Annual Report and Accounts 2015-2016

The Pensions Regulator

The Pensions Regulator's Annual Report and Accounts 2015-2016

Report presented to Parliament pursuant to Section 11(5) of the Pensions Act 2004.
Accounts presented to Parliament pursuant to paragraph 27 of Schedule 1 of the Pensions Act 2004.

Ordered by the House of Commons to be printed on 7 July 2016.

HC 436

Print ISBN: 9781474134330
Web ISBN: 9781474134347

Printed in the UK on behalf of the Controller of Her Majesty's Stationery Office.

ID: 13061608 07/16

Printed on paper that is 80% recycled content, chlorine free and manufactured from sustainable forests.

Any enquiries related to this publication should be sent to us at: **customersupport@tpr.gov.uk**. This document is available to download from our website at: **www.tpr.gov.uk** and at: **https://www.gov.uk/government/publications**

This document aims to be fully compliant with WCAG 2.0 accessibility standards and we can produce it in Braille, large print or in audio format. We can also produce it in other languages.

Contents

Chairman's foreword

Pensions have a higher public profile than ever, with millions saving for the first time and many others enjoying new freedoms over how they access their retirement savings.

April 2015 saw the introduction of pension freedoms for members of defined contribution (DC) schemes, and a new role for The Pensions Regulator (TPR) regulating quality standards for DC schemes to ensure good governance. It also marked the beginning of our new responsibilities for the regulation of the governance and administration of public service pension schemes.

Automatic enrolment continues to change the pensions landscape, with over six million workers now saving into pensions, many for the first time. And in defined benefit (DB) regulation, the first full year has now passed of dealing with our additional objective to minimise the impact of our functions relating to scheme funding on the sustainable growth of employers, whilst high-profile cases have brought greater scrutiny to the challenges faced by DB schemes in general.

There have been significant developments within the organisation to ensure that we remain ready and able to meet this broad range of challenges. Our Chief Executive, Lesley Titcomb, joined TPR at the beginning of the year and has overseen an ambitious programme of change in our leadership structure, as well as developing a new outward-facing vision which underlines our commitment to making bolder decisions and to delivering clear and consistent messages. These developments will make us a more agile and effective regulator, better able to respond to the demands of our expanding role.

Under Lesley's direction, we have made significant efforts to broaden our collaboration with other public bodies. For example, we have played a leading role in the industry in fighting pension scams, spearheading a multi-agency project to disrupt those who scam members out of their retirement savings.

Working with government, we have continued to champion transparency, disclosure and member understanding, work which will continue this year as the pensions dashboard continues to develop. We have also played a constructive role for UK pensions in Europe through our work with the European Insurance and Occupational Pensions Authority (EIOPA), ensuring that the first pensions stress test and work on DB solvency were evidence-based and took proper account of the different characteristics of the UK pensions landscape.

We have shown that we are able to actively manage our priorities and respond to developments during the year, working with government to address emerging risks associated with master trust schemes, to ensure the continuing security of member benefits and the success of AE.

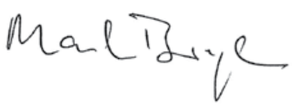
'There have been significant developments within the organisation to ensure that we remain ready and able to meet this broad range of challenges.'

In October we published a list of master trusts with independent assurance, developed in conjunction with the Institute of Chartered Accountants in England and Wales (ICAEW), to give employers confidence in choosing an AE scheme. This has since expanded to include group personal pension (GPP) schemes. We have also worked with government on the development of the forthcoming Pensions Bill which, it is proposed, will further extend our role in the regulation of master trusts. Going forward, I expect we will be increasingly called on to demonstrate this level of agility in response to new developments and challenges.

In this context of continuing change and challenge, we have nonetheless passed some significant milestones. Employer compliance with AE is higher than predicted and opt outs remain low, even as the numbers of small employers continues to increase. Our new DC code of practice has been well received by stakeholders and we have had notable successes in a range of case interventions, spanning AE, protecting the Pension Protection Fund (PPF) and disrupting pension scams.

There have also been changes at Board level. On the executive side, Stephen Soper stepped down in July 2015 and Helen Aston was appointed to the Board in December 2015, whilst three non-executive members joined the Board, replacing longstanding members who have stepped down. I would like to express my considerable gratitude for the service that Isabel Hudson, Bruce Rigby, Tony Brierley and Stephen Soper have given over their years on the Board and welcome Helen, Tilly Ross, Sarah Smart and Margaret Snowdon, each of whom bring highly relevant professional and pensions experience to TPR.

TPR is now a very different organisation from the one I joined two years ago, in terms of the increased breadth of our responsibilities, the way we carry out our role and the influence we are having on the rapidly changing pensions landscape. I would like to pay tribute to the dedication, tenacity and professionalism of Lesley and her executive team, and indeed all of those who work for TPR. As we move into 2016-2017, I am confident that TPR is better placed than ever to respond to new developments and the challenges of the future.



Mark Boyle
Chairman, The Pensions Regulator
23 June 2016

Chief Executive's report

I joined TPR at the beginning of 2015 at a time of unprecedented national interest in retirement saving. Our industry has continued to evolve at great pace, with AE and the new pension freedoms, representing the biggest change to pensions for a generation.

This change presents us all with a challenge. More attention leads to higher standards being expected, both of the industry and of TPR. As our regulatory remit has expanded, our role has developed. We have new responsibilities in respect of DC scheme quality and in public service pension schemes, representing 13 million memberships in schemes with their own distinct needs and challenges. Our regulated community has also grown further as small and micro employers across the UK begin to comply with their duties for the first time. As a result, this year we have changed the way we do things in order to continue meeting the high standards expected of us and delivering against our objectives.

To continue maximising employer compliance with AE, we have simplified the steps that small employers need to take to become compliant. We have also changed the way we communicate, with further tailoring of the letters we send employers and our first ever national advertising campaign on TV, radio and online. This features the headline-grabbing Workie character, who has been very successful in raising awareness of AE among employers and the public at large. We have also published a list of master trust schemes open to all employers, to give small businesses confidence when choosing a scheme, and we are now expanding the list to include group personal pensions.

On the enforcement side, as more employers have reached their staging date we have issued a larger number of fixed penalty notices. Yet, despite this, overall compliance is better than predicted and opt-out rates remain low.

The success of AE and the greater number of people saving for retirement means an increased focus on the quality of schemes they are being enrolled into and on our objective to promote good administration. Since last April, we have had new duties in respect of the charge cap and quality standards for DC schemes used for AE, with further change to come this year in the form of the commission ban. In response to this, we consulted on a new draft of our DC code of practice in November, to ensure that the standards we expect of trustees and schemes clearly reflect the changing landscape and their new responsibilities.

Our case activity continues to be complex and challenging in the context of our objectives to reduce the risk of calls on the PPF and protect the benefits of members. Pension scam models evolve quickly, especially in light of the pension freedoms, while economic circumstances continue to challenge DB scheme funding as our annual funding statement in May made clear.

Following on from our well received revision of the DB code of practice last year, we have published new guidance covering integrated risk management and the employer covenant. These guides make both the requirements and the flexibilities in the system clear and will support trustees in their key role of coming to funding agreements which balance the needs of pension schemes and their sponsors.

We set ambitious targets in all of these areas this year, following a strong performance last year and to reflect the increasing and changing standards expected of TPR by government and industry. We have performed well against those targets despite challenging circumstances, with 10 of 17 targets met in full. In respect of public service pensions, quality standards in DC and our new objective, we are still working to achieve the targets we set but have made significant strides towards meeting them. We will continue to improve our customer service, organisational efficiency and delivery against better regulation principles as our role continues to develop.

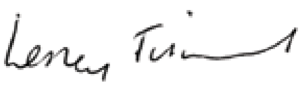
Meanwhile there has been a great deal of change at TPR. We have reorganised our senior leadership team to provide greater accountability for our activities and to ensure we work in a flexible and efficient way. Our vision statement and values have been refreshed to better reflect our changing organisational culture and we have adopted a new framework for leadership and performance management, including training for people managers. We have also established a Women's Network and an LGBT+ Network to help build an inclusive environment and enhanced the shared parental leave pay we offer.

'...this year we have changed the way we do things in order to continue meeting the high standards expected of us and delivering against our objectives.'

We are investing in upgrades to our infrastructure, implementing Cloud technology and smart working, and we have changed how we communicate with the outside world with an expanded presence on Facebook, Twitter and YouTube. Each of these improvements, and those which are still to come, will ensure that we continue to get the best out of our people and remain an effective and modern regulatory organisation.

I am especially pleased to see that our already high levels of employee engagement have improved in light of these changes, and on a personal note I was proud to sign the 'Time to Change' mental health pledge on behalf of the organisation in February, underlining our commitment to our people.

This Annual Report shows that we have achieved a great deal this year, but we know there is always more we can do to learn, improve and to deliver against our wide-ranging objectives. Some of our targets remain a work in progress but I am confident that this year we have laid the groundwork for further success in 2016-2017.



Lesley Titcomb
Chief Executive, The Pensions Regulator
23 June 2016

Introduction

Who we are and what we do

TPR is the UK regulator of work-based pension schemes. We work with trustees, employers, and business advisers of occupational pension schemes in the private and public sectors, to help them understand their legal duties and the standards we expect.

We also work with employers and their advisers to ensure compliance with AE duties.

Our statutory objectives are set out in the Pensions Act 2004. These are:

- to protect the benefits of members of occupational pension schemes
- to protect the benefits of members of personal pension schemes where direct payment arrangements are in place
- to reduce the risk of situations arising which may lead to compensation being payable from the PPF
- in relation to our functions for DB scheme funding only, to minimise any adverse impact on the sustainable growth of an employer
- to maximise employer compliance with employer duties and the employment safeguards introduced by the Pensions Act 2008
- to promote, and to improve understanding of, the good administration of work-based pension schemes.

Performance

Performance summary

Our regulatory approach is to 'educate, enable and enforce' where appropriate. We have undertaken a wide variety of activities in the past year, with the intention of educating through a range of communication channels. We have produced tools to enable our regulated community to meet their duties, and used enforcement action where we have encountered wilful or persistent non-compliance, which has led to a number of high profile and complex cases being resolved.

Automatic enrolment

This year we launched our first national advertising campaign with the Department for Work and Pensions (DWP), which ran across TV, radio and online. It featured the unforgettable Workie character, who is raising awareness among small and micro employers of the need to provide a pension for their staff. This is supported by a targeted series of letters and emails, bespoke journeys for people employing carers and domestic staff, and the introduction of the Duties Checker on our website.

This, along with the publication of a list of schemes open to employers of all sizes, has helped smaller employers new to pensions find out what they need to do, quickly and easily. We have continued our work with business advisers, including speaking events led by our industry liaison team, supported by online videos, webinars and e-newsletters.

We've made use of our enforcement powers where appropriate and have had success in defending both our decisions and our approach to interpretation of the legislation in the First Tier Tribunal and the High Court. For more detail on our enforcement activities, read our AE quarterly bulletins at: **www.tpr.gov.uk/research** and regulatory intervention reports at: **www.tpr.gov.uk/section-89**

Bottom of opposite page
Workie raised awareness among small and micro employers of the need to provide a pension for their staff.

Automatic enrolment
Activity in the last year

1,480,947
outbound campaign letters sent out

over 690,000
unique visitors to our employers' home page since the Workie campaign launch

257,010
emails, phone calls and letters answered at the Birmingham contact centre

the AE online 'Duties Checker' has helped
over 133,000
SMEs segment into relevant journeys

10,697
times powers were exercised including Compliance and Fixed penalty notices

over 31,000 people attended **over 900** AE meetings and events during the year

Scheme-based regulation

Our activities across DB and DC schemes have focused on increasing the quality of and confidence in pensions. We reached a new consumer audience with our refreshed 'scorpion' scams campaign and sought to deepen the understanding of the standards we expect from trustees of DB and DC schemes and their sponsoring employers. This included guidance on integrated risk management, the employer covenant, DB to DC transfers and the new charge control regulations. We also consulted on a revised DC code of practice and continued to promote the master trust assurance framework. And trustees can now access our revised Trustee toolkit on a variety of devices, including tablets.

To help us fulfil our new regulatory remit in relation to public service pension schemes, we have published a report setting out our expectations of scheme managers, and built a regulatory capability which is helping schemes to improve governance and administration standards.

We have had success in a variety of cases and published s89 regulatory intervention reports describing our interventions in the Desmond and Sons, Carrington Wire and the Docklands Light Railway pension schemes. To read our regulatory intervention reports, visit:
www.tpr.gov.uk/regulate-and-enforce/section-89-reports.aspx

Scheme-based regulation
Activity in the last year

98,333
emails sent as part of the recent pension scams campaign

55,569
emails, phone calls and letters answered at the Brighton contact centre

16,524
modules completed by users of the Trustee toolkit in 2015-2016

564
the number of times trustee appointment powers were exercised in 2015-2016

501
speeches given

261
The number of publications published in 2015-2016 (with new or updated content)

583 cases linked to **816** schemes and affecting over **6m** members

Investing in our people and capabilities

This year we made some big changes at the top of our organisation to make sure we are working in an agile and efficient manner. We have restructured the senior team to bring greater clarity to their accountabilities, and revised our vision and values. Staff engagement has also improved and a new managerial training programme to further build our effectiveness, and attract and retain quality staff, has been put into place.

We are investing in our IT, such as Cloud technology, and have upgraded our printing and WiFi capabilities, plus we have automated some of our case management systems to enable us to deal with large volumes efficiently. Our external audience is also benefiting from our investment in technology, and we have an expanded presence on Facebook, YouTube and Twitter, where our following has increased significantly.

Investing in our people and capabilities
Activity in the last year

77%
8% uplift in staff engagement survey

64
learning events were run in-house last year

8,621 followers
up 77% from last year's total of 4,859

6,958 members
up 24% from last year's total of 5,607

773 likes
>80% of 'likes' were from the 44yrs+ age group

46
the number of videos currently on our YouTube channel, generating views of over
92,000

5
new organisational values

Performance analysis

How we measure our performance

Our aim is to measure our regulatory performance against our statutory objectives and priorities, as set out in our Corporate Plan. Our regulatory performance cannot be wholly judged by a set of metrics, which is why we covered our broader achievements in the performance summary section above, outlining our key activities, volumes and achievements.

The measures we define in this section are based on our priorities for the 2015-2016 year, which were set out in our 2015-2018 Corporate Plan (published March 2015: **www.tpr.gov.uk/plan**). They are principally collated through management information and survey results, which we report to our Board and the DWP on a quarterly basis.

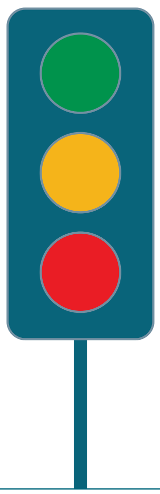
This year, in addition to key performance indicators (KPIs), we adopted key outcome indicators (KOIs) as a means of highlighting our role in the overall context of providing good retirement outcomes. These measures demonstrate trends over a longer term and indicate whether our involvement as part of a wider pensions framework, is delivering better outcomes.

The Board adopts KPIs and associated targets annually, which are published in the Corporate Plan. They are set in response to our assessment of the key risks to the achievement of our statutory objectives and corporate priorities.

Analysis of performance: Key performance indicators (KPIs)

We set ourselves stretching targets this year as new areas of remit for us came into effect, such as new standards for public service schemes and duties on DC schemes. In the main we have hit our targets or narrowly missed them, which was primarily due to our having created deliberately stretching targets.

We achieved 10 out of our 17 KPIs (green), with five missed by a small margin (amber) and two missed significantly (red). We designate the outcome of a KPI as green, amber or red as shown below.



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.

Green KPIs

1. Scheme governance	
Target	As part of a strategic review of the trustee universe, to understand through a research programme, the capabilities of scheme trustees and scheme governing bodies to fulfil effectively their roles and responsibilities, and develop a plan to address any identified capability issues.
Analysis	We carried out a research programme which identified key capability issues relating to the dynamics of trustee boards and the role of training in improving competence. This is being addressed through: ▸ clarifying how the standards set out in our codes and guidance relate to the behaviours and good governance. ▸ a drive to improve the performance of trustee boards via a targeted communications strategy and the provision of enablement tools. ▸ developing options for our approach to trustees who are unable to improve.

2. Knowledge among DB schemes	
Target	89% of employers and trustee boards on average who will be submitting a scheme valuation in the next cycle understand the key messages in our 2014 DB funding code of practice.
Analysis	On average, 90% of employers and trustee boards understood the key messages in the code of practice, versus an improvement target this year of 89%.

3. Knowledge among DC schemes	
Target	A high proportion of members are in schemes used for AE, where the trustees are aware of the governance standards.
Analysis	We achieved an average level of knowledge of governance standards among schemes (weighted by memberships) of 4.56, versus a target of 4.39. This exceeded last year's result of 4.30.

4. Reduce risks of DB schemes entering PPF	
Target	50% of PPF risk to be addressed through the recovery plan cases that we will open on the basis of the risk indicators in our DB funding policy.
Analysis	Of the recovery plans we received in the year, the cases we opened covered approximately 66% of PPF risk. This measure of PPF risk is based on the size of each scheme's PPF deficit and probability of sponsoring employer insolvency and has been applied to schemes that were required to perform their actuarial valuations between September 2013 and September 2014 (tranche 9).

5. Quality of DC multi-employer schemes	
Target 1	95% of members are in relevant multi-employer schemes used for AE that meet the new independence requirements.
Analysis	100% of those measured in our survey of schemes, accounting for 94% of the memberships, met the new independence requirements.
Target 2	80% of members automatically enrolled into relevant multi-employer schemes which have independent assurance.
Analysis	We exceeded this target achieving 94%, against a baseline of 46% at the start of the year. By the end of the year, nine schemes had attained master trust assurance, including the largest schemes.

6. Automatic enrolment employer declarations of compliance	
Target	A high proportion of employers submit their declaration to us.
Analysis	During the year, 64,283 employers confirmed to us they had met their duties by completing their declaration of compliance during the period.

7. Qualifying scheme for automatic enrolment in place and jobholders enrolled	
Target 1	A high proportion of employers have arrangements with a qualifying scheme.
Analysis	110,103 employers had declared their compliance to us as at the end of March 2016.
Target 2	A high proportion of the jobholder population have been automatically enrolled into a qualifying scheme.
Analysis	In aggregate, the number of eligible jobholders automatically enrolled into a qualifying scheme is 6,146,000.

8. Maintaining contributions	
Target 1	99.8% of DB schemes adhere to their schedule of contributions (with no material deviation from this) prior to any required interventions according to our risk bars.
Analysis	The target was no more than ten instances of a scheme not adhering to their schedule of contributions (with no material deviation) prior to any required interventions by us. We achieved this target on the basis of two instances having occurred.
Target 2	A high proportion of employers make contributions to their respective DC schemes before they become significantly late.
Analysis	99.8% of employers made contributions this year without our case intervention.

9. Our governance standards	
Target	In any one year, a satisfactory result from a review of our governance from a third party audit, DWP's triennial review, or from a Board effectiveness review.
Analysis	Our Board monitored the implementation recommendations for fine tuning following the external Board effectiveness review of March 2015 during 2015-2016, which concluded that 'TPR is an excellent organisation with solid governance.' We undertook annual reviews of key policies, including Board standing orders, Board code of conduct, and Board delegations. These policies were updated to reflect best practice.

10. Employee engagement	
Target	An employee engagement index score of 75. The index comprises seven elements including commitment, satisfaction and advocacy.
Analysis	The employee engagement index score was 77, versus the target of 75. This was a significant improvement on the 2015 result of 69.

Amber KPIs

11. Funding of DB schemes	
Target	69% of trustee boards with a DB scheme fully integrate risks with respect to scheme funding, scheme investments and covenant.
Analysis	We set an improvement target for this KPI last year. Just over three fifths (63%) of the schemes surveyed said that they 'fully integrate' the management of the following risks: scheme funding, scheme investments and the employer covenant. This is similar to last year's result (62%) but far exceeds the 2014 result (42%). Larger schemes had a higher adherence rate (72%) than smaller schemes.
12. Quality of DC schemes	
Target 1	85% of members are in DC schemes used for AE with at least 75% of the applicable governance standards in place.
Analysis	We missed our target in relation to Part 1 of this KPI, but not part 2. 74%. The governance standards introduced challenging requirements which schemes have had to interpret and adjust to. While master trusts performed well generally on meeting the governance standards, hybrid and large DC schemes performed less well affecting our result.
Target 2	80% of members are in schemes that have appointed a chair of trustees.
Analysis	88% against a known baseline of 37% at the start of the year.
13. Delivery against better regulation principles (PACTT) These are: proportionality, accountability, consistency, transparency, and targeting	
Target	70% (on average) of our key audiences to rate us positively on the constituent parts of the better regulation principles.
Analysis	We missed the target by just 1%, achieving a result of 69%, although this is statistically similar to the result in 2014-2015 (72%).

14. Customer service	
Target 1	Achievement of the nine performance measures including web availability, accessibility, content performance and code quality, all measured by an independent assessment provider.
Analysis	We achieved all nine performance measure targets on our website.
Target 2	85% of audiences contacting us by telephone rate the overall service they received from us as 'excellent', 'very good' or 'good'.
Analysis	We acheived 83%. This target was narrowly missed mainly due to service quality ratings for AE, which were affected during our one-off mass mailing exercise to all employers. Inbound contact volumes were higher than we anticipated and there was a significant increase in temporary resourcing.
Target 3	Among users of our website, 78% on average to report they obtained 'all' or 'most' of the information they were looking for.
Analysis	47% of website visitors on average found 'all' or 'most' of the information they wanted from the website and gave a 'very good' or 'good' score in response to questions on user perceptions. However, this was based on a very low response rate to the survey (less than 0.5% of website visitors). Other measures, for example, our spring 2016 Employer tracker survey, found that 88% of employers said they found our website useful.
15. Efficiency	
Target	We successfully deliver projects to provide efficiency, cost avoidance (risk reduction) and/or cashable benefits.
Analysis	This was a new KPI area for 2015-2016 which we defined with a view to developing measures and targets in year. At the beginning of the year, our new Chief Executive and IT Director commissioned a review of our business and IT transformation capability, governance, and intended change portfolio, which led to a redefined strategy, approach, and project portfolio. We therefore did not deliver our project portfolio as planned at the beginning of the year and so do not consider this KPI to have been met. However, we have continued to deliver to our revised change activity in year, while redefining our project portfolio and capabilities for future years.

Red KPIs

16. Public service pension schemes	
Target	85% of members are in schemes that have assessed themselves against the legal requirements and our code of practice.
Analysis	Versus a stretching target of 85%, 66% of members of public sector schemes (as of April 2016) are in a scheme that has both assessed itself against the legal requirements and against our code of practice. This represents a significant increase from the 55% known baseline at the start of the year but falls considerably short of our expectations. We missed the KPI for a number of reasons including: ▸ the failure of two large schemes to meet the requirements, having not completed a full assessment (although we have been advised that they have completed a partial assessment which focuses on their top risks). ▸ a lack of understanding of their responsibilities by some local government schemes. ▸ competing priorities for schemes whereby they have a number of activities to undertake including end of year and preparing for their valuations. We are strengthening our focus on this area for 2016-2017. It is one of our key priorities, and we have outlined new and challenging performance measures to improve standards further, as detailed in our 2016-2019 Corporate Plan.

17. Sustainable growth of employers sponsoring DB schemes	
Target	An average rating of 3.89 (where 5 denotes ‘agree strongly’ and 1 denotes ‘disagree strongly’) provided by our core DB audiences against two survey questions, in our perceptions tracker survey.
Analysis	This measure relates to our statutory objective to minimise any adverse impact on the sustainable growth of an employer. We set a stretching target this year, and whilst we did not hit it (with a result of 3.73), we take encouragement from the continuing high level of agreement amongst our audience that we support schemes to have a strong and ongoing employer, and that we take into account the needs of the scheme and the employer in a balanced way. This result is statistically similar to our result in 2014-2015, and demonstrates a consistency of perceptions amongst most of our stakeholders that we are striking the right balance in our approach to regulation of DB funding. The results also tell us that where we have engaged with our audience, on particular cases for example, we have attained higher perceptions (3.77). In our view this result still represents a good level of agreement from our stakeholders that we are meeting our objective. We are now devising case outcome measures to further demonstrate our performance going forward.

Analysis of performance: Key outcome indicators (KOIs)

Our KOIs are demonstrating encouraging trends in participation, income and confidence in pensions. On DB entitlement, the number of pensioner members has remained relatively static – however, we have seen an increase in PPF membership in line with expectations. The drop in the S179 funding ratio this year broadly mirrors that of the DB universe overall, and is largely down to market conditions which led to increases in the discount rates and associated liability measures.

KOI 1. Participation	
Outcome	Increasing participation and amount of savings in workplace pensions.
Linked to our statutory objectives	Relates to all our statutory objectives.
Measure	The percentage of eligible employees who are participating in workplace pensions.
Source	Office for National Statistics (ONS) Annual Survey of Hours and Earnings (ASHE).
Trend	Increasing year on year.
KOI 2. Income in retirement	
Outcome	Increasing income in retirement and the proportion of income from workplace pensions.
Linked to our statutory objectives	Relates to all our statutory objectives.
Measure	The proportion of total income in retirement from occupational pensions.
Source	DWP pensioners income series.
Trend	Increasing year on year.
KOI 3. Confidence	
Outcome	Increasing confidence in workplace pensions.
Linked to our statutory objectives	Relates to all our statutory objectives.
Measure	A confidence index which measures the difference between the number of respondents who are confident about pensions, compared with other ways of saving for retirement.
Source	Expired in year. Seeking new measure in 2016-2017.
Trend	No reliable trend data.

KOI 4. DB entitlement	
Outcome	Increasing members of DB schemes receiving their promised benefit entitlement.
Linked to our statutory objectives	To protect the benefits of members of occupational pension schemes.
Measure	Pensioner members in receipt of PPF compensation/ total DB pensioner members.
Source	TPR/PPF: Purple Book.
Trend	Increasing year on year.
KOI 5. PPF protection	
Outcome	The continued protection of the PPF.
Linked to our statutory objectives	To reduce the risk of situations arising which may lead to compensation being payable from the PPF.
Measure	PPF funding ratio ie average funding ratio of schemes transferring into the PPF.
Source	TPR/PPF: Purple Book.
Trend	Static for a number of years but decreased this year.
KOI 6. Trustee competence	
Outcome	Increasing capability and competence of trustees and others who govern pension schemes.
Linked to our statutory objectives	To promote, and to improve understanding of, the good administration of work-based pension schemes.
Measure	Profiling the levels of knowledge, skills and competence of those responsible for the governance of occupational pension schemes.
Source	TPR trustee research.
Trend	No trend data currently available – baseline survey produced in 2015.

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 2015-2016 was lower than budget. This was mainly as a result of a pause and reprioritisation in our IT investment programme, and also not requiring various provisions and contingencies set aside primarily to mitigate against low employer compliance for the AE duties.

Actual expenditure v budget

	2015-2016			2014-2015		
	Actual	**Budget**	**Variance**	Actual	Budget	Variance
Total TPR*	**62.8**	**74.3**	**11.5**	60.1	72.9	12.8

* All figures exclude capital expenditure

Further information on our 2015-2016 expenditure and financial results of our duties in respect of the collection of levies and AE penalty notices can be found in the Financial review on pages 80 and 81.

Going concern

The Statement of Financial Position at 31 March 2016 shows net liabilities of £4.0m. 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. This is because, under the normal conventions applying to Parliamentary control over income and expenditure, such contributions may not be issued in advance of need.

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% baselined against 2009-2010[1]. This was achieved on a normalised FTE basis by the target date of 2014-2015, and this year we have made further reductions on absolute and normalised bases. 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

Staffing levels have increased over the last year, with an average annual FTE increase from 481 in 2014-2015 to 503 in 2015-2016. This has not, however, had a significant impact on our total CO2e emissions, which have decreased by 12% relative to 2014-2015. CO2e emissions per FTE have decreased by 16%: from 1.37 tonnes per FTE in 2014-2015 to 1.15 in 2015-2016.

Waste performance commentary

We promote the recycling of all paper, card, tins, plastic and glass, and continue to raise awareness and understanding of the importance of recycling through our internal sustainability programme called PLANET.

<16%

per FTE from 1.37 tonnes (2014-2015) to 1.15 tonnes (2015-2016)

1 www.gov.uk/government/publications/greening-government-commitments-2013-to-2014-annual-report

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.

Lesley Titcomb
Chief Executive, The Pensions Regulator
23 June 2016

Accountability

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, our in-house enterprise risk management team, the Audit and Risk Assurance Committee, those responsible for the development and maintenance of the internal control framework, and the plans that we have in place to address weaknesses and 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. 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 the evidence provided from risk management and internal controls, and from the internal audit opinion, I am satisfied that we have maintained a sound system of internal control during the 2015-2016 financial year. Where control issues arose over the year they have been, or are in the process of being, mitigated. There were no significant control failures or data losses.

Board

Board structure

We are subject to legislative requirements regarding the composition, powers, functions, committee structure and responsibilities of our Board. The Board is accountable to Parliament through ministers and is supported by a secretariat.

The Board structure at the end of the reporting period comprised the Chairman, six non-executive directors, the Chief Executive and four executive directors (one which remained vacant).

Board members' appointment dates, terms of office, committee membership and web links to their biographies are set out on page 52. Reports from the separate committees and their activities are included from page 47 onwards.

Responsibilities of the Board

The key responsibilities of the Board are set out in the Board's Code of Conduct and Standing Orders which can be viewed at: **www.tpr.gov.uk/board**

The Board publishes and regularly reviews these documents, which also cover aspects such as the terms of reference of the Board committees and the management of conflicts of interest. It has an ongoing system for managing any conflicts of interest that may arise, involving a minuted check at the start of each meeting. As TPR is an arm's length body, the Board has taken into account the principles of the government's Corporate Governance Code (updated in March 2015) as part of its own governance framework, and those of 'Managing Public Money'.

Board meetings from 1 April 2015 to 31 March 2016

In the year from 1 April 2015 to 31 March 2016, there were eight Board meetings, five Audit and Risk Assurance Committee meetings, two Remuneration Committee meetings and one Committee of Non-executive members meeting. At the February 2016 Board meeting, the Determinations Panel chairman discussed the Panel's role and work.

In addition there was one strategy 'away day' discussion meeting, in November 2015, at which the Board received briefings on operational and market developments and discussed strategic issues.

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

Board evaluation

The Board monitored implementation of the fine tuning recommendations from the external Board effectiveness review of March 2015 several times during the year and was satisfied that good progress has been made to embed the recommendations.

Role of the Board Chairman and Chief Executive

The roles of the Chairman and Chief Executive are set out in the joint framework agreement between TPR and the DWP.

In addition to being Accounting Officer, the Chief Executive has executive responsibility for ensuring that our statutory objectives and functions are exercised efficiently and effectively, for leading stewardship arrangements with government, for working with key stakeholders, and – as an executive member of the Board – contributing to and reviewing our strategic direction.

The Chief Executive's performance is reviewed by the Chairman as the line manager for the role. The Chief Executive's objectives are set by the Chairman in conjunction with the Remuneration Committee which approves them. The Chief Executive's contract includes scope for a bonus, the Remuneration Committee will consider any nomination from the Chairman and decide on that element of performance-based remuneration annually.

As Accounting Officer, the Chief Executive also has a reporting line to the DWP's Permanent Secretary.

Board committees

Terms of reference for each of the Board's sub-committees are set out in the Board's standing orders.

The duties of the Committee of Non-executive Members are to keep under review the question of 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 subcommittees: an Audit and Risk Assurance Committee and a Remuneration Committee. A report of the activities of those committees is included in the Committee reports section on pages 46 to 51.

We are required by Section 9 of the Pensions Act 2004 to establish and maintain a committee called the Determinations Panel ('the Panel'). The Panel exercises certain regulatory functions on our behalf. A report of the activities of the Panel during 2015-2016 is on pages 54 to 58.

DWP stewardship

As Accounting Officer, the Chief Executive's line of accountability is through the DWP. The DWP, through the nominated steward, receives reports on performance, finance and risk, has regular accountability review meetings, and attends our Audit and Risk Assurance Committee. The stewardship arrangement is set out in a published joint framework agreement.

Executive Committee

The corporate governance systems of the Board and its committees are further supported by the Executive Committee. Operational management and business planning functions are co-ordinated by the Executive Committee to ensure that we can deliver our strategies and objectives as set out in the Corporate Plan, have oversight of corporate performance and governance, manage risk, engage with stakeholders and provide a point of escalation for issues arising from our directorates.

An internal review of the effectiveness of the Committee was undertaken in March 2016 and will be considered early in 2016-2017. It found that the Executive Committee was an effective committee and highlighted areas of particular strengths and areas for further minor improvements.

At the end of 2015-2016, Executive Committee membership comprised the Chief Executive (as chair), the Executive Director for Automatic Enrolment, the Executive Director for Regulatory Policy and the Executive Director for Finance and Operations. The post of Executive Director for Frontline Regulation remained vacant at the end of the period. The Executive Committee meets weekly.

Control framework

Our system of internal controls was in place during the year ended 31 March 2016 and up to the date of approval of the Annual Report and Accounts. It accords with Her Majesty's Treasury (HMT) guidance and supports the achievement of our objectives, while safeguarding public funds and departmental assets. It is designed to manage risk to a reasonable level, 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.

Internal controls

Key components of the internal controls are:

- 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
- a corporate planning system linking strategic, operational and personal objectives, subject to regular review by the Executive Committee, and with quarterly reporting to the Board and the DWP Steward
- an annual budget, agreed by the Board and the DWP, linking into the business planning cycle and risk appetite. This includes a set of financial protocols outlining the relationship between levy-funded activities and those relating to AE
- management reporting through the Executive Committee on a set of agreed measures designed to reflect the performance of the organisation and to monitor key performance indicators
- detailed business processes, a consistent standard of documentation, and clear lines of accountability and escalation in respect of regulatory decisions and actions taken
- a process for managing change and the resources dedicated to change projects
- a programme of internal audits and a system for progressing implementation of audit recommendations and reporting progress to the Audit and Risk Assurance Committee
- a formal complaints procedure to deal with complaints made against TPR about the way in which we have carried out, or failed to carry out our role.

We manage our contract with our strategic supplier, who supports us in the delivery of AE, in line with our governance structure. This includes a strategic programme board, management committees and a service delivery team who are responsible for working with the supplier to ensure that they operate in line with the contractual obligations through an operation control framework.

Our strategic suppliers' controls are scrutinised by internal management committees and by our Audit Committee. They operate to ISO standards, and have business continuity plans and disaster recovery processes in place.

Members of the Executive Committee take shared responsibility for executive decision making and for recommendations made to the Board. In addition, each member of the Executive Committee and each of the other directors have internal controls in place for their area of responsibility and have given me formal assurance that these have been operating effectively throughout the year.

The Board was provided with detailed, quality information, including executive directors' reports and new quarterly management information reports (since autumn 2015).

Whistleblowing

There is a policy for staff whistleblowing which applies to all employees and sets out how any concerns or issues can be raised by our staff. Where employees feel unable to report issues internally, they can report issues to the chair of the Audit and Risk Assurance Committee or directly to the DWP stewardship division.

We are committed to ensuring that each employee is aware of our policy and how to raise any concerns. We have also included staff whistleblowing in our corporate induction programme for new staff and we issue regular reminders to all employees. I am satisfied that there is an effective framework in place to deal with staff whistleblowing.

Whistleblowing

Our policy sets out how any concerns or issues can be raised by our staff

Risk management

We deal with two fundamental risk types in discharging our statutory objectives:

- risks in the external pension landscape, and
- risks which, if left to crystallise, would specifically affect our ability to deliver our corporate priorities within the Corporate Plan.

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 opportunity in pursuit of achieving our objectives.

The Risk Committee is responsible for weighting risks in terms of threat and control, and for proposing a set of the main risks to the Audit and Risk Assurance Committee for their consideration. Supporting risk committees have been established across our directorates to ensure effective risk management capabilities also operate at a working level.

The annual review of the effectiveness of our enterprise risk management approach (autumn 2015) concluded that the Risk Committee continued to fulfil its stated purpose and remit, with no areas of significant concern.

Operational risk

Two operational risks of notable magnitude did crystallise over the past year. Both of these had been identified and tracked within our risk dashboard (as reported to the Audit and Risk Assurance Committee) prior to their crystallisation and in both instances the mitigation plans proved effective in limiting their impact. They were:

- a series of successful malware attacks on our network. These were identified quickly and disabled, but did result in a short-term loss of access to data and localised disruption to some services (eg e-learning packages). Since then, we have strengthened our security against future attacks in a way that is in keeping with our risk appetite and proportionate to the size of our organisation when compared with similar public sector bodies.
- a disaster recovery (DR) incident at our back-up data centre resulting in a number of systems being unavailable for a prolonged period. We have since recruited additional expertise in this field to review all DR plans and accelerated the timelines for a number of the mitigation plans.

We have not been exposed to any major risks or unseen adverse events that have led to the instigation of an emergency reaction.

Risk models

We use models to enhance the effectiveness and efficiency of our regulatory activities and internal operations. In doing so, we acknowledge the risks that comes with their use, and the need to identify and manage these risks in 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 our framework 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.

Information security

In accordance with our responsibilities under the HMG Security Policy Framework and the Data Protection Act 1998, we have arrangements in place to provide for information security. We have also transitioned to the new ISO 27001:2013 certification.

We advised the Information Commissioner's Office (ICO) of one data protection-related incident. The data was recovered with no impact on the data subject and no further action by the ICO. There were no serious incidents requiring investigation during the year.

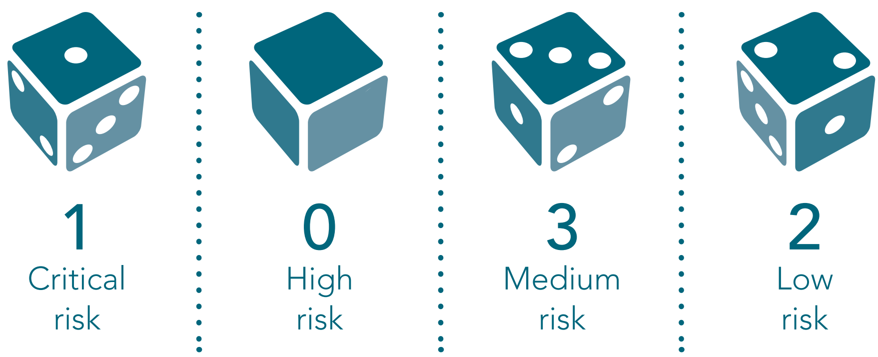
Internal audit

A programme of internal audits was undertaken and reported to the Audit and Risk Assurance Committee during the period of this statement. Report classifications received this year were:

- Critical risk – 1
- High risk – 0
- Medium risk – 3
- Low risk – 2

Based on the spread of findings arising from the work completed, the internal auditors identified that improvements were required to aspects of:

- business continuity management and
- software asset management.



While significant weaknesses were noted within the framework of governance, risk management and control relating to business continuity management, it was acknowledged that we had identified this directly and it was considered to be an isolated area that neither affected other interactions or control issues. In addressing these findings we have appointed a specialist business continuity manager who is leading a specific improvement project across TPR to build a sustained business continuity capability.

In looking at software asset management, our internal auditors acknowledged that true-ups are being performed for all providers and work is ongoing to improve the overall process, including the implementation of automated asset management tools and appointment of a quality assurance manager. As such, this was deemed a decreasing area of risk.

Outside these areas, internal audit did not identify any control failures within the business and operational processes that were significant in aggregate to the system of internal control. As such, an overall opinion of 'generally satisfactory with some improvements required' was given.

Conclusion

Having reviewed the evidence and internal audit opinion, I am satisfied that we have maintained a sound system of internal controls during the 2015-2016 financial year. Control issues that arose over the year have been, or are in the process of being, addressed. There were no significant control failures or data losses.

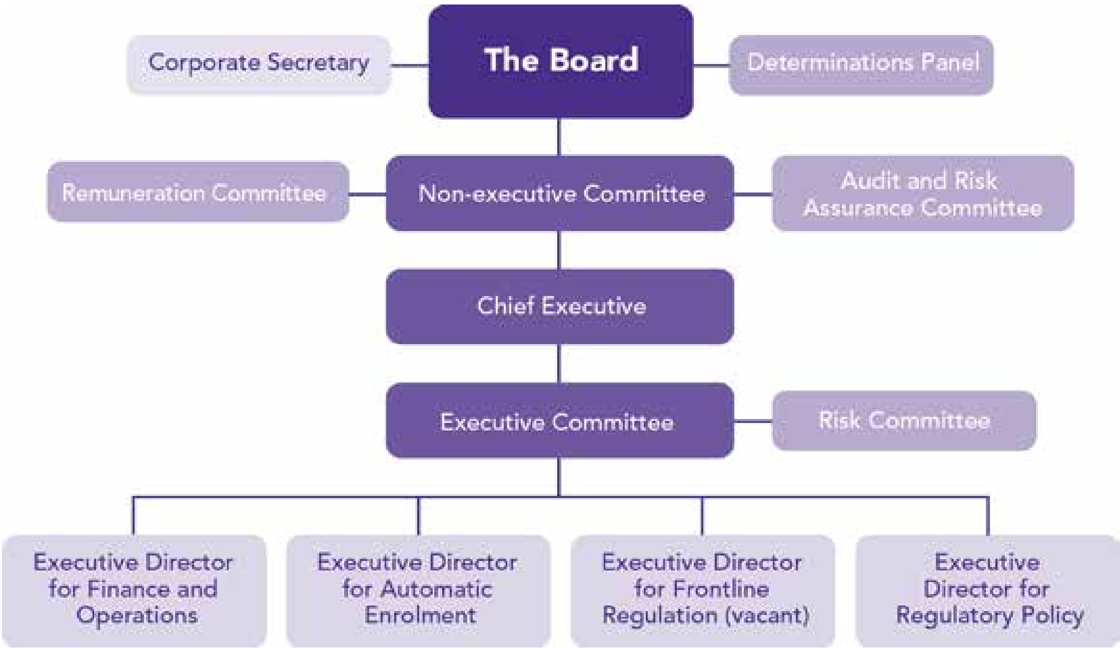
To my knowledge, and that of the Board, there is no relevant audit information of which the auditor is unaware. I have taken appropriate steps to become aware of, and report to, the auditors any relevant audit information.

I can confirm that we received no ministerial direction under the Ministerial Code 2015 during the financial year 2015-2016.

Lesley Titcomb
Chief Executive, The Pensions Regulator
23 June 2016

Committee reports

Organisation chart showing Board to Executive Director structure



For further detail about the Board, see: **www.tpr.gov.uk/about-us/the-board.aspx**

Report of the activities of the Committee of Non-executive members

Attendance and membership of the Committee of Non-executive members is shown in the Board membership and attendance tables on pages 52 and 53.

The Audit and Risk Assurance Committee and the Remuneration Committee reviewed TPR's internal financial controls, including the conduct of our financial affairs and the remuneration of the Chief Executive on the Committee's behalf, in line with their terms of reference.

The Committee's discussions included a range of appointments and staff matters such as progress with non-executive member recruitment, senior management recruitment, performance and development of executive directors, reflections on the first six months of the incoming Chief Executive's term of appointment, and the senior management restructure of the organisation.

The Committee also reflected on our strategy development, corporate planning, and vision and values work. It considered how frequently it should meet and reviewed the programme of briefing and discussion sessions for non-executives with staff members.

Reports follow from the standing sub-committees: the Audit and Risk Assurance Committee and the Remuneration Committee.

Report of the activities of the Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee provided regular feedback to the Board.

Conclusions

As a result of its work and the reports that it has considered, the Audit and Risk Assurance Committee:

- noted that the control environment is designed to manage risk rather than to eliminate all risk. It therefore provides reasonable, rather than absolute, assurance of effectiveness. It has evolved to comply with government spending requirements and to track and monitor service delivery in key areas.
- endorsed management's assessment of key risks through identification, prioritisation, monitoring and reporting systems. It concluded 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.
- noted that of the six internal audits undertaken which identified opportunities for improvement, the classification of one (business continuity and disaster recovery) was critical risk, three, (public service pension schemes, Cloud migration and IT follow-up) were medium risk, and two (AE external performance information, and case management and intelligence) were low risk.

The Committee was satisfied at the year-end that good progress was being made in the implementation of agreed internal audit recommendations. It concluded that the monitoring and reporting systems in place give senior management an appropriate level of control over processes, that management of processes within the organisation was broadly effective, and that where gaps were identified, appropriate actions were put in place, including reviewing the principles against which authority is delegated.

The Committee noted the Head of Internal Audit's annual opinion of 'generally satisfactory with some improvements required'.

During the year, the Chairs had a range of meetings and updates. These included meeting the DWP regarding the work of the Committee in general, the DWP Group Head of Internal Audit regarding internal audit resourcing requirements, and the National Audit Office regarding the work of the Committee and audit themes within the public and regulatory sector.

The Committee also met in May and June 2016 to review the internal audit, internal audit's annual opinion and the governance statement for 2015-2016. Following completion of the reviews, the Audit and Risk Assurance Committee recommended to the Board approval of the elements of the Annual Report and Accounts within its remit.

Risk management

The Audit and Risk Assurance Committee undertook a quarterly review of our top risks, based on management processes and inputs, to identify, prioritise, monitor, manage and mitigate operational and strategic risks throughout the organisation. The Committee was able to question management about the ratings given to risks, to monitor the effectiveness of mitigations and to consider the changes and trends in risks.

The Committee considered our cyber security, enterprise risk management, HR risks and liabilities, and reviewed specific aspects of the risk register in depth, particularly newly emerging risks.

The Committee received reports on progress with our risk appetite work during the year.

2015-2016 audit services

As in the previous year, internal audit services were provided by auditors procured via a DWP framework agreement. The Committee agreed a programme of internal audits for the year, covering major areas assessed as priority topics for review, investigation and audit.

Progress over the year was kept under review and the Committee was able to review each of the audit reports before its June 2016 review of the Annual Report and Accounts and the Governance Statement and their subsequent recommendation to the Board for approval.

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

Board and Determinations Panel expenses

The Committee reviewed the expenses of Board and Determinations Panel members for quarterly publication on our website and was satisfied that the expenses claimed were appropriate.

Report on the activities of the Remuneration Committee

The Remuneration Committee terms of reference provide for the Committee:

- to advise on the pay of the Chief Executive, including base salary, bonus and any other components under the terms of that contract, and performance against agreed objectives
- within the terms of TPR's pay remit agreed with the Secretary of State, to review the pay and performance of the Executive Directors including approval of any annual bonuses to be awarded to them
- to keep the reward strategy under review
- to keep our HR strategy under review and to consider emerging strategic people issues. In particular, these related to talent attraction, development and retention, and long-term human resource planning, with a focus on leadership capability.

The Committee continued to focus on reward-related issues and on the objectives for senior staff. It:

- reviewed the Chief Executive's objectives for 2015-2016, following her appointment, and reviewed revised directors' objectives for 2015-2016
- approved bonus nominations for executive and other directors, and the bonus nomination process for other staff, relating to 2014-2015 performance
- reviewed senior remuneration
- received an update on the pay remit
- received an update on equal pay legislation.

At a meeting in June 2016, the Committee reviewed and agreed bonus arrangements for the 2015-2016 year. All final decisions on remuneration were taken in accordance with the current rules on public sector pay, as in previous years.

In addition to these areas, the Committee discussed topics including diversity, succession planning and talent management, HR metrics, the annual 'Speak up' staff engagement survey, and leadership development training. Through its discussions, including with management, the Committee formed the view that effective approaches on people-related issues have been in place to give the executive team an appropriate level of support.

Discussion

Topics included diversity, succession planning and talent management, HR metrics, the annual staff engagement survey and leadership development training

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/expired	Committee membership
Mark Boyle	1 April 2014	31 March 2018	Non-executive (Chairman)
Non-executive members			
Tony Brierley	9 July 2008	8 July 2016	Chair of Audit and Risk Assurance Committee until 31 January 2016, Non-executive
David Martin	1 February 2013	31 January 2017	Remuneration, Non-executive
Graham Mayes	1 February 2013	31 January 2017	Audit and Risk Assurance, Non-executive
Ann Berresford	1 August 2013	31 July 2017	Remuneration Chair, Non-executive
Sarah Smart	1 February 2016	31 January 2020	Chair of Audit and Risk Assurance Committee from February 2016, Non-executive
Tilly Ross	1 February 2016	31 January 2020	Audit and Risk Assurance, Non-executive
Executive members			
Lesley Titcomb	2 March 2015	1 March 2019	
Charles Counsell	1 July 2011	1 July 2017	
Andrew Warwick-Thompson	8 April 2013	31 March 2019	
Helen Aston	1 December 2015	30 November 2019	
Former non-executive members			
Bruce Rigby	1 June 2009	Stepped down 31 December 2015	Audit and Risk Assurance, and Non-executive until 31 December 2015
Former executive members			
Stephen Soper	11 May 2011	Resigned 31 July 2015	

Margaret Snowdon was appointed as non-executive Board member on 9 May 2016.

Details of Board attendance

Member	Number of meetings			
	Board	Audit and Risk Assurance Committee	Remuneration Committee	Committee of Non-executive Members
Mark Boyle	8/8	N/A	N/A	1/1
Tony Brierley	7/8	4/4	N/A	1/1
David Martin	8/8	N/A	2/2	1/1
Graham Mayes	8/8	5/5	N/A	1/1
Ann Berresford	7/8	N/A	2/2	1/1
Sarah Smart	1/2	1/1	N/A	0/0
Tilly Ross	2/2	1/1	N/A	0/0
Lesley Titcomb	8/8	N/A	N/A	N/A
Charles Counsell	8/8	N/A	N/A	N/A
Andrew Warwick-Thompson	8/8	N/A	N/A	N/A
Helen Aston	8/8*	N/A	N/A	N/A
Former member	**Number of meetings**			
	Board	Audit and Risk Assurance Committee	Remuneration Committee	Committee of Non-executive Members
Bruce Rigby	6/6	4/4	N/A	1/1
Stephen Soper	2/3	N/A	N/A	N/A

* In attendance for the first five meetings and as a Board member for the following three meetings.

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/expired
Andrew Long (Panel Chairman)	6 April 2013	5 April 2017
Tony Foster	31 March 2014	30 March 2018
Peter Hinchliffe	14 July 2011	13 July 2019
David Latham	1 April 2014	31 March 2018
Matthew Lohn	13 March 2013	12 March 2017
Elizabeth Neville	14 July 2011	13 July 2019
Catharine Seddon	13 March 2013	12 March 2017
Alasdair Smith	14 July 2011	13 July 2019

TPR appoints a Chairman to the Panel. The Chairman then nominates at least six other members.

Anthony Stern sadly passed away in October 2015 and on behalf of my colleagues, I wish to pay tribute to his contribution and dedicated work since he first joined the Panel in 2011.

Procedures

The Panel's procedures, published on TPR's 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 the regulatory teams and incorporated into a warning notice which is sent, in standard procedure cases, to all parties who are considered to be directly affected by the decision 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, the supporting exhibits and the responses, are then submitted to the Panel. The Panel for a specific case is a sub-committee of members, which is supported by a clerk as appropriate, and the Panel's administrative support staff.

The Panel then makes its decision on the basis of material already 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 regulatory case teams to investigate fully and explain the grounds of concern with sufficient evidence to support them. Special procedure is an emergency procedure allowing action to be taken quickly and without notification to the directly affected parties.

This is put into action when TPR considers that the scheme funds or members' interests would otherwise be at immediate risk. A special procedure decision must be fully reviewed by the Panel at a compulsory review soon after the initial hearing, with all parties given an opportunity to make representations on the initial decision made.

Casework in 2015-2016

During the year, the Panel made 10 determinations and exercised 12 powers. The schemes concerned were six DB, two DC and two hybrid schemes. All cases were determined on consideration of the papers, with the exception of one special procedure case which involved an oral hearing as part of the compulsory review.

Eight of the powers exercised were determined under the standard procedure and four under special procedure (and the latter were all upheld at compulsory review).

One of these cases was brought by a third party under s10(2)(b) of the Pensions Act 2004, rather than by the regulatory case teams, and the application was granted. Further details of all the powers exercised are in the table on page 58.

Upper Tribunal references of Panel determinations

Any determination made by the Panel can be referred to the Upper Tribunal ('the Tribunal'). Although similar to an appeal, this is called a reference. The Tribunal is the independent judicial body given power to reconsider the original determination. It has its own guidance on how to make a reference. The Tribunal may decide to confirm, vary, revoke or substitute a determination made by the Panel. There are currently two stayed cases with the Tribunal. These relate to cases first heard by the Panel between 2010 and 2012.

Determinations and powers

10 determinations were made and 12 powers were exercised in relation to six DB, two DC and two hybrid schemes

Meetings and Panel training

In February 2016, I attended TPR's Board meeting, where I updated the Board on the work of the Panel, the cases heard to date, cases with the Upper Tribunal, Panel membership and training. The Panel holds quarterly meetings where members discuss a variety of aspects of our work.

Over the past year, these discussions included case studies, particularly around contribution notices, skilled person reports, legal issues relating to suspensions, cash equivalent transfer valuation (CETV) extension cases, trustee appointments and removal from the Trustee register. Learning from cases was also highlighted.

In June 2015, the Panel undertook a full training day which covered matters such as the purpose and access to the Panel handbook together with a number of case studies prepared by David Latham, who has been instrumental in the handbook's further development.

The handbook is an internal 'library' to assist the Panel in carrying out its functions. It acts as a source of relevant reference, knowledge and experience for Panel members as well as being a useful training tool for new Panel members.

Conclusion

The Panel has now existed for 11 years, bringing a robust degree of challenge to TPR's casework as well as impartial decision-making on the exercise of significant regulatory powers. It has good administrative support and an appropriate level of membership. I have confidence in the mutual respect that exists between the executive arm of TPR and the Panel, and believe that the Panel will continue to maintain its good reputation.

Determination requested	Number of powers exercised	Outcome
Appointment of independent trustee	2	Two independent trustees were appointed to two schemes. Both of these cases were heard by special procedure and the appointments were upheld at compulsory review. Both were brought under s7 (3) (a, c, d) of the Pensions Act 1995.
Contribution notice	1	This case was brought under s38 of the Pensions Act 2004.
Vesting order	2	These powers were exercised at the same time as the appointment of the independent trustee above and were brought under s9 of the Pensions Act 1995.
Wind up	1	This case was brought under s11 of the Pensions Act 1995.
Third party application (vesting order)	1	This case was brought under s10(2)(b) of the Pensions Act 2004 and related to one scheme.
Extension of a Cash Equivalent Transfer Value (CETV) request	5	These cases related to five schemes brought under s99(4) of the Pension Schemes Act 1993.

Andrew Long
Chairman, Determinations Panel
April 2016

Remuneration report

The Remuneration Committee

Details of the activities of the Remuneration Committee during the period ended 31 March 2016 are set out in pages 50 to 51.

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 us 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 also shown below.

Name	Notice period	Early termination payable to employee (Net pay plus accrued bonus if applicable)
Mark Boyle (Chairman)	3 months	3 months
Non-executive members		
Ann Berresford	1 month	1 month
Anthony Brierley	1 month	1 month
David Martin	1 month	1 month
Graham Mayes	1 month	1 month
Tilly Ross*	3 months	3 months
Sarah Smart**	3 months	3 months
Executive members		
Helen Aston***	6 months from TPR, 3 months from executive member	6 months
Charles Counsell	3 months	3 months
Lesley Titcomb (Chief Executive)	6 months from TPR, 3 months from Chief Executive	6 months
Andrew Warwick-Thompson	3 months	3 months

Margaret Snowdon was appointed as non-executive Board member on 9 May 2016.

* T Ross appointed 1 February 2016.
** S Smart appointed 1 February 2016.
*** H Aston appointed 1 December 2015.

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 (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 our Board is determined by us 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

The following sections provide details of the remuneration and pension interests of senior management. Pages 61 to 68 are subject to audit.

Executive members

Officials	Salary (£'000)		Bonus payments (£'000)*		Benefits in Kind (to nearest £100)		Pension benefits (to nearest £1,000)[2]		Total (£'000)	
	2015-2016	2014-2015	**2015-2016**	2014-2015	**2015-2016**	2014-2015	**2015-2016**	2014-2015	**2015-2016**	2014-2015
L Titcomb** (Chief Executive)	205-210	15-20	N/A	N/A	N/A	N/A	N/A	N/A	205-210	15-20
C Counsell*** (Executive director, AE)	140-145	140-145	10-15	10-15	–	–	11,000	53,000	165-170	205-210
A Warwick-Thompson (Executive director, Regulatory policy)	140-145	140-145	10-15	10-15	–	–	56,000	53,000	210-215	205-210
H Aston**** (Executive director, Finance and operations)	40-45	N/A	N/A	N/A	N/A	N/A	10,000	N/A	50-55	N/A
S Soper***** (Former Executive director, DB)	95-100	210-215	N/A	N/A	–	–	37,000	79,000	130-135	290-295

* Bonuses relating to 2014-2015 performance but paid in 2015-2016.
** Appointed on 2 March 2015. Full year equivalent band is £205-210k. Not in a pension scheme.
*** C Counsell chose to opt out of the Civil Service pension arrangements in June 2015.
**** Appointed on 1 December 2015. Full year equivalent £125-130k.
***** Left on 14 September 2015. Full year equivalent £210-215k. Not eligible for a bonus under terms of contract.

2
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.

Pay multiples

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 2015-2016 was £205-210k (2014-2015: £210-215k). This was 4.6 times (2014-2015: 4.8) the median remuneration of the workforce, which was £45k (2014-2015: £44k).

In 2015-2016 no employees (2014-2015: nil) received remuneration in excess of the highest-paid director. Remuneration ranged from £18k to £205-210k (2014-2015: £16k to £210-215k).

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.

Salary

The following section provides details of the remuneration and pension interests of the Board and the members of the Determinations Panel. 'Salary' includes gross salary, overtime, London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowance subject to UK taxation.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided and treated by HMRC as a taxable emolument.

Bonuses

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

Remuneration

Non-executive members

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

	2015-2016		2014-2015	
	Salary	**Total benefits in kind**	**Salary**	**Total benefits in kind**
M Boyle (Chairman)	£60-65k	£2,187	£60-65k	£2,583
I Hudson*	–	–	£5-10k	£175
B Rigby**	£10-15k	£781	£15-20k	£1,968
A Brierley***	£20-25k	£174	£20-25k	£211
G Mayes	£15-20k	£288	£15-20k	£448
D Martin	£15-20k	£340	£15-20k	£431
A Berresford	£15-20k	£1,247	£15-20k	£1,776
T Ross****	£0-5k	–	–	–
S Smart*****	£0-5k	–	–	–

* I Hudson stepped down on 5 September 2014. Full year equivalent £15-20k.
** B Rigby stepped down on 31 December 2015. Full year equivalent £15-20k.
*** A Brierley stepped down as Chair of the Audit Committee from 1 February 2016 but continues non-executive role.
**** T Ross appointed 1 February 2016.
***** S Smart appointed 1 February 2016 as Chair of the Audit Committee. Full year equivalent £20-25k.

The total amount paid to non-executive directors (including the Chairman) during the period was £160-165k. The monetary value of benefits in kind covers any benefits provided by the employer and treated by HMRC as a taxable emolument. TPR pays the associated tax in respect of these benefits to HMRC as part of the PAYE settlement agreement, agreed with them. The benefits shown above represent the payment of expenses for travelling to Board meetings. The remuneration of the Chairman and non-executive members is non-pensionable.

Executive members' pension benefits

Executive members*	**Accrued pension at age 60 as at 31/3/16 and related lump sum** (£'000)	**Real increase in pension and related lump sum at age 60** (£'000)	**CETV at 31/3/15** (£'000)**	**CETV at 31/3/16** (£'000)	**Real increase in CETV** (£'000)
C Counsell (Executive director, AE)	15-20 plus lump sum of 0	0-2.5 plus lump sum of 0	177	188	5
A Warwick-Thompson (Executive director, Regulatory policy)	5-10 plus lump sum of 0	2.5-5 plus lump sum of 0	93	149	35
H Aston (Executive director, Finance and operations)	15-20 plus lump sum of 0	0-2.5 plus lump sum of 0	140	161	2
S Soper (Former Executive director, DB)	35-40 plus lump sum of 0	0-2.5 plus lump sum of 0	349	379	14

* The Chief Executive chose not to be covered by the Civil Service pension arrangements during the reporting year.

** The factors used to calculate the CETV were reviewed by the scheme actuary in 2015, so the tables of factors used to calculate the CETV in 2015 are not the same as those used to calculate the CETV in 2016. Taking account of inflation, the CETV funded by the employer has decreased in real terms.

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 (known as '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 part 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 agreed 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 5 months from their normal pension age on 1 April 2012 will switch into alpha some time 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 employee has benefits in both the PCSPS and alpha, the figure quoted is the combined value of their benefits in the two schemes.)

Members who joined 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 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of 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 3% and 12.5% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. 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 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 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 employees show pension earned in PCSPS or alpha – as appropriate. Where the employee 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: **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) Regulations 1996 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 in respect of the time devoted by each of them to the work of the Panel. The rate for the Chairman is £900 per day and for the other members is £692 per day.

Salary (2015-2016)	**Members**
£25-30k	A P Long (Chairman)
£15-20k	C Seddon
£10-15k	T Foster, D Latham
£5-10k	E L Neville
£0-5k	P Hinchliffe, M Lohn, M A Smith and A E Stern

Members of the Determinations Panel may be removed from office at any time by the Chairman of the Panel with our approval. The Chairman can be removed from office at any time. Members who wish to leave the Panel are required to give the Chairman two months' notice and the Chairman is required to give us three months' notice. Any compensation payment would be made in line with contractual obligations with reference to these notice periods.

Off-payroll engagements

For all off-payroll engagements as of 31 March 2016, for more than £220 per day and that last for longer than six months:

Number of existing engagements as at 31 March 2016	**2**
of which, the number that have existed for:	
less than one year at time of reporting	2
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 2015 and 31 March 2016, for more than £220 per day and that last for longer than six months:

Number of new engagements, or those that reached six months in duration, between 1 April 2015 and 31 March 2016	**11**
Number of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	10*
Number for whom assurance has been requested	**11**
of which:	
Number for whom assurance has been received	11
Number for whom assurance has not been received*	0
Number that have been terminated as a result of assurance not being received	0
Number that have existed for four or more years at time of reporting	0

*One individual's contract did not include a contractual clause giving TPR the right to request assurance in relation to income tax and National Insurance obligations. However assurance was still sought and obtained for this individual.

For any off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, between 1 April 2015 and 31 March 2016:

Number of off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, during the financial year.	**0**
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	13

Staff report

Staff numbers and related costs

Pages 70 to 73 are subject to audit.

	AE £'000	Levy £'000	Total TPR £'000
2015-2016			
Salaries and wages*	8,289	17,544	25,833
Social security costs	581	1,893	2,474
Other pension costs	1,222	3,856	5,078
	10,092	23,293	33,385
Temporary staff	537	1,267	1,804
Subtotal	**10,629**	**24,560**	**35,189**
Less recoveries in respect of outward secondments	–	–	–
Total net costs	**10,629**	**24,560**	**35,189**

	AE £'000	Levy £'000	Total TPR £'000
2014-2015			
Salaries and wages*	7,624	16,922	24,546
Social security costs	545	1,769	2,314
Other pension costs	1,140	3,452	4,592
	9,309	22,143	31,452
Temporary staff	843	1,676	2,519
Subtotal	**10,152**	**23,819**	**33,971**
Less recoveries in respect of outward secondments	–	–	–
Total net costs	**10,152**	**23,819**	**33,971**

*Salaries and wages for 2015-2016 includes staff holiday accrual £272k (2014-2015: £337k) for Levy and £124k for AE (2014-2015: £159k).

A summary of the above costs is included in Note 4 to the Financial Statements. In addition to the above staff costs, TPR incurred consultancy costs of £209k (2014-2015: £68k).

The Pensions Act 2004 includes employment with TPR under the Superannuation Act 1972 and all employees are entitled to membership of the Principal Civil Service Pension Scheme (PCSPS), including family benefits. The PCSPS is an unfunded multi-employer DB salary-related scheme, but we are unable to identify our share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2012 and details can be found in the accounts of the Cabinet Office: Civil Superannuation: www.civilservice.gov.uk/pensions.

For 2015-2016, employer contributions of £4,962k were payable to the PCSPS (2014-2015 £4,486k) at one of four rates in the range 20% to 24.5% (2014-2015: 16.7% to 24.3%) 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 2015-2016 and will remain unchanged until 2016-2017. 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, which is a stakeholder pension with an employer contribution. Employers' contributions of £116k (2014-2015 £100k) were paid to one or more of a panel of appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 12.5% from 1 October 2015 (2014-2015: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £4k, 0.5% from 1 October 2015 (2014-2015: £6k, 0.8%) 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 2016 equate to £581k (31 March 2015: £547k) and are included within current liabilities in Note 12.

Average number of persons employed

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

2015-2016

Number of staff	**AE**	**Levy**	**Total TPR**
Employees	121	359	480
Temporary staff	5	18	23
Staff engaged on capital projects	–	–	–
Total	**126**	**377**	**503**

2014-2015

Number of staff	**AE**	**Levy**	**Total TPR**
Employees	116	338	454
Temporary staff	4	23	27
Staff engaged on capital projects	–	–	–
Total	**120**	**361**	**481**

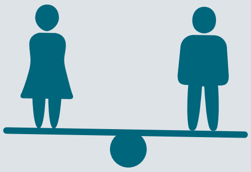
Reporting of Civil Service and other compensation schemes – exit packages

Comparative data for previous year in brackets

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	– (–)	7 (3)	**7 (3)**
£10,001-£25,000	– (–)	5 (13)	**5 (13)**
£25,001-£50,000	– (–)	2 (3)	**2 (3)**
£50,001-£100,000	– (–)	3 (6)	**3 (6)**
Total number of exit packages by type	**– (–)**	**17 (25)**	**17 (25)**
Total resource cost/£'000	– (–)	461 (781)	**461 (781)**

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 we have agreed early retirements, the additional costs are met by us 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.

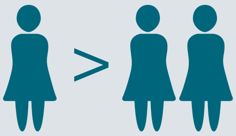
Staff information



Sex

49% to 51%

We had an overall gender balance of 49% female to 51% male, with a spread of genders across all job groups. Of our managers and senior managers, 54% and 46% respectively were female.



Executive balance

>50%

The percentage of female executive directors increased to 50% in 2015-2016 in comparison to 25% female executive directors in 2014-2015. The percentage of female directors and other employees remains unchanged at 50% and 49% respectively in 2015-2016.

Senior staff

8

Four executive directors and four directors totalling eight whole-time equivalents as at 31 March 2016 – four fewer than a year earlier

Age

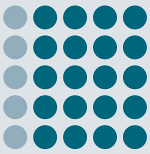
75%

of our workforce are aged between 31 and 50. The average age of the workforce is 40.

Sickness

>3.5%

There was a slight increase in working time lost due to sickness, from 3% to 3.5% (CIPD 2015, all organisations average of 3% and public sector average of 3.8%)



Working patterns

10%

of our workforce are part-time, with a spread of both male and female part-time workers across each job group

Diversity and equality

We are committed to valuing diversity and promoting equality of opportunity. Our aim is to maintain a culture that is fair and inclusive and that promotes respect for all. We aim to ensure that all staff and job applicants have equality of opportunity for employment and advancement on the basis of ability, qualifications and suitability for the work. This is regardless of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, sex, sexual orientation, or other factors that do not relate to job performance.

Disability

4% of our workforce declared themselves as having a disability

- **78%** Not disabled
- **15%** Not specified
- **4%** Disabled
- **2%** Did not disclose

Sexual orientation

5% of staff declared they were gay, lesbian or bisexual

- **57%** Heterosexual
- **35%** Not specified
- **5%** Gay, lesbian or bisexual
- **3%** Did not disclose

Race

4% of our workforce are from black, Asian or ethnic minority groups. 75% are of white origin.

- **75%** White
- **19%** Not specified
- **4%** Black, Asian, ethnic min
- **2%** Did not disclose

Religion and belief

32% of staff declared a religion or belief, of which 26% declared they were Christian. 30% of staff declared they have no religion.

- **32%** Religion or belief
- **34%** Not specified
- **30%** No religion
- **3%** Did not disclose

Please note: all figures have been rounded to the nearest whole number.

Statement of the Board and Chief Executive'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 and cash flows for the financial period.

In preparing the accounts, TPR was required to:

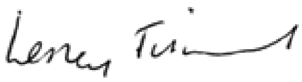
- observe the accounts direction issued by the Secretary of State for Work and Pensions, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgments and estimates on a reasonable basis
- state whether applicable accounting 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 Chief Executive is the Accounting Officer for TPR. Her 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'.

Accounting Officer responsibilities

The Accounting Officer confirms:

- there is no relevant audit information of which the auditors are unaware
- she has taken all steps she ought to ensure the auditors are aware of all relevant audit information
- she has taken all the steps she ought 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 she takes personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.



Lesley Titcomb
Chief Executive, The Pensions Regulator
23 June 2016

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

I certify that I have audited the financial statements of The Pensions Regulator for the year ended 31 March 2016 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. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Parliamentary Accountability Disclosures that is described in that report as having been audited.

Respective responsibilities of the Board, Accounting Officer and Auditor

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. My responsibility is to audit, certify and report on the financial statements in accordance with the Pensions Act 2004. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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. This includes an assessment of: whether the accounting policies are appropriate to The Pensions Regulator's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by The Pensions Regulator; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income 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.

Opinion on regularity

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

Opinion on financial statements

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 2016 and of the 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 other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with Secretary of State directions made under the Pensions Act 2004, 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 Remuneration and Staff Report and the Parliamentary Accountability disclosures 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.

Sir Amyas C E Morse
Comptroller and Auditor General
National Audit Office, 157-197 Buckingham Palace Road, Victoria, London SW1W 9SP
1 July 2016

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, Pensions Act 1995 and the Pensions Act 2008 (PA08), 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 accounts.

Expenditure for year ended March 2016

In the year ended 31 March 2016, we had net expenditure of £62.8m, of which £28.4m was directly attributable to AE. Payroll staff costs have increased by £1.9m to £33.4m compared with 2014-2015 due to increased staff levels during the year. Temporary staff costs have decreased by £0.7m.

Other expenditure increased by £1.4m across the organisation, including a £1.6m increase for AE offset by a £0.2m reduction for levy compared to 2014-2015. This increase is mainly driven by the £1.7m increase in costs from business outsourced services relating to the roll out of AE. Other increases across the organisation reflect general growth (£0.3m) offset by a reduction of £0.6m for media campaign costs which have transferred to the DWP.

There have been no significant events occurring since period end.

Property, plant and equipment and intangible assets

Capital expenditure of £1m was incurred during the period ended 31 March 2016, of which £0.6m related to property, plant and equipment and £0.4m to intangible assets (computer software).

Payments to suppliers

We are committed to the prompt payment of bills for goods and services received. Payments are normally made as specified in contracts. If there is no contractual provision or understanding, invoices are deemed due to be paid within 30 days of the receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever was later. During the period ended 31 March 2016, by volume, we paid 84% 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 do so over the next two years. This has been predominantly due to the introduction of AE, which will drive the increase in cost over the next two years as we support its roll out to small and micro employers.

Long term financial analysis

	Actual 2011-2012	**Actual** 2012-2013	**Actual** 2013-2014	**Actual** 2014-2015	**Actual** 2015-2016	**Budget** 2016-2017	**Projection** 2017-2018
Total TPR*	**38.6**	**48.9**	**54.4**	60.1	62.8	79.5	85.4

* All figures exclude capital expenditure

Other activities

Levies account

The 2004 Pensions Act does not require us to prepare a levies account. During the year ended 31 March 2016, we invoiced and collected levies on behalf of the DWP (the general levy and PPF administration levy and fraud compensation levy for PPF, which will be reported in the audited financial statements of that organisation).

The following results do not feature in our audited accounts:

- During the year we invoiced £54.5m, of which £16.5m related to the PPF administration levy, £38.0m related to the general levy and £4k related to PPF.
- The opening debt position as at 1 April 2015 was a balance of £244k. The closing debt position as at 31 March 2016 was a balance of £102k.This was comprised of £16k relating to PPF levies: £130k due for the general levy and a creditor balance of £44k for the PPF administration levy.
- We collected and transferred £54.7m to the DWP during the year. There was £52k received and not transferred at the year end.

Automatic enrolment penalty notices

During the year ended 31 March 2016, we issued penalty notices under section 40 and 41 of the Pensions Act 2008. We collect and hold penalties on behalf of HMT and transfer the cash to the consolidated fund during the year.

The following results do not feature in our audited accounts.

- The opening debt balance as at 1 April 2015 was £86k. During the year, we issued penalty notices totalling £1.1m of which £311k was collected. Write-offs and remissions totalled £50k. Discharged debt during the year totalled £282k. 18 penalties were refunded and three are awaiting refund. This resulted in a closing debt position as at 31 March 2016 at £539k.
- Of the £311k cash received, £281k was transferred to the consolidated fund during 2015-2016. There was £30k received and not transferred at year end.
- We pro-actively sought payment of any outstanding penalties and this work will continue with a view to seeking prompt payment of any penalties due.

Financial statements and Notes to the accounts

Statement of Comprehensive Net Expenditure for the year ended 31 March 2016

	Note	**2015-2016 £'000**	2014-2015 £'000
Expenditure			
Staff costs	4	**35,189**	33,971
Depreciation, amortisation and impairment charges	5	**1,365**	964
Other expenditures	5	**26,278**	25,227
Total operating expenditure		**62,832**	60,162
Interest receivable		**(15)**	(21)
Net expenditure after interest, before taxation		**62,817**	60,141
Taxation	6	**3**	4
Net expenditure for the year		**62,820**	60,145
Other comprehensive expenditure			
Net loss/(gain) on revaluation of property, plant and equipment	7a	**35**	(24)
Total comprehensive expenditure		**62,855**	60,121

All income and expenditure is derived from continuing operations.
The Accounting policies and notes on pages 87 to 112 form part of these accounts.

Statement of Financial Position as at 31 March 2016

	Note	**At 31 March 2016**	At 31 March 2015
		£'000	£'000
Non-current assets			
Property, plant and equipment	7a	**1,991**	1,961
Intangible assets	8a	**2,052**	2,506
Total non-current assets		**4,043**	4,467
Current assets			
Trade and other receivables	10	**1,178**	993
Cash and cash equivalents	11	**525**	464
Total current assets		**1,703**	1,457
Total assets		**5,746**	5,924
Current liabilities			
Trade and other payables	12	**(9,106)**	(10,747)
Provisions	13	**–**	(1)
Total current liabilities		**(9,106)**	(10,748)
Total assets less current liabilities		**(3,360)**	(4,824)
Non-current liabilities			
Provisions	13	**(638)**	(629)
Total non-current liabilities		**(638)**	(629)
Assets less liabilities		**(3,998)**	(5,453)
Taxpayers' equity			
Revaluation Reserve		**–**	19
General Fund		**(3,998)**	(5,472)
Total equity		**(3,998)**	(5,453)

The Financial statements on pages 83 to 86 were approved and authorised for issue by the Board on 15 June 2016 and were signed on its behalf by:

Lesley Titcomb
Chief Executive, The Pensions Regulator, 23 June 2016

The Accounting policies and notes on pages 87 to 112 form part of these accounts.

Statement of Cash Flows for the year ended 31 March 2016

	Note	2015-2016 £'000	Restated 2014-2015 £'000
Cash flows from operating activities			
Net expenditure after interest		**(62,817)**	(60,141)
Adjustments for non-cash transactions	5	**1,379**	982
(Increase)/Decrease in trade and other receivables	10	**(185)**	(202)
(Decrease)/Increase in trade and other payables	12	**(902)**	912
Increase/(Decrease) in provisions	13	**8**	(95)
Cash outflow due to taxation		**(4)**	(4)
Net cash outflow from operating activities		**(62,521)**	(58,548)
Cash flows from investing activities			
Purchase of property, plant and equipment	7b	**(648)**	(530)
Purchase of intangible assets	8b	**(1,080)**	(1,321)
Net cash outflow from investing activities		**(1,728)**	(1,851)
Cash flows from financing activities			
GIA to cover ongoing operations of levy		**35,149**	34,000
GIA to cover ongoing operations of AE		**29,161**	25,588
Net financing		**64,310**	59,588
Net Increase/(Decrease) in cash and cash equivalents in the period	11	**61**	(811)
Cash and cash equivalents at the beginning of the period		**464**	1,275
Cash and cash equivalents at the end of the period	11	**525**	464

The 2014-2015 cashflow has been restated to show the impact of assets not yet paid for at the start and end of the period, which results in a switch of cashflows from investing activities to operating activities. The impact is an increase from £415k to £530k to the cash outflow for property, plant and equipment, a reduction from £1,969k to £1,321k in the outflow for intangible assets and a reduction from £1,445k to £912k in the increase in trade and other payables. There is no impact on the overall cashflow for the year. The Accounting policies and notes on pages 87 to 112 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2016

	Revaluation Reserve £'000	General Reserve £'000	Total Reserves £'000
Balance at 1 April 2014	**29**	**(4,949)**	**(4,920)**
Changes in Taxpayers' Equity 2014-2015			
GIA received from DWP	–	59,588	59,588
Net gain on revaluation of property, plant and equipment	24	–	24
Transfers between reserves*	(34)	34	–
Comprehensive expenditure for the year	–	(60,145)	(60,145)
Balance at 31 March 2015	**19**	**(5,472)**	**(5,453)**
Changes in Taxpayers' Equity 2015-2016			
GIA received from DWP	–	64,310	64,310
Net loss on revaluation of property, plant and equipment	(35)	–	(35)
Transfers between reserves*	16	(16)	–
Comprehensive expenditure for the year	–	(62,820)	(62,820)
Balance at 31 March 2016	**–**	**(3,998)**	**(3,998)**

*Transfers between reserves are made in respect of the following:

- Each year, the realised element of the Revaluation Reserve (ie an amount equal to the excess of the actual depreciation over depreciation based on historical cost of revalued assets) is transferred from the Revaluation Reserve to the General Reserve.
- On disposal of a revalued asset, the balance on the Revaluation Reserve in respect of that asset becomes fully realised and is transferred to the General Reserve.

The Accounting policies and notes on pages 87 to 112 form part of these accounts.

Notes to the accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2015-2016 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 accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and intangible assets.

a) Property, plant and equipment

Property, plant and equipment are stated at fair value. However, as permitted by the FReM, we have adopted a depreciated historical cost basis as a proxy for fair value where non-property assets have a short useful life or are of relatively low value from 1 April 2015. Previously asset values were calculated by applying appropriate Office for National Statistics indices to the historical cost of each asset. The revaluations included in the current year are the reversal of prior year revaluations to revert to the historic cost. 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 (telecoms and servers)	–	7 years
IT hardware (other)	–	5 years
IT software	–	5 to 7 years

A full year's charge is made in the year of acquisition.

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.

Intangible assets are carried at depreciated historic cost, which is a proxy for fair value.

The threshold for treating expenditure on single 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.

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 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 on hand and demand deposits, and other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

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 and are credited to the General Reserve because they are regarded as contributions from a controlling party.

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 department and the total costs included in the Statement of Comprehensive Net Expenditure are transferred to this reserve.

Revaluation Reserve

In the prior period, this reflects the unrealised balance of the cumulative indexation and revaluation adjustments to non-current assets. All assets are now held at historic cost which is a proxy for fair value.

n) Going concern

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 cashflow requirements.

o) Critical accounting judgements and key sources of estimation uncertainty

The Board are required to exercise judgement, 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 accounts, 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 8.

Dilapidations

A dilapidation provision is held for the office TPR occupies in Brighton to cover the requirements of the new 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.

1.2 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 £'000
2015-2016			
Gross expenditure	28,367	34,468	62,835
Income	(8)	(7)	(15)
Net expenditure	**28,359**	**34,461**	**62,820**
Total assets	1,981	3,765	5,746
Total liabilities	(5,361)	(4,383)	(9,744)
Net liabilities	**(3,380)**	**(618)**	**(3,998)**

	AE £'000	Levy £'000	Total £'000
2014-2015			
Gross expenditure	26,243	33,923	60,166
Income	(10)	(11)	(21)
Net expenditure	**26,233**	**33,912**	**60,145**
Total assets	2,372	3,552	5,924
Total liabilities	(6,611)	(4,766)	(11,377)
Net liabilities	**(4,239)**	**(1,214)**	**(5,453)**

TPR comprises two distinct operating segments: levy and AE. Levy activity relates to the regulation of new and existing DB and DC schemes while AE supports the delivery of AE.

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 as such, it is critical that resources are charged and treated separately and to the correct funding stream.

All AE-related work is recorded on separate ledgers 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.

3 Non-executive Board members

The Chair and other Non-executive members of the Board of TPR are appointed under the Pensions Act 2004 by the Secretary of State for Work and Pensions. The current Chairman was appointed on a part-time basis on 1 April 2014 for a period of four years.

Other part-time (non-executive) Board members are also appointed for periods of between one and four years. Details of the remuneration and pension benefits of the Chairman and all other members of the Board are given in the Remuneration report in the Financial review. The total cost for the Chairman and part-time Board members are as follows and these costs are included within other operating expenditure (Note 4).

	2015-2016	2014-2015
	£'000	£'000
Salary/fees	**157**	164
Social security costs	**15**	15
Part-time Board expenses	**7**	8
	179	187

4 Staff costs

	AE £'000	**Levy £'000**	**Total TPR £'000**
2015-2016			
Net staff costs	**10,629**	**24,560**	**35,189**
2014-2015			
Net staff costs	10,152	23,819	33,971

Detailed disclosure of the total staff costs for the year and previous year is included within the Staff report on page 70 of this Annual Report.

5 Other expenditure

	AE £'000	Levy £'000	Total TPR £'000
2015-2016			
Running costs			
Chairman and part-time Board fees and expenses*	50	129	179
Consultancy, contracted-out and other professional services	1,452	4,802	6,254
Business process outsourced services	13,517	–	13,517
Training and recruitment costs	191	794	985
Staff travel and expenses	242	308	550
General expenses including accommodation expenses	494	1,699	2,193
Rentals under operating leases	218	583	801
Dilapidations costs	–	9	9
Computer systems development and maintenance	916	827	1,743
Auditor's remuneration	–	33	33
	17,080	**9,184**	**26,264**
Non-cash items			
Loss on disposal of fixed assets	–	14	14
Depreciation	4	491	495
Amortisation	616	138	754
Impairment of fixed assets	36	80	116
	656	723	1,379
Total	**17,736**	**9,907**	**27,643**

*There is tax due to HMRC on expenses as part of the PAYE settlement agreement (payable in August 2016).

5 Other expenditure continued...

	AE £'000	Levy £'000	Total TPR £'000
2014-2015			
Running costs			
Chairman and part-time Board fees and expenses	1	186	187
Consultancy, contracted-out and other professional services	2,131	4,898	7,029
Business process outsourced services	11,801	–	11,801
Training and recruitment costs	151	861	1,012
Staff travel and expenses	215	497	712
General expenses including accommodation expenses	379	1,818	2,197
Rentals under operating leases	194	639	833
Dilapidations costs	–	(86)	(86)
Computer systems development and maintenance	827	664	1,491
Auditor's remuneration	–	33	33
	15,699	**9,510**	**25,209**
Non-cash items			
Loss on disposal of fixed assets	–	18	18
Depreciation	4	419	423
Amortisation	387	154	541
	391	591	982
Total	**16,090**	**10,101**	**26,191**

6 Tax on interest receivable

	AE £'000	Levy £'000	Total TPR £'000
2015-2016			
UK Corporation Tax	**2**	**1**	**3**
2014-2015			
UK Corporation Tax	2	2	4

7a Property, plant and equipment

2015-2016	Levy				AE	Total TPR
	Leasehold improvements £'000	Furniture, fixtures and office equipment £'000	IT hardware £'000	Levy total £'000	IT hardware £'000	Total £'000
Cost or valuation						
At 1 April 2015	1,586	1,026	2,107	4,719	33	4,752
Additions	106	44	421	571	–	571
Disposals	(10)	(3)	(77)	(90)	–	(90)
Revaluations	(17)	(50)	(16)	(83)	(3)	(86)
At 31 March 2016	**1,665**	**1,017**	**2,435**	**5,117**	**30**	**5,147**
Depreciation						
At 1 April 2015	843	395	1,533	2,771	20	2,791
Charged in year	102	85	304	491	4	495
Disposals	(9)	(1)	(69)	(79)	–	(79)
Revaluations	(9)	(32)	(8)	(49)	(2)	(51)
At 31 March 2016	**927**	**447**	**1,760**	**3,134**	**22**	**3,156**
Carrying amount at 31 March 2015	**743**	**631**	**574**	**1,948**	**13**	**1,961**
Carrying amount at 31 March 2016	**738**	**570**	**675**	**1,983**	**8**	**1,991**

TPR does not lease any assets under finance leases.

7a Property, plant and equipment continued...

2014-2015	Levy				AE	Total TPR
	Leasehold improvements £'000	Furniture, fixtures and office equipment £'000	IT hardware £'000	Levy total £'000	IT hardware £'000	Total £'000
Cost or valuation						
At 1 April 2014	1,529	1,016	1,940	4,485	33	4,518
Additions	210	4	201	415	–	415
Disposals	(184)	(4)	(49)	(237)	–	(237)
Revaluations	31	10	15	56	–	56
At 31 March 2015	**1,586**	**1,026**	**2,107**	**4,719**	**33**	**4,752**
Depreciation						
At 1 April 2014	922	315	1,301	2,538	15	2,553
Charged in year	72	83	263	418	5	423
Disposals	(174)	(4)	(39)	(217)	–	(217)
Revaluations	23	1	8	32	–	32
At 31 March 2015	**843**	**395**	**1,533**	**2,771**	**20**	**2,791**
Carrying amount at 31 March 2014	**607**	**701**	**639**	**1,947**	**18**	**1,965**
Carrying amount at 31 March 2015	**743**	**631**	**574**	**1,948**	**13**	**1,961**

TPR does not lease any assets under finance leases.

7b Cashflow reconciliation

	2015-2016	2014-2015
	£'000	£'000
Capital payables and accruals at 1 April	**108**	223
Capital additions	**571**	415
Capital payables and accruals at 31 March	**(31)**	(108)
Purchase of property, plant and equipment as per Statement of Cash Flows	**648**	530

8a Intangible assets

2015-2016	Levy			
	Software under development £'000	Software internally generated £'000	IT software acquired £'000	Total £'000
Cost or valuation				
At 1 April 2015	–	1,363	1,251	2,614
Additions	–	–	26	26
Reclassifications	–	–	–	–
Disposals	–	–	(17)	(17)
At 31 March 2016	**–**	**1,363**	**1,260**	**2,623**
Amortisation				
At 1 April 2015	–	1,256	967	2,223
Charged in year	–	52	86	138
Disposals	–	–	(16)	(16)
Impairment	–	–	80	80
At 31 March 2016	**–**	**1,308**	**1,117**	**2,425**
Carrying amount at 31 March 2015	**–**	**107**	**284**	**391**
Carrying amount at 31 March 2016	**–**	**55**	**143**	**198**

Intangible assets comprise software licences and software developed in-house.

8a Intangible assets continued...

2015-2016 **AE**

	Software under development £'000	Software internally generated £'000	IT software acquired £'000	Total £'000
Cost or valuation				
At 1 April 2015	528	258	1,818	2,604
Additions	–	–	391	391
Reclassifications	(528)	–	528	–
Disposals	–	–	–	–
At 31 March 2016	–	**258**	**2,737**	**2,995**
Amortisation				
At 1 April 2015	–	74	415	489
Charged in year	–	37	579	616
Disposals	–	–	–	–
Impairment	–	–	36	36
At 31 March 2016	**–**	**111**	**1,030**	**1,141**
Carrying amount at 31 March 2015	**528**	**184**	**1,403**	**2,115**
Carrying amount at 31 March 2016	**–**	**147**	**1,707**	**1,854**

Intangible assets comprise software licences and software developed in-house.

8a Intangible assets continued...

2015-2016 — **Total TPR**

	Software under development £'000	Software internally generated £'000	IT software acquired £'000	Total £'000
Cost or valuation				
At 1 April 2015	528	1,621	3,069	5,218
Additions	–	–	417	417
Reclassifications	(528)	–	528	–
Disposals	–	–	(17)	(17)
At 31 March 2016	**–**	**1,621**	**3,997**	**5,618**
Amortisation				
At 1 April 2015	–	1,330	1,382	2,712
Charged in year	–	89	665	754
Disposals	–	–	(16)	(16)
Impairment	–	–	116	116
At 31 March 2016	**–**	**1,419**	**2,147**	**3,566**
Carrying amount at 31 March 2015	**528**	**291**	**1,687**	**2,506**
Carrying amount at 31 March 2016	**–**	**202**	**1,850**	**2,052**

Intangible assets comprise software licences and software developed in-house.

8a Intangible assets continued...

2014-2015	Levy			
	Software under development £'000	**Software internally generated £'000**	**IT software acquired £'000**	**Total £'000**
Cost or valuation				
At 1 April 2014	–	1,363	1,209	2,572
Additions	–	–	49	49
Reclassifications	–	–	–	–
Disposals	–	–	(7)	(7)
At 31 March 2015	**–**	**1,363**	**1,251**	**2,614**
Amortisation				
At 1 April 2014	–	1,182	895	2,077
Charged in year	–	74	80	154
Disposals	–	–	(8)	(8)
At 31 March 2015	**–**	**1,256**	**967**	**2,223**
Carrying amount at 31 March 2014	**–**	**181**	**314**	**495**
Carrying amount at 31 March 2015	**–**	**107**	**284**	**391**

Intangible assets comprise software licences and software developed in-house.

8a Intangible assets continued...

2014-2015 **AE**

	Software under development £'000	Software internally generated £'000	IT software acquired £'000	Total £'000
Cost or valuation				
At 1 April 2014	44	258	382	684
Additions	1,920	–	–	1,920
Reclassifications	(1,436)	–	1,436	–
Disposals	–	–	–	–
At 31 March 2015	528	**258**	**1,818**	**2,604**
Amortisation				
At 1 April 2014	–	37	65	102
Charged in year	–	37	350	387
Disposals	–	–	–	–
At 31 March 2015	**–**	**74**	**415**	**489**
Carrying amount at 31 March 2014	**44**	**221**	**317**	**582**
Carrying amount at 31 March 2015	**528**	**184**	**1,403**	**2,115**

Intangible assets comprise software licences and software developed in-house.

8a Intangible assets continued...

2014-2015 **Total TPR**

	Software under development £'000	Software internally generated £'000	IT software acquired £'000	Total £'000
Cost or valuation				
At 1 April 2014	44	1,621	1,591	3,256
Additions	1,920	–	49	1,969
Reclassifications	(1,436)	–	1,436	–
Disposals	–	–	(7)	(7)
At 31 March 2015	**528**	**1,621**	**3,069**	**5,218**
Amortisation				
At 1 April 2014	–	1,219	960	2,179
Charged in year	–	111	430	541
Disposals	–	–	(8)	(8)
At 31 March 2015	**–**	**1,330**	**1,382**	**2,712**
Carrying amount at 31 March 2014	**44**	**402**	**631**	**1,077**
Carrying amount at 31 March 2015	**528**	**291**	**1,687**	**2,506**

Intangible assets comprise software licences and software developed in-house.

8b Cashflow reconciliation

	2015-2016	2014-2015
	£'000	£'000
Capital payables and accruals at 1 April	**692**	44
Capital additions	**417**	1,969
Capital payables and accruals at 31 March	**(29)**	(692)
Purchase of property, plant and equipment as per Statement of Cash Flows	**1,080**	1,321

9 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.

10 Trade receivables and other current assets

2015-2016	AE £'000	Levy £'000	Total TPR £'000
Amounts falling due within the year			
Trade receivables	–	–	–
Other receivables	32	64	96
Prepayments	–	1,082	1,082
	32	**1,146**	**1,178**

Intra-government balances

At the end of the current and prior year, there are no central government, local government, NHS or public corporation receivables.

All receivables in the current and prior year were due within one year.

2014-2015	AE £'000	Levy £'000	Total TPR £'000
Amounts falling due within the year			
Trade receivables	–	–	–
Other receivables	24	43	67
Prepayments	122	804	926
	146	**847**	**993**

11 Cash and cash equivalents

	AE £'000	Levy £'000	Total £'000
Balances at 1 April 2015	97	367	464
Net change in cash and cash equivalent balances	(12)	73	61
Balance at 31 March 2016	**85**	**440**	**525**
At 31 March 2016, the following balances were held:			
Commercial banks and cash in hand	**85**	**440**	**525**
At 31 March 2015, the following balances were held:			
Commercial banks and cash in hand	**97**	**367**	**464**

Cash at bank and short-term investments represents the only funds held.
All funds are held at HSBC.

12 Trade payables and other current liabilities

2015-2016	AE £'000	Levy £'000	Total TPR £'000
Amounts falling due within one year			
Other taxation and social security	193	563	756
Trade payables	27	117	144
Capital accruals	29	31	60
Accruals and deferred income	5,113	3,033	8,146
	5,362	**3,744**	**9,106**

There are no trade payables and other liabilities falling due after more than one year.

Accruals and deferred income due in less than one year includes accruals relating to outsourced services £4,206k (2014-2015: £4,789k). 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.

Intra-government balances

At the end of the current year, £31k is payable to the DWP (2014-2015: £49k).

Other than already disclosed, TPR has no further balances owed to central government, local government, the NHS or public corporations.

2014-2015	AE £'000	Levy £'000	Total TPR £'000
Amounts falling due within one year			
Other taxation and social security	174	518	692
Trade payables	68	361	429
Capital accruals	692	108	800
Accruals and deferred income	5,678	3,148	8,826
	6,612	**4,135**	**10,747**
Amounts falling due after more than one year			
Other payables, accruals and deferred income	–	–	–
	–	**–**	**–**

13 Provisions for liabilities and charges

2015-2016	Early retirement £'000	Severance £'000	Dilapidations £'000	Year end total £'000
Balance at 1 April 2015	**1**	**–**	**629**	**630**
Provided in the year	–	461	9	470
Provision not required written back	–	–	–	–
Provisions utilised in the year	(1)	(461)	–	(462)
Balance at 31 March 2016	**–**	**–**	**638**	**638**
Analysis of expected timing of discounted flows				
Not later than one year	–	–	–	–
Later than one year and not later than five years	–	–	–	–
Later than five years	–	–	638	638
Balance at 31 March 2016	**–**	**–**	**638**	**638**

13 Provisions for liabilities and charges continued...

2014-2015	Early retirement £'000	Severance £'000	Dilapidations £'000	Year end Total £'000
Balance at 1 April 2014	**10**	**–**	**715**	**725**
Provided in the year	–	760	39	799
Provision not required written back	(5)	–	–	(5)
Provisions utilised in the year	(4)	(760)	(125)	(889)
Balance at 31 March 2015	**1**	**–**	**629**	**630**
Analysis of expected timing of discounted flows				
Not later than one year	1	–	–	1
Later than one year and not later than five years	–	–	–	–
Later than five years	–	–	629	629
Balance at 31 March 2014	**1**	**–**	**629**	**630**

Liabilities and provisions

All provisions in the current and prior year relate to levy activities.

Early retirement is related to individuals on early retirement for which TPR is liable, severance covers the cost of restructuring and dilapidations covers the cost of restoring Napier House at the end of the lease.

The dilapidations provision reflects the expected liability at the end of the current lease's expiry in 2023 (following a survey by Carter Jonas LLP).

14 Commitments under leases

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

	Total TPR 2015-2016 £'000	Total TPR 2014-2015 £'000
Obligations under operating leases for the following periods comprise:		
Buildings:		
Not later than one year	**857**	857
Later than one year and not later than five years	**1,072**	1,929
Later than five years	**–**	–
	1,929	2,786
Other:		
Not later than one year	**40**	18
Later than one year and not later than five years	**60**	27
Later than five years	**–**	–
	100	45

The existing lease for TPR's office in Brighton expires in July 2023 with a break clause in July 2018. The above disclosures only relate to the current lease.

TPR has no obligations under finance leases.

15 Capital commitments

Contracted capital commitments at 31 March 2016 not otherwise included in these financial statements:

	Total TPR 2015-2016 £'000	Total TPR 2014-2015 £'000
Intangible assets	**–**	264

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

16 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.

17 Losses and special payments

There were no losses or special payments during the current or prior year.

18 Related party transaction

The Pensions Regulator 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. All transactions with related parties have been completed at arms length. During the period, TPR's transactions with the Department included payments for the outsourcing of the internal audit function. In total, the transactions with the DWP not related to the provision of Grant-in-Aid totalled £218k (2014-2015: £91k). There were no receipts relating to staff seconded to the DWP in the current year (2014-2015: £nil).

During the current and prior year, TPR had no transactions with the PPF.

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.

19 Events after the reporting period

There have been no other subsequent events which require disclosure in these accounts.

How to contact us

Napier House
Trafalgar Place
Brighton
BN1 4DW

customersupport@thepensionsregulator.gov.uk
www.tpr.gov.uk

www.trusteetoolkit.com
Free online learning for trustees

www.pensionseducationportal.com
Free online learning for those running public service schemes

ISBN 978-1-4741-3433-0