



**The
Pensions
Regulator**

Making workplace pensions work

Update from TPR

**PLSA North London Group
December 2019**

Contents

- How TPR is evolving into a Clearer, Quicker, Tougher regulator
- Our long-term strategy
- Pension scams
- Administration

Clearer, Quicker, Tougher

New Approach: Clearer, Quicker, Tougher

Setting clear expectations

- Clear about standards and expectations
- Compliance with clear, measurable standards

Identifying risk early

- Prevent risks to members from increasing over time through prioritisation, monitoring, supervision and early proactive intervention

Driving compliance through supervision and enforcement

- Wider range of regulatory interventions
- Process of systematic & escalating interactions with those we regulate

Working with others

- Work with our regulatory partners, stakeholders, advisers & intermediaries to deliver a comprehensive & consistent regulatory framework

Our new regulatory approach



Initial intervention gateway

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Enforcement gateway

Enforcement



One to One Supervision - aims

- Pro active engagement in order to :
 - Ensure schemes are meeting our expectations and maximising voluntary compliance with legislation and best practice
 - Identify issues facing DC schemes
 - Gain a deeper understanding of our regulated community in general
 - Best practice in the industry
- Relationship building
 - Two way relationship between supervised schemes and TPR
 - TPR gets information on, and oversight of, schemes of strategic importance
 - The Scheme gets a named contact at TPR, the inside track on our view, and input into best practice

One to One Supervision – in practice

- 25 schemes so far, expanding to nearly 50 this year
 - Selection criteria: size/risk/previous engagement
 - Selection is not an indication that TPR has concerns about the scheme
- Voluntary
 - Advantages for schemes
 - 100% co-operation from all schemes selected so far
 - Requiring provision of information by a notice under Section 72 is an option, depending on the circumstances
- Initial cohort
 - A little cautious initially
 - Good engagement and want to improve standards and efficiencies
 - Generally good feedback

Event supervision

- Reactive and limited in duration (<12 months)
- Response to emerging risks (e.g. corporate restructures, deteriorating covenant etc) or events (M&A)
- Assess impact
- Direct engagement with trustees, employers, scheme managers and other stakeholders to protect the interests of members

Regulatory initiatives

- Proactive, high volume activity – broad reach on specific issue
- Risk-specific, linked to regulatory strategy
- Expectations clear with those responsible for looking after scheme funds held to account
- Example – record-keeping: targeting 400 schemes that haven't recently measured their data.
 - We will set out exactly what action we expect those trustees to take
 - More intensive intervention if we remain unsatisfied with a scheme's response
 - Could ultimately result in enforcement action



**The
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Regulatory strategy

Context

- AE has revolutionised the pensions landscape
 - 1:4 to 4:1 DC to DB
- Pension savers are changing - typically younger, lower paid, and enrolled in a DC scheme so shouldering all the risk

Gig economy's expansion could mean pensions crisis for millions of workers, report warns. *The Independent, November 2017*

'Would your savings survive a 100-year life? World Economic Forum warns we'll outlive our money by at least a decade.'
The Independent – October 2019

Number of over-70s still in work more than doubles in a decade. *The Guardian, May 2019*

Number of zero-hours contracts in UK rose by 100,000 in 2017 – ONS
The Guardian, 2017

Overstretched 'sandwich carers' trying to help parents and children. *BBC News – January 2019*

Millennials are Killing the Economy... Because They're Saving Money. *CNN – October 2019*

TPR strategy

- TPR taking a longer term view of the ever evolving landscape and provision of LT savings
- Series of workshops, looking at savers, trustees, employers, advisors, service suppliers and providers – looking at the world now and in the future
 - Who are the savers of tomorrow? What are their needs?
 - What key trends are likely to impact the market?
 - How will the major actors react? Where are the risks?
 - What does this mean for the regulator?
- Development continues, expected to consult formally in the new year



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Making workplace pensions work

Scams

The scam risk

- 42% of savers aged 45-65 at risk of falling for common scams tactics
- Building our knowledge:
 - Scams often include trustee as a co-conspirator
 - Multiple schemes may be involved
 - Most victims do not know they are victims when we approach them
- Ongoing work – requires constant vigilance

ScamSmart

A joint campaign by TPR and the FCA



**Don't let a scammer
enjoy your retirement**

Objective

This summer, The Pensions Regulator and the Financial Conduct Authority re-launched their joint campaign to help prevent pension scams.

There are three aims:

- Provide **savers aged 45-65** with the knowledge and tools to avoid pension scams.
- Provide **intermediaries** with the knowledge and tools to help their clients.
- Ensure that **employers** are equipped to direct staff towards help.

And much to do:

- **increase the perceived risk** of scams
- make people feel **it could happen to them**
- get savers to **check with the FCA before making decisions** on pensions

Pension scams
are devastating.
In 2017 victims
lost on average:
£82,000

Our target audience: pension savers aged 45-64

Generally, consumer understanding of, and engagement with, pensions is low

Low awareness of pension scams and what a scam entails

Most consumers are likely to turn to informal forms of advice, e.g. friends/family, and online searches, when further support is required



Secondary audience: intermediaries and employers

Intermediaries

*“You are the professional.
Scammers are not”*

- Providers, trustees and business advisers have a one-to-many relationship with members/clients.
- They also have a role themselves to understand how to safeguard their members'/clients' savings from scams

Employers

*“Who is looking out for your staff?
Scammers are not”*

- Employers are essential as a direct channel to talk to pension savers: their staff.
- We are encouraging employers to get to know their responsibilities and protect their savers from scammers.

Key campaign messages

Beware the tactics of pension scammers - unsolicited offers, offers of free reviews, time pressure

Four simple steps to protect you from being pension scammed:

1. Reject unexpected pension offers
2. Check the status of a firm with the FCA before changing your pension arrangements.
3. Don't be rushed or pressured into making any decision about your pension.
4. Consider getting impartial information and advice.

Be ScamSmart with your pension – check who you're dealing with at
www.fca.org.uk/scamsmart

Trustees and providers should refer to TPR's transfer checklist to ensure that all transfer requests are considered carefully in order to prevent transfers of funds to scammers.



Supporting campaign materials for consumers, professional advisers, and employers

- Blog articles/newsletter articles
- A4 leaflet and posters
- Banners and graphics
- Social media posts
- Scheme transfer checklist
- Social media posts

Let's join forces to beat pension scammers once and for all

Charles Counsell OBE



At a time when savers have more flexibility than ever, scurrilous criminals hellbent on stealing people's retirement savings are targeting pension pots of all sizes – make sure you know how to spot the signs

These are not petty thieves, but sophisticated fraudsters who have just one aim – to rip people off and run.

Victims of scams often don't know they have been pulled out of a dodgy deal and possibly too late for redress, lost money despite our best efforts.

I have heard many heart-wrenching accounts of the savings, to others who tragically have taken their own lives.

TPR/FCA pension scams campaign |
Suggested content for article – for savers

Don't let a scammer enjoy your retirement

Scammers are targeting pension pots of all sizes – make sure you know how to spot the signs

Pension scammers are targeting people like you with the average victim losing £91,000 each.

Scams are hard to spot and are often disguised with credible websites, testimonials and materials which make them look like the real thing.

To help you spot the signs and protect your pension, the Financial Conduct Authority (FCA) and Pensions Regulator suggest following four simple steps to protect yourself from pension scams:

Step 1 – Reject unexpected offers

If you're contacted out of the blue about a pension offer, you should be very suspicious. A cold calling is illegal, and you should be very suspicious if you've not dealt with before, is probably a scam.



FOUR SIMPLE STEPS TO PROTECT YOURSELF FROM PENSION SCAMS

1 Reject unexpected offers

Always be suspicious of offers that seem too good to be true. If you're contacted out of the blue about a pension offer, you should be very suspicious. A cold calling is illegal, and you should be very suspicious if you've not dealt with before, is probably a scam.

2 Check who you're dealing with

Check that the person or company you're dealing with is registered with the FCA or the Pensions Regulator. If you're not sure, you can check the FCA Register or the Pensions Regulator's website.

3 Spot the warning signs for pension scams

Scammers can be articulate and financially knowledgeable, with credible websites, testimonials and materials that are hard to distinguish from the real thing. Scammers often offer their offers to persuade you to transfer your pension out of the FCA or Pensions Regulator's oversight. If you're not sure, you can check the FCA Register or the Pensions Regulator's website.

4 Scams often include:

- contact out of the blue
- promises of high / guaranteed returns
- free pension reviews
- access to your pension before age 55
- pressure to act quickly

If you suspect a scam, report it to the Financial Conduct Authority (FCA) by calling the Consumer Helpline on 0800 111 222 or using the reporting tool on our website.

Report to Action Fraud on 0300 123 4321 or visit www.actionfraud.gov.uk

If you're in the middle of a transfer, stop it and get in touch with The Pension Advice Service on 0800 111 222 or visit www.pensionsadvice.gov.uk

www.fca.org.uk/scamsmart

Don't let a scammer enjoy your member's retirement

Find out how to protect their pension

FCA FINANCIAL CONDUCT AUTHORITY

The Pensions Regulator

5million people at risk of engaging with pensions scams

Be ScamSmart with your pension. www.fca.org.uk/scamsmart

You're helping savers to make the right decisions. Scammers are hoping they don't.

Be ScamSmart with your pension. www.fca.org.uk/scamsmart

In 2018, the average pension scam victim lost **£82,000**

Be ScamSmart with your pension. www.fca.org.uk/scamsmart

DON'T LET A SCAMMER ENJOY YOUR RETIREMENT

Find out how pension scammers work, how to avoid them and what to do if you suspect a scam

Be ScamSmart. Check who you're dealing with: www.fca.org.uk/scamsmart

Don't let a scammer enjoy your retirement

Find out how to avoid pension scams

FCA FINANCIAL CONDUCT AUTHORITY

The Pensions Regulator

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www.fca.org.uk/scamsmart

Some examples of how industry is spreading the word

Business Growth Hub
Your Gateway To Business Support 0345 4000 737

News
Employees targeted to help fund pension scams

Daehada Trustees
Don't let a scammer enjoy someone else's retirement. Be #Scamsmart. Get to know your responsibilities as a trustee and help protect savers from losing their pensions to scammers. Check out this new guide from @TPRgovuk
thepensionsregulator.gov.uk/pension-scams

Pension Protection Fund
Just seen the great campaign by @TPRgovuk. Don't let a scammer enjoy someone else's retirement. Be #Scamsmart. Help protect savers from losing their pensions to scammers. ow.ly/uFWK50uCYRI

International Association of Bookkeepers
Advisers, would you know how to spot a pension scam? Make sure you're up to speed and that your clients are #Scamsmart too. Find out more: ow.ly/ZlBq50uRVHP. Get tips here: ow.ly/1LvR50uRVHQ.

AEGON
How can you protect your clients from pension scams?
#Protection #PensionScams #Trustees
bit.ly/ZM19eNO

Aegon UK
Jump into August's #LatestNews
We've got details on how financial advisers can protect their clients from pension scams, as well as important information and changes for trustees.

The Pensions Regulator
Don't let a scammer enjoy your members' retirement.
Sophisticated scammers lure people into transferring their pensions, stealing an average of **£91,000 per victim**.
Be ScamSmart with your pension. www.fca.org.uk/scamsmart

Phoenix Group
We're proud to be supporting the #ScamSmart campaign to help spread the word about pension scams. Find out about this great initiative: fca.org.uk/scamsmart @TPRgovuk @combatscams

The People's Pension
Why not take this @TheFCA quiz to see how #ScamSmart you are? It could help you protect your #pension from unscrupulous scammers

Financial Conduct Authority
Scammers are targeting pension pots of all sizes. Can you spot the signs of a scam? Take our quiz and see how #ScamSmart you are fca.org.uk/scamsmart/pens...

Standard Life Workplace
Don't let a scammer enjoy your retirement - find out how pension scams work, how to avoid them and what to do if you suspect a scam.

LV=
Scammers are targeting pension pots of all sizes - make sure you know how to spot the signs
#TPRgovuk #ScamSmart

Scam tactics include:

- contact out of the blue
- promises of high / guaranteed returns
- free pension reviews
- access to your pension before age 55
- pressure to act quickly

Royal London
@FCA and @TPRgovuk join forces to warn pension savers as part of latest #ScamSmart campaign.
thepensionsregulator.gov.uk/en/media-hub/p...

PLSA
Help give your members the best possible #Scamsmart protection against pension scammers. Visit @TPRgovuk website for more information. ow.ly/RoXX50vvdWK

42% of people at risk of engaging with pensions scams

Be ScamSmart with your pension. tp.gov.uk/pension-scams

Be ScamSmart with your pension. www.fca.org.uk/scamsmart

5million people at risk of engaging with pensions scams

3:15 AM · 8 Aug 2019



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Administration

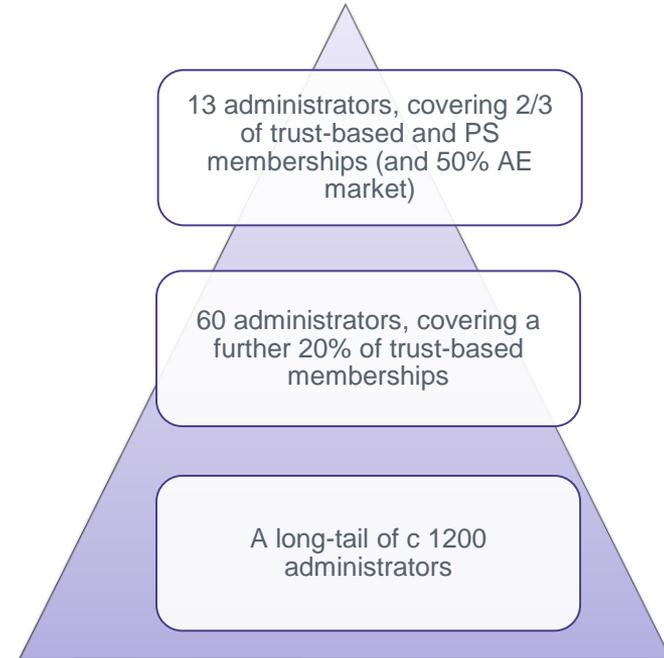
Background

- Poor administration undermines trustees' ability to deliver their role; and has a tangible impact on savers.
- We are looking to drive up administration standards through the exercise of demand- and supply- side levers.

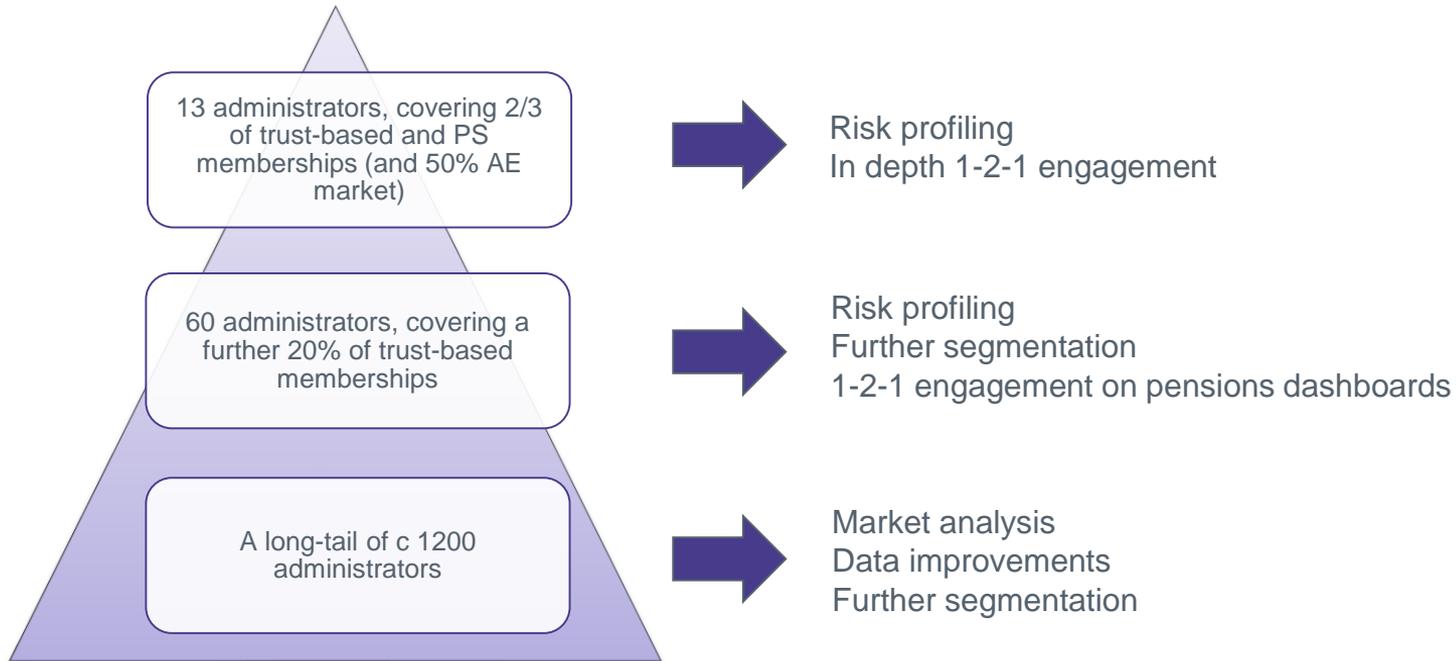


Initial segmentation

- We will segment the market iteratively as we build our understanding of the market. Our initial segmentation is based on the number of schemes and memberships administered.
- Other variables to be considered include:
 - In-house vs third party
 - Commercial business model
 - Client base ie DB/DC/PS schemes, small/medium/large schemes, industry served
 - Nature of membership – active, deferred, pensioner
 - PASA accreditation and other relevant professional memberships



Initial approach to engagement



Insights from engagement

- Our engagement with key stakeholders identified the following drivers, dynamics and risks at play in the administration market

Drivers

- **Trustee engagement and capability:**
 - Lack of trustee interest and willingness to pay, though admin is 'creeping up the agenda'
 - Poor relationship management and poor quality of discussion with administrators; excessive focus on SLAs
- **Poor transition of administration clients**
 - Emergence of punitive 'exit agreements'
- **High levels of change and rising complexity**
 - 'Perfect storm' of F&C, GMP reconciliation and equalisation, liability management, tax rule changes, dashboards etc
 - DB complexity as barrier to automation and consolidation
- **Under-investment in systems and technology**
 - Very little end-to-end automation
 - Limited opportunities to capitalise on technology due to complexity, a fragmented market and poor data
 - High dependence on people with associated risks of human error
- **Low profit margins**
 - Admin as a 'loss leader'
 - Some evidence costs are rising

Dynamics

- Consolidation of TPA market
- No recent market entry, though some potential 'lateral moves' from peripheral industries
- A few TPAs growing rapidly
- Admin typically offered as a 'bundle' with other services
- Growth of international outsourcing
- Ownership succession planning needed for some major providers

Risks

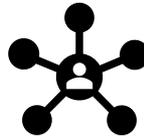
- Capacity crunch in the market
 - TPAs are becoming choosy and raising prices
 - Some TPAs operating waiting lists
- TPAs that grow fast sometimes don't take time to embed new clients
- There is a major risk around skilled and experienced resource
- In-house administrators are less plugged in to networks of excellence and fewer controls are in place around them
- TPAs tend to focus on large schemes at the expense of smaller schemes
- Many trustees do not have contingency plans in place in case of critical failure
- Poor data quality

Insights from engagement – LGPS cohort

Between October 18 and July 19 TPR met with LGPS funds to understand how they approached a number of risks – this identified a range of practices within schemes.



10 funds, covering over 850K memberships (13% LGPS memberships)



There were tangible benefits to the use of robust employer controls



The best run schemes had a close working relationship with their administrators, robust SLAs and the willingness and ability to challenge reports...

... though others put excessive reliance on administrators' assurances

Some tested cyber defences and business continuity plans...



... but others showed a lack of awareness of cyber risk and overreliance on employer's security systems

Many faced key person risks



Focus areas

- Based on these insights, TPR's research evidence base, previous engagement with TPAs and data on TPO cases investigated, we are proposing to focus our risk assessment and communications on the following (depth of colour reflects intensity of focus).
- For each of these areas we are looking to set out clearly what good looks like, but also what great looks like.

Trustee administrator relationship

Trustee focus, understanding and willingness to pay

Commercial controls/management of relationship

Management of transitions

Data and engagement

Data quality

Scams due diligence

Member communications and engagement

Contributions management and reconciliation

Administrator operations

Systems and automation

Dashboard readiness

Resource and capacity risk

Operating and business models

Business continuity/cyber resilience

Demand-side expectations

TPR expectations	What does this look like?	How do we communicate our expectations?
<p>Trustees and scheme managers are engaged, taking action and in control</p>	<ul style="list-style-type: none"> • Trustees are engaged with administration ie <ul style="list-style-type: none"> ○ Administration discussed regularly at trustee boards ○ Administration reports are scrutinised ○ Proactive approach – develop an administration strategy rather than react to specific events/projects. • Trustees are taking action to secure high quality administration services ie <ul style="list-style-type: none"> ○ Are willing and able to pay as they understand administration is an investment, not a cost ○ Exercise the commercial levers available to them • Trustees are in control ie <ul style="list-style-type: none"> ○ Sufficient skill and expertise in trustee board to understand administration eg admin subcommittee, use of admin consultants ○ Trustees have the commercial capability to negotiate good contractual terms ○ Trustees set targets for administrators ○ Trustees test (audit) administration functions and systems ○ Trustees utilise controls available to them (inc use of penalties where appropriate) to drive improvements 	<p>Existing supervisory relationships</p> <p>Regulatory initiative on record-keeping</p> <p>Promotion of regulatory (in particular enforcement) activity</p> <p>Relevant guidance and other publications</p> <p>Public communications – speaking events, blog posts etc</p> <p>Leveraging stakeholders</p>

Supply-side expectations

Objective	What does this look like?	How do we communicate our expectations?
High, consistent standards of administration	<p>Administrators, whether in house or third party, small or large, deliver administration services in line with PASA standards or other best practice industry standards (eg PSIG CoP on scams)</p> <p>In our engagement we may choose to focus on specific areas of concern where we believe action is most likely to improve saver outcomes, eg:</p> <ul style="list-style-type: none">• Scams due diligence• Transfer (of administration clients)• Business continuity/cyber• Dashboard readiness	<p>Existing MT and 1-2-1 supervisory relationships</p> <p>Regulatory Initiatives</p> <p>Support and promote industry standards</p> <p>Participate in administration-focussed industry events</p> <p>Quarterly forum with largest TPAs</p> <p>1-2-1 relationships with largest providers</p> <p>Leveraging stakeholders</p>