

<b>Amber breach situation</b>	<b>Aspect</b>	<b>Factors tending to make a report unnecessary (green factors)</b>	<b>Factors tending to make a report necessary (red factors)</b>
Several 'green' breaches within a short period.	Cause	Breaches effectively stemming from a single cause, largely beyond the trustees' or manager's control such as a systems failure, teething problems with new systems or processes, or the short term absence of a critical member of staff.	Breaches caused by lack of internal controls at either the trustee/manager level or within a service provider or if there are several underlying causes.
	Effect	Effects of the breaches likely to be short lived.	Significant delays are expected before the problems can be fixed or the effects on members remedied.
	Reaction	Those responsible are taking effective and speedy action to alleviate and remedy the problems.	Little attempt to alleviate or remedy problems or initial appropriate action not carried through to a proper conclusion.
	Implications		Implications for future breaches because trustees or manager do not have the necessary skills and knowledge or are not taking their responsibilities seriously.  Implications for other schemes because a service provider's problems are likely to affect their other clients.
The scheme auditor discovers that benefits for some scheme	Cause	Long standing administrative practice not	The administrator's inadequate systems

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members have been wrongly calculated.		in line with scheme rules. Inadvertent misreporting to the trustees by the employer of pay for pension purposes.	or checking procedures.
	Effect	A few members only affected. The problem is only likely to have been present for a short historic period.	A high proportion of members affected. The extent of the problem is unknown but potentially widespread. The problem extends back in time for several years. The problem needs extensive investigation and there is little prospect of an immediate solution.
	Reaction	The trustees and their advisers and service providers are taking robust action to identify the extent of the problem and take corrective action. The trustees are keeping members informed.	The trustees are either taking no action or the action they are taking is neither effective nor commensurate with the problem. The trustees are not keeping members informed.
	Implications		It is likely that the reported funding level in a defined benefit scheme could be significantly misleading. The administrator's inadequate systems and procedures could affect their other

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			clients.
A failure to observe the requirements of the scheme's provisions.	Cause	An inadvertent error. Acting on advice which later turns out to have been wrong.	Acting (or failing to act) in the full knowledge that doing so contravenes the scheme's provisions. Failing to take advice when it would have been reasonable to have done so, such as when granting augmentations or discretionary benefits.
	Effect	No significant effect on members' benefits or their security.	A significant worsening of security for some classes of member.
	Reaction	Trustees taking corrective action.	Trustees not taking action to correct, even where new advice indicates such action is needed.
	Implications		One or more of the trustees may not be a fit and proper person to take on that responsibility.
The trustees of a closed defined-benefit scheme have admitted a new member with significant past service. The scheme rules will allow this only if adequate funding is	Cause	The employer has undertaken to pay a lump sum into the scheme once current cash flow difficulties have been overcome. The trustees have taken legal advice on this point and have been	The trustees have ignored or have failed to understand actuarial advice that additional funding is required in respect of this member. The trustees have not sought independent advice on the employer's

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made available by the employer. The MNT is concerned by the actions of his fellow trustees, both directors of the employer.		assured that this solution is acceptable.	financial position nor have they taken any legal advice on this course of action.
	Effect	The member has little past service, is many years from retirement and not highly paid.	The member is close to retirement, is highly paid and has significant back service. The member's pension would be sizeable in relation to other members, estimated to be at least 5% of the total fund by value.
	Reaction	Representations are now being made to the employer who has promised a one-off special contribution in respect of the new member. The trustees accept that they have acted outside their remit and have taken legal advice accordingly.	No action.
	Implications		Trustees fail to address a conflict of duty and do not take appropriate advice. They may act similarly in future.

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Trustees of a defined benefit scheme have failed to obtain an actuarial report as at an intermediate anniversary between the regular triennial actuarial valuations within the period allowed (twelve months from the effective date). The actuary has concerns about the delay or the lack of action on the trustees' part.		Although work started in good time, some information is delayed for a reason outside the trustees' control.	The trustees have failed to commission the actuary to prepare the report. Despite prompting from the actuary, the trustees have been slow in commissioning the report or in providing information.
	Effect	Any delay in obtaining the report is unlikely to be significant.	The report is unlikely to be obtained or will be significantly delayed.
	Reaction	The trustees are taking all reasonable steps to obtain the information required to enable the actuary to complete the delayed report.	The trustees are not taking all reasonable steps to obtain the required information.
	Implications		The trustees are failing to keep themselves informed of the scheme's funding position.