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

 **12 July 2023 (in London)**

**MINUTES**

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| **Present:****Board Members** |  | **Also Attending:** |  |
| Neville Mackay (Chair) | NM | Alistair Dennis (Head of Teachers’ Pensions at Capita) | AD |
| Kate Atkinson (Member Representative) | KA | Amy Gibbs (TP Head of Governance and Risk) | AG |
| Lisa Sproats (Employer Representative) | LS | Danielle Barker (TP Head of Operations | DB |
| Susan Anyan (Independent Pension Specialist) | SA | Anna Leonard (Head of Supplier Management, DfE) | AL |
| Maria Chondrogianni (Member representative | MC | John Brown (DfE Head of Policy Projects) | JB |
| Susan Fielden (Employer representative) | SF | Matthew Barrow (DfE TPS Transition Team Manager) | MB |
| John Pratten (Employer representative) | JP | **Secretariat** |  |
| Peter Strike (Member representative) | PS | Melanie Phillip  | MP |
| Simon Lowe (Employer representative) | SL | Helen Cowan | HC |
| John McGill (Member representative)  | JM | Zillay Usman | ZU |
| Yvonne Moult (Employer Representative) | YM | Ruby Kennedy | RK |
| Peter Springhall DfE (Deputy Director) | PSp |  |  |
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| **Apologies:** |  |  |  |
| None received |  |  |  |
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| **Main Board meeting** |
|  | **Item**  | **Action** |
| Agenda item 1 | **Introduction, attendance, apologies:*** NM welcomed everyone to the meeting.
* NM stated that Board members Kate Atkinson and Maria Chondrogianni were attending virtually.
* There were no apologies recorded.

**Register of Interests:** * NM noted the updates to the register and was satisfied there were no conflicts of interest to prevent the meeting going ahead.

**Minutes of the previous meeting (Paper 2):*** The minutes were agreed as an accurate record of the meeting of 19 April 2023.
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| Agenda item 2 | **Actions update (Paper 3):**NM discussed the ‘open’ actions - * **AP3/191022 *Cross cutting strategic issue – Equality, Diversity and Inclusion (EDI paper 4****)* and the equalities analysis that the Department would like to conduct. No further update since the previous one, where JB reported that this will commence following full implementation of the Transitional Protection remedy.
* **AP6/191022** ***Cross cutting strategic issue – Equality, Diversity and Inclusion.*** JB has previously confirmed that scheme rules will meet the requirements in The Pensions Regulator (TPR) guidance. The Corporate Plan has now been received by the Department and is currently being reviewed. Highlights will be reported to the Board meeting in January 2024.
* **AP4/190423** ***Information to Members and Communications sub-committee update.*** The secretariat have emailed the ARC secretariat for an update from the ARC meeting.
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| Agenda Item 3 | **Independent Pension Specialist Update** * SA referred to an article in the Financial Times regarding the recent flurry of public sector pension scheme consultations.

*TPR’s corporate plan for 2023-24** SA reported that the TPR has commenced an information gathering exercise by distributing a survey on equality, diversity and inclusion to trustees.
* SA reported that the CEO of the TPR has discussed concerns about many small pension schemes that don’t have the professional staffing resources for the correct level of governance. The TPR wishes to improve governance standards and the TPR General Code is expected to be published later this year or possibly early next year.

*Government consults on draft LGPS McCloud regulations** JB reported that there are policy delivery issues in relation to the excess teacher service. JB explained the complexity of the LGPS process as the data that Capita needs is different to that of the funds. DfE is working with Capita, employers, Department of Levelling Up, Housing and Communities (DLUHC), and LGA on the data shift to ensure employers are not overburdened. Affected members have been identified and a process has been agreed with DLUHC and other stakeholders. Both the TPS and LGPS consultations have closed and the policies have not commenced implementation yet.
* YM reported that the data collating meeting she attended with TP was an informative two-way discussion, with clarification given when requested. As part of a small unitary authority, and with her considerable LGPS experience, YM found the task manageable but someone from a larger employer with less experience may have found it more challenging. YM queried what timeframe would be given for employers to return required data to TP. YM considered that the process should be relatively issue free but was concerned about academies with payroll providers who may not have the skills to deal with it effectively.

*Royal Mail authorised as UK's first CDC scheme** SA reported that this is a collective fund that provides a target, rather than guaranteed, income and where risk is shared between employer and employee. It is an alternative for schemes that are closed to future accrual.

*TPR’s Annual Funding Statement** Many funds are now better funded with long-term, lower risk and low dependency targets expected.

*Other news** Cyber Incident (Pensions Ombudsman) – SA stated that cyber incidents are on the rise.
* Pension Protection Fund (PPF) Consolidation - SA reported that TPR is keen to consolidate schemes so that they are better managed. Either the PPF or a body with a similar governance structure could take on smaller schemes where employers don’t want or are unable to run them anymore.
* TPR wants to ensure that pension Board members have the appropriate range of skills and experience, as well as underlying diversity, to make the right decisions.

*Discussion between Board members** PS queried the value for money of the TPS compared with the Universities Superannuation Scheme (USS), following the news that the USS’s funding position looks ‘very encouraging.’
* JB responded that there are differences between the USS and the TPS and that TPS valuation would be discussed later in the meeting. USS has announced future predictions, which can change at any point and, in the past, USS has been unstable.
* SA stated that schemes undertake funding valuations regularly and interim changes are very rare. SA noted that due to market volatility and the Liability Driven Investments (LDI) events of last year, many schemes have found themselves in better funding positions.
* JB advised that the TPS is different to the USS due to its stability as a government backed scheme. The TPS has become more expensive in recent years for employers but the USS caters for a different market. JB stated that there is no direct comparison between the TPS and the USS.
* JM stated that the TPS has a discount rate, which has been reduced because the government refused the social type preference rate. The TPS is moving in the opposite direction to other funded schemes that are having their liabilities reduced because of the benefit of higher interest rates.
* NM reminded the Board of the guaranteed benefit that members of the TPS receive.
* MC stated that employer contribution rates remain a concern.
* NM proposed to revisit the impacts of people leaving the scheme and what can be done to try and alleviate this. Policy issues surrounding why those differences occur and how the mechanics of different discount rates work can be more appropriately discussed at the Scheme Advisory Board (SAB).
* SA reflected that the cost-of-living crisis is going to be an important factor in people’s ability to continue membership.
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| Agenda Item 4 | **Capita Cyber Incident – update*** AD advised that the forensic investigation across Capita has identified that only 0.01% of servers were impacted by the cyber incident.
* From a TPS perspective, control design stood up well and only one member was affected, who has been contacted and provided a service with Experian which entitles them to a year’s worth of fraud prevention protection.
* Capita now have better controls in place and lessons have been learned from the incident, which is now considered closed.
* AD provided reassurance that Hartlink was not impacted by the cyber incident.
* NM suggested the MRIC sub-committee may wish to take assurance from the key lessons learned. SA agreed and asked for it to be circulated ahead of the next sub-committee meeting in September.
* NM referred to a previous discussion about proactive communications being issued to scheme members to provide assurance about the incident. PSp confirmed that a decision had been taken that proactive communication was not necessary due to the limited impact on members.
* SA would find it useful to be assured about any real time incident in a high-level way.

**Discussion re Incident Communication Protocol*** MP advised that an action had been taken from the last Board meeting on how the Department would engage in the event of an incident and referred to Paper 5, which seeks a steer from the Board on how the protocol should be constructed.
* SL identified a key aspect was to agree how to define the seriousness of an incident which warranted Board members being notified.
* SA explained that a mechanism was needed to provide Board members with assurance at the right time.
* PSp suggested that any principles should be theoretically applied to the recent cyber incident to ensure the Board would receive the desired outcome.
* SA felt that if the incident was serious enough to report to TPR or ICO then it was sufficiently serious to inform Board members.
* NM recognised that the Department would need to make a judgment based on certain criteria i.e. could it attract press interest or will it be reported to a third party etc. If these were answered in the affirmative, then he considered that the Board should be informed.
* MC advised that it was better to be cautious about deciding not to inform the Board and would welcome the protocol being put in place.
* SF queried whether the Board should be informed before or after the minister. NM recognised that the point at which the Minister is informed may depend on his or her appetite for detail.
* SA suggested that if an incident required engagement with third parties over a weekend, then the Board should be informed at the same time.
* NM stated that the protocol would also cover non-cyber incidents.
* SA offered to share examples of existing protocols with the secretariat.
* NM requested that a draft protocol be shared with himself and SA for review, before the MRIC sub-committee then considers it. The MRIC will then make a recommendation to the Board.
 | AP4/1207223AP5/120723 |
| Agenda Item 5 | **Policy Update****Transitional Protection (TrP)*** JB informed the Board that the majority of the TrP remedy is due to go live on 1 October.
* The consultation closed last month in relation to the regulations and how the remedy will be implemented. JB reported that there had been just over 400 responses, the majority were positive and those that were not were unrelated to the consultation itself.
* The regulations are currently with the Minister for review and JB is hopeful they will be signed before summer recess to ensure they are laid in sufficient time for 1st October.

**Scheme Advisory Board (SAB)*** JB noted that SAB have discussed TrP at length.
* There has been a focus on the policy around ill-health retirement in relation to long covid which is a progressive condition with limited medical knowledge on available treatments. JB reported that a Medical Advisor had attended the previous SAB meeting and conversations will continue.
* SAB have been heavily involved in valuation and continue to discuss opt-out provisions. There is no specific area of concern, but the number of opt-outs is now at pre-pandemic levels. SAB monitor various categories such as regions and age and believe the future trend will show increasing numbers of younger members opting out.

**Valuation*** JB noted that final results are expected to be published in September although they will not take effect until April 2024.
* He reported that member contribution rates had been reviewed and SAB have agreed to continue the 6-tier system with progressive increases through the tiers. The new contribution rates for members will come into force from April 2024, regulations are being drafted and will go to public consultation.
* SF indicated that SAB had identified that there is potential for the opt-out numbers to be artificially high due to automatic re-enrolment. She explained that if someone who has previously opted-out moves to a new role, they are automatically re-enrolled. If they opt-out again, this would be recorded as two opt-outs even though it is the same person. This would also occur if a school converts to an academy or an academy joins a trust.
* NM asked if the data could be adjusted to reflect the true figures. JB explained that an adjustment would be complicated as a result of how the data is reported. However, to mitigate this, comparisons are drawn between years to identify trends rather than analysing individual months’ data in isolation. JB noted that the number of teachers in the scheme is increasing but the level of opt outs is remaining static, excluding the pandemic. Whilst there is no accurate data on who is opting out for the first time, the team can look at patterns in opt-outs and why people are opting out.
* NM expressed concerned that opt-out numbers were increasing and asked if estimates could be provided. AG confirmed that opt-out data is analysed in some detail and indicated TP could provide further information.
* SF queried if this would form part of OBR forecasting regarding the impact on income. AG explained that it was not sufficiently significant to feature in the OBR forecast.
* JM expressed concern that many members opt out without realising they are losing their TPS life insurance and will go on to buy private life insurance. He considered the additional benefits of the scheme could be better marketed.
* NM acknowledged that the Information to Members sub-committee had previously looked at how to convince teachers to stay in the scheme, even if financial pressures tried to push them elsewhere.
* JB referred to a set of questions, prepared by SAB, that members are asked when opting out .
* AG confirmed that, when a member opts out, they are sent communications to advise them of what benefits they are losing.
* JP warned to expect a spike of phased withdrawals in September when the valuation result is published.
* MC asked whether the data on opt-outs records information by sector, including FE and HE. She would welcome information about which sector the majority of opt outs occur and whether there are particular reasons. In relation to valuation, she asked how the increase in employer contributions will be funded.
* JB confirmed that funding would be made available for those institutions who are currently centrally funded. This does not include HE but conversations are ongoing with HM Treasury to try to secure funding. He noted that it doesn’t include independent schools, which is why phased withdrawal was introduced.
* JB recognised the Board’s interest in opt-outs and acknowledged the Board has a role, but was keen to ensure that work was not duplicated between both TPSPB and SAB.
 | AP6/120723 |
| Agenda item 6  | **Service Delivery & Maintenance of Data sub-committee update:****Monthly Contribution Reconciliation (MCR)*** SL reported the sub-committee had received two additional papers which provided helpful context regarding the history of MCR. The current position is that 60 employers will onboard over the next few months with additional support in place.
* The sub-committee felt assured that the project is getting the right level of attention and will continue to monitor during transition to the new supplier.

**Ill Health Update*** SL reported the historic backlog has been cleared. There are 80/90 cases from April/May outstanding and there is a process in place to transfer data between Hartlink and the Health Management portal. This is a sensitive issue and will be kept on the SD&MoD agenda.

**Update around TPR non-compliant establishments*** SL said that the sub-committee was concerned about the number of academies being reported to The Pensions Regulator but confirmed that the Department was working with ESFA to increase pressure on non-compliant academies to pay contributions.

**Contact Centre – Increases in workload*** SL reported an increase in operational demand and the Department and TP are working together to increase resource. As a short term measure, TP are utilising overtime.

**Assurance re CEM Benchmarking Report*** SL reported that the sub-committee was suitably assured that the service is low cost/high quality.
* NM found it reassuring that TP are in the right quadrant and recognised the report as an important independent assessment.
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| Agenda item 7 | **Managing Risk and Internal Controls sub-committee update:****Government Internal Audit Agency (GIAA) – TPS – Portfolio (final report)*** SA noted that the sub-committee had looked at the TPS Portfolio Management report. There were some low-level findings in the report and one medium finding but all were being dealt with or had been dealt with. The sub-committee had felt assured that any required improvements had been made.

**Annual Report and Accounts (ARA)*** SA noted that ARA had been discussed in the meeting and there was nothing further to note.

**Capita Cyber Incident** * SA noted that the key outcome was working collaboratively on a protocol.

**Group Internal Audit (GIA)** * SA reported that the sub-committee had felt assured the GIA was in order and there was nothing to bring to the Board for discussion.
* She noted that the MRIC sub-committee wanted to see all audits, whether a Capita or Department audit. Whilst there is a programme that specifies which audit will be undertaken in each quarter, the reports don’t naturally coincide with the timings of sub-committees and the sub-committee will report on these when they are provided.
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| Agenda item 8 |  **Information to Members and Communications sub-committee update:****Transitional Protection (TrP) communication and campaign*** SF stated that communication arrangements for members and employers regarding TrP were discussed.
* SF highlighted a number of tools avaialble such as the decision tree, the parallel service for employers and their members, and was encouraged by the level of detail available on the My Pension Online (MPO) service.
* SF noted the high volume of calls and increasing complexity of queries. Multi Factor Authentication was cited as an issue in gaining access.

**Referral to SAB about the provision of financial advance to members re TrP*** SF highlighted the concern surrounding ill-informed financial advisors and unnecessary financial costs for members regarding pension advice related to TrP. The sub-committee has referred this issue to the SAB for further discussion.

**Other*** NM enquired whether sub-committee members would prefer to retain the current meeting arrangement for holding 50% of sub-committee meetings in person. NM invited members to discuss their meeting preferences at the next round of sub-committees and relay their decision to the Secretariat.
 | AP7/120723 |
| Agenda item **9** | **TP Update:*** NM invited AD to provide an update following the outcome of the procurement. AD confirmed that Capita was disappointed but remained committed to members and employers of the scheme for the next 2 years and will support a smooth transition.
* AG provided an update on the dashboard and reported an increase in volume particularly on communication channels that presents a risk to overall delivery.
* OMs are mixed from a member perspective. OM3 is achieving target which is positive, and a higher volume of feedback is being received.
* OM5 and 6 continue to decline which is linked to timeliness of resources and being under resourced in the contact centre. From 1 August, they will be separated to allow TP to identify areas where members are not happy.
* From an employer perspective, targets are being achieved but TP are receiving low volumes so additional questions will be added from 1 August to gather more information.
* TP are achieving their financial targets but did marginally miss out on OM13 as a result of a significant volume of employers sending their cash in early on 31 March.
* NM thanked AG and highlighted the issue of increased volumes which is compromising TP’s ability to meet KPIs. He asked if this was a ‘blip’ or a ‘trend’. AG confirmed it was a trend as members are becoming more aware of their pension which has increased engagement. She referred to existing contractual measures which enable TP to discuss commercial arrangements if membership reaches a certain threshold but reflected that there was not always a correlation between number of members and transactions.
* AL clarified that she expected that contractual threshold to be reached in October. Proactive discussions are being held to identify what support can be provided once that threshold is met.
* NM asked that an update be provided at the next Board meeting.
* NM thanked DB for her contribution to the Board and wished her the very best for the future.
 | AP8/120723 |
| Agenda Item 10 | **Portfolio Executive Summary** **The remainder of this section has been removed to ensure commercial sensitivities are maintained. A full version of the minutes will be prepared and shared with Board members, and at the next TPSPB meeting.** |  |
| Agenda item 11 | **Any Other Business:****The remainder of this section has been removed to ensure commercial sensitivities are maintained. A full version of the minutes will be prepared and shared with Board members, and at the next TPSPB meeting.** |  |
|  | Neville concluded by thanking everyone for their attendance and contributions to a very productive meeting.The next meeting will take place on Wednesday, 18 October 2023. |  |



Minutes agreed: Date: 21 July 2023

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| Minutes circulated to Board members for review 24 July 2023 . The following changes were made following Board member review. No amendments were requested/made. |
| Minutes ratified at subsequent TPSPB – 18 October 2023 |