regular review by the SMT, and with quarterly reporting to the Board and the DWP Steward, using agreed performance indicators
- an annual budget together with quarterly forecasts, agreed by the Board, developed through using priority-based budgeting methodology, linking into the business planning cycle. This includes a set of financial protocols outlining the relationship between levy funded activities and those relating to automatic enrolment, which are also reviewed annually.

- management reporting through the SMT on a set of agreed measures designed to reflect the performance of the organisation and to monitor key risk indicators
- detailed business process rules, a consistent standard of documentation, and clear lines of accountability and escalation in respect of regulatory decisions and actions taken
- a process for managing change, the resources dedicated to change projects and the overall change burden on the organisation, and
- a programme of internal audits and a system for progressing implementation of audit recommendations and reporting progress to the Audit and Risk Assurance Committee.

The performance of the chief executive and SMT members is reviewed by the Remuneration Committee in determining their remuneration for the year. Details of the remuneration of all Board members are given in the Remuneration Report on pages 90 to 99.

## Risk management

The identification and management of risks forms an integral part of the way the regulator operates. It emphasises outcomes over process, although it devotes significant resource to ensuring that the mechanisms it has put in place to illuminate, mitigate, and escalate risks are robust and fit for purpose, and accordingly provide assurance to the Audit and Risk Assurance Committee and the Board. It keeps these mechanisms under constant review, and makes changes to process as circumstances change.

The regulator deals with two fundamental risk types: those risks to members in the external pension landscape, and those which, if left to crystallise, would specifically affect the regulator's ability to deliver its strategic objectives, and its corporate plan. Risks are managed at the level most able to deal with them, with the most serious risks being escalated to the Audit and Risk Assurance Committee and to the Board.

Assessments of the risks faced by members of UK work-based pension schemes and by the PPF inform the regulator's regulatory approach and corporate planning, and are taken into account when judging the prioritisation of interventions, and the allocation of resources. Twice a year, the Board reviews a risk departmental analysis of the pension landscape, and discusses the risks which arise from this analysis, and the policies and mitigating actions which this generates. Output from this process has been used to provide support and input to the regulator's objective setting and corporate planning.

continued...

Risk management continued...

Examples of risks affecting the pension landscape discussed by the Board this year include:

- potential duplication or gaps between the jurisdictions of different UK regulators
- the risks arising from automatic enrolment and its impact on providers, employers and members
- the risks which arise from political and economic events such as the Eurozone crisis
- threats which are identified as a result of trying to predict and assess future developments in the pensions and related economic environment, including for example pension scams and pension liberation.

Similarly, the identification, escalation, and mitigation of those strategic, operational and reputational risks, which as a result of their probability and impact, may affect the ability of the regulator to achieve its statutory objectives, form a central element of the regulator's internal control framework.

The following forums form an integral part of the risk assessment and escalation process, and help to provide assurance that risk management is effective:

- The Board reviews the regulator's risk register and matrix of risk probabilities and impacts annually, and monitors the effectiveness of mitigations.
- The Audit and Risk Assurance Committee reviews the regulator's identified top risks on a quarterly basis: challenging management's response; monitoring the effectiveness of mitigations; and responding to the trend of changing risks over time. It also regularly commissions in-depth reviews of individual risks, which are presented by those accountable for their management.
- The SMT validates on a quarterly basis the regulator's risk register, and the top risks which are escalated to the Audit and Risk Assurance Committee. Additionally, there is a monthly assessment of risks, and the impact they have on the development of KPIs.
- The regulator's Risk Committee, of executive management, which meets quarterly, is responsible for linking top-down risks with those captured by the risk register process, weighting those risks in terms of threat and control, and proposing the top ranking risks to the SMT. Risks are escalated based on both ranking (quantitative impact) and on judgement.

Business risk committees have been established in each of the three main business areas (DB; DC, governance and administration; and automatic enrolment) to provide appropriate risk management capabilities at that level.

During the year, the organisation developed a description of the regulator's risk appetite, which was discussed with the Audit and Risk Assurance Committee and the Board.

Key risks within the regulator which were escalated to the Audit and Risk Assurance Committee in the past year include:

- supply chain analysis, including the risks in managing third-party partners in delivering key projects, for example on automatic enrolment
- the risks arising from wrongful data disclosure, and the effectiveness of related mitigations
- the operational risks posed by the replacement and enhancement of key infrastructure and IT systems
- the risks arising from the management and priority-setting surrounding the regulator's project management portfolio, and
- human resource risks, in terms of recruitment and engagement.

The risk department works closely with other government agencies to ensure as far as possible that risk management is robust and effective. To this end, the last year has seen close co-operation with the Government Actuary's Department, in seeking to develop a model risk governance framework, and in testing the logic and transparency of the regulator's risk identification process. The model risk governance framework will ensure that all models developed and used meet the recommended best practice outlined in the Macpherson Review. While the framework is being developed, significant analysis will be subject to an appropriate level of quality assurance in line with the spirit of the model risk governance framework and best practice outlined in the Macpherson Review.

The risk department remains a regular participant at the risk improvement group, an HMT-sponsored initiative which seeks to share best practice across government in terms of assurance and risk management. It has also upgraded the risk monitoring group which is a dual agency risk forum with the PPF, which seeks to identify and escalate common risks to senior management.

## Financial contingency

The regulator's financial resource and headcount budget is agreed with the DWP. The funding of regulation is derived from two main sources: a Grant-in-Aid from the DWP, which is recoverable from a levy on pension schemes (not borne by general taxation) and a separate Grant-in-Aid from general taxation. We collect the levy on behalf of the Secretary of State for Work and Pensions.

In the event of unpredictable events, for example a significant change in the economic environment or unexpectedly high costs of legal enforcement action, there is the potential for the DWP to provide additional resources through the Departmental supplementary estimates process. This could then be recouped from pension schemes. This facility has never been used.

In conjunction with government spending controls, new arrangements were put in place in July 2011 to delegate responsibility for authorising expenditure captured by the controls within limits set by Ministers to the chief executive of the regulator, with monitoring/oversight by the DWP. This provides flexibility to the organisation which has helped the regulator to respond to increased caseloads.

## Information security

In accordance with the regulator's responsibilities under the HMG Security Policy Framework and the Data Protection Act 1998, the regulator has in place arrangements to provide for information security. The regulator also has ISO 27001 accreditation. It is the regulator's established practice to advise the Information Commissioner's Office (ICO) of data protection related incidents, whether or not these rate as significant or there may be a reporting requirement. There were no such incidents drawn to the ICO's attention in 2013-2014.

## Internal audit

A programme of internal audits was agreed by the Audit and Risk Assurance Committee, and was undertaken and reported to the committee during the period of this statement. The classification of the audit reports was two medium risk, three low risk, and one report which was for benchmarking purposes, which accordingly was not classified.

In their internal audit annual report to the regulator for 2013-2014, based on the work they had completed, the internal auditors' opinion was:

'We believe that there is an adequate and effective framework of governance, risk management and control to address the risk that management's objectives are not fully achieved'.

In presenting their report to the Audit and Risk Assurance Committee, the internal auditors noted that this was a positive opinion and overall outcome. As its report on pages 73 to 76 sets out, the Audit and Risk Assurance Committee formed the view that the monitoring and reporting systems in place to give the SMT an appropriate level of control over the processes and management of processes within the organisation were broadly effective. Where gaps were identified, appropriate action has been taken.

Following a review by internal audit, management has, as part of updating the regulator's strategy, further clarified the vision statement for the organisation.

A process is in place to ensure that the agreed management responses to internal audit recommendations are monitored by the SMT, progressed and implemented effectively, and that progress is regularly reported to the Audit and Risk Assurance Committee. As its report sets out, the committee was satisfied that good progress was being made in putting those recommendations into action over the year.

## Responsibilities of SMT members

Members of the SMT take shared responsibility for executive decision making and in making recommendations in papers for the Board to consider. In addition, each member of the SMT has designed controls for their area of responsibility and has given the interim chief executive formal assurance that these have been operating effectively throughout the year.

## Audit and Risk Assurance Committee and Board review

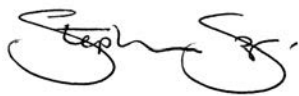
The Audit and Risk Assurance Committee has reviewed the risk register on a quarterly basis. As its report on pages 73 to 76 sets out, through its enquiries the Committee has endorsed management's assessment of key risks, and has concluded that effective and thorough monitoring and reporting systems were in place to give the SMT an appropriate level of control over the management of risk. In addition, twice a year the Board reviews an analysis of the pensions landscape, and annually the Board reviews the risks, changing the top level risks if necessary, reviews the risk appetite, and reviews risk management strategies and contingency plans in the light of Audit and Risk Assurance Committee experience. In this financial year, the Board annual risk review took place in July 2013.

## Conclusion

Having reviewed the evidence provided from risk management and internal controls, and from the internal audit opinion, I am satisfied that the regulator has maintained a sound system of internal control during the financial year 2013-2014, operating effectively across the organisation, on which I can rely as accounting officer. Areas outlined above where control issues arose over the year have been, or are in the process of being, mitigated. There were no significant control failures or data losses.

To my knowledge, and that of the Board, there is no relevant audit information of which the auditor is unaware. I have taken appropriate steps to become aware of and report to the auditors any relevant audit information.

I can confirm that the regulator received no ministerial direction under the Ministerial Code 2010 during the financial year 2013-2014.



### Stephen Soper

Interim chief executive, The Pensions Regulator  
18 June 2014



## Details of Board membership

Board appointments and committee membership are set out below. A register of Board members' interests is on our website<sup>34</sup>.

Name	Date appointed to Board	Date term expires/expired	Committee membership
Michael O'Higgins Appointed as chairman	1 January 2011	31 March 2014	Non-executive (chairman)
<b>Non-executive members</b>			
Tony Brierley	9 July 2008	8 July 2016	Audit and Risk Assurance (chairman), Non-executive
Isabel Hudson	1 June 2009	31 May 2017	Remuneration (chair), Non-executive
Bruce Rigby	1 June 2009	31 May 2017	Audit and Risk Assurance, Non-executive
David Martin	1 February 2013	31 January 2017	Remuneration, Non-executive
Graham Mayes	1 February 2013	31 January 2017	Audit and Risk Assurance, Non-executive
Ann Berresford	1 August 2013	31 July 2017	Non-executive
<b>Executive members</b>			
Stephen Soper Interim chief executive	11 May 2011	30 April 2016	
Charles Counsell	1 July 2011	1 July 2014	
Andrew Warwick-Thompson	8 April 2013	31 March 2016	
<b>Former executive members</b>			
Bill Galvin Appointed as chief executive	17 January 2011	30 June 2013	
David Farlow	15 March 2013	15 August 2013	

BG Acting chief executive from May 2010. Left the regulator in June 2013.

CC Interim executive director from 1 April 2011 to 30 June 2011.

Appointed executive director 1 July 2011.

SS Interim executive director from February 2011.

Reappointed director from 1 May 2013 for 3 years.

Interim chief executive from 1 August 2013.

TB Reappointed from 9 July 2012 for 4 years.

IH Reappointed from 1 June 2013 for 4 years.

BR Reappointed from 1 June 2013 for 4 years.

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View the register at: [www.tpr.gov.uk/docs/register-board-interests.pdf](http://www.tpr.gov.uk/docs/register-board-interests.pdf)

## Details of Board attendance

Member	Number of meetings			
	Board	Audit and Risk Assurance Committee	Remuneration Committee	Committee of Non-executive Members
Michael O'Higgins	8/8	N/A	N/A	7/7
Tony Brierley	7/8	5/5	N/A	7/7
Isabel Hudson	8/8	N/A	3/3	7/7
Bruce Rigby	8/8	5/5	N/A	7/7
David Martin	8/8	N/A	3/3	7/7
Graham Mayes	7/8	4/5	N/A	6/7
Ann Berresford*	5/5	N/A	N/A	5/5
Stephen Soper	8/8	N/A	N/A	N/A
Charles Counsell	8/8	N/A	N/A	N/A
Andrew Warwick-Thompson	7/8	N/A	N/A	N/A
Former member	Number of meetings			
	Board	Audit and Risk Assurance Committee	Remuneration Committee	Committee of Non-executive Members
Bill Galvin*	2/2	N/A	N/A	N/A
David Farlow*	3/3	N/A	N/A	N/A

\*Only in post for part of year.

## Board members

### Chairman

**Michael O'Higgins** became chairman of the regulator in January 2011. He was chairman of the Audit Commission for six years to September 2012 and of the charity CentrepoinT for eight years until December 2011. He is also chairman of Investec Structured Products Calculus VCT plc and became chairman of the NHS Confederation in November 2012.

Michael is a non-executive director of Network Rail and of HMT, and chairman of the Treasury Group Audit and Risk Assurance Committee.

Previously, Michael was a managing partner with PA Consulting, leading its government and IT consulting groups, latterly as a director on its International Board, and a partner at Price Waterhouse. He began his working career as an academic at the London School of Economics and the University of Bath.

Michael stood down as chairman at the end of his term of office on 31 March 2014.

**Mark Boyle** became chairman of the regulator on 1 April 2014. Mark has a 30-year career spanning three separate spheres – banking, FTSE corporate and central government. He has a background in corporate finance, governance, stakeholder management and up-to-date experience and understanding of the challenges of operating in the public sector.

Alongside his role at the regulator, Mark is also the independent non-executive chairman of HM Land Registry.

Mark was previously director and chief operating officer at the Shareholder Executive, the specialist team based in the Department for Business, Innovation & Skills (BIS) that looked after a portfolio of government-owned businesses ranging from the Royal Mail to Ordnance Survey. Before this he spent 12 years in senior commercial and corporate development roles with two major FTSE companies, Compass Group and Rentokil Initial. The first 15 years of his career was spent in banking with Lloyds Bank International and Kleinwort Benson.

## Non-executive directors

**Tony Brierley** is a solicitor and has spent over 25 years in the private equity and venture capital industry. He was formerly general counsel and company secretary of 3i Group plc, the FTSE100 international private equity business. As a member of 3i's Executive Committee he was responsible for the Group's legal, compliance, company secretarial and internal audit functions worldwide. He now has a portfolio of commercial and public sector non-executive positions.

Tony was re-appointed as non-executive director of the Board with effect from 9 July 2012.

**Isabel Hudson** has had an extensive career in financial services in the life, non-life and pensions industries in a number of senior roles, including M&A and as finance director. She has worked both in the UK and in continental Europe. More recently, she was an executive director of Prudential Assurance UK before leaving to set up Synesis Life, one of the new pension buy-out insurers, which was sold at the end of 2008.

Isabel is currently a non-executive director of QBE, a top 20 global non-life insurer, where she has been on the main board since 2005. In February 2010, she was appointed a non-executive director on the board of the Phoenix Group, followed in December 2010 with an appointment as a non-executive director for MGM Advantage, the enhanced annuity provider, until November 2013. She is also chair of the NHBC's board of directors and an ambassador for the disability charity, Scope.

Isabel was re-appointed as non-executive director of the Board with effect from 1 June 2013.

**Bruce Rigby** retired in early 2012 after a full career with Mercer, mainly as a consulting actuary advising on occupational pension provision. He held many management roles with the company, including global leadership of the Mercer's retirement, risk and finance business and as its global chief retirement strategist. In addition, Bruce is a non-executive director of Baillie Gifford Life and Mercer Global Investment Europe, and a governor of Edinburgh Napier University.

Bruce was re-appointed as non-executive director of the Board with effect from 1 June 2013.

**David Martin** has 40 years' experience in the pensions industry, including 30 years of giving direct advice to trustees of occupational pension schemes. He is an actuary and was, until recently, a partner at Mercer Ltd and its predecessor companies (1980 to 2012). David is involved at a senior level with the Institute and Faculty of Actuaries.

He is a vice-chairman of the Professionalism Committee of the International Actuarial Association, and an officer of the Actuarial Association of Europe.

**Graham Mayes** is a finance professional with over 30 years' experience in the global consumer goods industry with Kimberly Clark and Unilever. He has held numerous financial positions including director of finance for Kimberly Clark's MEA region from 2006 to 2009. He is currently a trustee director for Kimberly Clark Pension Trust Ltd where he chairs both the funding and defined contribution committees.

He also chaired a number of NHS Audit Committees from 2010 to 2013.

**Ann Berresford** has worked in a range of financial roles over the years across different businesses and has gained broad general management and strategic experience on the boards of large and small organisations. She was the UK finance director for Bank of Ireland (1998-2006) and previously was the finance and administration manager and group treasurer for Clyde Petroleum (1985-1998). Ann was also a non-executive director of the PPF until 31 July 2013 and currently is a non-executive director with the Bath Building Society.

Additionally, she is an independent trustee of a Local Government Pension Scheme – the Avon Pension Fund.

## Interim chief executive

**Stephen Soper** became interim chief executive of the regulator in August 2013. Stephen previously held the position of executive director for DB regulation at the regulator (and prior was interim DB executive director from February 2011 and was an attendee of the Board). Stephen also previously held the position of head of risk and funding at the regulator where he was responsible for mitigating risks to member benefits and overseeing all DB casework.

Stephen joined the regulator following over 23 years working in multi-national financial services organisations, focusing on banking and insurance. A chartered banker (ACIB), Stephen began his career at RBS within the international banking division and subsequently worked at the Allied Dunbar Group, Zurich Financial Services, Eagle Star and Aon. He has held various executive positions including commercial bank treasurer, board director, COO of a UK Bank, restructuring director and group change director.

## Former chief executive

**Bill Galvin** became chief executive of the regulator in January 2011. Prior to this, Bill was acting chief executive of the regulator from May 2010 and executive director for strategic development from October 2008. Formerly, Bill led on pensions protection policy at the DWP. Prior to joining the DWP, he worked as a strategy consultant at IBM Consulting and in strategy and marketing for IBM Global Services.

In August 2010, Bill was appointed as non-executive director for TPAS, and in 2012 was appointed as non-executive director for the Solicitors Regulation Authority.

Bill resigned from the regulator in March 2013 and left on 30 June 2013.

## Executive directors

**Charles Counsell** is the executive director for automatic enrolment at the regulator. Prior to this he was interim automatic enrolment executive director from January 2011 and an attendee of the regulator's Board. Previously he held the role of programme manager for this stream of work. Charles joined the regulator in 2005 and has been involved with the design and delivery of automatic enrolment since 2008. For nearly 20 years, Charles has set up and run major business change programmes. As well as his work in the public sector, he has run major programmes of change in the financial services and automotive industries. Many of these programmes have been international, including work in South Africa, the United States, the Middle East and Europe.

**Andrew Warwick-Thompson** has nearly 30 years' DC pensions and investment consulting experience, spanning insurance, pensions funding vehicles and asset management, both in the UK and internationally. He has advised leading banks, insurance companies and asset managers on DC product design and market entry strategies in the UK and overseas, the Financial Services Authority on their 'league tables', as well as public and private sector employers on the design and governance of their domestic and multi-national DC retirement programs.

Andrew read law at Sheffield University and then at Guildford College of Law. In 1986, he joined Bacon & Woodrow (now Aon Hewitt) where he became an Equity Partner in 1997. He has held positions within the insurance, investment and retirement practices of the firm, latterly as partner in the international retirement and investment practice where he was responsible for global DC and investment solutions. In February 2000 the Council of the Institute of Actuaries elected Andrew as an affiliate member of the Institute. From 2011 to 2013 Andrew gave some of his time to Mencap, the voice of learning disability, as chairman of the Mencap Pension Plan Trustees.

## Former executive director

**David Farlow** was the executive director covering transformation, operational support, finance, human resources, information technology and procurement at the regulator to August 2013.

He started his career working as a strategy consultant for eight years with Bain & Co. Since then he has held various operations and transformation executive roles with leading private equity and blue chip private sector companies such as Lloyds TSB, British Gas, Wells Fargo, Capital One and 3i.

# Accountability Reports

## Report of the activities of the Committee of Non-executive Members

Membership of the Committee of Non-executive Members consists of the chairman, Michael O'Higgins, and the non-executive directors. From the start of the period to 31 July 2013, the non-executive directors were Tony Brierley, Isabel Hudson, Bruce Rigby, Graham Mayes and David Martin. From 1 August 2013, when her appointment to the Board took effect, Ann Berresford also became a non-executive director.

Reports follow from each of the standing sub-committees, the Audit and Risk Assurance Committee and the Remuneration Committee, including on the membership of these committees.

The Committee met seven times during the period of this report.

Its consideration included a range of appointments and staff matters such as senior management recruitment processes and leadership, senior staff changes, and restructure of the SMT.

Discussions also covered a review of the Board's effectiveness, including

- the scope for increasing non-executive engagement
- Board papers
- cases presented for briefing to the Board
- the objectives of SMT members for 2013-2014, and
- the role of SMT non-Board members at Board meetings.

Members also considered further key topics, including the regulator's IT and major programme proposals and progress, and its approach to risk assessment. By invitation from the chairman, the interim chief executive attended parts of some of these meetings.

Members' attendance records are included in the tables showing details of Board membership and details of Board attendance on pages 65 to 66.



## Report of the activities of the Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee had five formal meetings in 2013-2014 and provided regular feedback to the Board. In addition, it had two informal meetings with management and conducted one fact-finding visit. Details of specific subjects covered by the Committee during the year are discussed in the section below on subjects considered.

### Conclusions

As a result of its work and the reports that it has received and considered, the Audit and Risk Assurance Committee:

- noted that the regulator's control system is designed to manage risk rather than to eliminate all risk. It therefore provides reasonable rather than absolute assurance of effectiveness. It has evolved to provide compliance with government spending requirements and to track and monitor service delivery in key areas
- endorsed management's assessment of key risks, through identification, prioritisation, monitoring and reporting systems, and concluded that effective and thorough monitoring and reporting systems were in place to give the SMT an appropriate level of control over the management of risk, and
- noted that of the six audits undertaken, two were classified as medium risk, three were classified as low risk, and one report, for benchmarking purposes, was accordingly not classified.

The Committee noted that the regulator received a positive conclusion as part of the DWP's Triennial Review of governance of pensions non-departmental public bodies, published in January 2014.

The Committee was satisfied at the year end that good progress was being made in the implementation of agreed internal audit recommendations; and concluded that the monitoring and reporting systems in place give the SMT an appropriate level of control over processes, that management of processes within the organisation were broadly effective, and that where gaps were identified, appropriate actions were effectively put in place.

continued...

Report of the activities of the Audit and Risk Assurance Committee continued...

The Committee noted the internal auditors' assessment that:

- governance and risk arrangements are robust, documented and adhered to
- risk and assurance processes are in place, embedded and form an integral part of the framework
- roles and responsibilities are understood and processes and controls are generally formally documented, communicated and up-to-date, and
- the regulator is keen to capture lessons learnt and address issues they have identified.

The Committee was pleased to note that in its annual report to the regulator for 2013-2014, based on the work they had completed, the internal auditors expressed the opinion:

'...there is an adequate and effective framework of governance, risk management and control to address the risk that management's objectives are not fully achieved'.

In presenting their report to the Audit and Risk Assurance Committee, the internal auditors noted that this was a positive opinion and overall outcome.

## Subjects considered by the Committee

Specifically, during the year the Committee:

- reviewed the annual accounts for the regulator for the period 2012-2013 and recommended their approval to the Board
- reviewed the external audit management report for 2012-2013
- reviewed the internal audit management report for 2012-2013
- approved the internal audit strategy and plan for 2013-2014
- approved the external audit strategy and plan for 2013-2014
- reviewed the internal audit annual report for 2013-2014 and noted the auditors' opinion
- considered and reviewed with the SMT the approach to risk management and kept the regulator's risk register under review, as well as considering in depth the regulator's risk approach in certain specific areas

- considered and reviewed with the SMT the approach to developing a risk appetite statement, providing an important step forward for the organisation, and considered drafts of the regulator's emerging draft risk appetite statement
- considered and reviewed the system of delegated authorities and their use
- reviewed the Board and Determinations Panel members' expenses and hospitality information for publication
- received reports from the internal auditors reviewing areas of the business, as set out in the internal audit strategy and plan, and
- monitored the implementation of recommendations made in earlier internal audit reports.

Members of the Committee also had two further meetings with SMT members to discuss costs and progress with major IT-related programmes, including projects to upgrade the regulator's case management and document management systems. These programmes will continue to be an area of focus and monitoring for the Committee until their delivery. In addition, the Committee made a fact-finding visit to the regulator's major contractor's automatic enrolment customer support facility in Birmingham.

The Committee also met in May and June 2014 to review:

- the draft Governance Statement for 2013-2014, and
- the regulator's Annual Report and Accounts 2013-2014, together with the internal and external auditors' reports for the year.

Following completion of those reviews, the Audit and Risk Assurance Committee recommended to the Board approval of the elements of the Annual Report and Accounts within its remit.

## Risk management

The Audit and Risk Assurance Committee reviewed the regulator's top risks on a quarterly basis. The Committee has instituted a comprehensive review of processes and inputs to identify, prioritise, monitor, manage and mitigate risks, both operational and strategic, throughout the organisation and their reporting ultimately to the Board. The Committee was able to question management as to the ratings given to risks, to monitor the effectiveness of mitigations and to consider the changes and trends in risks. The Committee also reviewed ongoing development work to express the regulator's risk appetite, which was presented in draft for the Board's consideration in December 2013.

## **Internal audit strategy and plan for 2013-2014**

As anticipated the previous year, a new arrangement has been put in place from the start of the 2013-2014 financial year under which internal audit services are provided by auditors whose services have been procured via a DWP framework agreement.

The Committee agreed a programme of internal audits for the year, covering major areas of the business assessed as priority topics for review, investigation and audit. Progress over the year was kept under review and the Committee was able to review each of the six audit reports during the year and before review of the Annual Report and Accounts and the Governance Statement and their subsequent recommendation to the Board for approval.

The Committee gave and will continue to give close attention to monitoring progress quarterly in the implementation of previous audit recommendations.

## **Systems and processes**

The internal audit programme for the period covered a range of systems and processes in the regulator, with audits on IT controls, automatic enrolment case management, automatic enrolment contract management, governance and risk, DC programme management and financial controls.

## **Financial information**

In addition to the external auditors' annual work, the internal audit programme covered key financial controls.

## **Board and Determinations Panel expenses**

The Committee reviewed the expenses of the Board and Determinations Panel members for quarterly publication on the regulator's website and was satisfied that the expenses claimed were appropriate.

## **Membership**

Membership throughout the period was Tony Brierley (chairman), Bruce Rigby and Graham Mayes.

## Report of the activities of the Remuneration Committee

The Remuneration Committee met on three occasions in 2013-2014. Its terms of reference provide for the Committee:

- to advise the Secretary of State in relation to the pay of the chief executive including base salary, bonus and any other components, under the terms of his contract, and his performance against agreed objectives, and in relation to pay levels for relevant comparable public and private sector roles, and pay increases awarded to the regulator's staff
- within the terms of the regulator's pay remit agreed with the Secretary of State, to review the pay and performance of the executive directors including approval of any annual bonuses to be awarded to them
- to keep the regulator's reward strategy under review, and
- to keep under review the regulator's human resource strategy and to consider emerging strategic people issues, especially in relation to talent attraction, development and retention and long-term human resource planning, with a particular focus on leadership capability, and to update the Board accordingly.

Membership throughout the period was Isabel Hudson (chair) and David Martin.

The Committee continued to focus on reward-related issues and on the objectives for senior staff, and reviewed:

- executive remuneration arrangements and objectives for 2013-2014
- SMT members' objectives for 2014-2015
- the chief executive's remuneration
- staff remuneration arrangements
- additional duties allowances, and
- a review of market pay rates.

In addition to these areas, the Committee discussed topics including diversity, the single equality scheme, talent management and succession planning, senior staff appointments processes, appraisal, HR strategy and HR dashboard, and the annual staff 'Speak up' staff engagement survey.

continued...

Report of the activities of the Remuneration Committee continued...

Through its discussions, including with management, the Committee formed the view that effective and thorough human resource approaches have been in place to give the SMT an appropriate level of support.

In accordance with part 1 of schedule 1 to the Pensions Act 2004, the remuneration of all non-executive members of the Board of the regulator (including the chairman) is determined by the Secretary of State for Work and Pensions. The legislation requires that the remuneration of chief executives is determined by the regulator, but also requires the approval of the Secretary of State. The interim chief executive's remuneration remained as in his previous role as DB regulation director.

The remuneration of the other executive members of the Board of the regulator is also, in accordance with part 2 of schedule 1 to the Pensions Act 2004, determined by the regulator, but also requires the approval of the Secretary of State for Work and Pensions.

The majority of executive members of the Board were eligible in this period for an annual bonus to a maximum of 10% of base salary based on performance. Under the terms of his contract, no bonus is payable to the DB regulation director, who was appointed interim chief executive during the period of this report and remained in that role to the end of the period. Non-executive members of the Board, the chairman and the Determinations Panel are not entitled to receive any bonus from the regulator.

The Board chairman is responsible for reviewing annually the performance of the chief executive, reporting the results of this review to the regulator's Remuneration Committee, and making recommendations. The Remuneration Committee decides the amount of any performance-related bonus payments due under the terms of the chief executive's contract, after considering the recommendations provided to it.

# Report of the activities of the Determinations Panel

## Legislative framework

Section 9 of the Pensions Act 2004 requires the regulator to establish and maintain a committee called the Determinations Panel ('the Panel'), whose purpose is to exercise, on behalf of the regulator, certain regulatory functions, as set out in schedule 2 to that Act. In summary, these powers may be used either where the regulator considers that certain enforcement action needs to be taken in respect of pension schemes, their trustees or employers, or where trustees or other interested parties ask that certain actions be taken to safeguard the interests of scheme members. The purpose of this arrangement is to ensure that serious regulatory action is taken by the regulator in a fully transparent way, allowing those affected to understand the reason for it and the evidence upon which it is based.

## Membership

The Panel has a chairman appointed by the regulator. The chairman then nominates at least six other members, who must then be appointed by the regulator. In early April 2013 three Panel members stepped down, having reached the end of their second term of appointment. These were John Scampion, who also stepped down as chairman of the Panel, Suzanne McCarthy and Daniel Taylor. The Panel then consisted of Jennifer Eady, Peter Hinchliffe, Matthew Lohn, Elizabeth Neville, Catharine Seddon, Alasdair Smith, Anthony Stern and myself, Andrew Long, as chairman.

Following her appointment as a circuit judge of the Employment Appeal Tribunal, Jennifer Eady resigned from the Panel in 2013. I have recently completed the recruitment of two new Panel members, who will join the Panel in the new financial year. These are Tony Foster and David Latham.

## Procedures

Procedures made by the Panel ensure that every regulatory decision it makes is reached after a full and impartial consideration. This requires the Panel to be satisfied that the evidence put forward supports the decision it is being asked to make. The standard of proof required will be on a balance of probabilities. If the Panel is not satisfied that the standard of proof is met, then it will refuse to make the decision requested.

The cases coming before the Panel are prepared by the regulatory teams and incorporated into a warning notice which is sent, in standard procedure cases, to all parties who are considered to be directly affected by the decision under consideration and giving each party a full opportunity to respond, and to make their own case, if they wish.

The papers, including the warning notice, the supporting exhibits and the responses, are then submitted to the Panel. The Panel for a specific case is a subcommittee of members, which is supported by a clerk as appropriate and the Panel's administrative support staff.

The Panel then makes its decision on the basis of material already submitted. In those cases where an oral hearing has been applied for, and granted, all parties are invited to give evidence or make representations.

The procedures have been designed to ensure that the Panel's determinations are made in a fair, open and impartial manner. They place an expectation on regulatory case teams to investigate fully and explain the grounds of concern with sufficient evidence to support them.

Special procedure is an emergency procedure allowing action to be taken quickly and without notification to the directly affected parties. This is put into action when the regulator considers that the scheme funds or members' interests would otherwise be at immediate risk.

A special procedure decision must be fully reviewed by the Panel at a compulsory review soon after the initial hearing, with all parties given an opportunity to make representations on the initial decision made.

The Panel's procedures are published on the regulator's website.



## Casework in 2013-2014

During the year the Panel has been asked to make determinations in 17 cases. The schemes concerned in these cases were DB and DC. All the cases were determined on consideration of the papers. Fifteen of the cases were determined under special procedure and two under standard procedure. Two of the cases were brought by a third party under s10(2) (b) of the Pensions Act 2004, rather than by the regulatory case teams. In one case, brought by a third party, the application was not granted. The number of cases heard by the Panel has increased from the previous year, and is nearer to the numbers heard over the past few years. Further details are in the table on page 82.

## Upper Tribunal references of Panel determinations

Any determination made by the Panel can be referred to the Upper Tribunal ('the Tribunal'). Although similar to an appeal, this is called a reference. The Tribunal is the independent body set up to hear references on determinations. It has its own guidance on how to make a reference. The Tribunal may decide to confirm, vary, revoke or substitute a determination made by the Panel.

There are currently five cases with the Tribunal. Four of these relate to cases first heard by the Panel between 2010 and 2012. The fifth was heard by the Panel this year. A further case, originally heard this year, was also referred to the Tribunal, but was subsequently struck out.

The Panel awaits with interest the outcome of the Tribunal hearings.

## Meetings and Panel training

In December 2013, I attended the regulator's Board meeting, where I updated the Board on the work of the Panel, the cases heard year to date, the recruitment of new members and training plans for the Panel.

The Panel holds quarterly meetings where members discuss a variety of topics. Over the past year, these discussions included pensions liberation fraud and the work of Project Bloom, updates on automatic enrolment, the appointment process for independent trustees and scheme specific funding.

## Conclusion

This is my first year as chairman of the Determinations Panel. It has proved to be interesting, stimulating and challenging, and very enjoyable as well. I would like to thank my fellow Panel members for their collective support and look forward to the coming year.

Determination requested	Number of cases	Outcome
Suspension of trustee	3	These cases were all heard by special procedure, and upheld at compulsory review. Five trustees were suspended.
Appointment of independent trustee	6	These cases were all heard by special procedure, and upheld at compulsory review. Independent trustees were appointed to a total of 20 separate schemes. Vesting orders were made at the same time.
Vesting order	6	These cases were all heard by special procedure, and upheld at compulsory review. An appointment of an independent trustee was made at the same time.
Waiver of disqualification	1	This was brought under s10(2)(b) of the Pensions Act 2004 and related to two trustees.
Return of surplus	1	This was brought under s10(2)(b) of the Pensions Act 2004. The Panel did not grant the application.

### Andrew Long

Chairman, Determinations Panel  
April 2014

## Freedom of information, data protection and complaints

### Freedom of information and data protection

The regulator's policy is to be as open and transparent as possible in our work, including proactive publication of material of public interest on the website, for example Board and Determinations Panel members' expenses. In the period 1 April 2013 to 31 March 2014, 75 information requests were made under the Freedom of Information Act 2000 (FoIA), and five subject access requests under section 7 of the Data Protection Act 1998 (DPA). This compares with 36 FoIA requests and three subject access requests in the previous year. We also provided a response to two information requests outstanding at the previous year end.

Most requests related to regulatory action taken by the regulator. There were also a number of requests relating to information regarding automatic enrolment, procurement and expenditure, and requests for data.

Under section 82 of the Pensions Act 2004 much of the information we gather falls within the definition of 'restricted information', and it is therefore an offence for it to be released, except where certain conditions apply. Alongside the duty to provide information, FoIA also makes provision for exemptions. For example, restricted information is exempt from disclosure under section 44 of the FoIA. We consider each request on a case by case basis, to establish whether a full, summarised or redacted version of information could be disclosed. We also take into account DPA provisions on disclosure and apply relevant exemptions.

In 40 of the responses to FoIA requests, we disclosed some or all information requested and in 17 we were not able to disclose any information. In nine instances, we did not hold the information that was requested. A further two requests were withdrawn and seven remained outstanding, but within the statutory time limit, as at 31 March 2014. We received five requests for an internal review of our decision not to disclose information.

Under the FoIA, there is a further right of appeal to the Information Commissioner's Office (ICO). We received one complaint which was subsequently withdrawn by the applicant. We have not been advised by the ICO of any other referrals. One complaint was made to the ICO regarding the alleged failure of the regulator to comply with subject access requests made under the DPA. The ICO did not uphold the complaint.

## Complaints

In 2013-2014, at stage 1 of the regulator's formal complaints process we received 16 new complaints. As at 31 March 2014, we had responded to all 16 complaints. By comparison, 18 new complaints were received in 2012-2013. Two thirds of the complaints related to the way regulatory investigations had been carried out in specific schemes. We also received complaints relating to automatic enrolment; changes to exchange (the regulator's online service for inputting scheme information) and the scheme return process.

Of the 16 new stage 1 complaints responded to, one was upheld fully, two were partially upheld and 13 not upheld. In the complaint that was upheld no apology had been offered for an administrative error, and in each of the two complaints that were partially upheld there had been an administrative error. During the year, one complainant informed us of their intention to refer the matter to the Parliamentary Ombudsman.

# Financial Review, Statutory Accounts and Notes to the Accounts

# Financial Review

## Form of accounts

The accounts have been prepared in a form directed by the Secretary of State for Work and Pensions, with the approval of the Treasury, in accordance with paragraph 27 of schedule 1 to the Pensions Act 2004 (PA04).

## Results for the period

The financial statements are set out in pages 103 to 136.

The funding of regulation is derived from two main sources: a Grant-in-Aid (GIA) from the DWP, which is recoverable from a levy on pension schemes and covers activities relating to the PA04 and the Pensions Act 2008 (PA08) (PA04 and PA08 referred to below as Levy) not borne by general taxation, and a separate GIA from general taxation which funds automatic enrolment (AE). Expenditure on activities is accounted for separately to prevent cross-subsidy.

The accounting policies under which income and expenditure are recognised are set out in Note 1 to the accounts.

In the year ended 31 March 2014, the regulator had net expenditure of £54.4m. This includes £20.6m which is directly attributable to AE. The net expenditure has been transferred to the General Reserve and is offset through contributions from the DWP of £34.8m for the regulator's Levy activities and £22.1m from the DWP for AE activities.

Payroll staff costs have increased by £6.3m to £29.4m compared to 2012-2013 expenditure levels. Temporary staff costs have increased by £0.4m across the organisation including a £0.2m increase in respect of Levy and a £0.2m increase in respect of AE. Increasing staff levels to cover the requirements of automatic enrolment and the expansion of activities relating to the DC impact of PA08 and public sector pensions are the main reason for the overall increased expenditure.

Other expenditures have decreased by £1.0m across the organisation, a £0.4m increase for Levy and a £1.5m decrease for AE. The decrease in AE is mainly the result of a £3.8m reduction in costs from a commercial partner, offset by £1.3m increase in professional services and £1.0m comprising various smaller movements, compared to 2012-2013. The increase in Levy is mainly the result of the increase in professional fees relating to legal cases.

There have been no significant events occurring since period end.

## Property, plant and equipment and intangible assets

Capital expenditure of £2.4m was incurred during the period ended 31 March 2014, of which £1.5m related to property, plant and equipment (PPE) and £0.9m to intangible assets (computer software). PPE expenditure includes £1.0m related to building enhancements for the refurbishment of Napier House. Intangible assets include £0.3m for internally generated software.

The regulator occupies only short leasehold property and does not have any finance leases. Rent payable for accommodation has been charged to operating leases (Note 5 to the accounts).

All non-current assets are valued at current replacement cost as detailed more fully in Notes 7 and 8 to the accounts.

## Payments to suppliers

The regulator is committed to the prompt payment of bills for goods and services received. Payments are normally made as specified in contracts. If there is no contractual provision or understanding, invoices are deemed due to be paid within 30 days of the receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever was later. During the period ended 31 March 2014, by volume, the regulator paid 82% of invoices in line with this policy.

The Late Payment of Commercial Debts (Interest) Act 1998 and the Late Payment of Commercial Debts Regulations 2002 provides all businesses and public sector bodies with the following entitlements:

- the right to claim interest for late payment
- the right to claim reasonable debt recovery costs, unless the supplier has acted unreasonably
- the right to challenge contractual terms that do not provide a substantial remedy against late payment, and
- the right for 'representative bodies' to challenge contractual terms that are grossly unfair on behalf of small and medium enterprises.

## Going concern

The Statement of Financial Position at 31 March 2014 shows net liabilities of £4.9m. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the regulator's other sources of income, may only be met by future grants or GIA from the DWP, as the regulator's sponsoring department. This is because, under the normal conventions applying to Parliamentary control over income and expenditure, such contributions may not be issued in advance of need.

## Levies account

The PA04 does not require the regulator to prepare a levies account.

During the year ended 31 March 2014, the regulator invoiced and collected levies on behalf of the DWP (the general levy and PPF administration levy and fraud compensation levy for PPF, which will be reported in the audited financial statements of that organisation). The following unaudited results summarise key facts and figures in respect of levy activity undertaken during the period. These figures do not feature in the audited accounts of regulator.

During the year, the regulator invoiced £50.4m net, of which £14.8m relates to the PPF administration levy, £35.5m relates to the general levy and £0.1m related to PPF.

The opening debt position as at 1 April 2013 was a net creditor balance of £1.4k. The closing debt position as at 31 March 2014 was a net creditor balance of £21k, comprised of £18k credit for PPF administration levy, £5k credit relating to other PPF levies and £134k credit relating to Occupational Pensions Regulatory Authority (Opra)<sup>35</sup> levies, offset by £136k due for general levy. Schemes are contacted to apply for a refund where a credit balance exists.

The regulator collected £50.4m during the year. £49.8m of cleared funds have been transferred to the DWP during the financial year and £0.6m relates to cash received but not transferred at year end.

The regulator pro-actively sought payment of any outstanding levy payments with an internal credit control team and has also contracted with a legal services provider to assist with this. This work will continue with a view of seeking prompt payment of levy. Our current cumulative debtor days are 25 days.

Prior to onward transmission to the DWP or the PPF, the regulator places levies received and unallocated cash receipts in respect of levies on overnight deposit. Any interest earned is paid over to the relevant recipient along with levy payments. Total interest earned and transferred in 2013-2014 was £3k.

## Audit

The PA04 requires the regulator's accounts to be certified by the Comptroller and Auditor General (C&AG). The audit fee for 2013-2014 was £33k.

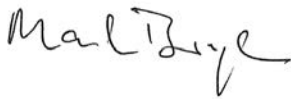
35  
The Pensions Regulator replaced Opra in 2005.



## Accounting officer responsibilities

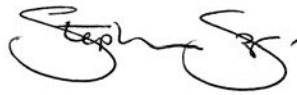
The accounting officer confirms:

- there is no relevant audit information of which the auditors are unaware
- he has taken all steps he ought to ensure the auditors are aware of all relevant audit information, and
- he has taken all the steps he ought to establish that the regulator's auditors are aware of the information.



**Mark Boyle**

Chairman, The Pensions Regulator  
18 June 2014



**Stephen Soper**

Interim chief executive, The Pensions Regulator  
18 June 2014

# The Remuneration Report

## The Remuneration Committee

Details of the activities of the Remuneration Committee during the period ended 31 March 2014 are set out in pages 77 to 78.

## Service contracts

The length of service contracts is determined by the Secretary of State for Work and Pensions for non-executive members of the Board (including the chair) and the chief executive. The length of service contracts for other executive members of the Board and for members of the Determinations Panel is determined by the regulator and approved by the Secretary of State for Work and Pensions. Details of service contracts along with the notice periods of the Board members' contracts and the amounts payable for early termination of Board members' contracts are set out in the table on page 91.

<b>Name</b>	<b>Notice period</b>	<b>Early termination payable to employee</b> (Net pay plus accrued bonus if applicable)
Michael O'Higgins* (chairman)	6 months from chairman, 6 months from DWP	Maximum of 6 months' pay
<b>Non-executive members</b>		
Ann Berresford**	1 month	1 month
Anthony Brierley	1 month	1 month
Bruce Rigby	1 month	1 month
Isabel Hudson	1 month	1 month
David Martin	1 month	1 month
Graham Mayes	1 month	1 month
<b>Executive members</b>		
Bill Galvin***	3 months from employee, 6 months from employer	Maximum of 6 months' pay
Stephen Soper	3 months	3 months
Charles Counsell	3 months	3 months
David Farlow****	3 months	3 months
Andrew Warwick-Thompson*****	3 months	3 months

Other than as shown in the table above, the regulator would have no other contractual liability upon termination of a Board member's appointment.

\* Departure date 31 March 2014. Mark Boyle was appointed chairman from April 2014.

\*\* Appointed 1 August 2013.

\*\*\* Left 30 June 2013.

\*\*\*\* Appointed 15 March 2013, last day of service 15 August 2013.

\*\*\*\*\* Appointed 8 April 2013.

## Remuneration policy

In accordance with Part 1 of Schedule 1 to the PA04, the current and future remuneration of all non-executive members of the board of the regulator (including the chair) is determined by the Secretary of State for Work and Pensions.

The remuneration of the initial chief executive was determined by the Secretary of State for Work and Pensions in accordance with Part 2 of Schedule 1 to the PA04. Remuneration of subsequent chief executives is determined by the regulator and approved by the Secretary of State based on recommendations from the Remuneration Committee.

The current and future remuneration of the other executive members of the regulator's Board is determined by the regulator and approved by the Secretary of State for Work and Pensions.

Additionally, the Secretary of State for Work and Pensions determines the fees of the Determinations Panel for current and future periods.

Certain executive members of the Board are eligible for an annual bonus ranging from 10% to 20%. Non-executive members of the board, the chairman and the Determinations Panel are not entitled to receive any bonus from the regulator.

The chair is responsible for reviewing annually the performance of the chief executive and reporting the results of this review to the regulator's Remuneration Committee. The Remuneration Committee will decide the amount of any performance-related bonus payments due under the terms of the chief executive's contract.

## Remuneration (including salary) and pension entitlements

The following figures have been audited. The following sections provide details of the remuneration and pension interests of senior management.

Executive members										
Officials	Salary (£'000)		Bonus payments (£'000)*		Benefits in kind (to nearest £100)		Pension benefits <sup>36</sup> (£'000)		Total (£'000)	
	2013-2014	2012-2013	2013-2014	2012-2013	2013-2014	2012-2013	2013-2014	2012-2013	2013-2014	2012-2013
B Galvin** (Chief executive)	30-35	140-145	10-15	10-15	–	–	9	47	50-55	200-205
S Soper*** (Interim chief executive)	210-215	210-215	N/A	N/A****	–	–	82	68	290-295	280-285
C Counsell (AE executive)	140-145	140-145	10-15	5-10	–	–	64	33	215-220	180-185
D Farlow (Support executive)	60-65 *****	N/A	N/A	N/A	–	N/A	25	N/A	85-90	N/A
A Warwick-Thompson (DC executive) *****	140-145	N/A	N/A	N/A	–	N/A	55	N/A	195-200	N/A
S Weatherley (Business support executive director) *****	N/A	170-175	N/A	5-10	N/A	–	N/A	–	N/A	180-185

\* Bonuses relating to 2012-2013 performance but paid in 2013-2014.

\*\* Left on 30 June 2013. Full time equivalent band is £140-145k.

\*\*\* DB regulation executive until 31 July 2013. Appointed interim chief executive from 1 August 2013.

\*\*\*\* Not eligible for a bonus under terms of contract.

\*\*\*\*\* Left on 15 August 2013. Full year equivalent band is £140-145k. D Farlow received payment in lieu of notice and annual leave owed totalling £52k.

\*\*\*\*\* Appointed 8 April 2013.

\*\*\*\*\* S Weatherley, formerly the support executive who left the regulator on 31 March 2013, received a payment in lieu of notice of £25k in April 2013 (not included in the above table). This was disclosed in the Annual Report and Accounts 2012-2013. Left under voluntary redundancy terms on 31 March 2013. The salary above includes a compensation payment of £57k. Pension benefits information not available at time of printing.

<sup>36</sup> The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

## Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the organisation in the financial year 2013-2014 was £210-215k (2012-2013: £210-215k). This was 4.9 times (2012-2013: 4.9) the median remuneration of the workforce, which was £43k (2012-2013: £43k).

In 2013-2014, no employees (2012-2013: Nil) received remuneration in excess of the highest paid director. Remuneration ranged from £16k to £210-215k (2012-2013: £16k to £210-215k).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

## Salary

The following section provides details of the remuneration and pension interests of the regulator's Board and the members of the Determinations Panel. 'Salary' includes gross salary, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation.

## Benefits-in-kind

The monetary value of benefits in kind covers any benefits provided and treated by HMRC as a taxable emolument.

## Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the previous year in which they were paid to the individual.

## Remuneration

The following figures have been audited.

### Non-executive members

Non-executive part-time members of the Board receive non-pensionable remuneration as set out in the table below.

	2013-2014		2012-2013	
	Salary	Total Benefits in Kind	Salary	Total Benefits in Kind
M O'Higgins (chairman)	£55-60k	£1,785	£55-60k	£1,470
A Berresford*	£10-15k	£543	N/A	N/A
A Brierley**	£20-25k	£249	£15-20k	£261
I Hudson***	£15-20k	£158	£20-25k	£61
G Mayes	£15-20k	£539	£0-5k	£128
D Martin	£15-20k	£467	£0-5k	–
B Rigby****	£15-20k	£1,556	£20-25k	£1,025
C Swinson OBE *****	–	–	£20-25k	£700
A Pickering CBE*****	–	–	£15-20k	£100

\* A Berresford was appointed 1 August 2013 on a salary of £15-20k based on 26 days a year.

\*\* A Brierley was appointed chairman of the Audit and Risk Assurance Committee from 8 Feb 2013 on a salary of £20-25k based on 30 days a year.

\*\*\* I Hudson was reappointed for a further four years from 1 June 2013, salaries were brought in line with other non-executive directors at £15-20k based on 26 days a year.

\*\*\*\* B Rigby was reappointed for a further four years from 1 June 2013, salaries were brought in line with other non-executive directors at £15-20k based on 26 days a year.

\*\*\*\*\* Retired on 7 February 2013. Full year equivalent 2012-2013 £20-25k.

\*\*\*\*\* Retired on 7 February 2013. Full year equivalent 2012-2013 £20-25k.

The total amount paid to non-executive directors (including the chairman) during the period was £160-165k. The monetary value of benefits in kind covers any benefits provided by the employer and treated by HMRC as a taxable emolument.

The benefits shown above represent the payment of expenses for travelling to Board meetings. The remuneration of the chairman and non-executive members is non-pensionable.

## Executive members

<b>Executive members</b>	<b>Accrued pension at age 60 as at 31/3/14 and related lump sum (£'000)</b>	<b>Real increase in pension and related lump sum at age 60 (£'000)</b>	<b>CETV at 31/3/13 (£'000)</b>	<b>CETV at 31/3/14 (£'000)</b>	<b>Real increase in CETV (£'000)</b>
B Galvin (Chief executive)	15-20 plus lump sum of 0	0-2.5 plus lump sum of 0	197	209	9
S Soper (Interim chief executive)	25-30 plus lump sum of 0	5-7.5 plus lump sum of 0	225	289	36
C Counsell (Automatic enrolment executive)	10-15 plus lump sum of 0	2.5-5 plus lump sum of 0	80	135	29
D Farlow (Support executive)	0-2.5 plus lump sum of 0	0-2.5 plus lump sum of 0	N/A	15	10
A Warwick-Thompson (DC executive)	2.5-5 plus lump sum of 0	2.5-5 plus lump sum of 0	N/A	46	34



## Executive members' pension benefits

The pension entitlement of the outgoing chief executive (Bill Galvin) is based on HMRCs' earnings cap of £141k. The interim chief executive's pension entitlement is based on the Nuvos pension scheme which is not capped.

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four DB schemes: either a final salary scheme (Classic, Premium or Classic plus) or a whole career scheme (Nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year.

Pensions payable under Classic, Premium, Classic plus and Nuvos are increased annually in line with pensions increase legislation. Members joining from October 2002 may opt for either the appropriate DB arrangement or a 'money purchase' stakeholder pension with an employer contribution (Partnership pension account).

Employee contributions are salary-related and range between 1.5% and 6.25% of pensionable earnings for Classic and 3.5% and 8.25% for Premium, Classic plus and Nuvos. Increases to employee contributions will apply from 1 April 2014. Benefits in Classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per Classic and benefits for service from October 2002 worked out as in Premium. In Nuvos, a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with pensions increase legislation. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The Partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of Classic, Premium and Classic plus and 65 for members of Nuvos. Further details about the Civil Service pension arrangements can be found at the website: [www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)

## Cash equivalent transfer values

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax which may be due when pension benefits are taken.

## Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

## Determinations Panel

Members of the Determinations Panel receive a daily allowance in respect of the time devoted by each of them to the work of the Panel. The rate for the chairman is £900 per day and for the other members is £808 or £692 per day.

Salary (2013-2014)	Members
£0-5k	J Scampion (Outgoing chairman)*
£15-20k	A P Long (Incoming chairman)**
£10-15k	P Hinchliffe
£5-10k	M Lohn, E L Neville, C Seddon, M A Smith, A E Stern
£0-5k	J Eady, D Taylor***, S McCarthy****

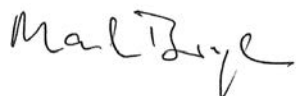
\* Left 5 April 2013, however received a payment for £3,909 relating to March 2013.

\*\* A P Long appointed chairman of the Determinations Panel on 6 April 2013.

\*\*\* Left on 5 April 2013, however received a payment for £1,616 relating to March 2013.

\*\*\*\* Left on 5 April 2013, however received a payment for £2,254 relating to March 2013.

Members of the Determinations Panel may be removed from office at any time by the chairman of the Panel with the approval of the regulator. The chairman can be removed from office at any time by the regulator. Members who wish to leave the Panel are required to give the chairman two months' notice and the chairman is required to give the regulator three months' notice. Any compensation payment would be made in line with contractual obligations with reference to these notice periods.



### Mark Boyle

Chairman, The Pensions Regulator  
18 June 2014



### Stephen Soper

Interim chief executive, The Pensions Regulator  
18 June 2014

# Statutory Accounts and Notes to the Accounts

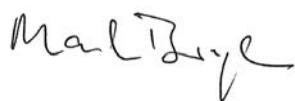
## Statement of the Board's and chief executive's responsibilities

Under paragraph 27 of schedule 1 to the Pensions Act 2004, the regulator is required to prepare a statement of accounts in the form and on the basis determined by the Secretary of State for Work and Pensions with the approval of HMT. The accounts are prepared on an accruals basis and are required to give a true and fair view of the regulator's state of affairs at the period end and of its income, expenditure and cash flows for the financial period.

In preparing the accounts, the regulator was required to:

- observe the accounts direction issued by the Secretary of State for Work and Pensions, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgments and estimates on a reasonable basis
- state whether applicable accounting standards have been followed in accordance with the government financial reporting manual and disclose and explain any material departures in the financial statements, and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the entity will continue in operation.

The chief executive is the accounting officer for the regulator. His relevant responsibilities as accounting officer, including propriety and regularity of the public finances and for the keeping of proper records, are set out in the Non-Departmental Public Bodies Accounting Officers Memorandum issued by HMT and published in *Managing public money*



**Mark Boyle**

Chairman, The Pensions Regulator  
18 June 2014



**Stephen Soper**

Interim chief executive, The Pensions Regulator  
18 June 2014

## The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of The Pensions Regulator for the year ended 31 March 2014 under Schedule 1 of the Pensions Act 2004. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cashflows, Changes in Taxpayers' Equity; and the related Notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### Respective responsibilities of the Board, Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Board and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical standards for auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to The Pensions Regulator's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by The Pensions Regulator; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Chair's Foreword; the Management Commentary, Strategic Report and Director's Report; the Accountability Reports; and the Financial Review to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

continued...

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament continued...

## Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of The Pensions Regulator's affairs as at 31 March 2014 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Pensions Act 2004 and Secretary of State for Work and Pensions' directions issued thereunder.

## Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State for Work and Pensions' directions made under the Pensions Act 2004, and
- the information given in the Chair's Foreword; the Management Commentary, Strategic Report and Director's Report; the Accountability Reports; and the Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff, or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- I have not received all of the information and explanations I require for our audit, or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## Report

I have no observations to make on these financial statements.

### Sir Amyas C E Morse

Comptroller and Auditor General

National Audit Office, 157-197 Buckingham Palace Road, Victoria, London SW1W 9SP

24 June 2014

# Financial statements

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2014

	Note	2013-2014 £'000	2012-2013 £'000
<b>Expenditure</b>			
Staff costs	4	<b>32,501</b>	25,912
Depreciation and Amortisation	5	<b>633</b>	342
Other expenditures	5	<b>21,303</b>	22,629
<b>Total expenditure</b>		<b>54,437</b>	48,883
Interest receivable		<b>(22)</b>	(20)
<b>Net expenditure after interest, before taxation</b>		<b>54,415</b>	48,863
Taxation	6	<b>4</b>	4
<b>Net expenditure after interest and taxation</b>		<b>54,419</b>	48,867
<b>Other comprehensive expenditure</b>			
Net gain on revaluation of property, plant and equipment		–	(56)
<b>Total comprehensive expenditure</b>		<b>54,419</b>	48,811

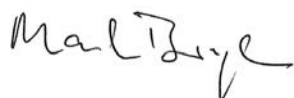
All income and expenditure is derived from continuing operations.  
The accounting policies and notes on pages 108 to 136 form part of these accounts.



## Statement of Financial Position as at 31 March 2014

		<b>At 31 March 2014</b>	At 31 March 2013
	Note	<b>£'000</b>	£'000
<b>Non-current assets</b>			
Property, plant and equipment	7	<b>1,965</b>	815
Intangible assets	8	<b>1,077</b>	455
<b>Total non-current assets</b>		<b>3,042</b>	1,270
<b>Current assets</b>			
Trade and other receivables	11	<b>791</b>	977
Cash and cash equivalents	12	<b>1,275</b>	1,370
<b>Total current assets</b>		<b>2,066</b>	2,347
<b>Total assets</b>		<b>5,108</b>	3,617
<b>Current liabilities</b>			
Trade and other payables	13	<b>(9,303)</b>	(9,976)
Provisions	14	<b>(134)</b>	(21)
<b>Total current liabilities</b>		<b>(9,437)</b>	(9,997)
<b>Non-current assets less net current liabilities</b>		<b>(4,329)</b>	(6,380)
<b>Non-current liabilities</b>			
Provisions	14	<b>(591)</b>	(1,004)
Other payables	13	<b>–</b>	–
<b>Total non-current liabilities</b>		<b>(591)</b>	(1,004)
<b>Assets less liabilities</b>		<b>(4,920)</b>	(7,384)
<b>Taxpayers' equity</b>			
Revaluation Reserve		<b>29</b>	41
General Reserve		<b>(4,949)</b>	(7,425)
		<b>(4,920)</b>	(7,384)

The financial statements on pages 103 to 136 were approved and authorised for issue by the Board on 11 June 2014 and were signed on its behalf by:



**Mark Boyle**

Chairman, The Pensions Regulator, 18 June 2014



**Stephen Soper**

Interim chief executive, The Pensions Regulator, 18 June 2014

The accounting policies and notes on pages 108 to 136 form part of these accounts.

## Statement of Cash Flows for the year ended 31 March 2014

	Note	2013-2014 £'000	2012-2013 £'000
<b>Cash flows from operating activities</b>			
Net expenditure after interest		<b>(54,415)</b>	(48,863)
Adjustments for non-cash transactions	5	<b>635</b>	345
Decrease/(Increase) in trade and other receivables	11	<b>186</b>	(311)
(Decrease)/Increase in trade and other payables	13	<b>(152)</b>	920
(Decrease)/Increase in provisions	14	<b>(300)</b>	123
Cash outflow due to taxation		<b>(4)</b>	(4)
<b>Net cash outflow from operating activities</b>		<b>(54,050)</b>	(47,790)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	<b>(1,538)</b>	(463)
Purchase of intangible assets	8	<b>(869)</b>	(120)
<b>Net cash outflow from investing activities</b>		<b>(2,407)</b>	(583)
<b>Cash flows from financing activities</b>			
GIA to cover ongoing operations Levy		<b>34,750</b>	28,800
GIA to cover initial costs of AE		<b>22,133</b>	17,780
<b>Net financing</b>		<b>56,883</b>	46,580
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>	12	<b>426</b>	(1,793)
<b>Cash and cash equivalents at the beginning of the period</b>		<b>849</b>	2,642
<b>Cash and cash equivalents at the end of the period</b>	12	<b>1,275</b>	849

The accounting policies and notes on pages 108 to 136 form part of these accounts.

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2014

	<b>Revaluation Reserve</b>	<b>General Reserve</b>	<b>Total Reserves</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April 2012</b>	<b>179</b>	<b>(5,332)</b>	<b>(5,153)</b>
<b>Changes in Taxpayers' Equity 2012-2013</b>			
GIA received from DWP	–	<b>46,580</b>	<b>46,580</b>
Net gain/(loss) on revaluation of property, plant and equipment	<b>56</b>	–	<b>56</b>
Transfers between reserves*	<b>(194)</b>	<b>194</b>	–
Comprehensive expenditure for the year	–	<b>(48,867)</b>	<b>(48,867)</b>
<b>Balance at 31 March 2013</b>	<b>41</b>	<b>(7,425)</b>	<b>(7,384)</b>
<b>Changes in Taxpayers' Equity 2013-2014</b>			
GIA received from DWP	–	<b>56,883</b>	<b>56,883</b>
Net gain/(loss) on revaluation of property, plant and equipment	–	–	–
Transfers between reserves*	<b>(12)</b>	<b>12</b>	–
Comprehensive Expenditure for the year	–	<b>(54,419)</b>	<b>(54,419)</b>
<b>Balance at 31 March 2014</b>	<b>29</b>	<b>(4,949)</b>	<b>(4,920)</b>

\*Transfers between reserves are made in respect of the following:

- Each year, the realised element of the Revaluation Reserve (ie an amount equal to the excess of the actual depreciation over depreciation based on historical cost of revalued assets) is transferred from the Revaluation Reserve to the General Reserve.
- On disposal of a revalued asset, the balance on the Revaluation Reserve in respect of that asset becomes fully realised and is transferred to the General Reserve.

The accounting policies and notes on pages 108 to 136 form part of these accounts.

## Notes to the accounts

### 1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2013-2014 government financial reporting manual (FReM) issued by HMT. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the regulator for the purpose of giving a true and fair view has been selected. The particular policies adopted by the regulator are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and intangible assets.

##### a) Property, plant and equipment

Property, plant and equipment are valued at current replacement cost which is calculated by applying appropriate Office for National Statistics indices to the historical cost of each asset. Any surplus on revaluation of property, plant and equipment is credited to the Revaluation Reserve. Any permanent impairment in the value of property, plant and equipment on revaluation is charged to the Statement of Comprehensive Net Expenditure when it occurs. The regulator is required to remit the proceeds of disposal of property, plant and equipment to the Secretary of State.

The threshold for treating expenditure on single items of property, plant and equipment fixed assets as capital expenditure is £1,000.

##### b) Depreciation and amortisation

Depreciation is provided on property, plant and equipment and amortisation is provided on intangible assets at rates calculated to write down the cost or valuation (less any estimated residual value) of each asset evenly over its expected useful life as follows:

Leasehold improvements	– the shorter of 10 years or the remainder of the lease term
Furniture, fixtures and office equipment	– 10 years
IT hardware (telecoms and servers)	– 7 years
IT hardware (other)	– 5 years
IT software	– 6 to 7 years

A full year's charge is made in the year of acquisition.

Assets are not depreciated until they are commissioned or brought into use.

**c) Intangible assets**

The costs of purchasing major software licences and software built in-house are capitalised as intangible assets, although ongoing software maintenance costs are written off in the period in which they are incurred.

Intangible assets are carried at depreciated replacement cost, which is a proxy for fair value.

The threshold for treating expenditure on single items of intangible assets as capital expenditure is £1,000.

**d) Impairment**

Under IAS 36, individual assets are reviewed for impairment to ensure their carrying amount is not greater than the recoverable amount. Property, plant and equipment are valued at current replacement costs which is calculated by applying appropriate Office for National Statistics indices to the historical cost of each asset. An impairment surplus is taken to the revaluation reserve, an impairment loss is recognised as an expense in the Statement of Comprehensive Net Expenditure for assets carried at cost, and treated as a revaluation decrease for assets carried at revalued amount.

**e) Other income and expenditure**

Other income and expenditure is recognised on an accruals basis. Where income received relates to a period of time covering more than one accounting period, that part extending beyond the current accounting period is treated as deferred income.

**f) Value added tax**

The regulator's activities are exempt under the terms of the VAT legislation and therefore input VAT is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase of non-current assets as appropriate.

**g) Employee benefits**

In accordance with IAS 19 Employee benefits, an accrual is made for short-term employee benefits, such as salaries, paid absences and general staff bonuses. Bonuses in relation to senior Civil Service employees are not recognised until payments to individuals have been determined and notified. A sampling approach has been adopted for calculation of the accrual.

**h) Operating leases**

Rent payable under operating leases is charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the term of the lease.

Amounts received as inducements to enter into operating leases are treated as deferred income (rent rebates), and are recognised to reduce the operating lease costs over the same period as the corresponding lease.

**i) Financial Instruments**

**Trade and other receivables**

Trade and other receivables are not interest bearing and are stated at cost reduced by appropriate allowances for estimated irrecoverable amounts.

**Cash and cash equivalents**

Cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

**Trade and other payables**

Trade and other payables are not interest bearing and are stated at amortised cost.

**j) Government grants and Grant-in-Aid**

Grant-in-Aid received used to finance activities and expenditure which support the statutory and other objectives of the entity are treated as financing, credited to the General Reserve, because they are regarded as contributions from a controlling party.

**k) Early retirement and severance costs**

Compensation payments are charged to the Statement of Comprehensive Net Expenditure when an early retirement or severance arrangement has been agreed. Obligations relating to those former members of staff aged 50 or over are provided for until their normal date of retirement.

**l) Provision for liabilities**

Provision is made for early retirement and redundancy costs when a constructive obligation is created. Similarly, provision for leasehold dilapidations is made as the dilapidations arise over the life of the lease.

**m) Reserves**

**General Reserve**

Grant-in-Aid received from the regulator's sponsoring organisation and the total costs included in the Statement of Comprehensive Net Expenditure are transferred to this reserve.

**Revaluation Reserve**

This reflects the unrealised balance of the cumulative indexation and revaluation adjustments to non-current assets.

**n) Going concern**

The negative cumulative balance on the General Reserve is due to timing differences between consumption and payment since the regulator only draws Grant-in-Aid from the DWP, reflected in the Statement of Changes in Taxpayers' Equity, to cover its current cashflow requirements.

## **o) Critical accounting judgements and key sources of estimation uncertainty**

The Board are required to exercise judgement, estimates and assumptions in the application of these policies. Actual results could differ from these estimates. Information about such judgements and estimation is contained in the accounting policies or the notes to the accounts, and the key areas are summarised below:

### **Critical judgements in applying the accounting policies**

#### **IT software internally generated**

In identifying what software development work should be capitalised under IAS 38, internal procedures have been developed which include an ongoing review to ensure accuracy and consistency of capitalised amounts as disclosed in Note 8.

#### **Dilapidations**

A dilapidation provision has been put in place for the office the regulator occupies in Brighton to cover the requirements of both the old lease (expired July 2013) and the new lease (expires July 2023). The provision is to make good dilapidations or other damage occurring during the lease periods. Any work required relating to the old lease is expected to be completed during 2014-2015 and the remainder of the provision is to be utilised at the end of the new lease.

There are no other significant judgements made in applying the accounting policies.

#### **Key sources of estimation uncertainty**

There are no significant areas of estimation uncertainty.

## **1a Pensions**

The majority of past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a defined benefit (DB) scheme and is unfunded and contributory, except in respect of dependents' benefits. The regulator recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' service by payment to the PCSPS of amounts calculated on an accruing basis. Liability for the payment of future benefits is a charge on the PCSPS. As described more fully in Note 4, certain employees can opt for a stakeholder pension.

## **1b Impending application of newly issued accounting standards not yet effective**

No standards and interpretations that have been issued but are not yet effective, and that are available for early application, have been applied by the regulator in these financial statements.

#### **IFRS 13 – Fair value measurement**

For accounting periods starting on or after 1 April 2015, IFRS 13 will require the information available as a basis for establishing the fair value of assets to be ranked in a hierarchy. It is not expected that the future application of this standard will have a material effect on the fair value of the regulator's assets. The application of IFRS 13 is also subject to further review by HMT following the outcome of a consultation which took place in 2013.

There are no other standards or interpretations issued, but not yet effective, which are expected to have a material effect on the financial statements in the future.

## 2 Statement of operating costs by operating segment

	<b>AE £'000</b>	<b>Levy £'000</b>	<b>Total TPR £'000</b>
<b>2013-2014</b>			
Gross expenditure	20,652	33,789	54,441
Income	(10)	(12)	(22)
<b>Net expenditure</b>	<b>20,642</b>	<b>33,777</b>	<b>54,419</b>
Total assets	1,290	3,818	5,108
Total liabilities	(4,851)	(5,177)	(10,028)
<b>Net liabilities</b>	<b>(3,561)</b>	<b>(1,359)</b>	<b>(4,920)</b>
	<b>AE £'000</b>	<b>Levy £'000</b>	<b>Total TPR £'000</b>
<b>2012-2013</b>			
Gross expenditure	19,673	29,214	48,887
Income	(9)	(11)	(20)
<b>Net expenditure</b>	<b>19,664</b>	<b>29,203</b>	<b>48,867</b>
Total assets	634	2,983	3,617
Total liabilities	(5,510)	(5,491)	(11,001)
<b>Net liabilities</b>	<b>(4,876)</b>	<b>(2,508)</b>	<b>(7,384)</b>

The regulator comprises of two distinct operating segments: Levy and Automatic enrolment (AE) (previously described as the Employer Compliance Regime). Levy activity relates to the regulation of new and existing DB and DC schemes while AE supports the delivery of automatic enrolment.

Levy activity is funded by Grant-in-Aid payments from the DWP which is recovered through the general levy charged on pension schemes in the United Kingdom. AE is tax-payer funded through a separate Grant-in-Aid stream from the DWP and as such, it is critical that resources are charged and treated separately and to the correct funding stream.

All AE-related work is separately recorded on separate ledgers and strict protocols are adhered to in order to avoid cross subsidy. Reporting is provided to the executive team and board on both AE and Levy expenditure.



### 3 Board members

The chairman and other members of the Board of the regulator are appointed under the Pensions Act 2004 by the Secretary of State for Work and Pensions. The chairman (Michael O'Higgins) was appointed on a part-time basis from 1 January 2011 for a period of three years. This was extended to 31 March 2014 by the Secretary of State. His salary is set by the Secretary of State in line with senior civil servants. A new chairman (Mark Boyle) was appointed on 1 April 2014.

Other part-time (non-executive) Board members are also appointed for periods of between one and four years. Details of the remuneration and pension benefits of the chairman and all other members of the Board are given in the Remuneration Report on pages 90 to 99. The total cost for the chairman and part-time Board members are as follows and these costs are included within other operating expenditure (Note 5):

	<b>2013-2014</b>	2012-2013
	<b>£'000</b>	£'000
Salary/fees	<b>163</b>	163
Social security costs	<b>15</b>	16
Part-time Board expenses	<b>7</b>	6
	<b><u>185</u></b>	<u>185</u>

## 4 Staff numbers and related costs

	<b>AE £'000</b>	<b>Levy £'000</b>	<b>Total TPR £'000</b>
<b>2013-2014</b>			
Salaries and wages*	6,034	16,746	22,780
Social security costs	449	1,748	2,197
Other pension costs	908	3,489	4,397
	<u>7,391</u>	<u>21,983</u>	<u>29,374</u>
Temporary staff	449	2,578	3,027
Severance and early retirement costs	–	166	166
<b>Subtotal**</b>	<b>7,840</b>	<b>24,727</b>	<b>32,567</b>
Less recoveries in respect of outward secondments	–	(66)	(66)
<b>Total net costs</b>	<b>7,840</b>	<b>24,661</b>	<b>32,501</b>

	<b>AE £'000</b>	<b>Levy £'000</b>	<b>Total TPR £'000</b>
<b>2012-2013</b>			
Salaries and wages*	4,256	13,687	17,943
Social security costs	286	1,419	1,705
Other pension costs	546	2,839	3,385
	<u>5,088</u>	<u>17,945</u>	<u>23,033</u>
Temporary staff	293	2,346	2,639
Severance and early retirement costs	–	296	296
<b>Subtotal**</b>	<b>5,381</b>	<b>20,587</b>	<b>25,968</b>
Less recoveries in respect of outward secondments	–	(56)	(56)
<b>Total net costs</b>	<b>5,381</b>	<b>20,531</b>	<b>25,912</b>

\* Salaries and wages for 2013-2014 includes staff holiday accrual £390k (2012-2013: £270k) for Levy and £134k for AE (2012-2013: £75k).

\*\* Excludes £258k salaries capitalised during the year which are included in software internally generated in Note 8. (No staff salaries were capitalised in 2012-2013).

## 4 Staff numbers and related costs continued...

The Pensions Act 2004 includes employment with the regulator under the Superannuation Act 1972 and all employees of the regulator including the chief executive are entitled to membership of the Principal Civil Service Pension Scheme (PCSPS), including family benefits. The PCSPS is an unfunded multi-employer DB salary-related scheme, but the regulator is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007 and details can be found in the accounts of the Cabinet Office: Civil Superannuation: [www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)

For 2013-2014, employer contributions of £4,299k (2012-2013: £3,332k) were payable to the PCSPS at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect the benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions of £92k 2013-2014 (2012-2013: £50k) were payable to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay, and employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £6k 2013-2014 (2012-2013: £3k), being 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of future provision of lump sum benefits on death in service and ill health retirement of these employees.

The outstanding pensions contributions as at 31 March 2014 equates to £521k (31 March 2013: £416k) are included within current liabilities in Note 13.

### Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows:

Number of staff	AE	Levy	Total TPR
	2013-2014	2013-2014	2013-2014
Employees	87	349	436
Temporary staff	2	27	29
Staff engaged on capital projects	4	–	4
<b>Total</b>	<b>93</b>	<b>376</b>	<b>469</b>
Number of staff	AE	Levy	Total TPR
	2012-2013	2012-2013	2012-2013
Employees	49	301	350
Temporary staff	2	28	30
Staff engaged on capital projects	–	–	–
<b>Total</b>	<b>51</b>	<b>329</b>	<b>380</b>

#### 4.1 Reporting of Civil Service and other compensation schemes – exit packages

Comparative data for previous year in brackets

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	– (–)	1 (–)	1 (–)
£10,000-£25,000	– (–)	4 (–)	4 (–)
£25,000-£50,000	– (–)	3 (1)	3 (1)
£50,000-£100,000	– (–)	– (2)	– (2)
£100,000-£150,000	– (–)	– (–)	– (–)
£150,000-£200,000	– (–)	– (–)	– (–)
<b>Total number of exit packages by type</b>	<b>– (–)</b>	<b>8 (3)</b>	<b>8 (3)</b>
<b>Total resource cost/£'000</b>	<b>– (–)</b>	<b>162 (177)</b>	<b>162 (177)</b>

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the regulator has agreed early retirements, the additional costs are met by the regulator and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

## 5 Other expenditure

	<b>AE £'000 DEL programme</b>	<b>Levy £'000 DEL programme</b>	<b>Levy £'000 DEL admin</b>	<b>Total TPR £'000</b>
<b>2013-2014</b>				
<b>Running costs</b>				
Chairman and part-time Board fees and expenses*	50	87	48	185
Consultancy, contracted-out and other professional services	1,838	3,174	1,709	6,721
Business process outsourced services	9,035	–	–	9,035
Training and recruitment costs	200	510	274	984
Staff travel and expenses	193	275	148	616
General office expenses including accommodation expenses	840	904	485	2,229
Rentals under operating leases	173	451	243	867
Dilapidations costs**	–	(183)	(98)	(281)
Computer systems development and maintenance	377	348	187	912
Auditor's remuneration	–	21	12	33
	<b>12,706</b>	<b>5,587</b>	<b>3,008</b>	<b>21,301</b>
<b>Non-cash items</b>				
Loss on disposal of fixed assets	–	–	2	2
Depreciation	5	–	381	386
Amortisation	100	–	147	247
	105	–	530	635
<b>Total</b>	<b>12,811</b>	<b>5,587</b>	<b>3,538</b>	<b>21,936</b>

\* There is tax due to HMRC on expenses as part of the PAYE settlement agreement (August 2014).

\*\* The dilapidations provision has been revised to reflect the expected liability at the end of the current lease's expiry in 2023 (following a survey by Carter Jonas LLP) and to provide for the outstanding requirements stipulated by the previous lease.

## 5 Other expenditure continued...

	AE £'000 DEL programme	Levy £'000 DEL programme	Levy £'000 DEL admin	Total TPR £'000
<b>2012-2013</b>				
<b>Running costs</b>				
Chairman and part-time Board fees and expenses	46	90	49	185
Consultancy, contracted-out and other professional services	516	2,441	1,315	4,272
Business process outsourced services	12,800	–	–	12,800
Training and recruitment costs	173	585	315	1,073
Staff travel and expenses	126	228	123	477
General office expenses including accommodation expenses	238	986	530	1,754
Rentals under operating leases	130	460	248	838
Dilapidations costs	–	111	59	170
Computer systems development and maintenance	256	499	269	1,024
Auditor's remuneration	–	21	12	33
	<b>14,285</b>	<b>5,421</b>	<b>2,920</b>	<b>22,626</b>
<b>Non-cash items</b>				
Loss on disposal of fixed assets	–	–	3	3
Depreciation	4	–	222	226
Amortisation	1	–	115	116
	5	–	340	345
<b>Total</b>	<b>14,290</b>	<b>5,421</b>	<b>3,260</b>	<b>22,971</b>

### For 2013-2014 and 2012-2013

The regulator's expenditure is allocated between DEL (Departmental Expenditure Limit) programme and DEL admin to reflect the distinction between front line services and back office services. Levy expenditure is split on a notional basis (65% DEL programme and 35% DEL admin) as agreed with the DWP. All AE expenditure is considered DEL Programme.

## 6 Tax on interest receivable

	<b>AE</b> <b>£'000</b>	<b>Levy</b> <b>£'000</b>	<b>Total TPR</b> <b>£'000</b>
<b>2013-2014</b>			
UK Corporation Tax	<u>2</u>	<u>2</u>	<u>4</u>
<b>2012-2013</b>			
UK Corporation Tax	<u>2</u>	<u>2</u>	<u>4</u>

## 7 Property, plant and equipment

2013-2014	Levy			AE	Total TPR	
	Leasehold improvements £'000	Furniture, fixtures and office equipment £'000	IT hardware £'000	Levy total £'000	IT hardware £'000	Total £'000
<b>Cost or valuation</b>						
At 1 April 2013	1,166	897	1,758	<b>3,821</b>	34	<b>3,855</b>
Additions	612	508	418	<b>1,538</b>	–	<b>1,538</b>
Disposals	(311)	(403)	(194)	<b>(908)</b>	–	<b>(908)</b>
Revaluations	62	14	(42)	<b>34</b>	(1)	<b>33</b>
<b>At 31 March 2014</b>	<b>1,529</b>	<b>1,016</b>	<b>1,940</b>	<b>4,485</b>	<b>33</b>	<b>4,518</b>
<b>Depreciation</b>						
At 1 April 2013	1,110	633	1,287	<b>3,030</b>	10	<b>3,040</b>
Charged in year	67	82	232	<b>381</b>	5	<b>386</b>
Disposals	(310)	(402)	(194)	<b>(906)</b>	–	<b>(906)</b>
Revaluations	55	2	(24)	<b>33</b>	–	<b>33</b>
<b>At 31 March 2014</b>	<b>922</b>	<b>315</b>	<b>1,301</b>	<b>2,538</b>	<b>15</b>	<b>2,553</b>
<b>Carrying amount at 31 March 2013</b>	<b>56</b>	<b>264</b>	<b>471</b>	<b>791</b>	<b>24</b>	<b>815</b>
<b>Carrying amount at 31 March 2014</b>	<b>607</b>	<b>701</b>	<b>639</b>	<b>1,947</b>	<b>18</b>	<b>1,965</b>

The regulator does not lease any assets.



**7 Property, plant and equipment** continued...

2012-2013	Levy				AE	Total TPR
	Leasehold improvements £'000	Furniture, fixtures and office equipment £'000	IT hardware £'000	Levy total £'000	IT hardware £'000	Total £'000
<b>Cost or valuation</b>						
At 1 April 2012	1,143	782	1,472	<b>3,397</b>	28	<b>3,425</b>
Additions	–	254	207	<b>461</b>	2	<b>463</b>
Disposals	–	(143)	(27)	<b>(170)</b>	–	<b>(170)</b>
Revaluations	23	4	106	<b>133</b>	4	<b>137</b>
<b>At 31 March 2013</b>	<b>1,166</b>	<b>897</b>	<b>1,758</b>	<b>3,821</b>	<b>34</b>	<b>3,855</b>
<b>Depreciation</b>						
At 1 April 2012	1,060	742	1,093	<b>2,895</b>	5	<b>2,900</b>
Charged in year	27	31	164	<b>222</b>	4	<b>226</b>
Disposals	–	(142)	(25)	<b>(167)</b>	–	<b>(167)</b>
Revaluations	23	2	55	<b>80</b>	1	<b>81</b>
<b>At 31 March 2013</b>	<b>1,110</b>	<b>633</b>	<b>1,287</b>	<b>3,030</b>	<b>10</b>	<b>3,040</b>
<b>Carrying amount at 31 March 2012</b>	<b>83</b>	<b>40</b>	<b>379</b>	<b>502</b>	<b>23</b>	<b>525</b>
<b>Carrying amount at 31 March 2013</b>	<b>56</b>	<b>264</b>	<b>471</b>	<b>791</b>	<b>24</b>	<b>815</b>

The regulator does not lease any assets.

## 8 Intangible assets

Intangible assets comprise software licences and software developed in-house.

2013-2014	Levy			Total £'000
	Software under development £'000	Software internally generated £'000	IT software acquired £'000	
<b>Cost or valuation</b>				
At 1 April 2013	–	1,363	1,138	<b>2,501</b>
Additions	–	–	192	<b>192</b>
Transfers between asset categories	–	–	–	<b>–</b>
Disposals	–	–	(121)	<b>(121)</b>
<b>At 31 March 2014</b>	<b>–</b>	<b>1,363</b>	<b>1,209</b>	<b>2,572</b>
<b>Amortisation</b>				
At 1 April 2013	–	1,108	943	<b>2,051</b>
Charged in year	–	74	73	<b>147</b>
Disposals	–	–	(121)	<b>(121)</b>
<b>At 31 March 2014</b>	<b>–</b>	<b>1,182</b>	<b>895</b>	<b>2,077</b>
<b>Carrying amount at 31 March 2013</b>	<b>–</b>	<b>255</b>	<b>195</b>	<b>450</b>
<b>Carrying amount at 31 March 2014</b>	<b>–</b>	<b>181</b>	<b>314</b>	<b>495</b>

## 8 Intangible assets continued...

Intangible assets comprise software licences and software developed in-house.

2012-2013	Levy			Total £'000
	Software under development £'000	Software internally generated £'000	IT software acquired £'000	
<b>Cost or valuation</b>				
At 1 April 2012	128	1,235	1,097	<b>2,460</b>
Additions	–	–	120	<b>120</b>
Transfers between asset categories	(128)	128	–	<b>–</b>
Disposals	–	–	(79)	<b>(79)</b>
<b>At 31 March 2013</b>	<b>–</b>	<b>1,363</b>	<b>1,138</b>	<b>2,501</b>
<b>Amortisation</b>				
At 1 April 2012	–	1,034	981	<b>2,015</b>
Charged in year	–	74	41	<b>115</b>
Disposals	–	–	(79)	<b>(79)</b>
<b>At 31 March 2013</b>	<b>–</b>	<b>1,108</b>	<b>943</b>	<b>2,051</b>
<b>Carrying amount at 31 March 2012</b>	<b>128</b>	<b>201</b>	<b>116</b>	<b>445</b>
<b>Carrying amount at 31 March 2013</b>	<b>–</b>	<b>255</b>	<b>195</b>	<b>450</b>

**8 Intangible assets** continued...

Intangible assets comprise software licences and software developed in-house.

<b>2013-2014</b>	<b>AE</b>			
	<b>Software under development £'000</b>	<b>Software internally generated £'000</b>	<b>IT software acquired £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>				
At 1 April 2013	–	–	7	<b>7</b>
Additions	44	258	375	<b>677</b>
Transfers between asset categories	–	–	–	–
Disposals	–	–	–	–
<b>At 31 March 2014</b>	<b>44</b>	<b>258</b>	<b>382</b>	<b>684</b>
<b>Amortisation</b>				
At 1 April 2012	–	–	2	<b>2</b>
Charged in year	–	37	63	100
Disposals	–	–	–	–
<b>At 31 March 2014</b>	<b>–</b>	<b>37</b>	<b>65</b>	<b>102</b>
<b>Carrying amount at 31 March 2013</b>	<b>–</b>	<b>–</b>	<b>5</b>	<b>5</b>
<b>Carrying amount at 31 March 2014</b>	<b>44</b>	<b>221</b>	<b>317</b>	<b>582</b>

## 8 Intangible assets continued...

Intangible assets comprise software licences and software developed in-house.

2012-2013	AE			Total £'000
	Software under development £'000	Software internally generated £'000	IT software acquired £'000	
<b>Cost or valuation</b>				
At 1 April 2012	–	–	7	<b>7</b>
Additions	–	–	–	–
Transfers between asset categories	–	–	–	–
Disposals	–	–	–	–
<b>At 31 March 2013</b>	<b>–</b>	<b>–</b>	<b>7</b>	<b>7</b>
<b>Amortisation</b>				
At 1 April 2012	–	–	1	<b>1</b>
Charged in year	–	–	1	<b>1</b>
Disposals	–	–	–	–
<b>At 31 March 2013</b>	<b>–</b>	<b>–</b>	<b>2</b>	<b>2</b>
<b>Carrying amount at 31 March 2012</b>	<b>–</b>	<b>–</b>	<b>6</b>	<b>6</b>
<b>Carrying amount at 31 March 2013</b>	<b>–</b>	<b>–</b>	<b>5</b>	<b>5</b>

**8 Intangible assets** continued...

Intangible assets comprise software licences and software developed in-house.

<b>2013-2014</b>	<b>Total TPR</b>			<b>Total £'000</b>
	<b>Software under development £'000</b>	<b>Software internally generated £'000</b>	<b>IT software acquired £'000</b>	
<b>Cost or valuation</b>				
At 1 April 2013	–	1,363	1,145	<b>2,508</b>
Additions	44	258	567	<b>869</b>
Transfers between asset categories	–	–	–	–
Disposals	–	–	(121)	<b>(121)</b>
<b>At 31 March 2014</b>	<b>44</b>	<b>1,621</b>	<b>1,591</b>	<b>3,256</b>
<b>Amortisation</b>				
At 1 April 2013	–	1,108	945	<b>2,053</b>
Charged in year	–	111	136	247
Disposals	–	–	(121)	(121)
<b>At 31 March 2014</b>	<b>–</b>	<b>1,219</b>	<b>960</b>	<b>2,179</b>
<b>Carrying amount at 31 March 2013</b>	<b>–</b>	<b>255</b>	<b>200</b>	<b>455</b>
<b>Carrying amount at 31 March 2014</b>	<b>44</b>	<b>402</b>	<b>631</b>	<b>1,077</b>

## 8 Intangible assets continued...

Intangible assets comprise software licences and software developed in-house.

2012-2013	Total TPR			Total £'000
	Software under development £'000	Software internally generated £'000	IT software acquired £'000	
<b>Cost or valuation</b>				
At 1 April 2012	128	1,235	1,104	<b>2,467</b>
Additions	–	–	120	<b>120</b>
Transfers between asset categories	(128)	128	–	<b>–</b>
Disposals	–	–	(79)	<b>(79)</b>
<b>At 31 March 2013</b>	<b>–</b>	<b>1,363</b>	<b>1,145</b>	<b>2,508</b>
<b>Amortisation</b>				
At 1 April 2012	–	1,034	982	<b>2,016</b>
Charged in year	–	74	42	116
Disposals	–	–	(79)	(79)
<b>At 31 March 2013</b>	<b>–</b>	<b>1,108</b>	<b>945</b>	<b>2,053</b>
<b>Carrying amount at 31 March 2012</b>	<b>128</b>	<b>201</b>	<b>122</b>	<b>451</b>
<b>Carrying amount at 31 March 2013</b>	<b>–</b>	<b>255</b>	<b>200</b>	<b>455</b>

## 9 Financial instruments

As the cash requirements of the regulator are met through Grant-in-Aid provided by the DWP, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts to buy non-financial items in line with the regulator's expected purchase and usage requirements and the regulator is therefore exposed to little credit, liquidity or market risk.

The fair values of the regulator's financial assets and liabilities for both the current and comparative year do not differ materially from their carrying values.

## 10 Impairments

There are no impairments in the current year or prior year.

## 11 Trade receivables and other current assets

<b>2013-2014</b>	<b>AE £'000</b>	<b>Levy £'000</b>	<b>Total TPR £'000</b>
<b>Amounts falling due within the year</b>			
Trade receivables	–	–	–
Other receivables	18	96	114
Prepayments	115	562	677
	<b>133</b>	<b>658</b>	<b>791</b>

### Intra-government balances

At the end of the current and prior year, there are no central government, local government, NHS or public corporation receivables.

All receivables in the current and prior year were due within one year.

<b>2012-2013</b>	<b>AE £'000</b>	<b>Levy £'000</b>	<b>Total TPR £'000</b>
<b>Amounts falling due within the year</b>			
Trade receivables	–	–	–
Other receivables	7	70	77
Prepayments	–	900	900
	<b>7</b>	<b>970</b>	<b>977</b>



## 12 Cash and cash equivalents

	<b>AE</b> <b>£'000</b>	<b>Levy</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
Balance at 1st April 2013	564	285	849
Net change in cash and cash equivalent balances	(8)	434	426
<b>Balance at 31 March 2014</b>	<b>556</b>	<b>719</b>	<b>1,275</b>
At 31 March 2014, the following balances were held:			
Commercial banks and cash in hand	556	719	1,275
Short-term investments (within current assets)	–	–	–
<b>Balance at 31 March 2014</b>	<b>556</b>	<b>719</b>	<b>1,275</b>
At 31 March 2013, the following balances were held:			
Commercial banks and cash in hand (within current liabilities – Note 13)	(34)	(487)	(521)
Short-term investments (within current assets)	598	772	1,370
<b>Balance at 31 March 2013</b>	<b>564</b>	<b>285</b>	<b>849</b>

Cash at bank and short-term investments represents the only funds held. All funds are held at HSBC and the short-term investments represents funds held overnight in linked money market accounts.

The balances held at bank for both AE and Levy were not overdrawn at year end.

## 13 Trade payables and other current liabilities

<b>2013-2014</b>	<b>AE £'000</b>	<b>Levy £'000</b>	<b>Total TPR £'000</b>
<b>Amounts falling due within one year</b>			
Other taxation and social security	144	581	725
Trade payables	996	322	1,318
Accruals and deferred income	3,711	3,549	7,260
	<u>4,851</u>	<u>4,452</u>	<u>9,303</u>
<b>Amounts falling due after more than one year</b>			
Other payables, accruals and deferred income	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>

### Intra-government balances

Current year Levy payables include central government payables of £11k (2012-2013: £1k). This value is due to the Government Actuary's Department (2012-2013: £nil). There are no central government payables relating to AE outstanding at the end of the current or previous years. Other than already disclosed, the regulator has no further balances owed to central government, local government, the NHS or public corporations.

Accruals and deferred income due in less than one year comprises accruals relating to outsourced services £3,004k (2012-2013: £4,860k).

There is no deferred income due in less than one year (2012-2013: £15k) or greater than one year (2012-2013: £nil) at the end of the current year.

**13 Trade payables and other current liabilities** continued...

<b>2012-2013</b>	<b>AE £'000</b>	<b>Levy £'000</b>	<b>Total TPR £'000</b>
<b>Amounts falling due within one year</b>			
Bank overdraft	34	487	521
Other taxation and social security	102	495	597
Trade payables	–	347	347
Accruals and deferred income	5,374	3,137	8,511
	<u><b>5,510</b></u>	<u><b>4,466</b></u>	<u><b>9,976</b></u>
<b>Amounts falling due after more than one year</b>			
Other payables, accruals and deferred income	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>

The overdrafts shown in 2012-2013 were due to uncleared payments covered by the release of the short-term investments held.

## 14 Provisions for liabilities and charges

2013-2014	Early retirement £'000	Severance £'000	Dilapidations £'000	Total £'000
<b>Balance at 1 April 2013</b>	<b>29</b>	<b>–</b>	<b>996</b>	<b>1,025</b>
Provided in the year	–	70	–	70
Provision not required written back	–	–	(281)	(281)
Provisions utilised in the year	(19)	(70)	–	(89)
<b>Balance at 31 March 2014</b>	<b>10</b>	<b>–</b>	<b>715</b>	<b>725</b>
<b>Analysis of expected timing of discounted flows</b>				
Not later than one year	10	–	124	134
Later than one year and not later than five years	–	–	–	–
Later than five years	–	–	591	591
<b>Balance at 31 March 2014</b>	<b>10</b>	<b>–</b>	<b>715</b>	<b>725</b>

**14 Provisions for liabilities and charges** continued...

<b>2012-2013</b>	<b>Early retirement £'000</b>	<b>Severance £'000</b>	<b>Dilapidations £'000</b>	<b>Total £'000</b>
<b>Balance at 1 April 2012</b>	<b>29</b>	<b>47</b>	<b>826</b>	<b>902</b>
Provided in the year	122	120	170	412
Provision not required written back	(3)	–	–	(3)
Provisions utilised in the year	(119)	(167)	–	(286)
<b>Balance at 31 March 2013</b>	<b>29</b>	<b>–</b>	<b>996</b>	<b>1,025</b>
<b>Analysis of expected timing of discounted flows</b>				
Not later than one year	21	–	–	21
Later than one year and not later than five years	8	–	–	8
Later than five years	–	–	996	996
<b>Balance at 31 March 2013</b>	<b>29</b>	<b>–</b>	<b>996</b>	<b>1,025</b>

**Liabilities and provisions**

All provisions in the current and prior year relate to Levy activities.

Early retirement is related to individuals on early retirement for which the regulator is liable, severance covers the cost of restructuring during 2012-2013 and dilapidations cover the cost of restoring Napier House at the end of the lease.

The dilapidations provision has been revised to reflect the expected liability at the end of the current lease's expiry in 2023 (following a survey by Carter Jonas LLP) and to provide for the outstanding requirements stipulated by the previous lease.

## 15 Commitments under leases

	<b>AE</b>	<b>Levy</b>	<b>Total</b>	Total
	<b>2013-2014</b>	<b>2013-2014</b>	<b>2013-2014</b>	2012-2013
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	£'000
<b>Obligations under operating leases for the following periods comprise:</b>				
<b>Buildings:</b>				
Not later than one year	–	786	<b>786</b>	221
Later than one year and not later than five years	–	2,554	<b>2,554</b>	–
Later than five years	–	–	–	–
	<u>–</u>	<u>3,340</u>	<u><b>3,340</b></u>	<u>221</u>
<b>Other:</b>				
Not later than one year	–	42	<b>42</b>	75
Later than one year and not later than five years	–	44	<b>44</b>	86
Later than five years	–	–	–	–
	<u>–</u>	<u>86</u>	<u><b>86</b></u>	<u>161</u>

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

The existing lease for the regulator's office in Brighton expires in July 2023 with a break clause in July 2018. The above disclosures only relate to the current lease.

The regulator has no obligations under finance leases.

## 16 Capital commitments

There were no amounts authorised by the Board not contracted for in the current or prior year.

### Contracted capital commitments at 31 March 2014 not otherwise included in these financial statements:

	AE 2013-2014 £'000	Levy 2013-2014 £'000	Total 2013-2014 £'000	Total 2012-2013 £'000
Intangible assets	1,948	–	1,948	–
	<u>1,948</u>	<u>–</u>	<u>1,948</u>	<u>–</u>

## 17 Commitment under PFI contracts and other service concession arrangements

The regulator is not party to any PFI contracts.

## 18 Other financial commitments

Amounts contracted for but not provided in the accounts amounted to £nil (2012-2013: £nil).

## 19 Contingent liabilities disclosed under IAS 37

The regulator has not entered into any unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. From time to time we will be subject to legal challenge and judicial review of decisions made in the normal course of our business as regulator of workplace pensions.

Legal judgements could give rise to liabilities for legal costs but these cannot be quantified as the outcome of proceedings would be unknown and there is therefore considerable uncertainty as to the nature and extent of any subsequent liability.

## 20 Losses and special payments

There were no losses or special payments during the current or prior year.

## 21 Related party transaction

The Pensions Regulator is a Non-Departmental Public Body accountable to the Secretary of State for Work and Pensions. The Department for Work and Pensions (DWP), The Pensions Advisory service (TPAS) and the Pension Protection Fund (PPF) are regarded as related parties. All transactions with related parties have been completed at arms length. During the period, the regulator's transactions with the DWP included payments for the outsourcing of the internal audit function. In total the transactions with the DWP not related to the provision of Grant-in-Aid totalled £117k (2012-2013: £46k). Additionally for 2013-2014, regulator staff were seconded to the DWP which related to receipts of £53k (2012-2013: £56k).

This year, the regulator had no transactions with the PPF or TPAS.

During the period no other related parties, including the regulator's Board members and key management staff, had undertaken any material transactions with the regulator.

## 22 Third party assets

The regulator does not hold any third-party assets.

## 23 Subsequent events

There have been no other subsequent events which require disclosure in these accounts.



# Sustainability Report

By including this Sustainability Report, the regulator is conforming to the public sector requirements laid down in the government financial reporting manual. We contribute data to the DWP which produces an annual online report on sustainability.

This report is an extended version of the sustainability section in the DWP's Annual Report and Accounts. Further explanation of the data used is held both in the DWP's records and on our Sharepoint website.

## Overview of performance

In line with the Greening Government Commitment, we have committed to reducing carbon emissions by 25% baselined against 2009-2010 by the target date of 2014-2015. Our targets and achievements relate to our sole occupancy at Napier House, Trafalgar Place, Brighton.



In line with the Greening Government Commitment, we have committed to reducing carbon emissions by 25%.

## Summary of performance against Greening Government targets

Area	2009-2010 baseline	2013-2014 performance
Average annual full-time equivalent (FTE) staffing figure:	337	469
<b>Energy and emissions</b>	<b>CO<sup>2</sup>e tonnes</b>	<b>CO<sup>2</sup>e tonnes</b>
Mains standard grid electricity	677.7	593.1
Total greenhouse gas emissions	43.3	44.7
<b>Travel and related emissions</b>	<b>CO<sup>2</sup>e tonnes</b>	<b>CO<sup>2</sup>e tonnes</b>
Fleet – mileage average inc. car hire	Not available	1.9
Domestic flights	Not available	23.4
Rail national/average	Not available	35.7
Taxi regular	Not available	0.7
Bus	Not available	0.0
<b>Waste</b>	<b>Tonnes</b>	<b>Tonnes</b>
Waste – whole estate	14.4	14
<b>Water</b>	<b>M<sup>3</sup></b>	<b>M<sup>3</sup></b>
Water – whole estate	7540	4247

## Greenhouse gas (GHG) emissions

		2011-2012	2012-2013	2013-2014
<b>Non-financial indicators (tCO<sub>2</sub>e)</b>	<b>Scope 1 emissions</b>			
	Gas	37.0	47.5	44.7
	<b>Total Scope 1</b>	<b>37.0</b>	<b>47.5</b>	<b>44.7</b>
	<b>Scope 2 emissions</b>			
	Electricity: Brown	579.1	532.7	593.1
	<b>Total Scope 2</b>	<b>579.1</b>	<b>532.7</b>	<b>593.1</b>
	<b>Scope 3 emissions</b>			
	Fleet – mileage average inc. car hire	2.6	2.5	1.9
	Taxis	1.8	1.0	0.7
	Domestic air	18.3	14.7	23.4
	Rail	28.0	19.1	35.7
	<b>Total Scope 3</b>	<b>50.7</b>	<b>37.3</b>	<b>61.7</b>
	<b>TOTAL EMISSIONS</b>	<b>666.8</b>	<b>617.4</b>	<b>699.5</b>
<b>Total emissions normalised</b>	<b>By FTE</b>	<b>(319) 2.09</b>	<b>(380) 1.62</b>	<b>(469) 1.49</b>
	<b>By M<sup>2</sup> (3360)</b>	<b>0.19</b>	<b>0.18</b>	<b>0.20</b>
<b>Related energy consumption (KWh)</b>	<b>Scope 1</b>			
	Gas	201,439	256,491	243,732
	<b>Scope 2</b>			
	Electricity: Brown	1,067,210	1,021,666	1,093,151
<b>Financial indicators (£)</b>	<b>Scope 1 and 2</b>			
	Gas	8170	10,094	7,706
	Electricity: Brown	119,597	117,256	141,309
	Water	15,272	9,016	14,629
	<b>Scope 3</b>			
	Fleet – mileage average inc. car hire	2,507	4,960	2,220
	Taxis	9,251	7,900	6,156
	Domestic air/rail	118,351	137,387	242,114

## GHG performance commentary

In 2014, we installed photovoltaic panels in Napier House with a view to reducing our future electricity consumption. We will continue to improve our building energy efficiency. We also continued to roll out thin client PCs across the organisation alongside our server virtualisation programme, delivering a more energy efficient technology footprint. There has been an increase in staffing levels over the last year with an average annual FTE increase from 380 in 2012-2013 to 469 in 2013-2014. This has had an impact on CO<sub>2</sub> emissions, which have increased by 13.3% based on 2012-2013. However, our tCO<sub>2</sub> emissions per FTE have decreased from 1.62 in 2012-2013 to 1.49 in 2013-2014.

## Waste performance commentary

We promote the recycling of all paper, card, tins, plastic and glass. In 2013-2014, we continued to work with our main supplier to raise awareness and understanding of the importance of recycling among our employees. We recycled old furniture where possible.

## Sustainable procurement

We work in line with the 'flexible framework' developed by the business-led sustainable procurement task force. Our policy is advertised on our intranet and forms part of the procurement cycle. We follow the guidelines set out in the government's Buying Standards Report.

Sustainability continues to be a functional part of the procurement process, and a detailed impact assessment form is used to record the positive or negative impacts on the sustainability criteria of a given project. In line with our aim to attain level 3 of the flexible framework, all of our controls are regularly assessed for general sustainability risks.

Detailed supplier expenditure analysis was undertaken in 2013-2014, with a resulting programme of supplier engagement initiated.

We will continue to comply to level 3 in 2014-2015 enhancing towards level 4 where possible.

# Appendix 1: The pensions landscape

Our powers apply to both private pensions and public service pensions. We are concerned with four main types of private work-based pension products: DB (trust-based), hybrid (trust-based), DC occupational (trust-based) and DC work-based personal pension (contract-based). The work-based pensions landscape also includes public service schemes where the local government pension schemes (LGPS) are funded but the others operate on a 'pay as you go' basis<sup>37</sup>.

## Summary of the work-based pensions landscape

Current landscape	Private schemes				Public service pension schemes	
	DB	Hybrid	DC trust	DC contract	Unfunded	LGPS
Schemes	5,530	1,380	37,690	2,020	106	101
Memberships	7.8m	4.9m DB 1m DC	1.7m	3m <sup>***</sup>	8m	5m
Assets	£1,118.5bn <sup>*</sup>	£270bn <sup>**</sup>	£115bn <sup>**</sup>	N/A	£211bn <sup>****</sup>	

Source: The pension register, The Pensions Regulator January 2014 except:

\* The Purple Book, The Pensions Regulator and PPF, March 2013

\*\* Pensions in the national accounts, ONS April 2010  
(includes £110 billion of decumulated assets)

\*\*\* Annual survey of hours and earnings, ONS 2013, and

\*\*\*\* 2012-2013 LGPS Annual Reports.

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The 'Summary of the work-based pensions landscape' table above reflects the schemes that will be public service pension schemes under the Public Service Pensions Acts. There are other funded and unfunded public body schemes which may or may not become public service schemes in due course but these will not materially affect the figures in the table above in terms of either memberships or assets.

Both the memberships and assets of private pensions are currently concentrated within DB schemes and, although the majority of DB schemes are now closed to new members, there are more than 4,000 private pension schemes where new DB pension rights are being accrued. However, by 2018, the DWP estimates there will be 6-9 million members of pension schemes who have joined due to automatic enrolment. DC schemes have, to date, been most employers' choice of provision for automatic enrolment and we expect this trend to continue, with a particular increase in the membership of multi-employer master trusts and group personal pensions.

Public service schemes are currently going through a period of significant change in preparation for the Public Service Pension Act 2013 coming into force by April 2015. There are more than 200 schemes of this type accounting for around 13 million memberships.

## Appendix 2: Formal exercises of delegated powers

We refer to our powers on a daily basis to support discussions with schemes. On the vast majority of occasions, our powers do not need to be formally invoked, but are successful in influencing behaviour.

Where we do formally invoke our powers, these are delegated to the executive, delegated to a specified role appropriate to exercise the power or reserved to the Determinations Panel. See pages 79 to 82 for the report of the activities of the Determinations Panel in 2013-2014.

The following table outlines the delegated powers reported as formally exercised by the regulator's functions in 2013-2014. This information is not subject to audit.



On the vast majority of occasions, our powers do not need to be formally invoked, but are successful in influencing behaviour.

## Delegated powers reported as formally exercised by the regulator's functions in 2013-2014

Type of power	Volume 2012-2013	Volume 2013-2014
Clearance	51	27
Information gathering	50	140
Publication	3	2
Regulated apportionment arrangement	2	5
Trustee appointment	565	603
Misappropriation of scheme assets	0	57
Compliance notice	0	14
Statutory demand	0	1
Inspection	0	2
Unpaid contributions notice	0	1
Cross-border notification	0	2
Other	6	8
<b>Total</b>	<b>677</b>	<b>862</b>

Overall, the volume of powers exercised increased by 27% on 2012-2013, which can be explained by the increasing scope and complexity of our role. Trustee appointments accounted for around 70% of the regulator's use of powers in 2013-2014 and many of these were a reactive activity in response to normal retirement patterns which is outside the control of the regulator. Leaving aside trustee appointments, which were predominantly in respect of DC schemes, the split of powers across scheme benefit type and the automatic enrolment programme in 2013-2014 were as follows:

- 95 of the powers executed by case teams were in relation to DB schemes (37%)<sup>38</sup>
- 145 were in relation to DC schemes (56%)
- 19 were in relation to the automatic enrolment programme (7%).

38  
This includes hybrid schemes.



# Appendix 3: Key publications, web activity and events during the year

Key publications, web activity and events 2013-2014	
April 2013	<ul style="list-style-type: none"> <li>• Memorandum of understanding between the FCA and the regulator</li> <li>• Automatic enrolment earnings thresholds updates</li> <li>• Automatic enrolment registration updates</li> <li>• Main steps to automatic enrolment updates</li> <li>• Help your clients prepare updates</li> <li>• Automatic enrolment monthly registration report</li> </ul>
May 2013	<ul style="list-style-type: none"> <li>• DB annual funding statement, and supporting analysis and evidence</li> <li>• DC scheme return web updates and guides</li> <li>• Scheme governance survey and technical report</li> <li>• Automatic enrolment monthly registration report</li> <li>• Secondee alumni event</li> <li>• Annual stakeholder conference</li> </ul>
June 2013	<ul style="list-style-type: none"> <li>• Maintaining contributions consultation response</li> <li>• Chairman speech at pensions professional show</li> <li>• Trustee toolkit – update to DB modules</li> <li>• Prohibition of trustees policy statement</li> <li>• Scheme valuation questions and answers</li> <li>• Scheme funding analysis</li> <li>• Stakeholder newsletter</li> <li>• New downloadable resource ‘Winding up a DC scheme’</li> <li>• Automatic enrolment monthly registration report</li> <li>• Automatic enrolment – act now campaign</li> <li>• Updates to automatic enrolment employee web pages</li> <li>• DB stakeholder workshop</li> <li>• Pensions and benefits show</li> </ul>

<b>Key publications, web activity and events 2013-2014</b>	
July 2013	<ul style="list-style-type: none"> <li>• Annual Report and Accounts 2012-2013</li> <li>• Secondments web content and leaflet update</li> <li>• DC consultation response</li> <li>• Update compliance and enforcement policy</li> <li>• Elixor automatic enrolment case study</li> <li>• JW Stratton automatic enrolment case study</li> <li>• Kingfisher automatic enrolment case study</li> <li>• Scheme record-keeping annual research</li> <li>• Single equality scheme 2010-2013 consultation response</li> <li>• Automatic enrolment: commentary and analysis</li> <li>• DC web updates to 16 pages</li> <li>• An employer's guide to selecting a good quality pension scheme for automatic enrolment</li> <li>• A financial adviser's guide to selecting a good quality pension scheme for automatic enrolment</li> <li>• An accountant's guide to pension scheme selection and automatic enrolment</li> <li>• Monitoring your pension scheme arrangements: an employer's guide to management committees</li> <li>• Updated downloadable resources for 'How a DB scheme works', 'Funding your DB scheme' and 'DB recovery plans, contributions and funding principles' modules</li> <li>• Automatic enrolment monthly registration report</li> <li>• Three new automatic enrolment case studies</li> <li>• Web updates for new DC automatic enrolment products</li> <li>• New employer pages: automatic enrolment registration, using automatic enrolment registration online and postponement</li> <li>• Updates to automatic enrolment web pages</li> </ul>
August 2013	<ul style="list-style-type: none"> <li>• Employers' awareness, understanding and activity tracker and technical report</li> <li>• Essex County Council automatic enrolment case study</li> <li>• Perceptions of The Pensions Regulator – A report on the 2013 perceptions tracker survey</li> <li>• New downloadable resource 'Winding up a DB scheme: insolvent employer'</li> <li>• Update to guide for software developers</li> <li>• Updates to automatic enrolment web pages</li> </ul>

<b>Key publications, web activity and events 2013-2014</b>	
September 2013	<ul style="list-style-type: none"> <li>• Statement on completion of Kodak restructuring</li> <li>• Guide for new trustees</li> <li>• Welsh language publication scheme</li> <li>• Public service pensions research report and summary</li> <li>• Intermediary automatic enrolment tracker</li> <li>• Heineken automatic enrolment case study</li> <li>• Maintaining contributions codes of practice: reporting late payment of contributions to occupational pension schemes; reporting late payment of contributions to personal pensions</li> <li>• Maintaining contributions: code-related guidance</li> <li>• New maintaining contributions web pages for trustees and pensions professionals</li> <li>• Maintaining contributions: DC payment failure reporting template and user guide</li> <li>• The information architecture of the employer section re-designed and new web pages added and refreshed</li> <li>• Automatic enrolment monthly registration report</li> <li>• Updates to automatic enrolment web pages</li> <li>• Pension liberation fraud stakeholder workshop</li> <li>• Master trust assurance workshop</li> </ul>
October 2013	<ul style="list-style-type: none"> <li>• Information for trustees: a quick guide to automatic enrolment</li> <li>• Consultation for compliance and enforcement policy</li> <li>• DC regulatory strategy</li> <li>• Master trust draft assurance framework published</li> <li>• MF Global section 89 report</li> <li>• Statement on double counting – section 75 debts/ scheme funding obligations</li> <li>• Updates to automatic enrolment trustee web pages</li> <li>• Automatic enrolment monthly registration report</li> <li>• Updates to automatic enrolment web pages</li> <li>• NAPF annual conference</li> </ul>

<b>Key publications, web activity and events 2013-2014</b>	
November 2013	<ul style="list-style-type: none"> <li>• Trustee newsletter</li> <li>• Research on the 2013 scheme funding statement</li> <li>• Asset-backed contributions guidance</li> <li>• DC compliance and enforcement policy consultation policy response</li> <li>• DC code of practice, regulatory guidance and introduction to the code</li> <li>• Updates to reporting breaches guidance including examples</li> <li>• Trustees and pensions professionals information architecture refresh</li> <li>• Update to whistleblowing form and related content</li> <li>• Updated 'How a DC scheme works' module</li> <li>• Automatic enrolment detailed guidance updates</li> <li>• Automatic enrolment monthly registration report</li> <li>• Updates to automatic enrolment web pages</li> <li>• TUC trustee conference</li> <li>• Scheme provider conference</li> </ul>
December 2013	<ul style="list-style-type: none"> <li>• Regulating DB pension schemes consultation</li> <li>• Public service pension schemes consultation</li> <li>• Identifying your statutory employer statement</li> <li>• CBW Pension Forensics Limited and CBW Trustees Limited Determination Notices</li> <li>• Regulatory approach web page</li> <li>• Automatic enrolment monthly registration report</li> <li>• Updates to automatic enrolment web pages</li> <li>• NAPF trustee conference</li> </ul>
January 2014	<ul style="list-style-type: none"> <li>• Pennines RBS, Mendip RBS, Malvern RBS Determination Notices</li> <li>• Tudor Capital Management Limited Determination Notice</li> <li>• Employer staging forecast</li> <li>• DC trust: a presentation of scheme return data 2013-2014</li> <li>• Automatic enrolment monthly registration report</li> <li>• Updates to automatic enrolment web pages</li> <li>• DB consultation stakeholder workshop</li> </ul>

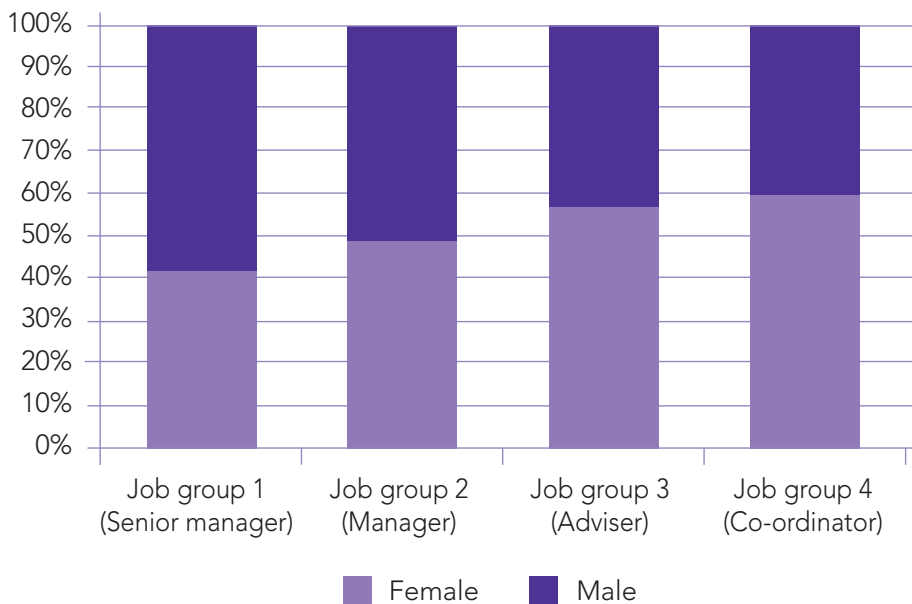
<b>Key publications, web activity and events 2013-2014</b>	
February 2014	<ul style="list-style-type: none"> <li>• Scheme assessment template</li> <li>• Governance statement template</li> <li>• Maintaining contributions portal live</li> <li>• A quick guide to reporting material payment failures</li> <li>• Accountability for regulator impact</li> <li>• Business engagement assessment: code of practice on scheme funding</li> <li>• Migration of Trustee toolkit to new platform</li> <li>• Automatic enrolment monthly registration report</li> <li>• Updates to automatic enrolment web pages</li> <li>• A quick guide to automatic enrolment (trustees)</li> </ul>
March 2014	<ul style="list-style-type: none"> <li>• Wright Health Group Limited Superannuation and Life Assurance Scheme Determination Notice</li> <li>• Employer awareness and understanding tracker</li> <li>• Olympus KeyMed automatic enrolment case study</li> <li>• Dalcour Maclaren automatic enrolment case study</li> <li>• Intermediary awareness and understanding automatic enrolment tracker</li> <li>• FCA joint guide</li> <li>• The Original Trust Determination Notice</li> <li>• Eastern Counties Leather Company Determination Notice</li> <li>• CPL Determination Notice</li> <li>• Caterpillar automatic enrolment case study</li> <li>• Exertis Micro P automatic enrolment case study</li> <li>• Record-keeping thematic review report</li> <li>• Automatic enrolment monthly registration report</li> <li>• Updates to automatic enrolment web pages</li> <li>• Automatic enrolment: your six month checkpoint</li> <li>• Payroll world conference</li> </ul>

# Appendix 4: Workforce diversity profile

The following graphs summarise our workforce diversity profile for 2013-2014 against each of the following protected categories<sup>39</sup>: gender, age, disability and ethnicity.

## Gender

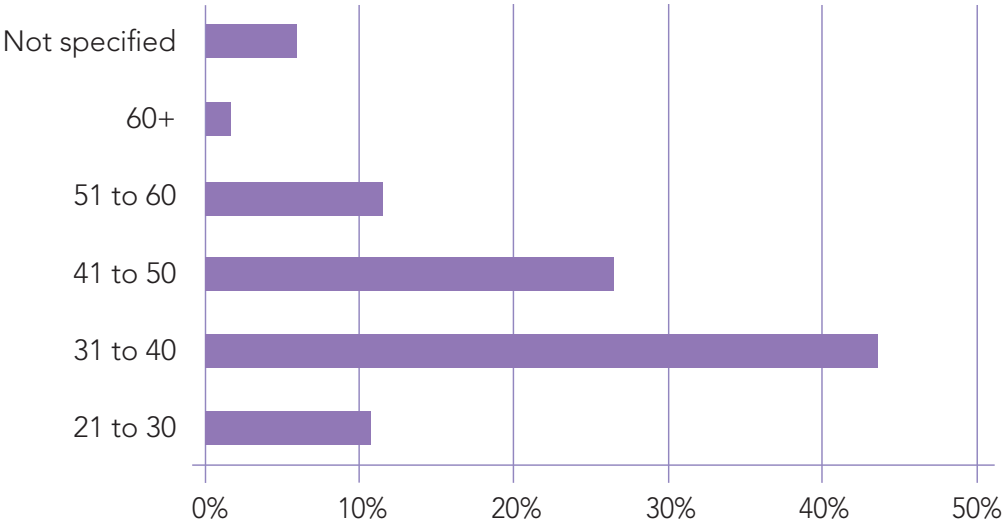
We had an overall gender balance of 51% female to 49% male, with a spread of genders across all job groups. Of our managers and senior managers, 49% and 42% respectively were female.



39  
As at 31 March 2014.

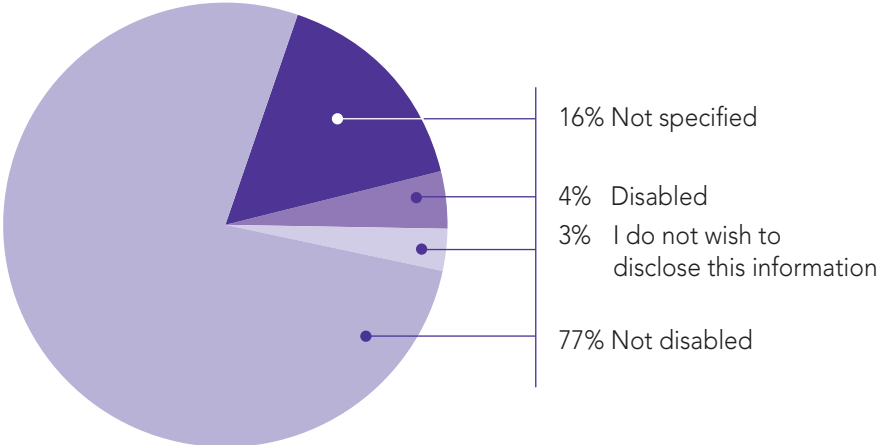
### Age

The highest proportion (70%) of staff was aged between 31 and 50, with an overall average age of 40.



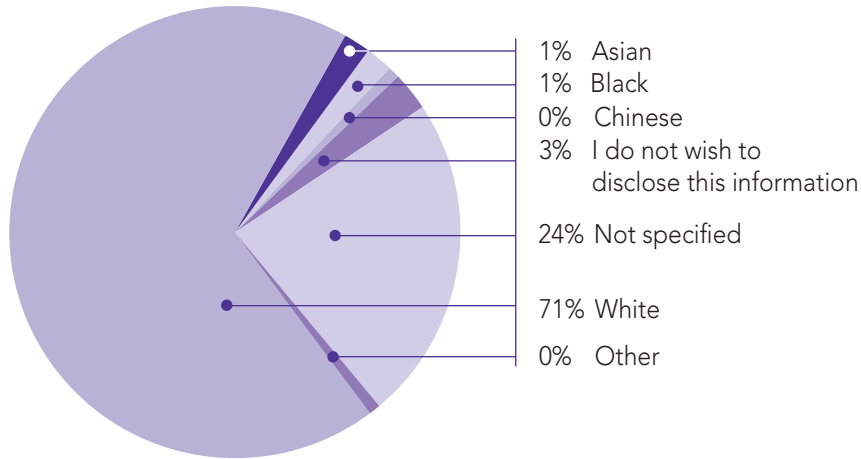
### Disability

The proportion of staff that declared a disability was 4%.



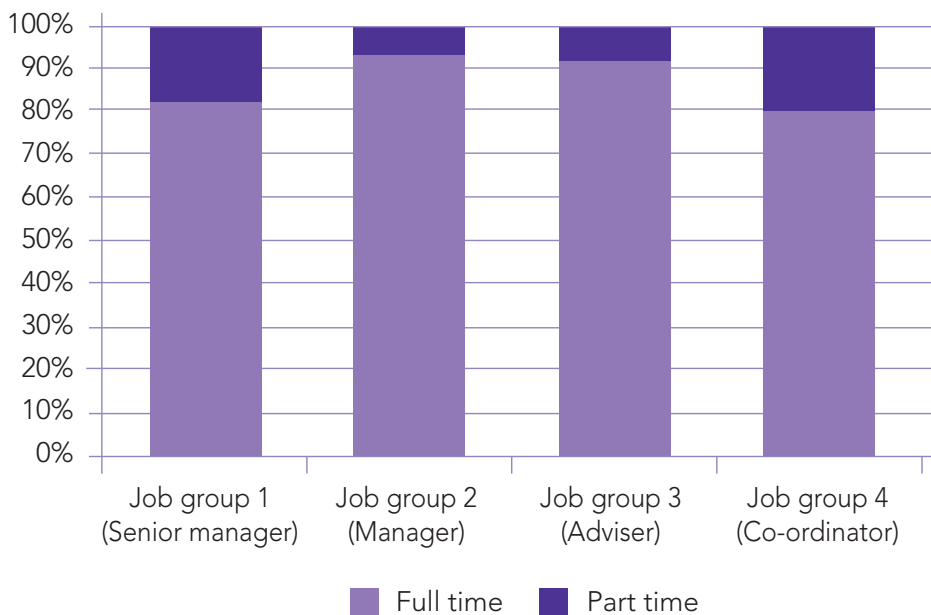
## Ethnicity

The proportion of staff that declared being from ethnic minority groups was 2% of the total workforce compared to 71% that declared being of white origin.



## Working pattern

There was a spread of both male and female part-time staff across each job group, accounting for 10% of the total workforce.





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