

# The Corporate plan 2011-2014



The Pensions  
Regulator

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## Foreword

The period of this **Corporate plan** will see the biggest changes to workplace pensions for generations.

All employers will need to review their current pension provision – many employers will establish a scheme for the first time. Pension providers will compete for this business with new products and services. New proposals will emerge for dealing with the schemes that are not being used for automatic enrolment – many of which will continue to pay benefits to members for many years to come. And advisers will look to steer their clients through these changes as smoothly as possible.

As the regulator of workplace pensions – and the organisation entrusted with maximising compliance with the new employer duties – we have a critical role in guiding, supporting and directing both the supply and demand sides of our industry through these challenges.

We look forward to these new responsibilities. We believe that our reputation as a pragmatic and proportionate regulator provides us with a strong foundation. We will build on this as we evolve, adapt and respond to these new challenges.

Already we are busy setting up new approaches and regulatory systems to deal with our new tasks. We are also preparing for changes and increased complexity in the core business processes we have developed since 2005. It is in this context that we present our plans for 2011 to 2014.

This document sets out the issues we believe are most critical to the protection of pension scheme members and our plans to help the industry prepare for the workplace pensions reform.

We have now reached the end of the first full cycle of defined benefit (DB) triennial valuations. This offers us an opportunity to reflect on this process. These schemes undertook valuations on the way out of the economic turmoil and we are working through the issues arising from this unique set of valuations and recovery plans.

We are also beginning a programme of engagement with schemes whose valuation date will fall in 2011-2012. These schemes will be the first to produce a third valuation under the Pensions Act 2004. Many of these schemes are now mature. While working with them to ensure sensible funding plans are in place, we also continue to monitor emerging innovations in risk management and scheme structures that emerge.

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As the long-term shift away from DB continues, now is an opportune time to ask the industry for their views on the challenges facing defined contribution (DC) schemes in the 21st century and to revisit our approach to the regulation of DC schemes. Our discussion paper **Enabling good member outcomes in work-based pension provision** asks how we can support the market in delivering DC schemes that help members to achieve adequate income in retirement. The industry's responses to this discussion will inform our next steps. This is an important opportunity for us all to ensure that tomorrow's pension provision is robust, durable and offers value for money.

Robust governance structures and good administration processes continue to be central to the effective running of all schemes. We continue our focus on managing risk in this area and, in particular, on improving standards of accuracy in record-keeping.

Education remains our primary tool for improving standards in schemes and today the **Trustee toolkit** provides learning support for over 30,000 users. We continue to develop new tools and resources in response to emerging issues and challenges facing trustees and others involved in workplace pension provision.

In April, we will begin our direct communication with individual employers regarding their automatic enrolment duties. This will occur in tandem with our ongoing engagement with our regulated community, to ensure employers and their advisers are prepared for the workplace pensions reform. Our **Compliance and enforcement strategy** will also be published in 2011.

We will look for feedback from across the industry and from employers. In Europe, the new structures, enhanced powers and more complex processes of the European Supervisory Authorities highlight the impact on our pension system of decisions made outside of the UK. **The Pensions Regulator (the 'regulator')** and the **Financial Services Authority (FSA)** are members of the new authorities and have a shared responsibility to ensure that new EU rules are progressive and take into account the UK national perspective.

Our work continues against a background of budgetary constraints. We have been asked to prepare plans for a 25% reduction in our 2009-2010 cost base over the course of the next 4 years. We are working closely with the **Department for Work and Pensions (DWP)** in ensuring compliance throughout the period. We have already delivered significant efficiency savings through collaborative working with other organisations, as well as generating scale in some of our transactional processes. This has included joint processes with **HM Revenue & Customs (HMRC)** for scheme registration.

Regulatory efficiency has always been a priority and we continue to be a risk-based regulator, aligned with the principles of better regulation: to be transparent, accountable, proportionate, consistent and targeted.

We remain committed to minimising burden on businesses as we work to achieve our statutory objectives. We will continue to support the industry, focusing our efforts on education and enabling those running pension schemes, and we look forward to a continuation of the constructive dialogue that has always underpinned these relationships.



**Michael O' Higgins**  
Chair, The Pensions Regulator



**Bill Galvin**  
Chief executive, The Pensions Regulator

Regulatory efficiency has always been a priority and we continue to be a risk-based regulator



# Introduction

## The Pensions Regulator

The Pensions Regulator is the regulator of work-based pensions, established under the Pensions Act 2004 as an executive non-departmental public body.

It commenced operations in April 2005, superseding the Occupational Pensions Regulatory Authority (Opra). The regulator is funded via a Grant-in-Aid from the DWP which is recovered from eligible schemes via the general levy. The setup costs of the Employer Compliance Regime (ECR) are being met by the DWP. The regulator is financially accountable to the Secretary of State for Work and Pensions.

## The Corporate plan

This Corporate plan sets out our priorities for 2011-2014. It is split into 5 strategic themes:

- **Strategic theme 1**  
Improving governance and administration
- **Strategic theme 2**  
Reducing risks to DB scheme members
- **Strategic theme 3**  
Reducing risks to DC scheme members
- **Strategic theme 4**  
Preparing for 2012
- **Strategic theme 5**  
Better regulation

This is followed by our annual Business plan objectives and associated performance measures for the period 2011-2012 in each of the 5 strategic themes.

Subsequent to this, we set out the resources we need to deliver our priorities for 2011-2014. This section includes our workload assumptions.

Appendices 1 to 4 outlines our approach to our regulated community, our regulatory approach, our human resources approach, and the strategic alignment of our corporate documents.

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## The Corporate strategy

Our 5 strategic themes were identified in our **Corporate strategy 2008-2012**. It set out our analysis of the pensions landscape and our framework for determining the key risks that we will need to manage in the coming years.

We will be reviewing our **Corporate strategy** in 2011 and will publish our second **Corporate strategy** in autumn 2011 for consultation. This is in recognition of the fact that the pensions landscape has changed greatly since we published our first **Corporate strategy** in 2008.

We have seen a continuation of the shift to DC provision and the emergence of DB de-risking strategies. In addition, we now have greater certainty about the forthcoming pensions reform and the implications for our strategy.

Our internal operational landscape has also changed and we are facing additional budgetary constraints. As an organisation, we have been asked to prepare plans for a 25% reduction in our levy funded core cost base over the course of the next 4 years. This is part of the wider Government spending review.

## Our objectives

Our objectives, as established under the Pensions Act 2004, are to:

- Protect the benefits of members of work-based pension schemes
- Reduce the risk of situations arising which may lead to compensation being payable from the Pension Protection Fund (PPF)
- Promote, and improve understanding of the good administration of work-based pension schemes.

An additional objective, established under the Pensions Act 2008, is to:

- Maximise employer compliance with employer duties (including the requirement to automatically enrol eligible employees into qualifying pension provision with a minimum contribution) and with certain employment safeguards.

The law provides us with a governance framework and a wide range of discretionary powers, and it is our responsibility to identify key issues, set priorities and plan specific regulatory activities.

Figure 1 below illustrates how our strategic themes link to our statutory objectives.

**Figure 1**  
Our strategic themes and their link to our statutory objectives

		Statutory objectives			
		Reduce risks to the PPF	Promote good administration	Protect members' benefits	Maximise employer compliance
<b>Strategic themes</b>	Improving governance and administration				
	Reducing risks to DB scheme members				
	Reducing risks to DC scheme members				
	Prepare for 2012				
	Better regulation				

We now have greater certainty about the forthcoming pensions reform



# Strategic theme 1: Improving governance and administration

## Strategic objective

Our statutory objective is to promote, and to improve understanding of, the good administration of work-based pension schemes. Good governance of pension schemes underpins secure pensions and enables the effective management of risk over the longer term.

### Current issues

We have seen shifts in governance behaviour, yet there is still evidence of low performance by a substantial minority in areas such as internal controls, as measured by our **Governance survey 2009**. This shows that less than half of schemes are very confident that they have appropriate internal controls in key areas.

Good administration is integral to meeting good member outcomes. The increased prevalence of DC schemes, and the introduction of automatic enrolment, will mean there will be an increase in transactions requiring robust scheme administration.

### Regulatory strategy 2011-2014

Our work in this area focuses on the existence of robust governance structures, including processes for dealing with conflicts of interest and the existence of appropriate internal controls. Clear accountability for the decisions made in a scheme can help to safeguard members' savings. Key to this is the existence of robust scheme governance structures, and attention to the accountabilities of those who manage them. Clear accountability can also help to ensure the supply side (eg administrators, independent financial advisers (IFAs) and insurers) play their role in protecting members' interests. This will require close co-operation with other domestic regulators and institutions.

In addition, our analysis has concluded that to secure improved standards of administration, there may need to be an increased focus on setting performance benchmarks and standards. We also want to support trustees in becoming more demanding clients of administrators and encouraging better industry coordination. This will include establishing clarity about the accountabilities of all those involved in pension scheme administration, including the administrator, auditor, trustee and scheme manager.

**Deliverables in 2011-2012, the regulator will:**

- Assess trustee views of the employer covenant and their processes for monitoring it and take action in our existing and new casework where appropriate.
- Work with trustees and employers to ensure that employer departures from multi-employer schemes do not undermine members' security. We anticipate a significant increase in the number of cases that deal with withdrawal activities.
- Continue to focus on whether trustees and their service providers have established adequate internal controls in line with our guidance published in 2010-2011.
- Continue to work to ensure that statutory whistleblowers are aware of their duties and continue to ensure we have in place processes that enable risks and breaches to be reported to us by those that identify them.
- Work with the **Insolvency Service** to improve the S120 process to ensure that during an insolvency case trustees are put in place rapidly.
- Continue to monitor the effectiveness of the trustee register.
- Monitor, using our annual **Governance survey**, the way in which trustees and others operate their pension schemes and their evaluation of the key risks associated with various aspects of running their schemes.
- Undertake an anticipated workload of 150 pensions administration and governance cases.
- Intervene on both the demand and supply side to provide support to the industry to improve record-keeping standards. This will include action (if appropriate) on specific schemes, communication with trustees, communications to administrators, and ongoing work with **National Insurance Services to Pensions Industry (NISPI)** to deal with issues surrounding scheme cessation. We will update our regulatory community on our activities to illustrate our interventions in this area.
- Continue to monitor the extent to which schemes using third party administrators have mechanisms in place to ensure the necessary record-keeping standards, in line with our guidance, are met.
- Consider the possibility of publishing performance tables of wind up to illustrate how schemes are progressing in meeting the 2-year wind up target. We are targeting behavioural change and our recent administration campaign included good practice in scheme wind up which we would expect schemes to adopt. We are also working with administrators, auditors and other service providers to ensure they deliver a good service to their clients and drive improvements in record-keeping and scheme wind up standards.
- Investigate gone away<sup>1</sup> schemes to minimise risk with regards to fraud, theft and implications on members' benefits. The regulator, through a continuous improvement initiative, has engaged with pension scheme providers and developed a process for tracing updated trustee correspondence addresses. DB schemes have been investigated as high priority due to the level of risk involved and DB gone away schemes have already been reduced by 62%. By March 2012, we will complete all outstanding gone away scheme investigations, as well as dealing with future investigations as they come in.

<sup>1</sup> A scheme is classified as gone away as a result of a trustee correspondence being returned to the regulator or the attempt to make contact with the scheme has been unsuccessful.

Good administration is integral to meeting good member outcomes



## Strategic theme 2: Reducing risks to DB scheme members

### Strategic objective

DB risks overlap 3 of our statutory objectives: to protect the benefits of members of work-based pension schemes, to reduce the risk of compensation being payable by the PPF and to promote good administration of work-based pensions schemes.

## Current issues

The pension scheme landscape continues to evolve with more schemes closed to new members (58% in 2010 compared to 44% in 2006) and an increasing number closed to future accrual (21% in 2010 up from 12% in 2006)<sup>2</sup>.

There are many new products which aim to help trustees and employers transfer pension scheme risks. Also, there is an increasing reliance on contingent assets and arrangements to supplement the support of the statutory employer that stands behind a scheme.

## Regulatory strategy 2011-2014

The **Scheme Specific Funding (SSF)** regime has now been operational for over 5 years. We have increasingly seen the principles and practices of **SSF** become embedded and accepted within the regulatory landscape. Funding risks in most schemes are becoming better managed as a result. We believe that it is appropriate to revisit our strategy for regulating scheme funding in this light supported by the scheme data we have collected in the 5 years since the regulator commenced operations. This will be published for consultation in autumn 2011.

In order to develop a new strategy for wider consultation, we will be discussing our objectives and approach with industry representatives in the next few months. We believe that we need to develop our overall approach to regulating DB schemes to better target where intervention is needed. This reflects the fact that many schemes are properly engaged with the funding processes and should not require the same intensity of regulatory support and scrutiny as when the requirements were new.

We will also consider the different paths schemes are on and look at whether different approaches, standards or guidance may be relevant for different segments, such as schemes that are seeking to substantially de-risk or those that are unlikely to ever fulfil their promise of benefits for members without taking substantial risks.

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<sup>2</sup> [www.thepensionsregulator.gov.uk/docs/purple-book-2010.pdf](http://www.thepensionsregulator.gov.uk/docs/purple-book-2010.pdf)

### Deliverables in 2011-2012, the regulator will:

- Receive recovery plans that are predominantly within tranche 5 of the scheme specific funding regime.
- Based on experience from prior years, expect to receive in the region of 1,800 recovery plans.
- Our risk and funding teams will be reviewing all plans received, using the triggers we have set to ensure our resources are targeted at schemes where there are concerns on the levels of prudence within the assumptions.
- Our hope is that increasingly fewer schemes will require our assistance in the valuation and recovery plan process, though the effects of the downturn remain pervasive on both sponsors and schemes.
- Our focus will continue to be on the level of outperformance anticipated in the funding strategy (contributions and investment strategy), and the length of the recovery plan – we will continue to review the risks presented in both these factors in relation to the strength of the sponsor.
- Our frontline customer support teams and the risk and funding team will provide support and guidance to trustees and advisers – in particular on our recent guidance on covenant and contingent assets. We estimate that our case teams will actively engage with trustees and employers in approximately 250 instances.
- The use of additional security underpinning recovery plans is increasingly common and we receive many queries in this area.
- Articulate the expectations of the regulator to schemes preparing for valuations in tranche 7 in 2012-2013 through our communication teams. This will be the third time these schemes go through the scheme funding process, and we expect that many of them will remain on track for the targets set in previous plans.
- Work closely with schemes in tranche 5 that find it impossible to meet the requirements for prudent funding plans, working to find ways for them to deal with the situation in the best interests of members and the PPF.
- Consider how we treat the increasing number of closed schemes, as they mature.
- Proactively scan the market and engage with schemes and employers where our intelligence indicates there may be issues. In particular, we will seek to identify corporate activity that might signify a reduction in corporate support to a pension scheme.
- Manage an expected increase in work on clearance applications. Although absolute numbers have fallen in latter years as the market's understanding of the process has improved, the applications have increased in complexity.
- Work closely with the PPF to ensure optimal recoveries for schemes whose employers have entered administration; if our powers can increase returns to the pension scheme, and it is reasonable to use them, we will do so.
- Continue to monitor the market for transferring pensions risk away from corporate balance sheet – be they related to individual members, bulk buy-outs/buy-ins or transfers of specific risks – to endeavour to ensure members are protected. In particular, we will monitor developments in the 'liability management' or 'incentives to transfer' market.
- Publish the information we receive through recovery plans and scheme returns in the **Recovery plans – assumptions and triggers** publication and **The Purple Book**, to ensure the market has a full understanding of pensions risk.
- Continue to represent the UK in the European debate on DB funding rules, particularly as we move to operating within the new European structures (**European Insurance and Occupational Pensions Authority – EIOPA**). We shall remain positively engaged to ensure the UK scheme-specific approach to funding is understood and that EU-wide initiatives are appropriate for the protection of UK schemes and members.
- Continue to use our powers where it is appropriate and reasonable to do so.



## Strategic theme 3: Reducing risks to DC scheme members

### Strategic objective

There are currently approximately 1.5 million members in 46,000 DC trust-based schemes and a further 3 million members in DC contract-based schemes<sup>3</sup>. We have statutory objectives to protect the benefits of DC occupational pension schemes and work-based personal pensions. DC provision is set to rise in light of the workplace pensions reform, our discussion paper published in 2011 initiates a dialogue on our approach in this area.

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<sup>3</sup> Internal data from The Pensions Regulator as at September 2010 and ASHE 2009

## Current issues

Pension provision through the workplace has been undergoing a long-term shift from DB to DC over the last 30 years, with active membership of DB schemes declining by approximately 43% between 2004 and 2009 and active membership of DC schemes rising by approximately 19% between 2004 and 2009<sup>4</sup>.

Automatic enrolment will be the key driver for increasing pension provision in the future and is expected to substantially increase the number of pension savers in DC provision. As a result of the workplace pensions reform, it is expected that 5 to 8 million people will be newly saving or saving more in all forms of work-based pensions scheme. It is critical that the DC supply side is prepared for the task ahead.

## Regulatory strategy 2011-2014

In January 2011, we published a discussion paper aimed at developing a new regulatory strategy for DC schemes.

Our vision is that all DC pensions should provide good outcomes for members. We have identified 6 elements necessary to achieve the good member outcome of an adequate income in retirement.

These are:

- Appropriate contribution decisions
- Appropriate investment decisions
- Efficient and effective administration
- Protection of assets
- Value for money
- Appropriate decumulation decisions.

We believe there are a number of areas which may require further attention over the next 3 years.

These are how to:

- Raise value for money and governance standards in small schemes and whether there is merit in encouraging a transition to larger schemes.
- Encourage pensions providers to develop products with the right characteristics to deliver good member outcomes.
- Facilitate understanding among trustees and others on how to protect scheme assets over the long term.
- Help employers in choosing a pension scheme which will deliver the best outcomes for members.
- Promote effective and efficient administration in conjunction with the pensions industry.
- Help those running schemes to improve good member outcomes at the stage of decumulation.
- Promote understanding of the accountability for decision-making in pensions.

<sup>4</sup> Annual survey of hours and earnings (Office for National Statistics)

**Deliverables in 2011-2012, the regulator will:**

- Conclude our consultation on the DC discussion paper **Enabling good outcomes in DC pensions provision**. We will use the responses of the consultation paper to consider whether any future action is needed. If appropriate, we will prepare and consult on detailed proposals later in 2011.
- Achieve our goal of having a DC regulatory framework that: supports the pensions reform; follows 'best practice' in risk-based regulation with a proportionate approach that is mindful of burdens on business; and enables the market to respond favourably to the needs of employers and workers.
- Agree with the FSA a revised memorandum of understanding on the regulation of DC pensions in order to ensure an effective regulatory regime.
- Continue to monitor the processes behind investment decisions in order to ensure member benefits are protected.
- Continue to monitor trustee boards' understanding of the charges incurred by their members to ensure they receive value for money.
- Support trustees in ensuring schemes have an appropriate process in place to help members, who want to convert the fund they have built up in DC schemes into an income at retirement. This will include encouraging the use of the open-market option (OMO).
- Monitor supply side market developments in DC products to ensure members benefits are protected.
- Develop an appropriate regulatory approach to multi employer occupational pension schemes for non-associated employers, which will set out how greater scrutiny of the key risk factors will be achieved.
- Engage in the European discussions including the **European Insurance and Occupational Pensions Authority (EIOPA)** work exploring the risks to DC members and mitigation strategies, as well as the potential applicability of the principles contained in the **Packaged Retail Investment Products (PRIPs)** initiative for certain pension products.
- Ensure trustees and scheme managers interpret and implement the governance and administration requirements, including the existence of robust systems of internal controls and clear accountabilities for the decisions made in a scheme.
- Provide information and guidance to employers on automatic enrolment to help them select pension schemes that are likely to achieve good member outcomes. Further details can be found in **Strategic theme 4: Preparing for 2012** on pages 16 and 17.

Automatic enrolment will be the key driver for increasing pension provision in the future



## Strategic theme 4: Preparing for 2012

### Strategic objective

Automatic enrolment is the core employer duty of the pensions reform set to commence in 2012. The full extent of the duties is set out in the Pensions Act 2008 and secondary legislation. These reforms mean that employers in Great Britain and Northern Ireland will have to automatically place their eligible jobholders into a qualifying scheme and make contributions on their behalf.

The Pensions Act 2008 sets out a new objective for the regulator which is to maximise compliance with the employer duties and safeguards set out in the Act. The Pensions Bill 2011, currently before Parliament, contains minor amendments to employer duties. Corresponding changes to regulations are scheduled later in the year.

### Current issues

The regulator is responsible for maximising compliance with the employer duties and employment safeguards in the Pensions Act 2008, as well as protecting the benefits of members of work-based pension schemes. In order to fulfil the extended remit given to us, we are building the capability to maximise employer compliance with the new duties.

### Regulatory strategy 2011-2014

Our risk-based approach to regulation will be extended to apply to this new area of business, which will fully reflect the requirements of Better regulation. Our primary focus is educating and enabling employers to comply with the new regime.

We will take steps to ensure employers and their advisers have the information needed to understand their duties and make it easy for employers to meet their duty to register by ensuring that the process of registration is simple and minimises administrative burden.

While our strategy is to encourage a culture of compliance, we cannot of course leave non-compliance unchecked and we will use non-statutory and statutory enforcement action, where necessary and proportionate.

We are mindful of the impact of the reform on all employers, but particularly small and micro-employers. To help employers to get ready, we will communicate directly with all employers at least 12 months before their duty date and then again 3 months before.

#### Deliverables in 2011-2012, the regulator will:

- Publish detailed guidance on all aspects of employer duties.
- Publish guides aimed at professional advisers, intermediaries and large employers. These guides will cover the details underpinning the legislation and the new employer duties.
- Produce new guidance for small and micro employers, providing straightforward, easy-to-use tools covering the core aspects of what employers will need to do, when they need to do it and the processes involved.
- Publish details of our **Compliance and enforcement strategy**, setting out how we intend to maximise compliance with the new employer duties and the principles governing how we will use our powers.
- Engage directly with the largest employers in the country who have the earliest staging dates.
- Communicate with employer advisers to ensure they know what employers need to do, when and how they need to do it; and directly with employers.
- Publish guidance for business software providers to enable them to adapt their software in preparation for the new employer duties.
- Continue our preparation to ensure we have the right processes and systems in place to enable employers to comply with the new duties when they register with us. This will include awarding a contract to a third party prime supplier to manage aspects of the compliance processes.

We are mindful of the impact of the reform on all employers



## Strategic theme 5: Better regulation

### Strategic objective

Since the launch of the regulator in April 2005, we have committed to being customer-focused and risk-based and aligned with the principles of Better regulation: to be transparent, accountable, proportionate, consistent and targeted.

## Current issues

Regulatory efficiency continues to be a key priority and we remain committed to the **Hampton Principles** and **Macrory characteristics** of effective inspection and enforcement.

The creation of **EIOPA** and of other new **European Union (EU)** regulatory authorities, such as the **European Systemic Risk Board (ESRB)** on 1 January 2011, entailed the transfer of certain rule-making powers from member state governments to the EU. The new structures operate with more institutional bodies, enhanced powers and more complex processes.

The regulator and the FSA are members of the new authority and have a shared responsibility of ensuring new EU rules are in the best interest of UK pension scheme members.

## Regulatory strategy 2011-2014

The regulator will look to promote the **Better regulation** agenda by:

- **Transparency**  
We will publicise and where appropriate consult on our strategy, policies and guidance, as well as our compliance activities and enforcement outcomes.
- **Accountability**  
As a public body, we are accountable for our conduct and operations to Parliament, our stakeholders and the general public. We have a complaints procedure in place.
- **Proportionality**  
In deciding whether to use our powers, we will put in place policies and guidance that ensure we consider the circumstances surrounding the breach of the law, including the risk of harm to our objectives and the seriousness of any breach, and apply the most appropriate remedy.
- **Consistency**  
We will carry out our work in a fair and reasonable manner by using a similar approach in like cases to achieve similar ends. We will put in place policies and guidance to ensure we assess our risks and use our enforcement options in a consistent way where appropriate.
- **Targeting**  
We will direct our compliance activity at the most serious risks. We will engage with other regulators to co-ordinate our action where we can do so avoiding duplication and burden on employers and third parties.

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## Deliverables 2011-2012

### Better regulation

Our **Hampton review** in 2009 identified 3 areas for us to focus on in order to re-enforce our **Hampton** credentials. These remain a priority and in 2011-2012, the regulator will:

- Continue to use the most appropriate methods to reach smaller schemes and employers. This will include using integrated communications and media (eg **Trustee toolkit**, email communications, web-based information) and working with representative stakeholder bodies, professional advisers and industry providers.
- Publish our **Corporate strategy** communicating our approach to the regulation of trust-based DC schemes. This follows the publication in January 2011 of a discussion paper opening a public consultation on our proposed new regulatory strategy for DC schemes.
- Communicate our approach to our responsibilities for regulating employer compliance under the Pensions Act 2008. In 2011, we will publish a **Compliance and enforcement strategy** setting out our approach to regulating compliance with the new employer duties and the principles governing how we will use our powers.

### Operational efficiency

In 2011-2012, the regulator will:

- Achieve the 2011-2012 target efficiency programme savings in line with the **Spending review 2010** settlement. Such savings will be reported monthly to an internal efficiency programme board.
- Continue to work with the DWP to assess the need for legislative changes to support business effectiveness and cost reductions linked to the efficiency programme.
- Develop plans to achieve further target savings over the spending review period to 2014-2015. This may involve changing the way we operate or re-allocating resources between areas. Work to minimise the impact on our regulatory programmes and communications and the extent to which we are able to undertake these.
- Take on a number of new challenges in a changing regulatory landscape. These will be weighed up against our current priorities. In doing so, we will prioritise the areas of work which have the greatest impact on delivering our statutory objectives.
- Achieve closer co-operation with other organisations through collaborative working as well as generating scale in some of our transactional processes. This will include joint processes with HMRC, shared procurement with other public bodies and automation of processes.
- Improve contract management capability across the regulator with the introduction of an electronic contract portal. This will allow greater effectiveness in the management of all contractual activity and the rationalisation of the supplier database to reduce current level of suppliers by 30% and increase value for money.
- Increase financial effectiveness via the development of a suite of financial systems and tools, including continued enhancements of our financial reporting tool and our future accounting and purchasing systems.
- Ensure that post procurement processes on the Internet are fully compliant with the transparency agenda – ensuring customers and suppliers are fully aware of process and commercial implications.
- Monitor awareness of and attitudes towards the regulator, by means of an annual perceptions tracker survey which gathers the opinions of a wide audience ranging from scheme actuaries to employers. We will review areas where we are perceived as effective and those where we are not, and assess our performance against targets contained within this plan.

## Deliverables 2011-2012

### Operational efficiency continued...

- Ensure the regulator is compliant with the enhanced data disclosure requirements emanating from the newly created **ESRB** while ensuring that burden on the schemes we regulate is appropriate.

### Sustainability

- We will build on our achievements in 2010-2011 by implementing the 2011-2012 sustainability action plan across the regulator, to deliver 10% carbon emission reductions against 2010-2011 levels. Future savings will be delivered by investing in more sustainable systems where appropriate.

### Regulating in Europe

In 2011-2012, the regulator will:

- Continue to take a lead role in **EIOPA** working groups and structures.
- Continue to work closely with our European counterparts to ensure we deliver a proportionate response to initiatives from the European Commission.
- Engage fully on Green Paper discussions, in particular the Solvency II and **IORP (Institutions for Occupational Retirement Provision)** Directive issues.
- Our work will incorporate the views of our stakeholders – the European institutions, other member states' regulators, our domestic stakeholders: **National Association of Pension Funds (NAPF)**; **Association of British Insurers (ABI)**; **Confederation of British Industries (CBI)** and with our Treasury, DWP and FSA colleagues.

Regulatory efficiency continues to be a key priority and we remain committed to the **Hampton Principles** and **Macrory characteristics** of effective inspection and enforcement



## Business plan 2011-2012

The following sections set out our annual **Business plan objectives** and associated corporate performance measures for the period 2011-2012. These objectives have been derived from the key themes identified in our **Corporate strategy**.

## How we measure our performance

Our aim is to measure, as far as practicable, the outcomes of our interventions in the market, both in terms of what we have achieved and how effectively we deliver these outcomes.

Measuring our effectiveness in protecting member benefits, especially over a 1-year timeframe, is not straightforward:

- Pensions are a long-term investment, and it may be decades before it becomes clear whether members have received their full benefits.
- Other factors over which we have no or minimal impact will strongly influence the outcome, such as underlying market conditions.

We focus our attention on more intermediate results that we believe will enable us to meet our long-term ambitions. For example, we focus on:

- Ensuring that scheme funding targets are appropriately robust and plans are in place to recover deficits, in accordance with legislation, reducing the vulnerability of members and the PPF to adverse changes in the sponsoring employer.
- Promoting better governance to reduce the likelihood of schemes being underfunded or of administrative failings that impact on members' benefits.
- Increasing the understanding of the risks to DC schemes, and how to manage them, to reduce the likelihood of such risks materialising.
- Ensuring that employers are aware of their duties under the Pensions Act 2008 in order to maximise compliance.

As there is a time lag between our actions and these outcomes becoming apparent, we also measure some key enablers of our ability to deliver these outcomes. In particular, we focus on the delivery of key outputs and the credibility of the regulator.

These measures are principally secured through research and survey results and we believe that these are good indirect measures.

We focus on measuring the regulator's impact on the external environment:

- We have identified 5 key themes for regulatory focus and for each theme we have identified key performance indicators, which can give us an indication of success
- These measures are reported quarterly to our Board and the DWP using a performance dashboard specifically developed to present the outcome measures agreed in the Business plan.

As in previous years, we have included indicators to provide clear and transparent performance targets for the regulator's areas of business.

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## Strategic theme 1: Improving governance and administration

### 1.1 Objective

To continue to promote good practice in relation to key aspects of governance and administration (ie record-keeping, Trustee Knowledge and Understanding (TKU) and internal controls).

#### Performance indicator

Results of the annual **Governance survey** and other monitoring reports show sustained performance in relation to:

- Record-keeping
- Internal controls
- Trustee Knowledge and Understanding
- Administration

#### Measure Record-keeping

We will measure in summer and winter 2011 the extent to which trustee boards, which outsource administration functions to a third party, have service level agreements in place to ensure that the regulator's record-keeping requirements are met.

#### Measure Internal controls

Having issued our guidance on internal controls in June 2010, we will measure in summer and winter 2011 whether schemes have a mechanism in place for identifying and managing risks. We will determine a baseline measure in the first quarter of the year and will set appropriately challenging targets to achieve in the survey planned for the fourth quarter. We will report on these in the **Annual report** published later this year.

### 1.2 Objective

To continue to develop appropriate education programmes to influence our core trustee audience (ie the **Trustee toolkit**) and to explore the options for extending this approach to other audiences.

#### Performance indicator

Toolkit usage among lay trustees to match the 2010-2011 targets.

#### Measure Trustee Knowledge and Understanding

We will continue to set quarterly targets for trustee completions of modules of the **Trustee toolkit**.

Targets are aligned with communications activity and seasonality and are follows:

Q1: 5,000 completions; Q2: 4,000; Q3: 4,000; Q4: 5,300.

## Strategic theme 2: Reducing risks to DB scheme members

### 2.1 Objective

To protect members' benefits by continuing to operate the scheme funding regime effectively, taking account of the wider economic climate.

#### Performance indicator

Appropriately high levels of Technical Provisions (TPs) set for scheme recovery plans.

#### Measure Section 179

In the first 3 quarters of 2010-2011, TPs as a percentage of s179 range from 104% to 108%. Our objective in 2011-2012 is that aggregate funding targets remain prudent and do not dip below the levels seen before the downturn.

#### Performance indicator

Schemes submitting their second recovery plans maintain or improve prudence.

#### Measure

There are 4 primary triggers in recovery plans (recovery plan length, back-end loading, technical provisions and investment out-performance). We will set a target of reducing the proportion which trigger on an increased number of bases than they did in the first cycle.

### 2.2 Objective

To ensure that trustees and employers understand the employer covenant.

#### Performance indicator

Improvements in understanding, as measured by the **Governance survey**.

#### Measure Employer covenant

In 2011-2012, we will target an increase in the proportion of trustees with a DB scheme who have reviewed the employer covenant in the previous 12 months.

We will determine a baseline measure for this in the first quarter of the year and will set an appropriately challenging target to achieve in the survey planned for the fourth quarter. We will report on this in the **Annual report** published later this year.

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### Strategic theme 3: Reducing risks to DC scheme members

#### 3.1 Objective

For trustees to understand and mitigate the risks associated with default funds.

##### Performance indicator

Improvement in trustee understanding and action to address risks to DC scheme members, as measured by the **Governance survey**.

##### Measure Default funds

In 2010-2011 we established a baseline measure of 79% of schemes stating that their default fund was established to reflect the profile of the scheme membership. We will obtain an updated measure of this in the first quarter of the year and will set an appropriately challenging target to achieve in the survey planned for the fourth quarter. We will report on this in the **Annual report** published later this year.

#### 3.2 Objective

To manage key risks to the DC programme (including project delivery and its impact on the regulator's other activities).

##### Performance indicator

Project delivery is to plan. The regulator achieves its planned business objectives without disruption.

##### Measure Delivery milestones

In 2011-2012 we will look to achieve all of our milestones on time and within tolerance.

#### 3.3 Objective

To ensure that trustees have sufficient understanding of costs and charges incurred by members to deliver better value for money for members.

##### Performance indicator

Trustee boards' collective understanding of the charges incurred by the members in their scheme.

##### Measure

We will measure, through the **Governance survey**, trustee boards' collective understanding of the following in relation to the scheme's funds:

- Annual management charge
- Total expense ratio
- Portfolio turnover rate.

We will determine a baseline measure in the first quarter of the year and will set an appropriately challenging target to achieve in the survey planned for the fourth quarter. We will report on this in the **Annual report** published later this year.

## Strategic theme 4: Preparing for 2012

### 4.1 Objective

To manage delivery of the Employer Compliance Regime (ECR) programme (including project delivery and its impact on the regulator's other activities).

#### Performance indicator

Project delivery is to plan. The regulator achieves its planned business objectives without disruption.

#### Measure Delivery milestones

In 2011-2012 we will look to achieve all of our milestones on time and within tolerance.

### 4.2 Objective

External stakeholders have confidence in the design of the Employer Compliance Regime.

#### Performance indicator

Sustained performance in stakeholder confidence, as measured by the stakeholder perceptions survey.

#### Measure Stakeholder satisfaction

We will measure the extent to which our stakeholders have confidence in the regulator's preparations for the Employer Compliance Regime. We will determine a baseline measure for this in the first quarter of the year and will set an appropriately challenging target to achieve in the survey planned for the fourth quarter. We will report on this in the **Annual report** published later this year.

### 4.3 Objective

Communicate effectively to intermediary audiences about the 2012 pensions reform.

#### Performance indicator

Percentage of the intermediary audiences who are aware of the 2012 reform, as measured in the **Employer tracking survey**.

#### Measure Communications effectiveness

We will target in the survey planned for the fourth quarter an appropriate increase in awareness among intermediaries against a baseline measure that we will obtain in the first quarter of the year.

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## Strategic theme 5: Better regulation

### 5.1 Objective

To continue to deliver risk-based regulation in line with the **Hampton Principles** and to be an exemplar of best practice.

#### Performance indicator

The regulator continues to be authoritative and demonstrates improvements in the 5 principles of good regulation, as evidenced by research. We will measure this through the **Perceptions tracker survey**.

#### Measure Hampton Principles

We aim to maintain our strong ratings measured in our **Perceptions tracker survey** across the collective results on the **Hampton Principles**. We will continue a target of 70% of stakeholders agreeing that the regulator meets the 6 principles (on average across the principles).

### 5.2 Objective

Ensuring efficiency in our data collection and levy collection processes.

#### Performance indicator

The levy streams are quickly, accurately and efficiently collected.

#### Measure Debtor days

Our objective in 2011-2012 will be to maintain a prudent level of debtor days at an average of no more than 40 days.

#### Performance indicator

Appropriately deal with occasions when trustee correspondence is returned to the regulator or the attempt to make contact with the scheme has been unsuccessful.

#### Measure 'Gone-aways'

Complete all outstanding 'gone-away' scheme investigations as well as dealing with future investigations as they come.

### 5.3 Objective

To provide a high-quality service to our customers.

#### Performance indicator

Improvements in customer satisfaction as measured by our **customer and website satisfaction research**.

#### Measure Customer service

We have established a baseline metric to rate the customer service of the regulator using a scale from 'excellent' to 'poor'. We will aim for improvements against this baseline measure.

We will determine a baseline measure for website satisfaction in the first quarter of the year and will set an appropriately challenging combined target of customer and website satisfaction to achieve in the surveys planned for the fourth quarter. We will report on this in the **Annual report** published later this year.

**Strategic theme 5: Better regulation****5.4 Objective**

To improve the regulator's eco-efficiency.

**Performance indicator**

Reduction in CO2 emissions.

**Measure Sustainability**

We will build on our achievements in 2010-2011 by implementing the 2011-2012 sustainability action plan across the regulator to deliver 10% carbon emission reductions against 2010-2011 levels.

**5.5 Objective**

For regulator staff to remain fully engaged.

**Performance indicator**

Measure employee engagement via employee engagement survey.

**Measure**

Using an enhanced survey with some new measures, we will determine a baseline measure, in the first quarter of the year and will report on this in the **Annual report** published later this year.

We will continue to promote good practice in relation to key aspects of governance and administration



## Resource summary

This section provides information on the resources required to deliver our outcomes during 2011-2012.

### Financials

We receive 2 separate Grant-in-Aid (GIA) payments from the DWP: one to fund our core regulatory activities related to the Pensions Act 2004 and another to fund activities related to the Employer Compliance Regime (ECR) aimed at ensuring observance of the new automatic enrolment duties.

### Levy

We collect 2 levies on behalf of the Secretary of State for Work and Pensions. The General levy covers the resource expenditure of the regulator (in respect of its activities under the Pensions Act 2004), the Pensions Advisory Service and the Pensions Ombudsman. The PPF Administration levy covers the resource expenditure of the Pension Protection Fund (PPF). We will continue to collect any levies due in previous years which remain outstanding on 31 March 2011.

In addition, the regulator during 2010-2011 started to collect the Fraud Compensation levy on behalf of the PPF. This covers the compensation provided to occupational pension schemes, where the sponsoring employer is insolvent and where the scheme suffers a loss that can be attributed to dishonesty.

### Employer Compliance Regime (ECR)

The costs for work undertaken by the regulator in respect of the set up cost of the Employer Compliance Regime are being met by the DWP. No cross-subsidy with the General levy funding stream takes place.

## Projected budget for 2011-2014

### Pensions Act 2004

Our planned budget for regulatory activities related to the Pensions Act 2004 for 2011-2012 is £30.4 million. This includes £1.8 million costs to prepare for the additional work in our core regulatory activity areas as a result of the Pensions Act 2008 (PA08). This compares with a budget of £29.5 million for 2010-2011 which did not include any impact of PA08. Expenditure in this area is planned to increase to £35.7 million in 2014-2015, which includes the additional PA08 impact (£10.8 million in 2014-2015).

We have been asked to prepare plans for a 25% reduction in our 2009-2010 cost base over the course of the next 4 years. These are reflected in Table 1 below. Detailed plans are being developed to identify the ways they will be achieved and include a combination of process efficiencies; leveraging opportunities to work more closely with other Government departments; improving procurement; and exploiting economies of scale. We are also reviewing the way in which we carry out our core regulatory processes. The regulator has set up a dedicated programme board to oversee this programme of work. This will ensure savings are planned and delivered in line with the spending review outcome. The costs for the later years of the additional work as a result of PA08 will be finalised as volumes become clearer.

The regulator's projected budget for 2011-2015 to cover our activities related to the Pensions Act 2004 is set out in Table 1 below.

**Table 1**  
The Pensions Regulator's projected budget for 2011-2014

Category	2011-2012 £'000	2012-2013 £'000	2013-2014 £'000	2014-2015 £'000
Staff	20,392	20,286	20,089	17,930
Non-staff	7,213	6,773	6,325	5,822
Depreciation	658	754	754	754
Capital	420	406	406	406
<b>CSR10 Total</b>	<b>28,683</b>	<b>28,219</b>	<b>27,574</b>	<b>24,912</b>
PA08 Impact*	1,750	6,400	10,500	10,800
<b>Total</b>	<b>30,433</b>	<b>34,619</b>	<b>38,074</b>	<b>35,712</b>

\*The Pension Act 2008 (PA08) Impact reflects the additional costs arising on our core regulatory activities under Pension Act 2004.

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## Projected budget for 2011-2014 continued...

Further details on the regulator's planned expenditure in this area are set out in Table 2 below.

**Table 2**  
The Pensions Regulator's planned expenditure for 2011-2012

	2010-2011 full year forecast (£'000)	2011-2012 budget (£'000)
Income	(11)	(10)
Salaries	15,717	16,886
Non-payroll staff costs	3,613	3,144
Other staff costs	1,732	1,785
Consultancy	1,026	279
Professional fees	2,110	2,976
Communications and publications	717	890
Managed contracts	524	317
Accommodation/General office costs	2,675	2,548
IT and telecommunications	466	540
Depreciation	609	658
<b>Total resource</b>	<b>29,178</b>	<b>30,013</b>
Fixed asset costs	322	420
<b>Total</b>	<b>29,500</b>	<b>30,433</b>

The 2011-2012 budget includes an additional £1.8 million from the Pensions Act 2008 impact on core regulatory activity.

### Employer Compliance Regime

In addition, the cost arising from the **Enabling Retirement Savings Programme (ERSP)** for 2011-2012 is £12.6 million. This includes costs for the **Employer Compliance Programme (ECR)**, aimed at ensuring observance of the automatic enrolment duties. This excludes any costs of operation of a prime contract to run the compliance regime, which we have not included here for reasons of commercial sensitivity.

## Workload assumptions

The figures in Table 3 below are the actual and anticipated workload or traffic volumes for some of the key activities undertaken or provided by the regulator. The estimated volume is based on current levels of activity and factors in a degree of uncertainty.

**Table 3**

Actual and anticipated workload or traffic volumes for some of the key activities undertaken or provided by the regulator

Type of work	Team	Actual volume April 2010-March 2011	Estimated volume April 2011-March 2012
Scheme finalising and valuation	Risk and Funding	2,113	2,093
Clearance applications	Risk and Funding	44	70
Withdrawal applications	Risk and Funding	10	20
Avoidance cases	Risk and Funding	9	10
Pensions, Administration and Governance (PAG) cases	Pensions, Administration and Governance (PAG)	154	150
Corporate risk management enquiries	Risk and Funding	84	100
DC cases only	Pensions, Administration and Governance (PAG)	59	100
Customer contacts excluding levy and scheme returns	Customer support	24,720	30,480
Codes of practice published	Various	0	0
Guidance published	Various	5	5
Scheme returns	Scheme return and Levy services	23,994	30,000
Levy invoices	Scheme return and Levy services	50,000	48,000

Detailed plans are being developed to identify the ways a 25% reduction in our 2009-2010 cost base will be achieved over the course of the next 4 years

# Appendix 1: Our approach to the regulated community

We recognise that we can only achieve our statutory objectives by effective engagement with our regulatory community which includes trustees, employers, intermediaries and industry providers.

The landscape we operate in is complex. It includes approximately 100,000 trustees, 75,000 employers sponsoring trust-based schemes, and 150,000 employers sponsoring contract-based scheme<sup>5</sup>.

Communicating effectively with such a large and diverse audience presents considerable challenges which must be overcome if we are to fulfil our statutory objectives. The increased number of employers offering pension provision under the new employer duties will see our engagement with our regulatory community grow ever more challenging and important.

We also need to work closely with other UK and EU regulators, pension stakeholder groups and the media in order to positively influence both policy and practice. In this section, we set out our approach to these distinct groups of stakeholders.

<sup>5</sup> Internal data from The Pensions Regulator and the Employers Pension Provision Survey 2007

## Trustees

Our **Trustee toolkit** helps trustees to meet the statutory requirements for knowledge and understanding of how schemes work. We are also developing the use of 'bite-size' online learning modules to highlight the key points of our guidance.

We will continue to use integrated communications and media (eg **Trustee toolkit**, email communications, web-based information) to educate and enable trustees. Our focus is on lower-cost communications where possible and we continue to develop our ability to communicate via email.

We will continue to promote trustee awareness of scheme funding requirements and good practice in DB scheme funding to reflect the ongoing importance of DB provision.

Trustees may need to review their schemes for compliance with the workplace pensions reform programme, and we will ensure trustees have the information they need to take informed decisions.

The growth in DC poses new challenges for trustees and we are focused on ensuring trustees continue to take the appropriate decisions in the best interests of members. In particular, we will review segments where employers are disengaged and where because of the size, schemes are heavily dependent on providers of bundled products.

Throughout all trustee groups, we will promote awareness of, and compliance with, high standards of administration, including record-keeping and scheme wind-up.

## Employers

During the staging period 2012-2016, all employers in Great Britain and Northern Ireland will have to automatically place their eligible jobholders into a qualifying scheme and make contributions on their behalf.

We will deliver a communications programme using online communications and seek to work with representative stakeholder bodies and associations to educate employers about their obligations.

We recognise that communication challenges will be greatest with small employers, which will be a particular focus for us over the coming years.

We will continue to promote employer awareness of the statutory requirements. Where the employer has defined benefit arrangements, we will continue to support trustees to ensure they are adequately funded. Where DC plans are in place, trust-based or contract-based, we encourage appropriate levels of engagement in governance by the employer.

## Intermediaries and industry providers

Intermediaries and pension scheme providers will have an important role to play in helping employers and trustees become compliant with the requirements of automatic enrolment. Trustees and employers are reliant on a range of advisers and providers to comply with their duties. In 2011-2012, our goal is to ensure intermediaries have the information and tools they need to deliver the guidance employers and trustees seek.

In doing so, we seek to understand the relationships between different employer groups and their advisers in order to optimise our communication activities. In particular, we will seek to work with independent financial advisers (IFAs) to enable them to communicate to their clients.

Pensions administrators, whether in-house or third party, are a focus for us as we seek to improve standards of data and administration across the industry.

In support of our work on scheme funding and other issues, we will work with the actuarial profession to ensure they have a clear understanding of our position and to help support scheme funding policy.

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## UK and EU regulators

We work closely with other domestic regulators – particularly the **FSA**. This will continue with the transition of the FSA into the **Prudential Regulatory Authority (PRA)** and the **Financial Conduct Authority (FCA)**.

The introduction of the **European Insurance and Occupational Pensions Authority (EIOPA)** in 2011 will see an evolution in our European work. **EIOPA** will have the power to draft binding technical standards, which once endorsed will become law. Our focus will continue to be on seeking to influence the EU agenda in support of our objective about achieving effective regulation of pensions in the UK and optimising member outcomes.

This involves ensuring that new EU rules do not undermine UK regulation but enable us to build on both existing and future UK regulation to raise standards domestically for DB and DC provision.

## Pensions stakeholder groups and the media

In order to communicate with our regulated community, it is clearly important that we engage closely with our stakeholders and the media. This is essential to understand the key issues, pressures and concerns in the pensions sector. It is also fundamental to improve understanding and awareness among the regulated community of our strategic priorities – as well as the detail of how we are approaching certain issues or concerns.

We will continue to focus on building constructive relationships with stakeholders and the media.

## Appendix 2: Our regulatory approach

Our **role** is to **ensure** people **responsible** for providing access to and managing work-based pensions **fulfill** their **obligations**.

We work with trustees, employers, pension specialists and business advisers, providing guidance and education to make clear what is expected of them and enabling them to achieve high standards. While supporting people in meeting their responsibilities, we use our enforcement powers against those who do not fulfil their obligations.

Our approach is to '**Educate, Enable, and Enforce**'. We seek to educate trustees in their duties via the use of tools such as the **Trustee toolkit** and enable the regulatory community via the publication of regulatory guidance, codes of practice and statements. We are determined to ensure that those we regulate follow the rules and we are prepared to use our powers, where it is appropriate and proportionate to do so.

In most cases, a determination is carried out by the **Determinations Panel** when we decide to exercise our powers. The **Determinations Panel** is a separate part of the regulator to enable impartial decisions based on the evidence before it.

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Our operational approach is based on the principles of risk-based regulation. Risk assessment is used to prioritise and determine the probability of identified risks occurring and their potential impact on the achievement of our statutory objectives. The aim at every level is to ensure resources are focused on the most significant risks and to manage those proactively with a clear understanding of who is accountable for the action being taken to mitigate risks.

We are committed to the principle of reasonableness and will ensure that all our actions consider the probability and size of the potential impact on members' benefits and the impact on sponsoring employers.

Individual business units and line managers are responsible for identifying risk and are accountable for their management response. This provides a basis for us to respond quicker by identifying changing circumstances faster, improving flexibility and responsiveness.

We continue to focus on operational efficiency to minimise the burden on pension schemes of meeting their legal duty to register and submit data to the regulator. In doing so, we are committed to the **Hampton Principles** of better regulation: to be transparent, accountable, proportionate, consistent, and targeted.

We remain committed to being as transparent as we can within the constraints placed upon us by legislation and the need to maintain commercial confidentiality. As part of this, we will continue to publish our key data and analysis publications on an annual basis which are:

- **The Purple Book**  
(DB pensions universe risk profile)
- **Recovery plans**  
Assumptions and triggers
- **DC trust**  
A presentation of scheme return data.

## Appendix 3: Our human resources approach

Our HR strategy and resource approach is designed to have the right people, in the right place, at the right time and at the right cost.

- **Right people**

People with appropriate skills and up-to-date knowledge, practising our corporate values, motivated and focused on delivering our business objectives.

- **Right place and time**

Appropriate skills deployed to meet operational needs and for planning the future. We use a flexible resourcing model drawing on high-calibre permanent staff with a small number of secondments from the financial services and professional sectors to bring up-to-date knowledge and practices. This approach is supplemented by temporary staff, as necessary, to meet special skill requirements and to balance resource levels with peak demand.

- **Right cost**

Offering salary and benefits packages comparative to private sector, with an element of performance-related pay; good working conditions; and learning and development designed to promote people and skills development, improve staff retention and support succession plans.

We deliver these while continuously monitoring our approach to diversity and equal opportunities, operating open and transparent communications policy that promotes healthy working relationships with staff and trade unions, also ensuring we are at all times compliant with current employment and health and safety legislation.

We will carry out a survey of all staff working for us, and benchmark the results against those of a wide variety of other employers. This will help identify areas of strength and any concerns that we may need to address.

# Appendix 4: Strategic alignment

## Planning documents

Figure 2 below illustrates how our planning and reporting processes are organised from our statutory objectives through to objectives at a personal level.

**Figure 2**  
Planning, reporting and delivery processes

	2011	2012	2013	2014	2015	2016	2017	
Externally published	Statutory objectives	[Shaded]						
	Corporate strategy	[Shaded]			[White]			
	Corporate plan	[Shaded]				[White]		
	Business plan	[Shaded]	[White]					
Internally applied	Performance dashboard	[White]						
	Operational plan	[White]						
	Performance delivery and development plans	[White]						

## Corporate strategy

Our **Corporate strategy** sets out our analysis of the pensions landscape and our framework for determining the key risks that we will need to manage in the coming years. This **Corporate plan** represents the third year covered by this strategy and sets out our strategic priorities from 2011 to 2014.

## Corporate plan

This document describes our strategic direction and the outcomes we are seeking to achieve. The plan also describes how we intend to focus and deploy our resources over the next 3 years.

## Business plan

Incorporated in this **Corporate plan** is a more detailed annual plan for 2011-2012. This plan is linked to our operational activities for the year and describes how we will measure progress against our statutory objectives. These plans enable us to deliver against our statutory objectives and the challenges set out in our **Corporate strategy**.

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### **The Corporate plan 2011-2014**

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