

NORTHUMBERLAND COUNTY COUNCIL PENSION FUND
Pension Fund Panel Meeting 4 September 2017

Regulatory intervention report

issued under section 89 of the Pensions Act 2004
in relation to the Teachers' Pension Scheme.

February 2017

**The Pensions
Regulator**

Background

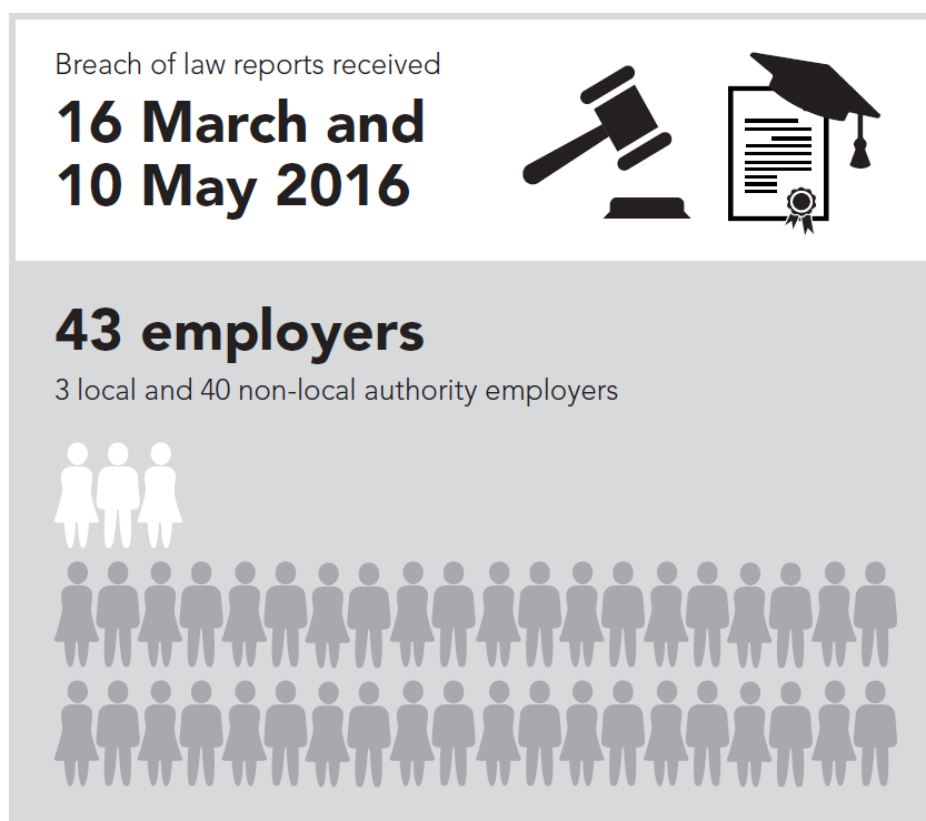
We have taken action to support the scheme manager and administrator of the Teachers' Pension Scheme to ensure that all employers connected to this scheme have submitted their audited End of Year Certificates (EOYCs) for 2014-2015.

The EOYC process is completed annually by all employers. It provides assurance to the Secretary of State for Education (in their capacity as scheme manager) that all contributions due have been deducted and correctly paid over to the relevant scheme.

EOYCs are important as they play a vital part in ensuring member records are accurate, and they enable the administrator to provide correct benefit statements to members.

The information provided in an EOYC forms part of the records the scheme manager legally has to maintain.

Illustrated summary



Summary of events

The Teachers' Pension Scheme (the Scheme) is defined as a public service scheme under the Public Service Pensions Act (2013). On 16 March and 10 May 2016, we received breach of law reports from Capita – the scheme administrator. These reports informed us that three local and 40 non-local authority employers (including academies, free schools, independent schools and further education establishments) had failed to submit their audited EOYCs 2014-2015 to the scheme manager by the legal deadline.

The administrator had contacted each non-compliant employer five times about their late submission of the EOYC, and three reminders were addressed to the Head of Finance of each employer. The administrator had also warned each employer that if they did not comply with the law, they would be reported to us. Not submitting the audited EOYC meant the administrator was unable to:

- ▶ fully reconcile membership and credit the contributions to the Scheme for 2014-2015
- ▶ maintain the scheme records it is legally obliged to keep.

The scheme manager and pension board, as part of their day-to-day governance and administration arrangements, had been made fully aware of the work being undertaken by the administrator relating to these non-compliant employers and had been informed in advance by the administrator that it would be submitting the breach of law reports to us.

Regulatory action

We engaged with the non-compliant employers to establish why they were not complying with the law and what actions they would be taking to correct this. Our findings highlighted a lack of knowledge and understanding by the employers on EOYC submissions, for example:

- ▶ employers had not responded to the administrators' chasers for outstanding audited EOYC submissions
- ▶ others knew they had to submit an audited EOYC but had not treated it as a priority, resulting in failure to meet the legal deadline
- ▶ one employer had not appreciated that two audited EOYCs were required to be submitted to the Scheme due to its conversion during the 2014-15 year to an academy
- ▶ confusion existed between some employers and their auditors around who was responsible for submitting the audited certificate to the scheme manager.

Outcome

As a result of our engagement with these employers, all but one are now compliant with the law. The scheme manager removed the non-compliant employer from the scheme, and subsequently, the employer entered administration.

Because all remaining employers in the scheme were now compliant, this meant we did not need to use our powers and issue a third party compliance notice under section 14 of the Pensions Act 2004. This power can be used against non-compliant employers where their actions have caused breaches of pension legislation.

General

Record-keeping is a vital part of running a scheme and public service pension schemes have a legal obligation to maintain certain data.

We expect schemes to demonstrate that they keep accurate, up-to-date and long-term records so they can govern and administer their pension scheme efficiently.

Scheme managers have a legal duty to provide their members with accurate and timely information about their benefits, and they can't do this if they do not hold accurate records.

Employers provide most of the data needed by schemes, and both employers and scheme managers must ensure they are meeting their legal obligations to the scheme.

Scheme managers should have robust processes in place to ensure accurate data is provided on time, as seen in this case. They should take appropriate action to ensure employers provide the information required by law to the scheme.

Where these actions fail to resolve the issue, we have powers to tackle employer non-compliance, and we'll use them where appropriate.

The scheme manager and other parties (including employers, administrators and members of the pension board) have a duty to report breaches of the law to us, where they believe this is of material significance. We urge them to engage with us in a prompt and open manner, as demonstrated in this case. This allows us to take appropriate action at an early stage. There is more information about reporting breaches on our [website](#).

The regulator's consideration and approach to individual cases is informed by the specific circumstances presented by a case, not all of which are referred to or set out in this summary report.

This summary report must be read in conjunction with the relevant legislation. It does not provide a definitive interpretation of the law. The exercise of the regulator's powers in any particular case will depend upon the relevant facts and the outcome set out in this report may not be appropriate in other cases. This statement should not be read as limiting the regulator's discretion in any particular case to take such action as is appropriate. Employers and other parties should, where appropriate, seek legal advice on the facts of their particular case.

Regulatory intervention report

Teachers' Pension Scheme

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