



Department
for Education

Teachers' Pension Scheme Risk Policy

Document Purpose

1. This document sets out the risk management strategy adopted for the Teachers' Pension Scheme.

Risk Objectives

2. The objectives of the risk strategy are to:
 - Ensure Teachers' Pensions has a process in place to manage risk
 - Facilitate consistent and regular assessment and reporting of risk
 - Ensure risk management is embedded across Teachers' Pensions;
 - Ensure risk management activities completed across Teachers' Pensions are in line with regulatory requirements, industry good practice and Teachers' Pensions policies.
3. The objectives of risk management within Teachers' Pensions are to:
 - Increase the likelihood of Teachers' Pensions achieving its objectives
 - Encourage proactive management
 - Be aware of the need to identify and manage risk throughout Teachers' Pensions
 - Improve the identification of opportunities and threats
 - Comply with relevant legal and regulatory requirements
 - Improve financial reporting
 - Improve governance
 - Have a reliable basis for decision making and planning
 - Improve controls
 - Effectively allocate and use resources for risk treatment
 - Improve operational effectiveness and efficiency
 - Enhance health and safety performance
 - Reduce financial loss as a result of Risk and improve incident management effectiveness
 - Minimise losses
 - Improve organisational learning
 - Improve organisational resilience
 - Provide assurance to the Department and the Accounting Officer
 - Provide assurance to the Teachers' Pension Scheme Pension Board

Overview of Approach

4. Risk management forms part of the key decision making processing of Teachers' Pensions and is reported on at the monthly Capita Pension and Benefits (CP&B), at the CP & B Risk and Compliance Committee and at a monthly Capita People Solutions Divisional Risk and Compliance Committee. Risk Management is embedded in administrative practices and governance oversight.
5. The key stages of the risk management process are summarised below:

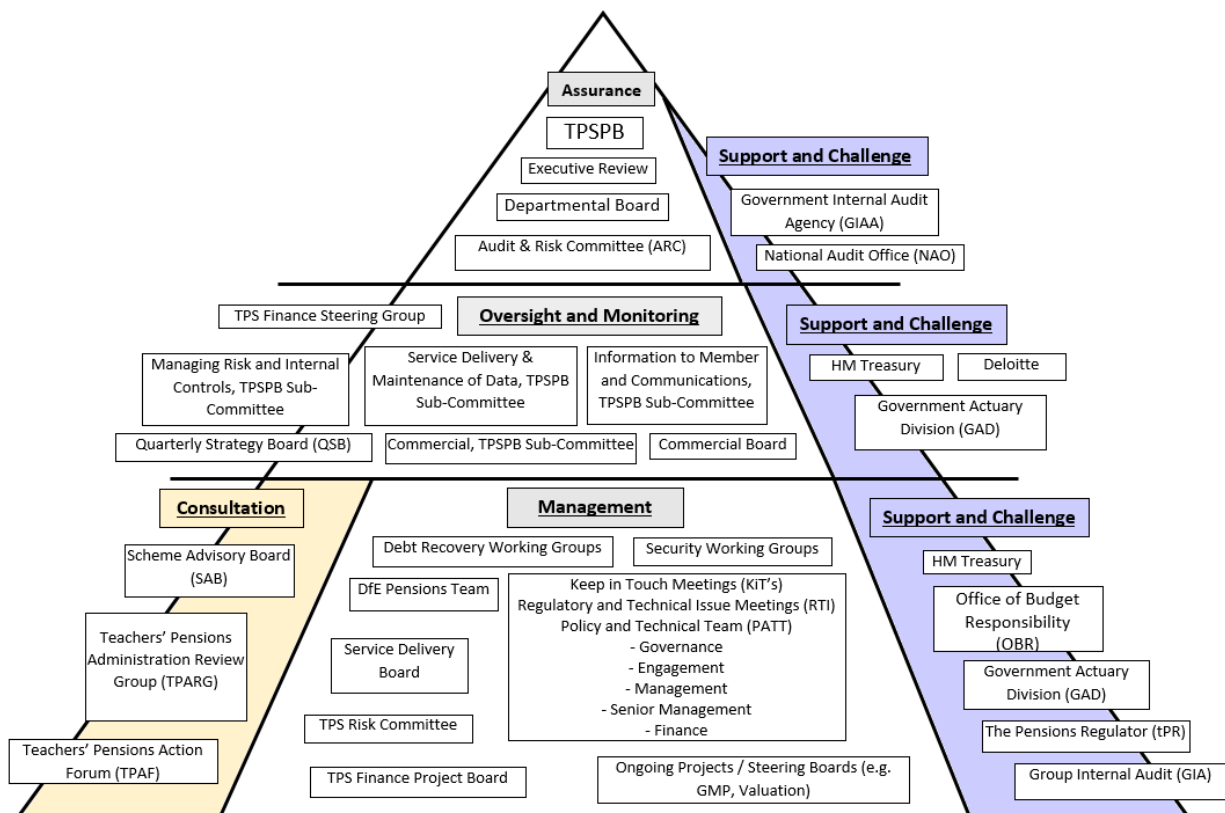
Stage		Description
Risk Identification & Classification		Process of finding, recognising and describing risks. Risks are categorised to enable risk hot spots or themes to be identified.
Risk Assessment	Risk Analysis	Process whereby the nature of the risk is understood in order to determine the level of risk in terms of the risk likelihood and potential impact.
	Risk Evaluation	Determining whether the risk level is acceptable by assessing it against risk appetite.
	Risk Treatment and Mitigation	Selection and implementation of options to reduce risk or retain risk at existing level.
Monitoring and Reporting		On-going review of risks in order to identify changes in risk values and identify new risks.

6. Controls to manage risk to a reasonable level to identify and prioritise, evaluate likelihood and impact. Specific controls are:
 - One Risk Register that covers all sections: contract, policy, finance and administration – Risk Committee is responsible for management of the register.
 - Risks should be escalated to the relevant TPS Board. In the first instance the awareness route for the Risk Committee would be the overview presented in the Service Delivery Report. The Service Delivery Board minutes would then reflect a Risk highlighted for escalation to the Quarterly Strategy Board; this is supported by the structure diagram below, which also shows the escalation going over to the Department Boards, and to the

Exec Review (the escalation point for the Quarterly strategy Board if deemed necessary).

- The criteria for decision-making whether a Risk should be escalated or not is as follows: If any risk score is raised from Low or Medium to High, or a risk added to the register with a rating of High, then the risk should be flagged for escalation in the Service Delivery report and included for discussion at the Quarterly Strategy Board.
- If the Risk is considered severe (a considered opinion of the Decision making authority of the Risk Committee), and the Quarterly Strategy Board is more than one month distant from the next Service Delivery Board following the relevant Risk Committee, then the core members of the Quarterly Strategy Board should be made aware immediately following the Service Delivery Board.
- Should any item under review by the Teachers' Pension Scheme Pension Board be considered a risk not currently monitored by the Risk Committee, the Secretariat of the Pension Board should minute this risk and make the Risk Committee aware as an agenda item for discussion.
- Contractual Audit Requirement - TP has produced an audit strategy that complies with Public Sector Internal Audit Standards (PSIAS).
- Annual Audit Plan – a risk based Annual audit plan delivered by Capita's Group Internal Audit that is approved by DfE.

Structure



7. The above structure chart demonstrates how Risk Management is embedded within the governance of Teachers' Pensions.

Risk Definition

8. Risk is defined as the effect of uncertainty on an objective. In Teachers' Pensions this is expressed by looking at how potential future events or outcomes can impact the achievement of the business objectives and the experience of Members, Employers, the scheme manager and key stakeholders.
9. The risk assessment process considers both the likelihood of an event or outcome arising along with the potential financial or non-financial impact on the objective.
10. Risks are assessed at both a 'gross risk' and 'residual risk' levels. The gross risk assessment considers the risk impact before taking into account any controls or risk mitigations. Residual risk assesses the risk impact after consideration of controls or mitigations.

Risk Committee

11. The Risk Committee is fundamental to the operation of the risk management framework; output from these Committees feed into the monthly Service Delivery Board, the Quarterly Strategy Board and both the CP&B Risk & Compliance Committee and DfE Audit and Risk Committee (ARC).
12. The objectives of The Committee can be located in Appendix 1 below.

Link to Business Objectives and Group Business Assurance

13. Linking the risk identification and assessment process to business objectives ensures that the risk management process is aligned to the overall objectives and strategies of Teachers' Pensions.
14. The risk register is also aligned to the Teachers' Pensions annual audit schedule to ensure the focus remains on addressing those processes and internal controls associated with identified risk, and maintains focus on the actions identified to drive improvements following audits.
15. All staff are expected to actively engage in risk management within their own areas of responsibility, and an Operational Risk Register has been implemented for review on a regular basis by senior operational managers with an escalation point to the Risk Committee.
16. Work will progress throughout the contract to continue to refine and develop the risk management strategy and process, with particular emphasis on registering the

impact of known risks to the Teachers' Pensions Scheme and the provision of assurance to the National Audit Office of the financial controls in place to ensure effective management of the Scheme.

DfE Audit and Risk Committee (ARC)

17. The Audit and Risk Committee (ARC) is chaired by the lead Non-Executive Board Member and provides:

- Scrutiny and challenge of risk areas in key delivery programmes;
- Advice to the Accounting Officer and Board on risk management strategies, internal control, financial accounts, financial and performance management, and internal and external audit; and
- Oversight of corporate governance arrangements.

Appendix 1: Risk Committee Objectives

Risk Committee

The objectives of The Committee are:

- To review and assess all key business and Scheme risks, and to maintain an appropriate overview of new risks as the business and the operating/regulatory environment evolves
- To ensure that Teachers' Pensions maintains appropriate regulatory and internal control standards applying to both the Scheme and its administration
- To review progress on implementing such policies/standards as are approved by the Capita Pension & Benefits Board and/or the Department for Education. To this end the Committee has representation from the Teachers' Pensions Policy and Technical Team and the Head of Operations.
- To assess the impact of all the key risks of contractual changes, and to provide assurance these are being managed and transitioned appropriately;
- To keep under review the on-going effectiveness of Business Continuity, Disaster Recovery and Emergency Response Plans for the business;
- To keep under review the on-going effectiveness of third party and key supplier governance;
- To ensure oversight of Conflicts of Interest, ensuring the existence and maintenance of appropriate controls around real and potential conflicts;
- To ensure oversight of Information Security and physical security risks and controls;
- To ensure remedial action is taken to address risk/control issues identified by The Committee and to escalate to the Capita Pension & Benefits Risk and Compliance Committee and Board as appropriate.