

Teachers' Pension Scheme Advisory Board (TPSAB)

15 November 2017

MINUTES

Attendees			
Mike Beard	NAHT	Dave Wilkinson	NASUWT
Neil Butler	NASUWT	Jackie Wood	LGA
Stephen Casey	ASCL	Rolant Wynne	UCAC
Helen Fairfoul	UCEA	Stephen Baker	DfE
Usman Gbajabiamila	NEU - ATL	John Brown	DfE
Christine Haswell	UCU	Kevin Connolly	DfE
Nick Kirby	NEU - NUT	Jeff Rogerson	DfE
Trefor Lleywlyn	ISC	Observers	
Andrew Morris	NEU - NUT	Brenda Callow	SPPA
Deborah Simpson	Voice	Stephen Fry	TP

	Item	Action
Agenda Item 1	<p><u>Welcome and introductions</u></p> <p>SB welcomed everyone to the meeting.</p> <p>Apologies were received from Julian Gravatt.</p>	
Agenda Item 2	<p><u>Conflict of interest (Col)</u></p> <p>SB reminded the meeting that all attendees must have completed the Col declaration.</p> <p>SB asked if anyone had a conflict of interest in any of the agenda items of today's meeting. There was no conflict declared.</p>	
Agenda Item 3	<p><u>Action points from last meeting</u></p> <p>A response has been received from the employer whom the DfE wrote to which acknowledged their responsibilities as an employer and confirmed that members were not being incentivised to opt out. The Board were satisfied that the issue had been investigated. Cleared.</p> <p>The Board were advised that the AP</p>	<p><u>A.P. 07/010317</u></p>

	<p>relating to the valuation result briefing pack will be retained until the valuation results are announced.</p> <p>GAD have confirmed that graph 8.2 of the assumptions report has been corrected.</p> <p>TP have worked with members of the Board to revise the IHR letter to address concerns regarding the 6 week deadline. The final version will be ready to share imminently.</p>	<p><u>A.P. 03/190717</u></p> <p><u>A.P. 07/190717</u></p> <p><u>A.P. 09/190717</u></p>
<p>Agenda Item 4</p> <p>Paper 1</p>	<p><u>Opt-out Survey</u></p> <p>KC provided an overview of the opt-out survey results, and some of the measures that TP are taking to address the concerns identified by the opt-out survey. This includes a number of campaigns targeted at certain groups and issues. The Board requested that copies of the targeted emails, sent to members in the month after they opt-out, are circulated.</p> <p>KC explained that TP immediately amended the reason for opt-out choices as a result of the survey, to improve the data being collected. The Board were asked if there was any additional information that could be requested from members opting-out to assist in attempting to address opt-out reasons, otherwise the revised form would continue to be used.</p> <p>The Board welcomed the work put into understanding why members opt out and the updated range of reasons on the opt-out form, which it was felt would assist further monitoring of this issue. It was requested that DfE provide further information on the comments contained in the 'Other' category, recognising the limitations with this free text field.</p> <p>Several members of the Board commented on the outcomes, that most</p>	<p><u>A.P. 01/151117</u></p> <p>DfE to circulate copies of opt-out emails.</p> <p><u>A.P. 02/151117</u></p> <p>DfE to provide a summary of reasons contained in 'other'.</p>

	<p>opt-outs were for financial reasons and this was not just a pensions issue, but a pay issue. SB confirmed that findings are shared with the pay team. It was also suggested that whilst age, sex, location etc. have been explored, protected characteristics also needs to be a consideration.</p> <p>Whilst most of the Board support the opt-out process being moved on-line from January 2018, in order that it can be confirmed that members opting-out are doing so in full knowledge of the benefits they'd be giving up, some concerns were raised around auto-enrolment and the time it can take to refund contributions etc. There was also some discussion about how online only applications may make the process too onerous for some members who would rather fill in a paper form. JR confirmed that members would still be able to request an opt-out form if they were unable to opt-out online.</p> <p>A number of ideas were suggested for DfE to consider in regard to further initiatives. This included making more of the member foregoing the employer contribution, giving up the financial security for member's families that ill-health and death in service provides, highlighting the value of the TPS as part of the overall pay package and addressing any perception that contribution rates are high by highlighting that this is because it pays for significant pension provision.</p> <p>Whilst the number of opt-outs is low in comparison to the number of scheme members, there remain difficulties in understanding the true opt-out position. DfE will try to establish numbers of how many are eligible to be in the scheme.</p>	<p><u>A.P. 03/151117</u></p> <p>DfE to try to establish a figure for those who are eligible to be in the TPS.</p>
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<p>Agenda Item 5</p>	<p><u>Policy update paper</u></p>	
<p>Paper 2</p>	<p>The Board were provided with an update on regulatory amendments, the GMP project, exit payments and recent court cases concerning other public sector pension schemes.</p> <p>It was confirmed that the TPS amending regulations have now been laid and will come into force on 30 November. The Board were advised of a further change to regulations being considered to address an inheritance tax related issue raised by HMRC and specifically about whether the 2014 regulations provide that a death grant is discretionary, which would also impact pension credit members. The Board were advised that there are challenges with the legislative timetable which may make this difficult to correct quickly, so if they are made aware of any cases in the meantime, advice should be sought from DfE.</p> <p>An update was provided on GMP and there was some discussion about recovery of overpayments. It was explained that the DfE Permanent Secretary will provide HM Treasury with a recommendation, taking account of the costs involved. There was some discussion around the recommendation being shared with SAB before being sent to the Permanent Secretary. It was explained that this is a Departmental decision but SAB would be kept informed. It was also confirmed that whilst scheme costs could be affected, the amounts involved are proportionally very small and would have no impact on the employer contribution rate. The Board confirmed that no further discussion was required ahead of the overpayment decision.</p> <p>The issue of exit payments has not progressed, although HM Treasury have indicated that there will be a consultation exercise in early 2018. There was some</p>	

	<p>discussion about who had responsibility for the policy, how DfE would seek to implement, and how DfE would work with DCLG on a consistent approach. JR confirmed that it was an overriding HMT policy that DfE do not own, so the changes that are being proposed for the TPS related legislation are merely to provide for the arrangements set out in the over-arching legislation – i.e. DfE is not creating policy here. There were further queries about whether some bodies were likely to be exempted from the regulations and it was confirmed that HE and other independent bodies are. It was agreed that JB will provide a specific paper for the next meeting covering all issues in more detail.</p> <p>There has been little progress with recent court cases that may have implications for the TPS. JW advised that the LGPS SAB were due to meet the next day to discuss a paper on survivor benefits which is published on the LGPS SAB site, and depending on the decision made they may approach the TP SAB. This issue will be discussed further at the next Board meeting.</p>	<p><u>A.P. 04/151117</u></p> <p>JB to provide detailed paper on Exit Payments.</p>
<p>Agenda Item 6</p> <p>Paper 3</p>	<p><u>Member Contribution Tiers</u></p> <p>KC provided a summary of the member contribution tiers review paper. There was an explanation of the assumptions used, based on draft HMT directions that may change, the ToR against which options must be considered and the preference indicated at the last meeting to closely match the current structure.</p> <p>An explanation was given of what the current structure would achieve in 2019-2023, based on draft assumptions, which would be around 9.52%. Discussion thus centred on how the required 9.6% yield should be achieved.</p> <p>It was queried why the figure used for pension increase assumptions doesn't</p>	

	<p>match public earnings assumptions to avoid significant numbers of members changing bands. There followed some discussion as to whether it would be preferable to review contribution tiers annually rather than using assumptions for several years' time. JB advised that whilst it wouldn't be impossible, the member contribution review is done at the same time as the scheme valuation because it relies on the same data which requires a great deal of work to gather and analyse. JR added that most significantly, annual changes were likely to result in considerable volatility and the upheaval associated with that would probably not be welcomed by members or employers – the current 4 yearly cycle protects against that.</p> <p>Some Board members expressed that it appeared members would now have to pay more due to receiving low pay, to make good for the failure to collect the 9.6% to date. It was explained that none of the proposed options are based on collecting more than 9.6% overall. That is, any shortfall in the member contributions from the current structure is not recovered from the next structure.</p> <p>It was suggested than an easy solution would be for all members to pay a 9.6% contribution and there would be no need for further review of the structure, however KC highlighted the rest of the ToR which includes protection for the lowest paid members and having regard for teacher recruitment and retention.</p> <p>Another suggestion was that lower earners can't pay more and therefore the highest earners should pay an increased contribution rate or another tier be introduced for those members.</p> <p>Others felt that the 6 tier structure is reasonable and options should be explored on this basis, including</p>	
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	<p>increasing all contributions by .08%.</p> <p>As it was clear that further discussion was required, the Board were asked how they wanted to progress. A timeline was set out of achieving a final proposal by March, issuing a consultation exercise in April, reviewing consultation responses over the summer and making a final decision soon after in order to give employers time to implement.</p> <p>It was agreed that a sub-group meeting should be held in February 2018 and that any comments or suggested approaches be sent to the SAB secretariat by December 12th. That would allow time to put further options through the modeller in readiness for consideration at the February meeting.</p>	<p><u>A.P. 05/151117</u></p> <p>DfE to arrange sub-group meeting in February to discuss options.</p> <p><u>A.P. 06/151117</u></p> <p>Board members to send comments or options to model to SAB secretariat by December 12th.</p>
<p>Agenda Item 7</p> <p>Paper 4</p>	<p><u>Ill Health Retirement</u></p> <p>KC summarised the key points from the ill-health retirement paper – that the drop off in applications in the 55+ age group may not be as stark as the graph suggests because the data was collected for a different purpose as part of the valuation, however DfE acknowledge that there does remain a drop-off in successful applications in this age group.</p> <p>As the majority of ill-health retirement applications are accepted, it would suggest that this is because fewer applications are being made.</p> <p>It was agreed that members and employers should be reminded of the need to weigh up all options when ill health is getting in the way of wanting to stay in teaching – and that pursuing an ill health award should not be dismissed lightly no matter how close to NPA a member is as the additional benefits involved can be considerable over the long term.</p>	

	<p>It was also agreed that further consideration needs to be given to when the policy surrounding ill health retirements should be reviewed – as more people work toward a higher NPA. As a first step it was suggested that medical advisers be invited to a future Board meeting to present on how the current arrangements are working, akin to a presentation they did for the TPSPB a while ago. DfE agreed to take this forward.</p> <p>There was some discussion about waiting for the Working Longer Review results before taking these actions. However JR highlighted the risks of that and advised that DfE didn't want to delay highlighting the benefits of IHR to those who are near retirement age – and who may otherwise not bother applying. It was agreed by the Board that the guidance should be issued as soon as possible.</p> <p>DfE will now prepare and issue communications to both members and employers to highlight the lifetime benefits of ill health retirement over alternatives such as Actuarially Adjusted Benefits.</p>	<p><u>A.P. 07/151117</u></p> <p>DfE to invite medical advisers to present on how current IHR arrangements are working at future SAB meeting.</p>
<p>Agenda Item 8</p>	<p><u>AOB</u></p> <p>DfE are required to regularly review and update a published list of persons they would expect to consult with about any proposed changes to the TPS. DfE are in the process of updating that list and will notify the SAB when this has been completed. The TP SAB will be included in that list of consultees.</p> <p>JR provided a brief update from the Pension Board meeting, primarily concerning measures being taken to address recent issues with the TP contact centre.</p>	

<p>Agenda item 9</p>	<p><u>Agreement to publish papers</u></p> <p>KC reminded the Board that the normal agreement was for minutes and action points from this meeting to be published on the TP website.</p> <p>KC advised that all previous SAB minutes and Action Points would be contained in the Governance section of the TP website, which should be available imminently. Any queries regarding the published minutes and APs should be sent to the SAB secretariat.</p>	
<p>Agenda item 10</p>	<p><u>Next meeting</u></p> <p>The next SAB meetings are scheduled for Wednesday 14 March 2018 and Tuesday 03 July 2018 (13:30-16:30).</p> <p>These dates are provisional and can only be confirmed 90 days in advance.</p>	