The Pensions Regulator

Making workplace pensions work

Annual Report and Accounts 2019-2020

HC 463

The Pensions Regulator's Annual Report and Accounts
2019-2020

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Introduction

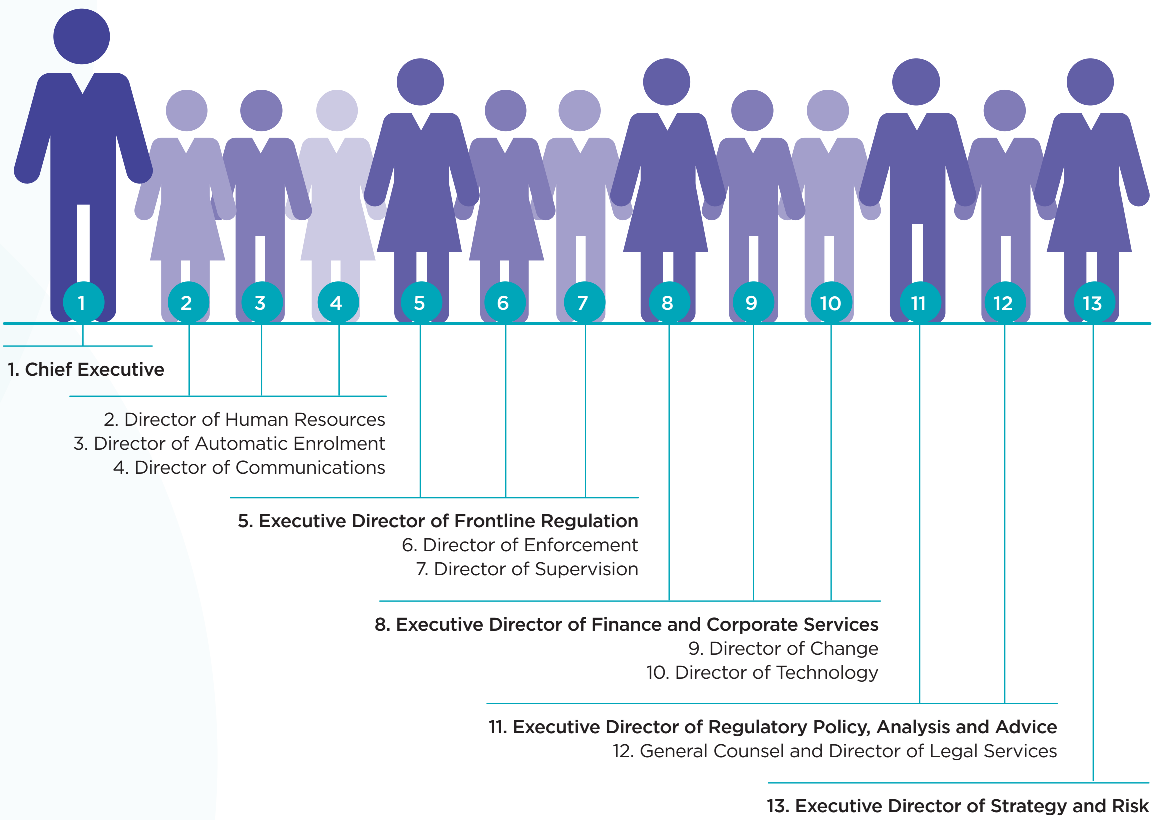
'We work with employers and those running pensions so that people can save safely for their retirement.'

The Pensions Regulator (TPR) is the public body that protects workplace pensions in the UK. Our statutory objectives are:

1. To protect the benefits of members of occupational pension schemes
2. To protect the benefits of members of personal pension schemes (where there is a direct payment arrangement)
3. To promote and to improve understanding of the good administration of work-based pension schemes
4. To reduce the risk of situations arising which may lead to compensation being payable from the Pension Protection Fund (PPF)
5. To maximise employer compliance and employer duties and the employment safeguards introduced by the Pensions Act 2008
6. In relation to DB scheme funding, to minimise any adverse impact on the sustainable growth of an employer

You can read more (www.tpr.gov.uk/about-us) about our responsibilities, priorities, our approach to regulation and the values we hold that enable our vision of being a strong, agile, fair and efficient regulator.

Figure 1: Our organisational structure (illustrated to Director level only)



Performance report

Overview

In this section, our Chairman Mark Boyle and our Chief Executive Charles Counsell give an overview of the 2019-2020 business year. We then provide a detailed analysis of our performance against our corporate priorities, including the results of our Key Performance Indicators (KPIs) which concludes with a summary of our financial and sustainability performance.

'As a regulator, we need to adapt to the changing circumstances of the world we operate in.'

Chairman's foreword

It is fair to say that the world is now a very different place and unimaginable changes have occurred in the past few months.

Prior to the COVID-19 crisis there were already significant social, political and economic challenges in the pensions environment. These included but are not limited to the new Pension Schemes Bill, Brexit and the increased likelihood of new scheme models coming into the market such as defined benefit (DB) superfunds and collective defined contribution (DC) schemes, and challenges around environmental, social and governance (ESG) considerations, including climate change. The impact of the pandemic has clearly greatly added to these challenges.

As a regulator, we need to adapt to the changing circumstances of the world we operate in.

COVID-19 has certainly tested our ability to adapt. I believe it has demonstrated that we are equipped and able to adapt quickly and clearly. When the pandemic started, we set up workstreams to address the most urgent risks and rapidly provided clear guidance for trustees, employers, administrators and savers, while also joining up with our partners and working directly with those who are struggling, to provide reassurance and aid business continuity. We are doing all we can to support those we regulate in managing risks and protecting benefits. We continue to keep all our guidance under review and will update it when necessary.

We also moved rapidly so that all our colleagues could work from home so the important job of protecting pensions savers could continue without interruption. A huge focus for us in the early days of the crisis was, and continues to be the safety and wellbeing of all our colleagues.

While acknowledging the challenges we are going through at the moment, it is also important to reflect on what we have achieved over the past year, particularly that the way we work under our 'clearer, quicker, tougher' new operational model has enabled us to handle recent events in an effective, confident and organised manner.

We aim to be clearer with those we regulate, quicker to act when our expectations are not being met, and tougher on those that do not act in the best interest of pension savers. This way of working now spans across all areas of our work and has been widely recognised by our regulated community, stakeholders and commentators.

Master trust authorisation is complete and now in place to better protect savers. Automatic enrolment (AE) is now firmly business as usual, with over 10 million people newly saving or saving more, and contribution levels have increased to 8% without significant increases in opt-outs.

Our regulatory reach has continued to extend. This is particularly as a result of our new supervisory approach, as well as the regulatory initiatives we ran throughout the year, which means we are in direct contact with many more schemes than ever before. Last year this increased by a factor of four.

We have also placed a significant focus on raising standards of governance, for example through our future of trusteeship consultation, raising the question of whether there should be professional accreditation, and when small schemes should consider winding up and consolidating.

We are currently consulting on a new DB funding framework, which will lead to a revised DB code of practice in the next couple of years.

We continue to work very closely with our government and industry partners, particularly the Financial Conduct Authority (FCA) and the Money and Pensions Service (MaPS), and we continue leading the cross-government Project Bloom in the fight against pension scams.

In terms of the impact of our interventions, we set out a number of key long-term outcomes we want to achieve. These outcomes act as a bridge between our statutory objectives and our regulatory activity, and relate to our role in delivering participation, protection, accountability and confidence in pensions. While many of the indictors show positive trends towards delivering these outcomes, some indicators have been impacted by external drivers such as the current economic conditions, and the impact on aggregate DB funding levels and pension saver confidence. We will continue to focus on doing what we can to drive these outcomes in the coming year.

I would like to thank Charles Counsell for an extremely successful first year as Chief Executive. He has continued with the transformation of TPR, particularly around our aim to be clearer, quicker and tougher and encouraged a strong collegiate contribution from our excellent executive team.

I would also like to say a thank you to all Non-Executive Board members for their work. I thank outgoing members Tilly Ross and Margaret Snowdon, and congratulate Sarah Smart, who has been re-appointed in her role for a further four years. I would also like to welcome new Non-Executive Directors Chris Morson and Katie Kapernaros.

Last but by no means least, I would like to pay tribute to the dedication, commitment and professionalism of all my colleagues in TPR. We remain a changing organisation that continues to grow both in size and in the positive impact that we have on the pensions landscape. I am proud of our successes of the past year, and the way we have adapted swiftly and professionally to recent events. The ongoing external challenges will inevitably influence the way we move forward, but we remain very much focused on our statutory duties and on making workplace pensions work.

Mark Boyle
Chairman, The Pensions Regulator
29 June 2020

Chief Executive's report

It seemed that the pace we were travelling at had already reached new levels. We had seen master trusts through the authorisation process, AE had become the norm for UK businesses, we had published new guidance and consulted on new areas of focus, we have transformed our regulatory model to be clear, quick and tough, and we had successful results in a number of high profile cases. In March, like others, we found ourselves having to react more quickly and in a different way than we have ever experienced before.

We have had to swiftly re-prioritise our areas of focus, the risks we need to address, and make sure those we regulate have what they need to help them through these uncertain times. At the same time, we don't want savers to be at a disadvantage, and their interest remains at the core of what we do.

To be where we are now in terms of what we've achieved (before and during the pandemic) would not have been possible without the highly skilled teams we have at TPR and their commitment to our 'clearer, quicker, tougher' approach. And it is this attitude and focus, as well as a firm bedrock of hard work and solid processes built over a number of years, that has enabled us to react swiftly to the COVID-19 pandemic and provide guidance for those we regulate, as well as staying on course with our own strategy and goals.

During 2019-2020 we spent a lot of time developing our long-term strategy. We were on the verge of launching it for discussion when the COVID-19 crisis struck. We believe that the long-term strategy remains relevant at this time, but it must reflect the world we now regulate, so we are keeping our publication plans under review in light of the current crisis, which has been our immediate priority.

I would like to reflect on some of the main successes of the year.

We have changed the way we work at TPR. Our TPR Future programme developed a new operating model and introduced new approaches that extend our reach with the resources we have, address issues in a thematic way, and identify and mitigate risk more effectively. We now consider this work to be complete and part of business as usual at TPR.

We have re-structured our regulatory teams. Supervision is an integral part of our new approach to working more closely with a greater number of pension schemes across a range of areas. By working proactively with schemes in new ways and with a wider reach, we are able to more clearly set out our expectations, understand the impacts of any risks on savers and take action where appropriate.

The DB landscape now comprises more than 10.7 million members and over £1.7 trillion in assets, and the defined contribution (DC) market has over 18 million memberships and over £71 billion in assets.

Our approach to AE has now been completely embedded. Each month, new savers are enrolled into pensions and minimum contributions have now reached 8%. Opt-out rates remain impressively low, despite the increases in contribution rates. This shows pension saving is now truly the norm – including for many who had not saved at all before. The demographics of pension saving have now been transformed through AE so everyone above the minimum threshold levels is now able to save for their long-term financial wellbeing.

We authorised 38 master trusts in the market providing secure, efficient savings vehicles for around 16 million savers. After showing us that they met the authorisation standards through their applications, our supervisory approach will ensure these schemes continue to satisfy us that they meet the relevant criteria.

There have been a number of notable high-profile case outcomes for us this year. The Court of Appeal's judgment in the Box Clever case resulted in us issuing Financial Support Directions with specific timeframes for the targeted companies to propose support for the scheme. And we had success in a fraud prosecution where a former Chair and Chief Executive of a company admitted defrauding it to purchase properties. This resulted in our longest custodial sentence related to a case to date, as well as seeking a confiscation order to retrieve the assets.

We have started to use communication as a regulatory tool. Identifying groups where we can see compliance issues or risks from our data and targeting them with instructions and guidance for improvements. We also developed regulatory initiatives, which were introduced in line with our regulatory strategy and designed to address the core risks we identified. We paused the regulatory initiatives at the end of the year to respond to the COVID-19 pandemic, but we initiated seven new workstreams in response to the crisis and quickly produced guidance to trustees, employers, administrators and pension savers to provide clarity and mitigate risks caused by the impact of the virus. Our revised governance model enabled us to respond quickly, and demonstrated how it is embedding the effective application of our regulatory resources to risk.

Working with stakeholders and our industry and government partners remains a firm priority, and we engaged extensively with them throughout the year, including in new ways such as our joint events with the FCA.

We also ran a very successful joint campaign with the FCA to highlight the risks of pension scams, and published a joint statement (with the FCA and MaPS) to increase awareness of scams during the current uncertain times, when people may be more financially vulnerable and more likely to make rash and uninformed decisions.

We undertook a consultation and published a response on the future of trusteeship and governance this year. We received a record 114 responses, highlighting broad support for our view that all savers should benefit from efficient and well-run pensions, with the right people in place to make good investment decisions and deliver value for money. We are driving all trustees to constantly review and develop their knowledge and skills, and to improve diversity and inclusion on trustee boards.

At the beginning of the year, we issued our Annual Funding Statement, which laid out clear expectations of the balance of deficit repair contributions (DRCs) to dividends in the fair treatment of schemes, and the reduction of recovery plan lengths over time. We followed this up with targeted activity where we felt our expectations were not being met, and this has resulted in overall increases in contributions and reductions in recovery plan lengths across DB schemes.

We also provided input into the development of the new Pension Schemes Bill with the DWP. As the DWP recognised in its white paper, the landscape is maturing, and we need to ensure we're set up to protect pension savers into the future. We have started consulting on what the future of DB funding looks like, which will eventually lead to a revised DB code of practice. We have also engaged with industry and the DWP on superfunds and new models of DB provision, and this work continues.

Our key performance indicators (KPIs) link directly to our priorities and focus on key work we sought to achieve in year. This year we met or exceeded 12 of the 18 KPIs set. But for the onset of COVID-19, we would have met or exceeded 14 of our KPIs.

We have made good progress to put in place new systems to aid our regulatory functions as well as implementing other significant change projects in the year. Our levels of employee engagement improved this year, but they do still fall short of the high standards we expect of ourselves.

This past year has really evidenced to me again what a strong team we have here at the regulator, and how eager people are to work together to support each other and get the best results. I returned to TPR as Chief Executive in April 2019, and I was struck (but not surprised) by the dedication, passion and professionalism of the TPR team. I would like to pay tribute to them and thank them for all their work this year, including how they have responded to the crisis at the end of the year.

I must mention the incredible work of our corporate services teams and HR team, not just throughout the year, but particularly around our business continuity planning and all the work that went into managing the pandemic crisis and enabling us to carry on delivering our work while working remotely.

I hope that with the commitment and energy that we have evidenced through the past few months, we are able to continue to press forward and take on the – undoubtedly many – challenges that will be thrown our way in the months to come. I have never been more confident in the ability of our team to do this.

Charles Counsell OBE
Chief Executive, The Pensions Regulator
29 June 2020

Performance summary

Among the ongoing changes across the economic and pensions landscape, we are also continuing to work in unprecedented and challenging conditions. While portions of our work were put on hold towards the end of the year as we re-prioritised our work due to the COVID-19 pandemic, 2019-2020 was a year in which much was achieved and progressed.

During the year, we saw master trust authorisation come fully into play, we increased our work with our stakeholders and government partners, and we consulted on important areas which will impact in the long term how things will run – for example DB funding and the future of trusteeship. Our reach has now extended significantly, with the embedding of our supervisory approach and the launch of our regulatory initiatives.

The end of the year saw us responding immediately and effectively to the global pandemic and government guidelines on COVID-19, and successfully got nearly all staff working from home, along with making policy changes where required. We provided ongoing guidance and updates to all our staff as well as developing and publishing COVID-19 guidance for employers, trustees, savers and pension providers. This included work with the FCA and MaPS to help protect savers against scams and prevent rushed decisions that could risk a lifetime of saving. We also worked with the DWP and HM Treasury to produce co-ordinated guidance about the pensions element of the Coronavirus Job Retention Scheme.

We have shown that our new operating model enables us to react and adapt swiftly to changing circumstances while retaining our focus on the key risks that need to be addressed. This once again demonstrates our staff's ability to absorb change while delivering quality regulation.

Our performance report highlights a solid year of delivery against our statutory objectives. Our targets have largely been achieved with a minority narrowly missed. The speed of the global pandemic and impact on the UK, the pensions industry, pensions savers, and on TPR, overtook the finalisation of some of the work in our plans, which meant we concluded the year with 12 out of 18 KPIs achieved, and with revised priorities and paused work at least for the short term.

The extended negotiations on the UK's exit from the EU meant we had to divert some resource to assist stakeholders through the uncertain times, but this did not impact our performance in any way.

The Statement of Financial Position at 31 March 2020 shows net liabilities of £7m. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from other sources of income, may only be met by future grants or grants-in-aid from the DWP, as our sponsoring department.

The 2020-2021 budget has been approved by the DWP and we have therefore considered it appropriate to adopt a going concern basis for the preparation of the 2019-2020 financial statements.

AE

>10.2m
eligible jobholders automatically enrolled into an AE pension scheme to date

120,257
AE cases in 2019-2020

16m people have saved
£38.5bn
into master trusts – with nine out of 10 people saving into the largest master trusts – now better protected in 38 authorised master trusts

38
master trusts have been authorised

12%
The number of DC pension schemes has fallen by 12% since last year (Annual DC Trust report)

>1.6m
employers have now completed their declaration of compliance

>455k
employers have completed their re-declaration of compliance

£350,000 fine for a company failing to fully comply with its AE pension duties

48,267 AE fines issued for non-compliance

Approximately **2/3** of scheme memberships in the UK are covered by our new supervision approach

33.2% of schemes have been subject to a risk-targeted regulatory intervention by TPR

150 mandatory penalty notices were issued where no chair's statement has been prepared or we are of the opinion that the statement does not comply with the requirements

83 times our information-gathering powers were used in 2019-2020

40 financial penalties were issued to schemes for not completing their scheme return when required

Our performance in 2019-2020

>1.6m people made **>2.9m** visits to our website and looked at

>8.3m pages

including **55k** views of our blog

TPR was mentioned in **2,632** pieces of national, local and trade media coverage

15,706 Facebook followers

13,849 followers on Twitter

12,393 followers on TPR's LinkedIn page

9 new videos are currently posted on our YouTube channel with a total of **40k** views

189 speaking events were delivered by TPR staff, including senior management

77% customer satisfaction following contact with our customer service centres in Brighton and Birmingham

102 learning events were run in-house last year

5% average total FTE staffing level increase

Performance analysis

Here, we provide a more detailed analysis and explanation of the development and performance of our organisation over the last year, in line with the risks and priorities we determined in our Corporate Plan 2019-2022 (www.tpr.gov.uk/document-library/corporate-information/corporate-plans/corporate-plan-2019-2022) and in pursuit of the statutory objectives given to us by Parliament.

We identify and analyse risk on a continuous cycle. This helps us determine the priorities and activities at the beginning of each financial year, along with further mitigations we may take if we see significant movement of those risks. We set these out in our Corporate Plan each year.

How we measure our performance

KPIs and our wider achievements

We measure our regulatory performance against our statutory objectives and priorities through annual KPIs. The measures in this section are linked to our priorities, which were set out in our 2019-2022 Corporate Plan.

Our regulatory performance cannot be wholly judged by a set of metrics, which is why we outline our broader achievements against our corporate priorities as well as outlining key activities, volumes and achievements throughout the report.

The Board adopts our KPIs annually in response to our assessment of the key risks to the achievement of our statutory objectives and corporate priorities. They are principally collated through management information, which we report to our Board and the DWP on a quarterly basis.

Key outcome indicators (KOIs)

In addition to KPIs, we have a set of key outcome indicators (KOIs) directly linked to the longer-term outcomes we seek. Our role in delivering these outcomes is set by the statutory objectives given to us by Parliament, which defines our remit in driving them. Our stated outcomes are:

- **Participation:** we want to increase participation in workplace pensions.
- **Protection:** we want to protect members and the PPF.
- **Accountability:** we want to hold those we regulate to account.
- **Confidence:** we want to increase people's confidence in the security and quality of workplace pension savings.

Our KOIs are defined in the 'Analysis of performance' section of this report. They are distinctly different from KPIs, in that they define longer-term outcomes where TPR plays just a part in meeting them. Identifying and measuring them does however help us align and explain our role in the wider context of providing good retirement outcomes for pension savers.

We do not set specific targets against them, as many of the drivers for these wider pensions outcomes are outside our control. We do however monitor the longer-term trends and play our part in delivering them by aligning our work priorities over time.

Analysis of performance

Corporate priorities, KPI and KOI outline

The six corporate priorities we set for 2019-2020 and beyond were:

1. Extending our regulatory reach with a wider range of proactive and targeted regulatory interventions.
2. Providing clarity, promoting and enforcing the high standards of trusteeship, governance and administration we expect.
3. Intervening where necessary so that DB schemes are properly funded to meet their liabilities as they fall due.
4. Ensuring staff have an opportunity to save into a qualifying workplace pension, through automatic enrolment.
5. Enabling workplace pension schemes to deliver their benefits through significant change, including responding to Brexit.
6. Building a regulator capable of meeting the future challenges we face.

We set KPIs relevant to one or more of our corporate priorities to measure how we performed against our plans for delivery in year. These KPIs were updated to be consistent with our intention to be clearer, quicker and tougher so we could further develop and demonstrate our effectiveness through other appropriate measures of our performance.

We achieved 12 of our 18 KPIs in year 2019-2020.

We designate the outcome of a KPI as green, amber or red as follows:

✓ **Green** denotes a KPI where the target was achieved.

– **Amber** denotes a KPI where 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 or average of parts were achieved.

✗ **Red** denotes a KPI where the target was missed by a significant degree.

Corporate priorities and KPI analysis 2019-2020

The analysis below is provided under the corporate priorities we set in our 2019-2022 Corporate Plan and the associated measures we outlined under the priorities.

1 Extending our regulatory reach with a wider range of proactive and targeted regulatory interventions

We have changed the way we work at TPR. Our TPR Future programme developed a new operating model and introduced new proactive approaches to regulatory interventions. This has helped us extend our reach with the resources we have, address issues in a thematic way, and identify and mitigate risk more effectively.

As our TPR Future programme completed, we transitioned into running continuous improvement workstreams. These enable us to continually test and learn against our approaches, improve our governance and decision-making, and develop our processes.

We have started to use communication as a regulatory tool – identifying groups where we can see issues of compliance or risk from our data and targeting them with instructions and guidance for improvements. We follow up with more intensive approaches where we cannot see these improvements being made. We have adopted Government Communication Service (GCS) practices for behaviour change design and evaluation in this work.

We introduced four new regulatory initiatives this year. These were introduced in line with our regulatory strategy to address the core regulatory risks we identified. We applied low and medium intensity approaches to schemes identified from our datasets, setting clear our expectations and the outcomes we expected to see. We completed our initiative on investment governance in year and have extended our DB-focused ones with more phases to further extend our regulatory reach in these areas.

We paused all our regulatory initiatives at the end of the year as we responded to the COVID-19 pandemic. We initiated seven new workstreams in response to the crisis and quickly produced guidance, policy changes and updates to trustees, employers and pension savers to provide clarity and mitigate risks caused by the impact of the virus. Our revised governance model enabled us to respond quickly to risk and apply the necessary resources, demonstrating how it has become embedded in the way we work.

This year, we introduced a new supervisory approach and undertook the active supervision of 123 schemes covering approximately two-thirds of scheme membership in the UK. We are establishing good working relationships with our selected schemes and working closely with them to mitigate risks. There has been strong industry support for our new supervisory approach, and along with our enforcement activity this is fundamental to delivering the rightful outcomes for pension savers.

The establishment of a supervisory approach for master trusts took effect this year with the authorisation of 38 master trusts. Sixteen million savers are now contributing into these schemes and are better protected by the standards we have set, and we will continue to ensure are met through this form of saving.

1. Extending our regulatory reach with a wider range of proactive and targeted regulatory interventions continued...

Examples

- **Master trust authorisation**
  Master trust authorisation is now ensuring high standards to protect more than 16 million people saving into them. Our annual DC Trust report (www.tpr.gov.uk//document-library/research-and-analysis/dc-trust-scheme-return-data-2019-2020) demonstrated the impact of master trust authorisation, which has created a safe and stable market for workplace pensions and has led to greater consolidation of DC schemes.

- **Supervision**
  We have transformed our case management department and rolled out our supervisory approach to 123 of the most strategically important schemes, along with four regulatory initiatives that engaged 1,200 schemes on important issues such as scheme funding and record-keeping. We also improved the way we move cases from investigation to enforcement and have formed two important governance forums to ensure our resource is strategically applied. As a result, we're targeting more schemes, and savers, through our regulation.

- **Investment governance pilot**
  Our investment governance regulatory initiative was the first to establish engagement with a wide range of DC schemes, including a significant proportion of smaller schemes we had not previously had significant interaction with. We set out clear expectations of these trustees in relation to the review of their default investment strategies through targeted communications. We provided simple step guidance and a timeframe for action to be taken, and a request for progress to be reported back to us.

KPI:
We will authorise all eligible master trusts within the statutory timescales

Result: Green

When the new master trust authorisation regime started, we determined there were 89 schemes that met the criteria of a master trust. After close working with all of the trusts and a pre-authorisation process, 39 applied for authorisation and 47 took steps to exit the market or restructure their scheme. 38 master trusts have now been authorised within the statutory deadlines (one withdrew) and now meet the criteria and standards we expect of these types of scheme.

KPI:
We will extend our supervision approach across more schemes

Result: Amber

We finish the year with 123 schemes in supervision across DB, DC, public service and master trust schemes. We had intended to create 128 supervisions in year, but we paused further supervisory work while we reassessed the profile of those we intend to focus on in the forthcoming year, to further extend our regulatory reach.

KPI:
We will implement five new regulatory initiatives based on our core regulatory risk assessment

Result: Amber

We initiated four of the five intended regulatory initiatives in year, addressing the areas of record-keeping, recovery plan lengths and the balance of DRCs, and investment governance. We were just about to implement our fifth initiative on prompt financial transactions, which would have enabled us to hit the target we set ourselves at the start of the year. However, this initiative had to be put on hold at year end as we responded to the COVID-19 pandemic. We will initiate it at the appropriate time in 2020-2021, as long as it is still in line with our revised risk analysis. However, we had made good progress, completing one and extending two regulatory initiatives in year due to learnings and success within our existing powers.

2 Providing clarity, promoting and enforcing the high standards of trusteeship, governance and administration we expect

We are proactively driving up standards of trusteeship, governance and administration through targeted interventions and campaigns, such as our scheme governance and regulatory interventions campaigns and our record-keeping regulatory initiative. We focus on the standards of small schemes with evidence, and engage with industry on the necessary measures to drive change, which demonstrates real thought leadership and a clear, bold and proactive approach at TPR.

This is backed up by some significant and high-profile case outcomes that clearly set out our expectations and the action we will take if they are not met. In the case of the Barnet Superannuation Fund, we worked closely with this local government pension scheme to improve standards of governance and management of the scheme for its members. In the case of the Dunnes Stores Pension Scheme it was necessary for us to replace the trustees of this scheme and publicly state why we had done so as an example to others. Overall, we have increased the number of trustee appointments made this year. One case saw the largest ever fine issued to pension trustees for failure of basic duties.

We undertook a consultation and published a response on the future of trusteeship and governance this year. A record 114 written responses were submitted during the consultation, highlighting broad support for our view that all savers should benefit from efficient and well-run pensions, with the right people in place to make good investment decisions and deliver value for money. We have listened to the industry and adjusted our policy propositions around professional trustees for now. We are however driving all trustees to constantly review and develop their knowledge and skills and to improve diversity and inclusion on trustee boards.

In addition to this we consulted on, responded and updated our DC investment guidance in response to new trustee obligations resulting from the Competition and Markets Authority (CMA) investment consultants market investigation. This complements our investment governance regulatory initiative we completed in year. Protecting savers and improving member outcomes by ensuring they are in well-run schemes able to deliver good value is central to our strategy in this area.

We have been working closely with the Pensions Dashboards Programme established under MaPS. Subject to the passage of the Pension Schemes Bill, we will have a role in regulating schemes' compliance in providing data to savers, and we will work proactively with industry as they prepare for these new duties. We have started to develop our approach to delivering this role, working with the Pensions Dashboards Programme and the FCA.

We have confirmed our remit with the DWP and started to develop our approach to delivering the data standards the working group will set.

Our joint scams campaign with the FCA through the year – 'ScamSmart' – has been incredibly successful in reaching audiences and raising awareness of the risks and the action people should take to protect themselves against fraudsters. As evidence suggested increases in fraudulent activity as some seek to take advantage of the global pandemic, we responded in a joint statement with MaPS and the FCA to further highlight and increase awareness of the risk of scams.

Examples

- **Barnet Superannuation Fund**
  The London Borough of Barnet Superannuation Fund is now being run more effectively after we worked with the fund's scheme manager to improve governance and administration standards, leading to significant improvements. Better internal controls developed and implemented by the scheme manager following our intervention led to further issues being identified and steps being taken to remedy them.
- **Dunnes Stores Pension Scheme**
  To protect savers, we appointed an independent trustee to oversee the Dunnes Stores (Bangor) Limited Management Pension Scheme, as the acting trustees were found to lack the knowledge and understanding to govern the scheme properly. This was the first time we used our power to appoint a trustee primarily because of a lack of competence of the existing trustee board.
- **Future of trusteeship and governance consultation**
  Our consultation and response on the future of trusteeship and governance set out the steps we believe will improve governance in pension schemes. Proposals to improve trustee knowledge and understanding, increase diversity and inclusivity on pension boards and continue to drive the consolidation of the DC market by encouraging the wind up of underperforming DC schemes will help us to move towards a situation where all savers are in well-run schemes that deliver good value – regardless of size and type. The record number of responses to the consultation (114) highlighted how important this issue is and showed that our vision is shared by the wider pensions community.

2. Providing clarity, promoting and enforcing the high standards of trusteeship, governance and administration we expect continued...

KPI	Result
KPI: Schemes have provided their scheme returns to us in line with requirements	✓ **Result: Green**

Compliance with basic governance and administration requirements within schemes is core to the delivery of good outcomes for pension savers. Providing a scheme return to us is a statutory requirement and allows us to effectively target guidance and run regulatory interventions from the data we hold. Action we have taken means 99.5% of savers are in schemes that have submitted a scheme return to us.

KPI	Result
KPI: We will establish our website content strategy and framework for all our publications	**Result: Amber**

The pausing of our record-keeping regulatory initiative due to COVID-19 priorities had delayed the evaluation stage in developing our communication framework. Attracting digital skills and resources has been a challenge and has limited our capacity to develop this area.

We have continued to invest in work including developing an improved online content style guide, but we have not developed the learning and development programme we had intended by the end of year to embed new ways of working across the organisation.

We have undertaken a comprehensive review of our codes of practice and related guidance, and are proposing to streamline this content to make it easier for people to use.

KPI	Result
KPI: We will develop and design our approach to deliver the required data standards for the Pensions Dashboards	**Result: Amber**

The industry working group led by MaPS was formed at the end of 2019. Development of the data standards for the Pensions Dashboards has started, but our dependency on confirmed standards to finalise our approach has meant we have not completed our work as intended this year. We are engaged and supporting this initiative and stand ready to drive the necessary standards to support the successful introduction of the dashboards.

3 Intervening where necessary so that DB schemes are properly funded to meet their liabilities as they fall due

The launch of our consultation on principles for a clearer framework for DB funding is a significant moment for DB schemes, setting out our expectations on how trustees should manage risks in an integrated way when planning their scheme's long-term funding and investment strategies. We want to make sure DB pensions have the necessary long-term approach to ensure savers get the benefits they expect, while we protect against calls upon the PPF.

At the beginning of the year we issued our Annual Funding Statement to guide schemes in the current economic outlook and set out our expectations of them with regard to funding. The industry response to this has been very positive. We laid out clear expectations of the balance of DRCs to dividends through the principle of fair treatment of schemes, and the reduction of recovery plan lengths over time. We followed up in year with targeted activity where we felt our expectations were not being met. This has resulted in overall increases in contributions and reductions in recovery plan lengths across DB schemes.

Rolling out our new supervisory approach to DB schemes has formed a key part of addressing the risks in the DB landscape this year. We have also maintained a significant amount of enforcement activity, pursuing cases to their rightful outcome using the full extent of our powers and resources. There have been a number of notable high-profile outcomes through the year, for instance the issuing of Financial Support Directions (FSDs) to ITV in the Box Clever case following their unsuccessful challenges in the Upper Tribunal and appeal courts. The FSDs have set a specific timeframe for the target companies to provide financial support for the scheme.

In an anonymous case study, we published details of how a DB scheme is now better funded as a direct result of our intervention, securing an upfront payment of £10 million, a reduction in the recovery plan length from 13 to seven years, and annual DRC payments of £3.7 million a year. Dividend payments are going to stop for six years to adequately fund the scheme, so it can meet its liabilities as they fall due.

The Queen's Speech heralded new powers for us this year and while the Pension Schemes Bill has been delayed by events through the year, we remain committed to ensuring the regulatory framework remains fit for the purpose of delivering the deserved outcomes for DB members into the future. We have engaged proactively with industry and the DWP on new models of DB provision (including superfunds) and have responded to the independent review by Caroline Rookes of the communications and support provided to members of the British Steel Pension Scheme by producing a digital hub for DB pension trustees.

In our response to the COVID-19 pandemic, we emphasised the flexibilities in the DB funding framework and clarified where they should be used to balance the protection of the scheme and its members' benefits with the long-term sustainability of its sponsoring employer.

3. Intervening where necessary so that DB schemes are properly funded to meet their liabilities as they fall due continued...

Examples

- **Box Clever pension scheme**
  In 2011, we issued a determination notice outlining why it was reasonable to issue FSDs to five companies that formed part of the ITV group. ITV referred the case to the Upper Tribunal in 2012, challenging the determination. A number of hearings followed. Following a Court of Appeal judgment in June 2019 upholding the Upper Tribunal's decision in our favour, the targets sought permission to appeal to the Supreme Court, but this was refused. This means ITV had six months from mid-March 2020 to put in place financial support for the Box Clever pension scheme.

- **BHS pension schemes**
  Dominic Chappell, former owner of BHS, was issued Contribution Notices (CNs) for £9.5 million in respect of the two pension schemes connected to the collapse of the high-street chain. In this case, the Determinations Panel concluded that a series of acts were materially detrimental to the pension schemes.

  These included the acquisition of BHS, management decisions of the company, the appointment of inexperienced board members, the implementation of an inadequate business plan and the way money was extracted and distributed to Mr Chappell, advisers, company directors and family members. Mr Chappell referred the decision to the Upper Tribunal. However, following a lengthy legal process, the reference was struck out by the Upper Tribunal, and so the decision of the Determinations Panel stands and the CNs against Mr Chappell were subsequently issued in August 2019. The PPF is responsible for obtaining the money for the benefit of the schemes. This case illustrates how we will pursue a case through the courts to seek redress for pension savers.

KPI	Result
KPI: We will increase the number of DB case outcomes using our powers ✓	**Result:** **Green**

We achieved 14 case outcomes through the formal use of our funding and avoidance powers in year. These are high-intensity investigations with heavy resource requirements, pursuing cases through the Determinations Panel, Upper Tribunal or courts to achieve the appropriate outcome for the scheme and its members.

KPI	Result
KPI: We will increase the deficit repair contributions in DB schemes ✓	**Result:** **Green**

In comparison of those schemes revising their DRCs this year from their previous scheme valuation, DRCs have increased by £11.4 billion this year from previous commitments.

KPI	Result
KPI: We will reduce the length of recovery plans ✓	**Result:** **Green**

The average length of recovery plans re-submitted to us this year from those in effect at the start of the year has reduced from 7.5 to 7.1 years

4 Ensuring staff have an opportunity to save into a qualifying workplace pension, through automatic enrolment

This year represented a significant milestone for TPR as the roll out of AE duties to employers across the UK was completed and the AE programme was closed. All existing employers have been through the staging process, with high levels of on-time compliance through our communication activity and high levels of ultimate compliance driven by our enforcement activity. The introduction of phased contribution increases is complete, and high levels of participation in workplace pensions exist and remain.

Our focus this year has been on ensuring early adopters to AE duties re-declare their ongoing compliance – essentially the largest employers with the significant majority of eligible jobholders – and that new employers quickly become compliant with their obligations.

The success of our work is demonstrated by the near universal adoption of workplace pension provision across UK employers and employees, and high levels of satisfaction with our customer service.

Where we have needed to be tough on employers for non-compliance or actively evading their responsibilities, we have been so, from issuing fines to employers for continued non-compliance, or taking employers to court for fraudulent activity. We have publicised a number of significant cases this year where we have taken action against individuals or company directors. We have also undertaken a significant amount of compliance and enforcement activity, as well as tribunal cases to ensure the rightful outcomes for savers.

On-time and accurate payment of contributions has also been a priority for us, with high levels of prompt transactions largely continuing. Compliance spot checks have also continued this year and we have targeted some of the UK's largest employers to ensure thousands of staff continue to receive the pensions they are due.

As we look to the future of AE as employer duties are now the norm, we are redesigning our operating model to be effective for ongoing compliance and have started the 'build phase' to embed this into the organisation.

Examples

- **Former accountant fined for misleading TPR over workplace pensions duties**
  Paul Eugene Rewrie was ordered to pay nearly £5,000 after providing false and misleading information to us. Mr Rewrie was sole director of accountancy company PR Finance and Development Ltd, formerly Paul Rewrie Ltd, and was hired by a Cambridge-based family-run company to enrol its staff into a pension scheme. The company came to our attention as part of our compliance validation checks after it failed to declare compliance on time, and received a fixed penalty notice, and subsequently an escalating penalty notice. Mr Rewrie admitted falsely declaring that staff at the company had been enrolled into a workplace pension scheme when he knew that was not the case. It also emerged he had been struck off his professional bodies' register in May 2018. This was the third case we had brought against an accountant for providing false or misleading information.

- **Recruitment agency ordered to pay £10,890 for misleading TPR and avoiding workplace pension duties**
  SKL Professional Recruitment Agency and its managing director were prosecuted and ordered to pay £10,890 for avoiding their AE duties and for misleading us by falsely claiming staff had been put into a workplace pension. In a false declaration of compliance, the director told us their company had automatically enrolled 22 staff. However, following whistleblowing reports from staff and our investigation, it emerged this was not true. Following our intervention, 23 workers were enrolled in a pension scheme and the employer paid £7,000 in respect of backdated contributions.

4. Ensuring staff have an opportunity to save into a qualifying workplace pension, through automatic enrolment continued...

KPI	Result
KPI: Employers have a qualifying scheme for automatic enrolment in place ✓	**Result: Green**

Overall compliance is approaching or over 99% for large (99.1%), medium (99.5%) and small (98.8%) employers, covering the overwhelming majority of eligible jobholders in the UK. Micro employers do not fare quite so well, with a 94% compliance rate.

KPI	Result
KPI: Jobholders have been put in qualifying schemes ✓	**Result: Green**

Over 98% of all eligible jobholders have been placed in a qualifying scheme.

KPI	Result
KPI: Employers make accurate and timely contributions to their schemes on behalf of their workforce ✓	**Result: Green**

Over 94% of employers have maintained accurate and timely contributions to their schemes, with a small minority of employers making one or more instances of late or inaccurate payments that needed to be rectified.

5 Enabling workplace pensions schemes to deliver their benefits through significant change, including responding to Brexit

Following the publication of our Annual Funding Statement, external developments did not play out as we had anticipated through the year. The extension to and uncertainty around the Brexit withdrawal agreement extended our work on scenario planning and required further clarification and guidance for trustees and employers.

We continued to engage extensively with our stakeholders through the year, and in new ways such as hosting joint events with the FCA. We published statements where necessary to clarify our view and expectations. We also continued to develop our policy response based on developments such as the Pension Schemes Bill, building our positions on strengthening the DB framework and our approach to the Pensions Dashboards, working closely with MaPS and the industry working group.

Forming our corporate strategy has been a key development for us through the year and while we paused the consultation at year end as we responded to the COVID-19 crisis, we will be reviewing it in accordance with the changed outlook to the pensions and risk landscape, and discussing with our stakeholders in due course.

Climate change is a reality for long-term pension saving that we are facing head on. We have made our position clear this year through the statement we made, and have started to develop our ESG strategy to outline how we will influence social and ethical investment in the future.

As the financial year drew to a close, it became increasing clear the impact COVID-19 would have on our society, our economy, employers, pension schemes and savers, as well as our own staff at TPR. We paused many of our priorities at the end of the year to respond to the crisis, and formulated seven new workstreams to develop our response, work with stakeholders, and confirm our position in areas such as the payment of AE contributions and using flexibilities within the DB funding framework.

5. Enabling workplace pensions schemes to deliver their benefits through significant change, including responding to Brexit continued...

Examples

- **Our COVID-19 response**
  We reacted to COVID-19 by launching a rapid regulatory response programme through our Gateway. The Gateway is a sub-committee of TPR's Executive Committee, whose role is to align and oversee our regulatory activity to our strategy, strategic outcomes and risk appetite. The programme enabled us to capture and monitor the risk picture, prioritise regulatory activities and resources, and to provide a detailed and ongoing governance oversight of our regulatory response. The Gateway facilitated the creation of a map of COVID-19 risks, which looked at the problems faced by a broad range of pension system participants including savers, trustees, providers, administrators and employers. The Gateway recommended we focus our attention on addressing risks that were deemed likely to crystallise in the immediate term. Seven workstreams were set up to tackle the immediate risks that had been identified and provide guidance to those we regulate.

- **Developing the Pension Schemes Bill with the DWP**
  The Bill introduces a suite of measures that will help us continue to be a clearer, quicker, and tougher regulator. We have been working with the DWP to develop measures that will give us the power to set and enforce clearer funding standards in DB schemes, while also providing early warnings of potential problems. We have been working with the DWP, the FCA, MaPS and the Pensions Dashboards Programme to develop the regulatory framework that will maintain an effective pensions dashboard and protect consumers. Our work with industry has helped us understand the challenges that must be overcome for the Pensions Dashboards Programme to achieve its aims. The Bill also provides the legislative framework to operate Collective Defined Contribution (CDC) schemes. We have been working closely with government to ensure an effective regulatory regime for CDC schemes once they are in the marketplace.

- **Brexit**
  We monitored the position around Brexit closely and provided a range of guidance for trustees and others on the activities they should undertake to prepare for it. This included guidance for trustees of DB and DC schemes, as well as for those involved in running cross-border pensions.

KPI	Result
KPI: We will publish our Annual Funding Statement and other forms of guidance as necessary to outline our expectations	✓ **Result: Green**

We published our Annual Funding Statement, as well as other statements responding to events in year that required direction and clarity for our stakeholders, such as Brexit and the climate change agenda.

KPI	Result
KPI: There is a reduced number of schemes in the pensions landscape	✓ **Result: Green**

The evidence from our DC Trust statistical publication and the landscape is clear that consolidation is taking place in the pensions market. There has been a 62% drop in occupational DC schemes (with more than 12 members) from 4,560 to 1,740 since 2010. The trend continued this year with a 12% reduction.

The number of schemes being used for AE has reduced to 870, with 98% of all DC memberships within them.

The long tail of micro or relevant small schemes (fewer than 12 members) in the pensions landscape continues to reduce significantly as pension saving shifts into larger and generally better governed schemes, in line with our expectations.

KPI	Result
KPI: We will consult on and subsequently publish a revised DB funding code of practice	✓ **Result: Green**

We started consulting on a revised DB funding framework this year, outlining the principles by which it should operate. This is a significant change and step forward for DB pensions in delivering their promised benefits. This will inform a revised code of practice, which will be laid in Parliament, subject to the legislative timetable.

6 Building a regulator capable of meeting the future challenges we face

We have made significant progress this year in transforming our organisation so we are a modern and 21st century regulator, fit for the challenges we face, delivering on a growing remit and changing risk landscape, and protecting workplace pensions most effectively with the resources we have. We are committed to discharging our duties prescribed to us by Parliament effectively, and providing the value for money our stakeholders expect.

We continue to grow as an organisation. Our culture is adapting, along with our ways of working, our governance, our operating models, and the systems and data we use.

Our change programme has delivered digital and remote working capabilities, and along with strengthening our business continuity we have built the resilience we need to face the challenges of the modern world, from flexible working to responding to the COVID-19 lockdown. From the outset of the crisis we maintained a fully functioning workforce with a continued and effective regulatory operation, closing our office rapidly in response to government announcements. We provide further detail on how we responded to COVID-19 in our performance summary.

Consolidating cloud technologies and migrating to a new platform has been a key part of delivering our IT strategy, along with developing the tools by which we can deliver effective regulation. Our TPR Future programme closed in year delivering us a new regulatory operating model with changes in the way we work, how we are organised, and extending our effectiveness as a regulator.

Our programme of change has turned to upgrading legacy systems in HR, finance and procurement, defining the operating model for the future regulation of AE, developing our case management and customer management systems to support our regulatory frontline, and building our data centre. We have made good progress on all these fronts this year, moving into build and delivery phases of the projects and completing upgrades, including moving to Microsoft Windows 10/Office 365 technologies.

Our development as an organisation has not been without challenge. We have made very effective use of our office space, operating a 7:10 desk ratio and adopting remote working practices. Our job evaluation and reward rollout completed in the year and has had an impact on staff engagement and slowed down planned recruitment in the year. This had the effect of stretching resources and slowing down planned intentions in some areas.

Despite the challenges, our organisation has grown and is developing. We have built strong foundations to extend our regulatory effectiveness further, improve the efficiencies of our operations, and deliver on our statutory objectives into the future.

Examples

- **Transforming our systems to support regulatory activity (SSRA)**
  The development of portals within our SSRA programme will adhere to Government Digital Standards (GDS), and our portals workstream is working closely with GDS and the DWP in readiness for each service assessment. Our Online Services team ensures external user requirements are captured, which are integral to the design of each new product we develop. During a "healthcheck" with the DWP of the scheme return for relevant small schemes, we were commended for the work being undertaken within the portals workstream during the discovery phase.

- **Business continuity response to COVID-19**
  Following a strategic review in 2016 of our resilience and business continuity processes, the decision was taken by our executive team and Board to implement a formalised business continuity and crisis response risk-based framework. We align our policy and procedures to ISO 22301 as well as industry best practice. In adopting the business and crisis management framework and controls, we have a robust resilience and continuity approach to protect against the risk of potential interruptions.

  These risks range from a number of internal and external incidents or threats, including environmental and climatic issues, terrorism, economic instability, pandemic planning, operational incidents and cyber-attacks. To support this approach, a formalised three-tier framework is in place. This framework enabled a rapid and controlled response to the COVID-19 crisis, ensuring the safety of our staff, continuation of our strategic recovery objectives and a high level of support to our stakeholders and the pensions industry.

- **Cloud consolidation**
  Our current IT servers and applications were hosted in a data centre that provided most of the IT applications and services used to underpin the business. We decided that, because IBM were consolidating and reducing their data centres, we would migrate to a public cloud hosted virtual platform away from the privately hosted platform. Moving to the public cloud offers alignment with our "Cloud First" IT strategic direction, with the potential for cost savings as well as improved disaster recovery.

6. Building a regulator capable of meeting the future challenges we face continued...

KPI: We have high employee engagement	✗	Result: Red

Our employee engagement levels (62%) are currently higher than public sector benchmarks. However, our expectations are higher than this and although we have seen a reasonable uplift in engagement this year, it is less than we expected and short of the ambitious 75% target we had set.

The commitment of our staff to the purpose of the organisation is a notable strength in our employee engagement. We are extremely proud of our staff and remain committed to job satisfaction and fulfilment through this period of considerable change for our organisation.

KPI: We have implemented the new operating model resulting from TPR Future	✓	Result: Green

Our TPR Future programme introduced a new set of outcomes, regulatory approaches and an operating model to strengthen the effectiveness of how we work. It has enabled us to extend our regulatory reach, improve the ways in which we work, expand our frontline operations and is the backbone of our 'clearer, quicker, tougher' approach. The programme closed in year, creating a set of transitional workstreams we have continued through the year that have enabled us to keep developing and improving upon the foundations implemented.

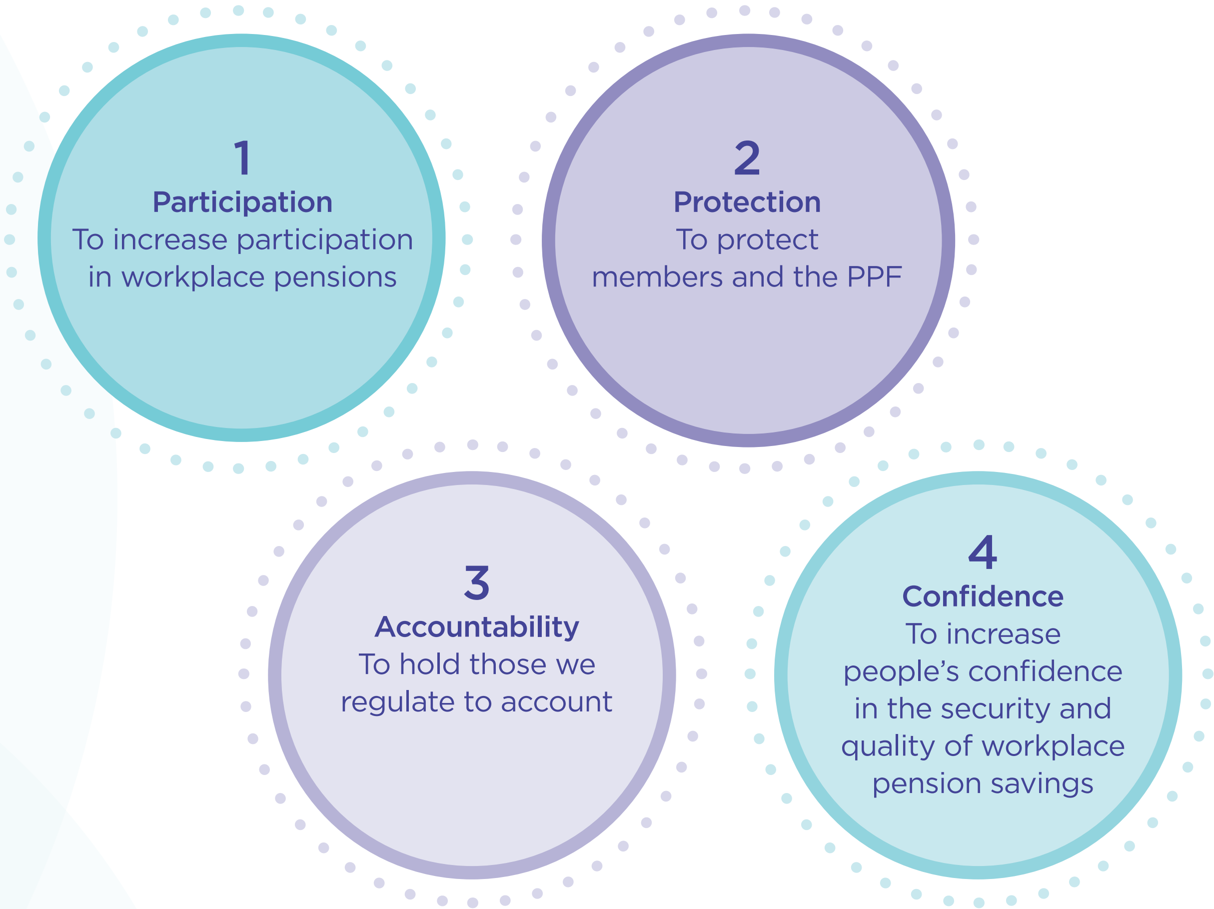
KPI: We will commence the design and implementation of new systems to support our regulatory functions	–	Result: Amber

We have a clear, strong, and agreed business case with the necessary government approval to mobilise the programme. We have onboarded our third-party suppliers and discovery phase of the programme is complete. While progress through the initiation phases of the programme have been met with challenges and have not progressed in line with our original intentions, we were ready to begin the delivery phases when the COVID-19 crisis broke. We have consequently reviewed the delivery roadmap and made adjustments accordingly to this two-year programme of work.

Our key outcomes and analysis 2019-2020

Our outcomes act as a bridge between our statutory objectives and our regulatory activity. They enable us to explain our remit as part of the wider pensions landscape and supported by our partners and stakeholders. They set out what we are seeking to achieve in the longer term. Below are the outcomes for pension savers we set out in our 2019-2022 Corporate Plan.

Figure 2: Outcomes for pensions savers



Outcome indicators

The set of indicators that accompany these outcomes give us some insight into how, over the longer term, we are performing with our partners and stakeholders against the aims.

1. Participation: We want to increase participation in workplace pensions	
Indicator: Proportion of jobholder population that has been put into a qualifying scheme.	**Trend:** **Stable** →
Commentary: The proportion of jobholders in qualifying AE schemes is extremely high and remains stable despite a programme of phased contribution increases that concluded at the beginning of the year. This is a strong indicator of the success of the AE policy and implementation.	
Indicator: Proportion of employers that make contributions to schemes before they become significant late payments.	**Trend:** **Decreased this year** ↓
Commentary: Contribution increases and minimal opt-outs demonstrate continued commitment and participation in workplace pensions schemes. Very high levels of timely and accurate payments are made by employers. However, as levels of contributions increased, our risk bars have remained the same so there are more instances of significant payments falling short of prompt and accurate transactions benchmarks.	

2. Protection: we want to protect members and the PPF

Indicator: Proportion of members in schemes that are demonstrating good governance	**Trend:** **Stable, with significant increase in schemes**

Commentary: Extremely high numbers of members are in schemes demonstrating good governance as most are within larger schemes, and this remains relatively stable. The number of schemes demonstrating good governance has increased significantly this year, reflecting our regulatory work to drive for good governance in all schemes irrespective of size or type.

Indicator: Aggregate funding ratio for DB schemes	**Trend:** **Decreasing and volatile**

Commentary: Despite the significant increase in DRCs we have driven into DB schemes, economic conditions have a greater effect on funding ratios at a point in time. The overall funding position of the scheme universe has fallen materially at the end of the first quarter of 2020, following the significant downturn in the world economy and fall in equity values. This has been exacerbated by increasing technical provisions due to lower gilt yields. The position is distributed across the pensions universe, with de-risked and hedged schemes being better protected compared to schemes with high levels of equity investments.

3. Accountability: we want to hold those we regulate to account

Indicator: Average scheme record-keeping scores	**Trend:** **Stable**

Commentary: We took a comprehensive baseline of the quality of record-keeping last year through improvements to our scheme return data. Levels have remained stable as expected. This year we initiated a record-keeping regulatory initiative to drive improvements in administration and scheme data quality. While we have paused this at the end of the year due to COVID-19, we expect to see steady increases in record-keeping scores as our focus and priorities return to this area.

Indicator: Proportion of schemes that have been subject to a risk-targeted regulatory intervention	**Trend:** **Increasing**

Commentary: Levels of risk-targeted interventions have significantly increased this year due to the introduction of the regulatory initiatives and other proactive interventions such as scheme return enforcements.

4. Confidence: we want to increase people's confidence in the security and quality of workplace pension savings

Indicator: Proportion of members in pension schemes who are confident in pensions compared to other forms of saving.	**Trend:** **Stable for a number of years but dropped this year** ↓

Commentary: Taken from our TPR General Public and Savers Pension Survey, the proportion of members surveyed with confidence in pensions has fallen. We would expect confidence to fluctuate over time as member engagement increases, issues within the pensions system are highlighted and resolved, and economic cycles are impacted.

This confidence dip appears to be driven largely by younger savers who are starting to realise how much they need to save for retirement and their capacity to do so at this time. Those with smaller pension pots are also lower in confidence this year, consistent with increasing awareness.

Indicator: The amount of voluntary contributions made above minimum levels	**Trend:** **Increasing** ↑

Commentary: Taken from ONS survey data, the levels of additional voluntary contributions (AVCs) has increased year-on-year and has significantly increased this year due to DC contributions.

More people are putting more money into workplace pensions. Contributions have increased across the board, including AVCs. The level of AVCs remains consistent with the levels of overall contributions. This indicates confidence and reinforces participation in pensions as a long-term vehicle for saving.

Summary

We aim to deliver the longer-term outcomes that are central to the provision of good retirement outcomes for individual pensions savers. These are largely developing as we would expect within the pensions and risk landscape.

Participation in workplace pensions is extremely high, generated by the success of AE. Employers take their duties to eligible jobholders very seriously, and where there is non-compliance, we are quick to identify and act to ensure things are put right.

The AE programme was brought about specifically to address society's future shortfall in adequate saving for retirement. Awareness of the gap between people's expectations in retirement and the funding required to achieve it is increasing, particularly among the younger generations. We expect this to impact on confidence in pensions over time, along with high profile and impacting events such as economic downturns.

The amount of contributions going into pension saving has increased dramatically in recent times and is likely to continue over the longer term. Increases in additional contributions beyond AE requirements have also increased at the same rate, demonstrating that pensions are a good form of saving for retirement.

Asset and liabilities values will go up and down over time, but pension saving is a long-term savings vehicle and we have emphasised the need to take a long-term approach.

Holding those to account that have responsibilities to pension savers is fundamental to our role as a regulator. We have driven increases in standards of governance and administration within schemes, as well as increases in DRCs into DB schemes and phased increases in contributions into DC schemes through AE policy.

We have also established master trust authorisation and supervision and rolled out our supervisory approach across all schemes types, covering a significant majority of the workplace pensions landscape. Alongside this, we have increased the number of risk targeted interventions on schemes or employers that fall short of our expectations, or ultimately require enforcement action. All of this provides increased protection for scheme members and for the PPF.

We are playing a key role in delivering good outcomes, ultimately for pension savers.

Financial summary

We formally agree our annual budget with the DWP each year, and the table below sets out how we have performed against our budget over the previous two years. The actual expenditure in 2019-2020 was £93.1m which was £5.3m lower than budget. This was mainly due to lower costs incurred on our enforcement cases in addition to reduced spend on our project portfolio and staff vacancies across the organisation, particularly in the first half of the year.

Further information on our 2019-2020 expenditure and a report on our duties in respect of the collection of a variety of pension levies and penalty notices can be found in the financial review on pages 112 to 118.

Actual expenditure vs budget

£m	2019-2020			2018-2019		
	Actual	Budget	Variance	Actual	Budget	Variance
Total TPR*	93.1	98.4	5.3	85.4	88.0	2.6

*All figures exclude capital expenditure

Charles Counsell OBE
Chief Executive, The Pensions Regulator
29 June 2020

Sustainability

This sustainability report conforms to the public sector requirements in the Government Financial Reporting Manual. It 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 website. This data is also included in the DWP's annual Sustainability Report.

Overview of performance

In line with the Greening Government Commitment, we remain committed to sustaining a carbon emissions reduction of at least 25% against our baseline in 2009-2010. This was achieved by the target date of 2014-2015 when judged on emissions per FTE. Our targets and achievements relate to our sole occupancy in Brighton. Further sustainability data can be found at: www.tpr.gov.uk/sustainability

Greenhouse gas performance commentary

There has been a slight increase in staffing levels over the last year with an average annual FTE increase from 675 in 2018-2019 to 709 in 2019-2020.

Despite the small increase in headcount, a 9% decrease in our total carbon dioxide equivalent (CO2e) emissions has been achieved, relative to 2018-2019. CO2e emissions per FTE have decreased by 13%: from 0.59 tonnes per FTE in 2018-2019 to 0.51 tonnes per FTE in 2019-20. This includes 1,242,833 kWh of gas and electricity. Total gross expenditure on the purchase of energy, including travel, was £431,420.

Water consumption in 2019-2020 was 3756 m3, reduced by 5% relative to 2018-2019, at a cost of £14,439.

Waste performance commentary

Total waste arising from TPR's estate for 2019-2020 was 32 tonnes, of which six tonnes was sent to landfill, 20 tonnes was recycled, and six tonnes was processed as energy from waste (EFW). Overall, the total waste generated has decreased by 6% relative to 2018-2019. Total costs equated to £15,893 on all waste contracts during 2019-2020.

In September 2019, we changed waste collection service provider and achieved zero waste to landfill. Increased focus has been placed on reducing waste and reusing items. A significant contribution to this has been the removal of all single use coffee cups from the in-house café.

In January 2020, a new employee-led Sustainability Working Group was established, to develop and promote environmentally sustainable work practices, with the aim of reducing carbon emissions associated with the building that we occupy, reducing waste, increasing awareness and influencing behaviour change.

Sustainable development and climate change adaptation

We believe collaboration across financial regulators is essential to understand and manage climate change and to develop expectations on climate risk, so we are pleased to be part of the UK Regulators' Climate Forum, chaired by the Bank of England, UK Regulators Network Net Zero group and part of the TCFD (Taskforce on Climate-related Financial Disclosures) Regulators' Taskforce, chaired by HMT.

This year, we participated in the Pensions Climate Risk Industry Group to develop guidance on climate risk for trustees which is currently out for public consultation. We also participated in an Interdependency Workshop run by the Department for Environment, Food and Rural Affairs in preparation for reporting as part of the Third Round of Adaptation Reporting. We've already started to embed climate change considerations as part of our supervisory work and will be developing a climate change strategy to explore what more we can do in this area.

Sustainable procurement

Sustainability continues to be an important part of our procurement process, and we undertake a detailed impact assessment of the positive or negative impacts on the sustainability criteria of all projects. We use our individual and aggregated buying power to encourage suppliers to make their products and services sustainable. We also strive to reduce costs to the organisation over the lifetime of particular products, specifically relating to energy usage and the use of sustainable materials through the lifecycle of such products.

We will continue to comply with level 3 of the government's flexible procurement framework and aim to achieve level 4 where possible.

Better regulation

The Small Business, Enterprise and Employment Act 2015 requires the government to publish a Business Impact Target (BIT) in respect of qualifying regulatory provisions that come into force or cease to be in force during the current Parliament. In 2016, the scope of the BIT was extended to include the actions of statutory regulators, including TPR. This means the actions we take that have an impact on business will count towards the BIT.

The specific actions within scope are defined as 'regulatory provisions'. They are divided into 'qualifying regulatory provisions' (QRPs) and 'non-qualifying regulatory provisions' (NQRPs). All QRPs must be impact assessed. That assessment must then be verified by the Regulatory Policy Committee (RPC).

Our BIT policy statement describes how we will comply with these requirements. Our general approach will be to submit QRP assessments to the RPC for verification before the change itself has been implemented. We publish QRP assessments and assurance of NQRP summaries for the prescribed reporting periods on our website at: www.tpr.gov.uk/about-us/how-we-regulate-and-enforce/business-impact-target.

Publicity

Our Communications directorate is committed to ensuring the successful delivery of communications against our statutory objectives, corporate priorities and major government policy areas. We communicate using a range of marketing, press and media, public relations, website and digital, internal communications, and stakeholder and partnership activities, which are insight-driven and robustly evaluated.

We engage in publicity and advertising to draw public attention to important campaigns. During 2019, we ran a joint ScamSmart campaign with the FCA across a number of channels, including television, radio and online advertising, to warn people about the dangers of pension scams.

Through our work with the media and other stakeholders, we have highlighted our transformation into a clearer, quicker and tougher regulator, including the outcomes of a number of successful prosecutions. We also place a great deal of value on strong internal communications to drive staff engagement and TPR values.

Non-financial information

Fraud

We take the risk of fraud seriously and will ensure that all suspected cases of fraud are vigorously and promptly investigated, and that appropriate action is taken. There were no reports of fraud during the period.

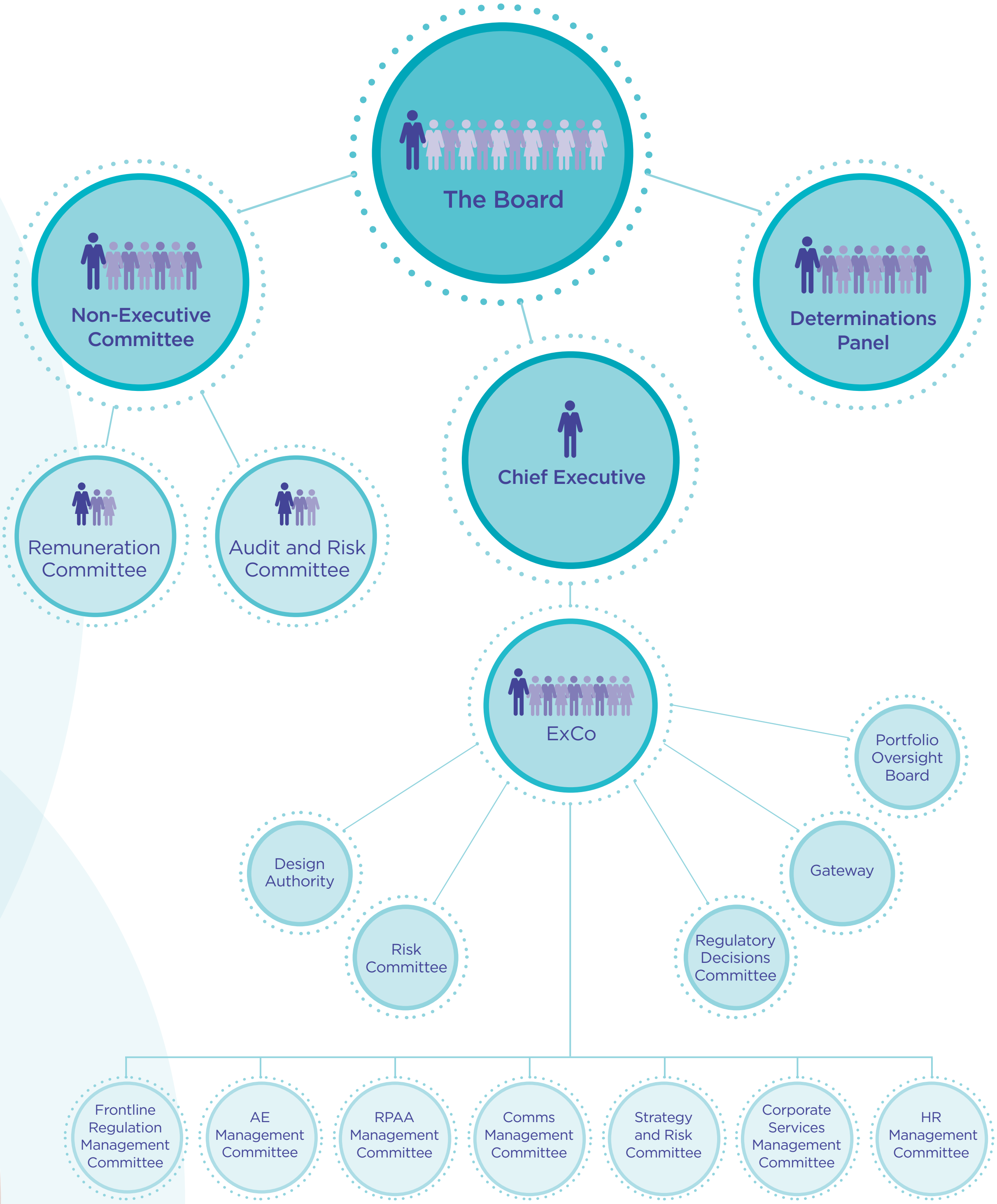
Human rights

As an organisation, we are keen to ensure we are inclusive and accessible in all we do. We adhere to the Civil Service Recruitment principles when attracting and recruiting staff, as well as being a Disability Confident Employer. We also have objectives that help us fulfil our responsibilities under the Public Sector Equality Duty, which can be viewed on page 108. We then continue this through all staff employment, ensuring our policies and processes are inclusive and employees have the appropriate voice via multiple networks and forums.

Accountability report

Corporate governance report – Directors' reports

Figure 3: Our main committee structure as at 31 March 2020



Report of the activities of the Committee of Non-Executive Members

Membership of the Committee of Non-Executive Members consists of TPR's non-executive Chair, Mark Boyle, and TPR's non-executive directors – all of whom are appointed by the Secretary of State.

Mark Boyle and the six non-executive directors (Kirstin Baker CBE, Robert Herga, David Martin, Tilly Ross, Sarah Smart and Margaret Snowdon OBE) were in post throughout. The terms of appointment of Tilly Ross and Sarah Smart were due to expire at the end of January but were extended when the general election resulted in a delay in the recruitment of new non-executive directors.

Reports follow from the standing sub-committees of the Committee of Non-Executive Members – the Audit and Risk Assurance Committee and the Remuneration Committee.

Attendance is shown in the Board membership and attendance tables on page 66.

The Committee of Non-Executive Members met twice formally during the period of this report, in May and December 2019, and informally on a number of occasions.

The Committee's discussions covered both non-executive director and senior management succession planning, senior management moves and recruitment. It covered staff engagement and non-executive involvement in external events as well as reviewing its own and the Remuneration Committee's terms of reference.

Committee members were involved in ad hoc activities outside of their attendance at Board including on a limited number of specific cases, investment business cases, policy development and a range of activities with TPR operational teams. They also attended staff forums and a programme of briefing and discussion sessions for non-executives with TPR teams.

Report of the activities of the Audit and Risk Assurance Committee (ARAC)

Introduction

Statement from Sarah Smart (Audit and Risk Assurance Committee Chair): *'This year the committee has sought to consolidate the portfolio of methods used to get assurance providing greater oversight of the areas of highest risk'.*

Structure and responsibilities

ARAC is a sub-committee of TPR's Non-Executive Committee.

Figure 4:
ARAC structure in relation to TPR Board

Audit and Risk Assurance Committee

Members:

- Sarah Smart NED (Chair)
- Kirstin Baker NED
- David Martin NED

In regular attendance:

- Charles Counsell, Chief Executive
- Helen Aston, Executive Director of Finance and Corporate Services
- Jo Hill, Executive Director of Strategy and Risk
- Richard Edes, Business Lead, Risk and Research
- Representatives from external auditors, NAO, internal auditors, BDO Ltd and the DWP partnership team

Audit and Risk Assurance Committee responsibilities

Risk and assurance

- Management of risk, internal controls and corporate governance arrangements
- External auditor and internal audit service independence, planned activity, results and effectiveness
- Monitoring management responses to issues identified by audit activity
- The tendering and purchase of internal or external audit services

Accounting and reporting

- Accounting policies, Annual Report and Accounts
- Anti-fraud and whistleblowing processes
- Periodic self-reviewing of ARAC's effectiveness

Timetable

There were six ARAC meetings in 2019-2020, covering the full scope of the committee’s responsibilities. This included two ad hoc meetings to focus specifically on IT and project assurance. Feedback from all the meetings was regularly provided to the Board, including detailed updates at the September and December Board meetings.

Matters considered

2019-2020 key areas of focus:

- **Assurance dashboard**
  An assurance dashboard has been developed to help ARAC’s oversight of TPR-wide assurance activity
- **IT and projects**
  The committee has instigated six-monthly deep dives to build understanding and a more collaborative approach to issues
- **Regulatory assurance**
  The committee has encouraged a move towards real-time assurance over regulatory activities
- **Administration of schemes**
  A top TPR risk – The committee has sought to reduce this risk and evolve contingency plans

2019-2020 key areas of focus: matters considered at meetings

12 June 2019

- Quarter 4 risk report
- Assurance overview report including regulatory assurance, internal audit reports and follow up actions
- Strategy and risk update
- Internal audit end-of-year report
- Review of internal audit
- Annual HR risks and liabilities report
- Draft Annual Report and Accounts

4 September 2019

- Quarter 1 risk report, including core regulatory risks
- Assurance report including internal audit annual plan status, reports and follow up actions
- Project assurance
- IT resourcing
- Regulatory assurance – focus review
- Legal risk

23 September 2019

- Risk area deep dive – IT risks

4 December 2019

- Quarter 2 risk report
- Review of risk appetite statement
- Assurance report, including project assurance, internal audit reports and follow-up actions
- Regulatory assurance scope
- Draft internal audit plan for next financial year
- Risk area deep dive – strategy and risk
- Cyber security
- Annual review of schedule of delegations
- External audit planning report
- Annual review of ARAC terms of reference

3 March 2020

- Quarter 3 risk report, including core regulatory risks
- TPR risk classification
- Assurance report, including internal audit reports and follow-up actions
- Draft internal audit end-of-year report
- External audit progress report
- Regulatory assurance work programme
- Approval of internal audit plan for 2020-2021
- Risk area deep dive – The Gateway: prioritising and sequencing regulatory activity
- Draft governance statement for the annual report and accounts
- Administration of schemes – update report

11 March 2020

- Project assurance and IT deep dive

Informal meetings

In addition to the above, two informal ARAC meetings were held on 4 September 2019 and 3 March 2020 where regular attendees' discussions included how the committee undertakes its work, assurance reporting and areas for deep dives.

Risk management

The ARAC reviewed our risk management strategy and the effectiveness of the existing framework. The risk appetite assessment was also reviewed and recommended to the Board.

TPR's register of top risks

These are based on management processes and inputs, to identify, prioritise, monitor, manage and mitigate operational and strategic risks throughout the organisation.

The ARAC regularly challenged management about ratings given to risks, within control dates, and when considering the effectiveness of mitigations, the changes and trends in risks.

The committee highlighted to the Board any risks it considered required more visibility.

Deep dives

Directors attended meetings to give in-depth updates on their areas, providing opportunities for members to challenge risk management thinking.

Internal risk management control system

The ARAC endorsed management's assessment of key risks. It noted that effective and thorough monitoring and reporting systems were in place to give the executive team an appropriate level of control over the management of risk.

However, the organisation's risk management systems are designed to manage rather than eliminate the risk of failure and can only provide reasonable and not absolute assurance.

Assurance

Assurance mapping

The ARAC has closely monitored the development of the assurance mapping process, which has brought together reporting from all sources of assurance into a single dashboard. While still work in progress, this has been useful in providing ARAC with a comprehensive oversight of internal and external assurance.

The sources of assurance include internal review, regulatory assurance, internal audit, ISO reviews, and specialist reviews or audits.

Because of its work, the ARAC concluded that the monitoring and reporting systems in place gave senior management an appropriate level of control over processes, that management of those processes within the organisation was broadly effective, and that where gaps were identified, appropriate action was being taken.

Internal audit services

Internal audit services were provided by auditors BDO in the third year of their three-year contract following appointment after a competition under the Government Internal Audit Agency (GIAA) framework.

The ARAC reviewed and approved the internal audit management report for 2018-2019 and agreed the internal audit plan for 2019-2020. The plan contained the programme of internal audits for the year, covering major areas assessed as priority topics for review, investigation and audit.

The ARAC kept progress of the internal audit plan under review during the year and reviewed each of the internal audit reports before its June 2020 review of the Annual Report and Accounts, including the Governance Statement, and their subsequent recommendation to the Board for approval.

The ARAC monitored the progress of the implementation of previous audit recommendations each quarter.

The ARAC noted the Head of Internal Audit's annual opinion remains the same as for 2018-2019 financial year stating: 'There is some risk that management's objectives may not be fully achieved. Improvements are required in those areas to enhance the adequacy and/or effectiveness of governance, risk management and internal controls.' A summary of this can be found on page 90.

An extension for a fourth-year provision of internal audit services was agreed with BDO and approved by the ARAC. In addition, a review of internal audit was undertaken during the year and a decision was made to move to a hybrid internal audit model, part insourced and part outsourced, to commence in 2021-2022.

continued over...

Assurance continued...

External audit

During the year, the ARAC reviewed the annual accounts for the period 2018-2019 and recommended their approval to the Board. It also reviewed the draft Governance Statement for 2019-2020 and the external audit strategy and plan for 2019-2020.

Other ARAC activities

The ARAC reviewed the Board and Determinations Panel members' expenses and hospitality information for quarterly publication on the website and was satisfied that the expenses claimed were appropriate. Other areas dealt with by the ARAC included the system of authorities delegated by the Board.

The ARAC met in March 2020 to review and finalise the internal audit plan for 2020-2021. In June 2020 they reviewed and finalised the Annual Report and Accounts for 2019-2020, together with the internal and external auditors' reports for the year before recommending to the Board. Then in July 2020 they reviewed and finalised the remaining internal audit reports for 2019-2020.

Chair's meetings

During the year, the Chair had a range of further meetings to support ARAC's work. These included discussions with the DWP's partnership team, attendance at the DWP's ARAC Chairs events, discussions with the internal auditors and colleagues on internal audit progress, and on audit themes within the public and regulatory sector and with members of the executive team.

Membership

Membership of the ARAC throughout the year was comprised of Sarah Smart (Chair), Kirstin Baker CBE, and David Martin. Other Board members including the Chief Executive also regularly attend committee meetings as contributors or observers.

Report on the activities of the Remuneration Committee

Introduction

Statement from Margaret Snowdon (Remuneration Committee Chair): *'This year, the Committee's formal role has been extended beyond its statutory one to include further topics, which are largely reward, HR and people-based. For me, it has been an exciting and rewarding four years as member and then Chair of the Committee. I believe the Committee is now more dynamic than in the past and I am confident that we have built the foundations for a strong and effective people focus within the Board'.*

Structure and responsibilities

The Remuneration Committee is a sub-committee of TPR's Non-Executive Committee.

Figure 5: Remuneration Committee structure in relation to TPR Board

1 The pay and performance of the CEO is reviewed annually, within the terms of TPR's pay remit agreed with the Secretary of State and based on input from the Chair and of Executive Directors including approval of any pay award or annual bonuses to be awarded to them.

Remuneration Committee

Members:

- Margaret Snowdon NED (Chair)
- Robert Herga NED
- Tilly Ross NED

In regular attendance:

- Charles Counsell, Chief Executive
- Barbara Bush, Director of HR
- Natalie Swallow (Interim Director of HR)

Remuneration Committee responsibilities

- 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 their contract, and in relation to pay levels for relevant comparable public and private sector roles[1]
- To keep under review and update the board accordingly on:
  - TPR's reward strategy, tracking and monitoring the implementation progress of the Job Evaluation and Reward Project as well as specifically the award, amendment and removal of market premia
  - TPR's human resource strategy, considering 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
  - The balance of skills, knowledge, experience and competencies of the board, taking into account future challenges and opportunities and giving consideration to any gaps in skills or competencies

Timetable

There were four Remuneration Committee meetings in 2019-2020 covering the full scope of the committee's responsibilities. This included two ad hoc meetings held to focus specifically on the current reward structure. Feedback from all the meetings was regularly provided to the Board, including detailed updates at the September and March Board meetings.

Matters considered

2019-2020 key areas of focus:

- **People strategy**
  The committee reviewed the key achievements and challenges of the three-year people strategy
- **CEO objectives**
  The committee reviewed and approved the CEO's and the directors' objectives
- **Bonus nominations**
  The committee reviewed and approved bonus nominations for the CEO, executive and other directors, and the bonus nomination process for other staff
- **Reward strategy**
  The committee kept TPR's reward strategy under review and worked to help ExCo with a follow up review

2019-2020 key areas of focus: matters considered at meetings

5 June 2019: Remuneration

- Objectives of CEO and ExCo members for the coming year
- Bonus nominations for ExCo members and validation of the nomination process for staff
- Progress against the People Strategy
- Proposed changes to the committee's terms of reference
- Diversity monitoring
- Pay remit update
- Staff survey results

Decisions on remuneration were taken in accordance with current rules on public sector pay, as in previous years.

31 October 2019: Ad hoc meeting

- TPR's reward strategy – follow-up review

10 December 2019: People

- Employment law
- Progress against the People Strategy
- Reward project progress review
- Talent management and succession planning
- Review of the Committee's terms of reference
- Review of the Board skills matrix used in the NED recruitment campaign
- Harassment and bullying
- Diversity: revised corporate priorities and progress

9 March 2020: Ad hoc meeting

- TPR's reward strategy – review of reward principles

Extension of role at Board's request

At the start of the year, the Committee's formal role was extended beyond its statutory one, as the Board delegated its responsibility on further people topics – primarily reward, HR and people matters. This encompassed amending the Committee's terms of reference in June 2019 to allow discussion of the balance of skills, knowledge, experience and competencies of the board, taking into account future challenges and opportunities and giving consideration to any gaps in skills or competencies, updating the board accordingly.

At its December 2019 meeting, the terms of the Committee were expanded to reach more deeply into these areas. Committee members have been highly engaged and interested in these areas and have willingly stepped beyond the limited confines of the Committee's statutory role, with the support of the Board.

Chair's meetings

During the year, the Chair met with the Chief Executive on five occasions to discuss key matters. There were also pre-meeting briefings between the Chair, the Chief Executive and the HR Director and Interim HR Director to ensure meetings were properly focused.

Determination

Through its deliberations, including with management and employee forums, the Committee formed the opinion that effective people approaches are in place to give the executive team the appropriate level of support.

Membership

Throughout the year, Margaret Snowdon chaired the Remuneration Committee and Robert Herga and Tilly Ross remained as members.

Details of Board membership

Board appointments and committee memberships are set out below. A register of Board members' interests is on our website: www.tpr.gov.uk/ docs/register-board-interests.pdf Board members' biographies can be viewed at: www.tpr.gov.uk/board

Name	Date appointed	Date term expires/ended	Committee membership
Mark Boyle	1 April 2014	31 March 2021	Non-executive (Chairman)
Non-executive members			
David Martin	1 February 2013	31 May 2021	Audit and Risk Assurance, Non-executive
Robert Herga	1 July 2017	30 June 2021	Remuneration, Non-executive
Sarah Smart	1 February 2016	31 January 2024	Audit and Risk Assurance (Chair), Senior Independent Director (SID), Non-executive
Tilly Ross	1 February 2016	31 January 2020	Remuneration, Non-executive
Margaret Snowdon OBE	9 May 2016	8 May 2020	Remuneration (Chair), Non-executive
Kirstin Baker CBE	1 February 2017	31 May 2021	Audit and Risk Assurance, Non-executive
Executive members			
Charles Counsell OBE	1 April 2019	31 March 2023	
Helen Aston	1 December 2015	30 November 2023	
Nicola Parish	1 August 2016	31 July 2020	
David Fairs	2 July 2018	1 July 2022	
Jo Hill	12 November 2018	11 November 2022	
Former members			
Lesley Titcomb	2 March 2015	1 March 2019	

Details of Board attendance

Member	Number of meetings			
	Board	ARAC	Remuneration Committee	Committee of Non-Executive Members
Mark Boyle	9/9	N/A	N/A	2/2
Sarah Smart	8/9	6/6	N/A	2/2
Margaret Snowdon OBE	9/9	N/A	4/4	2/2
David Martin	8/9	6/6	N/A	2/2
Tilly Ross	9/9	N/A	4/4	2/2
Robert Herga	8/9	N/A	4/4	1/2
Kirstin Baker CBE	7/9	5/6	N/A	2/2
Charles Counsell OBE	9/9	N/A	N/A	N/A
Nicola Parish	9/9	N/A	N/A	N/A
Helen Aston	9/9	N/A	N/A	N/A
David Fairs	9/9	N/A	N/A	N/A
Jo Hill	9/9	N/A	N/A	N/A

In addition to ARAC members, other Board members also attend the meetings either regularly or infrequently by invitation. The Chief Executive regularly attends the Remuneration Committee and the ARAC. The Chairman attends the ARAC and the Remuneration Committee on an occasional basis.

Report on the activities of the Determinations Panel

Legislative framework

TPR is required by Section 9 of the Pensions Act 2004 to establish and maintain the Determinations Panel, whose purpose is to exercise certain regulatory functions which are primarily set out in Schedule 2 to that Act.

In summary, these powers may be used either where we consider 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 we undertake serious regulatory action in a transparent way, allowing those affected to understand the reasons for it and the evidence upon which it is based.

Although the Determinations Panel is a committee of TPR, it has a separately appointed membership and legal support. This enables it to make its decisions independently from the case team, considering all the evidence before it and providing each party with reasonable opportunity to present their case. Members of the Determinations Panel are not involved in the investigative process.

Membership

Name	Date appointed	Date term expires/ended
Andrew Long (Panel Chairman)	6 April 2013	5 April 2021 (2nd term)
Alasdair Smith	14 July 2011	14 November 2019 (2nd term)
Elizabeth Neville	14 July 2011	14 November 2019 (2nd term)
Peter Hinchliffe	14 July 2011	14 November 2019 (2nd term)
Catharine Seddon	13 March 2013	12 March 2021 (2nd term)
David Latham	1 April 2014	30 September 2022 (2nd term)
Tony Foster	31 March 2014	30 September 2022 (2nd term)
John Swift	13 March 2017	12 March 2021
Pauline Wallace	13 March 2017	12 March 2021
Sarah Chambers	1 September 2018	31 August 2022
Antony Townsend	1 September 2018	31 August 2022
Mike Urmston	1 September 2018	31 August 2022

TPR's Chair appoints a Chairman to the Panel. The Panel Chairman then nominates at least six other members. For much of the year, the Panel comprised of 12 members to enable the Panel to meet the statutory deadlines for making decisions around master trust authorisation cases. Following an eight-year service to the Panel, three members – Peter Hinchliffe, Elizabeth Neville and Alasdair Smith – ended their second and final terms of office.

Procedures

The Panel's procedures, published on our website, ensure that every regulatory decision it makes is reached after a full and impartial consideration. The procedures require 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 our regulatory case teams.

Standard procedures

In standard procedure cases, a Warning Notice is sent to all parties who are considered to be directly affected by the action 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, supporting exhibits and any representations, are then submitted to the Panel. Each case has its own sub-committee of Panel members, supported by a legal clerk as appropriate, and the Panel's administrative support staff.

The Panel then makes its decision based on the material submitted. In cases where there is an oral hearing, all directly affected parties are invited to attend and make written and/or oral 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 our regulatory case teams to investigate fully and explain the grounds of concern with sufficient evidence to support them.

Special procedure

Special procedure is an 'emergency' procedure, allowing action to be taken quickly and without notice to the directly affected parties. The special procedure is primarily used when we believe that scheme funds or members' interests would otherwise be at immediate risk. A special procedure decision is subject to a compulsory review by the Panel as soon as reasonably practicable after the initial hearing. Prior to the compulsory review, all parties are given an opportunity to make representations on the initial decision made.

Master trust authorisation

The Pension Schemes Act 2017 provided TPR with new powers to authorise master trust schemes. From 1 October 2018, existing master trust schemes had six months to apply for authorisation from TPR in order to continue to operate. The Panel was responsible for deciding whether or not to grant authorisation to those master trusts that submitted an application for authorisation. For all applications received, TPR's authorisation team carried out an assessment and made a preliminary recommendation to the Panel as to whether or not authorisation should be granted. The Panel's function was to assess the application against a range of legislative criteria taking into account the preliminary recommendation and any further information provided by or requested from the master trust or the authorisation team. The Panel would then decide either to grant or refuse authorisation.

Master trust authorisation cases were the focus of the Panel's work this year. It made decisions on 35 master trust applications, which resulted in all schemes being authorised. Of the cases decided, one case resulted in an oral hearing. The bulk of the applications (23) were received in the second quarter of year. This put considerable strain on the Panel to meet the imposed statutory deadlines. However, along with the Panel's support team and the authorisation team, the Panel was able to implement new ways of working, including adopting a more digital approach to hearing the applications, which resulted in some cases significantly preceding the decision deadline.

Following authorisation of existing master trusts, the authorisation of new master trusts is an executive function. The Panel's role will now be limited to deciding requests for withdrawal of authorisation, pause orders and scheme funder exemption requests.

Casework in 2019-2020

During the year, the Panel made 85 determinations, and exercised 119 powers (including powers exercised on master trust authorisation cases).

The majority of cases brought to the Panel were under the standard procedure. Of those received, 30 were fining cases relating to scheme return breaches. This was a decrease in the number of cases referred from previous years, indicating a rise in compliance and a successful campaign. Of the remainder, two cases were determined after an oral hearing. This included a request to appoint an independent trustee (under section 7 of the Pensions Act 1995) and a request for contribution notices against two individuals (under section 38 of the Pensions Act 2004). The Panel decided not to exercise the power to appoint the independent trustee primarily as matters had progressed by the time of the hearing.

The Panel also heard three challenging special procedure requests resulting in the exercise of 11 powers. Each of those determinations was followed by a statutory compulsory review hearing. Of these three cases, two were referred to the Upper Tribunal (with one subsequently withdrawn and one ongoing). The third case resulted in the Panel only exercising some of the requested powers.

Upper Tribunal references of Panel determinations

In recent years there have been few references resulting in substantive Upper Tribunal hearings. However, this year the Upper Tribunal issued its final decision in a case dating back to a 2011 Panel decision, which resulted in TPR's request for FSDs being upheld. The only current Upper Tribunal reference is in relation to a special procedure case (referred to above).

Panel training and meetings

The main training focus for the Panel this year was in relation to master trust authorisation, in particular concentrating on learning from cases and adopting new ways of working.

The Panel has also carried out regular panel member (peer-to-peer) learning from cases, sharing knowledge and experience to encourage consistency in decision-making.

The Panel holds quarterly meetings where members discuss a variety of aspects of its work. Regular updates are received at these meetings from TPR's Board, Chief Executive and senior leadership team to keep the Panel informed on TPR priorities.

As Panel Chair, I also meet regularly with TPR's Chair, Chief Executive and senior leadership team, including regular meetings with the Director of Enforcement.

Conclusion

The Panel has continued to evolve to manage the increased workload from master trust authorisation, together with more challenging cases that have arisen, in part, from TPR adopting a "bolder" approach. The Panel continues successfully to carry out the important functions conferred on it by statute, combining a transparent and procedurally fair process in support of TPR's statutory objectives and priorities.

Type of determination requested	No. of powers exercised	Outcome
Authorisation of master trust pension scheme	35	35 master trust schemes have been authorised under s5(4) of the Pensions Act 2017. This makes a total of 38 schemes authorised, with three of those being authorised in the previous financial year.
Scheme funder exemptions (master trust authorisation)	21	21 schemes requested and were granted a scheme funder exemption under s10(4) of the Pensions Act 2017. These powers were all exercised at the same time a scheme was authorised, except one request, which was granted post authorisation.
Appointment of independent trustee	3	Three independent trustees were appointed to three separate schemes. One case was heard by standard procedure and the other two by special procedure. Four appointments were upheld at compulsory review, one of those relating to a case heard in the previous year. Cases were brought under either s7(3)(a), (b), (c) or (d) of the Pensions Act 1995.
Vesting order	3	This power was exercised at the same time as the appointment of the three independent trustees above and was brought under s9 of the Pensions Act 1995.
Suspension of trustees	4	Under s4(2) of the Pensions Act 1995, the Panel determined each of the four trustees, in four separate cases, would be suspended further 12-month period.
Prohibition of trustees	2	The Panel prohibited a total of two trustees each of these were brought under s3 of the Pensions Act 1995.
Fines for non-compliance with scheme return	37	A total of 37 trustees were fined under s10 of the Pensions Act 1995.
Financial Support Direction	5	The Panel exercised its powers pursuant to sections 43 of the Pensions Act 2004 and issued a total of five FSDs, in relation to one case heard by the Panel in 2010.

Andrew Long
Chairman, Determinations Panel
May 2020

Statement of Accounting Officer's responsibilities

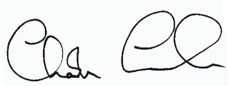
Under paragraph 27 of schedule 1 to the Pensions Act 2004, TPR is required to prepare a statement of accounts in the form and on the basis determined by the Secretary of State for Work and Pensions with the approval of HMT. The accounts are prepared on an accruals basis and are required to give a true and fair view of TPR's state of affairs at the period end and of its income, expenditure, Statement of Financial Position and cash flows for the financial period. In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual, and in particular 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 judgements 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 Permanent Secretary in their role as Principal Accounting Officer (PAO) of the DWP has appointed the Chief Executive as Accounting Officer of TPR. Their 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'.

The Accounting Officer confirms:

- as far as I am aware, there is no relevant audit information of which the auditors are unaware
- I have taken all steps I ought to have taken to make myself aware of any relevant audit information and to establish that TPR's auditors are aware of the information
- that the Annual Report and Accounts as a whole is fair, balanced and understandable
- that I take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.



Charles Counsell OBE
Chief Executive, The Pensions Regulator
29 June 2020

Governance statement

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal controls that support the achievement of our statutory objectives and functions, and for reviewing its effectiveness. My review is informed by the work of the internal auditors, other external assurance, our in-house enterprise risk management team, our regulatory assurance function and our corporate governance team, who are responsible for monitoring and testing our internal control framework using our assurance framework. I also have visibility of internal reporting on the development and maintenance of assurances and the plans that we have in place to address weaknesses in our internal control framework to ensure continuous improvement. It is also informed by comments made by the external auditors in their annual audit completion report.

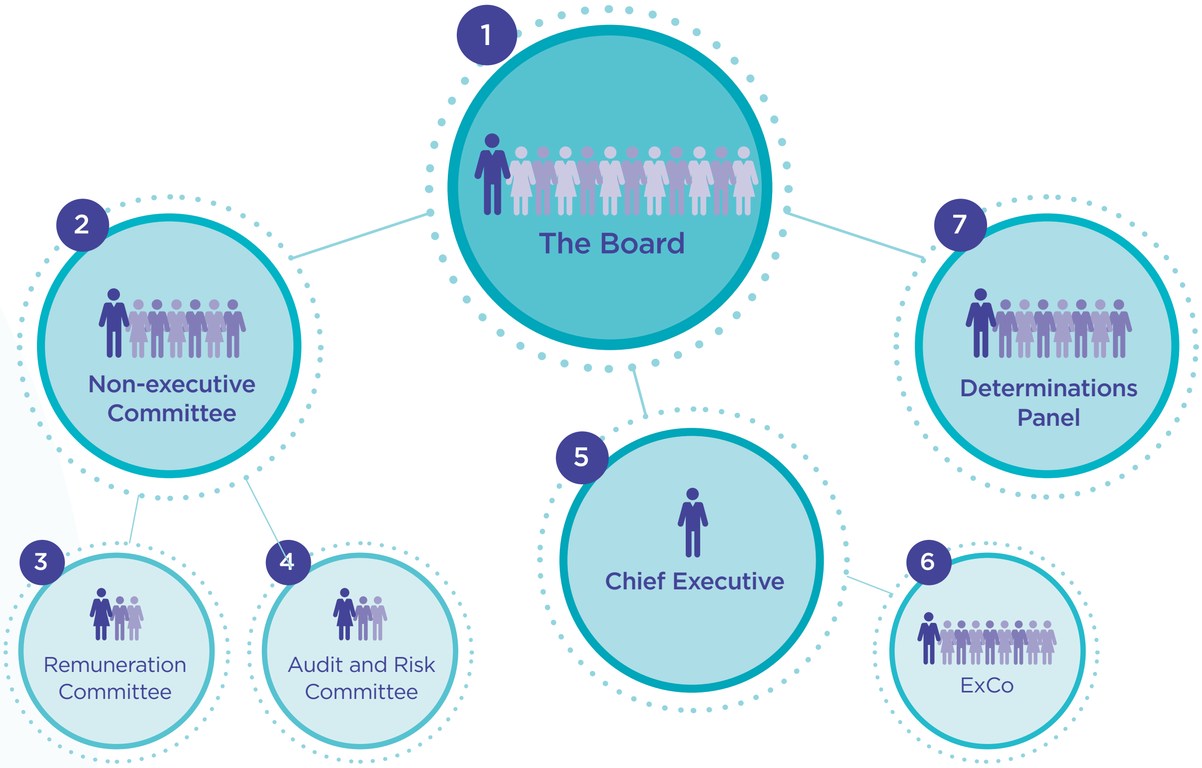
Overview

We are operationally independent of government and overseen by a Board of executive and non-executive members. Our plans, finances and key appointments are subject to the approval of the Secretary of State for Work and Pensions. As Accounting Officer, my responsibilities include ensuring the propriety and regularity of our public finances, keeping proper records, and safeguarding our assets. These are set out in 'Managing public money' published by HMT. I am accountable (through the DWP Principal Accounting Officer) to Parliament.

Having reviewed these assurances and the evidence provided from risk management, the assurance framework and from the internal audit opinion, I am satisfied that we maintained a sound system of internal controls during the 2019-2020 financial year. Where control issues arose over the year, they have been, or are in the process of being, mitigated.

Our governance structure

Figure 6: Relationship between TPR's Board, associated Committees and Panel



1. The Board

The Board structure at the end of the reporting period comprised the Chairman, six non-executive directors, and five executive directors.[2] Their key responsibilities include:

- Setting the strategic direction, priorities, high level objectives and key operational targets of TPR
- monitoring performance against the key operational targets and overseeing management of corporate risk
- ensuring adequate resourcing and effective resource management and that a sound framework is in place to manage the exercise of regulatory functions
- making arrangements via the Chairman for approving the appointment of the Chief Executive and Executive Directors
- ensuring appropriate standards of governance and approving the Corporate Plan and Annual Reports and Accounts.[3]

2 During the period a number of Board members' appointments were extended whilst the recruitment exercise for new Non-Executive Directors was run. The recruitment exercise was delayed due to the election of a new government and the pre-election period, when public appointments were required to be put on hold.

3 The Board's Code of Conduct and Standing Orders can be viewed at: https://www.tpr.gov.uk/en document-library/corporate-information/board-information

1. The Board continued...

Board members' appointment dates, terms of office, committee membership and web links to their biographies are set out on page 65 along with details of recent changes to Board membership. The role of the Chairman is set out in the joint framework agreement between TPR and the DWP.

The joint framework document was updated in December 2019 and formally approved by Secretary of State in January 2020. It can be viewed at: www.tpr.gov.uk/-/media/thepensionsregulator/files/import/pdf/framework-doc-tpr-dwp

2. Non-executive Committee

Their duties are to review whether our internal financial controls secure the proper conduct of our financial affairs, and to determine the remuneration of the Chief Executive. As provided for under section 8 of the Pensions Act 2004, this committee has two standing sub-committees. Terms of reference for each of the Board's sub-committees are set out in the Board's standing orders.

3. Remuneration Committee

Their key duties are to review the pay and performance of the Chief Executive and Executive Directors, TPR's reward strategy, and TPR's people strategy and update the Board accordingly. See pages 61 to 64 for a full report on the committee.

4. Audit and Risk Assurance Committee (ARAC)

Their activities are designed to give the Board assurance that TPR is operating within the Board's risk appetite and to oversee audit and assurance processes (both internally and externally). See pages 55 to 60 for a full report on the committee.

5. Chief Executive

Their role is set out in the joint framework agreement between TPR and the DWP, which was updated in December 2019 and formally approved by the Secretary of State in January 2020. It can be viewed at: www.tpr.gov.uk/-/media/thepensionsregulator/files/import/pdf/framework-doc-tpr-dwp.

The Chief Executive is also the Accounting Officer, who has responsibility for maintaining a sound system of internal controls that support the achievement of our statutory objectives and functions, and for reviewing its effectiveness. They are accountable (through the DWP Principal Accounting Officer) to Parliament. Their responsibilities include ensuring the propriety and regularity of our public finances, keeping proper records, and safeguarding our assets. These are set out in 'Managing public money' published by HMT.

6. Executive Committee (ExCo)

At the end of the year, Executive Committee membership comprised the Chief Executive, the Chair of the Committee, the Executive Director of Frontline Regulation, the Executive Director for Finance and Corporate Services, the Executive Director for Regulatory Policy Analysis and Advice, the Executive Director of Strategy and Risk, the General Counsel and Director of Legal Services, the Director of Communications, and the Director for Automatic Enrolment.[4]

The Executive Committee supports the corporate governance systems of the Board and its committees. It also co-ordinates the operational management and business planning functions to deliver our strategies and objectives as set out in the Corporate Plan. The committee has oversight of corporate performance and governance, manages risk, engages with stakeholders and provides a point of escalation for issues arising from our directorates.

The Executive Committee updated its terms of reference in November 2019 in response to a review of its effectiveness in 2018.

7. Determinations Panel

We are required by Section 9 of the Pensions Act 2004 to establish and maintain the Determinations Panel, whose purpose is to exercise certain regulatory functions on our behalf which are primarily set out in schedule 2 to that Act. See pages 67 to 72 for a full report on the panel.

Board meetings from 1 April 2019 to 31 March 2020

In the year from 1 April 2019 to 31 March 2020, there were nine Board meetings, six ARAC meetings, two Remuneration Committee meetings and two Committee of Non-Executive Members meetings. Summaries of the minutes of the Board meetings are published and can be viewed at: www.tpr.gov.uk/board-information

There were two strategy 'away day' discussion meetings in May and November 2019, at which the Board reviewed our operational environment to understand savers' changing needs and the implications for us. A new strategic cycle was agreed, and the Board gave its steer on our new emerging corporate strategy.

Throughout the year, our Chief Executive, the Chief Executive of the PPF, or their representatives, continued to attend the meetings of each other's Boards as observers.

4 Until December 2019 the Director of HR was a member and between January and April 2020 attended for specific and relevant discussions. The Interim Director of HR was reappointed to the Executive Committee in May 2020.

Board evaluation

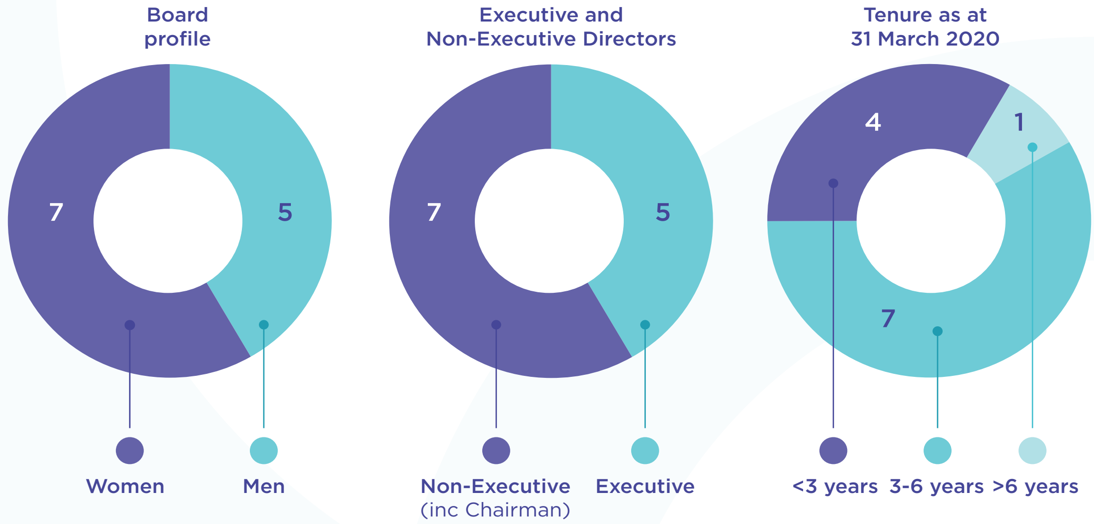
An external review of the Board's effectiveness was undertaken in the summer of 2018 with a Board Action Plan agreed in December 2018. During the year, good progress was made with implementing the recommendations in respect of:

- Strategic cycle
- Oversight of IT/change projects
- Focus on culture
- Stakeholder engagement
- Succession planning

A follow-up review was planned and completed in the final quarter of the year and a full report was presented to the Board in May 2020. The follow-up review confirmed that good progress had been made with putting in place the recommendations from the original review with only two being left to complete. The report also concluded that there was a real desire by members to ensure there was continuous improvement of the Board's effectiveness.

Our Board profile

Figure 7: Breakdown of the profile of TPR's Board



DWP partnership

As Accounting Officer, the Chief Executive's line of accountability to Parliament is through the DWP. The DWP, through the nominated partner, receives reports on performance, finance and risk, has regular accountability review meetings, and attends our ARAC. The partnership arrangement is set out in our published joint framework agreement.

In January 2020, our overall annual assurance assessment by the DWP was confirmed as low/medium. The moderation panel noted evidence clearly demonstrating that the risk posed by TPR was low, and that the Board was doing all it reasonably could. They acknowledged the environment in which we were operating was changing and that we were being asked to do more within constrained resources, while also having to deal with IT transformation and potential new powers arising from the planned Pensions Bill.

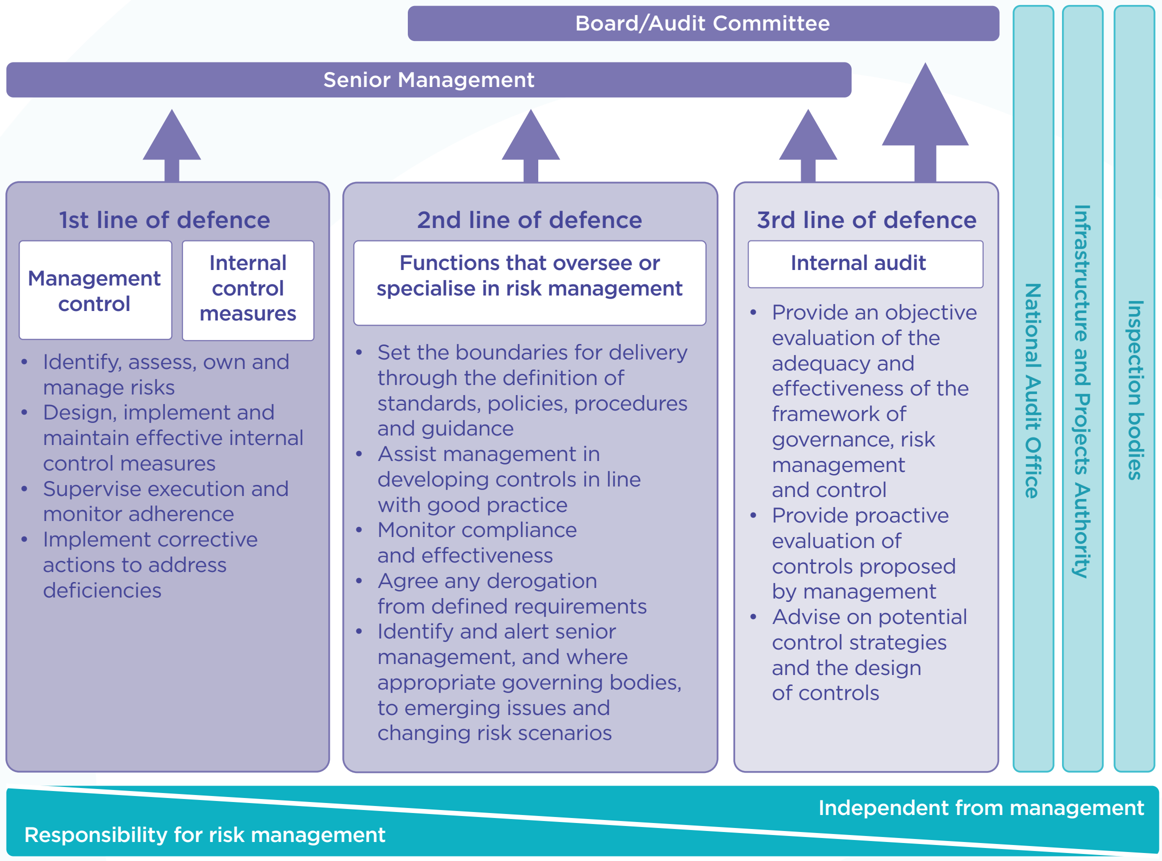
During the year, we have continued to make good progress with implementing the recommendations made in the DWP's Tailored Review of TPR in July 2018, working with our DWP colleagues. The recommendations can be viewed here: www.gov.uk/government/publications/the-pensions-regulator-tailored-review.

Control and assurance framework

We continue to develop and embed our assurance framework, which informs our internal audit programme, strengthens the evidence for external audit reviews, and augments the work of the Regulatory Assurance function. Although we have made significant progress, we recognise that TPR is evolving, and we need to ensure that the assurance framework continues to provide a high assurance level. Our assurance teams work closely with the strategic projects and programmes to align approaches when key changes are made to our operating model.

Three lines of defence model

Figure 8: How we manage risk



Source: 'The Orange Book: Management of risks – principles and concepts', https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/866117/6.6266_HMT_Orange_Book_Update_v6_WEB.PDF

Our first line (management controls):

- Determines local processes and controls, including assurance to manage and mitigate risk against organisational risk appetite in their activity.
- Performs assurance activity in line with locally designed processes and controls.
- Deals with operational risk reporting where local management believe their controls or assurance are outside overall organisational risk appetite.
- Reports on management reporting of wider (non-operational) risk to inform the overall risk picture.

Internal controls

Our system of internal controls was in place during the year and up to the date of approval of this Annual Report and Accounts. It accords with HMT guidance and supports the achievement of our statutory objectives, while safeguarding public funds and departmental assets. It is designed to manage risk to a reasonable level and in line with our risk appetite, 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.

Our commitment to value for money underpins our planning and control systems. The control system has evolved to ensure that we are compliant with our legal obligations, with the requirements on government spending, and to track and monitor service delivery in the most affected areas.

The Executive Committee supports the Chief Executive and the Board in ensuring our functions are exercised efficiently and effectively. Executive Committee members take shared responsibility for executive decision-making and for recommendations made to the Board. This includes assisting the Board, ARAC and the Remuneration Committees by ensuring they are only asked to make necessary decisions and that they are provided with appropriate information and support. Each member of the Executive Committee also has internal controls to ensure there is good quality governance and decision-making, at the right levels, across their area of accountability.

Any weaknesses identified have mitigations agreed which are being acted upon and monitored through the assurance framework. Over the course of the year, the Board was provided with detailed, high quality information including executive directors' reports and quarterly corporate performance reports. The ARAC also receives a formal assurance report at each meeting which sets out in detail the key assurance activities undertaken. The report covers all types of assurance activities and is not limited to internal and external audit.

Internal controls continued...

Throughout the year work is undertaken to monitor and continuously improve our internal controls, which fall under three main areas – regulatory, operational, and financial.

Regulatory

- Detailed business processes, a consistent standard of documentation, and clear lines of accountability and escalation in respect of regulatory decisions and actions taken.
- Quality assurance reviews.
- Management and responsibility for recommendations and observations from the regulatory assurance function, which provides objective assurance in relation to the quality of regulatory work and decisions, and therefore to the achievement of our statutory objectives.
- A robust programme management approach to developing the new target operating model defining the people, processes, data and technology required for TPR Future, our systems to support regulatory activities, and our AE operating model.

Operational

- Codes of conduct and supporting training materials, where appropriate, for Board members, staff and contractors. These set out expectations of behaviour, and the policy framework for declaring and managing conflicts of interest, ensuring data protection and information security, and countering the risk of fraud.
- Standing orders and terms of reference for the Board and its committees, and a set of general, financial and regulatory delegations and terms of reference for the Executive Committee.
- Management and responsibility for the programme of internal audits, regulatory assurance and other external assurance activity.
- A formal complaints procedure to deal with complaints made against us about the way in which we have carried out or failed to carry out our role.

We continue to embed and continuously improve our activities required to maintain our levels of compliance with the Data Protection Act 2018 and the General Data Protection Regulation (GDPR).

We continue to manage our suppliers in line with our governance structure and we are working on embedding and enhancing our Supplier Relationship Management activities across major contracts. For our largest strategic supplier this includes strategic, operational and programme boards, management committees and service delivery teams who are responsible for working with the supplier to ensure they operate in line with the contractual obligations through an operational control framework.

Financial

- A corporate planning and reporting system linking strategic and operational objectives and key outcomes sought, which is subject to regular review by the Executive Committee, and with quarterly reporting to the Board and the DWP.
- An annual budget agreed by the Board and the DWP, linking into the business planning cycle and risk appetite, supported by monthly reforecasts and quarterly reporting to the Board.
- Monthly management reporting through the Executive Committee on a set of agreed measures and key performance indicators designed to reflect the performance of the organisation.
- A process for managing change and the resources dedicated to change projects.

Our second line (risk and assurance):

- Provides tools and reporting mechanisms to enable the first line to report risk.
- Receives reporting from the first line and builds the aggregate picture of risk and assurance.
- Identifies gaps in the risk and assurance picture and highlights them.
- Provides the alternative view to challenge organisational group-thinking by bringing in other perspectives of risk.
- Based on the aggregate picture of risk and assurance performs risk and assurance review of the first line (taking a blend of things across a range of levels of confidence), tests that controls and assurance are working as reported.
- Shapes the organisational risk appetite statement for ratification by ARAC and Board embedding in the first line for them to operate to.
- Can be deployed where there is a concern in the executive team to perform assurance work on a reactive basis.

Risk management

We undertake a risk-based approach to regulation and we consider two fundamental, overarching risks to meeting our statutory objectives – strategic risks in the external pension landscape and internal risks which are operational in nature and, if left to crystallise, would significantly affect our ability to achieve our statutory objectives.

In reflection of our expanding remit and revised approach to regulation, the risk team has updated our original risk classification to better facilitate regulatory risk identification, assessment and reporting.

In addition to the level 0 classification (external/internal), the classification now contains five level 1 categories (landscape, regulatory, operational, reputation and execution). This helps to ensure we identify, measure, treat and report on risks on a consistent basis across TPR and provide an evidence base for evaluating all our risks.

Details of the risks and challenges we consider most significant can be found in our Corporate Plan 2019-2022. The risk appetite statement is a key element of our governance and reporting framework. It is set by the Board, reviewed annually, and demonstrates how we balance risk and reward in pursuit of our statutory objectives.

In setting our overarching strategic approach, the Board commissions a regular risk assessment exercise, examining trends and potential disruptors that may impact on meeting our statutory objectives in the short and longer term. Furthermore, this exercise is used to inform our understanding of regulatory risks, corporate planning and the application of our approach to regulation.

Our executive risk committee is responsible for weighting risks in terms of threat and control, and for proposing a set of the top risks, with proposed mitigations, to the ARAC for their consideration. Supporting risk committees have been established across our directorates to ensure that effective risk management also operates at a working level.

As part of our Enterprise Risk Management (ERM) approach, we regularly review how effective our mitigation strategies are against all our risks. This year we have been operating in an unprecedented heightened risk environment with both external (COVID-19/Brexit/economic uncertainty) and internal risks (delivery of significant transformation programmes, people and culture). These risks have seen us re-prioritising our work, as well as implementing our business continuity plan (BCP) alongside new processes and procedures to deal with potential and emerging risk scenarios.

Crystallised risks

The COVID-19 pandemic saw the crystallisation of internal and external risks around the end of our financial year, and has wide-ranging implications for every part of our regulated community.

In the aftermath of the outbreak and subsequent lockdown, we sought to address and understand the most immediate risks to savers, schemes, employers and industry participants. This included providing guidance to savers, trustees and employers regarding our expectations. This involved providing easements on reporting and compliance to reflect the pressures on the regulated community.

Looking to the medium and long term, we see risks arising in a number of areas, many of which are principally driven by the economic implications of the pandemic. The risks will be as a result of the direct impacts of COVID-19, lockdown and social distancing on businesses, markets and investments, the difficulties some parts of the economy have to adjust to the new normal, and longer-term implications of a deep and potentially sustained recession. These impacts pose a threat to all our strategic outcomes: participation, protection, accountability and confidence.

The potential for participation in pensions to reduce comes from a potential rise in unemployment as well as the possible increase in people ceasing to contribute to pensions as a result of increased financial hardship.

We have taken decisions to operate outside our risk appetite with regard to compliance, enforcement and reporting of breaches. This could result in a reduction on the levels of protection afforded to savers in the system, particularly if such measures, and others designed to reduce burden on businesses, are required for a prolonged period. They will also potentially see reductions in those with duties being held responsible for compliance with a variety of requirements, and as such see the potential for a reduction in accountability.

Crystallised risks continued...

One other area that could be impacted in the immediate and long term is confidence in pensions. In the short term, we may see investment losses and negative news stories impacting on the confidence of savers in their own pensions. We are particularly concerned about the impact among the millions of people who are newly saving into pensions as a result of AE. Longer term, the potential for increasing numbers of scheme and employer failures could further damage confidence in pensions and regulation.

Risk modelling

We use models to enhance the effectiveness and efficiency of our regulatory activities and internal operations (eg our AE volumetric model is designed to provide assumptions on AE caseloads and the resources required to meet that work). In doing so, we acknowledge the risks that come with their use, and the need to identify and manage them in a way that is proportionate to the model's complexity and intended use. Our business critical modelling activities are governed through our internal model risk framework. We have reviewed and updated it to ensure our models are subject to robust levels of governance and quality assurance, through our implementation of the recommendations of the Macpherson Review and HMT's 'Managing public money' guidance.

Regulatory assurance

Regulatory assurance (RA) is a second-line-risk-management function within the three lines of defence risk management framework. It sits alongside the risk function to support strong integration and alignment with the wider assurance activities across the organisation.

RA's core work plan reviews a sample of regulatory work and decisions to assess whether risks to workplace pensions and threats to our statutory objectives are being identified, mitigated and managed effectively and in line with our emerging strategy. Further consultative or reactive ad hoc reviews are conducted and prioritised at the request of the Chief Executive.

RA identifies risks to quality decision-making within our casework, identifies and communicates the lessons learned and makes recommendations to mitigate any risks identified. During 2019-2020, RA did not identify any areas posing an imminent, critical risk to our statutory objectives, but many recommendations were made to support more robust, effective and efficient ways of working. These recommendations have either been completed or are accepted and will be implemented.

Reviews completed included planned reviews of 'business as usual' regulatory activities and consultative reviews commissioned by the Chief Executive. Some areas included in those reviews were as follows:

- DB funding
- DC governance
- DB – review of engagement histories of schemes entering the PPF
- Intelligence gathering, assessment and decision-making
- Governance and record-keeping around decision-making bodies.

RA delivers quarterly updates to ARAC, which includes the status of the business implementation of recommendations and any emerging or prominent themes identified. These range from highlighting positive regulatory practice or any areas of concern.

Information security

In accordance with our responsibilities under the HMG security policy framework, the Data Protection Act 2018 and GDPR, we have arrangements in place to provide for information security, including provisions for cyber security. We continue to hold ISO 27001:2013 certification over our information and data, and during the year we were successfully recertified following a seven-day audit.

We self-reported two data breaches to the Information Commissioner's Office (ICO) under their reporting requirements as follows:

- A disclosure of sensitive personal data was made to an external organisation where we did not have a lawful basis for the processing. We took immediate steps to contain the breach including informing the Data Subject. The ICO has confirmed that no further action will be taken in respect of the breach.
- A second disclosure of sensitive personal data was made that did not go through internal processes. In this case, we were using a statutory gateway within the Pensions Act 2004 which permitted the disclosure of personal data. However, additional sensitive personal data was included in the report that was not relevant to the matter and therefore we did not have a lawful basis for sharing that information. The ICO has confirmed that no further action will be taken in respect of the breach.

Complaints to the Parliamentary Ombudsman

No complaints regarding TPR were made to the Parliamentary Ombudsman and we have not received any notification of any pending investigations during the period.

Whistleblowing

There is a policy for staff whistleblowing that applies to all employees and sets out how any concerns about wrongdoing or malpractice within TPR can be raised by our staff. Where employees feel unable to report such concerns internally, they can contact the Chair of the ARAC, or the DWP partnership division directly. We are committed to ensuring that every employee is aware of our policy and how to raise any concerns. Our staff whistleblowing policy is published and accessible to all staff on our intranet.

During the reporting period, two reports of concern were investigated under the whistleblowing procedure. One investigation concluded with no recommendations made. One investigation concluded with a small number of process improvement recommendations made, but the allegations were not upheld.

I am satisfied that there is an effective framework in place to deal with staff whistleblowing.

Health and safety

We are committed to ensuring high standards of health and safety. It is therefore our policy to make continual improvements in health and safety to minimise the risk of accidents and reduce the risk of personal injury and damage to property and the environment. In particular, we:

- provide and maintain safe and healthy working conditions, taking account of statutory requirements
- provide information, instruction, training and supervision to enable employees to perform their work safely
- make available all necessary safety devices and protective equipment and supervise their use, and
- promote a positive health and safety culture within the organisation by consulting and involving employees and their representatives.

The Health and Safety Policy and associated documents are published on our staff intranet. We recognise the commitment required by our people to ensure that the Health and Safety Policy is effective, and we expect them to take reasonable care of themselves, and others, and to co-operate in the implementation of this policy, which is reviewed on an ongoing basis and updated as necessary.

In July 2019, BDO undertook an internal audit of TPR's physical security and flexible working. They concluded with nine findings, four of which were rated as 'priority one', across the risk areas of health and safety framework, training and guidance, off-site working, flexible working and travel.

Of the nine recommendations, the four 'priority one' recommendations are complete and work on the remaining five is already underway. Progress is being reported to the Board through ARAC.

Our third line:

- Provides assurance that the first and second lines of defence are operating as reported.
- Provides specialist assurance resource for activities where general assurance resource could not provide a sound enough view - and/or where the volume of assurance work needed to manage the risk doesn't justify permanent resource in the second line.
- Can be deployed to more sensitive and reactive issues where the Board requires greater independence.

Internal audit

A programme of internal audits was undertaken by BDO and reported to the ARAC during the period of this statement. This programme covered a number of areas identified by the committee and confirmed the following ratings:

Completed audit	Rating
Physical security and flexible working	Amber
KPI and MI collation	Green
Supervision	Green/Amber
SSRA (advisory)	Green/Amber
Procurement and contract management	Amber*
Enterprise risk management (advisory)	Amber*
Complaints and whistleblowing	Amber*
Capita exit and our operational transition plan (advisory)	N/A
Advisory support	Green/Amber*
TPR Future (advisory)	N/A*

*Final reports completed by publication

Internal audit continued...

Rating meanings	
Green	Overall, there is a sound control framework in place to achieve system objectives and the controls to manage the risks audited are being consistently applied. There may be some weaknesses, but these are relatively small or relate to attaining higher or best practice standards.
Green/Amber	Generally, a good control framework is in place. However, some minor weaknesses have been identified in the control framework or areas of non-compliance which may put achievement of system or business objectives at risk.
Amber	Weaknesses have been identified in the control framework or non-compliance puts achievement of the system objectives at risk. Some remedial action will be required.
Amber/Red	Significant weaknesses have been identified in the control framework or there is non-compliance with controls, which puts achievement of the system objectives at risk. Remedial action should be taken promptly.
Red	Fundamental weaknesses have been identified in the control framework or non-compliance with controls leaving the systems open to error or abuse. Remedial action is required as a priority.

The Head of Internal Audit's annual opinion remains the same as for the 2018-2019 financial year stating: 'There is some risk that management's objectives may not be fully achieved. Improvements are required in those areas to enhance the adequacy and/or effectiveness of governance, risk management and internal controls'.

The audit opinion takes together the assurance ratings and recommendations of individual assignments conducted in 2019-2020, management's responsiveness to internal audit recommendations and the direction of travel with regard to internal controls, governance and risk management. The rating also reflects areas selected for internal audit by the Executive Committee and the ARAC, and were areas we believed had control weaknesses, rather than areas where processes are fully embedded and stable.

We have gone through some significant changes to our operations and management structures during the year. These changes have affected many aspects of the way we operate and are linked to significant changes projects such as a major IT upgrade project and the TPR Future programme. These areas featured heavily in the Internal Audit Plan for 2019-2020 and a number of advisory reviews were undertaken to support the ongoing implementation of such projects. These reviews accounted for almost half of the recommendations made within the year and while these are considered softer 'suggestions for improvement', the number made had a material impact on the overall opinion provided, as the reviews provided insight into the wider governance and control processes in place.

Conclusion

Having reviewed the evidence and internal audit opinion, I am satisfied that we maintained a sound system of internal controls during the 2019-2020 financial year. Control issues that arose over the year have been, or are in the process of being, addressed, and there were no significant control failures or significant data losses.

I can confirm that we received no ministerial direction under the Ministerial Code 2019 during the financial year 2019-2020.

Charles Counsell OBE
Chief Executive, The Pensions Regulator
29 June 2020

Remuneration and staff report – Remuneration report

The Remuneration Committee

Details of the reponsibilities of the Remuneration Committee during the period ended 31 March 2020 are set out in page 61.

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 Chairman) 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 TPR and approved by the Secretary of State for Work and Pensions.

Details of service contracts are shown below.

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 93.

Board member	Notice period	Early termination payable to employee (Net pay plus accrued bonus if applicable)
Mark Boyle (Chairman)	3 months	3 months
Non-executive members		
David Martin	3 months	3 months
Tilly Ross*	3 months	3 months
Sarah Smart	3 months	3 months
Margaret Snowdon OBE**	3 months	3 months
Kirstin Baker CBE	3 months	3 months
Robert Herga	3 months	3 months
Executive members		
Charles Counsell OBE (Chief Executive)***	6 months	6 months
Helen Aston	3 months	6 months
Nicola Parish	3 months	3 months
David Fairs	3 months	3 months
Jo Hill	3 months	3 months

Other than as shown above, TPR would have no other contractual liability on termination of a Board member's appointment.

*Tilly Ross's contract ended 30 April 2020.
**Margaret Snowdon's contract ended 8 May 2020.
***Charles Counsell was appointed by the DWP from 1 April 2019.

Remuneration policy

In accordance with Part 1 of Schedule 1 to the 2004 Pensions Act, the current and future remuneration of all non-executive members of the board of TPR (including the Chairman) is determined by the Secretary of State for Work and Pensions.

In accordance with Part 2 of Schedule 1 to the 2004 Pensions Act, remuneration of the Chief Executive is based on recommendations from the Remuneration Committee and approved by the Secretary of State for Work and Pensions.

The current and future remuneration of the other executive members of TPR's Board is determined by TPR 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.

The Chief Executive is eligible for a bonus capped at £17,500. All other executive members of the Board are eligible for an annual bonus capped at the lower of 10% of salary or £12,500. Non-executive members of the board, the Chairman and the Determinations Panel are not entitled to receive a bonus.

The Chairman is responsible for reviewing annually the performance of the Chief Executive and reporting the results of this review to TPR'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 (subject to audit)

The following sections provide details of the remuneration of senior management.

Executive members										
Officials	**Salary** (£'000)		**Bonus payments** (£'000)		**Benefits-in-kind** (to nearest £100)		**Pension benefits** (to nearest £1,000)[5]		**Total** (£'000)	
	2019-2020	2018-2019	**2019-2020**	2018-2019	**2019-2020**	2018-2019	**2019-2020**	2018-2019	**2019-2020**	2018-2019
C Counsell* (Chief Executive)	200-205	-	-	-	-	-	-	-	200-205	-
H Aston (Executive Director, Finance and Corporate Services)	135-140	130-135	10-15	10-15	-	-	53,000	52,000	200-205	195-200
N Parish (Executive Director, Frontline Regulation)	145-150	145-150	5-10	10-15	-	-	57,000	57,000	205-210	215-220
D Fairs** (Executive Director, Regulatory Policy, Analysis and Advice)	145-150	105-110	10-15	-	-	-	-	-	155-160	105-110
J Hill*** (Executive Director, Strategy and Risk)	140-145	55-60	-	-	-	-	56,000	22,000	200-205	75-80

L Titcomb resigned and stepped down as CEO on 1 March 2019. In May 2019 she received a bonus payment relating to 2018-2019 of £10-£15k.

*Bonuses relating to 2018-2019 performance but paid in 2019-2020. C Counsell was not eligible for a bonus payment in 2019-2020.
**D Fairs was appointed on 2 July 2018.
***J Hill was appointed on 12 November 2018.

5 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.

Salary

Salary includes gross salary, recruitment and retention 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 claimed and treated by HMRC as a taxable payment.

Bonuses

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

Pay multiples (subject to audit)

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 2019-2020 was £200-205k (2018-2019: £220-225k). This was 4.3 times (2018-2019: 4.7) the median remuneration of the workforce, which was £47k (2018-2019: £48k. There has been a reduction of 0.4 in the ratio between the highest-paid and median employee, mainly due to the highest-paid director not being eligible for a bonus in the current year.

In 2019-2020, no employees (2018-2019: nil) received remuneration in excess of the highest-paid director. Remuneration ranged from £15k to £200-205k (2018-2019: £12k to £220-225k).

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.

Remuneration for Board members (subject to audit)

Non-executive members

The following sections provide details of the remuneration and pension interests of TPR's Board and the members of the Determinations Panel.

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

	2019-2020			2018-2019		
	Salary (£'000)	**Total benefits-in-kind** (to nearest £100)	**Total** (£'000)	**Salary** (£'000)	**Total benefits-in-kind** (to nearest £100)*	**Total** (£'000)
M Boyle (Chairman)	70-75	£1,800	70-75	90-95**	£1,900	90-95
D Martin	15-20	£700	15-20	15-20	£300	15-20
T Ross	15-20	£600	15-20	15-20	£200	15-20
S Smart (Chair of Audit Committee)	20-25	£600	20-25	20-25	£300	20-25
M Snowdon OBE	15-20	£1,200	15-20	15-20	£200	15-20
K Baker CBE	15-20	–	15-20	15-20	–	15-20
R Herga	15-20	–	15-20	15-20	–	15-20

*The 2018-2019 benefits in kind have been adjusted to show expenses in the year they are claimed, rather than the year the expenses were incurred.
**M Boyle's (Chairman) higher salary in 2018-2019 reflects an increase in days worked and daily rate, both of which were agreed with the DWP.

The total amount paid to non-executive directors (including the Chairman) during the 2019-2020 period was £185-190k. The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. The benefits shown above represent the payment of expenses for travel and subsistence. None of the non-executive members received pensions benefits in the current or previous year.

Executive members' pension benefits (subject to audit)

Executive members	**Accrued pension at pensions age as at 31/3/2020 and related lump sum** (£'000)	**Real increase in pension and related lump sum at pension age** (£'000)	**CETV at 31/3/2019** (£'000)*	**CETV at 31/3/2020** (£'000)	**Real increase in CETV** (£'000)
H Aston (Executive Director, Finance and Corporate Services)	30-35	2.5-5	288	331	20
N Parish (Executive Director, Frontline Regulation)	30-35	2.5-5	359	416	31
J Hill (Executive Director, Strategy and Risk)	0-5	2.5-5	12	43	20

None of the executive members received employer contributions to a partnership scheme in the current or prior year.

*C Counsell and D Fairs chose not to be covered by the Civil Service pension arrangement during the year.

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015, a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha.

Before that date, civil servants were members of the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60, and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

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, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015.

Those who were between 10 years and 13 years and five months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes. 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 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. 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. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate in 2.32%. 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 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from the appointed provider – Legal & General. 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 0.5% 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, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes but note that part of that pension may be payable from different ages.

Further details about the Civil Service pension arrangements can be found at the website: www.civilservicepensionscheme.org.uk

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 that is funded by the employer. It does not include 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 for the time they devote to the work of the Panel. The rate for the Chairman is £900 per day and for the other members it is £692 per day.

Salary (2019-2020)	**Members**
£70-£75k	A Long (Chairman)
£55-£60k	P Wallace
£50-£55k	T Foster
£25-£30k	E Neville
£20-£25k	D Latham, A Townsend
£15-£20k	S Chambers, C Seddon, J Swift
£10-£15k	P Hinchliffe, M Urmston
£5-£10k	A Smith

Members of the Determinations Panel may be removed from office at any time by the Chairman of the Panel with the approval of TPR, and the Chairman can be removed from office at any time by TPR. Members who wish to leave the Panel are required to give the Chairman two months' notice and the Chairman is required to give TPR three months' notice.

Staff report

Staff numbers and related costs (subject to audit)

2019-2020	AE £'000	Levy £'000	Total TPR £'000
Permanent employed staff*			
Salaries and wages**	9,119	25,055	34,174
Social security costs	1,090	2,982	4,072
Other pension costs	2,354	6,435	8,789
	12,563	**34,472**	**47,035**
Other*			
Salaries and wages**	1,813	5,821	7,634
Social security costs	119	324	443
Other pension costs	257	700	957
	2,189	**6,845**	**9,034**
Less recoveries in respect of outward secondments	–	(132)	(132)
Total costs	**14,752**	**41,185**	**55,937**

2018-2019	AE £'000	Levy £'000	Total TPR £'000
Permanent employed staff*			
Salaries and wages**	10,102	22,554	32,656
Social security costs	1,180	2,634	3,814
Other pension costs	2,069	4,620	6,689
	13,351	**29,808**	**43,159**
Other*			
Salaries and wages**	1,457	4,316	5,773
Social security costs	121	330	451
Other pension costs	212	579	791
	1,790	5,225	7,015
Less recoveries in respect of outward secondments	-	-	-
Total costs	**15,141**	**35,033**	**50,174**

* The breakdown of FTE has been changed to 'Permanent' and 'Other' in the current year in line with DWP reporting and the requirements of the Government Reporting Manual. In the prior year, the FTE were split into 'Payroll staff' and 'Other'. This change has meant the reclassification of £1,229k fixed term staff costs from 'Payroll staff' to 'Other' this year.

** Salaries and wages for 2019-2020 includes staff holiday accrual £692k (2018-2019: £692k) for Levy and £299k for AE (2018-2019: £299k).

A summary of the above costs is included in Note 3 to the financial statements set out on page 135.

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as 'alpha' – are unfunded multi-employer DB schemes. However, it's not possible to identify our share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2016. Details can be found in the resource accounts of the Cabinet Office (www.civilservicepensionscheme.org.uk)

For 2019-2020, employers' contributions of £9.6m were payable to the PCSPS (2018-2019 £7.3m) at one of four rates in the range 26.6% to 30.3% (2018-2019: 20.0% to 24.5%) of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2019-2020 and will remain unchanged until 2023-2024. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account – a stakeholder pension with an employer contribution. Employers' contributions of £105k (2018-2019: £128k) were paid to one or more of a panel of appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% of pensionable pay from 1 October 2015.

Employers also match employee contributions up to 3% of pensionable pay. In addition, from 1 October, employer contributions of £5k, 0.5% (2018-2019: £4k, 0.5%) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

No individuals retired early on ill-health grounds in the current or prior year. The outstanding pensions contributions as at 31 March 2020 equates to £1.0m (31 March 2019: £0.9m) are included within current liabilities in Note 10.

Average number of persons employed (subject to audit)

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

2019-2020	AE	Levy	Total TPR
Permanently employed staff	185	414	599
Other	29	80	110
Staff engaged on capital projects	-	-	-
Total	**214**	**494**	**709**

2018-2019	AE	Levy	Total TPR
Permanently employed staff	188	391	579
Other	36	60	96
Staff engaged on capital projects	-	-	-
Total	**224**	**451**	**675**

The breakdown of FTE has been changed to 'Permanent' and 'Other' in the current year in line with DWP reporting and the requirements of the Government Reporting Manual. In the prior year, the FTE were split into 'Payroll staff' and 'Other'. This change has meant the reclassification of 81 fixed term staff from 'Payroll staff' last year to 'Other' this year.

Consultancy and temporary staff (subject to audit)

We occasionally use professional service providers to help with specialist work – including consultancy and contingent labour where it is necessary and prudent to do so. 2019-2020 has seen a reduction in the amount of consultancy expenditure, mainly due to the completion of previous large-scale projects that required consultancy support, while the use of contingent labour has increased to provide cover for vacant roles due to slower than expected recruitment of permanent staff, particularly in IT and change and providing support for projects.

2019-2020	AE £'000	Levy £'000	Total TPR £'000
Consultancy	340	1,939	2,279
Temporary (off-payroll staff)	821	3,108	3,929
2018-2019	**AE £'000**	**Levy £'000**	**Total TPR £'000**
Consultancy	946	2,295	3,241
Temporary (off-payroll staff)	422	1,488	1,910
Full time equivalent off-payroll staff*	**AE**	**Levy**	**Total TPR**
31 March 2020	21	30	51
31 March 2019	1	16	17

*The full time equivalent off-payroll staff numbers relate to the position at the end of the year.

Off-payroll engagements

For all off-payroll engagements as of 31 March 2020, for more than £245 per day and that last for longer than six months:

Number of existing engagements as at 31 March 2020	15
of which, the number that have existed for:	
less than one year at time of reporting	15
between one and two years at time of reporting	0
between two and three years at time of reporting	0
between three and four years at time of reporting	0
four or more years at time of reporting	0

For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020, for more than £245 per day and that last for longer than six months:

Number of new engagements, or those that reached six months in duration, during the time period	20
Number of these engagements which were assessed as caught by IR35	19
Number of these engagements which were assessed as not caught by IR35	1
Number that were engaged directly (via PSC contracted to department) and are on the departmental payroll	0
Number that were reassessed for consistency/assurance purposes during the year whom assurance has been requested but not received	0
Number that saw a change to IR35 status following the consistency review	0

For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2019 and 31 March 2020:

For any off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, between 1 April 2019 and 31 March 2020	5
Total number of individuals on-payroll and off-payroll that have been deemed ‘Board members, and/or, senior officials with significant financial responsibility’, during the financial year. This figure should include both on-payroll and off-payroll engagements.	5

Reporting of Civil Service and other compensation schemes – exit packages (subject to audit) Comparative data for previous year in brackets

Exit package cost band	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	- (-)	- (-)
£10,000-£25,000	7 (4)	7 (4)
£25,000-£50,000	2 (7)	2 (7)
£50,000-£100,000	3 (1)	3 (1)
£100,000-£150,000	– (–)	– (–)
£150,000-£200,000	– (–)	– (–)
Total number of exit packages by type	**12 (12)**	**12 (12)**
Total resource cost/£'000	419 (353)	419 (353)

There were no compulsory redundancies in the year.

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 TPR has agreed early retirements, the additional costs are met by the department 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.

Other employee matters

Report of progress against TPR's equality objectives 2019-2020

We recognise the important role that diversity and inclusion (D&I) has to play in supporting us as an employer and as a regulator. It is important as an employer to create a diverse and inclusive culture where people can come to work and be themselves, and as a regulator in providing more innovation and creativity in our approach to solving problems – leading to better decisions, outcomes and policy that help us achieve our objectives. To achieve these aims we work towards organisational equality objectives. These objectives help us fulfil our responsibilities under the Public Sector Equality Duty.

Our organisational equality objectives for 2019-2020 were to:

- Establish a D&I committee to strengthen leadership, accountability and governance around D&I
- Develop a longer-term D&I strategy and action plan
- Complete existing external diversity benchmarks, eg Disability Confident and Stonewall Workplace Equality Index

This report highlights the progress we are making towards these objectives and what we're committed to focus on next year.

Establish a D&I committee to strengthen leadership, accountability and governance around D&I

We have made significant progress towards establishing a D&I committee to strengthen leadership, accountability and governance around D&I.

We created a D&I governance framework to provide clarity on how decisions are made and by whom, and to identify where accountability lies for ensuring actions are delivered. Under the D&I governance framework overall accountability for our D&I strategy lies with our executive committee (ExCo) and this is now reflected in ExCo members' performance objectives.

Our internal and external D&I agenda is delegated to the D&I committee, which is a sub-committee of ExCo. The D&I committee is responsible for providing direction and taking decisions on D&I-related matters and championing inclusion throughout the organisation.

The D&I committee is co-chaired by two Executive Directors – the Executive Director of Strategy and Risk, and the Executive Director of Regulatory Policy, Analysis and Advice.

Standing members will include representatives from HR, Communications, Data Insights, D&I, Diversity Network Groups and two representatives from other areas of TPR.

The main role and purpose of the D&I committee will be to lead and direct TPR's internal and external D&I agenda.

To provide the foundations for the D&I committee, we have created a D&I committee Terms of Reference, role descriptions for D&I committee members, and objectives for D&I committee members to be built into their yearly set of objectives.

Our next steps are to get the D&I committee operational. We will do this by appointing D&I committee members and holding a facilitated session with the newly formed D&I committee members to bring the governance framework to life.

Develop a longer-term D&I strategy and action plan

The D&I committee will be responsible for setting the D&I strategy and action plan for the organisation, and ensuring all elements of our internal and external D&I obligations and aspirations are identified, with accompanying strategy, action plans and measures put in place to monitor progress. This includes our responsibilities under the Public Sector Equality Duty. This work will be a key focus next year.

Complete existing external diversity benchmarks

We continued work to embed and build on TPR's Disability Confident Employer accreditation and towards submitting an entry into Stonewall Workplace Equality Index 2021. We supported the set-up of a Disability Network to support our Disability Confident journey. Further details on our equality objectives can be found on our website: www.tpr.gov.uk/en/document-library/corporate-information/diversity-and-inclusion.

Gender pay gap action plan

We also continued work towards our gender pay action plan, which focuses on three priority areas for action:

- Continuing to ensure that our recruitment practices are fair and transparent.
- Encouraging internships and apprenticeships in areas with a larger gender pay gap.
- Ensuring our entire workforce receives education around unconscious bias and other principles around diversity and inclusion.

Our gender pay report 2019 showed that our median gender pay gap is 8.7% and our mean gender pay gap is 11%. This is an increase of 1.7% and 3.1% respectively. TPR's pay gap is almost half the national average of 17.3% published in the Annual Survey of Hours and Earnings published by the Office for National Statistics (ONS) in 2019, comparing favourably. We maintain a strong overall gender balance with 51% females to 49% males overall, a 50/50 gender balance at Executive Committee leadership level and a 50/50 gender balance at Senior Leadership Team level.

Further details on our equality objectives and the actions we have taken towards our gender pay gap action plan can be found on our website: www.tpr.gov.uk/en/document-library/corporate-information/diversity-and-inclusion.

Disability, health and mental wellbeing

Our employment policies are fully inclusive of all staff. To attract applications from disabled talent, we offer an interview and reasonable adjustments for candidates who declare that they have a disability and who meet the essential criteria for the job. We enable staff with disabilities, and long-term health and mental health conditions, to remain in employment through our sickness absence management process; by making reasonable adjustments to the working environment; and by providing additional training and support. We utilise advice from our occupational health advisers and provide staff with access to a confidential care employee assistance programme.

This approach is supported by further internal activities and events focused on disability, positive mental health and wellbeing.

Our annual staff engagement survey shows that 87% of staff believe that their line manager cares about their wellbeing. This is 19 percentage points higher than the public sector benchmark.

Human capital management

We have a set of clear policies and guidance in place that support the people in TPR. These policies cover all aspects of our working practices and are reviewed on a regular basis to ensure they are fit for purpose and legally compliant.

Trade union representation

We have a requirement to have trade union representation and we work with our trade union on any matters outlined within our partnership agreement. Employees have the right to have union representation in various matters and on occasions they exercise their right to do so.

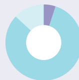
Employment issues

We have not been required to consult with employees on any matters during this period.

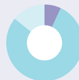
Staff information as at 31 March 2020*
*Results are rounded to the nearest whole number for ease of reading and interpretation

Age We have people of all ages working for us. The majority of our workforce (85%) is aged between 30 and 50, with the average age being 42.

Disability 5% of our workforce declared themselves as having a disability. 82% of staff did not declare a disability.



Ethnicity 7% of our workforce declared they were from a black, Asian or ethnic minority background and 79% declared they were of white origin.



Gender We maintain a strong gender balance with 51% females to 49% males overall, a 50/50 gender balance at Executive Committee leadership level and a 50/50 gender balance at Senior Leadership Team level.

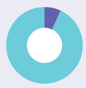
Gender pay gap Our median gender pay gap is 8.7% and our mean gender pay gap is 11%.

Marriage and partnership 44% of the workforce declared themselves as married or in a civil partnership

New parents The total number of new parents taking leave was 28. Sixteen people went on maternity leave, 8 people took paternity leave and 5 people took shared parental leave. One person took both paternity leave and then shared parental leave, so is counted under both.

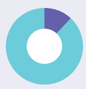
Religion or belief 32% of our workforce declared a religion, 45% declared they have no religion.

Sexual orientation 7% of our workforce declared themselves gay, lesbian or bisexual.



Sickness The average days lost per headcount due to sickness absence was 6.6 days. This is lower than the public sector average of 8.4 days.

Working pattern 12% of our workforce work part-time.



Financial review

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 and covers activities relating to the Pensions Act 2004 and the Pensions Act 2008, and a separate grant-in-aid from general taxation which funds 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 financial statements.

Expenditure for year ended 31 March 2020

In the year ended 31 March 2020, TPR had net expenditure of £93.1m, of which £56.4m related to levy funded activities and £36.7m was attributable to AE. Our net expenditure has been transferred to our general reserve and is offset by contributions from the DWP of £55.7m for our levy activities and £37.3m from the DWP for AE activities.

Staff costs have increased by £5.8m to £55.9m. This includes permanent staff costs of £47m, £3.9m higher than the previous year due to increasing staff levels (increase in average permanent staff numbers from 579 to 599) and the increase in employer pension contributions rates during the year. Temporary staff costs increased by £2m due to increased temporary resource because of short term project requirements and vacancies across the organisation.

Other expenditure has increased by £2.0m compared to the previous year, a £2.2m increase for AE offset by a £0.2m decrease for levy. The increase is mainly due to a £3.4m increase in costs for business outsourced services relating to the roll out of AE offset by a £1.2m reduction in professional fees relating to enforcement cases and a £0.1m reduction in other costs across the organisation.

There have been no significant events occurring since the 2019-2020 year end. The UK government has put in place measures to limit the impact of COVID-19 on the nation. At the time of publication, however, we are still able to carry out our duties as normal and senior management continue to monitor the situation and review the impact on the company. There have been no significant issues relating to the issuance and collection of levies but there will be a reduction in the penalties issued for AE as we have not been issuing any penalties since 16 March, but we will continue to assess this as the COVID-19 situation progresses.

Further information on our performance against budget can be found in the financial summary on page 47.

Property, plant and equipment and intangible assets

Capital expenditure of £0.4m was incurred during the year all of which related to property, plant and equipment (PPE).

Payments to suppliers

We are committed to the prompt payment of invoices for goods and services received. Payments are normally made as specified in individual contracts. If there is no contractual provision or understanding, invoices are deemed due within 30 days of receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later. During the year ended 31 March 2020 we paid 90% of invoices in line with this policy.

Long-term expenditure trends

Over the previous five years, total expenditure has increased each year and is planned to increase further for 2020-2021. The increases have been predominantly due to the costs of the phased implementation of AE, the introduction of new powers within levy regulation and associated increased workload and the ongoing transformation of TPR.

Long-term financial analysis

(£m)	Actual 2015-2016	Actual 2016-2017	Actual 2017-2018	Actual 2018-2019	Actual 2019-2020	Budget 2020-2021
Total TPR*	62.8	74.8	83.5	85.4	93.1	104.0

*All figures exclude capital expenditure

Value for money

As a public sector body, we recognise that we need to secure value for money (VFM) in the administration of TPR. Our commitment to this was recognised and highlighted in the recently published Tailored Review that was undertaken by the DWP. We have highlighted a few examples below to provide a flavour of the types of decisions and ways of working over the last year which demonstrate how we have achieved VFM.

- The authorisation of existing master trusts finished with 38 schemes being authorised. Authorisation resulted in £524m being reserved for the benefit of members, to remove the risk that members will have to pay any costs related to the wind down of the scheme. This was initially £431m (based on initial applications received) but we improved this by £93m through explaining our expectations and the changes we would require to be satisfied members were sufficiently protected. Our fitness and propriety assessments have resulted in changes in trustee boards to remove individuals with conduct issues or to strengthen the over competence of the board. Schemes have more robust systems and processes in a number of areas and have far stronger assurance over how these are maintained over time. In short, we established a high bar for authorisation; the 16 million members saving in to master trusts are better protected and we should have more confidence in the strength of the market.
- Following receipt of communications issued through our regulatory initiative regarding fair treatment (pension scheme contributions versus dividends), one scheme's trustees and employer agreed an additional £15 million lump sum (which has already been paid into the scheme), front-end loading their recovery plan. The scheme had been selected for this initiative as our intelligence indicated that their sponsoring employer was paying out disproportionately high dividends at the expense of DRCs to the scheme.
- We introduced a new model, communication as a regulatory tool (CAART), which defines how we use communications to improve the behaviours exhibited by regulated entities. Through our communications in relation to the Investment Governance Regulatory Initiative, we have increased schemes undertaking regular and effective reviews of their default investment strategy and performance from 28% to 53% amongst the target audience, and further low intensity activity increased this to 67%.
- We successfully brought the management of our website and web content management system (WCMS) in-house from our outsource partner, Capita. We have implemented a stable, extensible WCMS platform fit for the future, adding in more resilience and removing the real risk of full corporate website outage. With our interactive website tools now built in-house and us no longer requiring AT Internet Web Analytics, we estimate a saving of over £219k over five years and another £110k saving per annum due to no longer needing outsourced support for OpenText RedDot. In addition to this, we have increased our opportunities for gathering customer insight and provided easier access to Welsh content where users require.
- TPR currently occupies a Net Internal Area (NIA) of 3,366m2. Our current ratio of m2 per FTE is 4.75 which demonstrates that we use our space efficiently, while keeping our accommodation costs under 3% of our total operational expenditure.

Other activities

Levies account

During the year ended 31 March 2020, we invoiced and collected levies on behalf of the DWP (the general levy and PPF administration levy) and the PPF (the fraud compensation levy) which will be reported in the audited financial statements of those organisations.

The opening debt balance as at 1 April 2019 was £0.6m. During the year we invoiced £72.5m, of which £45m related to the general levy, £21m to the PPF administration levy and £7m to the PPF Fraud Compensation levy. £68.8m has been collected, credit notes and remissions totalled £2.3m. The closing debt position as at 31 March 2020 was £2.1m.

Figure 9: Levy debt

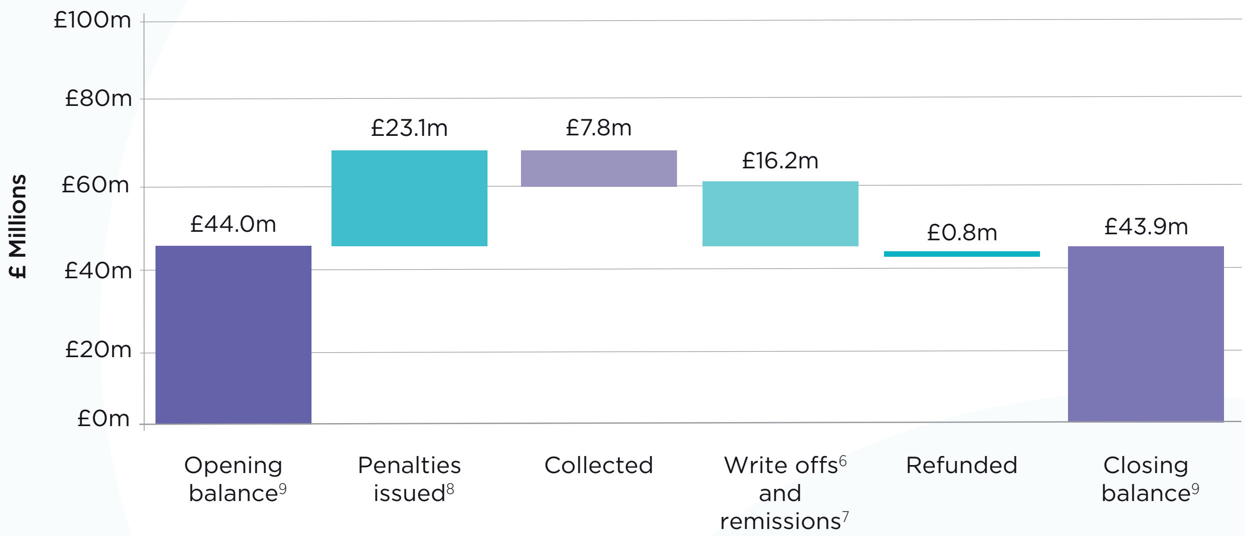
We transferred £69m during the year. £62m relates to the DWP and £7m to the PPF. Cash held at bank at 31 March 2020 was £354k of which £100k is to be transferred to the DWP/PPF and £254k unallocated cash which we are in the process of allocating or returning.

Automatic enrolment penalty notices

During the year ended 31 March 2020, we issued penalty notices under section 40 and 41 of the Pensions Act 2008. These figures do not feature in our audited financial statements. We collect and hold penalties on behalf of HMT and transfer it over to the consolidated fund via the DWP.

The opening debt balance as at 1 April 2019 was £44m and during the year 2019-2020, we issued Fixed Penalty Notices (FPNs) and Escalating Penalty Notices (EPNs) totalling £23.1m, in year £7.8m has been collected and write-offs and remissions totalling £16.2m were actioned. Several penalties were refunded in the year, leaving the closing debt position as at 31 March 2020 at £43.9m.

Figure 10: AE penalty notices debt



£9m was transferred to the consolidated fund via the DWP during the year. £956k was received and not yet transferred at year end.

We have proactively sought payment of any outstanding penalties and this work will continue with a view of seeking prompt payment of any penalties when due. Much of the closing debt has yet to fully progress through TPR's debt recovery process. The debt recovery process differs based on the type of enforcement action we have taken against an employer. In some cases where multiple notices have been issued, the recovery process can take over a year.

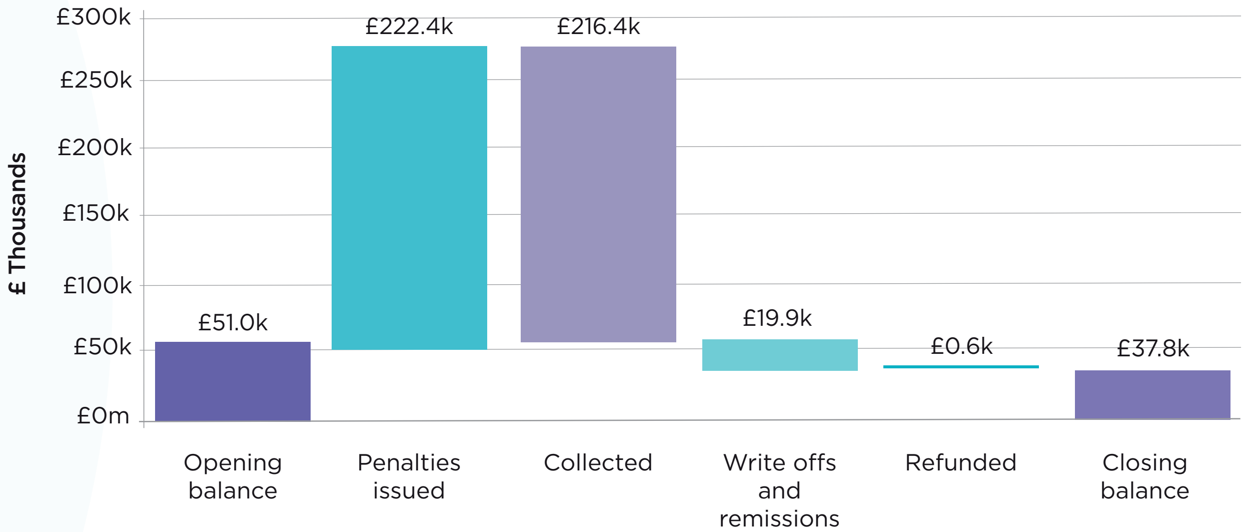
6. Write-offs are debts that are irrecoverable because there is no practical means for pursing the liability.
7. Debt 'remission' is where we decide not to pursue a debt primarily on the grounds of value for money, ie the cost of pursuing it would be greater than the benefit or is not the most efficient use of limited resources.
8. There is £27.3m of discharged debt, this is where we amend and reissue or cancel a penalty that was issued as further information is received which reduces the liability or confirms that it is not legally due, ie where a change of the employer's address has occurred. Discharged debt is not included in the chart above. This figure has been removed from the penalties issued.
9. 'Opening balance' includes prior year adjustments of £1.1m relating to penalties amended or changed. 'Closing balance' as at end of March 2019 was £42.9m.

Section 10 and Chair's statement penalty notices

During the year ended 31 March 2020, we issued penalty notices under: (a) Section 10 of the Pensions Act 1995 for failures to provide a scheme return: and (b) Regulation 28 of the Occupational Pension Schemes (Charges and Governance) Regulations 2015 for failures to prepare a Chair's statement. These figures do not feature in our audited financial statements. We collect penalties on behalf of HMT and transfer them over to the consolidated fund via the DWP.

The opening debt balance as at 1 April 2019 was £51k and during the year 2019-2020, we issued Penalty Notices totalling £222.4k, of which £216.4k has been collected, and write-offs and remissions totalled £19.9k. Several penalties were refunded in the year, leaving the closing debt position as at 31 March 2020 at £37.8k.

Figure 11: Section 10 and Chair's statement penalty notices debt



£216k was transferred to HMT's consolidated fund via the DWP. £1k was received and not transferred at year end.

Master trust authorisation fees

During the year ended 31 March 2020, we received eight master trust authorisation fees totalling £310k. These figures do not feature in our audited financial statements. £351k (including one fee received in 2018-2019) was transferred to HMT's consolidated fund via the DWP. The DWP then provides the funds required to deliver the master trust authorisation programme as part of the overall grant-in-aid. There were no fees not transferred at year end (2018-2019: £41k) which form part of the TPR cash balance (Note 9).

Charles Counsell OBE
Chief Executive, The Pensions Regulator
29 June 2020

Parliamentary accountability and audit report

The disclosures in this Parliamentary Accountability Report along with the Statement of Accounting Officer's Responsibilities and the Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament bring together the key documents demonstrating TPR's accountability to Parliament in relation to the Annual Report and Accounts.

The Chairman and Chief Executive meet regularly with ministers and senior officials from the DWP in addition to quarterly accountability review meetings. The DWP approves the Corporate Plan and the Board delivers its Annual Report and Accounts to Parliament through the Secretary of State.

The Chief Executive of TPR is also its Accounting Officer. Compliance with Accounting Officer responsibilities is supported through the Board's risk management procedures and through a shared objective for senior management to support the Accounting Officer in fulfilling her responsibilities.

Losses, special payments and gifts (subject to audit)

There were no losses, special payments or gifts during the current or prior year above the limits prescribed by 'Managing public money'.

Fees and charges (subject to audit)

There are no fees and charges to disclose.

Remote contingent liabilities (subject to audit)

There are no remote contingent liabilities to disclose.

Charles Counsell OBE
Chief Executive, The Pensions Regulator
29 June 2020

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

Opinion on financial statements

I certify that I have audited the financial statements of The Pensions Regulator for the year ended 31 March 2020 under the Pensions Act 2004. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

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 2020 and of 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 directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of The Pensions Regulator in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- The Pensions Regulator's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The Pensions Regulator have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about The Pensions Regulator's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Board and Accounting Officer for the financial statements

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.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Pensions Act 2004.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Pensions Regulator's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- conclude on the appropriateness of The Pension Regulator's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on The Pensions Regulator's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause The Pensions Regulator to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Other Information

The Board and the Accounting Officer are responsible for the other information. The other information comprises information included in the annual report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Pensions Act 2004;
- in the light of the knowledge and understanding of The Pensions Regulator and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance Report and Accountability Report 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 parts of the Accountability 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 my 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.

Gareth Davies
Comptroller and Auditor General,
National Audit Office, 157-197 Buckingham Palace Road, Victoria, London SW1W 9SP
3 July 2020

Financial statements and Notes to the accounts

Statement of comprehensive net expenditure for the year ended 31 March 2020

	Note	2019-2020 £'000	2018-2019 £'000
Expenditure			
Staff costs	3	**55,937**	50,174
Depreciation, amortisation and impairment charges	4	**941**	893
Other operating expenditure	4	**36,312**	34,367
Total operating expenditure		**93,190**	85,434
Finance income		**(79)**	(82)
Net expenditure after interest, before taxation		**93,111**	85,352
Taxation		**15**	15
Comprehensive net expenditure for the year		**93,126**	85,367

All income and expenditure is derived from continuing operations.
The accounting policies and notes on pages 129 to 146 form part of these financial statements.

Statement of financial position as at 31 March 2020

	Note	At 31 March 2020 £'000	At 31 March 2019 £'000
Non-current assets			
Property, plant and equipment	5a	**1,752**	1,984
Intangible assets	6a	**522**	937
Trade and other receivables	8	**134**	242
Total non-current assets		**2,408**	3,163
Current assets			
Trade and other receivables	8	**1,515**	1,105
Cash and cash equivalents	9	**1,341**	963
Total current assets		**2,856**	2,068
Total assets		**5,264**	5,231
Current liabilities			
Trade and other payables	10	**(11,536)**	(11,395)
Total current liabilities		**(11,536)**	(11,395)
Total assets less current liabilities		**(6,272)**	(6,164)
Non-current liabilities			
Provisions	11	**(692)**	(679)
Total non-current liabilities		**(692)**	(679)
Assets less liabilities		**(6,964)**	(6,843)
Taxpayers' equity			
General fund		**(6,964)**	(6,843)
Total equity		**(6,964)**	(6,843)

Charles Counsell OBE
Chief Executive, The Pensions Regulator
29 June 2020

The accounting policies and notes on pages 129 to 146 form part of these financial statements.

Statement of cash flows for the year ended 31 March 2020

	Note	2019-2020 £'000	2018-2019 £'000
Cash flows from operating activities			
Net expenditure after interest		**(93,111)**	(85,352)
Adjustments for non-cash transactions	4	**1,040**	990
Increase in trade and other receivables	8	**(304)**	(257)
Increase in trade and other payables	10	**327**	504
Increase/(decrease) in provisions	11	**13**	(12)
Cash outflow due to taxation		**(16)**	(4)
Net cash outflow from operating activities		**(92,051)**	(84,131)
Cash flows from investing activities			
Purchase of property, plant and equipment	5b	**(576)**	(509)
Purchase of intangible assets	6b	**-**	(33)
Disposal of intangible fixed assets		**-**	334
Net cash outflow from investing activities		**(576)**	(208)
Cash flows from financing activities			
Grant-in-aid to cover ongoing operations of Levy		**55,705**	49,800
Grant-in-aid to cover ongoing operations of AE		**37,300**	33,788
Net financing		**93,005**	83,588
Net increase in cash and cash equivalents in the period	9	**378**	(751)
Cash and cash equivalents at the beginning of the period		**963**	1,714
Cash and cash equivalents at the end of the period	9	**1,341**	963

The accounting policies and notes on pages 129 to 146 form part of these financial statements.

Statement of changes in taxpayers' equity for the year ended 31 March 2020

	Total Reserves £'000
Balance at 1 April 2018	**(5,064)**
Changes in taxpayers' equity 2018-2019	
Grants from the DWP	83,588
Comprehensive net expenditure for the year	(85,367)
Balance at 31 March 2019	**(6,843)**
Changes in taxpayers' equity 2019-2020	
Grants from the DWP	93,005
Comprehensive net expenditure for the year	(93,126)
Balance at 31 March 2020	**(6,964)**

As property, plant and equipment and intangible assets are valued at depreciated historical cost as a proxy for fair value there is no revaluation reserve.

The accounting policies and notes on pages 129 to 146 form part of these financial statements.

Notes to the accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2019-2020 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 TPR for the purpose of giving a true and fair view has been selected. The particular policies adopted by TPR are described below. They have been applied consistently in dealing with items that are considered material to the financial statements.

1.1 Accounting standards, interpretations and amendments

We have adopted all IFRS, International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC) interpretations and amendments to published standards that were effective at 31 March 2020.

IFRS 16 Leases

This is effective from 1 January 2019 for the private sector but will be introduced in the 2021-2022 FReM to replace IAS 17 so will be effective for TPR from 1 April 2021. This had originally been expected to be effective from 1 April 2020 but has been delayed by a year due to COVID-19.

The new standard amends the accounting for lessees, removing the distinction between recognising an operating lease (off balance sheet) and a finance lease (on balance sheet). The new standard requires recognition of all qualifying leases on balance sheet. The result will be recognition of a right to use asset, measured at the present value of future lease payments, with a matching liability.

The pattern of recognition of the expenditure will result in depreciation of the right to use asset and an associated finance cost being recognised. The operating leases on TPR's main headquarters meets the definition of a lease under IFRS 16, which will result in recognition from 1 April 2021 of a material asset, along with a lease liability of the same amount.

1.2 Accounting convention

These financial statements have been prepared under the historical cost convention.

a) Property, plant and equipment

Property, plant and equipment are stated at fair value. As permitted by the FReM, we use a depreciated historical cost basis as a proxy for fair value as non-property assets have a short useful life or are of relatively low value. 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. TPR 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 or pooled 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	–	3 to 7 years
Internally generated software	–	3 to 7 years
Software acquired	–	5 to 7 years

Depreciation is charged on a straight-line basis to reflect the consumptions of economic benefits. This is a change from previous years where a full year's charge was made in the year of acquisition. The total impact in the current year is a reduction of £50k.

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 fixed assets, although ongoing software maintenance costs are written off in the period in which they are incurred.

As permitted by the FReM, intangible assets are carried at depreciated historic cost, which is a proxy for fair value as they are considered to have short useful lives or low value.

The threshold for treating expenditure on single items or pooled items of intangible fixed 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.

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. Corporate overheads are split between AE and Levy on the basis of headcount. A breakdown of other income and expenditure is provided in Note 2.

f) Value added tax

TPR'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, accruals have been 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. The holiday accrual is an estimate of the total leave owed to staff based on a sample of employees.

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 in hand and demand deposits.

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. All grant-in-aid is reported on a cash basis in the period in which it is received.

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 TPR's sponsoring organisation and the total costs included in the Statement of comprehensive net expenditure are transferred to this reserve.

n) Going concern

These financial statements are prepared on a going concern basis. The negative cumulative balance on the General Reserve is due to timing differences between consumption and payment since TPR only draws grant-in-aid from the DWP, reflected in the Statement of changes in taxpayers' equity, to cover its current cash flow requirements.

o) Segmental analysis

Segmental reporting is applied in line with IFRS 8 to report the split between Levy and AE expenditure (as described in Note 2). Segmental reporting is not required for assets and liabilities as this information is not regularly reported to the chief operating decision-maker.

p) Critical accounting judgements and key sources of estimation uncertainty

The Board is required to exercise judgement and make 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 financial statements, 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 6.

Dilapidations: A dilapidation provision is held for the office TPR occupies in Brighton to cover the requirements of the lease (expires July 2023). The provision is to make good dilapidations or other damage occurring during the lease periods. 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.

1.3 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 scheme and is unfunded and contributory, except in respect of dependents' benefits. TPR 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 the Staff Report, certain employees can opt for a stakeholder pension.

2 Statement of operating costs by operating segment

	AE £'000	Levy £'000	Total TPR £'000
2019-2020			
Gross expenditure (before tax)	36,755	56,435	93,190
Taxation	6	9	15
Income	(29)	(50)	(79)
Net expenditure	**36,732**	**56,394**	**93,126**
2018-2019			
Gross expenditure (before tax)	34,879	50,555	85,434
Taxation	7	8	15
Income	(37)	(45)	(82)
Net expenditure	**34,849**	**50,518**	**85,367**

TPR comprises of two distinct operating segments: Levy and AE. Levy activity relates to the regulation of new and existing DB, DC, master trust and public sector 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 resources are charged and treated separately to the correct funding stream.

AE-related work is separately accounted for and strict protocols are adhered to in order to avoid cross subsidy. Reporting is provided to the Executive Committee and the Board on both AE and Levy expenditure. Corporate overheads are split between AE and Levy based on headcount. Regular reporting of the assets of each segment is not provided to the Executive Committee and this information is therefore excluded from the financial statements.

3 Staff numbers and related costs

	AE £'000	Levy £'000	Total TPR £'000
2019-2020			
Salaries and wages*	10,932	30,744	41,676
Social security costs	1,209	3,306	4,515
Other pension costs	2,611	7,135	9,746
Total costs	**14,752**	**41,185**	**55,937**
2018-2019			
Salaries and wages	11,559	26,870	38,429
Social security costs	1,301	2,964	4,265
Other pension costs	2,281	5,199	7,480
Total costs	**15,141**	**35,033**	**50,174**

*Detailed disclosure of the total staff costs for the year and previous year is included within the Staff report section of the Accountability report (see page 102), which forms part of this Annual Report.

4 Other operating expenditure

	AE £'000	Levy £'000	Total TPR £'000
2019-2020			
Running costs			
Chairman and part-time Board members' fees and expenses*	61	161	222
Consultancy, contracted-out and other professional services	1,345	7,414	8,759
Business process outsourced services	17,516	–	17,516
Training and recruitment costs	346	806	1,152
Staff travel and expenses	302	249	551
General expenses including accommodation expenses	465	2,029	2,494
Rentals under operating leases	292	683	975
Dilapidations costs	–	13	13
Computer systems development and maintenance	1,501	2,990	4,491
Auditor's remuneration	–	40	40
Loss on disposal of fixed assets	–	99	99
	21,828	**14,484**	**36,312**
Depreciation and impairment charges			
Depreciation	–	600	600
Amortisation	154	187	341
	154	**787**	**941**
Total	**21,982**	**15,271**	**37,253**

*Includes fees of £185k (2018-2019: £203k), social security costs of £19k (2018-2019: £20k) and expenses of £18k (2018-2019: £10k). Details of the remuneration and pension benefits of the Chair and all other members of the Board are given in the remuneration report (see page 97). There is tax due to HMRC on expenses as part of the PAYE Settlement Agreement (payable in August 2020).

4 Other operating expenditure continued...

	AE £'000	Levy £'000	Total TPR £'000
2018-2019			
Running costs			
Chairman and part-time Board members' fees and expenses	78	155	233
Consultancy, contracted-out and other professional services	2,031	8,011	10,042
Business process outsourced services	14,178	–	14,178
Training and recruitment costs	389	1,073	1,462
Staff travel and expenses	289	322	611
General expenses including accommodation expenses	536	2,052	2,588
Rentals under operating leases	306	623	929
Dilapidations costs	–	(12)	(12)
Computer systems development and maintenance	1,774	2,428	4,202
Auditor's remuneration	–	37	37
Loss on disposal of fixed assets	–	97	97
	19,581	**14,786**	**34,367**
Depreciation and impairment charges			
Depreciation	2	616	618
Amortisation	154	121	275
Impairment of fixed assets	–	–	–
	156	**737**	**893**
Total	**19,737**	**15,523**	**35,260**

5a Property, plant and equipment

2019-2020	Leasehold improvements £'000	Furniture, fixtures and office equipment £'000	IT hardware £'000	Total £'000
Cost or valuation				
At 1 April 2019	1,787	1,293	2,462	5,542
Additions	95	18	279	392
Disposals	–	(1)	(273)	(274)
At 31 March 2019	**1,882**	**1,310**	**2,468**	**5,660**
Depreciation				
At 1 April 2019	1,238	725	1,595	3,558
Charged in year	156	113	331	600
Disposals	–	(1)	(249)	(250)
At 31 March 2020	**1,394**	**837**	**1,677**	**3,908**
Carrying amount at 31 March 2019	**549**	**568**	**867**	**1,984**
Carrying amount at 31 March 2020	**488**	**473**	**791**	**1,752**

TPR does not hold any assets under finance leases.

5a Property, plant and equipment continued...

2018-2019	Leasehold improvements £'000	Furniture, fixtures and office equipment £'000	IT hardware £'000	Total £'000
Cost or valuation				
At 1 April 2018	1,780	1,138	1,901	4,819
Additions	10	202	597	809
Disposals	(3)	(47)	(36)	(86)
At 31 March 2019	**1,787**	**1,293**	**2,462**	**5,542**
Depreciation				
At 1 April 2018	1,109	636	1,256	3,001
Charged in year	130	116	372	618
Disposals	(1)	(27)	(33)	(61)
At 31 March 2019	**1,238**	**725**	**1,595**	**3,558**
Carrying amount at 31 March 2018	**671**	**502**	**645**	**1,818**
Carrying amount at 31 March 2019	**549**	**568**	**867**	**1,984**

TPR does not hold any assets under finance leases.

5b Cash flow reconciliation

	2019-2020 £'000	2018-2019 £'000
Capital payables and accruals at 1 April	300	-
Capital additions	392	809
Less Capital payables and accruals at 31 March	(116)	(300)
Purchase of property, plant and equipment as per Statement of cash flows	**576**	509

6a Intangible assets

2019-2020	Software under development £'000	Software internally generated £'000	IT software acquired £'000	Total £'000
Cost or valuation				
At 1 April 2019	-	1,621	4,073	5,694
Additions	-	-	-	-
Disposals	-	(128)	(170)	(298)
At 31 March 2020	**-**	**1,493**	**3,903**	**5,396**
Amortisation				
At 1 April 2019	-	1,584	3,173	4,757
Charged in year	-	37	304	341
Disposals	-	(128)	(96)	(224)
At 31 March 2020	**-**	**1,493**	**3,381**	**4,874**
Carrying amount at 31 March 2019	**-**	**37**	**900**	**937**
Carrying amount at 31 March 2020	**-**	**-**	**522**	**522**

6a Intangible assets continued...

2018-2019	Software under development £'000	Software internally generated £'000	IT software acquired £'000	Total £'000
Cost or valuation				
At 1 April 2018	400	1,621	4,100	6,121
Additions	-	-	-	-
Disposals*	(400)	-	(27)	(427)
At 31 March 2019	**-**	**1,621**	**4,073**	**5,694**
Amortisation				
At 1 April 2018	-	1,529	2,974	4,503
Charged in year	-	55	220	275
Disposals	-	-	(21)	(21)
At 31 March 2019	**-**	**1,584**	**3,173**	**4,757**
Carrying amount at 31 March 2018	**400**	**92**	**1,126**	**1,618**
Carrying amount at 31 March 2019	**-**	**37**	**900**	**937**

*£400k was included in software under development brought forward at 1 April 2018. TPR switched from a perpetual model to a subscription model for this service in 2018-2019 and this license cost has been prepaid against future subscription costs. The balance of £66k of software development was written off in 2018-2019.

6b Cash flow reconciliation

	2019-2020 £'000	2018-2019 £'000
Capital payables and accruals at 1 April	-	33
Capital additions	-	-
Less Capital payables and accruals at 31 March	-	-
Purchase of intangible assets as per Statement of cash flows	**-**	**33**

7 Financial instruments

As the cash requirements of TPR 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 TPR's expected purchase and usage requirements and TPR is therefore exposed to little credit, liquidity or market risk.

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

8 Trade receivables and other current assets

	2019-2020 £'000	2018-2019 £'000
Amounts falling due within the year		
Trade receivables	11	–
Other receivables	361	156
Prepayments	1,143	949
	1,515	**1,105**
Amounts falling due after more than one year		
Trade receivables	–	–
Other receivables	–	–
Prepayments	134	242
	134	**242**

9 Cash and cash equivalents

	2019-2020 £'000	2018-2019 £'000
Balances at 1 April	963	1,714
Net change in cash and cash equivalent balances	378	(751)
Balance at 31 March	**1,341**	**963**
At 31 March, the following balances were held:		
Commercial banks and cash in hand	**1,341**	**963**

Cash at bank and demand deposits represents the only funds held.
All funds are held at HSBC.

10 Trade payables and other current liabilities

	2019-2020 £'000	2018-2019 £'000
Amounts falling due within one year		
Other taxation and social security	1,221	1,234
Trade payables	68	139
Capital accruals	116	300
Other creditors	–	41
Accruals and deferred income	10,131	9,681
	11,536	**11,395**

There is no deferred income due in less than one year or greater than one year at the end of the current year or prior year.

11 Provisions for liabilities and charges

2019-2020	Year end total £'000
Balance at 1 April 2019	679
Provided in the year	13
Provision not required written back	-
Provisions utilised in the year	-
Balance at 31 March 2020	**692**
Analysis of expected timing of discounted flows	
Not later than one year	-
Later than one year and not later than five years	692
Later than five years	-
Balance at 31 March 2020	**692**
Balance at 1 April 2018	691
Provided in the year	(12)
Provision not required written back	-
Provisions utilised in the year	-
Balance at 31 March 2019	**679**
Analysis of expected timing of discounted flows	
Not later than one year	-
Later than one year and not later than five years	679
Later than five years	-
Balance at 31 March 2019	**679**

Liabilities and provisions

The provision is to cover expected dilpidations costs and reflects the expected liability to cover the cost of restoring Napier House at the end of the lease in 2023 (following a survey by Carter Jonas LLP).

12 Commitments under leases

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

	2019-2020 £'000	2018-2019 £'000
Obligations under operating leases for the following periods comprise:		
Buildings:		
Not later than one year	1,029	1.029
Later than one year and not later than five years	2,315	3,343
Later than five years	-	-
	3,344	4,372
Other:		
Not later than one year	18	18
Later than one year and not later than five years	12	29
Later than five years	-	-
	30	47

The existing lease for TPR's office in Brighton expires in July 2023. The leases are based on standard terms and do not include renewal or purchase options. There are no options for subletting or sale of the lease rights. TPR has no obligations under finance leases.

13 Capital commitments

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

14 Contingent liabilities disclosed under IAS 37

TPR 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.

Compensation payments may also become due as a result of claims against us by staff relating to employment tribunal. There is significant uncertainty around the estimated liability and the timing of payments for these cases.

15 Losses and special payments

There were no losses or special payments during the current or prior year above the limits prescribed by ‘Managing public money’.

16 Related party transaction

TPR is a Non-Departmental Public Body (NDPB) accountable to the Secretary of State for Work and Pensions. The DWP and the PPF are regarded as related parties and a small number of transactions were completed with these bodies this year. All transactions with related parties have been completed at arms length. During the current and prior year no other related parties, including TPR’s Board members and key management staff, had undertaken any material transactions with TPR.

17 Events after the reporting period

There were no reportable events after the reporting period.

IAS 10 requires TPR to disclose the date on which the financial statements are authorised for issue by the Accounting Officer. The Annual Report and financial statements were authorised by the Accounting Officer for issue on the date of the Comptroller and Auditor General’s audit certificate.

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