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

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

**22 March 2023 – By Teams Teleconference**

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| **Present:** |  |  |
| Susan Anyan  | Independent Pension Specialist - Chair | SA |
| Susan Fielden | Employer Representative | SF |
| Lisa Sproats | Employer Representative  | LS |
| Maria Chondrogianni | Member Representative  | MC |
| John McGill  | Member Representative (observer) | JM |
| Anna-Marie Alderson | DfE Senior Contract Manager | AA |
| Sue Crane | DfE Portfolio Manager | SC |
| Richard Lees | DfE Contract Manager (Finance) | RL |
| Keith Barker | TP Head of Scheme Finance & Payroll | KB |
| Amy Gibbs | TP Head of Governance and Risk | AG |
| Melanie Phillip | DfE Policy Team Leader Casework, Correspondence and TPSPB | MP |
| Helen Cowan | DfE Secretariat Manager | HC |
| Ruby Kennedy | DfE Secretariat  | RK |
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| Observer |  |  |
| Matthew McNaughton | DfE PMO and Transition Manager | MM |
| **Apologies:** |  |  |
| Kate Atkinson | Member Representative | KA |
| Yvonne Moult (observer) | Employer Representative | YM |

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|  | **Item** | **Action** |
| Agenda Item 1 | **Welcome and Apologies:*** SA welcomed those in attendance, in particular new Board member JM who was observing the meeting.
* She accepted apologies from KA and new Board member YM.
* The minutes from 14 December 2022 were ratified.
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| Agenda Item 2 | **Actions from the previous meeting:*** SA noted that all actions were now closed, and updates would be provided at the appropriate points of the agenda.
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| Agenda Item 3 | **Finance Update****End of Year Certificates (EOYC)*** KB updated the sub-committee on the progress of End of Year Certificate (EOYC) process. He highlighted that the exercise for financial year 2017/18 had now been closed, 99% of returns had been received for 2018/19, 97% received for 2019/20, 96% received for 2020/21 and around 85% received for 2021/22.
* He noted that there had been minimal movement on the prior years’ returns in the reporting period despite a number of reminders to employers.
* Individual calls have been set up with Local Authorities (LAs) to offer support, which TP hope will increase the level of returns received.
* KB explained that there are some academies that have recently joined Multi Academy Trusts (MAT) and the MAT has already submitted returns for subsequent years.
* SA asked what the risk would be for not having, for example, a return for 2018/19 despite having had the subsequent years. KB confirmed this would be a limited risk as TP could look at that specific year and identify that they have received contribution payments as well as the breakdown slips under MDC and the data files.
* SF noted that in a previous meeting it had been useful to learn that there had been only one large employer whose 2017/18 return had been outstanding. She queried what the volume of organisations is currently for the subsequent year returns. KB advised that for 2018/19 there were 85 non-LA establishments and 6 LAs, and for 2019/20 there are 220 non-LA establishments and 10 LAs. He also noted that there would be cross-over on those years and that the establishments with multiple years outstanding have been targeted through communications and will likely be selected for individual calls.
* SA asked if the returns outstanding for 2021/22 is typical for this point in the annual cycle. KB considered the figure was slightly higher due to an impact post-pandemic but recognised that there are now many more employers participating in the scheme and numbers continue to increase year on year.
* SF noted that the organisation numbers should not have increased as the academies would be joining an existing MAT. KB agreed but explained that when academisation was introduced, there was a set population of around 2500 employers which has risen to over 13,000 employers with 8000 points of contact.

**Annual Reports and Accounts (ARA)*** RL noted that Deloitte had undertaken the interim audit virtually from the week commencing 16 February 2023.
* The feedback from the interim audit was that it went well. The auditors made good progress on the benefits and calculation testing and the process is in a strong position for the final audit.
* He highlighted that there was one low risk finding around the MCR process regarding TP not following up two employers who should have submitted information to the scheme. This was considered a process failing. There was no financial loss to the scheme.
* SA asked for the latest position on the third-party confirmations where the auditor wants to write out to employers directly. RL confirmed that Deloitte’s intention is to do that within the final audit when they re-engage with employers for that process which would be beneficial for both parties.
* RL confirmed that the final audit starts on 24 April.
* SA asked if the accounts will be finalised before summer recess. RL confirmed that technically the accounts need to be laid within the financial year, although the aim is to do this in July, pre-recess.

**Office for Budgetary Responsibility (OBR)*** RL advised that this is a twice-yearly exercise. The commission was received mid-December and the forecasting documentation was delivered on time at the end of January. There was limited pushback from OBR and HMT on documentation and the questions asked were very high level. The data was published in OBR’s report on 15th March alongside the 2023 budget statement.
* RL noted that there is a programme of work taking place in the background to look at lessons learnt and drive constant improvement to the forecasting process.
* The next exercise is not expected until Autumn.
* SA observed that this process works well and there is usually nothing fundamental that needs addressing. RL agreed and noted the significant effort that goes into the exercises.
* SF queried whether the income and expenditure section of the Quarterly Report referring to ‘a revised forecast being applied for monitoring purposes’ in some way linked to the OBR exercise and if the forecast shown is a revised forecast. RL explained that once the exercise is signed off, the updated forecast is considered for the rest of the financial year to ensure that the scheme doesn’t overspend at year-end. For this reporting period, the revised forecast was implemented from the beginning of November which coincided with the reporting period, so the two reporting lines were consistent.
* SA queried if there should be another column in the report to show the original forecast. KB confirmed that while there is an old forecast, this is not tracked against and is replaced with the new one from 1 November. SA indicated she would expect to see both the original and revised forecast columns with performance tracked against the latter. LS agreed.
* SF referred to text in Quarterly Report which advises this will be within thresholds by the end of the reporting period but queried how previous reports cannot be added up due to the forecast changing. RL accepted this and explained that there were two lines of reporting within the QR; one to reflect the position within the reporting quarter, with the additional line being included to reflect the YTD position and provide assurance to members that the forecast for the financial year remains on track.
* SA felt it would be helpful to show the quarter, the YTD and any re-forecasts so members have full sight. RL confirmed that it is presented this way as it is linked to a contractual measure. He advised this data could be added in but questioned what value it would add. SA explained it was to help sub-committee members make sense of the numbers and hence to be suitably assured.
* LS queried whether the contractual arrangement changed every quarter. RL explained the aim is to ensure there is no overspend at year end. A forecast is set at the beginning of the year which is monitored against until the Autumn OBR. Once this exercise is completed the forecast is then re-set using the revised data, and it is then measured against Outcome Measure 13 to the year-end.
* SF indicated she did not understand the net cash requirement in the Dashboard and queried if this was connected to the income and expenditure.
* SA suggested that the sub-committee should return to this topic at the next meeting to look at a revised version of the forecast, and for it to be explained how the net cash requirement on page 9 of the Dashboard relates, if at all, to the income and expenditure numbers in the Quarterly Report. KB confirmed this. AA asked if this could be a separate agenda item for the June meeting.
 | MR1/220323 |
| Agenda Item 4 | **Group Internal Audit (GIA) - Monthly Contributions Reconciliation (MCR) report*** AA noted that the audit report findings had been published and there were two findings – one red and one amber. AG highlighted that it was significant that the audit was undertaken before the MCR replan.
* The first audit finding relates to the number of errors raised as part of the employer MCR submission – that errors were building and TP were not applying resource to resolve it. AG confirmed that CAN 162 is now in place and action taken to make this more robust such as additional resource and an escalation process.
* The second finding concerned procedures and what TP are doing to standardise the process. She explained that a procedure library has been established within the team and conversations are ongoing with employers to build knowledge and continually learn lessons.
* SA expressed disappointment to have received red and amber findings and for there to be fundamental process failures and tools not set up correctly. AG explained the tools had not changed but that previously the resource was not available.
* SA noted that the manual process does not appear to be as robust as the automated process but could see this was being addressed.
* MC suggested this should be highlighted at the next Board meeting and Board Members provided with an update.
* LS queried whether the audit had merely confirmed that a known problem existed. AG confirmed it had.
* LS requested context regarding the high-risk rating. AG explained that it is high risk in terms of the project itself and the timing, although fixes were already in place before the report was published.
* SA commented that reading the paper without context makes it appear that TP were not aware. AG advised that from a risk management perspective, TP were transparent about the position and were confident the controls they were advocating would be effective but that the Department needed to be convinced of this.
* SC referred to the dashboard to draw out strategic risk OP07. She noted that it is currently tracking at a medium net risk to reflect the MCR work but advised the Board can take assurance on the activities referenced against that.
* SA queried how the sub-committee could be assured that the new process would be followed when people previously were not using the system correctly and finding workarounds. AG explained the team were previously geographically dispersed and were not actively using the workflow system. However, they have now been moved into the Operations Team and there is no ability for them to work outside of this system. The sub-committee considered this provided assurance.
* SF queried if the Annual Executive Summary that had separately featured on the agenda for the Information to Members sub-committee should have been included in the meeting papers for this sub-committee. AA agreed to discuss with the Secretariat. SA asked for the paper to be circulated to the sub-committee.
 | MR2/220323 |
| Agenda Item 5 | **Forward Work Plan (including MCR Project Plan)*** AG advised that this had been covered within the Quarterly Report.
* AA noted that action point MR3/141222 was to share the project plan with members. She shared the draft plan on screen and agreed to share this paper following the meeting.
* SA invited AA to provide assurance that the plan indicates that all tasks can be achieved within the timeframe needed and there are no impacts to other projects or workstreams. AA confirmed the project plan does support that intention.
* SF asked if the plan included the work to clear the suspense account. AA confirmed it does and noted that the stabilisation and capacity to reduce unallocated contributions needs to be demonstrated to have the assurance that MCR delivery can be achieved. SA queried when that had to be achieved to protect the target end date. AA advised that onboarding is anticipated to restart at the end of May. An update will be provided during the June sub-committee meetings.
 | MR3/220323 |
| Agenda Item 6 | **Review of Papers 4, 5 & 6****Quarterly Report:*** AA highlighted that Transitional Protection (TrP) rectification work is due to start from 1 October 2023 and the timeline is on track for delivery. The risk to that would be any change in policy intent or regulation. She noted that there are working groups set up and policy colleagues are involved.
* One issue had been identified regarding the LGPS full-time equivalent service where members have service in LGPS and also may qualify for TPS and TrP. Policy colleagues are working through the policy intent with Other Government Departments (OGD’s). AA confirmed an update will be given in the Quarterly Report when those outcomes are known.
* AA acknowledged that there have been no further notifications from establishments that they intend to leave the scheme. This is being monitored alongside the outcome of the SCAPE rate consultation that is due to be published imminently. She recognised that any change to contributions would cause behaviour changes where some employers or members may decide to withdraw from the scheme which would impact the cash flow into the scheme.
* SA asked RL to talk to the GIA plan for 2023, which had been circulated alongside the meeting documents.
* SA noted there were four audits due this year and asked for clarity on timing. RL confirmed the field work was ongoing for the first audit and the report is expected in May. He acknowledged that the first audit will likely run into the second quarter, but he felt comfortable from a resource perspective and noted that there is flexibility around the timescales. The timetable is reviewed monthly at keep in touch (KIT) meetings with GIA.
* SA asked if the sub-committee could expect to be presented with a report for each of the meetings throughout the year. RL confirmed they could and agreed to a request to confirm the delivery timetable for the remainder of the year.
* SF queried the overspend in relation to contract costs and the underspend in relation to unfilled vacancies, and if either of these present any risks. RL confirmed that the Quarterly Report presents the relevant elements for delivering the TPS contract. He advised there is flexibility across the budget so it is not a concern. Regarding vacancies, no impact on service has been noted. AA confirmed that all vacancies have now been filled.

**Dashboard:*** AG highlighted that most of the areas within the Dashboard overlap within the Quarterly Report so had already been covered.
* In terms of overall delivery, things were progressing well. There has been a spike in the volumes of casework, and this will be continually monitored. TP will share with the Department any challenge areas to look at how the impact can be mitigated.

**Issues Log:*** AA explained that there are two active issues currently being managed. The first is around ill-health applications and the processing of casework. The backlog cases are now completed and processed; however, the stockpile cases are being delivered back to TP at 20 cases per day and is anticipated to be cleared by the end of March.
* The second issue is around MCR, specifically unallocated contributions.
* SF noted that there was an error in the Quarterly Report which says October and should be January. She asked if this could be corrected for the Board.
 | MR4/220323MR5/220323 |
| Agenda Item 7 | **Review of Operational and Strategic Risk Registers*** AA confirmed there were no emerging risks but explained there was a potential risk regarding the cost of living and the impact on TPS members. The next Risk Committee meeting will look at moving this onto the risk register.
* SA commented that this felt right considering recent discussions around the economic environment and the impact on members and organisations.
* She also referred to the changes to the lifetime allowance and also the annual allowance, including tapering for high earners and the operational impact of this. She highlighted the possibility of further changes if there was a change of Government. AA advised this was on the radar of policy colleagues within the Department who would work alongside TP to implement any changes if necessary. AG added that TP IT teams are preparing to make changes that can be reversed as and when required.
* SA noted that this could have a potential impact on TrP.
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| **TP colleagues left the meeting** |
| Agenda Item 8 | **Portfolio Executive Summary Overview with Risk Update****TP colleagues left the conference call.**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 22 March 2023 and will be shared with the Board Members, and at the next TPSPB meeting. | MR6/220323 |
| Agenda Item 9 & 10 | **Three highlights to report to the Board:*** Group Internal Audit – MCR
* Portfolio Executive Summary
* Finance update – EOYC, ARA, OBR

**Agree whether any individual papers or presentations should be shared with the rest of the Board for information:*** It was agreed that the MCR Project Plan would be shared with the rest of the Board.
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| Agenda Item 11 | **AOB** * RL provided an update from the annual Management Advisory Group (MAG) meeting for the Teachers’ Additional Voluntary Contribution (TAVC) scheme, administered by Prudential, which took place on 8 March 2023.
* He reported that Prudential were invited to update on progress since the first part of the meeting was held in November. MAG members were given assurance that service levels had returned to strength following Covid and that funds are generally performing well against benchmark.
* There was a closed session for members to discuss the future administration of the scheme. It was decided that Prudential should continue to be the recommended provider for the TAVC scheme.
* There are some follow up actions for the next MAG meeting which include: a review of fees, an understanding of some of the underperforming funds and how these will be addressed, and a review of communications to members.
* JM and SA confirmed that they had both attended the MAG meeting and had felt assured by the discussions.
* SA closed by thanking sub-committee members for their contributions to the meeting.

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| Next meeting |  21 June 2023 at Lingfield Point, Darlington |  |

Minutes agreed by Chair: Susan Anyan Date: 31 March 2023

Confirmed by circulation to sub-committee members on:

To be ratified at sub-committee meeting on 21 June 2023