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

**Managing Risk & Internal Controls Sub-Committee**

**13 December 2023 – via Teams**

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| **Present:** |  |  |
| Susan Anyan  | Independent Pension Specialist - Chair | SA |
| Kate Atkinson | Member Representative | KA |
| Maria Chondrogianni | Member Representative  | MC |
| Lisa Sproats | Employer Representative | LS |
| John McGill | Member Representative | JM |
| Anna-Marie Alderson | DfE TPS Senior Contract Manager | AA |
| Richard Lees | DfE TPS Contract Manager (Finance) | RL |
| Keith Barker | TP Head of Scheme Finance & Payroll | KB |
| Amy Gibbs | TP Head of Governance & Risk | AG |
| Loraine Dodds | DfE Secretariat  | LD |
| Ruby Kennedy | DfE Correspondence Team | RK |
| **Observers:** |  |  |
| Andrew Carter | TP Governance Manager | AC |
| **Apologies:** |  |  |
| Susan Fielden | Employer Representative | SF |
| Matthew McNaughton | DfE Head of Programme Management | MM |
| Heidi Ure | TP Scheme Accountant | HU |
| Helen Cowan | DfE Secretariat Team Leader | HC |

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|  | **Item** | **Action** |
| Agenda Item 1 | **Welcome and apologies:*** SA welcomed those in attendance, particularly JM to his first Managing Risk and Internal Controls (MRIC) meeting and AC accompanying AG as an observer.
* SA advised that, in the light of her upcoming parental leave, this would be KA’s last MRIC. The sub-committee thanked her for her support as vice-chair and wished her all the very best for the future.
* Apologies were received from HU. RL confirmed that a video would be presented in her absence. MM also sent his apologies.
* The minutes from the MRIC on 20 September 2023 were ratified.
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| Agenda Item 2 | **Actions from the previous meeting:** * AA referred to *MR5/200923* ‘Severe and major incidents alert protocol’. Capita are scheduled to publish their lessons learned document in respect of the cyber incident by the end of the calendar year. The action will remain open until then.

**Action from the TPSPB:*** *AP12/181023* ‘Highlighting the number and coverage of anonymised payroll providers’ – SF had requested more information relating to the number and coverage of anonymised payroll providers.
* AG acknowledged that Capita rely heavily on employers supplying information because they have the relationship with payroll providers.
* RL noted that the employers have responsibility for administering the scheme appropriately and that is the focus for TP when addressing TPS issues. It is for employers to address any issues with their service providers, but TP will provide challenge and support payroll providers where appropriate.
* KB noted the MCR employer team have a monthly session with large payroll providers. There are drop-in sessions and a monthly payroll provider bulletin which are all used to engage with payroll providers.
* SA asked if the sub-committee could have management information data to understand the process and to take assurance that issues with payroll providers were being effectively identified and addressed. AG/AA agreed to provide an update for the next sub-committee meeting.
 | MR1/131223 |
| Agenda Item 3 | **Finance Update:****End of Year Certificates (EOYC)*** KB has met with three local authorities who have outstanding returns for year 2018/19. His team is looking to agree rectification plans with each and it is anticipated that the exercise should be closed by the end of year.
* One local authority agreed returns for 2020/21 with Capita by end of January and the remainder in March; they aim to meet the deadline of November 2024.
* The remaining two local authorities (who have the same payroll provider) have re-engaged KPMG through to summer next year to assist them in submitting their annual report and accounts. Once a letter has been received from auditors the two cases relating to outstanding 2018/19 returns will be closed down. They have also signed up for a rectification plan for March 2024 to resolve subsequent outstanding returns.

**Monthly Contributions Reconciliation (MCR)*** The suspense account value had reduced to £400m at the end of November. Targets were achieved on non-MCR related contributions at just under £29 million).
* December will possibly be more challenging due to less working days in the month.
* RL cited three priorities for the end of year audit; that the overall suspense spend continues to reduce; that the overarching controls in place are working effectively and to continue to reduce historic suspense issues so that the average age is much shorter.

AA reported that a decision was made to discontinue active onboarding of remaining employers onto MCR however those employers who have started the MCR journey will be encouraged to complete the move.* Board members agreed that this was the right way forward.
* SA asked for the narrative within the quarterly report to continue with updates.

**Annual Reports and Accounts (ARA)*** RL noted that the TPS ARA were laid in Parliament on 18 September 2023 without qualification.
* The team were starting to prepare for next year’s audit. RL had liaised with National Audit Office (NAO) and other stakeholders to set out the planning arrangements and agree the scope of the audit.

The planning stage visit was on 6 November; interim audit will commence 5 February and the main audit is set to start in April 2024. * NAO have picked out three areas in the planning report, which the contract team will be focusing. Risk management and overall controls, valuation of pension scheme liabilities and the completeness of contributions.
* Regarding governance, the first Working Group has been held with the first Steering Board involving GAD, Deloitte, NAO and Capita colleagues scheduled for 14 December.
* RL had previously shared audit findings with the Board via correspondence.

**Office for Budgetary Responsibility (OBR)*** RL advised that OBR had published their fiscal report alongside the Autumn statement on 22 November and is currently awaiting the commission for the winter exercise. The return will be submitted by the end of January and will be published to coincide with the budget statement in March.
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| Agenda Item 4 | **Group Internal Audit – Paper 11** * The Sub-committee noted a couple of ‘medium’ findings and asked for comments on how these are being addressed.
* RL explained these issues had been resolved and reviewed by internal auditors. Controls have subsequently been signed off.
* LS asked if RL was consulted on the timetable for the 2024 GIA Audit Plan. RL clarified that there were standard recurring audits which formed the basis of the plan but there are flexibilities in place which include wider discussions with Capita around priorities.
* AG confirmed that Capita’s Audit Manager attends the Risk Committee with the department.
* SA asked RL for a progress report on the 2023 Transitional Protection internal audit. RL reported that the Terms of Reference had been signed off and that he should be able to share the final report at the next sub-committee meeting. He also has sight of the Terms of Reference for the Q1 audit (‘Overpayments and recovery’) for 2024.
 | MR2/131223 |
| Agenda Item 5 | **OBR** * Technological issues with the video presentation prevented it being delivered.
* SA suggested that the presentation would be sent to sub-committee members separately.
 | MR3/131223 |
| Agenda Item 6 | **Review of FWP items for 2024*** AA presented the FWP topics for next year and proposed adding ill health backlog and Transitional Protection delivery risks.
* She suggested ill health for March and Transitional Protection delivery for June and moving Knowledge management to September.
* The sub-committee agreed the changes. Secretariat to update the FWP.
 | MR4/131223 |
| Agenda Item 7 | **Review Dashboard and supporting papers (Papers 4, 5 & 6):****Quarterly Report (Paper 5):*** AA referred to page 2 ‘service update’ citing a 20% increase to the annual allowance exercise in volume of cases compared to last year.
* The legislative deadline was 6 October 2023 and 163 Pension Saving Statements (PSS) were completed after the deadline which resulted in a legislative breach being referred to The Pension Regulator (TPR).
* The Cash Equivalent Transfer Value (CETV) embargo has been lifted and TP are currently working through the remaining cases.
* The Quarterly Report (QR) explains the latest position on Health Management (HM) contract and casework volumes.
* As of 1 December, there were 178 cases in the backlog. One from August, six from September, 85 cases from October and 70 from November. In the aged profile, these cases are first and second appeals. The number of initial applications is also increasing compared to previous years resulting in additional workload.
* Transitional Protection position as of 1 December - 11,050 cases have been sent to HM for review and 930 have been returned to TP for processing and completion.
* JM referred to the CETV issue and the risk that members who cannot finalise divorces was causing concerns.
* AG said there was no impact from Transitional Protection on CETV calculations, however there was a delay on CETV calculations because of Capita awaiting the factors from GAD (which is an annual occurrence). As soon as the factors are received the cases are worked through as soon as possible.
* There are a small number of cases impacted that Capita are unable to process currently. A small number of cases are affected, and an IT solution to automate these will be available in Q1 next year.
* JM said some people are faced with life changing decisions. JM asked if there was a way of prioritising severe cases.
* SA asked AG to confirm if there were delays for Capita to process these cases and if there had been any further complaints around this issue. She did however understand that Capita are achieving statutory deadlines in most cases.
* AG confirmed should a vulnerable member approach Capita this would be dealt with sensitivity.
* The sub-committee felt assured that cases are processed within the three-month statutory deadline, allowing for GAD factors and that Capita have a process for vulnerable members.
* KA asked if there was a trigger for GAD to supply the factors more quickly? AA confirmed that they are reliant on His Majesty’s Treasury but that she and the policy team meet with GAD on a regular basis while the embargo is in place.
* AA referred to page 18 relating to scheme Valuation and 2016 cost cap. The Valuation 2020 result has been published and the employer contribution rate from April 2024 will increase by 5% to 28.6%.
* Maintained schools and FE sector have secured funding to offset the increase, however HE (post 92 universities) is not included in that decision.
* AA is mindful of the independent school sector and whilst there is a phased withdrawal process, a possible increase in the number of withdrawals is a risk.
* JM asked if there a contingency plan to deal with the issues. AA confirmed that where an independent school wants to withdraw from the scheme there is a process to follow. Any surge would be managed through the Risk Committee where the risk is being actively managed.
* SA reiterated the potential financial impact has been considered and is not likely to materially impact the scheme.
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| Agenda Item 8 | **Review of Operational and Strategic Risk Registers and Emerging Risks – Paper 8*** The sub-committee reflected on the risk registers citing the cost-of-living increases, individual opt-outs as well as independent institutions withdrawing from the scheme, service volume increases due to members requirements from the scheme.
* SA mentioned the risk around data quality. AA said that the data quality piece is linked to the transition. Consideration will be given to the data readiness for the Pensions Dashboard (PD), the legislative deadline is 2026.
* Capita are working with an external auditor (Intellica Phyxis) to review the TPS dataset in readiness for PD.
* SA referred to a re-marriage case being used by the Ombudsman as a test case and narrative on this was included on the emerging risks tab.
* AA confirmed that this complaint had gone through the full IDRP process, and both Capita and the Department have responded to the member. It is an emerging risk due to waiting for the response from the Ombudsman – they have a backlog of cases.
* AA to provide an update at the next meeting.
* JM asked if the sub-committee would see the outcomes from the Ombudsman. SA reminded the sub-committee that the SD-MoD reviews Ombudsman cases and that the Ombudsman also publishes its full determinations online.

The sub-committee thanked Capita colleagues for all their hard work over the year and wished them a very Merry Christmas. |  |
| **TP colleagues left the meeting** |
| Agenda Item 11 | The remainder of this section has been removed to ensure commercial sensitivities are maintained. A full set of minutes (and actions) will be produced from the sub-committee meeting, which took place on the morning of 13 December 2023 and will be shared with the Board Members, and at the next TPSPB meeting. |  |
| Items 9 and 10 | **Highlights to report to the Board:** * Portfolio Executive Summary
* Top four risks
* Transitional Protection and Ill Health

**Agree whether any individual papers or presentations should be shared with the rest of the Board for information:*** OBR presentation
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| Item 12 | **Incident Management (Playbook)**SA reminded everyone that this had been circulated prior to the meeting. |  |
| Item 13 | **Transition sub-committee**SA updated Board members as part of the agenda item 11. |  |
| Item 14  | **AOB**There was no other business.* SA thanked sub-committee members for their input and the Department for their hard work and wished everyone a Happy Christmas and New Year.
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| **Next meeting** |  **Wednesday 20 March 2024 in Darlington @ Bishopsgate House**  |  |

Minutes agreed by Chair: Susan Anyan  Date: 15 January 2024

Confirmed by circulation to sub-committee members on 16 January 2024

To be ratified at sub-committee meeting on 20 March 2024