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

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

**20 March 2024 @ DfE, Bishopsgate House, Darlington**

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| **Present:** |  |  |
| Susan Anyan  | Independent Pension Specialist - Chair | SA |
| Susan Fielden | Employer Representative | SF |
| 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 |
| Matthew McNaughton | DfE Head of Programme Management | MM |
| Keith Barker | TP Head of Scheme Finance & Payroll | KB |
| Amy Gibbs | TP Head of Governance & Risk | AG |
| Helen Cowan | DfE Secretariat Team Leader | HC |
| Loraine Dodds | DfE Secretariat  | LD |
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| **Observers:** |  |  |
| Alan Taylor (TPSPB Chair) | Incoming TPSPB Chair | AT |
| Andrew Carter | TP Governance Manager | AC |
| Amy Bulson | DfE Contract Management Team | AB |

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|  | **Item** | **Action** |
| Agenda Item 1 | **Welcome and apologies:*** SA welcomed those in attendance, particularly the new TPSPB chair, Alan Taylor, Andrew Carter and Amy Bulson who were observing the meeting.
* The minutes from the MRIC sub-committee on 13 December 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’. Awaiting lessons learned document from Capita. Action to be kept open until received.
* MR1/131223 ‘Management information relating to payroll providers’. Barry Baillie (TP Employer Portfolio Manager) has provided information regarding engagement with payroll providers and employers. RL advised he will present the information as a case study. Sub-committee members were content with this approach.

**Action from the TPSPB:*** *AP6/240123* ‘Portfolio Executive Summary re interdependencies’. To be discussed later in the agenda.
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| Agenda Item 3 | **Finance Update:****End of Year Certificates (EOYC)*** KB advised that TP have been making progress with the outstanding returns. For financial year 2018/19, there are three local authorities who TP are engaging with to secure outstanding submissions. One of the Local Authorities (LA) has lost an audited return; however KB is confident TP will receive this by the end of March and be in a position to provide the Department with appropriate assurance that the 2018/19 exercise can be closed off.
* For the financial year 2020/21 TP have received 13 returns. There are currently 600 returns outstanding, however, 90% audited returns have been received to date.
* 2022/23 is the current year and is reported/challenged via the Service Delivery Board (SDB)
* TP have raised to the Department a couple of articles regarding problems Local Authorities are experiencing in securing the services of auditors. The Guardian explained plans that National Audit have had regarding the LA outstanding accounts.
* Overall, KB is confident that his team are taking appropriate action to close the outstanding return as quickly as possible.
* SA asked if the financial impact could be provided as additional management information in future Quarterly Reports.

**Annual Reports and Accounts (ARA)*** RL provided background to the ARA process for the benefit of AT. The interim audit was conducted in February and there were no issues arising from that exercise.
* The project to deliver the ARA aims to ensure that the accounts are laid in Parliament before the Summer Recess.
* SA asked if there had been any focus on the suspense in the audit process relating to MCR. RL reported that the priority is on ensuring the control environments around the suspense account are robust.
* KB reported that the non-MCR related suspense was currently £18 million compared to £21 million the month before and is well under the £25 million targets. MCR related suspense is well inside its forecasted targets.
* SF queried the measures in the dashboard relating to SLA 8a and the variance of total tiered contributions and the unallocated versus total contributions were year to date. It is not clear if the percentage is a cumulative figure or a single point in time. KB/RL to clarify in correspondence.

**Office for Budgetary Responsibility (OBR)*** RL advised that the most recent OBR exercise was the winter exercise and builds on the autumn exercise. There is a well-established governance, challenge and review process to ensure the model provides effective assurance in producing the forecast return. The exercise was completed and submitted on 26 January. Then there was a period of challenge to review the data however, there was no challenge from the information provided.
* SA asked whether there is a contingency around schools opting out of the scheme and how it might affect OBR forecasting, recognising that a number of factors meant that there was a risk of an acceleration during 2024. RL acknowledged these are monitored very closely and they have previously undertaken some high-level analysis to determine the potential impact of independent schools leaving the scheme.
* SF mentioned that she is picking up concern from the CST networks around grant funding for the pensions increase being insufficient.
 | MR1/200324MR2/200324  |
| Agenda Item 4 | **Group Internal Audit – Transitional Protection (TrP)*** RL reported that the TrP audit had been deferred to reflect delays in the roll out of the TrP project and the department is awaiting a copy of the final report. Once received this will be circulated to sub-committee members in correspondence.
* SA mentioned that the sub-committee are due to receive the Q1 2024 (Overpayments and Recovery) report at the next meeting. Q2 will be the Data Management Strategy which will be seen at the Q3 sub-committee.
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| Agenda Item 5 | **Transitional Protection – Forward Workplan Topic*** AA summarised the TrP project. Legislation is in place where all members have been moved into the Career Average Scheme (CARE) from 1 April 2022.
* The TPS started rectification of those cases from October 2023 on the basis of the policy that was confirmed by HMT.
* Part of TrP delivery needs to issue to affected members Remedial Service Statements (RSS) which sets out the entitlement in final salary. The member will decide how which Scheme their service will be paid under.
* Some RSS statements to members have been paused because of a change in policy intent.
* The HMRC tax treatment of final salary lump sums are causing concern to colleagues as still waiting for policy intent to be finalised by HMT.
* Member claims including contingent decisions – these are members who may have a case that their decision to take retirement benefits in or after 2015 would have been different if Scheme Reform 2015 did not happen.
* The Department is working on the policies to understand what impact if anything that will have on TrP and is working with Capita to understand how this will be moved forward.
* AG reported there are sizable IT changes required which Capita will be working through which adds further complexities.
* SA asked what the remedy would be for those people who wouldn’t have retired had they known about the changes. AA confirmed that DfE policy team is working with HMT to understand what that will mean for members in terms of rectification of cases.
* When an RSS is issued to a member, they have 12 months in order to make a decision. The 12 months starts from the point of sending the RSS to the member.
* AG raised that from a contingent claim perspective there are so many nuances attached to the process that it will result in complex cases to work through.
* SF referred to meetings she attended at the Scheme Advisory Board (SAB) and went through policy documents and there is still policy uncertainty. AA stressed there are policy conversations happening on a regular basis with HMT.
* AT queried if there is enough guidance available to deal with the complexities. AA confirmed that the legislation sets out the plan for rectification and amended TPS regulations to enable changes. However, the Department is reliant on HMT for guidance on those very complex cases.
* The TPS implementation was also ahead of other affected public service schemes, so it was not naturally benefitting from wider pressure to drive the issue forward.
* JM asked what was it that the Department are waiting for. AA added that there is a need to inform members about their entitlement because the policy is not as crystal clear as it previously was.
* SA confirmed that the assurance of the sub-committee is around the risk to the scheme and awaiting clarity from a higher authority.
* AA confirmed that the RSSs issued up until the pause are correct and specifically related to bereavement cases.
* AG stressed there is a risk that Capita need to know as soon as possible as a team of people waiting to deal with the casework.
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| Agenda Item 6 | **Review Dashboard and supporting papers (Papers 4, 5 & 6):****Quarterly Report (Paper 5):*** MCR – SA asked if there was any negative reaction from employers to cessation of onboarding. AA confirmed employers are carrying on with MDC. Where employers are ready to move to MCR there is enhanced support in place to move them to MCR successfully.
* SF asked if the new approach highlights data quality and are we confident there are no parallels here that haven’t been questioned through the various sub-committees – that it really is poor quality data and not a glitch in the system.
* AG assured the sub-committee that the incorrect data is down to employers providing incorrect data and in different formats and MCR was a means of identifying and addressing those inaccuracies. In the future it might be useful to explore with the Department what the long-term strategy is and how it will be implemented.
* AG confirmed that 50% of employers are successfully using MCR.
* JM referred to 6a (transfers out) and queried if this was due to redeployment of staff. AA confirmed that there has been attrition in that team as experienced staff have moved away, however recruitment has been underway, and those roles have been filled.

Dashboard (Paper 4)* SA referred to the top risks on page 10, the risk management update in section 4.  There are seven risks, two of which are red, driven by cost of living causing higher engagement.  Retention and maintenance of scheme knowledge including risks around people resource and readiness to deliver TrP
* AG added from a people perspective TP are keeping a close eye around engagement programmes, talking to TP staff and TCS are also engaging with them in the short term.
* SA asked if backfilling in administration is a challenge. AG agreed and more recently in the finance space. Capita are mitigating by introducing career pathways for TP staff.
* JM queried whether cyber-attacks were a risk.  AG confirmed after the cyber-attack last year a great deal of work has been undertaken and received feedback from third party organisations that TP are much further ahead because they have taken action, implemented lessons learned to ensure robustness. AG added that there is a risk on the TP Risk register which the Risk Committee monitors, it’s just not on the list of top risks now that the mitigating actions have been undertaken.
* SA asked the sub-committee their view on how high the risk should be.  AA feels it is a risk that is constantly there and potentially having another conversation when the lessons learned document is available will support discussions on if this should be a top risk.  AG suggested it could be a forward work topic once the lessons learned document is available.
* LS asked if anything had been done around additional software security. AG confirmed a great deal of work has been done to enhance the security arrangements across the Capita estate which should come through in the lessons learned document.

  | MR3/200324 |
| Agenda Item 7 | **Review of Operational and Strategic Risk Registers and Emerging Risks – Paper 8*** AA noted that there were no changes to the emerging risks in the last quarter.

SA thanked Capita colleagues for all their hard work and their contribution to the sub-committee. |  |
| **TP colleagues left the meeting** |
| Agenda Item 11 | **Transition Subcommittee**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 20 March 2024 and will be shared with the Board Members  |  |
| Item 10 | **Portfolio Management Executive Overview with risk update**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 20 March 2024 and will be shared with the Board Members  |  |
| Items 8 and 9 | **Highlights to report to the Board:** * Annual Report and Accounts
* Transitional Protection
* Progress of Internal Audits
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| Item 14  | **AOB**SA mentioned that there had been discussion in the SD sub-committee around apparent unregulated advice being provided by an individual who has put together modelling tools, blogs and other material which is leading to members making decisions about their participation in the scheme which may or may not be right for them. 9000 people are signed up to his Facebook page. The suggestion is if the Department feels it has enough evidence to do so, that the matter be reported to the FCA.SA thanked everyone for attending and she looks forward to seeing BMs at the Board meeting in April.  |  |
| **Next meeting** | Wednesday 19 June 2024 in Darlington @ Bishopsgate House  |  |

Minutes agreed by Chair: Susan Anyan  Date: 9 April 2024

Confirmed by circulation to sub-committee members on 9 April 2024

To be ratified at sub-committee meeting on 19 June 2024.