

Reporting Breaches Procedure

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Further information

If you require further information about reporting breaches or this procedure, please contact:

Debbie Sharp Assistant Director Pensions
 Email: dsharp@sypa.org.uk
 Telephone: 01226 666428

George Graham Fund Director
 Email: ggraham@sypa.org.uk
 Telephone: 01226 666428

Jo Stone Monitoring Officer
 Email: jstone@sypa.org.uk
 Telephone: 01226 666418

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1. Introduction

- 1.1 This document sets out the procedures to be followed by certain persons involved with, the Local Government Pension Scheme managed and administered by South Yorkshire Pensions Authority, in recording and reporting breaches of the law to the Pensions Regulator.
- 1.2 Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.
- 1.3 This Procedure document applies in the main to:
 - All members of the South Yorkshire Pensions Authority Board.
 - All members of the South Yorkshire Local Pension Board.
 - All officers involved in the management of the Pension Fund including the Pensions Administration Teams, the Resources Team the Investment Team and the Section 151 Officer.
 - Any professional advisors including auditors, actuaries, legal advisors and fund managers.
 - Officers of employers participating in South Yorkshire Pension Fund who are responsible for Local Government Pension Scheme matters.

2. Requirements

- 2.1 This section clarifies the full extent of the legal requirements and to whom they apply.
- 2.2 **Pensions Act 2004**

Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:

 - a trustee or manager of an occupational or personal pension scheme;
 - a member of the Pension Board of a public service pensions scheme (in the case of South Yorkshire, the Authority and the Local Pension Board);
 - a person who is otherwise involved in the administration of an occupational or personal pension scheme;
 - the employer in relation to an occupational pension scheme;
 - a professional advisor in relation to such a scheme; and
 - a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme.

To report a matter to the Pensions Regulator as soon as it becomes practicably possible where that person has reasonable cause to believe that:

- a legal duty relating to the administration of the scheme has not been or is not being complied with, and

- the failure to comply is likely to be of material significance to the Pensions Regulator.

The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse. The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However, the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal advisor and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

2.3 **The Pension Regulator's Code of Practice**

Practical guidance in relation to this legal requirement is included in The Pension Regulator's Code of Practice in the following areas:

- Implementing adequate procedures.
- Who must report a breach.
- Judging whether a breach must be reported.
- Submitting a report to the Pensions Regulator.
- Whistleblowing protection and confidentiality.
- Reporting payment failures

2.4 **Application to South Yorkshire Pension Authority**

This procedure has been developed to reflect the guidance contained in the Pension Regulator's Code of Practice (2024) in relation to the South Yorkshire Pension Authority and this document sets out how the Authority will strive to achieve best practice through use of a formal reporting breaches procedure.

3. The South Yorkshire Pension Authority Reporting Breaches Procedure

- 3.1 The following procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of the law relating to South Yorkshire Pension Authority. It aims to ensure individuals responsible can meet their legal obligations and avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

3.2 **Clarification of the law**

Individuals may need to refer to regulations and guidance when considering whether to report a possible breach. Some of the key provisions are shown below:

- Section 70(1) and 70(2) of the Pensions Act 2004:
- Employment Rights Act 1996:
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations):
- Public Service Pension Schemes Act 2013:
- Local Government Pension Scheme Regulations,

- The Pensions Regulator’s Code of Practice: In particular, individuals should refer to the section on ‘Reporting breaches of the law,’ and for information about reporting late payments of employee or employer contributions, the section of the code on Administration – Monitoring contributions and resolving overdue contributions.

Further guidance and assistance can be provided by the Director, Assistant Director Pensions and the Monitoring Officer provided that requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence).

3.3 **Clarification when a breach is suspected**

Individuals need to have reasonable cause to believe that a breach has occurred, not just a suspicion. Where a breach is suspected, the individual should carry out further checks to confirm the breach has occurred. Where the individual does not know the facts or events, it will usually be appropriate to check with the Director, Assistant Director Pensions, Monitoring Officer, a member of the Pensions Authority or Local Pension Board or others who are able to explain what has happened. However, there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases, the Pensions Regulator should be contacted without delay.

3.4 **Determining whether the breach is likely to be of material significance**

To decide whether a breach is likely to be of material significance an individual should consider the following, both separately and collectively:

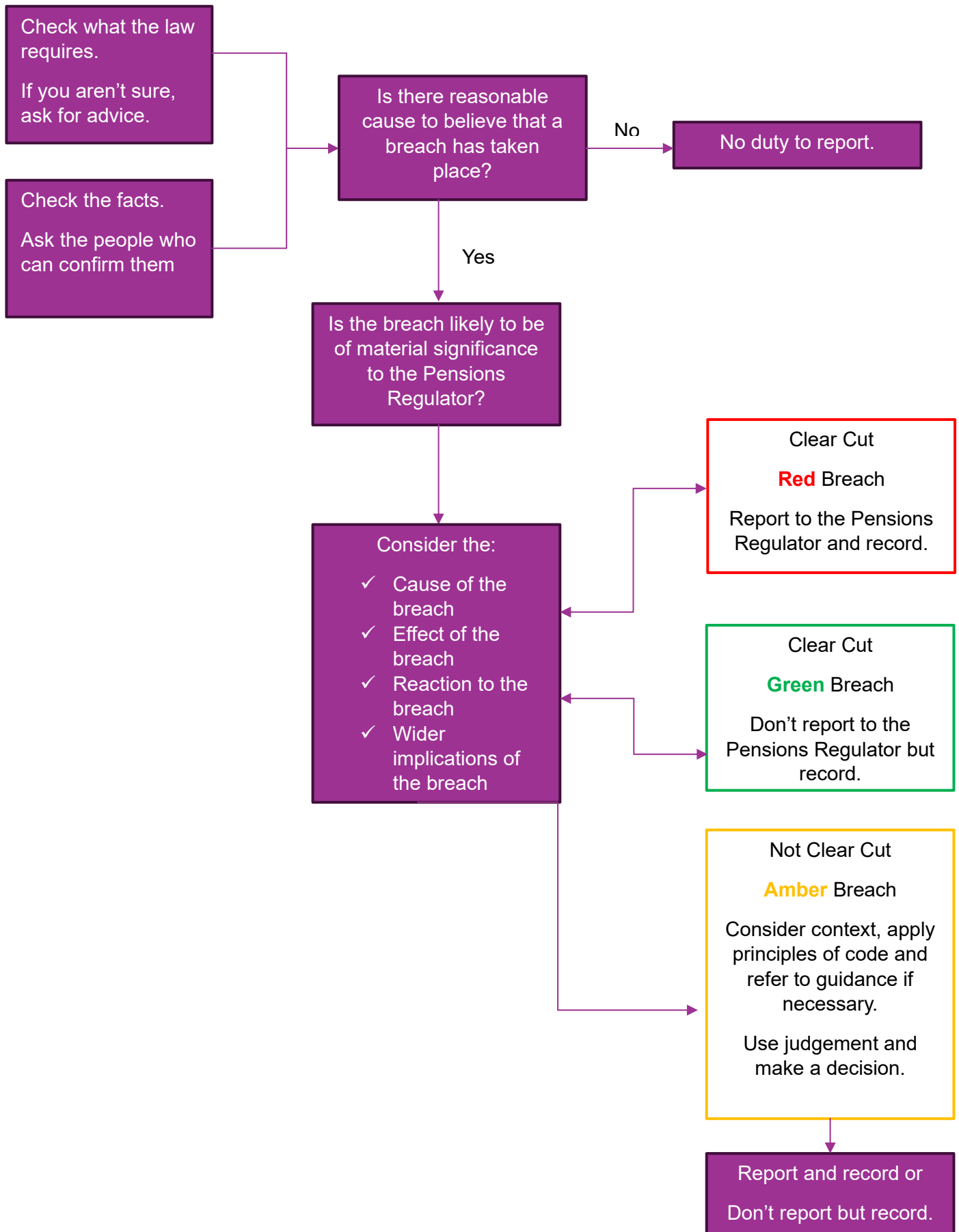
- Cause of the breach (what made it happen).
- Effect of the breach (the consequence(s) of the breach).
- Reaction to the breach.
- Wider implications of the breach.

Further details on the above four considerations are provided in **Appendix A** to this procedure.

The individual should use the traffic light framework described in **Appendix B** to help assess the material significance of each breach and to formally support and document their decision.

3.5 A decision tree is provided below to show the process for deciding whether a breach has taken place and whether it is materially significant and therefore requires to be reported.

Decision Tree: Deciding whether to report a breach or not



3.6 Referral to a level of seniority for help with a decision to be made on whether to report

South Yorkshire Pensions Authority has a designated Monitoring Officer to ensure the Authority acts and operates within the law. They are considered to have appropriate experience to help investigate whether there is reasonable cause to believe a breach has occurred, to check the law and facts of the case, to maintain records of all breaches and to assist in any reporting to the Pensions Regulator, where appropriate. If breaches relate to late or incorrect payment of contributions or pension benefits, the matter should be highlighted to the Assistant Director Pensions at the earliest opportunity to ensure the matter is resolved as a matter of urgency. Individuals must bear in mind, however, that the involvement of these Officers is to help clarify the potential reporter's thought process and to ensure this procedure is followed. The reporter remains responsible for the final decision as to whether a matter should be reported to the Pensions Regulator.

The matter should not be referred to any of these officers if doing so will alert any person responsible for a possible serious offence to the investigation. If that is the case, the individual should report the matter to the Pensions Regulator setting out the reasons for reporting, including any uncertainty – a telephone call to the Regulator before the submission may be appropriate, particularly in more serious breaches.

3.7 Dealing with complex cases

The Assistant Director - Pensions may be able to provide guidance on particularly complex cases. Information may also be available from national resources such as the Scheme Advisory Board or the LGPC Secretariat (part of the LGA Group). If timescales allow, legal advice or other professional advice can be sought. And the case discussed by the Authority Senior Management Team.

3.8 Timescales for reporting

The Pensions Act and Pension Regulators Code require that if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable. Individuals should not rely on waiting for others to report and nor is it necessary for a reporter to gather all the evidence which the Pensions Regulator may require before acting. A delay in reporting may exacerbate or increase the risk of the breach. The time taken to reach the judgements on "reasonable cause to believe" and on "material significance" should be consistent with the speed implied by 'as soon as reasonably practicable'. In particular, the time taken should reflect the seriousness of the suspected breach.

3.9 Early identification of very serious breaches

In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, the Pensions Regulator does not expect reporters to seek an explanation or to assess the effectiveness of the remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty, the reporter should avoid, where possible, checks which might alert those implicated. In serious

cases, reporters should use the quickest means possible to alert the Pensions Regulator to the breach.

3.10 Recording all breaches even if they are not reported

The record of past breaches may be relevant in deciding whether to report a breach, for example, it may reveal a systemic issue. South Yorkshire Pensions Authority will maintain a record of all breaches identified by individuals and reporters should therefore provide copies of reports to the Assistant Director Pensions. Records of unreported breaches should also be provided as soon as reasonably practicable and certainly no later than within 20 working days of the decision not to report. These will be recorded alongside all reported breaches. The record of all breaches (reported or otherwise) will be reported to the Authority and Pensions Boards on a quarterly basis.

3.11 Reporting a breach

Reports must be submitted in writing via the Pensions Regulator's online system at www.tpr.gov.uk/exchange, by post or email and should be marked urgent if appropriate. If necessary, a written report can be preceded by a telephone call. Reporters should ensure they receive an acknowledgement for any report they send to the Pensions Regulator. The Pensions Regulator will acknowledge receipt of all reports and may contact reporters to request further information. Reporters will not usually be informed of any actions taken by the Pensions Regulator due to restrictions on the disclosure of information.

As a minimum, individuals reporting should provide:

- Full scheme name (South Yorkshire Pensions Authority).
- Description of breach(es).
- Any relevant dates.
- Name, position and contact details.
- Role in connection to the scheme.
- Employer name or name of scheme manager (the latter is South Yorkshire Pensions Authority).

If possible, reporters should also indicate:

- The reason why the breach is thought to be of material significance to the Pensions Regulator.
- Scheme address (provided at the end of this document).
- Scheme manager contact details (provided at the end of this document).
- Pension Scheme registry number (10165252).
- Whether the breach has been reported before.

The reporter should provide further information or reports of further breaches if this may help the Pensions Regulator in the exercise of its functions.

3.12 Confidentiality

If requested, the Pensions Regulator will do its best to protect a reporter's identity and will not disclose information except where it is lawfully required to do so. If an individuals' employer decides not to report and the individual employed by them disagrees with this and decides to report a breach themselves, they may

have protection under the Employment Rights Act 1996 if they make an individual report in good faith.

3.13 **Reporting to South Yorkshire Pensions Authority Board and the Local Pension Board**

A report will be presented to the Authority Board and the Local Pension Board on a quarterly basis setting out:

- The number of breaches, including the number of which were reported to the Pensions Regulator and the date reported.
- For Amber Breaches, details of what action was taken and the result of any action (where not confidential).

This information will also be provided upon request by any other individual or organisation (excluding sensitive/confidential cases or ongoing cases where discussion may influence the proceedings). An example of the information to be included in the quarterly reports is provided at Appendix C to this procedure.

3.14 **Review**

This Reporting Breaches Procedure will be kept under review and updated as considered appropriate by the Assistant Director Pensions. It may be changed because of legal or regulatory changes, evolving best practice and ongoing review of the effectiveness of the procedure.

Appendix A

Determining whether a breach is likely to be of material significance

To decide whether a breach is likely to be of material significance individuals should consider the following elements, both separately and collectively:

- Cause of the breach (what made it happen).
- Effect of the breach (the consequence(s) of the breach).
- Reaction to the breach.
- Wider implications of the breach.

The cause of the breach

Examples of causes which are likely to be of concern to the Pensions Regulator are provided below:

- Action, or failing to act, in deliberate contravention of the law.
- Dishonesty
- Incomplete or inaccurate advice.
- Poor administration, i.e. failure to implement adequate administration procedures.
- Poor governance.
- Slow or inappropriate decision-making practices.

When deciding whether a cause is likely to be of material significance individuals should also consider:

- Whether the breach has been caused by an isolated incident such as a power outage, fire, flood or a genuine one-off mistake.
- Whether there have been any other breaches (reported to the Pensions Regulator or not) which when taken together may become materially significant.

The effect of the breach

Examples of possible effects (with possible causes) of breaches which are considered likely to be of material significance to the Pensions Regulator in the context of the LGPS are given below:

- Authority/Board members not having enough knowledge and understanding, resulting in the Authority and Board not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements.
- Conflicts of interest of Authority or Board members, resulting in them being prejudiced in the way they carry out their role and/or the ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements.

- Poor internal controls, leading to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time.
- Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement.
- Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time.
- Misappropriation of assets, resulting in scheme assets not being safeguarded.
- Other breaches which result in the scheme being poorly governed, managed or administered.

The reaction to the breach

A breach is likely to be of concern and material significance to the Pensions Regulator where a breach has been identified and those involved:

- Do not take prompt and effective action to remedy the breach and identify and tackle its cause to minimise risk of recurrence.
- Are not pursuing corrective action to a proper conclusion.
- Fail to notify affected scheme members where it would have been appropriate to do so.

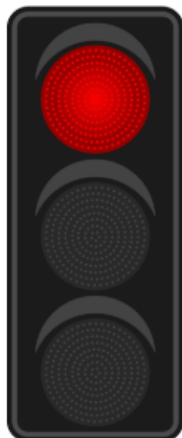
The wider implications of the breach

Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to the Pensions Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the Authority or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

Appendix B

Traffic light framework for deciding whether or not to report

It is recommended that those responsible for reporting use the traffic light framework when deciding whether to report to the Pensions Regulator. This is illustrated below:



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

These must be reported to the Pensions Regulator.

Red Example: Several members' benefits have been calculated incorrectly. The errors have not been recognised, and no action has been taken to identify and tackle the cause or to correct the errors.



Where the cause, effect, reaction and wider implications of an **Amber** breach, when considered together, may be of material significance. They might consist of several failures of administration that, although not significant in themselves, have a cumulative significance because steps have not been taken to put things right. You will need to exercise your own judgement to determine whether the breach is likely to be of material significance and should be reported.

Amber Example: Several members' benefits have been calculated incorrectly. The errors have been corrected, with no financial detriment to the members. However, the breach was caused by a system error which may have wider implication for other public service schemes using the same system.



Where the cause, effect, reaction and wider implications of a **Green** breach, when considered together are not likely to be of material significance. These should be recorded but do not need to be reported.

These must be reported to the Pensions Regulator.

Green Example: A members' benefits have been calculated incorrectly. This was an isolated incident, which has been promptly identified and corrected, with no financial detriment to the member. Procedures have been put in place to mitigate against this happening again.

Appendix C

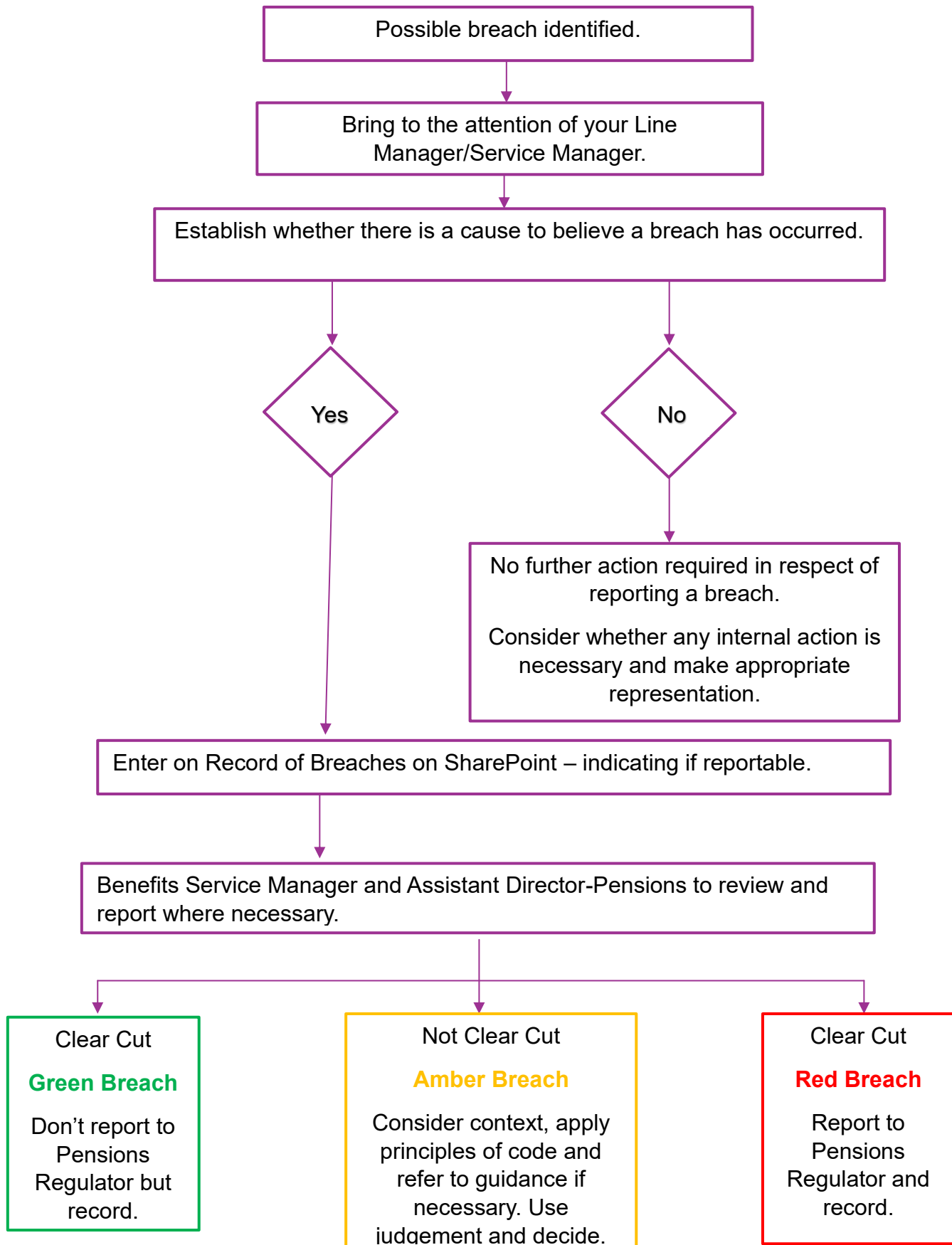
Example of Record Breaches

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Appendix D

Operational Flowchart for recording Breaches



Contact Us

If you are able to read this but know someone who cannot, please contact us on 0300 303 6160 so we can provide the information in a more appropriate and accessible format.

If you wish to contact us on any issue regarding your pension, please contact us using the details provided below:

Office Hours:

Monday to Thursday: 9.00am - 5.00pm

Friday: 9.00am - 4.30pm

Weekends: CLOSED

Email: customerservices@sypa.org.uk

Tel: 0300 303 6160

Web: www.sypensions.org.uk