

### Campaign Overview

Earlier this year, we conducted a survey to assess how confident trustees and corporate sponsors felt about 10 fundamental areas of pensions risk. We focussed on areas not directly covered by the Integrated Risk Management Framework, and asked respondents to rank the risks in order of their “stay awake” factor. We have now produced a series of 10 factsheets, each one commenting on one of the survey risks. Our red risk flags highlight some key warning signs, and our mitigation tips are designed to supplement existing areas of risk mitigation. Each factsheet assumes there is an established risk management system on which additional measures can be built.

### Risk 3: Breaches of Regulatory Requirements/Best Practice Standards

#### Survey Result

This risk ranked third in our survey. It had a similar score across schemes of all sizes and is recorded on 81% of risk registers.

#### Comment

Pension schemes have a large number of reporting duties to government bodies and regulators. Administrators will routinely deal with some duties, while others require action or ongoing monitoring by trustees and corporate sponsors. Mistakes can and do occur in well-run pension schemes, and sometimes this is due to basic human error. What more can trustees and corporate sponsors do to avoid or manage regulatory breaches?

The Pensions Regulator (TPR) recently announced an increase in its one-to-one supervision of large schemes and new initiatives to test the governance standards of all schemes. Legislation is expected soon that will increase TPR’s powers, including higher fines (of up to £1 million) to be levied for certain breaches of the law. All parties should review their procedures for making reports to TPR to lessen the possibility of anything slipping through the net, resulting in fines and adverse publicity.

Best practice across the pensions industry is continually evolving (for example, in relation to pension scams), and trustees should ensure that they (and their suppliers) stay on top of developments. The Pensions Ombudsman expects schemes to adapt their processes to maintain high standards and will penalise trustees where a failure leads to member loss or maladministration.

#### Red Risk Flags

- Trustees do not undertake regular training. Trustees need to keep up to date with regulatory requirements and industry best practice standards.
- Routine reporting requirements are not completed on time. This could be an indicator of other governance failures.
- Trustees or administrators receive reminders and follow-ups from regulatory bodies. This indicates that initial correspondence is not receiving prompt attention.

#### Mitigation Tips

- Schedule a review of scheme policies and procedures. Do they cover all areas required by legislation, and are they up to date and accessible? Do you periodically ask third-party suppliers to confirm that their practices meet best practice requirements?
- Check whether all personnel who are under a duty to report breaches of the law to TPR are aware of this duty and understand any scheme protocol in terms of a coordinated approach. (Note that the whistleblowing duty extends widely.)
- Keep trustee knowledge and understanding requirements under review and ensure that legal and regulatory updates are covered in trustee meetings (or at separate trustee training sessions).

#### A Word from The Pensions Regulator

“‘clearer, quicker, tougher’ is not just a slogan, but a real reflection of the way we are holding to account those who fail to do the right thing by their scheme members or employees.”

(From TPR’s Corporate Plan 2019-2022)



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