

## **Teachers' Pension Scheme Pension Board Executive Summary 1 April 2019 – 31 March 2020**

In 2015, the Teachers' Pension Scheme Pension Board (the Board) was set up to provide additional assurance to the Secretary of State for Education, members, employers, and taxpayers that the Teachers' Pension Scheme (TPS) is being administered efficiently, effectively and in accordance with the scheme rules. The Board effectively challenges and supports the scheme administrator, Teachers' Pensions (TP) and the Department for Education (the Department) to achieve this.

The Board has 14 members, including member and employer representatives. To help it fulfil its role it utilises four sub-committees to focus on specific areas of TP's work and scrutinise performance: Service Delivery and Maintenance of Data; Information to Members and Communications; Managing Risk and Internal Controls; and Commercial Activity. The TPS is the second largest defined benefit public service pension scheme in the country (with around two million members in England and Wales), therefore this role of challenge, scrutiny and support is very important.

The Board and each of its sub-committees meet quarterly. There is well informed discussion, input and challenge based on papers, presentations and data provided by TP, the Department and external stakeholders such as The Pension Regulator, commercial partners and independent benchmarking organisations. Through a process of constructive challenge, the Board also seeks assurance on particular aspects of the TPS by deep dives into many topics.

The Board has contributed to several projects, providing challenge where it considered service to members and employers could be improved:

- **Transitional Protection:** In 2015, as part of the reform of public pensions, transitional arrangements were put in place whereby older members remained in the final salary arrangements longer or until retirement. Following two successful legal challenges (known as the McCloud and Sargeant cases) the courts agreed that this is discriminatory on age grounds. A solution will need to be determined and applied across all public service schemes, including the TPS. The impact on scheme administration will be very significant, and the Board has taken a keen interest in how TP and the Department are planning both to address the service delivery aspects of these judgments and to identify and mitigate any risks to the scheme. The Board has also contributed to ensuring communications about the issue have been prompt and informative.
- **Commercial Activity:** The current contract with Capita to administer the TPS is due to end in September 2025, extended from 2021 in the past year. The Board has monitored and considered the Department's plans and provided significant challenge regarding what it wants from the existing TPS administration contract, the interim contract extension and administration model from 2025 - emphasising the need for continuous improvement, value for money and affordability under the current administration fee paid by scheme employers.
- **Additional TP Resources:** The increase in the volume of members and employers, coupled with the complexity of the TPS following the 2015 pension reforms, led to a steady increase in complex casework. The Board raised concerns about processing delays and pressure from the Board helped to facilitate a commercial arrangement with TP which led to the recruitment of additional staff. In addition, a backlog in casework developed during the year and the

Board played a significant role in scrutinising the plan to clear the workload, monitoring progress in clearing outstanding casework and satisfying itself that new casework was being progressed in a timely manner.

- **Communications with employers:** The Board has taken a keen interest in how TP communicates with employers. Following a thorough analysis, Board members concluded that TP and the Department's Education Skills Funding Agency (ESFA) engagement team needed to work more closely with one another. As a result, ESFA began to include information in its bulletins about the TPS, to raise awareness and encourage employers to engage with the Scheme and has re-tweeted TP messages to promote TP's activities to employers.
- **Engagement Strategy:** The Board has consistently encouraged TP to continuously improve the targeting of employer and member campaigns and was pleased to see the new strategy encompasses that. The Board has also monitored the increase in available digital channels and the successful introduction of Webchat. The Board undertook its annual review of the engagement plan and contributed to TP's brand refresh work, suggesting which style and tone might be appropriate to the TPS membership.
- **The Pensions Regulator:** The Board has engaged directly with the Regulator this year – inviting a representative to attend a TPSPB meeting. TP were selected to take part in a closer working relationship with the Regulator in order that that the Regulator could identify and spread best practice amongst other schemes. Subsequently, the TPS received a very positive report which provided the Board with significant independent assurance about the robustness of the governance processes underpinning the Scheme.
- **Scheme's Annual Report and Accounts:** The Board noted that the annual accounts were successfully laid in Parliament on schedule and without qualification. As an integral part of the effective governance process, the Board monitored the progress of the [TPS Accounts](#) and its associated risks throughout the financial year. Issues arising were given clear visibility and escalated as appropriate, allowing the Board the opportunity to challenge the operation and controls in place.
- **Internal Audit:** The Board was able to influence the internal Scheme Audit strategy for 2020 and ensure that priority areas are targeted and reviewed. It has contributed towards shaping the annual audit plan and had opportunity to agree the final content for 2020.
- **COVID-19 Response:** The TPSPB introduced regular extraordinary meetings from 25 March to satisfy itself on the arrangements being made by the Department and TP to ensure the safety of their staff, whilst assuring itself that key services would continue.

## Summary

The Board has effectively challenged and pressed TP and the Department on matters where it considers improvement should be made – for example, the service to, and engagement with, employers and members. The Board will continue to ensure that members' and employers' needs' and expectations are met. In particular, it will help to ensure TP is operationally equipped to deal with the transitional provisions issue, once a decision as how that should be corrected has been made, and will provide support through the challenges of COVID-19.

