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

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

**21 June 2023 – Face to Face at Lingfield Point**

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| **Present:** |  |  |
| Susan Anyan  | Independent Pension Specialist - Chair | SA |
| Kate Atkinson | Member Representative | KA |
| Susan Fielden | Employer Representative | SF |
| Lisa Sproats | Employer Representative  | LS |
| Maria Chondrogianni | Member Representative  | MC |
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| Anna-Marie Alderson | DfE Senior Contract Manager | AA |
| Matthew McNaughton | DfE PMO and Transition Manager | SC |
| Richard Lees | DfE Finance Manager | RL |
| Keith Barker | TP Head of Scheme Finance & Payroll | KB |
| Amy Gibbs | TP Head of Governance and Risk | AG |
| Alyson Collingwood | TP Operations Manager | AC |
| Melanie Phillip | DfE Policy Team Leader Casework, Correspondence and TPSPB | MP |
| Helen Cowan | DfE Secretariat Manager | HC |
| Ruby Kennedy | DfE Secretariat  | RK |
| Loraine Dodds | DfE Secretariat  | LD |
| **Observers:** |  |  |
| Yvonne Moult  | Employer Representative  | YM |
| Natasha Atherton | DfE Transition Officer – PMO and Risk Lead | NA |
| **Apologies:** |  |  |
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|  | **Item** | **Action** |
| Agenda Item 1 | **Welcome and apologies:*** SA welcomed those in attendance.
* No apologies were received.
* The minutes from 22 March 2023 were ratified.
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| Agenda Item 2 | **Actions from the previous meeting:*** SA noted that all actions were now closed, but asked RL to give an update on action MR1/220323.
* RL explained there were two elements to this action, the first being 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 (QR). He advised that these were two different types of figures used for different purposes - the figure in the QR being the figure at the end of the calendar month, and the figure in the dashboard taken from when accounts are closed in the following month. He confirmed that these figures will never directly correlate, and they have now been removed from the dashboard.
* The second part of the action was around a revised version of the forecast. RL noted that this was discussed at the Board member familiarisation day and provided an overview of the difference between the two forecasting exercises. He suggested it could be helpful to return to this topic in September so that it is explored in line with a live OBR exercise, rather than reflecting on a previous one. The sub-committee were content with this being a deep dive topic on the September agenda.
 | MR1/210623 |
| Agenda Item 3 | **Finance Update****End of Year Certificates (EOYC)*** KB updated the sub-committee on the progress of the EOYC process. Whilst slow progress had been made in recovering older outstanding returns, several calls had taken place with larger employers.
* KB advised the exercise to secure 2018/19 returns should be closed by the September sub-committee meeting. There are still higher volumes remaining of the 2019/20, 2020/21 and 2021/22 returns but there was positive feedback from the 2022/23 exercise where a large percentage have been submitted by the deadline through the employer portal.
* The sub-committee acknowledged that 100% of returns will not be cleared on the older year exercises as some institutions may have closed. KB agreed and added that, since the COVID-19 pandemic, auditors attending sites and engaging with employers has become a challenge.
* SF queried whether there were any risks associated with not receiving 100% of returns. KB explained that the EOYC was an independent audit of employers but that further assurance could be taken from the Annual Report and Accounts (ARA) process. He noted that RL is working with ESFA to gain support in securing audited returns from the academy sector. If the EOYC is missing, it would be questioned why this was not dealt with when auditors were completing an academy’s accounts.
* SF referred to personal experience of issues not being raised through audit of EOYCs but raised through MCR. She felt there was more confidence in the MCR process. KB agreed and the sub-committee acknowledged that the EOYC process is just one way of uncovering issues.

**Annual Reports and Accounts (ARA)*** RL noted that auditing work commenced on 24 April and is progressing well with no significant findings coming out of the audit testing.
* Prompted by the Cyber Incident, Deloitte are placing more importance on Capita’s Annual Assurance Statement (AAF) and have asked to see the completed report before the ARA can be signed off. This impacts the timeline for laying of the accounts as the AAF report will not be available until 30 June.
* RL noted that, although the original intent was to lay the ARA prior to Parliamentary recess, there was no intrinsic risk of deferring and the expectation was that the accounts will still be finalised before the statutory deadline of January 2024.
* SA acknowledged that although the Department would feel disappointed that they could not achieve their intended timescales, the delay was due to third-party intervention.
* AG added that it was the correct route to follow to gain assurance, as the report will accurately reflect the position.

**Office for Budgetary Responsibility (OBR)*** RL advised that the OBR commission had been received in early June for the medium-term forecast which looks to 2028/29. The deadline is September.
* An initial planning meeting took place to scope out the project.
* SA asked if higher inflation rates are causing any issues for forecasting. RL said this will be looked at as part of the exercise and any risks reported as part of the return. Review work would include undertaking sensitivity analysis to reflect the impact of varying interest rates on the forecast.
* SA further asked if there were implications for the contract. RL confirmed that there were in terms of contract cost as certain of the administration charges are index linked.
* KB explained that there is work ongoing around contribution payment patterns and peaks, for example employers that are consistently paying early – and therefore impacting the monthly income variance reporting. These will be identified to help understand if there is an effect on suspense, forecasting and so forth.
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| Agenda Item 4 | **Monthly Contributions Reconciliation (MCR)*** AA advised that a pilot exercise has commenced where a small cohort of employers are offered additional support. This is scheduled to conclude at the end of August. TP and the Department will then consider next steps.
* SF asked if there were any risks to the other pieces of work, such as Transitional Protection (TrP), due to the high volume of money in the unallocated contributions (suspense) account. AA advised that it is not a risk at this stage. AG added that this will enhance the risk control framework going forward.
* SF questioned if errors in the MCR process would prevent a member of staff retiring until issues were resolved. AG explained that an error in MCR would not prevent a member from retiring, as their award could be paid using existing service and salary information on record. However a revision would be required once errors were resolved.
* SA noted that whilst there is a risk MCR doesn’t complete in the expected timescale, and this could potentially impact on the transition of the contract, progress is being made and it is a helpful opportunity to pause and reflect.
* She also noted the unallocated contributions figure, some of which was due to MCR. KB updated the sub-committee that this has reduced, and the focus remains on age, with the majority being from the last 2-3 months. AG noted that as TP continue to work through the pilot and build a closer relationship with employers, they hope to reduce the recent suspense and not just the aged ones.
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| Agenda Item 5 | **Group Internal Audit (GIA) – Annual Statement of Assurance*** SA referred to the GIA plan, specifically noting the open and overdue actions.
* She observed that the Hartlink change management report had not yet been circulated. RL advised this had been finalised and could be shared with Board members in correspondence after the meeting. The actions from that report were however included in the Quarterly Report and would now be formally discussed at the next sub-committee meeting.
* AA mentioned that the ‘Data Integrity report’ was intended to be shared with the sub-committee, but due to the Capita Cyber Incident the schedule had been delayed and this report was now expected to feature on the September agenda for discussion.
 | MR2/210623 |
| Agenda Item 6 | **Review of Papers 4, 5 & 6****Quarterly Report:*** AA highlighted the outcome of the recent procurement exercise which will see the scheme administration move from Capita to Tata Consultancy Services (TCS) for delivery from 1 October 2025.
* AA reported that the Goodwin project has now concluded.
* The revision exercise is continuing on some members’ accounts to reflect a review of historic information. The team has looked at the finance controls around this and found the overpayments are not material. Completion is expected by the end of the calendar year.
* On Scheme valuation, the result is expected imminently, and this will be communicated to members and employers accordingly. An update will be provided in the quarterly report.
* SA highlighted that the previous concern around phased withdrawal numbers seems to have reduced. AA recognised that the current situation is stable but numbers may increase again once the Scheme Valuation results are announced.
* MC asked if an employer that had previously taken phased withdrawal from TPS could rejoin the Scheme, referring to a potential case of this happening imminently. AG explained she had not experienced this happen before so was unsure on the policy around this and whether they could join retrospectively. AA suggested this was referred to the Scheme Advisory Board (SAB). SA agreed that this should be a SAB referral to make the policy decision but thought the Board would want further assurance once a decision had been made.

**Dashboard:*** AG highlighted that there had been a significant increase in operational volumes presenting a risk to delivery. Performance is expected to be impacted over the coming months and short-term measures such as overtime were being relied on. Impact assessments had been presented to the Department to consider.
* Good progress has been made on TrP; this will continue to be monitored.
* There was uncertainty around the date of the Pensions Dashboard at the time of reporting but there is now a confirmed connection date of October 2026. As the timescale is outside of the current contract, the Department will look at the impact of this.
* The sub-committee noted that although there are a higher than usual number of risks listed on the Dashboard summary, these accurately align with the topics discussed.

**Issues Log:*** AA explained that there were currently two live issues being managed.
* One issue was around ill-health retirement casework. Health Management (HM) have taken over the downloading/ uploading using the HM online portal. AA confirmed the process is currently working well. Until the Department and TP are assured this is stable, this issue will remain open, but the Department is confident the issue will be managed to closed soon.
* The second issue was around MCR. The pilot is due to conclude at the end of August and next steps will be determined.
* The sub-committee acknowledged that both issues were being managed through the Service Delivery Board (SDB).
 | MR3/210623 |
| Agenda Item 7 | **Review of Operational and Strategic Risk Registers*** AA confirmed there was nothing new or significant to note on the risk registers.
* AA highlighted that the cyber incident was listed on the register, which was expected, and the business continuity controls around that were effective.
* SF questioned whether connections between the risks had been explored and whether numerous issues at one time would cause capacity problems. AG advised that there are dependencies which look at the interconnecting topics.
* LS raised a concern around the cost of living and increased inflation rate and asked if there was anything the sub-committee should be considering. AA explained how the scheme valuation cycle worked and AG confirmed that there are risks relating to cost of living which do not appear on the list of top risks, but they are considered at the monthly risk committee.
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| **TP colleagues left the meeting** |
| Agenda Item 8 | **Capita Cyber Incident 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 21 June 2023 and will be shared with the Board Members, and at the next TPSPB meeting. |  |
| Agenda Item 9 | **Portfolio Executive Summary 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 21 June 2023 and will be shared with the Board Members, and at the next TPSPB meeting. |  |
| Agenda Item 9 & 10 | **Highlights to report to the Board:*** Government Internal Audit Agency (GIAA) - TPS - Portfolio Management (final report)
* Annual Report and Accounts (ARA)
* Capita Cyber Incident
* Group Internal Audit (GIA) - Annual Statement of Assurance

**Agree whether any individual papers or presentations should be shared with the rest of the Board for information:*** It was agreed that there were no papers the sub-committee thought should be shared with the rest of the Board.
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| Agenda Item 11 | **AOB** * SA closed by thanking sub-committee members for their contributions to the meeting.

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| Next meeting |  20 September 2023 via Teams.  |  |

Minutes agreed by Chair: Susan Anyan Date: 4/7/23

Confirmed by circulation to sub-committee members on: 5/7/23

To be ratified at sub-committee meeting on 20 September 2023