

Teachers' Pension Scheme Advisory Board (TPSAB)

19 July 2017

MINUTES

Attendees			
Mike Beard	NAHT	Stephen Baker	DfE
Usman Gbajabiamila	ATL	John Brown	DfE
Nick Kirby	NUT	Jeff Rogerson	DfE
Trefor Llewellyn	ISC	Kevin Connolly	DfE
John McGill	NASUWT	Observers	
Emelda Nicholroy	UCEA	Brenda Callow	SPPA
Deborah Simpson	VOICE	Neil Crombie	TP
Dave Wilkinson	NASUWT	Stephen Fry	TP
Jackie Wood	LGA	Garth Foster	GAD
Rolant Wynne	UCAC	Matt Wood	GAD

	Item	Action
Agenda Item 1	<p><u>Welcome and introductions</u></p> <p>SB welcomed everyone to the meeting. Apologies were received from Julian Gravatt, Stephen Casey and Christine Haswell.</p>	
Agenda Item 2	<p><u>Conflict of interest</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 Paper 1	<p><u>Action points from last meeting</u></p> <p>KC updated the meeting on how other pension schemes' advisory boards (SAB) operate. It was agreed that there was nothing significant from the way in which other SAB are working that TPSAB should consider adopting and Board members noted they are satisfied with how TPSAB is managed and is</p>	<p><u>A.P. 01/300915</u></p>

	<p>running. AP cleared.</p> <p>Issue of tax implications of purchase of excess mandatory compensation covered in policy update paper. AP cleared.</p> <p>Communication to employers, reminding them of correct procedure to enrol all eligible employees into scheme regardless of intention to opt-out, issued on 27 June 2017. AP cleared.</p> <p>DfE have written to an employer regarding information provided by CH. DfE will provide an update on the outcome.</p>	<p><u>A.P. 03/010317</u></p> <p><u>A.P. 06/010317</u></p> <p><u>A.P. 07/010317</u></p>
<p>Agenda Item 4</p>	<p><u>Opt-outs</u></p> <p>JR apologised for the delay in providing the opt-out reports, due to purdah.</p> <p>It was noted that the trend of increased opt-outs is continuing but there are various factors that may influence this, including auto-enrolment and multiple contracts.</p> <p>JR assured SAB that when looking at opt-outs, DfE are considering recruitment and retention issues and are developing processes that may help to reduce numbers, such as moving opt-outs on-line to ensure that members are fully aware of the consequences when making their decision. DfE also advised that the equalities impact will be fully considered.</p> <p>DfE advised there are limitations with the data available but work is ongoing to determine what further stats could usefully be provided and DfE will report back to SAB on outcomes.</p> <p>It was asked what further was known about the reasons for opt-outs. DfE advised work is ongoing to analyse the results of opt-out surveys with the</p>	<p><u>A.P. 01/190717</u></p> <p>DfE to report on opt-out survey results at</p>

	<p>intention of producing an ongoing report. DfE will report on opt-out survey results at the next SAB meeting.</p> <p>DfE will consult with SAB on a final list of data to be captured from future opt-out surveys.</p>	<p>next SAB meeting.</p> <p><u>A.P. 02/190717</u></p> <p>DfE to consult SAB on final list of data to be captured from opt-out survey.</p>
<p>Agenda Item 5</p> <p>Paper 2</p>	<p><u>Policy update paper</u></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>There was a brief discussion of the challenges faced on GMPs as policy decisions are awaited from HMT on overpayments and the long-term solution to indexation/equalisation. Also queries on the reconciliation exercise are still taking longer than expected with HMRC. Ultimately the reconciliation exercise and new administrative processes would realistically need to be in place by November 2018, otherwise HMT need to review deadlines and in particular the cut-off date for the interim solution. DfE will provide a further update at the next meeting.</p> <p>The issue of exit payments has not progressed due to purdah. However, HMT were able to confirm that Excess Mandatory Compensation is not a pension payment and therefore wouldn't be subject to pensions tax legislation. This also means that any additional payments by members would not qualify for pension tax-relief and, as an investment, the benefits involved would be subject to income tax. Members will therefore need to carefully consider whether this option would be of benefit to them.</p> <p>The Board were reassured that when dealing with the Brewster cases, the intention is to put qualifying beneficiaries</p>	

	<p>in the position they ought to be following the judgement but without unduly disadvantaging those who have already received payments in good faith – i.e. there was no intention to recover death grants or child pension overpayments. The Board were happy with the update, although it was asked if there would be any dispensation from HMRC on tax implications for backdated payments. It was agreed that this would be for the member to address by approaching HMRC and explaining the circumstances.</p>	
<p>Agenda Item 6</p> <p>Paper 3</p>	<p><u>Valuation/Cost-cap</u></p> <p>A brief summary of the cost-cap mechanism was provided by GAD, explaining that there is a measure of the costs of providing benefits accruing in the CARE scheme over the 4-year valuation period (ignoring costs for those who remain in the Final Salary scheme). There is a corridor of 2% either side of the cap which if breached will result in action being taken to bring costs back within the cap (where over 2% higher) or to improve the benefit structure (where over 2% lower). Changes to the cost cap will be made to achieve policy commitments, for example following the SCAPE discount rate change, an offset is being made to adjust the cost cap so that a breach does not occur because of the change. If a breach does occur, the SAB has 6 months to agree the actions to be taken and if no agreement can be reached, the default action is to reduce the accrual rate so as to bring costs back into line.</p> <p>It was asked if DfE could provide advance warning to SAB members when the ‘new’ employer contribution rate is announced. It was explained that it would be unlikely that DfE could advise employers ahead of the results being published in March 2018, as HMT plan to</p>	

	<p>announce the valuation outcome alongside the Spring Statement.</p> <p>However, DfE will seek to prepare briefing packs for employers/unions to communicate the impact of the valuation as the results are published. It was also noted that employers would still have 12 months to implement any changes, if that was the outcome.</p> <p>JB then provided a summary of the valuation sub-group meetings that took place in June.</p> <p>JB advised the Board of key dependencies on HMT, regarding laying revised directions and taking decisions on central assumptions in a timely manner. A note had therefore been sent to HMT regarding the timing and determination of some central assumptions, however there had been an announcement regarding the acceleration of increase to the State Pension Age (SPA) to 68 that day. Unions expressed their concerns with the link between NPA and SPA and called for it to be severed. It was pointed out that this proposal would be subject to further consultation and any views can be expressed in this way.</p> <p>The note also covered employer concerns about HMT communicating openly with employers as well as unions. DfE will advise the Board of the outcome of this by email rather than wait until the next SAB meeting.</p> <p>(Update – response to valuation sub-group note and draft directions from HMT have been received and were emailed to SAB members on 28/07/17).</p> <p>An update was also provided on the scheme specific assumptions, which are voluntary withdrawals, pensioner mortality, age retirement from service, ill-health retirement from service, death</p>	<p><u>A.P. 03/190717</u></p> <p>DfE to consider briefing pack to coincide with valuation result announcement.</p> <p><u>A.P. 04/190717</u></p> <p>DfE to update SAB on HMT response by email</p>
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	<p>before retirement, promotional pay progression, commutation of pension for cash at retirement and family statistics. Further discussion was generated on a number of these scheme specific assumptions.</p> <p>Pensioner mortality – unions commented that a change to mortality would result in savings that could be used to improve member benefits, and they would like this view to be taken into account. DfE pointed to the way the overall cost control mechanisms work – with the intention being that benefits would be improved where reduced costs caused the cost cap floor to be breached.</p> <p>Age retirement from service - GAD clarified that rather than no change regarding NPA60 retirements, a slight change was being recommended but the impact would be negligible to the valuation outcome.</p> <p>Ill-health retirement – there was substantial discussion around this assumption and members of the Board asked why there were fewer members leaving on ill-health retirement grounds after age 55 and whether members were instead leaving with actuarially adjusted benefits (AAB). Concerns were mainly around whether members recognised the benefits of IHR or whether they found the process too difficult and were given sufficient support to apply. Employers suggested that the increased use of occupational health services may have reduced the numbers needing to leave teaching due to health reasons. The Board agreed that the data around ill-health retirements merits further work although it was also acknowledged there is some overlap with the Working Longer Review. It was therefore agreed that DfE will bring a further paper to SAB. It was also agreed to publish reminders about IHR for employers and members before</p>	<p><u>A.P. 05/190717</u></p> <p>DfE to provide paper on IHR at next SAB meeting.</p> <p><u>A.P. 06/1907017</u></p> <p>Reminder of IHR process for employers and members to be</p>
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	<p>the next SAB meeting.</p> <p>Death before retirement – an error was noted with graph 8.2 of the assumptions report. GAD will provide an updated version.</p> <p>JB asked if the Board would formally agree the sub-committees' recommendation, that the Board's advice to the SoS is that GAD's proposals for assumptions are adopted, as set out in the advice paper. This was confirmed, although it was commented that this doesn't necessarily mean agreement with the valuation outcome.</p> <p>Members of the Board commented that they felt handling of this complex process had worked very well.</p>	<p>published.</p> <p><u>A.P. 07/190717</u></p> <p>GAD to correct graph 8.2 of assumptions report.</p>
<p>Agenda Item 7</p> <p>Paper 4</p>	<p><u>Member contribution tiers</u></p> <p>KC provided a summary of the member contribution paper and explained it introduces a review of the member contribution tier structure as part of the valuation exercise. It was explained that the intention was to provide a number of proposals ahead of the next SAB meeting in November along with factors for consideration, with a view to achieving an agreed way forward by the date that the valuation results are announced next Spring. To achieve this, discussions would need to take place between November and early 2018 and the Board were asked how they would like to contribute.</p> <p>The general consensus of the Board was that the current structure works and that changing it would be expensive and impose a burden on employers.</p> <p>DfE explained that when the structure currently in place was introduced in 2015, there was a commitment to review at the time of the next valuation exercise and that the impact of the tiers on opt-</p>	

	<p>outs, and whether the required level of member contributions would be achieved, needs to be considered.</p> <p>The Board confirmed they were content that the factors used as part of the last contribution tier review remain relevant and should be retained. As the Board's strong preference was for changes to be minimal, it was not felt necessary to organise a sub-group at this time and it was agreed that DfE would instead provide an update paper at the next meeting in November, and the proposals would include options based on the current number of tiers with any necessary adjustments.</p>	<p><u>A.P. 08/190717</u></p> <p>DfE to provide an update paper on the member contribution tier review at next SAB meeting.</p>
<p>Agenda Item 8</p> <p>Paper 5</p>	<p><u>Ill-health acceptance letters</u></p> <p>Several of the unions raised an issue with the wording of ill-health retirement acceptance letters which state that the member is to cease employment within a timescale that is not reflected in either the scheme regulations or contract of employment. Concerns were expressed that the time needed to complete the administration could leave a member without income between the salary ending and pension being put into payment and therefore it was requested that reference to 6 weeks be removed.</p> <p>DfE responded that the timing of the application is at the discretion of the applicant and must correspond with the medical assessment. There also has to be certainty over the date that employment will cease as in many cases the applicant will continue to accrue pension – without a confirmed date TP will be unable to calculate pension entitlement. However, DfE agreed that reference to 6 weeks can be removed from the letters and replaced with suitable alternative wording that still provides certainty on the date that IHR commences. There followed some</p>	<p><u>A.P. 09/190717</u></p> <p>TP will review the IHR letter and return to SAB with a proposal to amend.</p>

	discussion of what the wording might be.	
Agenda Item 9	<p><u>Any other business</u></p> <p>DfE provided an update on the recent Walker case, advising that the implications for the TPS are not yet fully known, with HMT ultimately retaining control over policy. Unions expressed that they hoped HMT would accept the implications of this judgement as they had Brewster. There was a request that DfE reflect the views of SAB to HMT and to provide updates. Progress will be covered in future policy update papers.</p> <p>A brief TP Board update was provided with a summary of some administrative issues being tackled.</p> <p>An update was also provided on 2nd Bite PI and progress so far in contacting those affected as well as discussion aimed at ensuring press information is accurate.</p>	
Agenda item 10	<p><u>Agreement to publish papers</u></p> <p>SB reminded the meeting that the normal agreement was for minutes and action points from this meeting to be published on the TP website. This was agreed.</p>	
Agenda item 11	<p><u>Next meeting</u></p> <p>KC advised the Board about future meeting arrangements and a change to the DfE room booking system, restricting when bookings can be made. It was explained that DfE would continue to provide provisional dates for the next 3 meetings to help the Board with diary management but confirmation, via a calendar invitation, could only be issued 90 days in advance.</p> <p>The general consensus was that, in the unlikely event that a room could not be booked at Sanctuary Buildings, it would be preferable to retain the date and look</p>	

	<p>for an alternative venue. Members of the Board confirmed that they would be willing to travel to Darlington as an alternative.</p> <p>The next SAB meeting is scheduled for Wednesday 15 November. Subsequent meetings are provisionally scheduled for Wednesday 14 March 2018 (although this may be revised when the date of the Spring Statement is known) and Tuesday 03 July 2018.</p> <p>Meetings will normally be held 13:30-16:30.</p>	
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