

Teachers' Pension Scheme Pension Board (TPSPB)
Managing Risk and Internal Controls: Sub-Committee Meeting
DATE: 9 December 2020 (by Teams teleconference)

Present:		
Susan Anyan	Independent Pension Specialist - Chair	SA
Kate Atkinson	Member Representative	KA
David Butcher	Employer Representative	DB
Chris Jones	Member Representative	CJ
Simon Lowe	Employer Representative	SL
Keith Barker	TP Head of Scheme Finance & Payroll	KB
Amy Gibbs	TP Analytics & Risk Management	AG
Matthew McNaughton	TP Employer Portfolio Manager	MM
Sue Crane	DfE Senior Contract Manager	SC
Kathryn Symms	DfE Policy Team Leader Casework & Correspondence & TPSPB	KS
Richard Lees	DfE Finance Manager	RL
Ann Ratcliffe	DfE TPSPB Secretariat	AR
Diana Wray	Observer (DfE Policy & Casework Team Leader)	DW
Apologies:		
None		

	Item	Action
Agenda item 1	<p>Introduction, attendance, apologies:</p> <ul style="list-style-type: none"> SA welcomed those in attendance, extending a welcome to Diana Wray observing the meeting. <p>Minutes of the previous meeting (Paper 3)</p> <ul style="list-style-type: none"> The minutes were agreed as an accurate record of the meeting of 23 September 2020. 	
Agenda Item 2	<p>Actions from the previous meeting:</p> <p><u>MR1/230920</u> Employer Portal Functionality update</p> <ul style="list-style-type: none"> SC advised the project is divided into two areas: service improvement and proactive management around privacy of data. The service is GDPR compliant, but controls need to be strengthened. A commercial proposal has been prepared by Capita and responses to queries raised by DfE are imminent. The sub-committee noted that the constraints may make it more difficult for employers due to not having access to prior service records in some circumstances, but it will be more correct. AG advised the Employer Relationship Managers are working with employers ahead of the changes to understand and minimise the impact of the changes on them where possible under GDPR regulations. 	

	<p><u>Brexit</u></p> <ul style="list-style-type: none"> • SC advised that members living abroad who may need to change banking arrangements in the short term have been flagged as a top 5 risk by the Risk Committee, as it could be a high-profile issue if not managed properly. • KB advised numbers could increase with a no-deal Brexit, but currently there was only a small increase in bank account change requests from overseas members (from 5 to 10 a day) which is not a concern in terms of resource impact. TP is preparing to act promptly where banks do not accept payments. • KB mentioned that some overseas members may already be using UK bank accounts. • SC advised the number of members affected by transfer of overseas data are small so there are no concerns. AG confirmed there are so few members that writing to them individually is feasible. Consideration is still being made as to how best to manage this. 	
<p>Agenda Item 3</p>	<p>Forward Work Plan Topic: Autumn OBR Model and Forecasting</p> <ul style="list-style-type: none"> • SA invited KB to present paper 11 (TPSPB subcommittee – OBR forecasting). • KB confirmed the Autumn OBR forecast was submitted by 14 September deadline, and aside from a couple of minor queries, was approved without the need for a challenge meeting with OBR/HM Treasury. KB felt this was because of the comprehensive submission which contained information about the potential impact of many issues such as MCR, Transitional Protection, Goodwin & GMP equalisation and the work with GAD to review mortality rate assumptions. • KB highlighted that comparison between the Autumn OBR forecast and the last Winter OBR forecast showed an increase in income of around £300m and a decrease in expenditure of £1.2bn, resulting in a net decrease in the cash requirement of £1.5bn. • KB explained that under OM13, TP aim to be within +/-0.5% on income and +/-1% on expenditure forecasts by the financial year end. The forecast is re-set after the Autumn OBR, so the forecast covers December – March and will mark year end. • Measures for FY2020-21 are to be reported against final expenditure forecast of £10.3bn and income of £8.7bn. • For the financial year to date, the expenditure variance is 0.045%, and income is 0.86%. • This year may be a challenging due to volatility in the timing of employers submitting income (month end verses start of month). Employer payment behaviour differs from previous years – with many not paying before month end, as has previously been the scheme’s experience. • SA clarified that this was a timing issue, not a debt issue. KB agreed, explaining that the end of November shortfall issue was resolved within the first two days of December. • TP is considering contacting larger employers to confirm 	

<p>Agenda item 3a</p>	<p>intention to pay by end March to try to head off similar issues at year end.</p> <p>Planning for Winter OBR and Supplementary</p> <ul style="list-style-type: none"> • KB confirmed preparation for Winter OBR has commenced - although the commission is not yet received. This exercise is historically light touch in comparison to the Autumn exercise. • TP is mindful of the cash impact of Transitional Protection immediate detriment cases, and so the new actuary (Terry Wharton) is working to quantify the potential short term cash effect. • The sub-committee observed that this will be a challenge across all public sector schemes. • KB explained that TP’s future re-modelling is evolving to give more visibility of the three distinct schemes. • In the short term, TP will be making sure they enhance their control environment around the model and make it robust and more flexible to predict future years forecasting. • There will be a refresh of the OBR tracker log to assist horizon scanning sessions within SDB meetings to focus on longer-term projects to give department insight into TP’s thinking on these projects. • TP is undertaking a review of the reporting suite, to make sure they are using “one version of the truth”, rather than the different versions that are currently being produced. • They will also be synchronising the OBR forecast with their operational capacity plans. Work will progress over the next 12 months. • KA asked whether cash flow was the main concern around Transitional Protection and Immediate Detriment. • KB confirmed that cash flow is an issue so forecasting is therefore vital to build up a picture of the cash impact of people moving between schemes. • RL reminded the sub-committee of the importance of OM13. The OBR forecast serves a dual purpose. An OBR return is provided for the fiscal report, but the data is also used to forecast the HMT supplementary exercise for the current financial year, and the Main Estimate which will determine the level of cash voted by Parliament for the scheme in 2021-22. This is the vehicle used to ensure no overspend. • CJ queried whether – for example - lump sums could be affected and salary of reference. KB explained that there are many possible scenarios that members may opt to do. The sub-committee was assured by MM that the appropriate level of detail is being considered and would be fed through to KB to assist with forecasting. <p>Agree Next Topic</p> <ul style="list-style-type: none"> • KS explained that at the next Chairs’ meeting in January, the Board Chair would like to discuss a strategic plan of work for 2021 for the Board and its sub-committees. It was therefore agreed that March’s topic would be decided after that meeting. 	<p>MR1/091220</p>
-----------------------	---	-------------------

Agenda
Item 4

Programmes and Projects

- SA invited MM to present paper 9 (Programme Risk Overview),
- MM reminded the group that the core risks covered at the last meeting link to the TPS Change Programme; the main risk being the increase in the number of projects. 2021 will continue to be very busy with a lot of projects on the horizon so there was concern about resources.
- MM advised TP is undertaking a review of the support and resource that are linked to project management to ensure each project is correctly supported.
- Key activities include commencing the process of moving Immediate Detriment activity to operational delivery, under Paul Faulkner's leadership to free up project resource to focus on future elements of Transitional Protection, such as preparation for the 2022 transition.
- MM confirmed Terry Wharton as the sponsor for the Groups 5 and 6 cases and 2022 transition proposal and design. This frees MM to focus on the overarching programme delivery.
- TP is working closely with Capita Solutions Director (Stuart Welsman) so that developments in the Continuous Improvement Programme (CIP) programme of work that supports Transitional Protection can be deployed into the TP solutions where appropriate. Utilising central Capita's agile teams reduces the capacity burden on TP projects team.
- CIP is in the Discovery and Validation phase, which is set to conclude at the end of January 2021, with the objective of identifying the delivery timescales and effort to deliver CIP throughout 2020 and 2021. This will allow the programme to plot CIP against all other projects and firm up the programme plan to share with the department.
- MM confirmed the primary risk is project saturation and he intends to review it once he has the updated programme plan with a view to lowering the risk.
- Accommodation remains a risk – but the successful mobilisation of remote working will be used in the operating model going forward.
- In respect of Knowledge Availability, there are policy complexities associated with Transitional Protection, Goodwin, and wider legislative changes. Recruitment of Subject Matter Experts and a Learning and Development consultant will mitigate this risk.
- Maintaining BAU is critical. TP do not want to draw staff away from delivery of BAU to support the programme resulting in a detrimental impact on SLAs, KPIs and member experience. Capita will review performance dashboards to identify drops in performance to determine whether the project is responsible. MM shared the list of current projects and programmes showing the current status (red/amber/green) and stage of the project (deliver/initiate/identify) and expected completion dates. It also covers key risks and issues. It was agreed by the subcommittee this is useful information and should be shared with the papers going forward.

MR2091220

	<ul style="list-style-type: none"> • KA commented positively on the value of the information and asked how often each line/risk is reviewed, given the pace of change. MM explained there are many governance arrangements and internal controls in place and many meetings to discuss and monitor progress. • SA asked that MM explain the RAG rating column noting that there were a few ambers, and one red. MM advised the ambers are the ones he and his managers focus on at their weekly meetings. To assist the sub-committee, MM will add an additional column to show which are regulatory, contractual or internal deadlines. SA requested this be included as a standing item at this sub-committee’s quarterly meetings. • DB asked how this level of change compares with previous years. MM explained the high level of change is linked to all the recent inequalities issues and the size of the Transitional Protection Project. 2015 scheme reform was one big clear project in comparison. SC added that amount of change at the moment is unprecedented and reiterated the scale and volume of the work in hand with all the projects ongoing. • The sub-committee noted that there were some additional projects - GMP equalisation and the recent high court case correcting historical transfers out should be added. MM advised the latter was not yet on the programme plan but will be added - as will the independent schools’ withdrawal. 	MR3/091220
Agenda Item 5	<p>Review of Dashboard and Supporting Papers</p> <p>Dashboard</p> <ul style="list-style-type: none"> • The initial focus was on Page 11 of the dashboard, intended to capture the top risks. SA asked the sub-committee if the risks were the right top risks - Goodwin, remote working, Transitional Protection, Volume Increase and Business continuity. • DB questioned if the risk noted as green (remote working) should be a top risk. SA commented that sometimes risks are green because they are carefully managed but are nevertheless subject to “event risk”. SC commented that TP is operating outside of the normal operating model, and so focusing on whether the core service being delivered is important. After a short debate, SC agreed to consider whether the risk should in fact be amber. • The sub-committee was happy with the assurance, but the question was more around how it presents on the risk log. <p>Quarterly Report</p> <ul style="list-style-type: none"> • The sub-committee then turned attention to the Quarterly Report, Page 29 Risk Annex and commented that these give a lot of background information and assurance to support the top risks. SA commented on a request made by the Board Chair for a better line of sight on risks between the various documents. SA suggested this is made more obvious and lines up in Annex A with what is shown in the dashboard, so all narrative lines up. SA invited questions from the sub-committee on Annex A and B. • CJ questioned current volumes of independent schools leaving the scheme - page 20 of the report. SA pointed out that TP was considering the net position because some are also joining – so 	MR4/091220

	<p>there is a financial offset which should be considered by this committee and the Board.</p> <ul style="list-style-type: none"> • SC commented there is an upturn in numbers - particularly active members, so the financial position is not a concern. • SA enquired about the deferral of MCR onboarding from September 2021 to April 2022. KB advised TP had gathered employers' views ahead of the decision and many preferred the delayed date. Covid-19 has impacted because software solutions were not necessarily available. • KB advised in respect of Scheme debt, that the member overpayment balance has been maintained. Contribution arrears had gone up but that was as a result of MDC because employers are doing more data cleansing, so uncovering more cases of debt. This is likely to peak and then fall away in years to come because of the cleanse. • SC advised the significant volume increase is a net risk red, and is happy with that portrayal, but SC wanted to flag that the onus is on Capita to deploy resources to deliver to and manage this risk, so the department is holding Capita to account. • KS highlighted that the quarterly report and the dashboard have a lot of overlap, and the Board's Chair is keen to cut it down. SA suggested that one approach might be to consider what level of detail was provided to sub-committees, as opposed to the Board. KS requested that any further suggestions are fed through to either the sub-committee Chair or the Secretariat in readiness for the Chairs' meeting in January. 	
Agenda Item 6	<p>Review of Operational and Strategic Risk Registers – Emerging Risks</p> <ul style="list-style-type: none"> • The sub-committee noted the updated narrative on top risks and two new risks were also highlighted (website accessibility and pension liberation cases). 	
Agenda Item 7	<p>ST03 Risk Management Framework (MR5\230920)</p> <ul style="list-style-type: none"> • SC commented it was worth noting against controls the Programme Management piece that MM talked through 	
Agenda Item 8	<p>Draft GIA Audit Plan 2021</p> <ul style="list-style-type: none"> • RL first gave an update on the accounts, as requested by SA, and explained the accounts were finally laid on 19 November, after a protracted process due to some additional queries from Deloitte as a result of the publication of Capita's AAF report. • Planning has started for this year's audit; meetings with NAO and Deloitte to go over lessons learnt have been arranged. The expectation is next year's audit will follow a similar timetable to this year's audit. • A lot of work was done in the interim audit work last February but there will be additional challenges this year as testing cannot be done on site. What this means for the audit is being worked through with Deloitte. • RL then talked through Paper 10 (GIA audit plan 2021). RL reminded the sub-committee that GIA is the Capita internal audit function, and the plan runs from January to December. It is 	

	<p>shared to provide assurance and invite comment. The audits set out for next year have been gathered through various sources, with some carried forward from last year, such as business continuity - which was deprioritised for a Covid-19 audit review.</p> <ul style="list-style-type: none"> • Debtor control accounts are being revisited due to earlier issues with the reconciliation between Hartlink and Acclink. An earlier GIA review resulted in amendments and controls put in place, but another review will ensure the controls are working as expected. • A review of Transitional protection will be done to provide assurance that we are working on a sound basis to put a solution in place, and to understand implications for different works strands, such as average handling times. • The final audit is around payments which is a cyclical audit every 2 or 3 years and part of the standard review on the robustness of payment controls. • KS checked whether it was clear how the audit and risks fitted together, and that the priorities are clear to the subcommittee for the audit. The sub-committee were content on this point. 	
Agenda Item 9	<p>Agree Key issues</p> <ul style="list-style-type: none"> • Programme risk overview • OBR presentation • Brexit 	
Agenda Item 10	<p>Agree whether any individual papers or presentations should be shared with rest of the Board for Information:</p> <ul style="list-style-type: none"> • Programme Plan • OBR presentation 	<p>MR5/091220</p> <p>MR6/091220</p>
Agenda Item 11	AOB: None	

Minutes agreed by Chair: *Susan Anyan*

Date: 15 December 2020

Confirmed by circulation to sub-committee members on 17 December 2020

Ratified at sub-committee meeting: 24 March 2021