**Teachers’ Pension Scheme Pension Board (TPSPB)**

**FIFTEENTH BOARD MEETING: 23 January 2019**

**MINUTES**

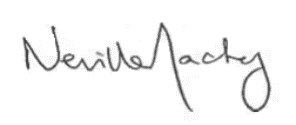
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| **Present:** |  | **Also Attending:** |  |
| Neville Mackay (Chair) | NM | David Heslop (Client Director, Capita TP) 1-11 | DH |
| Susan Anyan (Independent Pension Specialist) | SA | Jeff Rogerson (DfE Head of Pensions) | JR |
| Stephen Baker (DfE representative) | SB | Peter Springhall (DfE Commercial Project Mgr) | PS |
| David Butcher (employer representative) | DB | Sue Crane (DfE Senior Contract Manager) | SC |
| Jerry Glazier (member representative) | JG | **Secretariat:** |  |
| Julie Huckstep (member representative) | JH | Karen Cammack (DfE – Secretariat) |  |
| Trefor Llewellyn (employer representative) | TL | Helen Fisher – (DfE – Secretariat) |  |
| Lee Probert (employer representative) | LP | Kathryn Symms (DfE – Secretariat) | KS |
| David Trace (member representative) | DT |  |  |
| Dave Wilkinson (member representative) | DW | **Apologies:** |  |
| Jackie Wood (employer representative) | JW | Chris Jones (member representative) |  |
| **Guest/observer:** |  | Roy Blackwell (employer representative) |  |
| Nigel Johnson (DfE Audit & Risk Committee) |  | Iain King (DfE representative) |  |

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|  | **Item** | **Action** |
| Agenda item 1 | **Introduction, attendance, apologies:**   * NM extended a warm welcome to Susan Anyan, the new Independent Pension Specialist, and invited attendees to introduce themselves. * On behalf of the Board NM extended best wishes to Chris Jones as he continues his recovery from illness. * Apologies were accepted from Iain King, Chris Jones and Roy Blackwell. * NM introduced NJ from DfE’s Audit and Risk Committee (ARC), attending as a guest as he is the ARC’s lead on TPS related issues. The invitation followed NM’s guest attendance at ARC’s December 2018 meeting.   **Minutes of the previous meeting:**   * The minutes from the 24 October 2018 were agreed as a fair and true record.   **Register of Interests:**   * Some minor changes were noted, and no potential conflicts were raised relating to the agenda. |  |
| Agenda item 2 | **Update on on-going action points**:  AP11/260417 and 7/120717 - TAVC   * JR confirmed that the Management Advisory Group (MAG) will meet on 31 January to discuss progress on revising the funds on offer. As previously discussed, he would ask MAG members if they would like to continue to be able to access the additional Independent Pension Specialist (IPS) support that Geoff Ashton had provided (and could now be provided by SA).   APs1&8/180418 - Monthly Contribution Reconciliation (MCR)   * SC advised that three workshops had taken place in January 2019 to discuss the draft guidance and changes previously shared with employer groups. A further six workshops are planned for January/February with a pilot due in January 2020 ahead of roll-out from 1 April 2020 - 30 September 2021. At the next Service Delivery sub-committee, the project manager from TP will outline the information due to be covered in the new return. Actions to be closed.   AP2/241018 - sub-committee forward work plans   * NM confirmed that this was still work in progress in that both the MR&IC and SD sub-committees are looking to align with financial /operational cycles and ensure that emerging issues are not missed. Sub-committee chairs confirmed that topics for the March sub-committee meetings had been identified. Action to be closed.   AP7/241018 - MR&IC s/c review of risk registers   * NM confirmed that as it had been decided to reinstate the Dashboard and Dashboard overview documents as Board papers, and with the improved coverage of risks on the Dashboard, the need for a separate paper was no longer required. Action to be closed.   AP8/241018 - Changing role of tPR   * JR advised that Tania Edwards, the lead contact for tPR, had attended a very constructive familiarisation day at TP in December. TPR are looking to better understand public sector schemes to support their new role and the day had offered the opportunity for DfE and TP to provide information and advice to support that understanding. * Tania has proposed attending a future TPSPB meeting to update the Board on key issues of the new relationship and answer questions. The Board agreed to extend an invitation for the April meeting and felt that this would provide the regulator with an element of governance assurance. Action to be closed. | AP1/230119 |
| Agenda item 3 | **Independent Pension Specialist Update (Paper 5):**  SA highlighted key issues from paper 5, which summarised those issues most relevant to the TPS which have arisen in the pensions arena since the last TPSPB meeting, and invited DfE and TP to set out how they are tackling associated issues.   * GMP equalisation: The judgment in the High Court case (Lloyds) had reached a conclusion that was consistent with the Government’s view. Advice on methodology and further guidance is awaited. JR confirmed that DfE continue in discussions with HMT, but that the interim solution in place for public service schemes has been extended to April 2021. He advised that three options are being considered and that conversion is currently the preferred option; SA confirmed that conversion also seems to be the favoured option in the private sector. * Pensions Dashboard: SA noted that the Government had published a feasibility report and consultation papers in relation to the possibility of introducing pensions dashboards, which would allow consumers to access all their pensions information in one place. * JR explained that the proposed introduction of a dashboard is something which the DfE supports, as part of moves to get people to engage with pension saving. The Board had been kept abreast of progress and those concerns and issues previously raised (such as concerns around implementation timelines), had been referenced in the consultation response. DH confirmed that TP had contributed towards the DfE response, and that Capita would be submitting a separate response setting out their specific issues, which included security concerns.   DW commented that it would be useful to see the department’s response, which JR agreed to circulate. Should Board members wish to raise any major concerns, these could be raised to the department, but should be shared with other Board colleagues.  The new S3 Series of mortality tables published by the Continuous Mortality Investigation (CMI)   * SA highlighted that new mortality tables had been published. JR confirmed that GAD provide actuarial tables for the scheme and that the department had agreed that their data could be included within the CMI tables. JR reassured the Board that there were no further cost pressures on the scheme as updated mortality figures had been taken into consideration for valuation. * NM observed that it might be useful to the Board to have a further presentation from GAD, focussing on a general knowledge type update to raise awareness. The consensus of the Board was to add the topic to the list for a future meeting, although noting JR’s observations that a number of the issues are policy related and DW’s view that it would present a useful opportunity to illustrate the demarcation between policy and operations.   Brexit  1) data transmissions outside the UK   * SA noted that there could be issues in maintaining data transfer arrangements in the event of a no deal brexit. TL noted there were some independent schools in the EU who would still need to submit data for existing members, even though the TPS would not be open to new members following Brexit. JR confirmed that the policy side of this is being dealt with via secondary legislation, which would allow for existing members to continue to participate in the scheme. Data submission issues are not anticipated, but TP will continue to monitor the situation.   2) overseas payments   * DH confirmed that there are around 6-7k teachers in receipt of pensions overseas. These are processed via Deutsche Bank who hold the appropriate licences. TP are in discussions with DB to identify and discuss any potential problems. * DW asked for the topic to be added to the next Service Delivery sub-committee agenda for further discussion and requested that DfE/secretariat pull together a summary document from paper 5 to assist in agenda planning. * It was agreed that JR and SA should have a pre-meet ahead of each TPSPB meeting. | AP2/230119  AP3/230119  AP4/230119  AP5/230119  AP6/230119 |
| Agenda item 4 | **Update from Scheme Advisory Board (SAB):**   * JR explained the up-to-date situation of the Cost Cap rectification. The group met on 9 January 2019 and deliberated the remaining options for rectifying the cost cap; SAB reached an agreement to recommend two options to HMT. One being that the accrual rate is amended - this is the least complex from an administration perspective and is easier to communicate. They also recommended retaining the existing member contribution tiers.   Valuation   * HMT has now provided the final directions needed to allow completion of the scheme valuation. Subject to ministerial approval on the cost cap rectification recommendation, the employer contribution rate will be 23.6% from September 2019.   McCloud/Sargent case   * The Court of appeal has now laid down its final determination in the Judges and Firefighters’ legal cases. In both cases the court determined that the transitional provisions established during reform are discriminatory on the grounds of age, gender and race. It is expected that Government will seek leave to appeal the judgement in the Supreme Court. The SAB and this Board will be updated when more information is available from HM Treasury.   Valuation funding consultation   * The consultation is due to run for four weeks with a final response no later than 12 February 2019. This sets out the department’s intention to fully fund all maintained schools, including academies and FE bodies that receive direct funding, for the rest of this spending review period. The consultation invites HE and independent schools to highlight how they will be impacted by the increase. * JG asked for reassurance regarding future-proofing. SB explained that the main factor behind the change in cost cap rectification is the change in SCAPE rate. Whilst the impact of that is difficult to predict it is a necessary part of the overall funding arrangements, to ensure they are in tune with wider economic circumstances. * TL noted that employers from the independent sector should be given the opportunity to be involved in conversations with the department and this fed back to HMT. JR confirmed that officials will continue to ensure HMT are aware of the specific issues relating to independent schools. In addition, individuals and groups are able to respond directly to the consultation. * The Board agreed the need for clear communications on the value of the scheme to try to encourage employers to remain in TPS. JR endorsed the need for clear and timely communications.   Pension Dashboard - covered under item 3.  GMP  JR confirmed that GMP reconciliation was effectively completed as expected in December 2018, however some secondary queries are continuing into 2019 – mainly relating to stalemate cases. HMRC has confirmed that it will respond to secondary queries during the first quarter of 2019.  Exit Payments   * HMT has confirmed that some amendments to their policy on exit payments will be made. A paper was due to be presented to TPSAB in September 2018, but was delayed due to the priority of discussing valuation/cost cap issues. This will be now be considered at the next TPSAB meeting (20 March 2019).   Regulation changes   * A number of amended regulations are being drafted with a view to laying in the House in summer 2019. The amendments will provide for changes that have resulted from the court cases such as Brewster and Walker. |  |
| Agenda item 5 | **Cross-cutting issue - Succession Planning (Papers 6&7):**   * KS introduced paper 6, providing an overview of the key issues and inviting discussion of the four questions set out in the paper:  1. Is the Board comfortable with the information at Annex A?:  * This sparked a discussion on terms of appointment and the consensus was that whilst a degree of stagger had been achieved with appointments since the establishment of the Board, the four Board members due to leave in February 2020 are all sub-committee chairs and that the possibility should be explored of extending one or more of these beyond two terms if it was deemed necessary. * Additional consideration should be given to staggering future appointment end-dates, particularly where continuity on major projects was an issue. SA confirmed that staggered terms of appointment was a common feature of other schemes. The department might also consider expediting new Board member appointments with a “Board member designate” role to allow for a period of handover. * The idea of vice-chairs was supported and DW noted that the Service Delivery sub-committee, in its discussions on the topic, was in favour of the decision being made by the TPSPB chair. Remaining Board members generally felt that the TPSPB chair was best placed to decide.  1. Does the Board agree that the proposed recruitment process will continue to ensure the membership meets the skills the Board needs to undertake its role?   The consensus of opinion was that it was sensible to include an interview aspect to the appointments, particularly as this had proven so successful in recent campaigns, and offered the opportunity for the commitment required to be reinforced by the panel. The Board confirmed they were content with the current appointment process.   1. What is the Board’s position on the suggestion that it should revert to its original size in February 2020?   The Board were generally of the opinion that the increase to five member and five employer representatives had helped to develop depth and breadth to the Board and should remain, particularly given the increasing number of employers. Furthermore, the Board felt that the larger group had not impacted on the opportunity for individuals to contribute, but rather ensured a wider and more varied range of opinions. In addition, the Board highlighted that they felt they had worked particularly well as a group, leaving affiliations aside to represent the membership and employers as a whole.  It was also noted that the Board needed sufficient numbers to effectively populate the four sub-committees; commitment to which is a Terms of Reference requirement. The work of the sub-committees is increasing in range and effectiveness and requires a significant commitment of time to prepare and attend.  It was generally felt that the representation of five member and five employer representatives worked well. The Chair held no strong views, but respected the general mood of the Board and it was agreed DfE would revisit the issue with Ministers.   1. Does the Board wish to change its composition after February 2020?   The Board were open to the suggestion of co-opting specialists to the Board and felt that they had already accomplished this (e.g. GAD, tPR, OHAssist) and felt that this provision allowed for them to access a range of specialist knowledge as and when needed. They did not favour replacing member or employer representatives with additional full time independent members.  The Board felt that its membership was appropriate, and did not see a benefit to including an additional independent member, given that it already had scope to co-opt specialist advice. | AP7/230119  AP8/230119 |
| Agenda item 6 | **Cross-cutting issue : Audit Arrangements (paper 8):**   * JR noted that paper 8 aims to provide clarity and reassurance to Board members regarding existing audit practices and that the department and all other parties (e.g. NAO, GAD) are satisfied that the existing audit practices are robust and effective and support effective scheme delivery. * The TPS is overseen by two layers of audit process. The audit of the annual scheme accounts is carried out by Deloittes and overseen by the NAO to provide assurance to the Accounting Officer (DfE’s Permanent Secretary). The delivery of the business as usual audit function is via Capita’s internal audit function (GIA) with oversight and challenge from the TPS contract management team and the Government Internal Audit Agency (GIAA). * The Board had been asked to consider the paper and two specific questions, which were linked to discussions at the December meeting of the department’s Audit and Risk Committee (ARC). * The first question revolves around why the supplier (TP) conducts the internal audit process and whether any risks or issues arise from this and the second seeks the Board’s views on whether it is content with how it is involved in the process for liaising with the NAO on the audit of the TPS accounts. * The Board spent some time discussing both issues noting that other public sector schemes have similar arrangements, as do private sector organisations of a similar size. * JG welcomed the paper and confirmed his confidence in the process. He noted that the Managing Risk and Internal Controls sub-committee had requested sight of the management letter last year to enhance their understanding and consideration of issues as they had previously not had sight of this level of detail. He also confirmed that the sub-committee had access to a range of additional information as and when needed. * LP noted that there were two occasions where Board members had been independently interviewed by GIAA (i.e. not via officials) to support the audit process. * DB considered the paper a good one and agreed that the arrangements work well, in particular GIAA’s overarching role. * JR recognised there were still opportunities to improve arrangements, for example continuing discussions taking place with GIAA around enhancing their role. Although SB noted that GIAA are not resourced to fulfil roles beyond current arrangements and could sub-contract. * NM invited NJ, as a member of ARC, to share his thoughts on the arrangements. NJ explained that his role within ARC is to see that due process is being followed and that appropriate governance is in place. * He noted that there are efficiencies resulting from having GIA take on the internal audit work, with GIAA undertaking overarching work. The arrangements can and do work, provided the liaison between GIA and GIAA remains effective. The processes all seem to be working well - he noted that if the MR&IC sub-committee continue with its role and the logistical issues around timing are considered, then it should continue to be possible for the Board to effectively oversee the process. He further noted the wider responsibility of the auditor to ensure value for money (vfm) and explained that this was an important aspect of the audit process. * He advised that NAO audit all the large public sector schemes and that DfE ARC have an open relationship with them. NM felt there might be some merit in inviting NAO to a future Board meeting to give an overview of the process, and would keep this under consideration. * He concluded that paper 8 was a good paper; the arrangements seem to be working, but it is important to ensure that they remain effective, robust and deliver value for money. He confirmed that it is appropriate that Capita audit Teachers’ Pensions as long as there is a suitable oversight. * The consensus of the Board was that they are content that the current arrangements work well and that the MR&IC sub-committee would continue to monitor arrangements. |  |
| Agenda item 7 | **Information to Members & Communications sub-cttee (Paper 9)**   * DT noted that the three issues the sub-committee had agreed to highlight to the Board were:   GMP Rectification:   * DH confirmed that 1.8k of the 23k letters had been sent out already and that TP had established a 2-tier triage system; only around 100 queries had been received so far. Of these 50% had been resolved immediately with the remainder referred to the back-office for resolution.   Web-chat trial:   * The trial into this new route of communication is going well with 1600 webchats taking place so far with an average time of 8 minutes. The trial continues and DH confirmed that the good take up is being maintained with TP managing agent availability and volumes. So far customers are reporting a good experience, although some of the questions need to be addressed within the secure environment, so users are being re-directed to MPO. * TP are pleased with feedback received so far, and plan to include webchat as a primary contact channel once the trials are complete.   Valuation and the independent schools issue   * Board members asked if/how the department is planning to communicate with independent schools in light of the increased employer contributions. * The issue of targeted communications was discussed, with suggestions regarding sector-specific messages highlighting the value of the pension to members. * It was agreed that any communication with employers would need to take place after the consultation process had completed, and SB explained that DfE will need to be mindful to avoid fuelling conflict between employers and members. TL noted that the independent sector would value an early opportunity for dialogue, which SB felt could be facilitated in the context of the ongoing consultation. |  |
| Agenda item 8 | **Managing Risk and Internal Controls Sub-committee (Paper 12):**   * JG noted that of the three issues that the sub-committee agreed to highlight to the Board, member volumes, resources and valuation, had already been covered or were to be covered later in the agenda. * He focussed on the employer performance tables (a tool used by TP to help identify trends and employer behaviour and which sets out details of employers breaching scheme finance requirements). Whilst these are not high numbers, the tables enable TP to support employers with targeted meaningful engagement and participation. * NM confirmed that it was useful to have the top risks captured on the Dashboard and was grateful for confirmation that the sub-committee had reviewed both operational and strategic risks and confirmed that it was content with the mitigation arrangements. * NJ expressed surprise that cyber security was not amongst the top risks, but was reassured by SC that it appears on the Risk Register, that there are many controls and checks in place and the DfE Departmental Security Team are satisfied with those controls. However, JG was minded to take the issue back to the sub-committee to consider further. | AP9/230119 |
| Agenda Item 9 | **Service Delivery & Maintenance of Data sub-cttee (Paper 13) :**   * DW commended the quarterly report and noted that the three issues the sub-committee had agreed to highlight to the Board were:   GMP rectification   * The GMP rectification table on page 13 which shows the estimated overpayment impact for the 23k pensioner members affected, noting the small sums generally involved.   Telephony   * DW drew attention to the useful table on page 8 of the quarterly report which illustrates the significant improvement in telephony resulting from the additional staff taken on by TP and their deployment. The sub-committee will continue to monitor but telephony has improved to a stage that it is now considered BAU.   Good standard of service definition   * The sub-committee had debated the three options and agreed a form of words that NM reflected was a considered and holistic one and the consensus of the Board was to agree the statement as a positive step forward.   *Teachers’ Pensions aims to deliver the right pension benefits to the right people at the right time. We are committed to continuous improvement, by learning from members and employers, and understanding the importance of listening to feedback. We will enhance the service we offer by effectively managing risks. We will build on personalised service to enable members to make informed decisions. We will continue to reduce the administrative burden on employers by working in partnership to implement forward thinking and digital solutions.*   * SC took the opportunity to confirm that bereavement casework performance continues to be scrutinised by the department. TP is appropriately triaging cases, and outstanding cases are now mainly those where 3rd party information is awaited. Appropriate action is being taken to pursue this and also address cases where information has now been received. Progress will continue to be monitored via the Service Delivery sub-committee.   TL noted the late publication of the 2017 CEM benchmarking report. SC advised that the delay was due to late data returns by other peer group members DH confirmed the results were very similar to the last report and that TPS remains in the “low-cost/high service” quadrant; JR agreed that the report would be added to the next Service Delivery sub-committee agenda. | AP10/230119 |
| Agenda item 10 | **TP Update:**   * DH noted that GMP rectification had been covered elsewhere in the agenda. * DH confirmed that Business Analysts and Project Managers were in place for the valuation project. * The migration from RMH to Azure has been delayed. This is due to the need to ensure all security clearance issues have been resolved. Currently TP are aiming for the transfer to take place in February. SC confirmed that the current RMH environment remains resilient, secure and robust. |  |
| Agenda item 12 | **Commercial sub-committee update**:  DH and KS left the meeting.  DH left the meeting prior to the consideration of the commercial project. This ensures that Capita are in the same position as other potential providers within the re-tendering exercise.  The remainder of this section has been removed to ensure commercial sensitivities are maintained. A full set of minutes (and actions), signed by the chair and agreed by the sub-committee at its subsequent meeting, is held by TPSPB secretariat team within DfE and will be shared with Board members. |  |
| Agenda item 11 **AOB**  **(1)** | **Additional Resources:**   * An update was provided to the Board regarding the current position. |  |
| AOB (2) | **Farewell to Trefor:**   * NM noted that this was Trefor’s last TPSPB meeting and thanked him for his invaluable contribution to the Board on behalf of all Board members. NM noted in particular the support and assistance that Trefor had given to him as a new Chair. * SB added his formal thanks on behalf of the department, highlighting in particular the scrutiny and challenge that Trefor had brought across the scheme. * TL responded saying that he was sorry to be leaving and noted how well colleagues had worked as “one board”. He thanked colleagues and an outstanding secretariat. * The chair thanked members for attending. |  |
|  | The next meeting will take place on 10 April 2019, at Sanctuary Buildings, London. |  |



Minutes agreed : Date: 7 February 2019

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| Minutes circulated to Board members for review on 7 February 2019. As a result the following change was made :  Re item 5 page 5 : AP11/230119: DfE would also consider whether any of the four Board members currently acting as sub-committee chairs should have their appointments extended beyond the end date for continuity purposes. |
| Minutes agreed by TPSPB at 10 April 2019 Board meeting. |
| Once agreed, the minutes will be signed again by the Chair, uploaded to the Governance area of TP’s website (being redacted where required) and a copy securely stored. |



Final Signature: Date: 10 April 2019