

Teachers' Pension Scheme Pension Board Executive Summary 1 April 2020 – 31 March 2021

1. In 2015, the Teachers' Pension Scheme Pension Board (the Board) was set up to provide additional assurance to the Secretary of State for Education, members, employers, and taxpayers that the Teachers' Pension Scheme (TPS) is being administered efficiently, effectively and in accordance with the scheme rules. The Board effectively challenges and supports the scheme administrator, Teachers' Pensions (TP) and the Department for Education (the Department) to achieve this.

2. The TPS is the second largest defined benefit public service pension scheme in the country - with a little over two million members (703,000 active, 638,000 deferred and 740,000 pensioner members) and over 11,000 employers covering England and Wales. The Board's oversight, challenge and support of the work of TP and the Department is therefore very important.

3. The Board has 14 members comprising an independent Chair, an Independent Pension Specialist, an equal number of member and employer representatives (five of each) and two members from the Department. Through its four sub-committees, the Board is then able to focus on key issues and scrutinise performance in specific areas. The four sub-committees, which also meet quarterly, are as follows:

- **Service Delivery and Maintenance of Data** – scrutinising the arrangements for managing the scheme administration and monitoring performance against a range of performance and outcome measures;
- **Information to Members and Communications** – scrutinising the engagement plan to ensure key messages are provided to members and employers and providing their views on certain products;
- **Managing Risk and Internal Controls** – focusing on the framework for control and accountability, scheme financial administration, and ensuring that any risks are identified and mitigated; and
- **Commercial** – focusing on assuring themselves that commercial arrangements for delivering the scheme are appropriate, effective, offer value for money, and deliver continuous improvement.

4. Board and sub-committee meetings were well-attended during the year, with well-informed input and challenge from all Board members based on papers, presentations and data provided by TP, the Department and other external stakeholders such as the Government Actuary's Department and Optima Health.

5. This year has been very different for the Board because it had to quickly adapt to remote meetings; and also to the service to members and employers being delivered via home-working. The Board effectively initiated a series of fortnightly extraordinary meetings to satisfy itself that home-working arrangements, put in place to meet COVID-19 requirements, were timely and robust. During the series of extraordinary Board meetings, the Board took assurance from TP on the range of measures implemented and regularly checked progress against the Business Continuity Plan.

6. As the interim arrangements embedded, the Board continued to assure itself that the arrangements were working well and service to members and employers was not unduly affected. It raised issues on behalf of both members and employers, for example, concerns about the employer helpline not being in operation due to staff working from home. The Board supported TP in its plans and proposals to address these issues, balancing the overarching need

for assurance with an appreciation of the practical challenges of delivering such complex services by home-based staff.

7. The Board was also satisfied that staff wellbeing was a priority, acknowledging TP's, and the wider Capita group's, initiatives were rightly focused on the issue and noted the range of activities to support and keep in touch with staff.

8. The Board supported TP in its initiative to provide training and development opportunities via remote learning. This included induction activities for new staff and in-house training for specialist teams. The Board acknowledged that, whilst not ideal, the training was generally successful and well-received by staff.

9. The Board also considered what lessons had been learned from the working arrangements put in place by Capita in response to COVID-19; and that they have been exploring with Capita the longer term impact on future working arrangements and practices associated with the core service delivery function.

10. Aside from COVID-19 related issues, the Board was also proactive in considering several specific aspects of the TPS, by carrying out deep dives into several topics, including:

- The Service Level Agreement (SLA) agreement between the Department and Government Actuary's Department (GAD). The Board challenged the Department and GAD to explain how the SLA offered value for money and an effective service.
- The Medical Advisers' Services contract with Optima Health. The Board was satisfied that it had gained a good understanding of the contract relationships, and that the contractual and oversight arrangement in place drive value for money and enable a high-quality service to be delivered.

Key Areas of Activity and Challenge:

11. The Board, through constructive challenge and support, monitored several aspects of the TPS:

- **Bereavement Casework:** The Board highlighted concerns and challenged both the Department and TP regarding some bereavements cases not being processed within target deadlines. It wanted to ensure TP's plans were robust and practical to address this issue and there were contingencies to ensure this did not recur. In particular, the Board explored whether staff training supported this key team being fully staffed with succession plans in place.
- **Commercial Activity:** The current contract with Capita to administer the TPS is due to end in September 2025. The Board has monitored and considered the Department's procurement plans and supports the need for continuous improvement, value for money and affordability. The Board has also monitored contract variation activities to ensure that under the current contract, transitional protection and survivor benefits rectification work will be completed timeously.
- **Programme Management:** The Board recognises the additional pressures resulting from the implementation of judicial requirements, such as Transitional Protection and survivor benefit equalisation. In addition, other projects such as the development of the Pensions Dashboard, GMP, MCR and the Valuation. The Board is sympathetic to the Department's views about the risk of project saturation and the challenges this poses to both the Department and TP. The Board has noted that resource requirements were identified and

have been/continue to be addressed; and that risks and mitigations have been considered regarding the high volume of projects underway.

- **Transitional Protection:** The Board has monitored the planning and recruitment activities to ensure that immediate detriment cases and other remedial action to ensure all members will eventually be given the choice of scheme benefits retrospectively; and from 1 April 2022 - on retirement.
- **Communications and Engagement Strategy:** The Board was pleased to see that the strategy continues to work towards focused and targeted membership communications. The Board has taken a keen interest in how TP communicates with independent schools and their staff whilst the consultation as to whether to allow phased withdrawal from the Scheme took place. As that has now been agreed, the Board is currently assessing the plans and products TP will issue as the policy comes into effect in Autumn 2021. The Board was delighted that the number of MyPensionOnline accounts passed the one million mark in June 2020. The Board supports the TPS efforts to increase the number of members who have an account, because it is a secure and simpler method of updating personal details, checking benefits statements and communicating with TP.
- **Scheme's Annual Report and Accounts:** The Board noted that the TPS Annual Accounts were successfully laid in Parliament without qualification and within the statutory deadline, having received no significant queries from scrutiny bodies. The effective governance process ensured that the Board had appropriate oversight of the progress of the Scheme Accounts and management of its associated risks throughout the financial year through regular updates provided to the Managing Risks and Internal Controls (MRIC) sub-committee of the Board. Issues arising were escalated as appropriate to ensure transparency, allowing the Board the opportunity to challenge the operation and controls in place. A copy of the accounts can be found using the following link: <https://www.gov.uk/government/publications/teachers-pension-scheme-annual-accounts-2019-to-2020>
- **TP Internal Audit:** The MRIC sub-committee, in supporting the Board, considered and agreed the final content of the audit plan for 2021. The MRIC continued to monitor delivery of the work of the internal audit function and the successful delivery of the planned audit work in partnership with the Department and with input from the Government Internal Audit Agency (GIAA). Regular reporting and updates allowed the Board the opportunity to challenge audit progress and the successful implementation of any resulting mitigating actions.

Summary:

12. In what has been a very difficult year, the Board has been satisfied that the Department and TP have coped well with the administrative challenges brought about by COVID-19. The Board has effectively challenged TP and the Department on matters where it considers improvement should be made – for example, bereavement casework. The Board will continue to work to ensure that performance remains high and has been appreciative of the efforts to maintain a good quality service whilst staff are working remotely. Next year, the Board will continue to assure itself that TP is operationally equipped to deal with the variety of delivery challenges such as transitional protection and survivor benefits equalisation.

