

**Managing Risk and Internal Controls Sub-Com Board Meeting:  
13 March 2019 – MINUTES**

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| <b>Present:</b>            |                                     |    |
| Jerry Glazier (chair)      | Member Representative               | JG |
| Susan Anyan                | Independent Pension Specialist      | SA |
| David Butcher (dialled in) | Employer Representative             | DB |
| Chris Jones                | Member Representative               | CJ |
| Dave Wilkinson             | Member Representative               | DW |
| Keith Barker               | TP Finance Manager                  | KB |
| David Heslop               | TP Client Director                  | DH |
| Nigel Garwood              | Capita Head of Information Security | NG |
| Anna Alderson              | DfE Contract (Risk) Manager         | AA |
| Sue Crane                  | DfE Senior Contract Manager         | SC |
| Richard Lees               | DfE Contract (Finance) Manager      | RL |
| Kathryn Symms              | DfE Secretariat                     | KS |
| <b>Apologies:</b>          |                                     |    |
| Lee Probert                | Employer Representative             | LP |
| <b>Referenced:</b>         |                                     |    |
| John Brown                 | DfE TPS Policy Manager              | JB |
| David Trace                | Chair of TPSPB IM&C sub-committee   | DT |

|               | <b>Item</b>   | <b>Action</b> |
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| Agenda item 1 | <p><b>Welcome / Apologies:</b></p> <ul style="list-style-type: none"> <li>The Chair welcomed attendees and acknowledged an apology from Lee Probert.</li> </ul> <p><b>Review previous minutes from 20/06/18:</b></p> <ul style="list-style-type: none"> <li>The sub-committee agreed that the previous minutes were an accurate record of the meeting held on 12 December 2018.</li> </ul>  |               |
| Agenda Item 2 | <p><b>Actions from the previous meeting:</b></p> <p><b>Action MR3/121218</b></p> <ul style="list-style-type: none"> <li>SC flagged that Paper 8 had been included to provide assurance to the sub-committee that employer responsibilities in supporting the delivery of the TPS were included within the Academies Governance Handbook.</li> <li>DW considered that the guidance in paragraphs 115 and 116 needed to be expanded further to more explicitly set out employers' statutory obligations, and their requirements to meet TP processes, provisions and deadlines (e.g. around enrolment; annual returns etc.) as responsible employers. This should go beyond simply signposting to the TP Employer Hub.</li> <li>DB agreed with the point that the guidance should stress</li> </ul> |               |

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|               | <p>that employers retain certain legal responsibilities to the Scheme, even if administration services are outsourced (e.g. payment of contributions being delivered by payroll providers).</p> <ul style="list-style-type: none"> <li>• SC agreed to investigate the potential to review the guidance in light of the feedback, but would need to consider lead-in time to update the documents.</li> <li>• All other actions were agreed as closed.</li> </ul>   | MR1/130319 |
| Agenda Item 3 | <p><b>Work Plan Topics:</b></p> <ul style="list-style-type: none"> <li>• KB provided an update on the recent Scheme Interim Audit by Deloitte, and presented Paper 9. There had been positive feedback from the auditors following their 2-week site visit, although there remained 2 outstanding actions which would be resolved prior to the full audit due to commence 13 May.</li> <li>• JG took assurance that the agreed process was being followed and delivered efficiently.</li> </ul>  |            |
| Agenda Item 4 | <p><b>Review of Dashboard and supporting papers:</b></p> <ul style="list-style-type: none"> <li>• The Chair invited SC to highlight any elements of the dashboard which she wished to bring to the attention of the sub-committee. The sub-committee was then asked for comment, feedback and challenge on the documents presented.</li> <li>• JG acknowledged the presentation relating to Scheme Valuation - and the potential impact of the McCloud/ Sargeant judgements - which JB had given to Board members earlier in the day. He provided assurance to the sub-committee that it was evident that the associated risks were being identified and managed appropriately.</li> <li>• CJ asked that the slides from the morning's presentation be circulated to this sub-committee.</li> <li>• CJ raised three additional potential risks relating to Valuation which he asked to be given further consideration: <ul style="list-style-type: none"> <li>○ DfE had announced additional funding for Y1 of the contribution increase, but this did not extend to Welsh schools, which are funded via the Welsh Government.</li> <li>○ Under devolution, it needed to be determined whether any additional funding for Welsh schools be subject to Barnett formula.</li> <li>○ The impact on Post-92 Universities needed to be considered as these are independent institutions.</li> </ul> </li> <li>• This gave rise to the potential to incentivise employers in Wales to 'withdraw' from the TPS; encourage opt-outs; and/or lead to reduced scheme contributions (as a result of self-imposed pay restraint).</li> <li>• DH confirmed that communications were already in place to discourage employers 'leaving' the scheme, and members from opting out.</li> <li>• DW flagged that there had been recent engagement about school funding between the Welsh Government and HM Treasury.</li> </ul> | MR2/130319 |

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|               | <ul style="list-style-type: none"> <li>• DW suggested that the TPSPB and wider TPS management needed to consider any issues which were specific to Welsh members/employers; although the consensus was that the issue of employers leaving the scheme was wider (but included Wales). DfE agreed to consider.</li> <li>• SC invited comment/challenge from the sub-committee on the Quarterly Report (Paper 6), noting that DT had already flagged a minor discrepancy in paragraph 89 - the table - which should have referred to the quarterly position.</li> <li>• JG thanked the department for the quality of the report.</li> <li>• SC confirmed that the two issues identified in the Issues Log (Paper 7) had been closed following agreement of the member volume increase costs.</li> </ul>  | MR3/130319 |
| Agenda Item 5 | <p><b>Review of Strategic and Operational Risk Registers:</b></p> <ul style="list-style-type: none"> <li>• SC highlighted 4 new risks on page 2 of the Operational Risk Register (Paper 10) relating to implementation of the Scheme Valuation, and the McCloud/Sargeant ruling.</li> <li>• DW suggested that OP009 should be disaggregated to reflect the potential impact on the different employer sectors e.g. the increase in employer contributions would be addressed in different ways by different employer types.</li> <li>• DH acknowledged that the wording of this risk should be amended, as 'Independent' had been applied as a generic term for 'non compelled' employers. This will be reviewed at the next TPS Risk Committee meeting. However, DH also confirmed that in managing the specific risk, the mitigation would be consistent across sectors, and there was little value in creating multiple risks for separate sectors. Related funding impact/issues should be considered by the Scheme Advisory Board (SAB).</li> <li>• SA queried the Net risks for OP008 and OP009, and whether there was sufficient flexibility in the operation if, for example, there was a sudden influx in 'non compelled' employers leaving the scheme.</li> <li>• SC confirmed that the risks had been considered in line with the Risk Matrix and that the RAG ratings reflected the current status: <ul style="list-style-type: none"> <li>○ OP008 – a project plan is in place and effective mitigations are have been established – including communications.</li> <li>○ OP009 – controls are in development and a plan is in development.</li> <li>○ OP010 and OP011 – while the potential impact is recognised, mitigations are difficult to implement until the impact of McCloud/Sargeant on the administration of the scheme can be fully determined. However, potential controls are being considered across the full TPS business.</li> </ul> </li> <li>• DH took the view that if a plan was in place, the risk was considered Medium. A Red rating would suggest that there was no plan.</li> <li>• CJ flagged that there was currently volatility in the employer</li> </ul> | MR4/130319 |

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|                | <p>environment, with examples of colleges setting up subsidiary companies to avoid employment/pay requirements, while DW suggested that there needed to be recognition of private sector employers affected by Fair deal. It was considered that these were issues to be surfaced at SAB.</p> <ul style="list-style-type: none"> <li>• JG queried where in the Risk Register, alternative pension providers (following recent experience with The Pensions Trust) creating uncertainty and incentivising members away (via opt-out) from the TPS was covered.</li> <li>• DW confirmed that this had been an issue when scheme reform was first introduced in 2015.</li> <li>• SA suggested that there was a potential administration impact if this leads to changes in member behaviour, increasing interactions, the need for increased levels of communications etc. which SC acknowledged. Further consideration will be given to creating a new risk to recognise the changing pension landscape, and the potential for external providers to influence TPS membership.</li> </ul> | MR5/130319 |
| Agenda Item 6  | <p><b>Forward Work Plan:</b></p> <p><b>Cyber Security</b></p> <ul style="list-style-type: none"> <li>• NG gave a presentation on Data Security – papers for which were distributed at the meeting.</li> <li>• JG asked about annual staff training and how visible this was at management level. DH confirmed that he received monthly reports on ‘uncertified’ staff and took appropriate action.</li> <li>• SA asked how often security issues materialised. NG confirmed that there is a rolling programme of activities to neutralise system threats – he gave the example of regular attempts to target the website and IT infrastructure - with details of individual threats being shared within the wider Capita Group.</li> <li>• There is also an urgent escalation process to SMT/Capita Risk Committee in place for issues which pose a more significant threat which can't be addressed immediately.</li> </ul>  |            |
| Agenda Item 6a | <p><b>Topics for 2019:</b></p> <ul style="list-style-type: none"> <li>• SC discussed the topics for future sub-committee meetings, as proposed in Paper 11. It was agreed that ‘Contributions Reconciliation’ would be added to the list for discussion at the June meeting.</li> <li>• An action was taken to update the list of topics and add the proposed topic to the June agenda.</li> </ul>  | MR6/130319 |
| Agenda item 7  | <p><b>Agree Key Issues from the Meeting / Report to highlight at the next TPSPB meeting</b></p> <ul style="list-style-type: none"> <li>• It was agreed that key issues to highlight to the TPSPB are: <ul style="list-style-type: none"> <li>○ Planning for the potential impact of the McCloud/Sargeant ruling is in place. The sub-committee will</li> </ul> </li> </ul>  |            |

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|               | <p>continue to monitor the position and provide appropriate assurance to the board.</p> <ul style="list-style-type: none"> <li>○ Assurance that new and emerging risks arising from the latest scheme valuation – including the potential to increase the number of employers (including Welsh institutions) leaving the scheme – have been recognised.</li> <li>○ A presentation by Capita’s Head of Information Security provided appropriate assurance that effective Data Security controls are in operation for TPS. The sub-committee will share this assurance with the board.</li> </ul> |  |
| Agenda Item 8 | <p><b>AOB:</b></p> <p><b>Having confirmed that they had no items to raise, Capita colleagues were asked to leave the room to allow sub-committee members to discuss a commercially sensitive issue.</b></p>  |  |
| Next meeting  | 12 June 2019, TP, Lingfield Point, Darlington  |  |

Minutes agreed (Chair):  Date: 13 March 2019

Confirmed by circulation to sub-committee members on: 18 March 2019.

Ratified at sub-committee meeting on 12 June 2019.