

<b>Committee:</b> Police Pensions Board	<b>Date:</b> 09 January 2018
<b>Subject:</b> Breach of the Law – Late issuing of 2017 Annual Benefit Statements	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Decision</b>
<b>Report author:</b> Jeff Henegan – Chamberlain's Department	

### **Summary**

Annual Benefit Statements for active members must be provided in accordance with the HM Treasury Direction issued under section 14 of the Public Service Pensions Act 2013 by 31<sup>st</sup> August each year.

Annual Benefit Statements for active Police Pension Scheme members with the City of London Police were not distributed until the 8<sup>th</sup> September 2017.

There is a legal requirement to report to the Pensions Regulator (tPR) when there is a material breach of the law.

This report asks the Police Pension Board to agree to the Chamberlain reporting the late issuing of 2017 Police Annual Benefit Statements for active members as a breach of law to the Pensions Regulator.

### **Recommendation**

It is recommended that board approve that the Chamberlain reports the late issuing of Annual Benefit Statements for 2017 to the Pensions Regulator as a breach of the law.

### **Main report**

#### **Background**

1. There is a legal requirement to report to the Pensions Regulator when there is a material breach of the law.
2. The breach is likely to be of material significance to the Pensions Regulator where it was caused by:
  - dishonesty
  - poor governance or administration
  - slow or inappropriate decision making practices
  - incomplete or inaccurate advice, or
  - acting (or failing to act) in deliberate contravention of the law.

3. The Pensions Regulator's framework for overall consideration of the breach is summarised below;

**Red breaches** Where the cause, effect, reaction and wider implications of a breach, when considered together, are likely to be of material significance, the breach is 'red'.

These must be reported to tPR.

**Amber breaches** Where the cause, effect, reaction and wider implications of a breach, when considered together, may be of material significance, the breach is 'amber'. They might consist of several failures of administration that, although not significant in themselves, have a cumulative significance because steps have not been taken to put things right.

Reporters will need to exercise their own judgement to determine whether the breach is likely to be of material significance and should be reported.

**Green breaches** Where the cause, effect, reaction and wider implications of a breach, when considered together, are not likely to be of material significance, the breach is 'green'.

These should be recorded but do not need to be reported.

### **Causes of the Breach**

4. Cause of the breach – continued development of the benefit statement templates since the introduction of the Police Pension Scheme 2015 coupled with limited resources due to staff vacancy.
5. This is the second year following the introduction of the Police Pension Scheme 2015. A significant amount of manual checking was required on the way the pension software was calculating benefits especially for those members with benefits protected under the terms of the old Police Schemes.
6. There is a continued vacancy in the Pensions Office which limited the resources available to carry out these checks.
7. Annual Benefit Statement guidance from the software provider was not released until 8<sup>th</sup> August 2017. Revised Annual Benefit Statement templates were not available until 14<sup>th</sup> August 2017. The new templates were checked and final statements were generated on 30<sup>th</sup> August 2017. Statements were returned from the printers on 7<sup>th</sup> September 2017 and distributed on 8<sup>th</sup> September 2017.

## **Material Impact**

8. Effect – Annual Benefit Statements were issued after the deadline of 31<sup>st</sup> August for all active Police Pension Scheme members. The Annual Benefit Statements were issued as soon as possible, missing the deadline of 31<sup>st</sup> August by one week. The Pensions Office provides estimates on request throughout the year for scheme members to assist with their financial planning.
9. Reaction – Annual Benefits Statements were issued as soon as possible after the breach. In planning to avoid future breaches a procedure manual has been developed for the production of the Annual Benefit Statements. Testing on the interface between payroll and pension software will commence in January 2018 to ensure a prompt interface of data as soon as possible after the end of the financial year. This will allow for a longer run in time for generating and reviewing the Annual Benefit Statements in time for deadline 31<sup>st</sup> August. The format of the statements will be tested as soon as possible following the posting of year end information.

## **Conclusion**

10. The impact of the breach has been limited by producing Annual Benefit Statements as soon as possible after the deadline. The issues and problems experienced in 2017 have been used to develop and update the processes used to produce the Annual Benefit Statements. This will allow for a smoother and quicker production of Annual Benefit Statements in the future. However, as every active Police Scheme member received their Annual Benefit Statement late in 2017 it may be viewed as an Amber breach under the Pension Regulators framework and therefore reportable to tPR.

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