

## Notice of Meeting

# Surrey Local Pension Board



**Date & time**  
Thursday, 12  
November 2020 at  
10.00 am

**Place**  
Remote via  
Microsoft Teams

**Contact**  
Angela Guest  
angela.guest@surreycc.gov.uk

**Chief Executive**  
Joanna Killian

**Please note that due to the COVID-19 situation this meeting will take place remotely.**

**Please be aware that a link to view a live recording of the meeting will be available on the Surrey Local Pension Board page on the Surrey County Council website. This page can be accessed by following the link below:**  
<https://mycouncil.surreycc.gov.uk/ieListMeetings.aspx?CId=467&Year=0>

**If you have any queries relating to accessing this agenda please email [angela.guest@surreycc.gov.uk](mailto:angela.guest@surreycc.gov.uk)**

### **Board Members**

Mr Graham Ellwood (Vice-Chairman) and Mr Nick Harrison (Chairman)  
Paul Bundy (Surrey Police), Siobhan Kennedy (Surrey LGPS Members),  
David Stewart (Surrey LGPS Members), Rohit Dara (Surrey LGPS Surrey Members) and Trevor  
Willington (Surrey LGPS Members)

### **TERMS OF REFERENCE**

The role of the local Pension Board, as defined by Regulation 106 of the Local Government Pension Scheme Regulations 2013 is to assist the County Council as Administering Authority:

- (a) to secure compliance with:
- (i) the scheme regulations;
  - (ii) any other legislation relating to the governance and administration of the LGPS Scheme and any connected scheme;
  - (iii) any requirements imposed by the Pensions Regulator in relation to the LGPS Scheme.
- (b) to ensure the effective and efficient governance and administration of the LGPS Scheme.

The Local Pension Board will ensure it effectively and efficiently complies with the Code of Practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

The Local Pension Board will also help ensure that the Surrey Pension Fund is managed and administered effectively and efficiently and complies with the Code of Practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

The Local Pension Board has power to do anything that is calculated to facilitate or is conducive or incidental to the discharge of any of its functions.



## PART 1 AGENDA – IN PUBLIC

### 1 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

### 2 MINUTES FROM THE PREVIOUS MEETING: 31 JULY 2020

(Pages 5  
- 12)

To agree the minutes as a true record of the meeting.

### 3 DECLARATIONS OF INTEREST

To receive any declarations of disclosable pecuniary interests from Members in respect of any item to be considered at the meeting.

#### Notes:

- In line with the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012, declarations may relate to the interest of the member, or the member's spouse or civil partner, or a person with whom the member is living as husband or wife, or a person with whom the member is living as if they were civil partners and the member is aware they have the interest.
- Members need only disclose interests not currently listed on the Register of Disclosable Pecuniary Interests.
- Members must notify the Monitoring Officer of any interests disclosed at the meeting so they may be added to the Register.
- Members are reminded that they must not participate in any item where they have a disclosable pecuniary interest.

### 4 QUESTIONS AND PETITIONS

**Due to the Covid-19 pandemic all questions and petitions received will be responded to in writing and will be contained within the minutes of the meeting.**

To receive any questions or petitions.

#### Notes:

1. The deadline for Member's questions is 12.00pm four working days before the meeting (6 November 2020).
2. The deadline for public questions is seven days before the meeting (6 November 2020)
3. The deadline for petitions was 14 days before the meeting, and no petitions have been received.

### 5 ACTION TRACKER

(Pages  
13 - 18)

The Board is asked to review its action tracker.

### 6 FORWARD PLAN

(Pages  
19 - 20)

The Board is asked to review its forward plan.

- 7 SUMMARY OF THE PENSION FUND COMMITTEE MEETING OF 11 SEPTEMBER 2020** (Pages 21 - 38)
- The Board is asked to note the content of this report.
- 8 ADMINISTRATION UPDATE** (Pages 39 - 56)
- The Board is asked to note the content of this report and make recommendations if any further action is required.
- 9 ADMINISTRATION PERFORMANCE REPORT** (Pages 57 - 64)
- The Board is asked to note the content of this report and make recommendations to the Pension Fund Committee if appropriate.
- 10 RISK REGISTERS 2020/21** (Pages 65 - 70)
- The Board is asked to note the content of this report and the Fund Risk Register (shown as Annex 1) and Administration Risk Register (shown as Annex 2) and make recommendations to the Pension Fund Committee if required.
- 11 MC CLOUD AND EXIT CAP** (Pages 71 - 80)
- The Board is asked to note the content of this report and make recommendations to the Pension Fund Committee if appropriate.
- 12 RECENT DEVELOPMENTS IN THE LGPS** (Pages 81 - 82)
- The Board is asked to note the content of this report and make recommendations to the Pension Fund Committee if appropriate.
- 13 REVIEW OF INTERNAL DISPUTE RESOLUTION CASES IN 2020/21** (Pages 83 - 84)
- The Board is asked to note the content of this report and make recommendations to the Pension Fund Committee if appropriate.
- 14 ANNUAL REPORT** (Pages 85 - 208)
- To note the Annual report and financial statements set out in Annex 1.
- 15 COMMUNICATIONS UPDATE** (Pages 209 - 218)
- The Board are asked to note the Autumn 2020 newsletters to members.
- 16 EXCLUSION OF THE PUBLIC**
- Recommendation:** That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information under the relevant paragraphs of Part 1 of Schedule 12A of the Act.

## PART 2 AGENDA – NOT IN PUBLIC

### 17 TURNAROUND BOARD UPDATE

(Pages  
219 -  
222)

The Board is asked to note the content of this report and make recommendations to the Pension Fund Committee if appropriate.

**Confidential: Not for publication under Paragraph 3**

Information relating to the financial or business affairs of any particular person (including the authority holding that information)

### 18 DATE OF THE NEXT MEETING

The next meeting will be held on 11 February 2021.

**Joanna Killian**  
**Chief Executive**

Published: Tuesday, 2 November 2020

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**NOTES** of the remote (Teams) meeting of the **SURREY LOCAL PENSION BOARD – INFORMAL** held at 10.00 am on 31 July 2020.

**Members:**

(Present = \*)

- \* Paul Bundy  
Mr Graham Ellwood (Vice-Chairman)
- \* Mr Nick Harrison (Chairman)  
David Stewart
- \* Trevor Willington  
Siobhan Kennedy

**Due to being inquorate this meeting was changed from a formal to informal meeting.**

**1 APOLOGIES FOR ABSENCE**

Apologies were received from David Stewart and Mr Graham Ellwood.

**2 MINUTES FROM THE PREVIOUS MEETING: 13 FEBRUARY 2020**

The minutes were noted by the Board and are to be agreed at the next formal public meeting.

**Actions/further information to be provided:**

Minute 12/20 – Breach of Law - Neil Mason, Strategic Finance Manager (Pensions) to share policy in regard to materiality with the Board and discuss formally at the next meeting.

**3 ACTION TRACKER**

**Witnesses:**

John Smith, Pensions Governance and Employer Manager

**Key points raised in the discussion:**

1. A1/20 – The Pensions Governance and Employer Manager explained that he would continue to work on arrangements to open the escrow account for processing frozen refunds. He explained that, after consulting other Administering Authorities, the Pension Fund had decided that creating a separate account on the opposite side of the notional divide between the Pension Fund and Surrey County Council was the best option. The account would be administered by one of Surrey County Council' directors or the Section 151 Officer in order to demonstrate adequate separation.

**Actions/further information to be provided:**

None.

**4 FORWARD PLAN**

**Actions/further information to be provided:**

- a) Cyber Security is reflected in the Plan for an annual review.

- b) As part of the initial response to the Covid-19 pandemic, the quarterly complaints and IDRP reports and the breach of law update were removed from the agenda standing items. It was agreed these should be reinstated in future agendas.
- c) Employer Discretions to be an annual update only.

## **5 CHANGES TO THE MANAGEMENT ARRANGEMENTS FOR PENSION ADMINISTRATION**

### **Witnesses:**

Anna D'Alessandro, Director of Corporate Resources  
Neil Mason, Strategic Finance Manager (Pensions)

### **Key points raised in the discussion:**

1. The Director of Corporate Resources introduced the report and highlighted:
  - That issues were complex with six funds in the arrangements and more sovereign control was needed to give greater attention to Surrey's priorities.
  - Interim management arrangements had been implemented, as it was difficult to recruit. Collette Hollands and Nick Weaver were on board to work jointly in this new role with a view to a permanent person being recruited in 6-12 months' time.
  - Three organisations were exiting which would take up to 12 months. Sonia Sharman would lead the programme management side of this.
  - There were no growth plans for the next 2-3years as the administration needed to be in a strong place to go forward and to concentrate on the exit strategy for those that wanted to leave. Sonia would attend the next meeting to update the Board.
2. Members reflected that the Board had been concerned with the administration of the Fund for some years and had raised the matter with officers and had regularly reported to the Pension Fund Committee. Members expressed their support for these fundamental changes which they expected would lead to improvements going forward. They asked to see a workplan/timeframe and targets with regular reporting at each meeting.
3. The Board made a further recommendation that the Chairmen of the LPB and PFC receive a monthly update.

### **Actions/further information to be provided:**

- a) Dem Services to invite Sonia Sharma to next meeting.
- b) That the Chairmen for the LPB and PFC receive a monthly progress update, with a quarterly report to the Board.

## **6 SUMMARY OF THE PENSION FUND COMMITTEE MEETING OF 13 MARCH 2020**

### **Witnesses:**

Neil Mason, Strategic Finance Manager (Pensions)

### **Key points raised in the discussion:**

1. The Strategic Finance Manager (Pensions) highlighted that:
  - A specialist consultant had been appointed to map the pension fund against the United Nation's Sustainable Development Goals (SDGs).
  - Recovery processes from the impact of Covid had been mapped.



- Tim Evans had been elected Chair of the Joint Committee of the Border to Coast Pool.
2. In response to a Member question about how Surrey get their suggestions through to the Pool, the Strategic Finance Manager (Pensions) acknowledged that there was a danger that Surrey's voice on its requirements could get lost but emphasised the importance of lobbying and encouraging other members of the Pool.
  3. In response to a Member question on the funding position of other authorities the Strategic Finance Manager (Pensions) explained that there was not a lot of variation and that most were fully funded. He also stated that Surrey was one of the few Pool members with a strong positive cash flow position.
  4. The Chairman asked about the current review of the pools and if the UK Treasury and the MHCLG were pushing investment into infrastructure. The Strategic Finance Manager (Pensions) explained that the eight pools had different structures and a key element of the review was whether the Government was content with the different structural arrangements.

**Actions/further information to be provided:**

None.

**7 ADMINISTRATION UPDATE (1 APRIL 2020 TO 30 JUNE 2020)**

**Witnesses:**

Nick Weaver, Head of Pensions Administration  
 Neil Mason, Strategic Finance Manager (Pensions)  
 Tom Lewis, Pensions Support and Development Manager  
 Siva Sanmugarajah, Pensions Process Manager

**Key points raised in the discussion:**

1. Officers highlighted various aspects of the report including:
  - Altair module implementations: Immediate Payments and Enhanced Admin to Pay (paragraphs 43 – 46). Attention needed to be given to the proper integration of system modules, involving data clean up exercises. In the past modules had been implemented but not necessarily integrated properly.
  - Annual Benefit Statements: (paragraphs 23 – 31). Remains on schedule for the August deadline.
  - Internal Audit report: (paragraphs 6 – 9). The Strategic Finance Manager (Pensions) would speak with Audit regarding their role and support going forward.
  - Legacy Removal: (paragraphs 35 - 39). The Board raised questions about the effectiveness of the quality assurance process because of the low number of cases sampled and the number of errors found. Officers reported that they and Mercer were reviewing the way forward.
2. The Board noted that there appeared to be a positive way forward on the Admin Software System Procurement (paragraphs 33 – 34), which has previously been assessed as a red risk.
3. The Chairman thanked staff for the smooth work being undertaken on Annual Benefits Statements.
4. A Member stated that it was disappointing that the April annual letter to pensioners notifying pension increases did not state what the new pension would be. He had been previously assured that the pension amount would be included in the letter. Officers acknowledged this point had been taken on board for next year.
5. The Board acknowledged the scale of project and remediation work in progress, as well as the activity to address processing backlogs.

**Actions/further information to be provided:**

- a) That a report back be made on the outcome of the quality assurance review for legacy cases.
- b) That a reminder be added to the Forward Plan that annual pension letters should include the new pension amount.

**8 ADMINISTRATION PERFORMANCE REPORT**

**Witnesses:**

John Smith, Pension Governance and Employer Manager

**Key points raised in the discussion:**

1. The Pension Governance and Employer Manager noted that the figures were mixed with some improvements but losing ground overall. It was noted that undecided withdrawals had been incorrectly recorded as refunds paid, which artificially inflated the figures.
2. Members spoke about the importance of data quality and asked officers to review how data was extracted and presented. There was also a need to understand whether there were adequate resources needed for the admin work.

**Actions/further information to be provided:**

That the Pension Administration Team produce clear and accurate figures.

**9 RISK REGISTERS 2020/21**

**Witnesses:**

John Smith, Pensions Governance and Employer Manager  
Neil Mason, Strategic Finance Manager (Pensions)

**Key points raised in the discussion:**

1. The Pensions Governance and Employer Manager informed the Board that there were no major changes to the register this quarter.
2. A Member asked for A8 on the Admin Register to be revisited following changes to management structure and it was agreed that this should be amber.
3. Member also asked for A5 to be reassessed and it was agreed should be amber.
4. The Strategic Finance Manager (Pensions) stated that A8 would be re-written as the Orbis risk had changed.

**Actions/further information to be provided:**

To reassess A5 and A8 of the Admin Register with regard to marking them both amber, and for changes to be made prior to this report going to the Pension Fund Committee.

## **10 TRAINING POLICY**

### **Witnesses:**

Ayaz Malik, Pensions Finance Specialist

### **Key points raised in the discussion:**

1. The Pension Finance Specialist presented an updated training policy which was approved by the Pension Fund Committee in June's meeting.
2. Officer also presented Hymans Robertson fund specific report for National Knowledge Assessment (NKA) which was very positive.
3. However, the officer explained that the report was a snapshot of results at June 2020 and the benchmark numbers will now have moved due to additional funds completing the assessment post the date of the National Assessment closure.
4. The officer advised Hymans had extended the deadline to allow all board members to complete the assessment. Once all members have completed the assessment an updated report will be shared.
5. Hymans are planning to undertake NKA every 2 years going forward.
6. The Board were updated on member nominations to the Board and were informed that GMB nominee had been approved by the Appointment/termination Panel and was due to go to PPDC in September. It was reported that no suitable employer representative had been found so far.

### **Actions/further information to be provided:**

The Chairman to be provided with names of those that hadn't yet completed the assessment.

## **11 COMPLIANCE WITH TPR**

### **Witnesses:**

Ayaz Malik, Pensions Finance Specialist

### **Key points raised in the discussion:**

1. The Pensions Finance Specialist presented annual report on compliance with the Pensions Regulator's Code of Practice 14. The officer highlighted that fund complies with most of the areas.
2. However, members expressed that although the fund complies with most of the areas further clarification is required on certain areas.

### **Actions/further information to be provided:**

Officer to look at this again to align procedures and improve compliance.

## **12 SURREY LPB ANNUAL REPORT**

### **Witnesses:**

Ayaz Malik, Pensions Finance Specialist

### **Key points raised in the discussion:**

1. A member explained how he had received and attended training that included webinars and that all members should be encouraged to attend webinars. A section on webinars training to be added to the annual report.

### **Actions/further information to be provided:**

- a) The Pensions Finance Specialist will update members on upcoming webinars.
- b) That Board Members attendance at training/webinars should be logged.

## **13 EMPLOYER DISCRETIONS POLICY UPDATE**

### **Witnesses:**

John Smith, Pensions Governance and Employer Manager

### **Key points raised in the discussion:**

1. The Pensions Governance and Employer Manager explained that over a third of employers had a policy in place which was disappointing objectively, but good in comparison with other Administering Authorities. The Chairman asked what percentage of the membership was covered by the membership was covered by a discretions policy and the Governance and Employer Manager advised the Board that, although it had not been calculated, it was probably much higher because the larger employing authorities are more likely to publish a policy.

### **Actions/further information to be provided:**

- a) That the percentage of the membership covered by a discretions policy be advised.
- b) That an annual update be provided to the Board going forward.

## **14 RECENT DEVELOPMENTS IN THE LGPS**

### **Witnesses:**

John Smith, Pensions Governance and Employer Manager

Neil Mason, Strategic Finance Manager (Pensions)

### **Key points raised in the discussion:**

1. Palestinian Support Group – The Strategic Finance Manager (Pensions) explained that work was ongoing regarding the power of members to have a say on investments.
2. McCloud - The Pensions Governance and Employer Manager explained that a draft remedy had been published. The original underpin affected very few members; but the potential remedy greatly extends its scope and potential costs.
3. Exit Cap – The Strategic Finance Manager (Pensions) explained that there were no significant changes to the draft proposal of £95K and that he would brief employers on the situation.

4. The Pension Ombudsman – A member expressed surprise at a Pension Ombudsman decision about an ill-health retirement *where the PO adjudicator ruled in a recent case that an LGPS adjudicator at stage 2 should replace a defective ill-health retirement with one of his own, instead of referring it back to the employer. Senior Counsel at TPO confirmed that the decision should be referred back to the employer as it is too onerous for the LGPS adjudicator to determine and it raises GDPR concerns (sight of confidential medical reports etcetera).* The Pensions Governance and Employer Manager explained the adjudicator may have been inexperienced as, although the regulations appear to allow a stage 2 adjudicator to replace an employer's decision, the consensus is that the decision should be referred back to the employer for a variety of reasons, including GDPR related concerns about sharing confidential data.

**Actions/further information to be provided:**

None.

The meeting closed at 12.31pm.

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## SURREY LOCAL PENSION BOARD ACTIONS AND RECOMMENDATIONS TRACKER

The actions and recommendations tracker allows Board Members to monitor responses, actions and outcomes against their recommendations or requests for further actions. The tracker is updated following each Board. Once an action has been completed, it will be shaded green to indicate that it will be removed from the tracker at the next meeting. The next progress check will highlight to members where actions have not been dealt with.

<b>KEY</b>			
	No Progress Reported	Action In Progress	Action Completed

Date of meeting and reference	Item	Recommendations/Actions	To	Response	Progress
27 July 2015 <b>A1/15</b>	Knowledge and Understanding	Board Members to advise the Board's scrutiny officer when training is completed.	Board Members	There are notifications of completed training outstanding, and the Board are asked to advise the Democratic Services Assistant once completed. The training log is regularly updated.	Ongoing
25 April 2019 <b>A18/19</b>	Compliance With the Pensions Regulator's Code of Practice No. 14	Members are to complete the pensions regulator's toolkit.	Board Members	Members continue to complete regulator's toolkit training.	Ongoing
24 October 2019 <b>A38/19</b>	Compliance With The Pensions Regulator's Code Of Practice No. 14	An updated report on compliance is to come back to the Board in six months.	Pensions Finance Specialist	Updated Compliance with TPR paper will be presented to the Board at the 31 July 2020 meeting.	Complete
13 February 2020 <b>A1/20</b>	Action Tracker - ITM analysis annex 2 to February's Board meeting which included a	Members will be provided with an update concerning the six cases within the frozen refund population ahead of the statutory deadline under the 2013 Regulations.	Head of Pensions Administration		Ongoing

Date of meeting and reference	Item	Recommendations/Actions	To	Response	Progress
	summary of the backlog.				
13 February 2020 <b>A3/20</b>	Summary of the Pension Fund Committee Meeting of 20 December 2019	That Members of the Board and Fund Committee have future training alongside each other.	Pensions Finance Specialist	The training plan will be presented to the Board at the 31 July 2020 meeting.	Complete
13 February 2020 <b>A4/20</b>	Summary of the Pension Fund Committee Meeting of 20 December 2019	The Board to receive an update on the Fund's own Responsible Investment (RI) Policy at its next meeting.	Strategic Finance Manager - Pensions	Work is underway with Minerva, the recently appointed advisor on the Fund's compliance with the UN's sustainable development goals. An update is included in the Committee Summary Paper.	Complete
13 February 2020 <b>A5/20</b>	Administration Update (1 October 2019 To 31 December 2019)	Internal Audit will quality assure the governance arrangements of the Pensions Administration team.	Director - Corporate Finance	Update included in Administration Update Report.	Complete
13 February 2020 <b>A8/20</b>	Recent Developments in the LGPS	The Board will receive an update on the possible remedy to the McCloud judgement concerning the extension of the underpin.	Pensions Governance and Employer Manager	The latest developments are considered in three separate papers in quarter 2.  On a separate matter, SPF has asked HSBC to set up an escrow style account and it is waiting for them to confirm that it has been arranged.	Ongoing
22 May 2020 <b>A10/20</b>	Administration Update (1 January to 31 March 2020)	The Board will receive the findings from the strategic review into Pensions Administration, which would also provide guidance on	Assistant Director of Business Operations/Pensions Administration team	Update included in Administration Update Report.	Complete



Date of meeting and reference	Item	Recommendations/Actions	To	Response	Progress
(informal meeting)		Surrey's position in relation to Orbis.			
22 May 2020 <b>A11/20</b>  (informal meeting)	Administration Update (1 January to 31 March 2020)	The Board will be provided with the most up-to-date return rate figures from employers regarding the Annual Benefit Statements.	Pensions Service Delivery Manager	Update included in Administration Update Report.	Complete
22 May 2020 <b>A12/20</b>  (informal meeting)	Administration Update (1 January to 31 March 2020)	The Board will receive the final Audit Position Statement once finalised.	Head of Pensions Administration/Internal Audit	Update included in Administration Update Report.	Complete
22 May 2020 <b>A13/20</b>  (informal meeting)	Administration Update (1 January to 31 March 2020)	The Board will be kept informed on progress on key projects – New System design, Legacy Removal & Prevention, i-Connect; Pension Increase.	Pensions Service Delivery Manager/Pensions Support and Development Manager	The update is provided in the administration report.	Ongoing
22 May 2020 <b>A14/20</b>	Administration Performance Report Quarter 4	The process note regarding new starters and transfers-in would be provided to the Board in due course.	Pensions Service Delivery Manager	Work on the new starter process is still ongoing, a meeting will be held between officers.	Ongoing

Date of meeting and reference	Item	Recommendations/Actions	To	Response	Progress
<b>(informal meeting)</b>					
24 October 2019 <b>A39/19</b>	Draft Administration Strategy	The Board is to receive information about any comments received from employers.	Pensions Governance and Employer Manager	A few late responses to the consultation were received but no material changes were made to the document.  The Administration Strategy was approved by the Pension Fund Committee in March.	Complete
13 February 2020 <b>A2/20</b>	Forward Plan	The Board is to receive an annual update on Cyber Security.	Pensions Finance Specialist	Added to the Forward Plan.	Complete
13 February 2020 <b>A6/20</b>	Risk Registers 2019/20 Quarter 3	Risk A23 - the inherent risk be changed to Red.	Pensions Finance Specialist	The risk has been updated.	Complete
13 February 2020 <b>A7/20</b>	Risk Registers 2019/20 Quarter 3	Risk A1 - the wording 'interrogate' will be replaced with 'seek assurance'.	Pensions Finance Specialist	The risk has been updated.	Complete
13 February 2020 <b>A9/20</b>	Breach Of Law 1 October 2019 To 31 December 2019	The Strategic Finance Manager (Pensions) will circulate formal recommendations from officers detailing their assessment on the materiality of the breach,	Strategic Finance Manager - Pensions	The Chairman received an update from the Pension Governance and Employer Manager notifying him that on further investigation, it emerged that it was not a breach of law after all.	Complete

Date of meeting and reference	Item	Recommendations/Actions	To	Response	Progress
		with the decision to be made by the Board Members present at the meeting.		As the delay related to the calculation of an exit payment, which has no statutory timescale, unlike an exit credit (the payment of surplus to an employer) which has a statutory three month limit.	

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## Surrey Local Pension Board: Forward Plan (revised in response to the Coronavirus crisis)

Date	Standing items	New items
12/11/2020	<ul style="list-style-type: none"> <li>• Pension Committee Update (Summary paper)</li> <li>• Risk Registers</li> <li>• Administration performance report</li> <li>• Administration update report</li> <li>• Quarterly Internal Dispute Resolution Procedure (IDRP)</li> <li>• Border to Coast update (now included in the Pensions Committee Update)</li> <li>• Recent Developments in LGPS</li> <li>• Breach of law update – Not required for this quarter</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Report (Including Financial Statements)</li> <li>• McCloud and Exit cap</li> <li>• McCloud Impact Assessment</li> <li>• Turnaround Board Update</li> </ul>
Tbc 2021		<ul style="list-style-type: none"> <li>• Compliance with TPR</li> <li>• Update on Cyber Security</li> <li>• Communication plan</li> <li>• Breach of Law</li> </ul>
Tbc 2021		<ul style="list-style-type: none"> <li>• Training policy</li> </ul>
Tbc 2021		<ul style="list-style-type: none"> <li>• Update on discretion exercise</li> <li>• Annual Report</li> <li>• Compliance with TPR</li> </ul>

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## **The Surrey Local Pension Board 12 November 2020**

### **Summary of the Pension Fund Committee virtual meeting of 11 September 2020**

#### **Recommendations:**

1. The Board is asked to **note** the content of this report.

#### **Detail:**

##### **Introduction**

2. The Pension Fund Committee met virtually via MS Teams on 11 September 2020. This report provides a summary of this meeting and any resolutions made.

##### **Local Pension Board report**

3. The Pension Fund Committee (Committee) received the report from the Local Pension Board (shown as Annexe 1).
4. The Director for Corporate Finance reported that a Programme Manager, Sonia Sharma, had been recruited in June and that there had been changes implemented in the administration service, mostly around governance arrangements and setting up projects to move the service into a better position (this issue is addressed in a separate report in this meeting).
5. The report discussed the National Knowledge Assessment and training policy, where the generally good performance of Committee and Local Board members was noted. The results were being extracted and work would be undertaken produce a draft training plan to be presented to the December Committee meeting.
6. The Committee resolved the following:
  - To approve the proposed change to the risk register, as noted in the Risk Register section of the report.

## 2019 Valuation update – Implementation of multiple investment strategies

7. The report set out the work undertaken so far on multiple employer strategies.
8. The outcomes of the implementation project and high-level future considerations to help improve funding outcomes for employers and the Fund as a whole are summarised as follows. The employers are allocated into three different investment strategies as shown in the table below:

Strategy	General investment characteristics	Employer group(s)	Number of employers	Asset value (£m)
Core Strategy	The Fund's main strategy	All open employers and those with a guarantee (e.g. TABs)	324	3,643.7
Closed employers' strategy	Reduced allocation to equities over the Core Strategy. Lower volatility to protect against poor funding outcomes and focus on funding stability over returns.	All closed employers who will exit on a gilts cessation basis	18	92.1
Exited employers' strategy	No allocation to equities, focus on low risk assets (e.g. gilts) to protect funding position	All exited employers who have exited on a gilts cessation basis	24	87.9

9. The Fund actuary explained that strategies were used to assist employers meet their funding objectives.
10. Future training would be offered by the Fund actuary to Committee and Local Board members on the actuarial method that underpins the multiple investment strategies.

### Investment core beliefs and the United Nation's Sustainable Development Goals (UN SDGs)

11. A report from Minerva, the Fund's appointed UN SDG consultant, highlighted the strong Environmental, Social and Governance (ESG) credentials of the Fund and that work commissioned on mapping showed 70% coverage against the United Nations Sustainable Development Goals (UN SDGs) benchmark, the World Benchmarking Alliance Sustainable Development Goals 2000 Index (WBA SDG). The WBA SDG is compiled of 2,000 companies identified as most likely to be able to advance the delivery of the SDG's



12. A workshop for members was scheduled to examine details of the SDG mapping and how it reflected the current and/or possible future expression of the Committee's core investment beliefs.
13. Using the findings from the workshop, Minerva, in consultation with the Fund's investment consultant, independent advisor and officers, would produce a report for the December Committee meeting that would outline suggestions for further actions from the Fund, to enable closer alignment with the UN SDGs to be achieved.

#### **Investment manager issues and performance and asset/liabilities update**

14. The main findings of the report were that the Fund's value as at 30 June 2020 was £4.307bn and its liabilities were £4.409bn, making the funding level 97.7%.

#### **Company engagement and voting**

15. The report explained that a co-signed letter had been written to the Brazilian embassy in relation to deforestation in Brazil. Investor groups had since met with Brazilian authorities to discuss further outcomes. A positive short-term outcome was that Brazil banned forest fires for the four months of dry season and set up military operations due to this investor pressure. Due to the success of this investor dialogue, a working group had been set up to continue this work going forward, of which the Fund has chosen to participate in going forward.
16. Minerva updated the Committee that they had still been unable to go back to the office to check through the paperwork regarding a gap in voting due to an internal administrative error that had occurred within Minerva's voting services that led to the voting service being switched off without the Fund's consultation between December 2019 and March 2020. They had provided analysis on meetings missed. There had been 45 companies meetings where Surrey votes were not cast. Of those meetings there were:
  - 782 individual resolutions that Surrey could have voted on
  - 702 of those Surrey would have voted in favour
  - 56 Surrey would have voted against
  - There would have been very few abstentions
  - There were no instances where Surrey's vote, if given, would have swayed the outcome on those resolutions one way or another
17. New elements had also been introduced to the stock lending support service so they could identify contentious upcoming meetings which may have an impact on stock lending so that clients could exercise their right to vote to retain the revenue of stock lending or to maintain the balance. Apologies were given but lessons had been learned and things were back on track.

#### **Taskforce for climate related financial disclosure report (TCFD) 2019/20**

18. The Committee approved a report that summarised the Fund's first report complying with the TCFD. The report supported the Fund's Strategic Investment Objectives, with particular focus on how it fulfilled its role as a Responsible Investor (it is shown as Annexe 2).

#### **Border to Coast update**

19. It was reported that the Border to Coast Joint Committee had resolved the following governance matters:
- Cllr Tim Evans be appointed Chair of the Joint Committee for the ensuing year
  - Cllr David Coupe be appointed Vice-Chair of the Joint Committee for the ensuing year;
  - Cllr Anne Walsh be the Committee's nomination as a Non-Executive Director to the Border to Coast Board.
20. That four specialist satellite managers had been appointed to support PIMCO as the core multi-asset credit (MAC) manager. These covered the following specialist areas of credit:
- High yield manager;
  - Loans manager;
  - Emerging market debt manager;
  - Securitised credit manager.
21. The MAC fund is intended to meet requirements for higher return, harder to access, credit investments that offer diversification from public equity markets. Credit managers may add value through security selection (relative outperformance of selection bonds) or through credit asset allocation (outperformance of credit asset class).
22. The Executive Director of Finance, in consultation with the Chairman of the Pension Fund Committee, will only approve the transition of the MAC portion of the Surrey Pension Fund portfolio national pool when its design has been established to the satisfaction of officers and its advisors and assuming that the "necessary conditions" of governance have been satisfied.
23. The Committee approved the delegation of authority to the Director of Corporate Finance, in consultation with the Chairman of the Pension Fund Committee, to transition the property portion of the Surrey Pension Fund portfolio to the UK and Global property sub-funds of the Border to Coast Pensions Partnership (BCPP) national pool when its design has been established to the satisfaction of officers and Fund advisors and assuming that the "necessary conditions" of governance have been satisfied. The Fund has approximately 6% of the current portfolio invested in property.

### **Investment strategy review**

24. The Fund's investment consultant, Mercer, noted the long term strategy for property and was not envisaging any new changes in the next 12-18 months due to the structural difficulties as a result of Covid-19 with the UK market reliant on the affected high street, retail, leisure, hotels and office sectors; an increase in the property allocation to global markets to 50% of the property portfolio would address that as the US/EU markets were exposed to residential areas – less affected by the pandemic.

25. The Committee approved the increase in property allocation to global property assets to 50% of the property portfolio.

26. It was noted that at the last year's strategy review the Committee agreed to material changes. Proposals for exploring proxy alternatives for the agreed asset allocation were accepted, due to the time lag for achieving private market allocation and the delay until all relevant sub funds had been designed at Border to Coast.

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**Report contact:** Neil Mason, Strategic Finance Manager (Pensions)

**Contact details:** T: 020 8213 2739 E: neil.mason@surreycc.gov.uk

**Sources/background papers:**

1. Draft Statement of Accounts  
[https://www.surreycc.gov.uk/\\_data/assets/pdf\\_file/0009/227385/Statement-of-Accounts-2019-20-DRAFT.pdf](https://www.surreycc.gov.uk/_data/assets/pdf_file/0009/227385/Statement-of-Accounts-2019-20-DRAFT.pdf)

**Annexes:**

1. Local Pension Board committee report
2. TCFD report

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**SURREY COUNTY COUNCIL**

**PENSION FUND COMMITTEE**



**DATE:** 11 SEPTEMBER 2020

**LEAD OFFICER:** ANNA D'ALESSANDRO, DIRECTOR OF CORPORATE FINANCE

**SUBJECT:** LOCAL BOARD REPORT

**SUMMARY OF ISSUE:**

Strategic objectives	
Governance	Delivery

This report provides a summary of administration and governance issues reviewed, or approved, by the Local Pension Board at its meeting of 31<sup>st</sup> July 2020 that require noting or action by the Pension Fund Committee.

**RECOMMENDATIONS:**

1. Notes the minutes of the informal Local Pension Board meeting of 31<sup>st</sup> July 2020 (included as Annexe 1).
2. Approves the following changes to the risk register:
  - Risk A8 (conflicting priorities [Orbis v the Surrey Pension Fund]) on the Administration Register should be raised to amber;
  - Risk A5 (poor reconciliation process) to be should be raised to amber.

**REASONS FOR RECOMMENDATIONS:**

The Public Sector Pensions Act 2013, requires Local Pension Boards to assist the Scheme Manager in securing compliance with the LGPS Regulations and requirements imposed by the Pensions Regulator. This report provides the Pension Fund Committee with insight in to the activities of the Local Board and furthers the successful collaboration of the Committee and Board in managing risk and compliance and promoting effective governance.

This meets the Fund's strategic governance and delivery objectives.

**DETAILS:**

**Update from the Director of Corporate Finance**

1. The Director of Corporate Finance presented a report detailing the changes to the management arrangement for pension administration. As a result of a review of the

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Orbis partnership management of pension administration, which had concluded that administration should revert to the sovereign control of East Sussex (ESCC) and Surrey County Councils (SCC) respectively (this report is shown as Annexe 2).

2. A pension administration “Turnaround Board” (PAT) has been established to oversee the dissolution of the Orbis pension partnership, along with reversion to sovereign authorities and London Borough fund relationships.
3. Sonia Sharma has been recruited to lead the programme and manage the specific work-streams. The progress of this board will be reported at the next Local Pension Board meeting in November (the draft PAT programme structure is shown as Annexe 3).
4. The Service Improvement Plan has been paused as the administration team is focussing on the fundamentals and managing the exit strategies of the departing pension funds.
5. The Chairmen of the Local Pension Board and the Pension Fund Committee will receive monthly updates.

#### **Administration Update**

6. It was noted that a number of modules had been implemented on Altair, the pension administration system, but they had not necessarily been installed properly.
7. The Annual Benefit Statement process is on schedule and seems to be running smoothly.
8. It was noted that there was a 15% error rate in the contractor’s backlog cases and the Chairman asked the Administration Team how they were identifying and correcting these oversights. The Pension Support and Development Manager has arranged a meeting with Mercers to address the issues.
9. The Pensions Support and Development Manager is reviewing processes in order to improve efficiency and address historical errors.
10. A member was disappointed that the annual letter notifying pensioners of the increase to their pensions had omitted the new pension figure for the second year running. The Forward Plan will be updated to remind the Administration Team to include the new annual pension figure in next year’s letter.

#### **Administration Performance Report**

11. The Administration Team completed 3,088 cases this quarter compared to 5,688 in the previous one; however, it should be noted that it was a lockdown quarter and the team were focusing on key priorities.
12. It was noted that undecided withdrawals had been incorrectly recorded as refunds paid, which artificially inflated the figures.
13. Members emphasised the importance of data quality and asked officers to review how data was extracted and presented. Members would like to have a better understanding of the resources required to do the work.

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## **Risk Registers**

Risk A8 (conflicting priorities [Orbis v SCC]) on the Administration Register should be raised to amber following changes to the management structure.

14. Risk A5 (poor reconciliation process) to be should be raised to amber to reflect continued concerns with administration performance standards.

## **Training Policy**

15. The Pension Finance Specialist presented an updated Training Policy and Hymans Robertson's fund specific report in relation to the National Knowledge assessment, which was very positive.
16. The Chairman asked to be provided with the names of the members who had not completed the assessment.

## **Action Tracker**

17. An "escrow" account for time sensitive refunds and death grants will be set up on the other side of the notional divide between the Pension Fund and Surrey County Council. It will be administered by either a director or the Section 151 Officer in order to ensure the requisite gravitas and separation.

### **CONSULTATION:**

18. The Chairmen of the Pension Fund Committee and the Local Pension Board have been consulted on this report.

### **RISK MANAGEMENT AND IMPLICATIONS:**

19. Risk related issues have been discussed and are contained within the report.

### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

20. The performance of the Pensions Administration function does present potential financial and value for money implications to the Pension Fund. The monitoring of these implications is discussed within the report.

### **DIRECTOR OF CORPORATE FINANCE COMMENTARY**

21. The Director of Corporate Finance is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed.

### **LEGAL IMPLICATIONS – MONITORING OFFICER**

22. A Local Pension Board is a requirement under the Public Service Pensions Act 2013. There are no legal implications or legislative requirements.

### **EQUALITIES AND DIVERSITY**

23. The approval of the various options will not require an equality analysis, as there is no major policy, project or function being created or changed.

#### **OTHER IMPLICATIONS**

24. There are no potential implications for council priorities and policy areas.

#### **WHAT HAPPENS NEXT**

25. The following next steps are planned:

- Monitor the progress of the pension administration turnaround board (PAT).
- Receive further reports and continue collaboration between the Pension Fund Committee and Local Pension Board.

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#### **Contact Officer:**

John Smith, Pension Governance and Employer Manager

#### **Annexes:**

1. Minutes of the Local Pension Board meeting 31<sup>st</sup> July 2020
2. Changes to the management arrangements of pensions administration
3. Pension Administration Turnaround Board programme structure

#### **Sources/background papers:**

1. The Pension Fund risk register (Administration)
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## Surrey Pension Fund Climate Policy

### I. Our Policy

As outlined in the Fund's Investment Strategy Statement, Surrey Pension Fund is a long term investor with its fiduciary duty to ensure it can continue to pay the long term liabilities of its pensioners. Integral to ensuring its investments can provide a competitive risk-adjusted-return, is to also ensure that its investments are sustainable from an Environmental, Social and Governance (ESG) perspective. Companies which have strong ESG credentials can also be indicators of strong long term investments.

The LGPS Investment Regulations 2016 instructs funds to '*consider any factors that are financially material to the performance of their investments, including social, environmental and corporate governance factors, and over the long term, dependent on the time horizon over which their liabilities arise*'. Climate Change is not only considered an environmental risk for current and future generations, but equally a systemic economic risk, which can have a significant financial impact on the Fund's investments and its ability to meet future pension obligations.

The risks and opportunities related to Climate Change are summarised below;

- Physical impacts – damage to land, infrastructure and property due to extreme weather events, rising sea levels and flooding
- Technological changes - technological innovations such as battery storage, energy efficiency, and carbon capture and storage will displace old technologies with winners and losers emerging
- Regulatory and policy impact - financial impairment due to policy and regulation changes such as carbon pricing or levies, capping emissions or withdrawal of subsidies.
- Transitional risk - financial risk associated with the transition to a low-carbon economy, also known as carbon risk. It may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change, creating investment opportunities as well as risks.
- Litigation risk - litigation is primarily aimed at companies failing to mitigate, adapt or disclose. [Source: [Border to Coast Responsible Investment Policy 2020](#)]

#### **Engagement vs Divestment**

The integrated nature of Climate Change and its ability to impact most industries, means that the Fund chooses not to take a sector wide exclusion approach to its investments. Undoubtedly in every sector there will be best in class and worst in class companies, representing both investment risks and opportunities. It chooses therefore to engage with its fund managers, companies and where possible, policy makers, to influence them directly to move towards a sustainable financial strategy that ultimately provides long term value for its shareholders. Engagement not only covers the Fund's investments but engagement is equally

vital with Governments, Regulators and Policy Makers to enable those companies to transition to a carbon neutral economy. Similar to the Fund’s investment approach, engagement is also a long term approach with the goal for companies and economies globally to be Carbon neutral by 2050 to limit global warming to within the 2 Degree Scenario.

## II. What is the Taskforce for Climate-related Financial Disclosures (TCFD)?

The Taskforce for Climate-related Financial Disclosures is an industry-led initiative, created by the Financial Stability Board in December 2015. The aim of TCFD is to develop voluntary, consistent, Climate-related financial risk disclosures across a wide range of sectors, demonstrating the risk that Climate Change poses at a macro-economic level. This will then provide useful, decision making information for investors, lenders, insurers and other stakeholders. The disclosures enable organisations to identify and disclose relevant information about material Climate-related financial risks and opportunities that can have an impact on the decisions made by their stakeholders.

The recommendations are also applicable to asset owners and asset managers. As of February 2020, 1,027 organisations globally had declared their support for the TCFD, representing a market capitalisation of over \$12 trillion [Source: [TCFD](#)]

Since its launch, TCFD has become the de-facto climate framework for global regulators, its recommendations will be embedded in the amended Pension Schemes Bill currently passing through Parliament. [Source: [Parliament](#)]

Surrey Pension Fund became of supporter of TCFD in June 2019, because it recognises the importance of understanding climate risks and opportunities relative to its role as an institutional investor. The initiative welcomes new global supporters every month across a wide range of sectors, emphasising the significance of having a standardised set of disclosures for all organisations to follow at a global level. This will provide a familiar and useful reporting format for the benefit of all stakeholders.

Other notable supporters have been highlighted below;

Organisation	Date joined
Deloitte, KPMG, HSBC Holdings, PepsiCo, Unilever, Robeco Asset Management, Marks & Spencer	2017
Financial Conduct Authority (FCA), Border to Coast Pensions Partnership, CBRE, eBay, Tesco PLC, Nestle	2018
Government of Chile, Local Authority Pension Fund Forum (LAPFF), Atos, New Zealand Super Fund, ITC plc, Toyota Industries	2019
BP, Kellogg, Ford Motor Company	2020

## III. Our Approach

### A. Governance

#### I. Committee, Local Pensions Board & Officers

The Surrey Local Pensions Board first conducted a review of Environmental, Social and Governance (ESG) compliance in spring 2017 which was then reported to the Surrey Pension Fund Committee on 10 November 2017. The Pension Fund Committee then approved the recommendation to establish the fund's current carbon asset exposure, with the initial analysis being carried out on the Fund's passive and active equities. The findings from this analysis can be found below in the Metrics Section.

The Fund also encourages a culture of continuous professional development about these emerging issues. Committee and Board Members as well as Officers all actively encouraged to attend training sessions to further develop their understanding of Climate Risks, Opportunities as well as the wider spectrum of Environmental, Social and Governance issues.

## **II. Border to Coast Pensions Partnership**

At a Pool Level, Border to Coast Pensions presents its yearly Responsible Investment (RI) Policy, with regular feedback from, and then subsequently approved by all partner funds. The RI Policy recognises the systemic risk Climate Change poses to investors at a macroeconomic level, and references the key risks associated with Climate Change, also highlighted in this introduction.

A Climate Change Working Party was held across six sessions during 2019 to increase knowledge across Border to Coast and the Partner Funds (including Surrey) on how to better understand Climate Change Risk. The sessions covered

- Scenario analysis on Funding Levels
- Risk analysis and integration into investment process;
- Engagement vs divestment discussions
- How best to collaborate to strengthen influence when engaging
- Communicating with and educating stakeholders

### **B. Strategy**

#### **I. Strategic Asset Allocation**

In terms of the impact of Climate related risks and opportunities on Surrey Pension Fund's strategy, the strategy chosen can vary considerably between different asset classes. Within the Fund's current legacy assets, it applies mainly to its listed and unlisted equity investments.

From a listed equity perspective, The Fund currently holds a 9.8% fund allocation to an Indexed Low Carbon Equity Fund within its portfolio. The purpose of the low carbon fund is to tilt the weighting of its holdings towards companies less reliant on carbon in their business operations.

From a Private Market perspective, The Fund also seeks environmentally sustainable investments, which is where the majority of Climate Related investment opportunities currently exist.

#### **II. Border to Coast Pensions Partnership**

From the perspective of Border to Coast Pensions Partnership, Climate risk is factored into the selection and appointment of external managers and ongoing monitoring of these

mandates. This will therefore inform future engagement initiatives, and collaboration opportunities. The strategy, as mentioned previously, varies between different asset classes.

## **C. Risk Management**

### **I. Carbon Tilting**

Similar to our Strategic Approach, our carbon tilted Indexed Low Carbon Equity Fund is also a method of risk mitigation by weighting our holdings in favour of funds who are less reliant on carbon. As a result, they do not pose as significant an investment risk from a Climate risk perspective as we transition to a carbon neutral economy.

### **II. Engagement**

The Fund sees engagement as a fundamental tool in managing climate risk within its portfolio companies. The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), which collectively engages with multinational companies on behalf of most Local Authority Pension Funds in the UK, as well as all 8 Pension Pools. Collaboration with other institutional investors enhances Surrey Pension Fund's own influence in engagement with companies, regulators as well as policy makers, all playing significant roles in the low carbon transition. The Fund will also support Climate Related shareholder resolutions after having consulted with Border to Coast, provided it is in line with BCPP's Corporate Governance & Voting Policy, also adopted by all partner funds.

### **III. Border to Coast Pensions Partnership**

*From the perspective of BCPP; Climate change risk and opportunities, alongside other Environmental, Social and Governance issues, are considered as part of the investment decision making process. In order to measure climate-related risks, BCPP utilises third party carbon data to implement a carbon screening tool across internally and externally managed portfolios. This produces a carbon footprint relative to the portfolio benchmark allowing for internal analysis of carbon risks. This is used alongside other tools such as the Transition Pathway Initiative tool and engagement data, to understand intrinsic risk at stock, sector and portfolio level. [Source: [BCPP TCFD Report 2019-20](#)]*

As members of the Institutional Investor Group on Climate Change ('IIGCC') BCPP also engages collaboratively alongside other institutional investors with policy makers. Robeco has been appointed to provide BCPP's voting and engagement services so acts in accordance with BCPP's Responsible Investment Policy, which is reviewed and approved every year by all 12 partner funds within the Pool. Robeco lead engagements with multinational companies on various environmental and social issues, also including Climate Change.

## **D. Our Metrics**

### **I. Carbon Exposure Review in June 2018**

The Fund completed its first Carbon Exposure analysis of its Equity Funds which was presented to the Pension Fund Committee in June 2018. The Carbon footprint

analysis measured the greenhouse gas emissions produced within each equity portfolio (per tonnage) in relation to their annual revenue, demonstrating how much of their return is determined by activities which emit carbon dioxide.

This was done by measuring the carbon footprint of each individual asset holding, encompassing both direct and first tier indirect impacts. Direct impacts are those which result from a company's own vehicles, operations and waste. First tier indirect impacts occur as a result of a company procuring services from within their supply chain.

The findings from the analysis concluded that The Fund's overall carbon exposure was mostly below their relevant benchmarks.

Equity Manager	Value of Holdings (£m) as at 28 February 2018	Total CO2 Footprint per £m holding (tCO2e/£m revenue)	Benchmark CO2 Footprint per £m holding (tCO2e/£m revenue)	Variance	Benchmark used
LGIM Passive - UK Equity	351.89	361.66	358.17	+0.98%	FTSE UK All Share
LGIM Passive - World Developed	485.13	390.90	394.02	-0.79%	FTSE Developed
LGIM Passive World Emerging Market	54.09	832.70	854.41	-2.54%	FTSE Emerging Markets
Marathon Global Equity	491.86	313.03	420.54	-25.57%	MSCI ACWI
Newton Global Equity	320.8	173.54	420.54	-58.73%	MSCI ACWI
Majedie UK Equity	321.27	286.45	358.17	-20.02%	FTSE UK All Share
UBS UK Equity	306.06	276.04	358.17	-22.93%	FTSE UK All Share

Since then, the Fund's asset allocation has changed quite significantly, with the transition of assets to Border to Coast Pensions Partnership and the termination of Marathon and UBS as our Legacy Equity Fund Managers. The Fund had also transitioned into a Low Carbon and RAFI Multifactor Fund with LGIM in January 2019, replacing the former LGIM World Developed Fund and LGIM UK Fund.

The Fund's Voting records on Climate Related Resolutions for the period between 1 January 2017 and 31 May 2020 have also been summarised below



Company	Event Date	Type of Event	Resolution Category	Resolution Number	Narrative	Mng Recommendation	Surrey Vote
Exxon Mobil Corp	27-May-20	AGM	Environmental Practices	6	To request the Board to publish an annual report relating to the company's environment-related activities that are voluntary and that exceed U.S. and foreign compliance and regulatory requirements	Against	For
Exxon Mobil Corp	27-May-20	AGM	Environmental Practices	7	To request the Board to assess the adequacy of measures the company is employing to prevent public health impacts from associated chemical releases	Against	For
Amazon.com Inc	27-May-20	AGM	Environmental Practices	11	To request the Board to provide a report to identify and reduce disproportionate environmental and health harms to communities of colour	Against	For
Amazon.com Inc	27-May-20	AGM	Environmental Practices	5	To request the Board to provide a report on the environmental and social impacts of food waste	Against	For
Royal Dutch Shell plc	19-May-20	AGM	Environmental Practices	21	To request that the Board set and publish targets aligned with the Paris Climate Agreement	Against	Abstain
Exxon Mobil Corp	29-May-19	AGM	Environmental Practices	8	To request the Board to prepare a report assessing the public health risks in areas prone to climate change	Against	For
Amazon.com Inc	22-May-19	AGM	Environmental Practices	11	To request the Board to produce a report on climate change topics	Against	For
Amazon.com Inc	22-May-19	AGM	Environmental Practices	4	To request the Board to produce a report on the environmental and social impacts of food waste	Against	For
BP plc	21-May-19	AGM	Environmental Practices	22	To request that the Board report to shareholders on the strategy to be consistent with the goals of the Paris Agreement	Against	For
BP plc	21-May-19	AGM	Environmental Practices	23	To request that the Board publish targets that are aligned with the goal of the Paris Climate Agreement	Against	For
Royal Dutch Shell plc	21-May-19	AGM	Environmental Practices	22	To request that the Board set and publish targets aligned with the Paris Climate Agreement	Against	For
Royal Dutch Shell plc	22-May-18	AGM	Environmental Practices	19	To request that the Company set and publish targets that are aligned with the goal of the Paris Climate Agreement to limit global warming to below 2 degrees	Against	For
BHP Group Ltd	16-Nov-17	AGM	Environmental Practices	23	To request the board to commission a review of energy policies	Against	For

Annex 2

BHP Group plc	19-Oct-17	AGM	Environmental Practices	23	To approve member request on public policy advocacy on climate change and energy	Against	For
Royal Dutch Shell plc	23-May-17	AGM	Environmental Practices	21	To request the board to set and publish targets for reducing greenhouse gas emissions that are aligned with the goal of the Paris Climate Agreement	Against	For
Santos Ltd	04-May-17	AGM	Environmental Practices	5b	To request the board amend its strategy in relation to climate-related risks	Against	For
Danske Bank AS	16-Mar-17	AGM	Environmental Practices	11c	To request the bank invest 5% of its net profit in green technology	Against	Abstain
Danske Bank AS	16-Mar-17	AGM	Environmental Practices	12	To request the bank report on how it will live up to the 2 degree target in relation the UN's climate targets	Against	Abstain





## **Surrey Local Pension Board 12 November 2020**

### **Administration Update 1 July – 30 September 2020**

#### **Recommendations:**

The Board is asked to **note** the content of this report and make recommendations if any further action is required.

#### **Background**

1. Surrey County Council (the Council) is the Administering Authority for the Local Government Pension Scheme (LGPS) on behalf of the employers participating in the LGPS through the Surrey Pension Fund (the Fund). The LGPS is governed by statutory regulation.
2. The Pensions Administration Team (PAT) based within Orbis Business Services carries out the operational, day-to-day tasks on behalf of the members and employers of the Fund and for the Council. They also lead on topical administration activities, projects and improvements that may have an impact on members of the LGPS.
3. The Board has previously requested to be kept updated on progress relating to a number of key administration projects and planned improvements which may have an impact on members of the pension fund and the purpose of this report is to provide an update on the current status and progress against any specific target dates.

#### **Internal Audit**

4. In acknowledgement of the significant improvement programme in pension administration, internal audit produced a position statement for 2019/20, rather than a full audit.
5. Officers from the pensions team have agreed with internal audit that a full audit will be carried out on the administration function in quarter four of 2020/21. Prior to this internal audit will carry out interim testing in three specific areas that were previously identified as having control weaknesses:

- November 2020 - Data Cleansing (the annual benefit statement process)
- November 2020 - Pension Payroll Implementation in Altair (the death process)
- December 2020 - Procedure Notes (payment controls)

6. Progress in these areas will be reported to the Board.

### **Engagement and Education**

7. The team have been continuing to update the Fund's website with any Coronavirus information.
8. Our Training Officer delivered basic Annual Allowance training remotely to 55 members of staff to increase their understanding of this complex area of work and to support this and future years processing. There was also training arranged and delivered via the LGA for Transfers for 22 staff members.
9. Annual allowance has been a high priority for the team which has now been delivered in full.
10. Of the 392 potential cases across all statuses, upon investigation 102 of these required an Annual Allowance Statement.
11. 91 were issued by 6<sup>th</sup> Oct and 11 issued by 16<sup>th</sup> Oct.
12. Due to delays in mnemonic fixes by Heywood in Altair during the annual benefit statement runs, certain reports were delayed due ABS going right up until end of August, which caused a small number to miss the deadline. These 11 will need to be recorded on the breaches log but it is not classed as a material breach.

### **Customer Complaints/Compliments Report**

13. The Corporate Complaints database is now being used to record and respond to all complaints received. Customers can use the system to view progress on their complaint.
14. The Service Delivery Support Team is recording, allocating and tracking all complaints received, as well as providing management information on a monthly basis.
15. The number of complaints received continues to be low in relation to the volume of work processed. Any significant increase in numbers is being reported to the Pension Fund.
16. Please see **Annex 1** for summary report

## **Pensions Helpdesk**

17. With only 5.5 FTE available to take calls after a member of the team had left, a reduced telephony service continues to be offered to ensure the wellbeing of staff and maintain service continuity. The Helpdesk phonelines are open between 10:00 to 12:00, and 14:00 to 16:00. The phone lines are open Monday- Friday. As of the 2<sup>nd</sup> November the phone line will be open from 09:00-12:30, and 13:30-16:00.
18. The Helpdesk has received its ever-highest volumes peaking to 7739 in August. There is currently 800+ emails pending in the inbox due to the high demand of queries caused by the end of year season. The team have dedicated resource to work through these on a daily basis to reduce numbers, prioritising cases in line with service KPIs.
19. In addition, the main queries being received by the Helpdesk relate to transfers and retirements.
20. The helpdesk is currently recruiting for replacement staff due to three resignations received within the past 2 weeks. Two of these staff members have agreed to remain on bank contracts during the transition of new staff joining the team over the coming weeks.

## **Member Self Service**

21. The number of MSS users continues to increase on a monthly basis.
22. Details on the number of MSS users can be found at **Annex 2**.
23. The Engagement & Education Team are looking at a variety of communication channels to communicate with members to increase the percentage of members signed up to the portal.

## **Annual Benefit Statements**

24. The end of year process was very successful this year.
25. A total of 32,255 deferred Annual Benefit Statements that could be produced were done so by the statutory deadline of August 31<sup>st</sup> 2020.
26. A total of 4589 not delivered and were mostly due to the record being marked 'gone away' as we can not confirm their known current address.
27. A total of 33,293 Active Annual Benefit Statements were produced by the statutory deadline of August 31<sup>st</sup> 2020.
28. A total of 42 Active Annual Benefit Statements were not issued due to missing information from the employers.

29. For the missing active cases a final communication has been sent to the respective employers with a deadline set of 23<sup>rd</sup> October by which if the correct data is received, a statement will be produced week commencing November 2<sup>nd</sup> 2020.
30. Any members who opted to receive a hard copy of their statement these were sent using our mailing house supplier cfh by the statutory deadline.
31. The final summary report of Annual Benefit Statement project can be found at **Annex 3**.

## **Projects**

32. Please find below updates on all projects and system/process improvements underway.

## **Admin Software System Procurement**

33. The procurement approach has used the Norfolk Framework to pursue its tender of a suitable Pension Administration Software.
34. There was one response to this tender from our current supplier Heywood. Evaluation of the response took place on the 19<sup>th</sup> August 2020 and the results of this identified that Heywood had provided a compliant response and met the scoring criteria.
35. After seeking some clarifications on the response, it was agreed on the 23<sup>rd</sup> Sep 2020 that Surrey CC were able to agree the decision to award the contract to Heywood.
36. All contract paperwork was drafted and sent to Heywood on 9<sup>th</sup> Oct 2020 on behalf of Surrey CC, instructing which modules are required, for review.
37. Further responses sent back from Heywood and conversations are ongoing to confirm contract sign off.

## **Legacy Removal**

38. As you know we have been working with Mercer (formerly JLT) on the removal of c20,000 status 2 (undecided leaver) records. Over the last 3 months there has been a real push to make significant inroads to the remaining cases
39. In May 2019 we had approx. 20,000 status 2s in Altair and in Sept 2020 we now have 3000 cases left on the system that are awaiting payroll data to complete case
40. Fully completed cases for SPF as of 31 Aug 2020 is 15,250
41. To support the speed in which payroll data is supplied to Mercer, we appointed a bank staff employee who has been providing pay information for between 500 – 700 cases, giving Mercer what they require to fully complete the case.

42. Quality assurance error rate has reduced from 85% to 96%. Further investigations showed that where SCC administration staff found a number of potential errors, it was shown to be where a case had been deferred in error and should have been a concurrency case. These were known cases to the project and will be rectified as part of the pay information being supplied to Mercer.
43. The project is on track to remove all status 2 cases by January 2021 in line with Mercers contract expiry. Validation and snag lists are being compiled now to ensure we have the assurance we require for quality and completion rates.

### **iConnect**

44. The delivery of iConnect has progressed with interface development completed and one full file (approximately 22,000 records) import of the data to the Altair test environment. The initial import of data highlighted some expected mis-matching of records and errors which are being investigated prior to setting a final “go-live” date. However, it is anticipated that iConnect for the Surrey payroll and any employers also using the Surrey payroll (for example some schools) will go live from December.
45. Prior to the “go-live” as iConnect updates scheme member records on a monthly basis, we will undertake a mid-year end of year update to bring all records up to date and ready to receive the first monthly iConnect update.

### **Altair module implementations: Immediate Payments and Enhanced Admin to Pay**

46. With the roll out of Immediate Payments in June, which allows payments, such as death grants and retirement lump sums, to be made from the administration system, we are now moving on to implementing Enhanced Admin to Pay. This will provide a fully closed administration and payment system and offer some assurances to audit in this area.
47. The module connects the administration and payroll modules of Altair ensuring both are identical with the pensioners payroll data and any lump sum payments being created automatically when undertaking the benefit calculation. A data quality exercise is currently being undertaken to ensure the data currently held on both modules is identical.
48. Go live for Enhanced Admin to Pay is 26<sup>th</sup> October 2020
49. A Taskforce Team has been set up to review and correct existing data discrepancies between these two areas and, this work is being undertaken simultaneously with the system go-live.
50. Where any of these data discrepancies require fund decisions, these will be presented to the fund accordingly.

## Process Improvement

51. Work has continued on targeted housekeeping, focussing on records incorrectly left on an 'Open Task' status instead of awaiting a reply from the scheme member. Taking into account the top 5 KPIs (those the administration service has been reporting on a weekly basis), the number of these type of cases has dropped significantly, most noticeably for frozen refunds and death cases.
52. Taking into account the top 5 KPIs whereby the administration service has been reporting on a weekly basis, the numbers of these cases has dropped significantly, most noticeably for frozen refunds however, other numbers such as Death cases have begun to reduce.
53. Please see **Annex 4** for full weekly KPI summary report
54. A concentrated project has been underway to review the death process in full. Initially the original process was mapped to understand the current way in which the team process death cases, allowing for a baseline position to begin to understand where improvements could be made.
55. In the last 2 months all documentation has been reviewed, updated and ready for use in live cases.
56. Death notifications will be recorded in the data view area of Altair and recorded at the point of notification, allowing for more transparency and more accurate KPI recording.
57. The process has been updated, removing the need for manual calculations and developing the Altair system to automatically run the calculations based. This has led to the introduction of the 'Balance of Payments' software in Altair to be utilised whereby, the overpayment of any death case will be calculated without the need for manual checks. This is due to go live on 2<sup>nd</sup> November 2020.
58. The new process will be in place in full by week commencing 16<sup>th</sup> November. Where any changes require fund engagement, this will take place accordingly.

## Data Scores

We have now received the latest common and conditional and scheme specific data scores from Heywood. Please see table below to the comparison between 2019 & 2020.

### Common Data scores

Fund	2019	2020	Difference
SCC	86.80%	94.10%	+7.30%

### Scheme specific scores

Fund	2019	2020	Difference
SCC	92.00%	97.80%	+5.80%

## **Next steps**

59. The Board are asked to note the updates and agree on the form of any future updates that are required.

**Annex 1 – Complaints Summary**

**Annex 2 - Member Self Service Numbers**

**Annex 3 – Annual Benefit Statements – Final Summary Report**

**Annex 4 – Weekly PI summary report**

**Annex 5 – June 2020 Projects Highlight Report Pack**

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**Report contact:** Clare Chambers and Tom Lewis

**Contact details:**

T: 07779 971634 E: [clare.chambers@surreycc.gov.uk](mailto:clare.chambers@surreycc.gov.uk)

T: 07583 072853 E: [tom.lewis@surreycc.gov.uk](mailto:tom.lewis@surreycc.gov.uk)

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Q2 Initial Complaints Update – 2020/2021

Total Volume of Complaints Q2					
Quarter	Received	Acknowledgement provided within SLA	Response provided within SLA	Response provided out of SLA	Awaiting Response
Q2	4	100%	100%	-	0%

Breakdown by Type – Jun to Sep 2020					
Complaint by Type	Received	Acknowledgement provided within SLA	Response provided within SLA	Response provided out of SLA	Awaiting Response
Service Delay	-	-	-	-	-
Data Breach	-	-	-	-	-
Lack of Communication	1	100%	100%	-	-
Legislative Provisions	-	-	-	-	-
Quality of Service	-	-	-	-	-
Technology Issues	-	-	-	-	-
Other	3	100%	100%	-	-

Breakdown by Resolution – Jun – Sep 2020	
Resolution Method	Percentage
Explanation	3 (75%)
Apology	1 (25%)
Complaint Closed/Withdrawn	-
Other	-

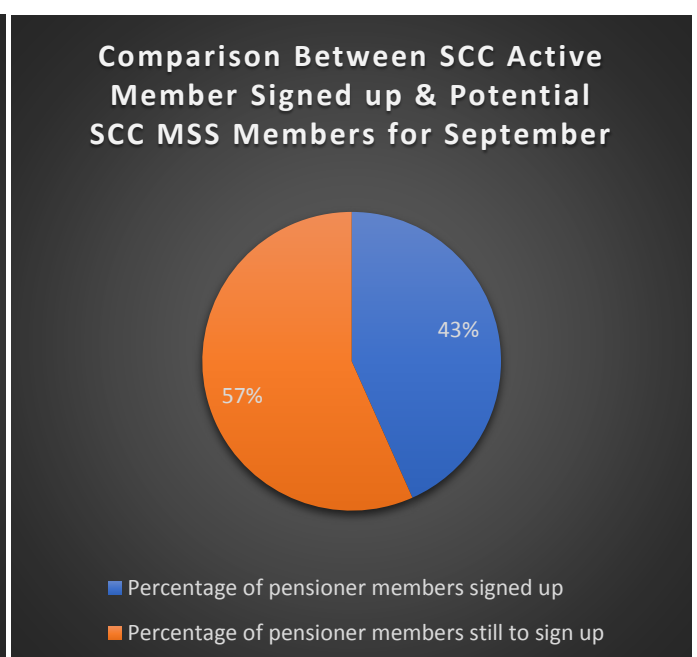
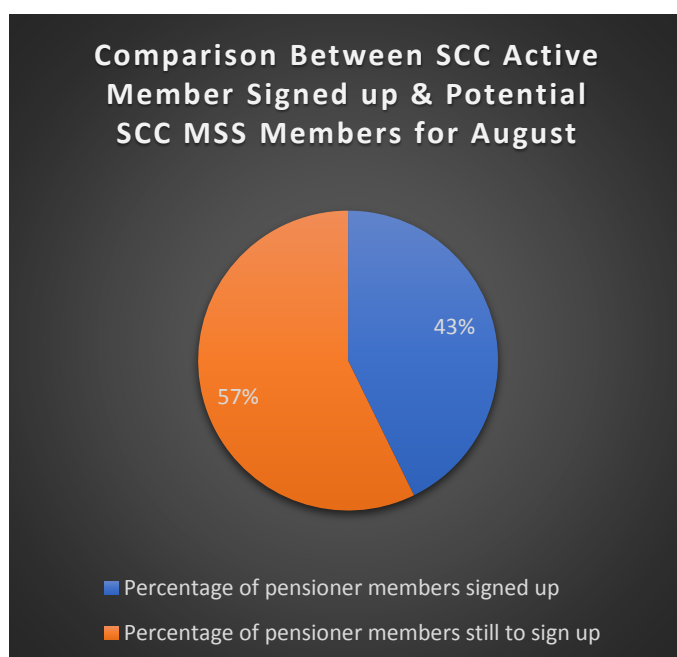
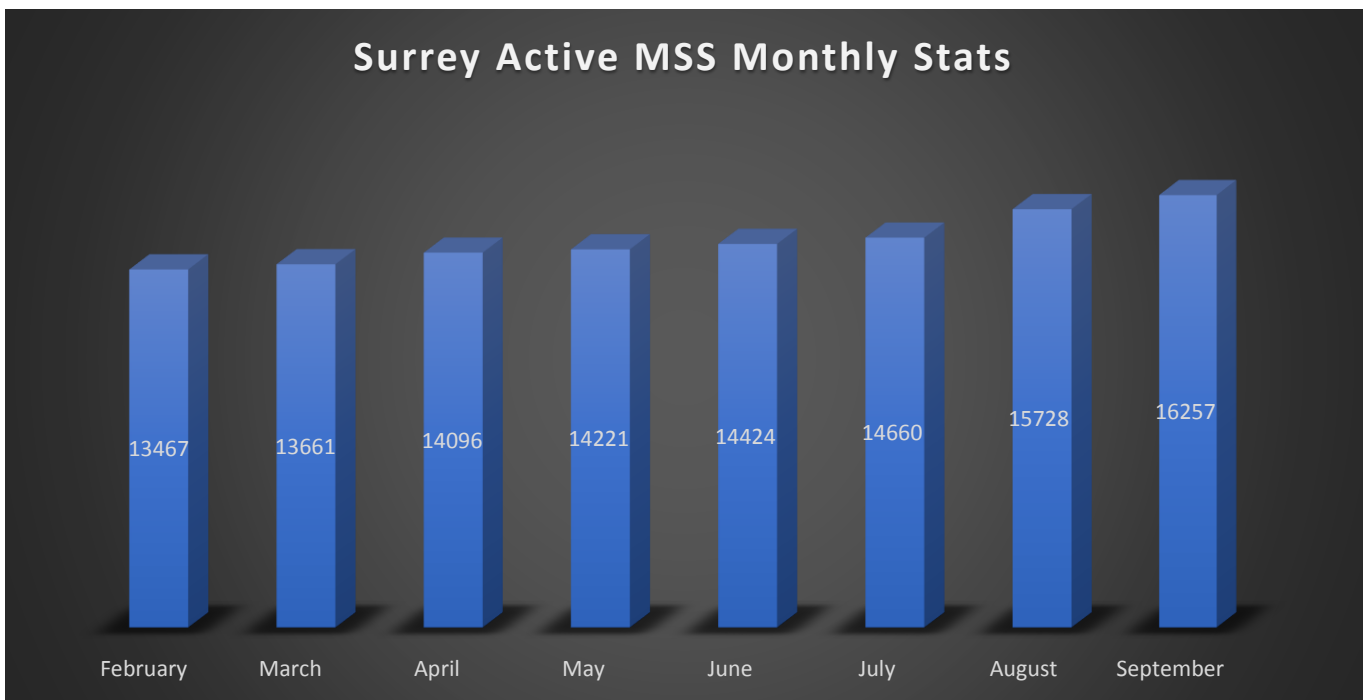
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### Summary of Member Self Service sign up

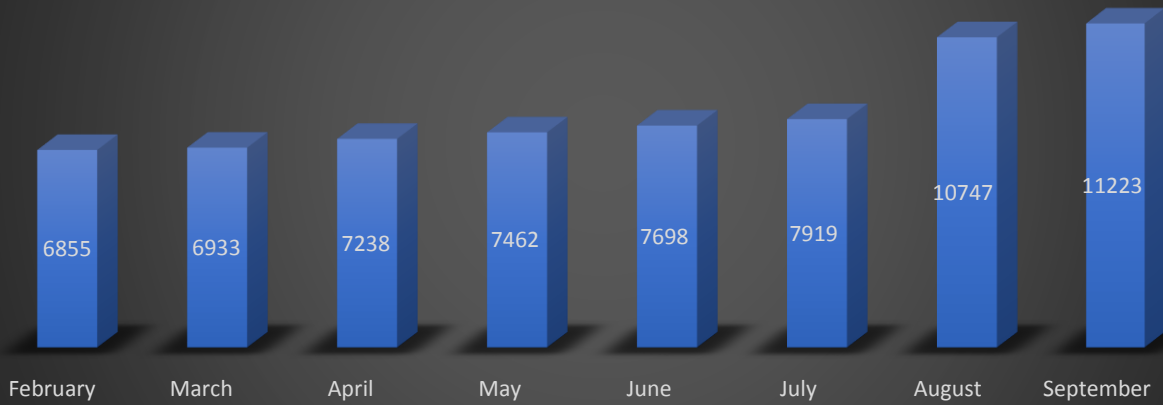
Please find the Surrey County Council Member Self Service numbers as of 30th September 2020 within this report.

MSS member numbers across Active, Deferred and Pensioners have increased and is likely due to the communications sent out during the Annual Benefit season of 2020. We still have some way to go as we move more into a digital space and more targeted communications will be needed.

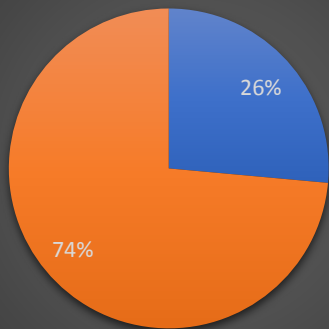
Widows and Dependents remain low with only 4% of potential members signed up to MSS. We will begin to investigate new ways of reaching these members and getting them to sign up to MSS in the future.



### Surrey Deferred MSS Monthly Stats

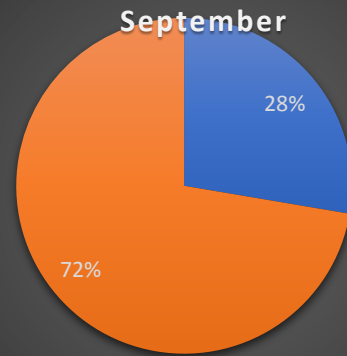


#### Comparison Between SCC Deferred Member Signed up & Potential SCC MSS Members for August



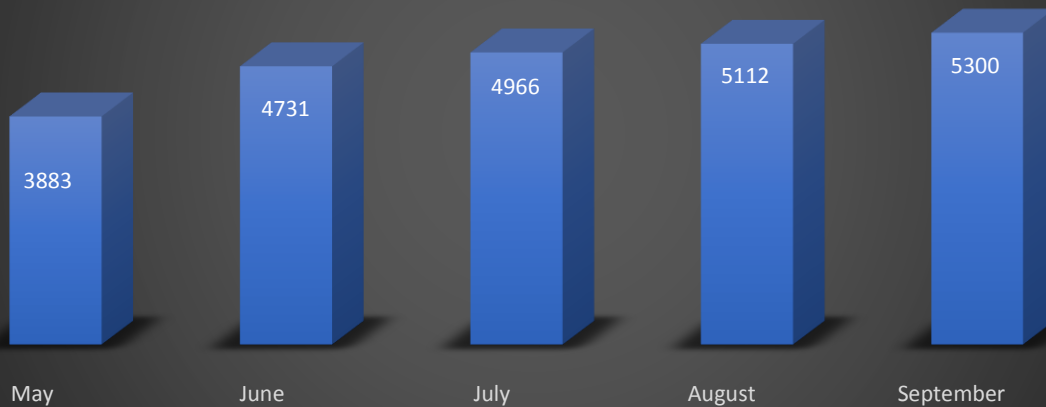
- Percentage of pensioner members signed up
- Percentage of pensioner members still to sign up

#### Comparison Between SCC Deferred Member Signed up & Potential SCC MSS Members for September

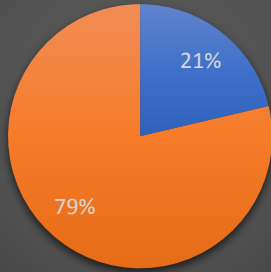


- Percentage of pensioner members signed up
- Percentage of pensioner members still to sign up

### Surrey Pensioner MSS Monthly Stats

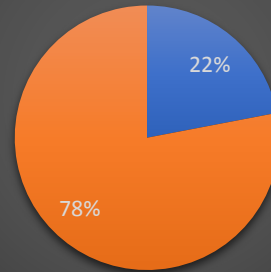


**Comparison Between SCC Pensioner Member Signed up & Potential SCC MSS Members for August**



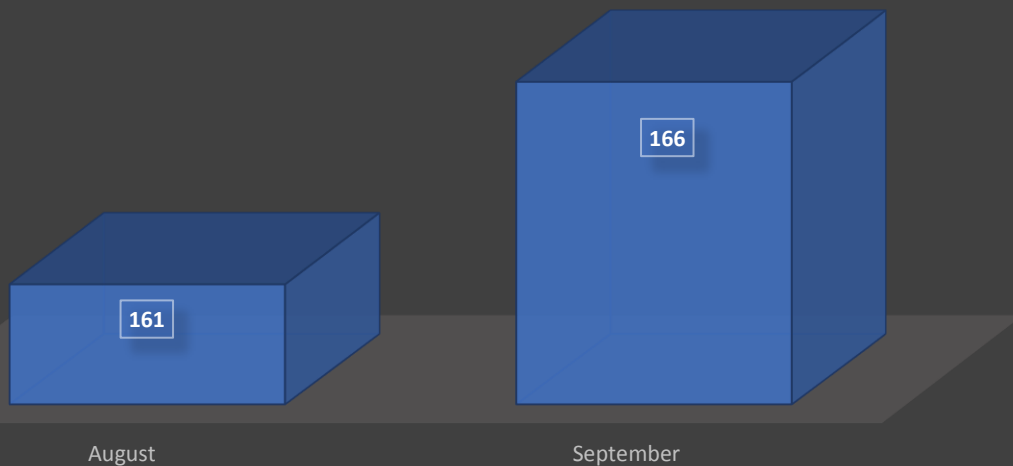
■ Percentage of pensioner members signed up  
■ Percentage of pensioner members still to sign up

**Comparison Between SCC Pensioner Member Signed up & Potential SCC MSS Members for September**

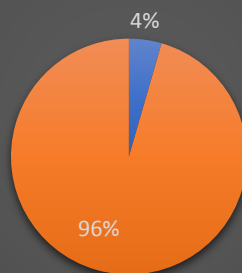


■ Percentage of pensioner members signed up  
■ Percentage of pensioner members still to sign up

## SURREY WIDOWS & DEPENDENTS MSS MONTHLY STATS



**Comparison Between SCC Widows and Dependents Member Signed up & Potential SCC MSS Members for September**



■ Percentage of pensioner members signed up  
■ Percentage of pensioner members still to sign up

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## SURREY COUNTY COUNCIL – LGPS ANNUAL BENEFIT SUMMARY 2020

### DEFERRED STATEMENTS

- 32,255 deferred statements were produced and published to Member Self-Serve on 22 July 2020
- Communications were sent to members via a variety of channels between 10 – 14 August 2020. Communication was phased across all funds to manage the volume of subsequent demand back into the help desk
  - Emails were sent to those members with an email address that were registered with MSS inviting them to view their statement
  - Emails were sent to those members with an email address that were not registered with MSS inviting them to register with MSS to view their statement
  - Where an email was returned as unsent, a letter was subsequently sent to
  - Letters were sent to those members (including overseas members) where there was no email address on their record inviting them to register with MSS
  - Paper statements were sent to those members opted out of digital communications
- The table below details the number of statements that errored and therefore not produced including a breakdown of error categories.

Total no of statements produced	Total nos errored	Error breakdown				
		Gone away	Error on record	Not eligible	Other	Total errored
32,255	4,589	4,285	257	26	21	4,589

- **Gone away:** 4,285 statements were suppressed because the member’s record is marked as “gone away”. 4,143 of these records were included in the address tracing exercise conducted by ITM (Nov 2019 to April 2020) and could not be traced. It is assumed, that the remaining 142 records would have been updated as such after the exercise was completed.
- **Error on record:** 257 statements were not run and the following error messages on the report categorised them as
  - 186 records had “check basic details view - no benefit calc allowed”
  - 5 records had “check ID/guarantee set”
  - 7 records had “date pension due to commence missing”
  - 3 records had “module list data missing”
  - 11 records had “no consistency check”
  - 45 records had “PI may require re calculation”

**Action:** The records will be investigated and corrected.

### ACTIVE STATEMENTS

- 33,293 active statements were produced and published via MSS within statutory deadlines of 31 August.

Total no of statements produced	Nos of EOY not returned	No of records with missing 19.20 pay
33,293	2 (4 records)	42

- To manage demand coming back to the help desk and to mitigate risks of producing large number of statements remotely, statements were run on groups of employers across all funds from 24 July to 28 August.
- All end of year returns were received from employers within the Fund.
- After several chasing with employers and their payroll providers, there were still 42 records where 19.20 pay was missing from the end of year return. The default option of 18.19 pay was entered in the 42 records and a statement was produced for each record.
- The same communication channels used for deferred members were used for active members with the addition of specific communications to those members who had 18.19 pay used in their statement
- All employers were also informed that their members' statements were available to view.
- The table below breaks down the employers and the associated number of records that have missing 19.20 pay.

<b>Employer</b>	<b>No of records with missing 19.20 pay</b>
00045 - Surrey County Council	2
00382 - Brookwood Park Limited	1
00512 - Three Rivers Academy	1
00517 - The Beacon School	14
0051Q - St Lawrence Primary Sch	1
00522 - Hinchley Wood School	7
00525 - Cobham Free School	2
00528 - Wishmore Cross Academy	1
0052J - Lightwater Village Schl	1
0052P - Eastwick Schools	1
005M3 - GLF Schools	2
005MD - The Howard Pship Trust	1
00603 - Woking Borough Council	3
00744 - Freedom Leisure (Woking)	1
00816 - Ability Housing Association	1
00826 - Busy Bees	1
00919 - St Paul's Catholic College	1
00976 - U.C.A.-Univ.Creative Arts	1
<b>Total</b>	<b>42</b>

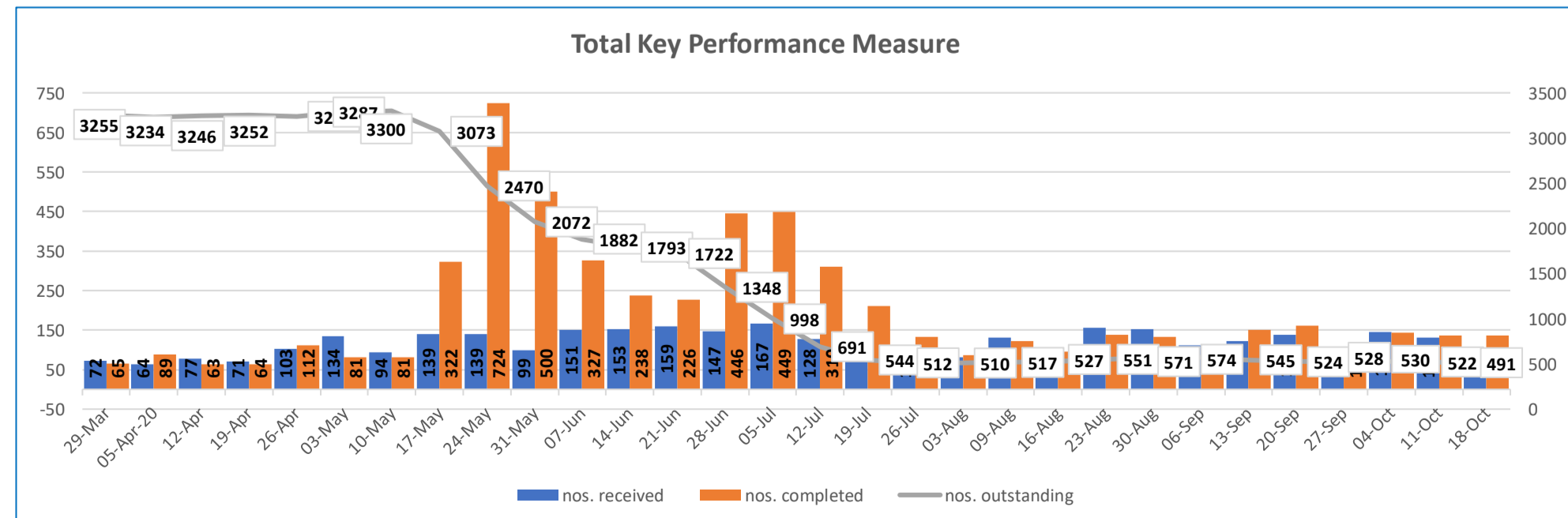
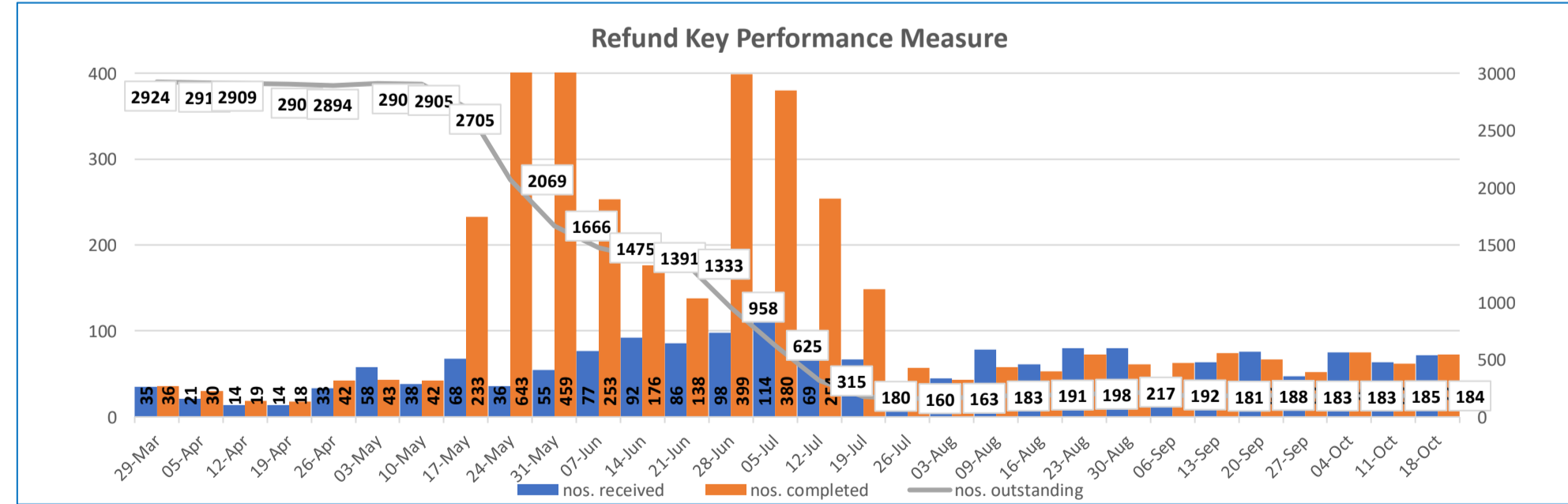
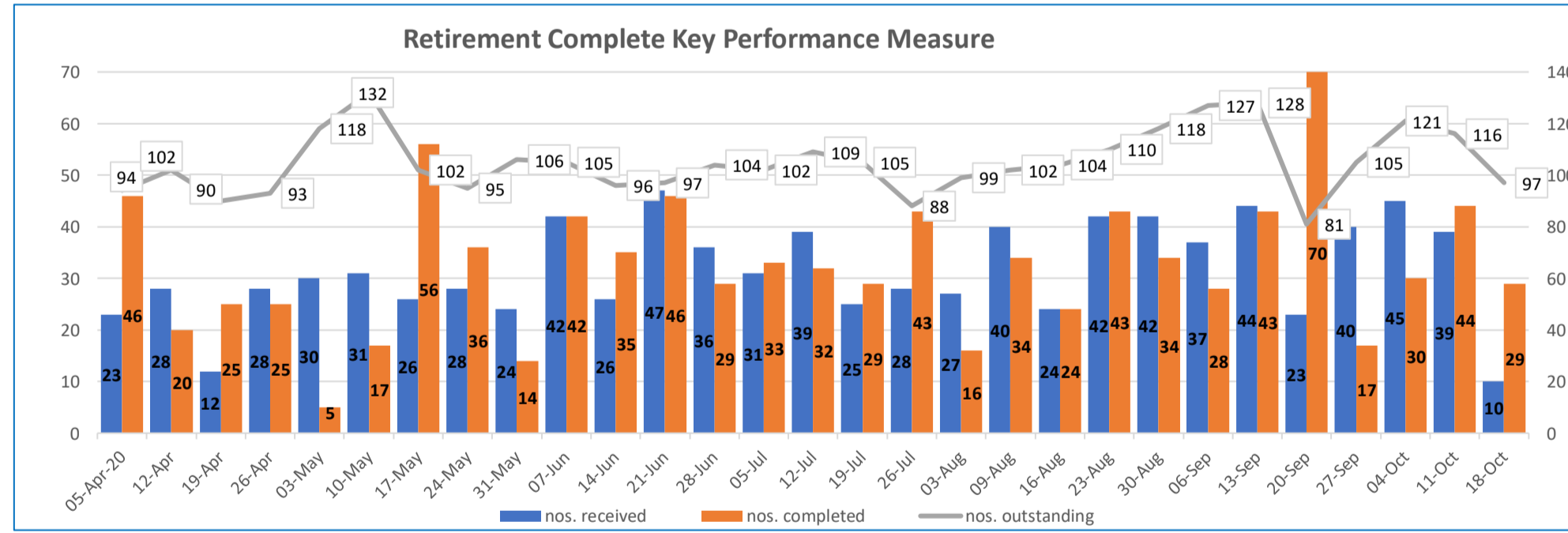
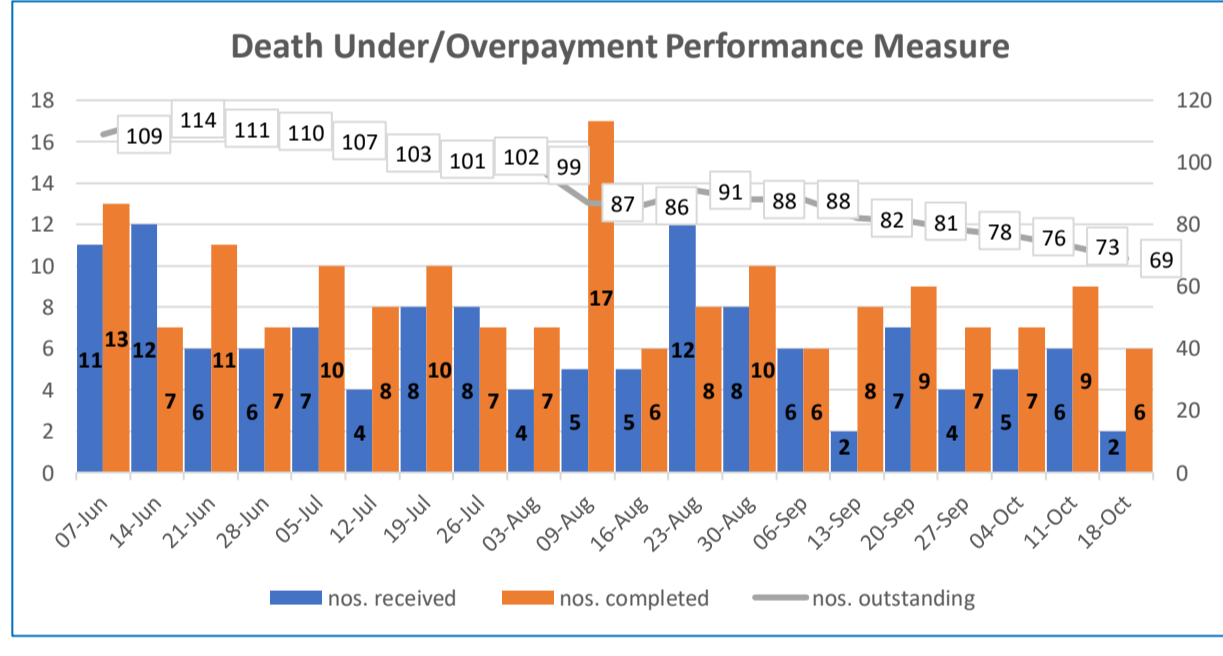
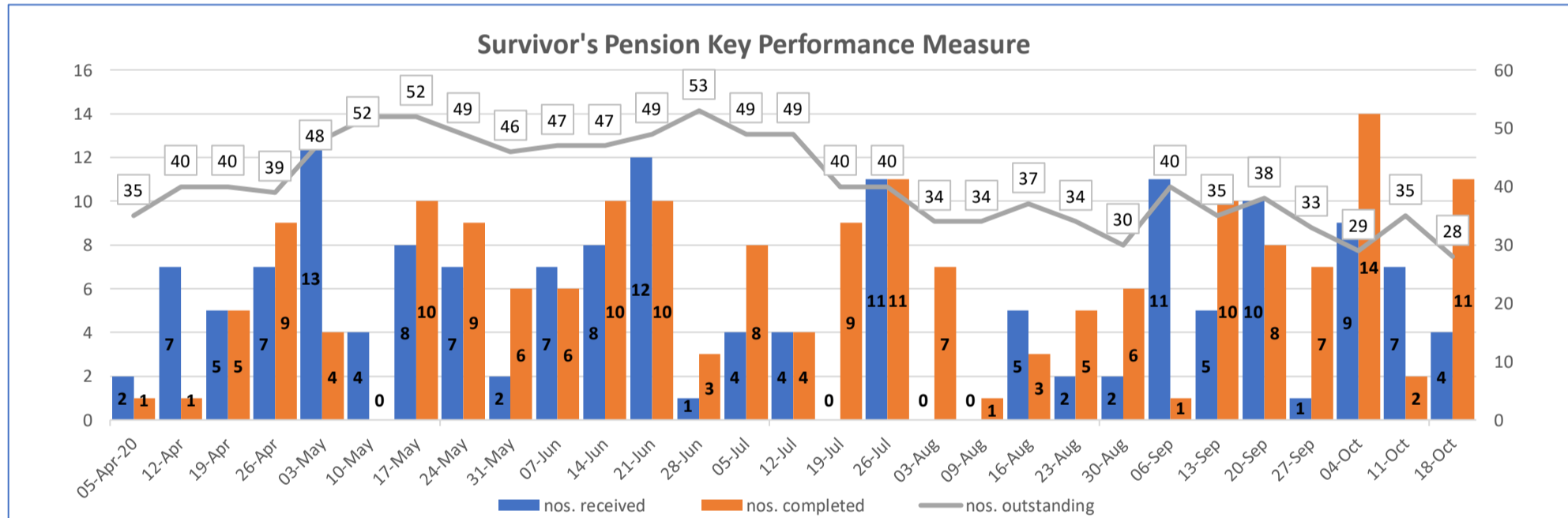
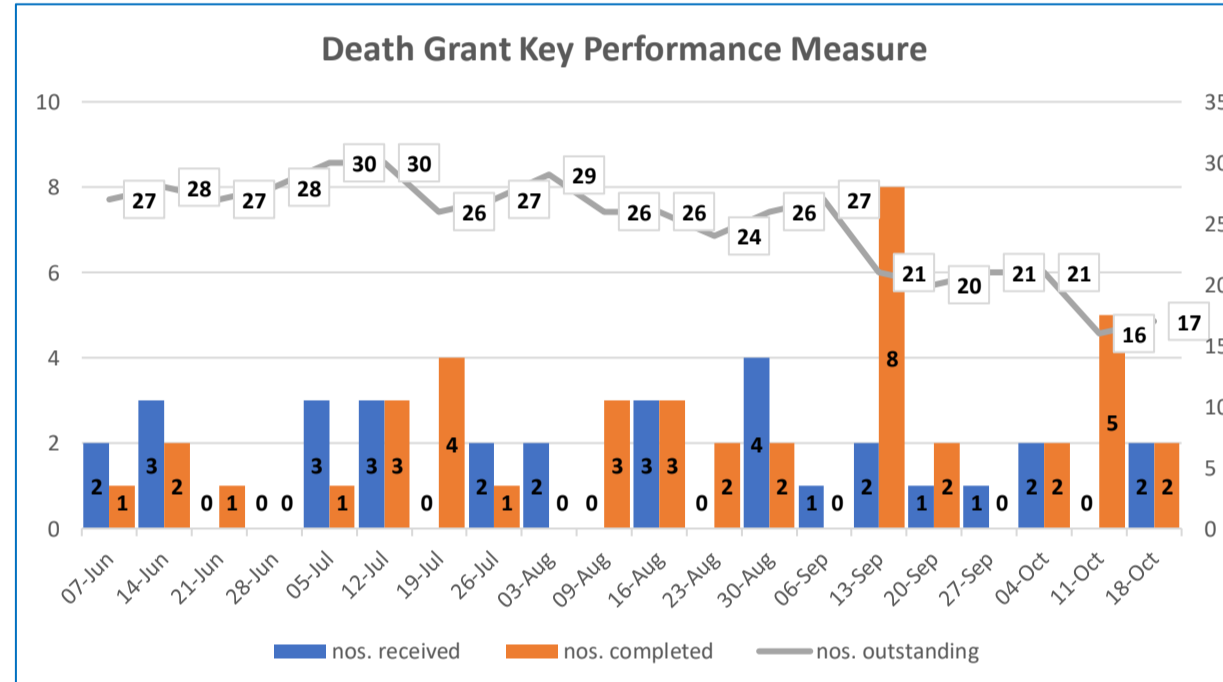
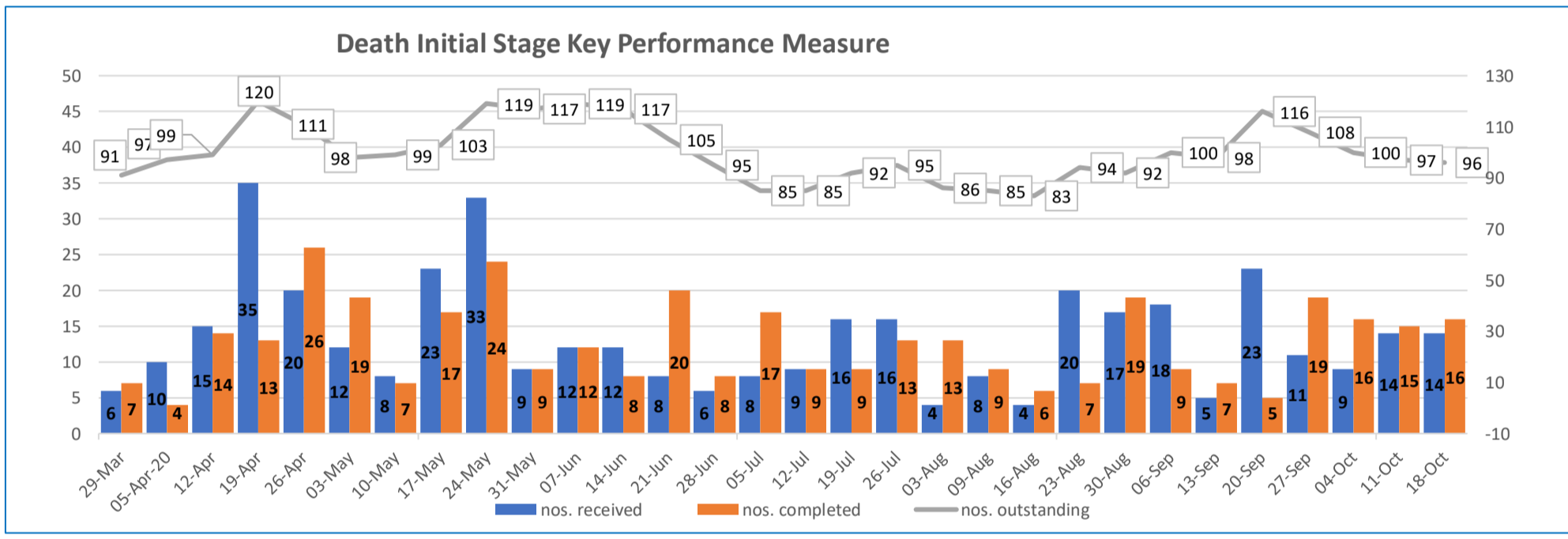
**Action:** The records will need to be updated as a priority. If the Funds wish to follow up with the employers directly, individual record details can be shared with the Fun.



SURREY LGPS FUND Period: 12- 18 Oct 2020

Key Performance Measure	Current Period 12 Oct - 18 Oct 2020			
	Cases open 12/10/2020	Cases received	Cases completed	Cases open 18/10/2020
DEATH INITIAL STAGE	98	14	16	96
SURVIVOR'S PENSION	35	4	11	28
DEATH GRANT PAYMENT	17	2	2	17
DEATH OVER/UNDERPAYMENT	73	2	6	69
RETIREMENT	116	10	29	97
REFUNDS	185	72	73	184
<b>TOTAL</b>	<b>524</b>	<b>104</b>	<b>137</b>	<b>491</b>

<b>Death initial stage</b>	Cease pension, send condolences letter, request details of any dependants / beneficiaries and send claim forms for any balance / overpayment / Death Grant.
<b>Survivor's pensions</b>	Upon receipt of all relevant certificates, forms and supporting evidence set up all survivor's pensions on the payroll and send each beneficiary a pension statement.
<b>Death grant payment</b>	Upon receipt of all the certificates, claim forms and details of potential beneficiaries the Death Grant.
<b>Death under/overpayment</b>	Any balance of pension should be paid and the return of any overpayment requested. The Pension Section should notify the relevant parties of any payments / decisions in writing.
<b>Retirement</b>	Upon receipt of all the forms and pay the retirement grant, update Altair, set up the pension on the payroll and send a benefit statement to the member.
<b>Refund</b>	Check the record, calculate the refund due and make payment



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## **Surrey Local Pension Board 12 November 2020**

### **Administration Performance Report Quarter 2**

#### **Recommendations:**

The Board is asked to **note** the content of this report and **make recommendations** to the Pension Fund Committee if appropriate.

#### **Background**

1. The key performance indicators (KPIs) were revised in order to capture the amount of work received and completed more effectively.
2. The new format has bedded-in, and it enables like for like comparisons with previous quarters.

#### **Content**

3. A concrete format for reporting KPIs has been agreed, which means that the figures are reported in a consistent manner and the Board is able to compare like with like in previous quarters and identify trends.
4. These figures reflect the period 1<sup>st</sup> July 2020 – 30<sup>th</sup> September 2020, which was a lockdown quarter and it was agreed that we should focus on a handful of core tasks.
5. This report does not try to dissect the figures but, rather, to shine a spotlight on a few key case types that give an insight into how we are coping with the challenges.
6. We completed 3,246 cases, which shows a slight improvement on last quarter's 3,088 cases. However, we are carrying out analysis on the current utilisation rate and will update the Board when this analysis is complete.
7. Although these figures should be viewed in the context of the lockdown, which presents several challenges, the staff should be adjusting to the new ways of working and we are monitoring productivity.

8. The largest individual number of cases is new starters, which are not ragged because they are processed electronically at present.
9. The headline figure does not include backlog cases, although some employers are slow to report new starters.
10. There were a very high number of new starters added to the pension administration system last quarter and again a high number (1,537) reported this quarter. This compares with 811 new starters in the same quarter last year and we are investigating why there has been such a spike in cases in the second quarter of a lockdown.
11. The intuitive reason for large numbers of new starters would appear to be schools recruiting for the new year starting in September; however, the figure for the whole of Surrey, which is by far the largest employer, was only 674 (44% of the total).
12. We have identified deaths as a key priority and the Board monitors the figures closely.
13. Only 108 (63%) of initial death notifications were processed within SLA this quarter.
14. This is significantly lower than last quarter and is not ideal given that the process only entails stopping the pension and sending out a pro forma condolences letter requesting copies of the death certificate, any dependant's birth certificates and their bank details. We are currently reviewing the overall death process and as a result of that review, performance measures for this stage of the process will improve going forward.
15. Delays in processing deaths can lead to pensions being overpaid, which can be difficult recover and may cause unnecessary distress for the deceased's relatives.
16. The distribution of cases reported is unbalanced and even processes that are related to each other do not appear to be in proportion.
17. For example, 15% of new starters transferred their pension benefits within local government when a much higher figure would normally be expected 2% of new starters brought in non-local government transfers, which is again a lower number than projected.
18. Many of the completed transfer cases relate to the previous quarters but, given that there were more new starters in the previous quarter, if we divided this quarter's transfers by last quarter's new starters the percentages would be even lower.
19. Overall, the figures have suffered a little but that is to be expected in a lockdown. Nonetheless, performance has been sub-optimal in too many of the core processes and we are monitoring the reasons for this.
20. A lot of time and energy has been invested in improving administration performance and we expect to see this begin feed through into the statistics.

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**Report contact:** John Smith, Pension Governance and Employer Manager (Investments, Funding & Governance)

**Contact details:** T: 020 8213 2700 E: john.smith@surreycc.gov.uk

**Sources/background papers:**

**Annexes:**

1. 2020/21 Quarter 2 KPI Report

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ADMINISTRATION PERFORMANCE REPORT July - Sept 2020

ADMINISTRATION - ONGOING WORKFLOW

No	Description	Performance standard	Tolerable performance*	July - Sept 2020							Note: Represents difference in completed cases as data is sourced from 2 separate reports. If figure in column 1 is debited from outstanding balance, the figures will balance.	
				No of cases received	No of cases completed	No of cases completed within SLA	Percentages of cases completed within SLA (Score and RAG)	Average time from start to finish to complete cases (in days)	Number of cases open end of previous month	Number of cases open end of this month		
<b>OW 1</b>	<b>OVERVIEW</b>											
OW 1.1	TOTAL SURREY CASES Total number of cases in period	N/A		4,266	3,426	3,067	71.89%	24	9,636	8,810	1,666	
OW 1.2	TOTAL SURREY CASE BACKLOG Total number of cases in period	N/A		8,810								
OW 1.3	SCHEME MEMBERSHIP Number of members in the Surrey LGPS	N/A		105,910								
	Active members	N/A		37,510								
	Deferred members	N/A		40,598								
	Pensioner members	N/A		27,802								
OW 1.4	TOTAL OPT OUTS Total percentage of SCC eligible members not currently in the Surrey LGPS	N/A		8.74%								
OW 1.5	TOTAL ORBIS MEMBERSHIP	N/A		252,165								
OW 1.6	EMPLOYERS Number of employers in the Surrey LGPS	N/A		298								
	Councils	N/A		13								
	Academies	N/A		194								
	Admission bodies	N/A		30								
	Other	N/A		61								
<b>OW 2</b>	<b>CASELOAD DETAIL (MEMBERS)</b>											
	NEW STARTER											
OW 2.1	New scheme member to be set up on Altair, check payroll details, request any transfers and send a statutory notice sent to the member.	30 working days	80%		1,537		N/A					
	DEFERRED STATUS											
OW 2.2	Calculate pay, check membership, calculate deferred benefits, update Altair and issue a benefit statement.	2 months	80%	535	334	265	90%	73	5313	5302	212	
	RETIREMENT (INITIAL NOTIFICATION)											
OW 2.3	Calculate pay, membership and retirement benefits and send initial letter and forms to member.	15 working days	80%	848	640	613	72%	10	213	235	186	
	RETIREMENT (COMPLETE)											
OW 2.4	upon receipt of all the forms and pay the retirement grant, update Altair, set up the pension on the payroll and send a benefit statement to the member.	15 working days	85%	442	428	400	90%	11	113	110	17	
	DEATH NOTIFICATION											
OW 2.5	Stop any pension, send condolences letter, request details of any dependents / beneficiaries and send claim forms for any balance / overpayment / Death Grant.	5 working days	90%	162	137	108	67%	7	88	99	14	
	SURVIVOR'S PENSIONS											
OW 2.6	Upon receipt of all relevant certificates, forms and supporting evidence set up all survivor's pensions on the payroll and send each beneficiary a pension statement.	10 working days	90%	66	82	59	89%	11	48	31	1	
	DEATH BENEFITS PAYABLE											
OW 2.7	Upon receipt of all the certificates, claim forms and details of potential beneficiaries the Death Grant and any balance of pension should be paid and the return of any overpayment requested. The Pension Section should notify the relevant parties of any payments / decisions in writing.	10 working days	90%	103	128	109	106%	14	137	98	14	
	ILL HEALTH RETIREMENT (INITIAL)											
OW 2.8	Upon receipt of all the relevant documents, send an estimate and the claim forms and request the certificates.	15 working days	90%	8	7	5	63%	13	6	4	3	
	ILL HEALTH RETIREMENT (COMPLETE)											
OW 2.9	Upon receipt of all forms / certificates, update Altair, pay the retirement grant, set up the pension on the payroll and update Altair.	15 working days	90%	10	9	8	80%	6	2	1	2	
	MEMBER CORRESPONDENCE											
DW 2.10	Respond to member queries (Helpdesk)		70%		xxx calls received		x% (PPF)	-		-		
	REFUNDS											
DW 2.11	Check the record, calculate the refund due and make payment	20 working days	80%	849	743	723	85%	3	784	194	696	
	LGPS TRANSFER IN (ESTIMATE)											
DW 2.12	Upon receipt of the service statement, check the service details and inform the member of the option to transfer and advise them of the timescales.	20 working days	80%	269	175	118	44%	106	1612	1,540	166	
	LGPS TRANSFER IN (ACTUAL)											
DW 2.13	Check that the membership and payment received is correct, update Altair and send a service statement to the member.	20 working days	80%	317	228	201	63%	23	167	158	98	
	NON-CLUB TRANSFER IN (ESTIMATE)											
DW 2.14	Check the transfer quotation and inform the member of the service / pension credit it would purchase, the option to transfer and the relevant timescales.	20 working days	80%	40	32	25	63%	49	845	684	169	
	NON-LGPS TRANSFER IN (ACTUAL)											
DW 2.15	Check that the payment and the details are correct, update Altair and send a service statement to the member.	20 working days	80%	42	31	26	62%	18	6	13	4	
	LGPS TRANSFER OUT (ESTIMATE)											
DW 2.16	Send deferred benefit statement to the new employer.	20 working days	80%	185	150	147	79%	10	100	97	38	
	LGPS TRANSFER OUT (ACTUAL)											
DW 2.17	Make payment to the new administering authority after twelve months / upon receipt of member's election and update Altair.	20 working days	80%	141	139	122	87%	30	64	58	8	
	NON-LGPS TRANSFER OUT (ESTIMATE)											
DW 2.18	Upon request send transfer quotation and discharge forms.	20 working days	80%	145	73	65	45%	21	102	141	33	
	NON-LGPS TRANSFER OUT (ACTUAL)											
DW 2.19	Check that all the discharge forms have been completed correctly, check tPA register, make payment and update Altair.	20 working days	80%	26	13	11	42%	16	11	24	0	
	EARLY RETIREMENT STRAIN											
DW 2.20	Invoice to be raised as soon as the pension benefits are put into payment and a copy sent to the Pension Fund Team.	5 working days	95%	27	0	0	100%	0				
DW 2.21	STRAIN INVOICES TO BE PAID BY EMPLOYERS	30 working days	95%	0	27	0	100%	0				
<b>OW 3</b>	<b>CASELOAD DETAIL (EMPLOYERS)</b>			0	0	0		0				
	CONTRIBUTIONS RECEIVED											
OW 3.1	Pension Fund 100% (total value) of contributions to be received by 21st day of the ensuing period.	N/A	95%				96%					
	EMPLOYER ESTIMATE											
OW 3.2	Upon request, provide employer with early retirement estimate	10 working days	80%	78	77	62	79%	6	25	21	5	
<b>OW 4</b>	<b>COMPLAINTS / BREACHES</b>											
	BREACHES											
OW 4.1	Breaches logged in period	N/A		0								
OW 4.2	Breaches reported to tPR	N/A		0								
	MEMBER COMPLAINTS											
OW 4.3	Complaints logged by the customer services team.	N/A										
	IDRPs											
OW 4.4	IDRPs logged in period	Normally two months		5		5	100%					
	IDRPs											
OW 4.5	IDRPs upheld / partially upheld in period	Normally two months		3								

**ADMINISTRATION PERFORMANCE REPORT (2)**

**ADMINISTRATION - GENERAL PERFORMANCE STANDARDS**

No	Description	Target	Tolerable performance*	Lead Officer	Performance (and RAG)	Assurance	Reporting Period	Previous target	Previous target	Date Last Reported	Improvement/Deterioration	Commentary
<b>PS 1</b>	<b>SCRUTINY</b>											
PS 1.1	AUDIT (1) - External	Receive an unqualified audit report from the auditor	Receive an unqualified audit report from the auditor	NW/NM	In Progress	Audit report	2019/20	Receive an unqualified audit report from the auditor				External audit is currently taking place.
PS 1.2	AUDIT (2) - Internal	Annual audit returns no significant findings	Issued in April 2019	NW	In Progress	Audit report	2019/20					
PS 1.3	tPR ANNUAL RETURN	Within 6 weeks of tPR notice	Within 6 weeks of tPR notice	NW	Completed		2018/19					
<b>PS 2</b>	<b>DATA QUALITY</b>											
PS 2.1	COMMON DATA	100% accuracy	95% accuracy	NW	94.10%	Independent report commissioned	2019/20					
PS 2.2	CONDITIONAL DATA	100% accuracy	80% accuracy	NW	97.80%	Independent report commissioned	2019/20					
PS 2.3	DATA PROTECTION (GDPR)	Fully compliant with legislation by 01 May 2018	Fully compliant with legislation by 01 May 2018	NW	Completed	Information Governance team	2019/20					
<b>PS 3</b>	<b>COMMUNICATIONS</b>											
PS 3.1	ANNUAL BENEFIT STATEMENTS	Issued by 31 August following scheme year end (31 March)	Issued by 31 August following scheme year end (31 March)	NW	Completed		2019/20					
PS 3.2	EMPLOYER SATISFACTION/SURVEY	Overall satisfaction score for employers to be 100%	Overall satisfaction score for employers to be 80%	NW/NM	In Progress		2020/21					Employer Survey due to be issued once reviewed by John Smith
PS 3.3	MEMBER SATISFACTION/SURVEY	Overall satisfaction score for members to be 100%	Overall satisfaction score for members to be 80%	NW	84%	Based on the Pensions Helpdesk	Jan - Mar 2020					Quarterly survey issued in April
PS 3.4	WEBSITE MAINTENANCE	100% of relevant communications material will be posted onto website within one week of being signed off		NW/NM	100%	Public website	Q4					
PS 3.5	MEMBER NEWSLETTER	By 31 March annually		NW	Completed	Copy published	2019/20					
PS 3.6	PENSIONER NEWSLETTER	By 30 April annually		NW	Completed	Copy published	2019/20					
PS 3.7	EMPLOYER FORUM(S)	By 31 December annually		NW/NM								
PS 3.8	PENSION FUND AGM	By 30 November annually		NM								
<b>PS 4</b>	<b>VALUE FOR MONEY</b>											
PS 4.1	CIPFA BENCHMARK	VFM of pensions administration should be in the highest quartile (as measured by the CIPFA benchmark)		NW/NM	Currently not being used	CIPFA Benchmarking report						Included in Admin Update report
<b>PS 5</b>	<b>PROJECTS</b>											
PS 5.1	GMP RECONCILIATION	By end of December 2018		NW	Ongoing	Executive Board reports	2019/20					



## ADMINISTRATION PERFORMANCE REPORT (3)

### ADMINISTRATION - REPORT FORWARD PLAN

<u>No</u>	<u>Report</u>	<u>Description</u>	<u>Lead Officer</u>	<u>To</u>	<u>Frequency</u>	<u>Next due date</u>	<u>Commentary</u>
R 1	COMPLAINTS REPORT	Customer complaints compiled by the Orbis Customer Services Team	NW	The Local Pension Board (and Pension Fund Committee as required)	Quarterly	Report for February 2021	
R 2	DATA IMPROVEMENT PLAN	Plan for continuous improvement of data quality	NW	The Local Pension Board (and Pension Fund Committee as required)	Ongoing	In Progress	<b>Data Quality Hub Leader and Data Quality Officer recruited</b>
R 3	STAFF TRAINING AND COMPETENCY PLAN	Update of training and competency plan.	NW	The Local Pension Board (and Pension Fund Committee as required)	Ongoing	In Progress	
R 4	CIPFA BENCHMARKING REPORT	Compile data for CIPFA benchmarking report.	NW	The Local Pension Board (and Pension Fund Committee as required)	Annually	Outstanding	<b>Currently not being used</b>
R 5	DATA PROTECTION COMPLIANCE REPORT	Report on compliance with data protection/GDPR statutory requirements.	NW	The Local Pension Board (and Pension Fund Committee as required)	Annually	Completed	
R 6	ANNUAL SERVICE REVIEW AND CONTINUOUS IMPROVEMENT REPORT	A review of activity during the past year and of improvements to the service identified for the forthcoming year	NW	The Local Pension Board (and Pension Fund Committee as required)	Ongoing	In Progress	<b>Service Improvement Plan. Updates provided to Executive Board</b>
R 7	ANNUAL BENEFIT STATEMENT PROGRESS	A review of the progress towards meeting the 2020 ABS deadline of 31 August 2020	NW	The Local Pension Board (and Pension Fund Committee as required)	Annually	Completed	
R 8	GMP RECONCILIATION	A review of the progress towards meeting the 2018 GMP reconciliation deadline of 31 December 2018	NW	The Local Pension Board (and Pension Fund Committee as required)	Ongoing	In Progress	<b>Updates covered in reports to Executive Board</b>

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## Surrey Local Pension Board 12 November 2020

### Risk Registers 2020/21 Quarter 2

#### Recommendations:

The Board is asked to **note** the content of this report and the Fund Risk Register (shown as Annex 1) and the Administration Risk Register (shown as Annex 2) and **make recommendations** to the Pension Fund Committee (Committee) if required.

#### Background

1. A quarterly assessment of the Pension Fund and Pensions Administration risk registers will give the Board the opportunity to influence and drive the risk management process during 2019/20.
2. In a meeting of 9 February 2018 the Committee determined that future risk registers be initially reviewed by the Board and contained within the quarterly Board Report to the Committee.

#### The Risk Management Process

3. The risk management policy of the Surrey Pension Fund is to adopt best practice in the identification, evaluation and control of risks in order to ensure that the risks are recognised, and then either eliminated or reduced to a manageable level. If neither of these options is possible, then means to mitigate the implications of the risks should be established.
4. Each of the risk areas in each register has been assessed in terms of its impact on the Fund as a whole, on the fund employers, and on the reputation of the Pension Fund Committee and Surrey County Council as the administering authority. Assessment has also been given as to the likelihood of the risk.
5. Each of the three areas of impact identified above is assessed on a scale of one to four, with four implying the highest level of impact. The likelihood of the risk description (between one and five) is then applied to the combined impact score, which produces an overall risk score. Depending on the score, the risks are then identified as Red, Amber or Green.

6. To comply with best practice, a scoring process has been implemented, which will reassess the risk scores after the mitigating action taken to control and reduce the risks. The risk register includes a revised impact score and net risk score as a result of those mitigating actions.
7. Within the residual red risks, cost ranges are provided on the implications where possible.
8. In a meeting of 9 February 2018 the Pension Fund Committee requested that the Board add to their forward plan consideration of how the risks are measured and whether the weighting is appropriate.

#### **Changes to existing risks in the Risk Register**

9. Risks A21, A22 and A23 in annex 2 have been updated in light of current situation.

#### **Next steps**

10. The Board is asked to **note** the content of this report, the Fund Risk Register (shown as Annex 1 and the Administration Risk Register (shown as Annex 2) and **make recommendations** to the Committee if required as part of the quarterly Board Report to the Committee.

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**Report contacts:** John Smith (Senior Advisor) / Ayaz Malik (Advisor/Accountant)

**Contact details:** T. 020 8213 2700  
T. 020 8541 9705

E: [john.smith@surreycc.gov.uk](mailto:john.smith@surreycc.gov.uk)  
E: [ayaz.malik@surreycc.gov.uk](mailto:ayaz.malik@surreycc.gov.uk)

#### **Sources/background papers:**

#### **Annexes:**

1. 2020/21 Quarter 2 Fund Risk Register
2. 2020/21 Quarter 2 Administration Risk Register

Risk group	Risk Ref.	Risk Description	Risk Owner	Inherent Risk				Total risk score	Control actions	Residual risk				Reviewed on	Changes made during review		
				Final	Impact	Reputational	Legal			Final	Impact	Reputational	Legal				
Funding	F1	Price inflation is significantly more or less than anticipated. An increase in CPI inflation by 0.1% would increase the liability valuation by 1.4%.	Nail Mason (NM)	4	4	12	4	48	TOLERATE - 1) The discount rate used for the 2019 actuarial valuation is derived from CPI inflation, so the value of Fund liabilities will be calculated with reference to CPI. 2) The assumptions of the Fund actuary are prudent and allow for variations in inflation and interest rate fluctuations.	4	4	12	4	48	Oct-20		
Funding	F2	Members living longer: adding one year to life expectancy would approximately increase the liability by 3-5%.	NM	4	4	9	5	45	TOLERATE - 1) The Fund Actuary uses long term longevity projections in the actuarial valuation process. 2) SCC has joined Club Vita, which would allow to monitor mortality rates that are employer and postcode specific.	4	4	9	5	45	Oct-20		
Funding	F3	Pay increases are significantly more than anticipated for employers within the Fund.	NM	4	4	11	3	33	TREAT/TOLERATE - 1) Fund employers should monitor own experience. 2) Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) should be long term assumptions, any employer specific assumptions above the actuary's long term assumption would lead to further review. 3) Employers to be made aware of generic impact that salary increases can have upon final salary linked elements of LGPS benefits.	4	4	11	3	33	Oct-20		
Funding	F4	Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy.	NM	4	3	10	4	48	TREAT - 1) Active investment strategy and asset allocation monitoring from Committee officers and consultants. 2) 2019 investment strategy review is current. 3) Separate source of advice from Fund's independent advisor. 4) Setting of Fund specific benchmark relevant to the current position of fund liabilities. 5) Fund manager targets set and based on market benchmarks or absolute return measures. Overall investment benchmark and out-performance target is fund specific.	4	3	10	3	30	Oct-20		
Funding	F5	Impact of increases to employer contributions following the actuarial valuation.	NM	3	3	9	3	27	TREAT - 1) Officers to consult and engage with employer organisations in conjunction with the actuary. 2) Actuary will assist where appropriate with stabilisation and phasing in processes.	3	3	9	2	18	Oct-20		
Funding	F6	Impact of government policy on the employer workforce.	NM	3	2	6	3	18	TREAT/TOLERATE - 1) The Fund actuary uses prudent assumptions on future of workforce. The fund has regular communications with employer to allow them to flag up major changes in workforce. 2) Need to make worst case assumptions about diminishing workforce when carrying out the actuarial valuation.	2	2	6	2	12	Oct-20		
Funding	F7	HM Treasury and Scheme Advisory Board cost management process has a implied increase in employer contributions.	NM	2	2	6	4	24	TREAT/TOLERATE - 1) The Fund actuary stabilises employer contribution, which reduces the impact of conditions which could otherwise produce spikes in contribution rates. 2) Communicate with employers and explore the opportunity for the strengthening of their covenant by the provision of additional security to the Fund.	1	4	3	8	2	16	Oct-20	
Funding	F8	Additional costs as a result of the McCloud judgement.	NM	3	3	7	4	28	TOLERATE / TREAT - 1) Depending on MHCLG's response to the ruling, the actuary may reconsider the funding position, the investment adviser may reposition assets to compensate and the Administration Team may need more resource but, ultimately, it is likely to have an impact on employer's contribution rates.	3	3	1	7	3	21	Oct-20	
Investment	F9	Increased risk to global financial stability. Outlook deteriorates in advanced economies because of heightened uncertainty and setbacks to growth and confidence. Leading to tightened financial conditions, reduced risk appetite and raised credit risks.	NM	4	3	10	5	58	TREAT/TOLERATE - 1) Increased vigilance and continued dialogue with managers as to events on and over the horizon. 2) Continued investment strategy involving portfolio diversification and risk control. 3) Investment strategy review will accompany the 2019 actuarial valuation. 4) See Coronavirus risk register.	4	3	10	4	40	Oct-20		
Investment	F10	Investment Managers fail to achieve performance targets over the longer term: a shortfall of 0.1% on the investment target will result in an annual impact of £4.3m.	NM	4	4	12	3	36	TREAT - 1) The Investment Management Agreements clearly state SCC's expectations in terms of performance targets. 2) Investment manager performance is reviewed on a quarterly basis. 3) The Pension Fund Committee should be positioned to move quickly if it is felt that targets will not be met. 4) Having Border to Coast Pensions Partnership (BCPP) as an external manager facilitates a smooth transition of assets into the pool. 5) The Fund's investment management structure is highly diversified, which lessens the impact of manager risk compared with less diversified structures.	4	4	12	2	24	Oct-20		
Investment	F11	Investment markets fail to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers.	NM	4	3	10	4	48	TOLERATE - 1) Proportion of asset allocation made up of equities, bonds, property and alternatives, limiting exposure to one asset category. 2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal asset allocation. 3) Actuarial valuation and asset/liability study take place automatically at least every three years. 4) IAS19 data is received annually and provides an early warning of any potential problems. 5) The actuarial assumption regarding asset outperformance of a measure of CPI over gilts, which is regarded as achievable over the long term when compared with historical data. 6) See coronavirus risk register.	4	3	10	3	30	Oct-20		
Investment	F12	Volatility caused by uncertainty with regard to the withdrawal of the UK from the European Union and its after effects.	NM	3	3	8	3	24	TOLERATE - 1) Officers to consult and engage with advisors. 2) Future possibility of looking at move from UK to Global benchmarks on UK Equities and UK Property. 3) Possibility of further hedging of currency movements against Sterling.	3	3	8	2	16	Oct-20		
Investment	F13	Risk of losses through the transition of assets to BCPP.	NM	2	3	7	4	28	TREAT/TOLERATE - 1) Independent Transition manager appointed by BCPP. 2) Independent transition advice appointed by Partner funds. 3) Market fluctuations between original and new portfolio are impossible to predict.	2	3	7	3	21	Oct-20		
Investment	F14	Financial loss of cash investments from fraudulent activity.	NM	4	4	12	3	36	TREAT/TOLERATE - 1) Policies and procedures are in place which are regularly reviewed to ensure risk of investment loss is minimised. Governance arrangements are in place in respect of the Pension Fund. External advisors assist in the development of the Investment Strategy. Fund Managers/BCPP have to provide SAS70 or similar (statement of external controls).	4	4	12	2	24	Oct-20		
Investment	F15	Financial failure of a fund manager leads to increase costs and service impairment.	NM	4	3	11	3	33	TREAT - 1) Fund is reliant upon current adequate contract management activity. 2) Fund is reliant upon alternative suppliers at similar price being found promptly. 3) Fund is reliant on the scale and risk management opportunity offered by BCPP.	4	3	11	2	22	Oct-20		
Investment	F16	Insufficient attention to environmental, social and governance (ESG) factors leads to underperformance and reputational damage.	NM	1	1	4	6	24	TREAT - 1) Review ISS in relation to published best practice (e.g. Stewardship Code). 2) Ensure fund managers are encouraged to engage and to follow the requirements of the BCPP Responsible Investment Policy. 3) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and all assets held with BCPP are monitored by Robeco, this raises awareness of ESG issues and facilitates engagement with fund managers. 4) The Fund has approved a Stewardship Code and a share voting policy which provides specific guidance in the voting of company resolutions. 5) The Fund complies with the BCPP Responsible Investment Policy. 6) Fund reviewing a responsible investment approach. 7) Fund engaging with lobbying groups.	1	1	4	6	3	18	Oct-20	
Investment	F17	Impact of Climate Change risk on value of Fund's investments as a result of failing to adapt to a low carbon economy, in light of IPCC's Oct 2018 report on Climate Change.	NM	2	1	3	6	24	TREAT - 1) Ensure fund managers are encouraged to engage and to follow the requirements of the BCPP Responsible Investment Policy, more specifically its Climate Change Engagement Policy. 2) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and all assets held within BCPP are monitored by Robeco, this facilitates engagement with companies who operate in carbon intensive industries. 3) The Fund is also part of the BCPP Climate Change Working Group, which aims to measure climate change risk to portfolio returns, scenario planning on how 1-2 degree increase can affect funding levels, understanding decision making in relation to engagement vs divestment, and how to collaborate to increase influence where possible. 4) Continued review of carbon exposure within current portfolio: holding c£350m in a Passive Low Carbon fund, as well as making regular investments into Infrastructure assets.	2	1	3	6	3	18	Oct-20	
Investment	F18	Counterparty risk within the SCC treasury management operation.	NM	2	2	6	2	12	TOLERATE - 1) Lending limits with approved banks and other counterparties are set at prudent levels. 2) The pension fund treasury management strategy is based on that of SCC.	2	2	6	1	6	Oct-20		
Investment	F19	Inaccurate cash flow forecasts or drawdown payments lead to shortfalls on cash levels and borrowing becomes necessary to ensure that funds are available.	NM	2	1	4	2	8	TOLERATE/TREAT - 1) Borrowing limits with banks and other counterparties are set at levels that are more than adequate should cash be required at short notice. 2) Cashflow analysis of pension fund undertaken quarterly. 3) Comply with the Pension Fund Cash Management Strategy. 4) Annual Cash flow analysis on ongoing basis.	2	1	4	1	4	Oct-20		
Governance	F20	Failure to take difficult decisions inhibits effective Fund management.	NM	3	2	4	9	27	TREAT - 1) Ensure scrutiny analysis encourages decision making on objective empirical evidence rather than emotion. 2) Ensure that basis of decision making is grounded in ISS/FSS/Governance statement/Responsible Investment policy and that appropriate advice is sought. 3) Ensure the Governance Matrix is made visible to all stakeholders in the pension fund enabling clear identification of roles and responsibilities.	3	2	4	9	2	18	Oct-20	
Governance	F21	Implementation of proposed changes to the LGPS (pooling) does not conform to plan or cannot be achieved within time scales.	NM	1	2	4	7	28	TREAT/TOLERATE - 1) Officers consult and engage with MHCLG, LGPS Advisory Board, BCPP OOG, consultants, peers, seminars, conferences. 2) Officers engage in early planning for implementation against agreed deadlines. 3) Participation in Cross Pool Collaboration Groups. 4) Recent government guidance continues to endorse pooling. 5) See Coronavirus risk register.	1	2	4	7	3	21	Oct-20	
Governance	F22	Changes to LGPS regulations.	NM	3	2	1	6	18	TREAT/TOLERATE - 1) Impact on contributions and cashflows will be considered during the 2019 valuation process. 2) Fund will respond to consultations and statutory guidance. 3) Impact of LGPS (Management of Funds) Regulations 2016 to be monitored.	3	2	1	6	2	12	Oct-20	
Governance	F23	Change in membership of Pension Fund Committee or Local Pension Board leads to dilution of member knowledge and understanding.	NM	4	2	1	7	28	TREAT - 1) Ongoing training of Pension Fund Committee and Local Pensions Board members. 2) Pension Fund Committee and Local Pensions Board new member induction programme.	4	2	1	7	2	14	Oct-20	
Governance	F24	That the Border to Coast Pensions Partnership disbands or the partnership fails to produce a proposal deemed sufficiently ambitious.	NM	3	2	4	9	27	TOLERATE - 1) Partners for the pool were chosen based upon the perceived expertise and like-mindedness of the officers and members involved with the fund to ensure compliance with the pooling requirements. 2) Ensure that ongoing fund and pool proposals are comprehensive and meet government objectives. 3) Engage with advisors throughout the process.	3	2	4	9	1	9	Oct-20	
Governance	F25	Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests.	NM	4	1	4	9	28	TREAT - 1) Publication of relevant documents on external website. 2) Managers monitored with their compliance with ISS and IMA. 3) Pension fund committee and Local Pension Board self-assessment to ensure awareness of all relevant documents. 4) Annual audit review.	4	1	4	9	1	9	Oct-20	
Governance	F26	Failure to comply with recommendations from the local pension board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator.	NM	1	1	4	6	16	TOLERATE - 1) Ensure that an cooperative, effective and transparent dialogue exists between the pension committee and local pension board. 2) Officers to carry out annual measurement against TPR code of conduct.	1	1	4	6	1	6	Oct-20	
Delivery	F27	Concentration of knowledge in small number of officers and risk of departure of key staff.	NM/Nick Weaver (NW)	2	3	2	7	21	TREAT - 1) Know no notes in place. 2) Development of team members & succession planning needs to be improved. 3) Officers and members of the Pension Fund Committee and Local Pension Board will be mindful of the proposed CIPFA Knowledge and Skills Framework and appropriate IPR Codes of Conduct when setting objectives and establishing training needs. 4) Skills Matrices completed by all staff and standardised Personal Development Plans being introduced.	2	3	2	7	3	21	Oct-20	
Delivery	F28	Failure to hold personal data securely.	NM/NW	1	1	4	6	18	TREAT - 1) Data encryption technology is in place, which allow secure the sending of data to external service providers. 2) Phasing out of holding records via paper files. 3) Pensioners Admin records are locked daily in a secure safe. 4) SCC IT data security policy adhered to. 5) SCC carry's out Security Risk Assessments. 6) Pension Fund custodian proactively and reactively identify and respond to other threats.	1	1	4	6	2	12	Oct-20	
Delivery	F29	Inaccurate information in public domain leads to damage to reputation and loss of confidence.	NM/NW	1	1	4	6	18	TREAT - 1) Ensure that all requests for information (Freedom of Information, Member & Public questions at Council, etc) are managed appropriately and that Part 2 items remain so. 2) Maintain constructive relationships with employing bodies to ensure that news is well managed. 3) Update website information as and when required and at least quarterly.	1	1	4	6	2	12	Oct-20	
Delivery	F30	Financial failure of third party supplier results in service impairment and financial loss.	NM/NW	2	2	2	6	18	TOLERATE - 1) Performance of third parties (other than fund managers) monitored. 2) Regular meetings and conversations with Northern Trust take place. 3) Actuarial and investment consultations are provided by two different providers.	2	2	2	6	2	12	Oct-20	
Delivery	F31	Procurement processes may be challenged if seen to be non-compliant with OJEU rules. Pool specifications lead to disputes. Unsuccessful fund managers may seek compensation following non compliant process.	NM	1	1	4	6	18	TREAT/TOLERATE - 1) Ensure that assessment criteria remains robust and that full feedback is given at all stages of the procurement process. 2) Use the National LGPS or other established procurement frameworks.	1	1	4	6	1	6	Oct-20	
Delivery	F33	Failure to deliver an accurate and effective pension administration service.	NM/NW	4	3	4	11	44	TREAT - 1) Improve metrics to better measure performance and monitor the pension administration service. 2) The pension administration will present a comprehensive recovery plan to the members at next LPB meeting (April 2019). 3) Monthly meetings between fund and admin team to discuss projects and Business as Usual (BAU).	4	3	4	11	3	33	Oct-20	

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Risk group	Risk Ref.	Risk Description	Risk Owner	Inherent Risk					Total risk score	Control actions	Residual risk					Reviewed on	Changes made during review	
				Impact				Likely			Impact				Likely			
				Fin	Service	Reput	Total				Fin	Service	Reput	Total				
D e l i v e r y	A1	Incorrect data due to employer error, user error or historic error leads to service disruption, inefficiency and conservative actuarial assumptions.	Nick Weaver (NW)	4	1	3	8	3	24	TREAT 1) Update and enforce admin strategy to assure employer reporting compliance 2) Implementation and monitoring of a Data Improvement Plan as part of the Service Specification between the Fund and Orbis TOLERATE 1) Northern Trust provides 3rd party validation of performance and valuation data. 2) Pension Fund team, Pension Fund Committee and Local Board members are able to interrogate data to ensure accuracy.	3	1	3	7	3	21	Oct-20	
	A2	Lack of process ownership leads to ineffective processes and errors.	NW	2	3	3	8	3	24	TREAT 1) Require transparent workflow reporting with clear identification of process ownership to be reported to the Local Pension Board.	2	2	2	6	2	12	Oct-20	
	A3	Failure to follow up on outstanding issues results in inefficiency and damaged reputation.	NW/Neil Mason (NM)	2	3	4	9	3	27	TREAT 1) Include monitoring of task follow-up times as part of the revised service standards in the Administration Strategy	2	2	4	8	3	24	Oct-20	
	A4	Lack of capability of the admin system leads to inefficiency and disruption.	NW	3	3	2	8	2	16	TREAT/TOLERATE 1) Ensure system efficiency is included in the annual improvement review. 2) Monitor system review and provide extra resource where business case supports it.	2	2	1	5	2	10	Oct-20	
	A5	Poor reconciliation process leads to incorrect contributions.	NW/NM	3	3	3	9	4	36	TREAT reconciliation process notes are understood by Pension Fund team 2) Ensure that the Pension Fund team is adequately resourced to manage the reconciliation process 3) Pensions admin team testing i-connect to ensure it is fit for purpose and if funding agreement reached it will be implemented. 4) Officers to undertake quarterly reconciliation to ensure contributions are paid on time. With a view to moving to monthly reconciliation if i-connect is implemented.	2	2	1	5	2	10	Oct-20	
	A6	Lack of guidance and process notes leads to inefficiency and errors.	NW	3	3	3	9	3	27	TREAT process notes are compiled and circulated in Pension Fund and administration teams 2) Process Improvement Officer developing Standard Operating Procedures for all process. 3) Use of Heywood's Training and Education Centre allows for standardisation of training.	2	2	2	6	3	18	Oct-20	
	A7	Unstructured training leads to under developed workforce resulting in inefficiency.	NW	3	4	3	10	3	30	TREAT Implementation and monitoring of a Staff Training and Competency Plan as part of the Service Specification between the Fund and Orbis 2) Encourage and support formal training.	1	4	3	8	2	16	Oct-20	
	A8	Conflicting priorities (Orbis, SCCvsSPF, Pensions pooling) leads to lack of overall strategy, confusion and missed opportunities.	NW/NM	3	2	3	8	4	32	TREAT/TOLERATE 1) Establish transparent lines of communication between Orbis partnership leads and local service areas 2) Ongoing monitoring from the Pension Fund Committee and Local Pension Board 3) Rigorous prioritisation of tasks	2	2	3	7	2	14	Oct-20	
	A9	Non-compliance with regulation changes relating to the pension scheme or data protection leads to fines, penalties and damage to reputation.	NW/NM	3	3	4	10	3	30	TREAT 1) The fund has generally good internal controls with regard to the management of the fund. These controls are assessed on an annual basis by internal and external audit as well as council officers. 2) Through strong governance arrangements and the active reporting of issues, the Fund will seek to report all breaches as soon as they occur in order to allow mitigating actions to take place to limit the impact of any breaches. 3) Ensure processes are completed in a timely manner and that post 2014 refunds are paid within 5 years.	1	3	4	8	3	24	Oct-20	
	A10	Gaps in skills and knowledge due to key person/single point of failure and different skill requirements leads to inefficiency and poor performance.	NW/NM	3	3	3	9	3	27	TREAT 1) 'How to' notes in place. 2) Development of team members & succession planning needs to be improved. 3) Officers and members of the Pension Fund Committee will be mindful of the proposed CIPFA Knowledge and Skills Framework when setting objectives and establishing training needs. 4) Skills Matrices completed by all staff and standardised Personal Development Plans being introduced.	2	3	2	7	3	21	Oct-20	
	A11	Failure to get on top of the backlog leads to resource issues and management distractions.	NW/NM	4	3	4	11	4	44	TREAT 1) Backlog to be identified as a "Project" as part of the Service Specification between the Fund and Orbis 2) Backlog to be included in revised Performance Statistics reported to and scrutinised by the Committee and Board 3) Consideration being given to outsourcing the largest areas of the backlog. 4) Upgrade software to improve efficiency	2	2	4	8	4	32	Oct-20	
	A12	Failure to identify GMP liability leads to ongoing costs for the pension fund	NW/NM	3	3	3	9	4	36	TREAT 1) GMP to be identified as a "Project" as part of the Service Specification between the Fund and Orbis 2) Stage 1 reconciliation reviews has been completed. 3) Acquila Heywoods have been appointed to carry out an interim stage 2 review 4) GMP Reconciliation project is being progressed by JLT. Separate updates being issued.	2	2	2	6	4	24	Oct-20	
	A13	Inability to respond to a significant event leads to prolonged service disruption and damage to reputation.	NW/NM	3	3	3	9	4	36	TREAT/TOLERATE 1) Disaster recover plan in place as part of the Service Specification between the Fund and Orbis 2) Ensure system security and data security is in place 3) Business continuity plans regularly reviewed, communicated and tested 4) Internal control mechanisms should ensure safe custody and security of LGPS assets. 5) Gain assurance from the Fund's custodian, Northern Trust, regarding their cyber security compliance 6) Tolerate consequences of McCloud judgement. 7) Please refer to the corona virus risk register	3	3	3	9	1	9	Oct-20	
	A14	Lack of productivity leads to impaired performance.	NW	3	3	3	9	4	36	TREAT 1) Regular appraisals with focused objectives for pension fund and admin staff 2) Productivity outputs are being measured and reported on a monthly basis. 3) Enhance performance management	2	2	2	6	4	24	Oct-20	
	A15	Failure to continuously improve leads to inefficiency and missed opportunities.	NW/NM	2	2	2	6	3	18	TREAT: 1) Annual customer feedback survey to be carried out. 2) Quarterly complaints/praise feedback to be reported to and scrutinised by the Committee and Board 3) Implementation and monitoring of an annual Continuous Improvement Plan as part of the Service Specification between the Fund and Orbis 4) Support and Development Team in place to identify and implement areas for improvement.	2	2	2	6	3	18	Oct-20	
	A16	Rise in ill health retirements impact employer organisations	NM	3	1	2	6	2	12	TREAT 1) Implement self-insurance across employers within the fund 2) Reactive reposition investment strategy if necessary	3	1	2	6	2	12	Oct-20	
	A17	Rise in inappropriate ill health retirements adversely affects self-insurance costs.	NW/NM	2	2	1	5	2	10	TREAT 1) Pension Fund monitors ill health retirement awards which contradict IRMP recommendations	2	1	2	5	1	5	Oct-20	
	A18	Structural changes in an employer's membership or an employer fully/partially closing the scheme. Employer bodies transferring out of the pension fund or employer bodies closing to new membership. An employer ceases to exist with insufficient funding or adequacy of bond	NW/NM	3	4	2	9	4	36	TREAT/TOLERATE 1) Administering Authority actively monitors prospective changes in membership. 2) Maintain knowledge of employer future plans. 3) Contributions rates and deficit recovery periods set to reflect the strength of the employer covenant. 4) Periodic reviews of the covenant strength of employers are undertaken and indemnity applied where appropriate. 5) Risk categorisation of employers implemented as part of 2016 actuarial valuation. 6) Monitoring of gilt yields for assessment of pensions deficit on a termination basis. 7) Please refer to the corona virus risk register.	3	4	2	9	2	18	Oct-20	
	A19	The Pensions Payroll process had migrated onto the Altair system from SAP in Nov 17. Unlike the SAP payroll process the manual emergency payments made outside of the monthly payroll do not integrate with our banking processes or offer sound financial controls. This is due to these manual payments not being accounted for in the financial system when they occur and therefore payments made are not able to be checked. The risk of errors in the current process are increased by the core Altair payroll system not being integrated with the BACS generator application meaning items have to be recorded twice.	NW/NM	3	2	3	8	3	24	TREAT 1) Develop an automated process whereby the Altair payment log updated by the administration team, is then converted into a journal template on a daily basis. This is then processed onto SAP to ensure that all payments processed manually through Altair are accounted for and payments are then subject to the standard financial controls.	3	2	3	8	2	16	Oct-20	
	A20	Head of Pension Administration leaving the Council may dilute the organisation's collective knowledge and impact on decision making.	NW	3	3	3	9	4	36	TREAT/TOLERATE- 1) An interim Head of Pension Administration has been contracted until a permanent manager is appointed. 2) Part of the JD of the interim is to assist in the appointment of a permanent replacement.	3	3	3	9	2	18	Oct-20	
	A21	McCloud Judgement - Impact on resources	NW/NM	3	3	2	8	4	32	TOLERATE/TREAT 1) The Pension Fund Team can allocate additional funds / resources to mitigate the impact and avoid reputational damage. 2) The proposed remedy will require additional resource and members who have already left will be prioritised.	3	3	2	8	2	16	Oct-20	Update
	A22	Moving out of County Hall could adversely affect team morale as majority of the staff are within a few miles of County Hall. A move to an office further away may result in employees finding jobs elsewhere to minimise the commute. Resulting in: - Significant loss of skilled and experience staff.	NW	2	3	3	8	3	24	TOLERATE 1) Pension administration team may not be impacted by the move as alternative arrangements closer to County Hall are being sought. 2) Engage with staff early and to understand their concerns which should be fed into the consideration of new location. 3) The loss of resource is partially mitigated by the hostile employment market.	2	3	3	8	2	16	Oct-20	Update
	A23	Management control of backlog leads to inaccurate Key Performance Indicators (KPIs) leading to a loss of confidence in levels of assurance from the Pensions Administration team	NW	3	3	3	9	3	27	TREAT 1) Ensure total backlog is recorded accurately (backlog includes both BAU and JLT cases). 2) Ensure only completed BAU cases are recorded in Key Performance Indicators. 3) Ensure total number of backlog cases is correctly recorded on the system and presented accurately in the quarterly Administration Performance Report. 4) Continuously work towards improving the accuracy of the reported figures.	2	2	2	6	3	18	Oct-20	Update

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## Surrey Local Pension Board 12 November 2020

### The impact of McCloud and the Exit Cap

#### Recommendations:

The Board is asked to **note** the content of this report and **make recommendations** to the Pension Fund Committee if appropriate.

#### Background

1. This paper explores two key pieces of pension related legislation, McCloud and the exit cap, which are likely to have a big effect on pension administration.
2. It tries to anticipate the potential effects of the changes and it considers the resources that are likely to be required in order to implement them efficiently.

#### Content

##### The McCloud and Sargeant cases

1. Although the stem cases concerned the Judges' and the Firefighters' pension schemes the principles are deemed to have general applicability across the public sector.
2. Certain LGPS members who were within ten years of retirement on 31<sup>st</sup> March 2012 were offered a top up if the old final salary pension scheme would have delivered a better outcome than the new CARE scheme in respect of the period 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2022.
3. The ruling determined that the top up, known as the underpin, was age discriminatory.
4. This consultation seeks to address that injustice by extending the underpin to all age groups who meet the new criteria.

### The proposed remedy

5. Restricted to members who were active on both 31<sup>st</sup> March 2012 and post 31<sup>st</sup> March 2014, without a five-year break in membership.
6. The underpin applies between 1<sup>st</sup> April 2014 and the earlier of; the date the member ceases active membership, dies, reaches age 65 or 31<sup>st</sup> March 2022.
7. The final salary benefit underpin will be calculated at the point the member ceases active membership, dies or reaches age 65.
8. The underpin will be expanded to cover deferred beneficiaries and dependants' benefits but will no longer cover unaggregated deferred benefits, thereby correcting an anomaly.
9. If a member qualifies for an underpin in respect of a separate deferred benefit under the existing regulations they will be given one year from the date the amended regulations come into force to elect to aggregate that deferred benefit.
10. The consultation suggests offering both club transfers-in and out the choice of purchasing final salary or care benefits. Non-club transfers-out will be based on assumptions related to the underpin date; however, non-club transfers-in will not attract an underpin.
11. The changes are retrospective and apply to members who left, transferred-out, trivially commuted, retired or died and meet the new criteria.
12. The calculation will be a two stage process; the first part is performed at the calculation date, which is the earlier of the date of leaving and age 65, and the second at the underpin crystallisation date, which is the date the member actually draws their pension benefits with any Pensions Increase and late retirement increases.

### Who is likely to benefit

13. Members who have substantial final salary pension benefits and either; enjoy significant salary increases close to retirement, are some way from retirement and consistently benefit from above-inflation pay increases or who retire early with actuarial reductions (final salary scheme reductions tend to be lower).

### Other considerations

14. The revised underpin could generate an annual allowance (tax) charge in some cases, although MHCLG thinks that this would only happen at the underpin crystallisation date.

### The cost cap

15. The cost control mechanism has been restarted and the potential costs generated by the McCloud remedy will be factored into the calculations
16. The draft solution is likely to significantly erode the benefit improvements proposed after the 2019 valuation.

### Employer costs and funding

17. Hymans Robertson expect the cost to be (about) 0.6% of active liabilities and 0.2% of total liabilities, which equates to a total cost of £0.5 billion across the LGPS in England and Wales.
18. This will have a marginal impact on employer contribution rates and represents a better outcome than the Government's generic estimates predicted, possibly because salary increases in the LGPS tend to be lower (CPI + 0.7%).

### Logistics and resources

19. The Administration Team must Identify the work streams, resource and budget required. Plan and manage the project.
20. It is important to identify cases within scope and collate the information as swiftly as possible, particularly for those who have left since 1<sup>st</sup> April 2014.
21. The Administration Team should prepare considered plain English McCloud specific and generic communications.

### **The Exit cap**

22. The minister has signed (made) the legislation and the exit cap will come into force on 4<sup>th</sup> November 2020.
23. Only exits exceeding £95K will be affected and standard strain factors should be used until the LGPS regulations are amended/statutory guidance is issued. It is likely that we will have (at least) statutory guidance in place by the date of the meeting.
24. The exit cap was introduced in the Small Business, Enterprise and Employment Act 2015, which was amended by schedule 6 of the Enterprise Act 2016. Most of the legislation was already in place and it only needed to be activated.
25. The exit cap is intended to protect tax payers from excessive termination packages for high earners and the £95K aggregate includes early payment of pension (strain) costs as well as other exit payments. The employer has limited flexibility as statutory redundancy payments under the Employment Rights Act 1996 must be paid.
26. Many respondents to the two consultations felt that the £95K cap was too low, the inclusion of strain costs meant that members earning less than £24K could be affected and it was potentially counter-productive because it would make it more difficult to restructure organisations consensually.

### The Government's response

27. The Government has responded to the (second) consultation issued in April 2019 but it has not been swayed by the replies and it has offered few concessions.

28. The £95K figure has been persevered with and, although it was originally proposed in 2015, the response only includes a nebulous aspiration to increase it at some point.
29. The same exit payments (termination payments and strain costs) are within scope and the cap applies to two or more public sector exits by the same individual within 28 days.
30. The original two-stage implementation has been discarded and all the bodies within scope will be affected immediately.
31. The existing mandatory waiver will be extended to cover health and safety related compensation and unfair dismissal claims.
32. The response is silent about existing exemptions and new ones being “considered” (for firefighters).
33. The Government intends to implement legislation designed to claw-back exit payments if the recipient re-enters the public sector within a year.
34. The government mentions producing legislation and guidance, without mentioning a timescale. Draft amendments of the LGPS are expected shortly so it is possible that the cap could be introduced towards the end of the year.

#### Key proposals for the LGPS

35. Maximum pay for redundancy payments limited to £80,000.
36. Redundancy payments limited to 3 weeks’ pay per year but must not exceed 66 weeks’ / 15 months’ pay (please note that the £95K cap would bite if the member earned over £76K).
37. Cannot pay discretionary compensation if a strain cost is paid, unless the discretionary payment exceeds the strain cost - in which case the excess can be paid.
38. Strain costs must be reduced by the value of any statutory redundancy payment, even if the total exit payments do not exceed £95K.
39. If the strain cost exceeds £95K the cap would be applied and proportionate reductions would be made to the pension.
40. There is a suggestion that the member may be able to top-up the strain cost in order to draw an unreduced pension – but there is no detail about how it would work in practice. This may be more complicated if the member was dismissed by reason of redundancy as the employer is required to pay a statutory redundancy payment under the Employment Rights Act 1996.

Considerations for employers;

41. Although it is possible for the full council to approve discretionary waivers, this resource is time consuming and it may require approval from MHCLG and, possibly, the Treasury.
42. Employers may consider accelerating the planned departure of senior employees to avoid these measures.
43. It may be possible to flexibly retire employees (ideally a year) before their actual retirement date in order to mitigate the effects of the exit cap – provided the employer's policy allows it. A lot will depend on the final legislation / guidance - so extreme caution is advised.

-----  
**Report contact:** John Smith, Pension Governance and Employer Manager (Investments, Funding & Governance)

**Contact details:** T: 020 8213 2700 E: john.smith@surreycc.gov.uk

**Sources/background papers:**

**Annexes:**

Annex 1 - The McCloud Impact Assessment.

Annex 2 - Exit Cap emergency decision

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## The McCloud Impact Assessment

### Background

1. This paper explores the impact of McCloud, which is likely to have a big effect on pension administration.
2. It tries to anticipate the potential effects of the changes and it considers the resources that are likely to be required in order to implement them efficiently.

### Content

1. The impact of the proposed McCloud remedy is wide ranging and will affect pension administration in several ways. This will require both tactical and strategic planning in order to ensure that the right resources in the right measure are available at the right time.
2. It is estimated that about a third of the membership could be affected by the remedy and we should not underestimate the scale of the project or the resources it will require.
3. The proposed underpin has retrospective effect and affects members who;
  - were active on 31 March 2012
  - accrued benefits after 31<sup>st</sup> March 2014
  - must not have a disqualifying (5 year) break
  - immediate entitlement to pension benefits no longer required
  - only covers aggregated benefits
  - takes early and late retirement factors into account (pre-2014 = lighter reductions)
  - includes death/dependant's benefits, club transfers, transfers-out and trivial commutations

- two-stage process with a provisional check at the later of the date of leaving and the underpin date and a definitive check at the date the benefits are drawn

### **Priorities**

4. Members who were active on 31st March 2012, accrued benefits after 1<sup>st</sup> April 2014 and who have died, retired, transferred out or left must be prioritised. This is because the payroll and the membership records required to calculate final salary benefits are gradually degrading and the six-year requirement to maintain payroll records has already expired for some members. Moreover, some employers will have changed payroll providers, lost experienced payroll managers and suffered other misfortunes that can slowly erode data quality.
5. This is a real challenge as details of final pay, part-time hours, changes of hours, aggregated concurrent employments etcetera may not have been maintained since 2014.
6. We may need to expand our address tracing as we must be able to contact all the leavers who are affected as soon as possible.
7. Members should be reassured that they will be protected automatically and there is no need for them to take any positive action.

### **Communications**

8. A structured communication plan is vital;
  - use generic materials produced by SAB/LGA as much as possible.
  - Calibrate messages for the intended audience (e.g. members and employers)
  - use regular newsletters to reach the widest possible audience
  - post information on the website
  - use payslips and ABS to send succinct targeted messages
  - update standard forms / letters intended for members and third parties
  - produce general letters explaining the underpin to members
  - draft specific letters explaining the provisional underpin to leavers
  - explain that there may be annual / lifetime allowance implications

### **Resource**

9. There will be several work streams demanding substantial resource.



10. Identify an internal candidate to lead the project and a small core (perhaps one or two skilled individuals) of dedicated staff which we can augment with existing resources, external resources and possibly new recruits (being mindful that new recruits are an investment as existing resource will be diverted in order to train them) as necessary.
11. It is crucial that employers appreciate that they will have to allocate resources to collate the information required as, otherwise, the project team will be will not be able to operate efficiently.
12. A forward plan should be designed as soon as possible complemented by liaising with scheme employers, recovering/cleansing data and identifying and locating resources.
13. All qualifying leavers must be identified and have their pension benefits reviewed as soon as possible in order to determine whether the revised underpin will provide better pension benefits.
14. The employers will have to be contacted promptly in order to optimise the data available and to give them the best chance of recovering / reconstructing incomplete records.
15. Data collection will consume significant additional resources in both employing authorities and administering authorities.
16. The SAB, software houses and professional advisors will provide generic services; however, where additional resources are needed, they should be sourced from the Framework where possible.
17. It is critical to engage with software providers, both individually and collectively within the LGPS, as soon as possible. In addition, all interfaces, in-house spreadsheets (for membership/benefit calculations), workflows and process maps will need to be updated.
18. Although some of the work can be performed electronically this process will require substantial manual intervention and this, in turn, involves identifying resources.
19. A suitable candidate should be identified to lead the project, allocate dedicated resources and second/recruit staff with the right skillsets to deliver it.
20. It is important that internal resources are used as much as possible to imbue the Administration Team with a sense of responsibility; however, realpolitik dictates that additional resources will be needed, and they should be chosen wisely.

#### **Additional resource**

21. We should use our existing professional advisors for additional work as far as possible while trying to optimise our savings by judicious use of the Framework.

22. The usual contractors can be considered for processing calculations, although experience suggests that their performance benefits from close monitoring.
23. We should also consider using larger LGPS administering authorities with experienced staff and spare capacity as they will be mindful of their reputations and working together may develop our staff.
24. We should consider building alliances, in order to negotiate economies of scale, and use the Framework at every opportunity.

### **Funding strategy considerations**

25. Our actuary adopted a pessimistic view of the potential McCloud remedies and built a prudent contingency into the funding model at the last valuation. The final remedy should be known by the time the employer's contributions are set at the next valuation and, hopefully, we can consolidate our funding position without significant increases in employers' contributions.
26. It may be prudent to pause any bulk transfers (in or out) and other significant cost sensitive work until the final McCloud remedy is known. Equally, the actuary should build a prudent margin into any exit calculations until the situation has resolved itself.
27. The generous provision set aside for McCloud means that the potential impact of the remedy is already accommodated in the IAS19 and FRS102 accounting models in Surrey Pension Fund.

### **Conclusions**

28. It is important to note that the draft solution may not be the final solution and we should focus on generic preparations that will stand us in good stead regardless of whatever the final remedy may be.
29. Fairly accurate assumptions can be made about the resources that will be required and considered steps should be taken to secure them ahead of the inevitable rush.

-----  
**Report contact:** John Smith, Pension Governance and Employer Manager (Investments, Funding & Governance)

**Contact details:** T: 020 8213 2700 E: john.smith@surreycc.gov.uk



## Surrey Local Pension Board 12 November 2020

### Recent developments in the LGPS

#### Recommendations:

1. This paper outlines recent developments that affect the LGPS.
2. The Board is asked to **note** the content of this report.

#### For Information:

3. This paper does **not** cover McCloud and the Exit Cap which are explored in more detail in other reports.
4. The Finance Act 2020 The Finance Act 2020 received royal assent on 22 July 2020, and it introduces;
  - the changes to the tapered annual allowance for the 2020/21 year that we summarised in the LGA's 2020 annual update bulletin, and
  - temporary relaxations to the protected pension age rules for those who return to work to help an employer respond to the COVID-19 pandemic.
5. The LGPS (Amendment) (No.2) Regulations 2020 came into force on 23 September 2020 and the LGA will provide a full update in due course. Work is underway to prepare two sets of guidance on the new employer exit flexibilities under regulation 58. One strand is a high-level addendum to the existing funding strategy statement guidance prepared by MHCLG, and it is expected to be the subject of a limited consultation in October. The other is a question and answer guide to the new flexibilities, with practical examples, produced by the Scheme Advisory Board.
6. MHCLG is trying to move to a position where the SF3s recorded in the statistical report are based on audited data; however, almost all returns are based on provisional data due to the challenging deadlines. It asked funds to send amended SF3s based on audited data if they vary significantly from the provisional data and they can be submitted by 25<sup>th</sup> September.

7. The Government Actuary has issued revised guidance on the following topics;
  - Application of a pension debit for divorced members – from 1 April 2014
  - Application of a pension debit for divorced members – before 1 April 2014
  - Pension sharing following divorce
  - Individual incoming & outgoing transfers
  - Trivial commutation.
8. The Pensions Ombudsman awarded over £40,000 for loss of “reasonably foreseeable” investment returns due to a delay in paying a transfer, and £2,000 for inconvenience and distress. This is a new development first seen in Mr T v TENCO and Mr S v Northampton and it is likely to form a template for similar cases. This is a wake-up call for funds with backlogs.
9. The Pensions Regulator plans to consolidate its 15 Codes of Practice into a single shorter code in late 2020 or early 2021.
10. The government has confirmed its intention to increase the minimum retirement age from 55 to 57 in 2028 except for those with retirement ages not tied to state pensionable age, such as firefighters, police and the armed forces.

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**Report contact:** John Smith, Pensions Governance and Employer Manager (Investments, Funding & Governance)

**Contact details:** T: 020 8213 2700 E: john.smith@surreycc.gov.uk

**Sources/background papers:** None

**Annexes:** None



## **The Surrey Local Pension Board 12 November 2020**

### **Review of Internal Dispute Resolution cases in 2020/21 (Quarter Two)**

#### **Recommendation**

1. The Board is asked to note the content of this report.

#### **Detail:**

#### **Introduction**

2. Pursuant to the Local Government Pension Scheme (LGPS) Regulations 2013 (the Regulations) each scheme employer and administering authority must appoint an adjudicator to consider applications regarding the first instance decisions made by the scheme employer or where relevant the administering authority.
3. Under the Scheme of Delegation relating to section 106 agreements, the following officers are nominated to hear stage one and stage two Internal Dispute Resolution (IDRP) appeals:
  - The Acting Section 151 Officer.
  - The Director of Legal and Democratic Services.
  - The Director of People and Development.
  - The Head of Pensions (Pension Fund and Treasury).

#### **Summary of the appeals in 2020/21 (quarter Two)**

#### **Stage 1 – determined**

4. A member asked to amend their retirement date after they had requested payment. The appeal was dismissed.
5. A member argued that their employer had placed them in the wrong pension scheme. The case was referred back to the employer for further consideration and the member was offered a payment in respect of inconvenience and distress.

6. A widow believed that her pension had been calculated incorrectly based on an estimate provided to her late husband. The estimate was opaquely worded, but fundamentally correct and the widow was awarded a payment for inconvenience and distress.
7. A member argued that their employer had placed them in the wrong pension scheme. Their appeal was dismissed but they were offered a payment in respect of inconvenience and distress.

**Stage 2 – determined**

8. A member asked to amend their retirement date after they had requested payment. The appeal was dismissed.

-----  
**Report contact:** John Smith, Pension Governance and Employer Manager

**Contact details:** T: 020 8213 2700 E-mail: john.smith@surreycc.gov.uk

**Sources/background papers:** The LGPS Regulations 2013



## **The Surrey Local Pension Board 12 November 2020**

### **Annual Report/Statement of Accounts 2019/20**

#### **Recommendations:**

- 1 Note the Annual report and financial statements set out in Annex 1.

#### **Detail:**

1. The Pension Fund is required to prepare and publish a document (the annual report) prior to 01 December under Regulation 34 of the 2008 LGPS regulations. The report must contain information pertaining to the financial and investment performance and position of the fund as well as fund policies and statements. The requirements are set out in more detail below in the sections as listed in the aforementioned regulations.
2. The Pension Fund statement of accounts will be presented to the Audit and Governance Committee at its meeting on October.
3. The external auditor is required to report on the Pension Fund financial statements. There has been no material misstatements in the financial statements and the external auditor (Grant Thornton) has issued an unqualified opinion having completed their audit.
4. A copy of the financial statements and notes to the accounts included in Annex 1 will be published in the Pension Fund Annual Report 2019/20.

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**Report contact:** Mamon Zaman, Senior Pensions Finance Specialist

**Contact details:** T: 020 8213 2738 E: mamon.zaman@surreycc.gov.uk

#### **Sources/background papers:**

#### **Annexes:**

1. Annual report and Pension Fund Accounts 2019/20

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# Surrey Pension Fund



## Our Mission:

*“The Surrey Pension Fund will deliver a first-class service through strong partnerships with scheme members, employers, the Border to Coast Pool and the wider LGPS community. Environmental, Social and Governance factors are fundamental to our approach which is underpinned by risk management, informed decision making, the use of technology and the highest standards of corporate governance”*

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# Chairman's statement



# Chairman's Introduction



2019/20 has been a very busy year for Surrey Pension Fund with substantial growth in the number of employers in the Fund. Investment performance was marred by the immediate effects of the Covid-19 global

pandemic. The value of the Fund at 31 March 2020 had decreased to £3.8bn (pretty much the bottom of the market but has since increased to £4.3 bn at the time of writing. The funding level only decreased by to 93% at end March but has since improved to 97%. The number of employers in the fund is now over 300 and we service over 111,000 members.

## Changes in the Investment Strategy

The Fund has continued with its total overhaul of its investment strategy to ensure a fully diversified portfolio, appropriate to the Fund's long term objectives having regard to the fund's size, the opportunities presented by pooling with BCPP, and the minimisation of risk. This has involved further adjustments in asset allocation which we expect to improve performance.

## Investing Responsibly

The Fund continues to take an increasingly active role in ensuring it invests with due attention to our environmental, social and governance (ESG) responsibilities. Our focus remains on maintaining appropriate investments having every regard to Climate Change implications and our responsibilities in helping maintain a sustainable world. We believe that our ESG objectives are best served by engagement so, in addition to the commitments in our own investment

strategy statement, the Fund is a party to the BCPP Responsibility Investment Policy and a member of the BCPP Climate Change Working Party. The Fund also offers its full support to the Local Authority Pension Fund Forum as well as BCPP's Engagement Lead, Robeco. More widely the Fund is signed up to the Taskforce for Climate Related Financial Disclosures (TCFD) and will begin to report against these disclosures for this 2019/20 Annual Report.

Furthermore in March the Fund embarked on a study to review and align its strategy with the relevant United Nation's Principles for Sustainable Growth the results of which will inform our strategy in 2020/21.

## Investment pooling within the LGPS

Surrey Pension Fund continues to make methodical and carefully considered progress towards pooling the Fund's assets with other LGPS funds in the Border to Coast Pensions Partnership (BCPP). Most of our Global Equity holdings were successfully transitioned in November 2019.

The Committee is prudent in ensuring that the BCPP sub funds provide the asset class and mix to suit the fund's investment strategy. Border to Coast operates investment funds for its Partner Funds to invest in based on their strategic asset allocations. The assets under management across the twelve Partner Funds total approximately £46 billion.

## Funding Strategy

Our successful funding strategy remains basically unchanged although following the 2019 triennial valuation we have introduced customised investment strategies for employers with specific requirements.

## **Management**

Covid-19 has had a major effect on all office working practices. In these very difficult circumstances Neil Mason and his team have been outstanding over the year in maintaining continuity and dealing with the increasingly heavy work load and I cannot praise them enough for their dedication and commitment.



**Tim Evans**  
**Chairman of the Surrey Pension Fund**  
**Committee**

# Members and Advisors



# Membership of the Pension Fund Committee

The current membership of the Pension Fund Committee is as follows:




	<p><b>Tim Evans: Chairman</b> Party: Conservative Borough and District: Spelthorne E: <a href="mailto:tim.evans@surreycc.gov.uk">tim.evans@surreycc.gov.uk</a> T: 01932 785138</p>
	<p><b>Ben Carasco: Vice Chairman</b> Party: Conservative Borough and District: Woking E: <a href="mailto:ben.carasco@surreycc.gov.uk">ben.carasco@surreycc.gov.uk</a> T: 07733 307525</p>
	<p><b>John Beckett</b> Party: Residents Association Borough and District: Epsom and Ewell E: <a href="mailto:john.beckett@surreycc.gov.uk">john.beckett@surreycc.gov.uk</a> T: 020 8393 8208</p>




	<p><b>David Mansfield</b> Party: Conservative Borough and District: Surrey Heath E: <a href="mailto:david.mansfield@surreycc.gov.uk">david.mansfield@surreycc.gov.uk</a> T: 01483 799328</p>
	<p><b>Hazel Watson</b> Party: Liberal Democrats Borough and District: Mole Valley E: <a href="mailto:h.watson@surreycc.gov.uk">h.watson@surreycc.gov.uk</a> T: 01306 880120</p>
	<p><b>Ruth Mitchell</b> Party: Conservative Borough and District: Elmbridge, Hersham Village E: <a href="mailto:rmitchell@elmbridge.gov.uk">rmitchell@elmbridge.gov.uk</a> T: 01932 220557</p>
	<p><b>Tony Elias</b> Party: Conservative Borough and District: Tandridge E: <a href="mailto:Cllr.tony.elias@tandridgedc.gov.uk">Cllr.tony.elias@tandridgedc.gov.uk</a> T: 01883742685</p>

	<p><b>Philip Walker</b> Employee &amp; Pensioners Representative</p>
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# Membership of the Local Pension Board

	<p><b>Nick Harrison: Chairman</b>                  Party: Residents' Association and Independent                  Borough and District: Reigate and Banstead                  E: <a href="mailto:nicholas.harrison@surreycc.gov.uk">nicholas.harrison@surreycc.gov.uk</a>                  T: 01737 215405</p>
	<p><b>Graham Ellwood: Vice Chairman</b>                  Party: Conservative                  Borough and District: Guildford                  E: <a href="mailto:graham.ellwood@surreycc.gov.uk">graham.ellwood@surreycc.gov.uk</a>                  T: 07899 846626</p>
	<p><b>Paul Bundy</b>                  Head of Finance                  Surrey Police                  E: <a href="mailto:Paul.Bundy@surrey.pnn.police.uk">Paul.Bundy@surrey.pnn.police.uk</a></p>
	<p><b>David Stewart</b>                  Surrey LGPS Members</p>

 A portrait photograph of Trevor Willington, a middle-aged man with short grey hair, wearing a dark suit jacket, a white shirt, and a light-colored tie. He is smiling slightly and looking directly at the camera. The background is a plain, light-colored wall.	<p><b>Trevor Willington</b> Surrey LGPS Members</p>
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## Officer Contact Details

	<p><b>Leigh Whitehouse</b>          Executive Director of Resources          (s151 Officer)          E: leigh.whitehouse@surreycc.gov.uk          T: 020 8541 7012</p>
	<p><b>Anna D'Alessandro</b>          Director, Corporate Finance          E:anna.dalessandro@surreycc.gov.uk          T: 07885 434034</p>
	<p><b>Neil Mason</b>          Head of Pensions          E: neil.mason@surreycc.gov.uk          T: 020 8213 2739</p>
	<p><b>Steve Turner</b>          Professional Advisor - Mercer          E: steve.j.turner@mercer.com          T: 01483 777035</p>

 A portrait of Anthony Fletcher, a middle-aged man with short grey hair, wearing a dark blue suit jacket, a white shirt, and a patterned tie. He is standing in what appears to be an office hallway.	<p><b>Anthony Fletcher</b> Professional Advisor - Independent E: Anthony.Fletcher@MJHudson.com T: 020 7079 1000</p>
 A portrait of Gemma Sefton, a young woman with long blonde hair, wearing a dark grey short-sleeved top. She is smiling slightly and looking towards the camera.	<p><b>Gemma Sefton</b> Fund Actuary T: 0141 566 7568 E: gemma.sefton@hymans.co.uk</p>

<b>Bankers</b>	HSBC
<b>Fund Managers</b>	LGPS Pool: Border to Coast Pensions Partnership Baillie Gifford CBRE Global Investors Franklin Templeton Investments Legal and General Investment Management Majedie Asset Management Newton Investment Management Western Asset Management Aviva Investors Ruffer
<b>Global Custodian</b>	Northern Trust
<b>Legal Advisors</b>	Evershed (Pensions Law), Browne Jacobson (Legal Due Diligence)
<b>Private Market Managers</b>	LGPS Pool: Border to Coast Pensions Partnership BlackRock Capital Dynamics Goldman Sachs Asset Management Hg Capital Livingbridge Equity Partners Standard Life Capital Partners Pantheon Global Infrastructure Glennmont Partners Darwin Property Investment Management
<b>AVC Provider</b>	Prudential Assurance Company Equitable Life Assurance Society
<b>Auditors</b>	Grant Thornton UK LLP



# Overview

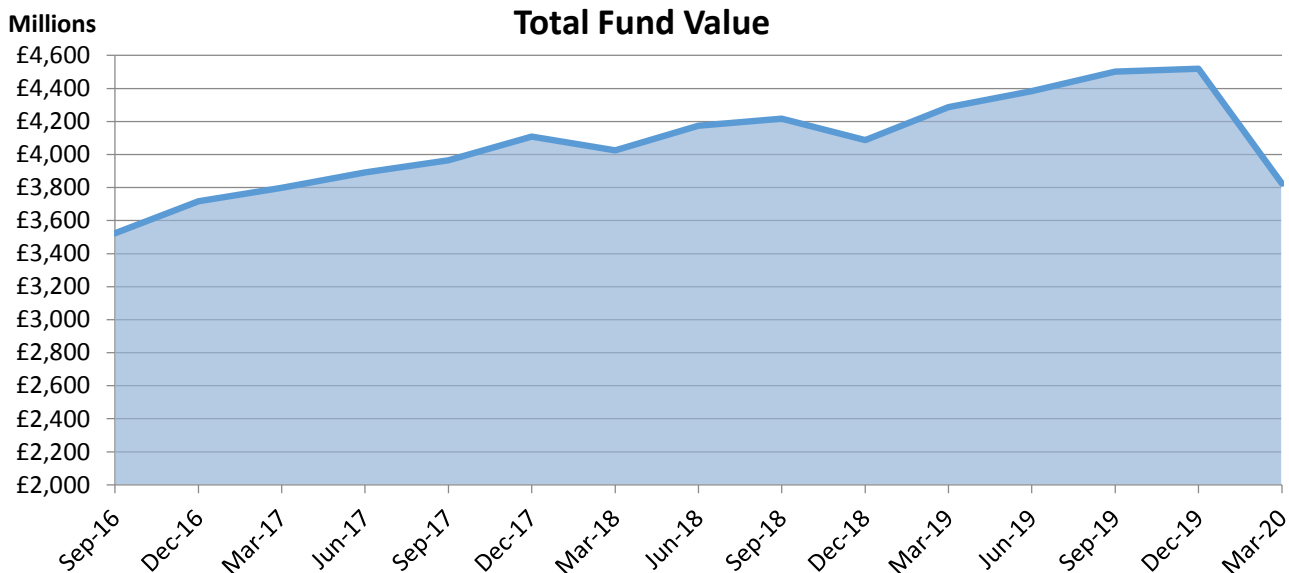




# Overview

	2016/17 £000	2017/18 £000	2018/19	2019/20
Contributions and transfers	199,650	191,164	191,730	197,707
Less benefits and expenses	-157,645	-167,521	-176,248	-191,683
<b>Net additions</b>	<b>42,005</b>	<b>23,643</b>	<b>15,482</b>	<b>6,024</b>
Net investment income*	61,238	64,719	58,270	50,769
Change in market value	541,953	98,662	185,943	-512,885
<b>Net return on investments</b>	<b>603,191</b>	<b>163,381</b>	<b>244,213</b>	<b>462,116</b>
<b>Net increase in Fund</b>	<b>645,196</b>	<b>187,024</b>	<b>259,695</b>	<b>456,092</b>
<b>Fund value at 31 March</b>	<b>3,868,859</b>	<b>4,055,883</b>	<b>4,315,578</b>	<b>3,859,486</b>

\*Net of Investment and governance expenses and tax withheld expenses



	31 March 2014	31 March 2015	31 March 2016	31 March 2017	31 March 2018	31 March 2019	31 March 2020
Contributory Employees	32,530	32,851	34,072	34,298	35,802	34,292	35,458
Pensioners and Dependants	21,598	22,481	23,197	24,025	25,135	25,929	27,244
Deferred Pensions	30,639	33,833	34,158	41,573	45,079	49,874	48,612
<b>Total</b>	<b>84,767</b>	<b>89,165</b>	<b>91,427</b>	<b>99,896</b>	<b>106,016</b>	<b>110,195</b>	<b>111,314</b>



# Pensions and Governance Summary



# LGPS Scheme Details

On 1 April 2014, the new Local Government Pension Scheme (LGPS) came into effect, replacing the final salary scheme with a career average revalued earnings (CARE) scheme for future benefit accrual.

The new Scheme:

- has a normal pension age equal to state pension age (minimum age 65)
- gives a pension for each year at a rate of 1/49th of pensionable pay received in that year
- provides increased flexibility for members wishing to retire early
- allows members to pay reduced contributions as an alternative to opting out (though benefits build up at a slower rate)
- provides for previous years' CARE benefits to be inflation proofed in line with the Consumer Prices Index while the member is still paying in
- requires members to have at least 2 years' membership to qualify for pension benefits

## Key LGPS Facts England and Wales

- Made up of 90 regional funds and 8 LGPS Pensions Pools
- Around 5.3 million members
- Total fund assets are £217 billion
- Total expenditure on benefits is over £9.4

## Key LGPS Facts SCC

- Made up of 310 employers
- Around 111,000 members
- Total fund assets are £3.8 billion
- Total expenditure on benefits is over £176 million p.a.

The following pay ranges and employee contribution rates will apply from April 2020 as follows:

Actual Pensionable Pay	Contribution Rate
Up to £14,600	5.5%
£14,601 to £22,800	5.8%
£22,801 to £37,100	6.5%
£37,101 to £46,900	6.8%
£46,901 to £65,600	8.5%
£65,601 to £93,000	9.9%
£93,001 to £109,500	10.5%
£109,501 to £164,200	11.4%
£164,201 or more	12.5%

The regulations for the pre-April 2014 and post-April 2014 scheme are shown below:

Pre-2014: [www.lgpsregs.org/timelineregs/Default.html](http://www.lgpsregs.org/timelineregs/Default.html)

Post-2014: <http://www.lgpsregs.org/schemeregs/lgpsregs2013/timeline.php>

More information on the LGPS can be found on pages 109 to 112.

The Fund is financed by contributions from employees and employers, together with income earned from investments. The surplus of contributions and investment income over benefits currently being paid is invested.

The pay bands above increase each April in line with increases in the Consumer Prices Index (CPI).

Employers' contribution rates are set following each Actuarial Valuation. A valuation of the Fund's financial position must be made every three years when the Actuary certifies the employers' rates payable until the results of the next valuation are known.

Under the Regulations employer contributions are determined in two parts.

- A common rate based on the existing and prospective liabilities of the Fund having regard to the circumstances common to all the participating employers and to the desirability of maintaining as nearly constant a rate as possible
- Individual adjustments arising from circumstances peculiar to an individual employer.

Pensions paid to retired employees, and benefits with a deferred payment date, are subject to mandatory increases under pensions increase legislation. The cost of inflation-proofing benefits is funded through the employers' contribution rate.

# Governance Summary

## Pensions Committee:

Responsibility and governance for the Pension Fund, including investment strategy, fund administration, liability management corporate governance is delegated to the Surrey Pension Fund Committee, which is made up of:

- Six nominated members of the County Council;
- Two representatives from the Borough/District Councils nominated by the Surrey Local Government Association;
- One representative from the external employers;
- One representative of the members of the Fund.

The Pension Fund Committee is advised by a representative of the Fund's professional investment consultant, an independent advisor, the Director of Finance and the Head of Pensions. The Pension Fund Committee meets on a quarterly basis.

## Local Board:

The governance arrangements of the Local Government Pension Scheme are changing. From 1 April 2015 the Surrey Pension Fund Committee had been assisted in its management of the Surrey Pension Fund by a Local Pension Board made up from representatives of members and employers of the scheme.

The role of the local Pension Board, as defined by Regulation 106 of the Local Government Pension Scheme Regulations 2013 is to assist the County Council as Administering Authority:

(a) to secure compliance with:

- I. the scheme regulations;
- II. any other legislation relating to the governance and administration of the LGPS Scheme and any connected scheme;
- III. any requirements imposed by the Pensions Regulator in relation to the LGPS Scheme.

(b) to ensure the effective and efficient governance and administration of the LGPS Scheme.

The Local Pension Board will ensure it effectively and efficiently complies with the Code of Practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

The Local Pension Board will also help ensure that the Surrey Pension Fund is managed and administered effectively and efficiently and complies with the Code of Practice on the governance and administration of public service pension schemes issued by the Pension Regulator. The Local Pension Board has power to do anything that is calculated to facilitate or is conducive or incidental to the discharge of any of its functions but should always act within its terms of reference.

The Local Board is made up of representatives of the employers and members within the Surrey Fund and that the representation between employees and employers should be equal. The terms of reference of the board outlines the constitution of members as follows:

Employer representatives

- 2 x Surrey County Councilors
- 2 x Other employer representatives

Member representatives

- 1 x GMB nominated representative
- 1 x Unison nominated representative
- 2 x Other member representatives

The first meeting of the year for the Local Pensions Board was the 18 July 2019. The Board papers and minutes of meetings, as well as those for the Pension Fund Committee, are available on the Surrey County Council website.

The annual report of the Local Pension board is overleaf.

# Local Pension Board Annual Report



Welcome to the annual report of the Surrey Local Pension Board. We have used 2019/20 to continue to build on the good practice developed since our establishment in 2015.

The Board is a requirement of the Local Government Pension Scheme Regulations 2013, and its primary functions are to assist Surrey County Council in:

- its compliance with the LGPS Regulations, other relevant legislation and requirements imposed by the Pensions Regulator; and
- the effective and efficient governance and administration of the scheme.

The Board has exercised oversight of the activities of the Pension Fund Committee in relation to the results of actuarial valuations, changes to investment strategy and the continued implementation of the local government pension pools through the Surrey Fund's membership of the Border to Coast Pension Partnership (BCPP) pool. I participate in meetings with the other chairs of the Local Pension Boards in the BCPP pool, to exchange experiences, ideas and assess the progress of the pooling arrangements.

The Board has closely tracked the administrative performance of the Fund and its impact on member and employer experience, through quarterly KPI's and reports on projects, systems changes and broader changes in pension's legislation and best practice guidance. The Board has oversight of the Fund's risk management practices and risk registers.

Despite the Covid-19 pandemic, I would like to commend the Pension Fund team and the Pensions Administration team for their quick adaptation to working remotely, ensuring that the Fund's basic functions to pay Fund members' benefits are fulfilled and the continuation of business-as-usual for pensions operations. The Chairman of the Pension Fund Committee and I receive regular weekly updates from the Head of Pensions Administration aligning priority areas with the Pensions Regulator's advice and we are in regular receipt of the Coronavirus Risk Register.

The Board continues to meet some weeks before the Committee in order to provide effective oversight, and takes the lead in reviewing administrative performance and projects, the risk register, and reporting issues of concern to the Committee. The Board also reviews the activities of the Committee at each subsequent meeting, making comments back as required.

Over the year Tina Hood, Paresh Rajani and Katy Meakin have stepped down, and I thank them for their service.

The meetings of the Surrey Local Pension Board are held in public. We would always welcome anyone with an interest to attend and see how the Board operates. We are also open to suggestions from both employers and members about how it can best support them. Our 2019-20 Administration Performance Report can be found in Annex 2.

You can find out more by writing to the Board's supporting officer, at [democraticservices@surreycc.gov.uk](mailto:democraticservices@surreycc.gov.uk) or phoning 0208 213 2782.

**Nick Harrison**  
**Chairman of the Surrey Local Pension Board**

<b>To secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme.</b>	<b>How the Board does this:</b>
a) Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.	The Board and Committee receive regular updates regarding their respective activities. The Board and Committee are committed to working together. The Board receives updates on the Border to Coast Pension Partnership (BCPP) pool.
b) Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, relevant legislation and in particular the Code of Practice.	The Board has oversight of Pension Fund policies and processes.  The Board reviews Key Performance Indicators (KPIs) for pension administration on a quarterly basis.
c) Review the compliance of scheme employers with their duties under the Regulations and relevant legislation.	The Board reviewed employer pension discretions in July 2016, and have continued to monitor compliance over the past year. The Board received a report on Compliance with the Pensions Regulator's Code of Practice No. 14 at its meeting on 24 October 2019.
d) Assist with the development of and continually review such documentation as is required by the Regulations including Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.	This was reviewed as part of the Fund Annual Report on 24 October 2019, with specific policies also reviewed periodically in 2019/20 meetings. The Board will review these on an annual basis as part of the Fund Annual Report and as part of its Forward Plan.
e) Assist with the development of and continually review scheme member and employer communications as required by the Regulations and relevant legislation.	The Board was provided with an outline of the current communications channels for members and employers as part of a training session in October 2015. The Draft Communications Strategy was reviewed by the Board at its meeting on 24 October 2019.
f) Monitor complaints and performance on the administration and governance of the scheme.	The Board reviews complaints on a quarterly basis.



g) Assist with the application of the Internal Dispute Resolution Process.	The Board receives a quarterly update on the number of Internal Dispute Resolution Process cases and monitors any key themes emerging from these.
h) Review the complete and proper exercise of Pensions Ombudsman cases.	N/A – No current or outstanding Ombudsman cases to consider.
i) Review the implementation of revised policies and procedures following changes to the Scheme.	N/A – No changes. The Board is fully conversant on current proposed changes to the LGPS regulations through regular bulletins within the standing item Recent developments in the LGPS.
j) Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.	<p>The Board will review its own training needs on an annual basis. A knowledge and understanding log is included in the Board's annual report.</p> <p>All Board members are required to complete the Pension Regulator Public Sector toolkit in order to comply with the Board's Attendance, Knowledge and Understanding policy.</p>
k) Review the complete and proper exercise of employer and administering authority discretions.	The Board received a report on discretions on 24 October 2019 and due to receive a Discretions Update Report in July 2020.
l) Review the outcome of internal and external audit reports.	The Board complies with Surrey County Council's agreed process for internal audit reports being considered by scrutiny boards. This means all relevant audit reports are circulated to the Chairman, and any report with one or more high priority recommendation will be considered for discussion at the Board. The results of any external audit are shared with the Board.
m) Review draft accounts and scheme annual report.	The Board received both the Draft Statement of Accounts and Fund Annual Report 2018/2019 on 24 October 2019.
n) Review the compliance of particular cases, projects or process on request of the Committee.	N/A
o) Any other area within the core function (i.e. assisting the Administering Authority) the Board deems appropriate.	The Board receives a Breach of Law update as and when breaches occur, the last report was on 13 February 2020.



**18 July 2019**

- Summary of the Pension Fund Committee Meeting of 7 June 2019
- Internal Audit Report - Review of Surrey Pension Fund Administration 2018/19
- Administration Update (1 April 2019 to 30 June 2019)
- Administration Performance Report (Quarter One)
- Risk Registers 2019/20 (Quarter One)
- Surrey Local Pension Board Annual Report 2018/19
- Governance Review
- Additional Voluntary Contributions Governance Review (Interim) Report
- Review of Internal Dispute Resolution Cases in 2019/20 (Quarter One)
- Recent Developments in the LGPS
- Breach of Law Report (1 April 2019 to 30 June 2019)
- Border to Coast Update

**24 October 2019**

- Cyber Security
- Summary of the Pension Fund Committee Meeting of 13 September 2019
- Administration Update (1 July 2019 to 30 September 2019)
- Administration Performance Report (Quarter 2)
- Risk Registers 2019 (Quarter 2)
- Review of Internal Dispute Resolution Cases in 2019/20 (Quarter 2)
- Compliance with the Pensions Regulator's Code of Practice No. 14
- Draft Administration Strategy
- New Service Specification Between the Pension Fund and the Pension Administration Function
- Risk Management Policy
- The Pensions Regulator LGPS Cohort Report
- Investment Consultant Strategic Objectives
- Annual Report/Statement Of Accounts 2018/19

**13 February 2020**

- Summary of the Pension Fund Committee Meeting of 20 December 2019
- Administration Update (1 October 2019 to 31 December 2019)
- Administration Performance Report Quarter 3
- Risk Registers 2019/20 Quarter 3
- Recent Developments in the LGPS
- Breach Of Law 1 October 2019 to 31 December 2019
- Review of Internal Dispute Resolution Cases in 2019/20 (Quarter 3)

**22 May 2020 (Informal - due to Covid-19)**

- Summary of the Pension Fund Committee Meeting of 13 March 2020
- Administration Update (1 January to 31 March 2020)
- Administration Performance Report Quarter 4

- Risk Registers 2019/20 Quarter 4
- Recent Developments in the LGPS
- The Surrey Pension Fund Response to the Coronavirus Crisis
- Border to Coast Update

## 1. Surrey Local Pension Board Attendance and Training Log 2019/20

## Members of the Local Pension Board

<b>Name</b>	<b>Representing</b>	<b>Appointed</b>	<b>Appointment ended</b>
(NH) Nick Harrison (Chairman)	Scheme employers	17 July 2015	N/A
(GE) Graham Ellwood (Vice-Chairman)	Scheme employers	14 June 2017	N/A
(PB) Paul Bundy	Scheme employers	17 July 2015	N/A
(TH) Tina Hood (Matravers)	Scheme members	29 January 2016	November 2019
(PR) Paresh Rajani	Scheme members	3 May 2016	18 July 2019
(DS) David Stewart	Scheme members	17 July 2015	N/A
(TW) Trevor Willington	Scheme members	17 July 2015	N/A
(KM) Katy Meakin	Scheme employers	25 April 2019	October 2019
(SK) Siobhan Kennedy	Scheme members	29 April 2020	N/A

## Meeting attendance

<b>Meeting date</b>	<b>In attendance</b>	<b>Apologies</b>
18 July 2019	PB, GE, NH, TH, PR, DS	KM, TW
24 October 2019	PB, NH, DS, TW	GE, TH
13 February 2020	PB, NH, TW	DS, GE
22 May 2020 (Informal)	PB, NH, DS, SK	GE, TW

## Compulsory training

<b>Training</b>	<b>Attained</b>
The Pensions Regulator Public Sector Toolkit	NH, PB, DS, TW
Local Government Association Fundamentals 1	NH, PB, DS, TW
Local Government Association Fundamentals 2	NH, PB, DS
Local Government Association Fundamentals 3	NH, PB, DS, TW

## Additional training

<b>Training</b>	<b>In attendance</b>
26/06/2019 - LGPS - Annual Event	NH
06/08/2019 - Pension Fund Investment Training	PB

**Publications distributed to all Local Pension Board members**

Local Government Pension Secretariat bulletins	170-183
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The Public Service Pensions Act 2013, Section 5(4) requires that any member of a Pension Board must not have a “conflict of interest”, which is defined in Section 5(5) as a “financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the board, but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme.”

A conflict of interest exists where there is a divergence between the individual interests of a person and their responsibility towards the Local Pension Board, such that it might be reasonably questioned whether the actions or decisions of that person are influenced by their own interests.

A conflict of interest would prejudice an individual’s ability to perform their duties and responsibilities towards the Local Pension Board in an objective way.

An example of a potential conflict of interest could be:

A Local Pension Board member may be required to review a decision which may be, or appear to be, in opposition to another interest or responsibility; e.g(s):

- a review of a decision which involves the use of departmental resource in the function of the Local Pension Board, whilst at the same time being tasked with reducing this departmental resource by virtue of their employment;
- a Local Pension Board member could also be employed or have an interest in either privately or as part of the Council in a service area of the Council for which the Local Pension Board has cause to review;
- an independent member of the Local Pension Board may have a conflict of interest if they are also advising the Scheme Manager.

Name	LGPS Member/ Employer Representative	Date of Appointment/ Termination (if applicable)	Relevant employment or positions held	In receipt of a LGPS pension?	State d Confl ict with Empl oyment?	Additional note	Other Conflict s of Interest
<b>Nick Harrison</b>	Employer	17/07/2015	Elected Member of Surrey County Council; Trustee director of a company pension scheme, DB Pension Fund Trustee Ltd.	No	No	Deutsche Bank itself has no role in relation to the Surrey Pension Fund and no role more generally in providing banking, investment or other services to Surrey County Council.	N/A
<b>Graham Ellwood</b>	Employer	14/06/2017	Elected Member of Surrey County Council; RI of Wilton Wealth Management Ltd	No	No	N/A	N/A
<b>Paul Bundy</b>	Employer	17/07/2015	Service Director Finance, Surrey & Sussex Police	No	Yes	Employed by an employer of the fund. If a conflict was to arise, this would be mitigated by the Board member removing himself from the discussion.	N/A
<b>Tina Hood</b>	Member	29/01/2016	GMB Branch Secretary Surrey County Branch County Hall	Yes	No	N/A	N/A



<b>Paresh Rajani</b>	Member	03/05/2016	Electrical Services Engineer, Neighbourhood & Housing Management Services, Guildford Borough Council; Unison representative	No	No	Employer not involved in financial business.	N/A
<b>David Stewart</b>	Member	17/07/2015	Shared Performance and Reward Manager (LBHF and RBKC), Shared Human Resources London Borough of Hammersmith & Fulham/Royal Borough of Kensington & Chelsea	Yes	No	Employer's pension services are administered by Orbis - this is actively managed by being recorded at every meeting, and any likelihood of conflict arising would be mitigated by the member removing himself from the discussion.	N/A
<b>Trevor Willington</b>	Member	17/07/2015		Yes	No	Employer not involved in financial business.	N/A
<b>Claire Morris</b>	Employer	17/07/2015 – 17/01/2019	Head of Financial Services and Deputy Chief Financial Officer, Guildford Borough Council	No	Yes	Employed by an employer of the fund. If a conflict was to arise, this would be mitigated by the Board member removing herself from the discussion.	N/A

## Knowledge and Skills Policy

The administrators of the Surrey Pension Fund are committed to the implementation of the Code of Practice on public sector pensions finance knowledge and skills. The Pension Fund Committee has agreed the following knowledge and skills policy statement.

1. The Pension Fund Committee recognises the importance of ensuring that all staff and members charged with the financial administration and decision-making with regard to the pension scheme are fully equipped with the knowledge and skills to discharge the responsibilities allocated to them.

2. It therefore seeks to utilise individuals who are both capable and experienced and it will provide/arrange training for staff and members of the Committee to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills

The members of the Committee are to partake in the CIPFA Knowledge and Skills Framework in order to identify areas where further training is required.

# Communication Policy Statement

## 1 Communication Objectives

- To accurately communicate the provisions and requirements of the Local Government Pension Scheme (LGPS) to all stakeholders.
- To identify and meet all regulatory requirements regarding provision of information.
- To promote appropriately membership of the LGPS Scheme to employees of participating employers.
- To communicate clearly to all stakeholders their own responsibility for communication and information flows in relation to the Scheme, and work with these other parties to improve efficiency of communications.
- To ensure communications are made in a timely manner.
- To use a variety of means for communication, depending on the purpose and content of the communication, and recognising that different styles and methods will suit different stakeholders.

## 2 Stakeholders

The various stakeholders for the purpose of this communication policy are identified below:

- Active members
- Prospective members
- Deferred members
- Pensioners
- Employers

## 3 Website

The Pension Fund has an established website:

**[surreypensionfund.org](http://surreypensionfund.org)**

<b>Method of Communication</b>	<b>Media</b>	<b>Frequency of issue</b>	<b>Method of Distribution</b>	<b>Audience Group (Active, Prospective, Deferred, Pensioner, Employer or All)</b>
Scheme overview and joiner form	Paper based and on website	On commencing employment and by request	Via employer	Active and prospective
Scheme booklet and joiner pack	Paper based and on website	On joining the scheme and by request	Home address or via employer	Active and prospective
Factsheets	Paper based and on website	On request	Post to home address or email	Active and deferred
Newsletters	Paper based and on website	After material scheme changes	Via employer	Active and Pensioner
Annual benefit Statements*	Paper based	Annually	Post to employer or home address	Active and Deferred
Pension clinics/roadshows and drop-in events	Face to face	As requested by employer and employee	Via employer	Active and prospective
Pre-retirement Courses	Face to face	As requested by employer	Via employer	Active
Briefing reports	Paper based and electronic	Ad hoc	Email or hard copy	Employers
Formal dispute resolution procedure	Paper based or electronic	As and when a dispute arises	Email or hard copy	All
Investment Updates	Website	Quarterly	On request	Employers
Annual report and accounts	Paper based, electronic or website	Annually	Email or hard copy	All
Annual general Meeting	Face to face	Annually	Email invitation	Employers
Actuarial valuation Report	Electronic or website	Triennial	Email	All

# Administration Strategy

The Surrey Pension Fund Pensions Administration Strategy can be found using the below link;

<https://www.surreypensionfund.org/media/1812/administration-strategy-v3.pdf>

# Investment Report



# Annual Investment Review

This report has been prepared by the Independent Investment Advisor to Surrey County Council Pension Fund (the Fund). At the request of the Pension and Investment Committee the purpose of the report is to fulfil the following aims: -

- Provide a review of the economic and market background over the 12 months to 31<sup>st</sup> March 2020.
- Provide an overview of market returns by asset class over the last 12 months.
- Provide an overview of the Fund's performance versus the Fund specific benchmark for the last 12 months.
- An overview of the outlook for markets and how this may impact the performance of the Fund.

# Economic Background

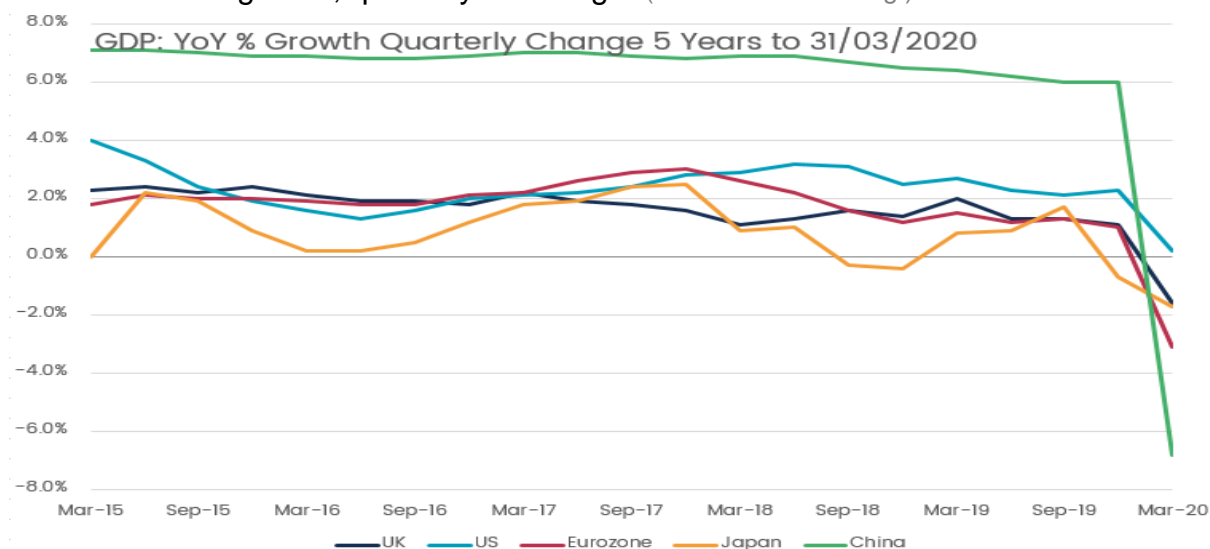
Surrey's financial year can be divided into two very contrasting periods; the first ten months pre – Covid 19, and February - March when the Pandemic was confirmed.

Over the first 9 months of the financial year to the end of December 2019 global economic growth, was slowing as the uncertainty caused by the protracted trade negotiations between the US and China took their toll on global trade and business sentiment. In January 2020 there were the first signs that growth could be about to improve with forward looking business sentiment indicators beginning to move higher. This change of direction for the global economy was largely explained by three factors. The decision of the central banks to confirm easier monetary policy was here to stay, the announcement of a trade deal between the US and China and increased levels of employment.

In the UK, the parliamentary deadlock over the Withdrawal Agreement was broken when the new Prime Minister, Boris Johnson, called a General Election for December 12th in which the Conservatives achieved an overall majority of 80. The strength of the victory removed a lot of political/parliamentary uncertainty for the next five years and potentially ten years. The UK withdrew from the EU on January 31st, although negotiations about the UK-EU trade deal are continuing during the transition period.

February and March 2020; initially, the coronavirus outbreak appeared to be limited to the city of Wuhan and other regions of China, but during February cases were being reported in other countries and in March it was officially confirmed as a Pandemic. One country after another closed large parts of its economy, restricted cross-border travel and confined residents to their homes. To assist the ailing economies, the US and UK central banks cut interest rates to almost zero and, along with the European Central Bank, resumed Quantitative Easing programmes. Governments hastily introduced massive fiscal injections to support companies, furloughed workers, the self-employed and small businesses. Separately, the oil market was thrown into turmoil on March 9th when Russia and Saudi Arabia failed to agree on production cuts, and the Saudis announced a sharp reduction in the oil price and an increase in daily production. The oil price fell by 60% in the first quarter of 2020.

**Chart 1:** - GDP growth, quarterly % change. (Source: - Bloomberg.)

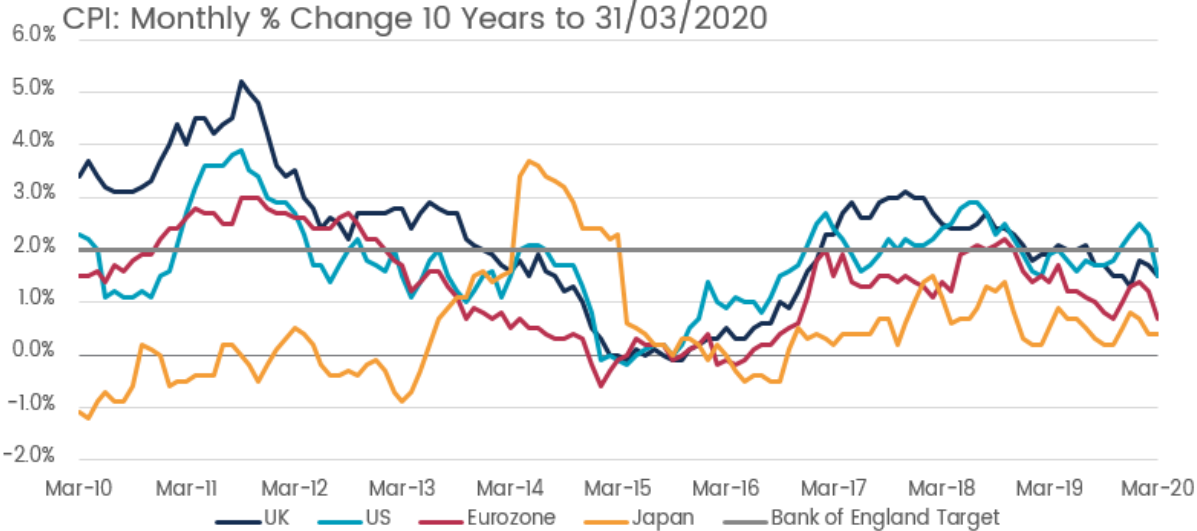




As can be seen in chart 1 above advance estimates of GDP in first quarter 2020 are sharply lower. It is likely that these estimates could be revised lower. Germany, France and Japan are already in recession having recorded negative growth in the fourth quarter 2019. It is clear that second quarter growth will be negative in most developed countries, meaning that the global economy is most likely already in recession. It is just possible that the global economy may not actually fall into recession because of the rapid rebound in activity seen in China and South East Asia.

Even before the Pandemic, inflationary expectations were being revised down on the weakness of growth and global trade. The fall in the oil price and the collapse of economic activity during lockdown and recovery is likely to keep aggregate inflation very low for some time. It is possible that supply shortages of some goods and food could cause hotspots of inflation, but the overall trend is for inflation to remain low for some time, because of the collapse in demand. As can be seen in chart 2, reported inflation in March has moved sharply lower.

**Chart 2:** - Headline CPI inflation and the Central bank target rate. (Source: - Bloomberg.)



### Central Banks

Pre – Covid 19, the US Federal Reserve (Fed) helped by lower inflation, had already cut rates three times (from 2.5% to 1.75%) to help stabilise the markets in 2019. Prior to the Pandemic the Fed was expected to leave rates unchanged in 2020. However, the Fed and the Bank of England (BoE) along with many other central banks cut rates dramatically in March to try and offset the negative impact of the Covid 19 Pandemic. US rates now stand at 0.25% and in the UK at 0.1%, while it is under consideration, I do not believe the Fed or the BoE, will adopt negative rates as in Europe and Japan. I expect them to either increase QE further or adopt a strategy of “yield curve management” where they will seek to control the level of long dated yields just as they do the overnight rate.

Although it had been announced in December 2019, right in the middle of the Pandemic crisis on the 16th March, Andrew Bailey replaced Mark Carney as Governor of the Bank of England.

## Global politics

Prior to Pandemic the political scene was dominated by the US - China trade negotiations. The last negotiation on this was in December 2019, with the signing of the Phase 1 trade deal, but there is still a long way to go before a comprehensive agreement will be reached. Mr Trump has blamed the spread of the virus on China, the WHO and any US state or local politician that did not agree with him or his policy suggestions on the spread or the severity of the Pandemic. He is of course seeking re-election as President in November this year, so needs the economy to recover quickly and for people to get back to work to improve his chances.

In the UK, post December's general election result, it looked as though politics would have more clarity with the single issue of the trade deal to negotiate with Europe before the end of the year. At the budget the new Chancellor did announce a substantial Fiscal expansion, but this was quickly dwarfed by the truly unprecedented measures announced to support the economy as the UK went into Lockdown.

## Market Returns

Equity markets had risen by more than 10% from April to mid-February, with many developed market equity indices recording new “all-time highs”, but the sharp falls in March, induced by the Pandemic left the MSCI Global equity All Country World Index 5.3% lower on the year. While North America and Japan were each 2-3% lower, the UK was one of the weakest markets, with a decline of more than 18%. The high weight of Oil, Commodity companies and Banks and the relatively low weight of Technology companies in the UK equity market indices was major contributor to the relative performance. The renewed weakness of Sterling against most major currencies particularly in the first quarter of 2020 also impacted relative returns for Sterling based investors.

Markets rebounded strongly from the lows seen in the third week of March. At the end of May 2020, all equity market indices were higher, most having recovered at least 50% of their decline from the highs seen in late February.

**Table 1**, below shows the total investment return in pound Sterling for the major asset classes, using FTSE indices except where noted; for April and May 2020 and for the three and twelve months to the end of March 2020.

% TOTAL RETURN DIVIDENDS REINVESTED			
MARKET RETURNS			
		Period end 31 <sup>st</sup> March 2020	
	April and May 2020	3 months	12 months
Global equity ACWI <sup>^</sup>	16.7	-15.5	-5.3
Regional indices			
UK All Share	8.0	-25.1	-18.5
North America	19.2	-14.1	-2.3
Europe ex UK	13.5	-18.0	-8.0
Japan	12.3	-11.0	-2.2
Pacific Basin	12.4	-20.0	-14.1
Emerging Equity Markets	10.6	-19.0	-13.0
UK Gilts - Conventional All Stocks	3.0	6.3	9.9
UK Gilts - Index Linked All Stocks	9.8	1.6	2.2
UK Corporate bonds*	7.3	-5.6	-0.1
Overseas Bonds**	0.5	3.6	7.2
UK Property quarterly <sup>^</sup>	-	-1.3	0.9
Sterling 7 day LIBOR	0.01	0.14	0.7

<sup>^</sup> MSCI indices \* iBoxx £ Corporate Bond; \*\*Citigroup WGBI ex UK hedged

Global government bond markets also had a volatile year but ended the year with strong positive returns. US 10 year government bond yields stood at 2.49% in April and fell to yield 1.45% in the summer as the Fed cut rates, but with the phase 1 trade deal signed and the improvement in the economic outlook, yields were back up to 1.9% in January 2020. As a result of the Covid 19 lockdowns and the unprecedented monetary and fiscal easing the 10 year US Government yield on 31<sup>st</sup> March 2020 was 0.67%, only just above the “all-time low” of 0.54% recorded on the 9th March. The directional movements of other government bond markets mirrored those of the US, at the end of March 2020 the 10 year yield in the UK was 0.35%, Germany -0.46% and Japan -0.01%. The more economically sensitive corporate bond markets finished the year with negative returns as spreads widened on increased fears of default arising from the recession.

At the end March 2020, the Surrey Pension Fund was valued at £3,784 million, this represents a decline of £462 million, since 31<sup>st</sup> March 2019. The Fund achieved a total net investment return of -11.2% for the year, underperforming both the benchmark return of -8.1% and the target return of -7.1%. Over the last 3 years the Fund has achieved a total return of -0.8% p.a. which is lower than the benchmark return of -0.4% p.a. and behind the target return of +0.6% p.a. Over the year the “funding level” of the Surrey Pension Fund declined slightly from 96% to 93% assuming no material change in the liabilities.

Since the end of the financial year the strong performance of the equity and credit markets, means that the Fund’s value has recovered somewhat. The estimated value of the Surrey Pension fund at 30<sup>th</sup> June 2020 is £4,296 million, representing an increase of £512 million while some of this increase is a result of new money contributions to the Fund, the investment appreciation was £449 million or 12% higher than reported on the 31<sup>st</sup> March 2020.

The Fund declined in value by just over 11% in the financial year to the end of March. While this is disappointing, it does partly reflect the high weight of equity in the Fund, but it has also been partly caused by the disappointing performance of the DGF’s and the Funds return seeking bond fund managers which are seeking to diversify equity risks. As a long term investor, the Surrey Pension Fund can afford to look through the short term volatility and focus on the medium to long term. Despite the poor short term fund performance, the estimated funding ratio has only declined by 3% over the year.

Over the financial year there have been few changes in the Fund’s overall strategic and tactical asset allocations. BCPP Surrey’s pooling partner have on the other hand made significant progress on taking over the manager selection appointments for key allocations in the Fund. Following on from the takeover of responsibility for UK equity manager selection in November 2018. In the last 12 months BCPP have established a number of Private Market offerings to which Surrey has subscribed committed capital. These include a commitment to invest £50 million in Private Equity, and £100 million each into Infrastructure and Private Credit. The latter is a new investment for Surrey whereas the other commitments represent a continued allocation of funds to Private Markets. By

handing over responsibility to BCPP, Surrey has relieved itself of the burden of due diligence, lightened the governance load, widened access to opportunity and potentially increased the diversification of the Private Market portfolio.

In October 2019, Surrey passed responsibility for the management of the global equity assets managed by Marathon to the BCPP Global Equity Alpha Fund. This fund is managed by 4 different asset managers in 5 different strategies. It is designed to deliver benchmark +2% net of fees over the investment cycle. It is too early at this stage to make any meaningful comments about BCPP's performance but the first quarter of 2020 proved to be a difficult period for the fund. Surrey maintain Newton as its other active manager of global equity pending the design and development of a regional equity offering by BCPP. In the current financial year Surrey is also working closely with BCPP and other Partner Funds in the design and development of Multi-Asset Credit and Property offerings.

The Surrey Pension Fund's return for the financial year was dominated by the negative market returns experienced in the period from mid-February to the end of March 2020, most of the Funds existing strategies and managers produced absolute and relative negative returns as a result of the Covid 19 Pandemic. Looking at the whole of the year only the DGF strategies managed by Ruffer and Aviva produced small positive returns, along with the passive Index Linked Gilt fund and CBRE's property fund which just scraped into positive territory. Newton's global equity fund did significantly outperform the benchmark (-6.7%) and target (-4.7%) returns but on an absolute basis total return was -1.8%. As mentioned above equity and credit markets has recovered strongly in the early part of the new financial year going some way to improving the Funds overall long term performance.

The immediate outlook is for a recession in the developed economies and potentially the global economy. I have no greater insights into how the economy and securities markets will recover, than the alphabet soup of scenarios for the shape of the economic recovery V, U, W and worryingly L, shaped; set out by commentators. It is the path of progress of the virus, the rate of recovery in the actual data and how the support measures are removed, that will drive the securities markets over the coming months. The longer the restrictions on activity remain in place the worse the outcome.

If I allow myself to be optimistic, I believe that based on the pace of recovery seen in those countries like China that have been through the primary wave impact of the Pandemic and the lack of a meaningful second wave, something close to an ice hockey stick "V" shaped recovery could be seen, not least because people will want to get back to work, school, social activity and holidays. Having said that, the gradient of the road of recovery is dependent on the amount of activity and income or rent that has been cancelled rather than postponed; the degree of economic scarring and the reaction function (willingness to take risk) of Society, Government and Companies. I believe, therefore that it could be a couple of years before the aggregate level of economic activity gets back to where it was before the Pandemic and some sectors could be permanently damaged.

I believe that many of the themes that have been playing out in markets over the last few years could be accelerated by Covid 19. China has for some years been re-engineering its economy away from low value to higher value manufacturing, at the same time it is creating, for now, the largest consumer market on the planet. As a result, the growth of the influence of China is likely to continue to spread out across the region, further raising tensions with the USA. I believe the aggregate demographics still favour emerging markets and expect the “fulcrum” of global economic power will continue to shift East.

The very high levels of developed market Sovereign debt will be part of the new reality financed by lower for longer (lower forever?) central bank rates and QE policies. Although I may be wrong, I do not expect negative interest rates will be adopted as tool by the US Fed or the Bank of England. It would also seem reasonable to me that, in the short to medium term at least, that personal savings rates will increase as households judge that they need to be more resilient. Regulators and governments may also expect non-financial corporates, just as they did the financial sector after the GFC, to become more resilient. This potentially means lower dividends, more “cash” on balance sheets and thereby lower returns on capital.

The Developed world will increasingly be weighed down by debt and demographics, with lower aggregate levels of return. In general, Emerging markets should do better because of the development of their own domestic markets, creating consumption for themselves rather than for the developed countries, as a result trade in goods could become more regional. The trend away from traditional retail to increased e-commerce will continue.

Over the medium term the end of the recession and the recovery of economic activity marks the beginning of a new period of economic expansion that in the past has led to high returns from equity and corporate bond markets. As the investment cycle progresses, excess returns on equity and credit should become dominated more by stock selection and fund manager skill, favouring active management over passive and possibly private markets over listed market investments. The Fund’s partnership with BCPP will continue to develop and as the range of investment solutions increases the Surrey Pension Fund should be able to access a wider range of investment opportunities, which should help mitigate the risk and volatility of returns over the medium to long term.

**Anthony Fletcher, Senior Adviser – MJ Hudson Allenbridge**

**Independent Investment Adviser to the Surrey Pension Fund.**

**July 2020**

# Investment Arrangements, Performance & Post Pool Reporting

The Fund is managed on both an active and passive basis.

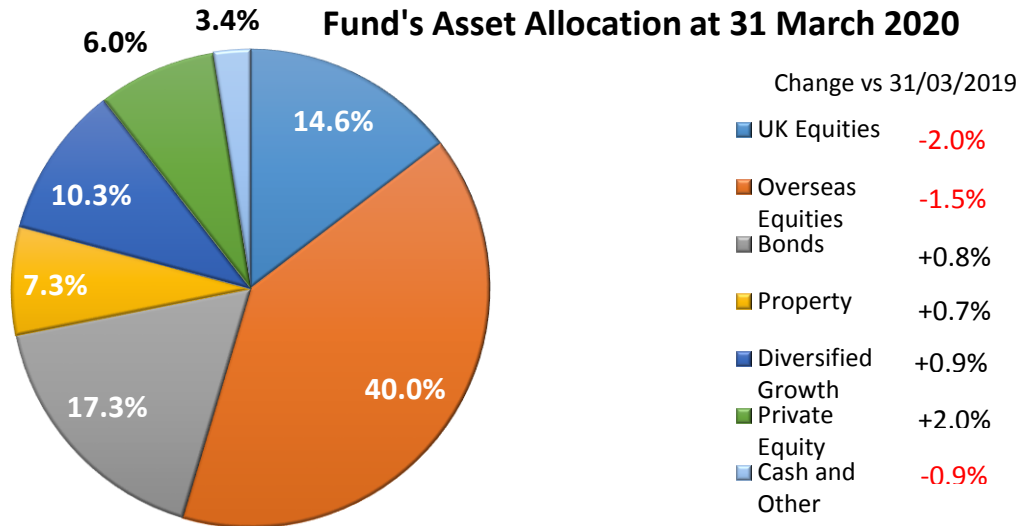
There are a number of external investment managers, who have been appointed to undertake day-to-day decisions on the allocation of investment between types of asset and choices of individual stocks within approved classes. They are required to take a long-term view, balancing risk against return and are remunerated on scales related to the value of funds under management and in certain cases for performance over and above benchmark return. Regular meetings are held with external managers to assess performance.

In addition the Fund has investments in private market funds managed by Blackrock, Goldman Sachs, Hg Capital, Living Bridge Equity Partners, Capital Dynamics, Standard Life Capital Partners as well as Infrastructure funds, Pantheon Access, a new clean energy infrastructure fund, Glenmont Partners and its Asset Pool, Border to Coast Pensions Partnership.

At 31 March 2020 the market value of assets under management was £3.4bn, excluding the private equity portfolio, internally managed cash, and residual cash held by the custodian. The proportion with each of the investment managers is shown below.

## **Portfolio Distribution**

The distribution of the Fund investments into different asset classes within the portfolio at 31 March 2020 is shown in the below chart, with the prior year allocation shown in the table below. There has been a reduction in allocation to UK Equities with a target allocation of 17.4% of the whole portfolio (excluding cash), with the reduction offset by an increase in Overseas Equities. The Fund has also transitioned into its Global Equity Alpha Fund in September 2019 with Border to Coast Pensions Partnership



\*Difference of 1dp in Cash Allocation above to table below due to rounding differences.

The chart below shows the investment breakdown by asset class over the last two years and the change in actual asset allocation over the year.

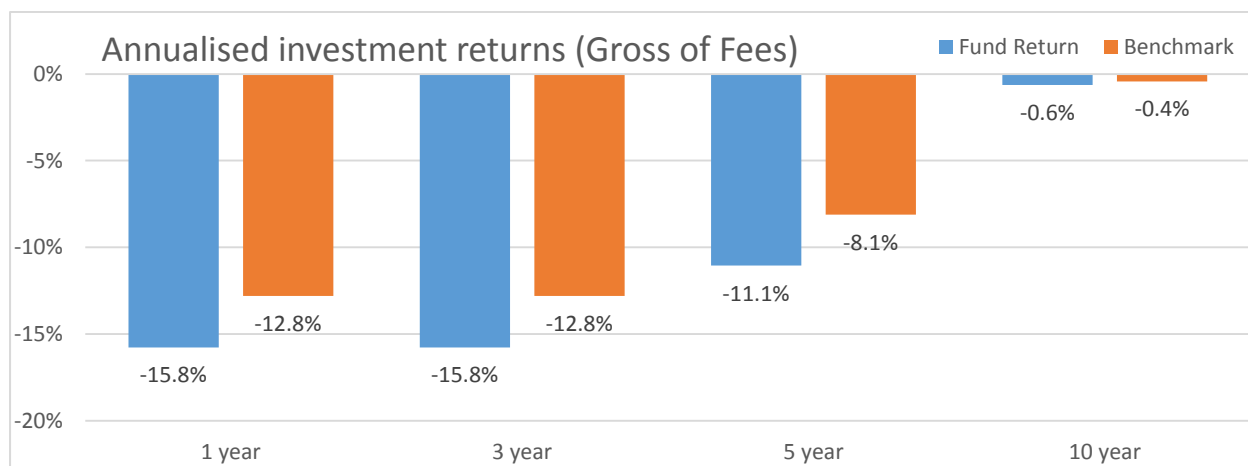
	Market Value as at 31 March 2019 £000	Actual Allocation 31 March 2019	Asset Allocation Target as at 31 March 2020	Market Value as at 31 March 2020 £000	Actual Allocation 31 March 2020	Movement in Year
<b>Local Assets</b>						
Fixed interest securities	495,283	11.55%	12.10%	445,047	11.64%	0.09%
Index linked securities	211,246	4.93%	5.50%	216,201	5.65%	0.72%
Equities	2,025,606	47.23%	36.20%	1,284,810	33.60%	-13.63%
Property unit trusts	283,240	6.60%	6.20%	275,396	7.20%	0.60%
Diversified growth	402,589	9.39%	11.40%	394,217	10.31%	0.92%
Private equity	255,964	5.97%	5.00%	305,912	8.00%	2.03%
Cash and other	150,519	3.51%*	0.00%	91,777	2.40%	-1.10%



<b>Pooled Assets</b>						
BCPP UK Equity Alpha	464,200	10.82%	12.00%	364,116	9.52%	-1.30%
BCPP Global Equity Alpha	0	0%	11.40%	446,212	11.67%	11.67%
<b>Total</b>	<b>4,288,647</b>	<b>100.0%</b>		<b>3,823,688</b>	<b>100.0%</b>	

Ten fund managers undertook the management of investments during 2019/2020 in a mix of passive and active investment. The Fund assesses investment performance against a customized benchmark provided by the Fund’s custodian Northern Trust. This benchmark is derived from a series of investment indices weighted by the Fund’s asset allocation. This allows the Fund to measure performance against a 100% passive allocation. Performance against target and benchmark is continually reviewed at regular intervals, as stated in the Fund’s Investment Strategy Statement.

The graph below shows how the Fund performed against the benchmark, on an annualized basis, for the previous 1, 3, 5 and 10 year periods.



The fund recorded investment performance below that of the benchmark for the previous 12 months to 31 March 2020 as well as underperformance over the longer term 3 year period, shown in the above chart. The Fund had experienced quite a significant downturn in its investments as at 31 March 2020 mainly due to the adverse market impact of COVID-19. The performance returns are reported as at 31 March 2020, but the overall fund value had recovered since then.

The allocation as at 31 March 2020 for each fund manager are shown in the below table.

Investment Manager	Mandate	Market value 31 March 2019	Percentage of Funds Under Management as at 31 March 2020
		£000	
<b>Active Funds Managed within Border to Coast Pensions Partnership (BCPP)</b>			
Border to Coast UK Equity Alpha	UK Equity	364,116	9.8%
Border to Coast Global Equity Alpha	Global Equity	446,212	12.0%
Border to Coast Surrey LP	Private Markets	16,836	0.45%
<b>Passive Funds Managed Outside of Border to Coast Pensions Partnership (BCPP)</b>			
Legal & General Investment Managers	Multi Asset	960,741	25.7%
<b>Active Funds Managed Outside of Border to Coast Pensions Partnership (BCPP)</b>			
Majedie Asset Management	UK Equities	191,971	5.1%
Newton Investment Management	Global Equities	326,016	8.7%
Western Asset Management	Multi Asset Credit	379,937	10.2%
Franklin Templeton Investments	Unconstrained Fixed Income	65,110	1.7%
CBRE Global Multi Manager	Property	288,447	7.7%
Baillie Gifford Life	Diversified	147,141	3.9%
Ruffer	Diversified Growth	125,886	3.4%
Aviva	Diversified Growth	121,190	3.2%

Various	Private Markets	302,429	8.15%
<b>Total Funds Under Management</b>		<b>3,736,032</b>	

### **Transition of Assets onto Border to Coast Pensions Partnership (BCPP)**

In 2015 the Department of Housing, Communities and Local Government (as it then was) issued LGPS: Investment Reform Criteria and Guidance which set out how the government expected funds to establish asset pooling arrangements. The objective was to deliver:

- Benefits of scale
- Strong governance and decision making
- Reduced costs and excellent value for money, and
- An improved capacity and capability to invest in infrastructure.

This has led to the creation of eight asset pools which have significantly changed the previous approach to investing, although it should be stressed that the responsibility for determining asset allocations and the investment strategy remains with individual pension funds. Surrey Pension Fund, along with 11 other funds, is now a partner fund of Border to Coast Pensions Partnership. Each Partner Fund had invested in Class A and B Shares at a cost (transaction price) of £1 and £833,333 respectively.

Some of the risks associated with LGPS Asset Pooling as a whole include:

- Less flexibility in terminating underperforming managers
- Conflicting strategic goals of different partner funds affecting funds on offer
- Lack of transparency in funds managed from pool, from Partner Funds

#### Assets transitioned in 2019/20

The Fund transitioned into Border to Coast's Global Equity Alpha Fund in September 2019 worth approximately £446m as at 31 March 2020.

#### Future Transition Plans

The Fund had also subscribed to BCPP's Alternative Investment offerings with £50m per year committed in Private Equity in May 2019, £100m per year committed in Infrastructure in June 2019, and a further £100m per year in Private Credit in September 2019. These funds are expected to generate savings in fees, as well as access to a wider range of investment opportunities within private markets. The Fund continued to make contributions in 2019/20 and will continue to do so as it reduces its allocation to Diversified Growth Funds.

In terms of future transition plans, The Fund expects to transition into BCPP's Emerging Market Equity Funds, Regional Equity Funds as well as its Multi Asset Credit Portfolio.

The Client Relations Team at Border to Coast Pensions Partnership can be contacted at [crm@bordertocoast.org.uk](mailto:crm@bordertocoast.org.uk)

## Transition Costs and Fee Savings

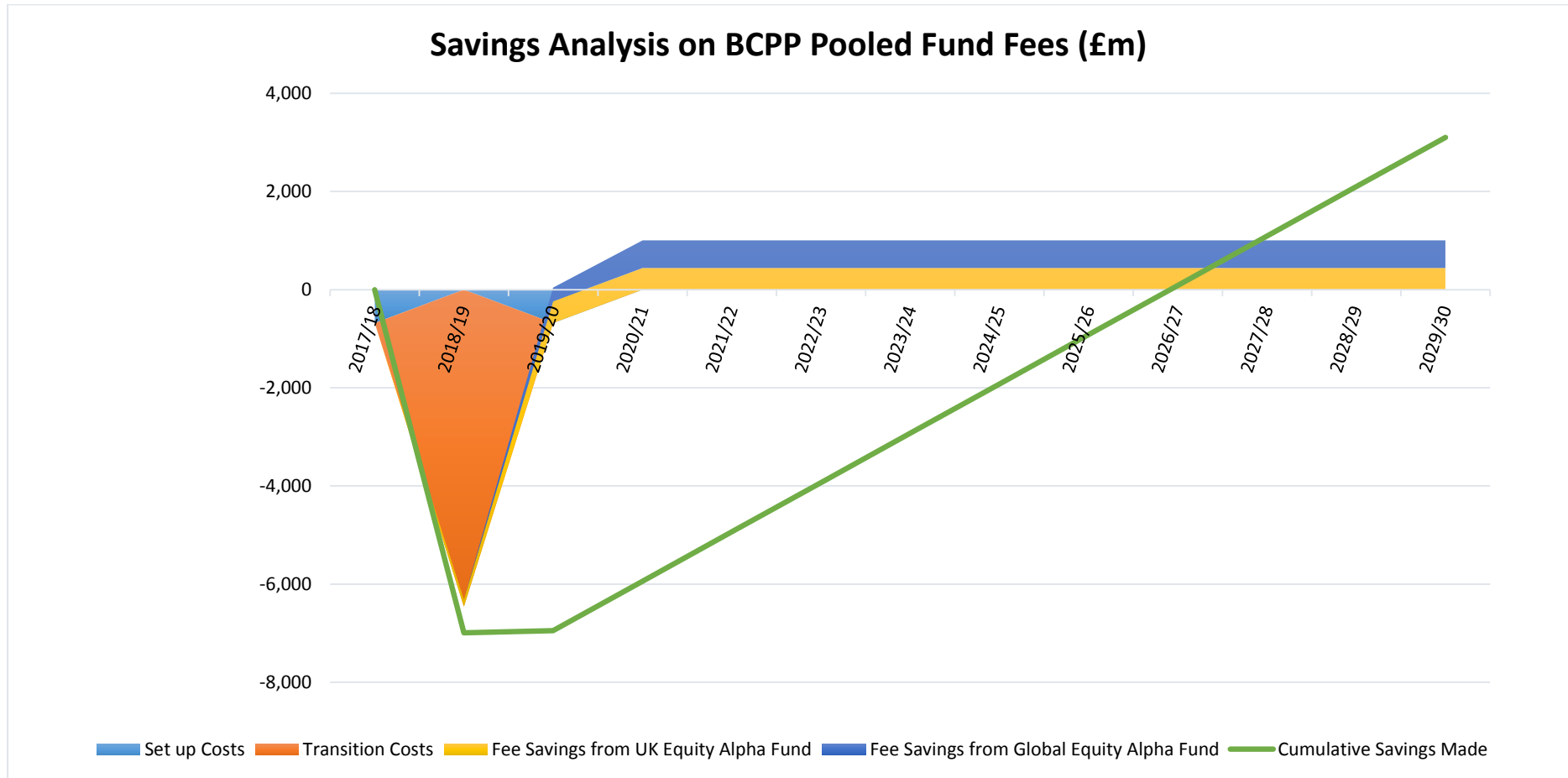
The initial transition costs are highlighted below with the expected savings from fee rates.

<b>Pooling Costs 2019-20</b>	<b>Direct £000s</b>	<b>Indirect £000s</b>	<b>Total £000s</b>	<b>Cumulative £000s</b>
<b>Set up Costs:</b>	335		335	1,014
Other Costs	345		345	558
<b>Transition Costs</b>				
Transition Fees		498	498	559
Other Transition Costs Commissions		93	93	194
Other Transition Costs Taxes and Stamp Duty		389	389	1,142
Other Transition Costs Implicit		0	0	5,544
<b>Total Transition Costs</b>	<b>679</b>	<b>980</b>	<b>1,660</b>	<b>9,011</b>

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<b>Savings Analysis on BCPP Pooled</b>													
<b>Fund Fees (£m)</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
Set up Costs	-893		-679										
Transition Costs		-6,458	-494										
Fee Savings from UK Equity Alpha Fund		147	442	442	442	442	442	442	442	442	442	442	442
Fee Savings from Global Equity Alpha Fund			282	563	563	563	563	563	563	563	563	563	563
<b>Cumulative Savings Made</b>	<b>0</b>	<b>-7,204</b>	<b>-7,654</b>	<b>-6,649</b>	<b>-5,644</b>	<b>-4,639</b>	<b>-3,634</b>	<b>-2,629</b>	<b>-1,624</b>	<b>-619</b>	<b>386</b>	<b>1,391</b>	<b>2,396</b>

Based on current projections of Manager Fee savings from the BCPP UK Equity Alpha Fund and the BCPP Global Equity Alpha Fund against their initial set up and transition costs, the Fund expects to realize savings by 2027/28. The Fee Savings analysis is shown in Annex 1



## Cost Transparency

The Fund's direct investment management expenses are included in Note 14 of the Pension Fund Accounts. Given the level of scrutiny that had existed historically with the transparency of investment management expenses, a Voluntary Code of Transparency covering investment management fees and costs was developed and approved by the Local Government Scheme Advisory Board and launched in May 2017. (A copy of the Code can be found at <http://lgpsboard.org/index.php/the-code#theCodetop>). Fund managers to the LGPS are being encouraged to sign up to this Code and as at March 2020, there were over 130 signatory firms. The aim of this Code was to increase value added by asset owners and asset managers by moving more toward fee transparency and consistency.

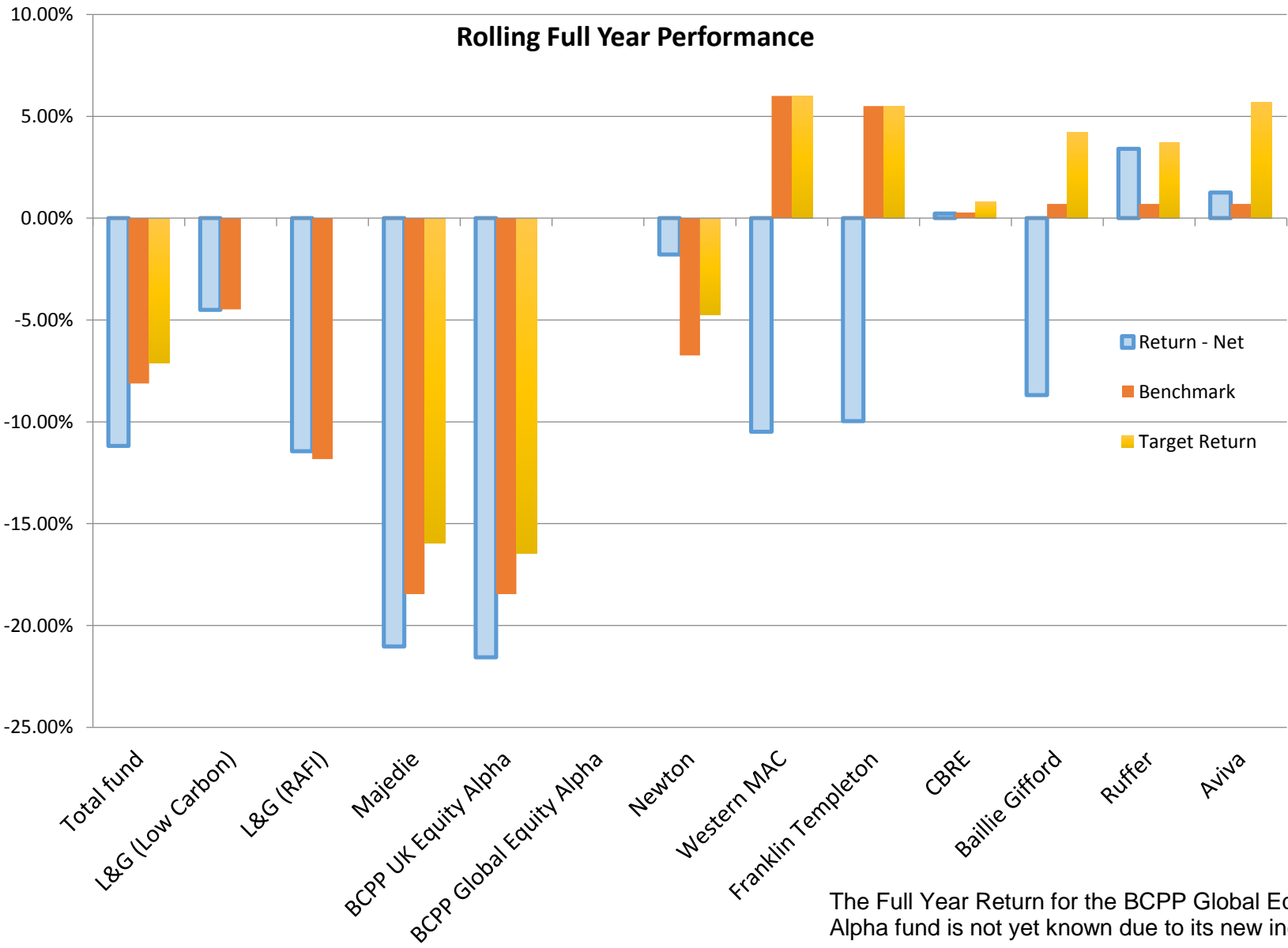
All of Surrey Pension Fund's 10 Fund Managers are signatories to the LGPS Transparency Code and all but 3 fund managers had provided Cost Transparency templates in time for the production of this year's annual report with this being the first reporting year against the Transparency Code. This was done either through the Scheme Advisory Board commissioned portal Byhiras, or provided them manually to officers. An additional 4 Private Market managers covering 15 Private Market funds had also provided cost transparency templates, which the Fund will continue to encourage from its other Private Market managers. The Direct Cost sections below reconcile back to Note 14 of the Pension Fund Accounts. While the Indirect Costs represent costs which, although they don't meet the format required for Pension Fund Accounts, they represent a significant proportion of the Fund's overall investment management costs to be reported in this Annual Report. Through the reporting of the Code in 2019-20, the Fund had identified a further £12.5m spent on fund management.

2019-20 Investment Management Expenses	Pooled Assets: Border to Coast Pensions Partnership			Local Assets		
	Direct £000s	Indirect £000s	Total £000s	Direct £000s	Indirect £000s	Total £000s
<b>Total Fund Management &amp; Administration Expenses</b>	<b>118</b>	<b>2,141</b>	<b>2,259</b>	<b>9,782</b>	<b>3,488</b>	<b>13,270</b>
Management Fees	118	2,039	2,157	9,697	3,230	12,927
Administration		97	97		237	237
Governance & Compliance		4	4		16	16
Client Service/ Custody & Communication		0	0	85	5	90
<b>Total Transaction Costs</b>		<b>2,831</b>	<b>2,831</b>	<b>612</b>	<b>2,993</b>	<b>3,605</b>
Indirect transaction Costs		<b>0</b>	<b>0</b>	612	1,145	1,757
Commissions		45	45		0	0
Taxes and stamp duty		0	0		0	0
Implicit Costs		2,821	2,821		2,103	2,103
Dilution Levy Offset		-35	-35		-256	-256
<b>Total Investment Management Expenses</b>	<b>118</b>	<b>4,972</b>	<b>5,090</b>	<b>10,394</b>	<b>7,558</b>	<b>17,952</b>

Manager	Asset Category	Net of Fees Performance 1 Year (%)	Gross of Fees Performance 1 Year (%)	Benchmark Index	Benchmark Performance 1 Year (%)	Target Return 1 Year (%)
Total fund		-11.19%	11.05%	Customised	-8.12%	-7.12%
<b>Asset pool managed investments</b>						
BCPP UK Equity	Active Listed Equity	-21.56%	-21.56	FTSE All Share	-18.45	-16.45
BCPP Global Equity Alpha	Active Listed Equity	-	-	MSCI ACWI	-	-
<b>Non-asset pool managed investments</b>						
L&G (Low Carbon)	Passive Listed Equity	-4.51%	-4.53%	MSCI World	-4.47%	-4.47%
L&G (RAFI)	Passive Listed Equity	-11.44%	-11.44%	MSCI World Low Carbon	-11.82%	-11.82%
Majedie	Active Listed Equity	-21.03%	-20.79%	FTSE All Share	-18.45%	-15.95%
Newton	Active Listed Equity	-1.78%	-1.58%	MSCI AC World	-6.74%	-4.74%
Western – MAC	Multi Asset Credit Fund (Fixed Income)	-10.49%	-10.17%	Total Return Fund (+6% target return)	6.00%	6.00%



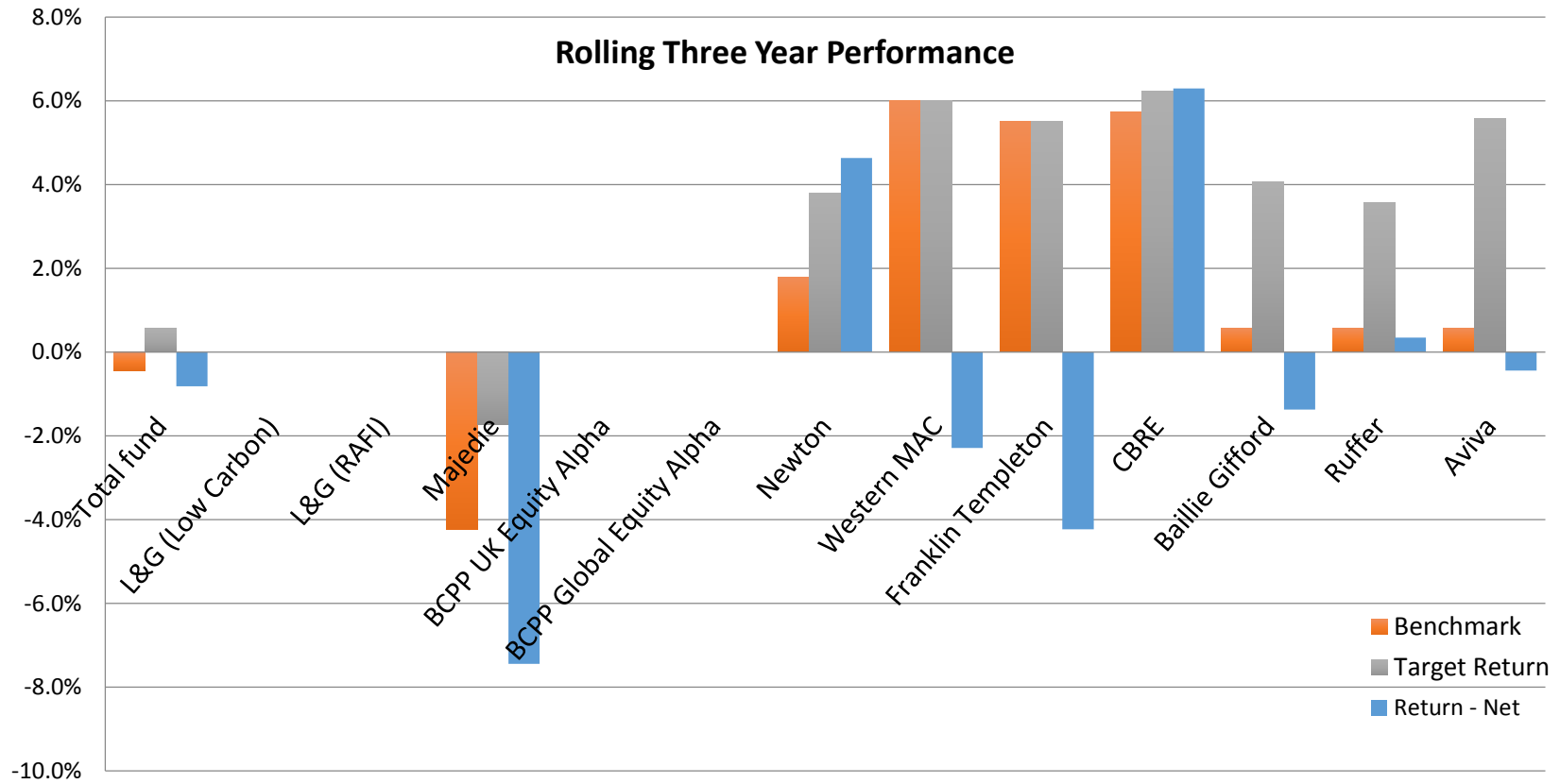
Franklin Templeton	Absolute Return Fund	-9.96%	-9.96%	Barclays Multiverse Index (+5.5% target return)	5.50%	5.50%
CBRE	Property Fund	0.23%	0.47%	IPD UK All Balanced Funds	0.28%	0.78%
Baillie Gifford	Diversified Growth Fund	-8.69%	-8.78%	UK Base Rate	0.70%	4.20%
Ruffer	Diversified Growth Fund	3.40%	3.40%	UK Base Rate	0.70%	3.70%
Aviva	Diversified Growth Fund	1.25%	1.12%	UK Base Rate	0.70%	5.70%
Alternatives	Private Equity/ Infrastructure	10.54%	10.59%	MSCI World Index	-5.83%	-0.83%



The Full Year Return for the BCPP Global Equity Alpha fund is not yet known due to its new inception

Manager	Asset Category	Net of Fees Performance	Gross of Fees Performance	Benchmark Index	Benchmark Performance	Target Return
		3 Year (%)	3 Year (%)		3 Year (%)	3 Year (%)
Total fund		-0.82%	-0.64%	Customised	-0.44%	0.56%
<b>Asset pool managed investments</b>						
BCPP UK Equity	Active Listed Equity	-	-	FTSE All Share	-	-
BCPP Global Equity Alpha	Active Listed Equity	-	-	MSCI ACWI	-	-
<b>Non-asset pool managed investments</b>						
L&G (Low Carbon)	Passive Listed Equity	-	-	MSCI World	-	-
L&G (RAFI)	Passive Listed Equity	-	-	MSCI World Low Carbon	-	-
Majedie	Active Listed Equity	-7.44%	-7.06%	FTSE All Share	-4.24%	-1.7%
Newton	Active Listed Equity	-1.78%	4.89%	MSCI AC World	6.00%	3.79%
Western – MAC	Multi Asset Credit Fund (Fixed Income)	-2.29%	-2.03%	Total Return Fund (+6% target return)	5.50%	6.00%

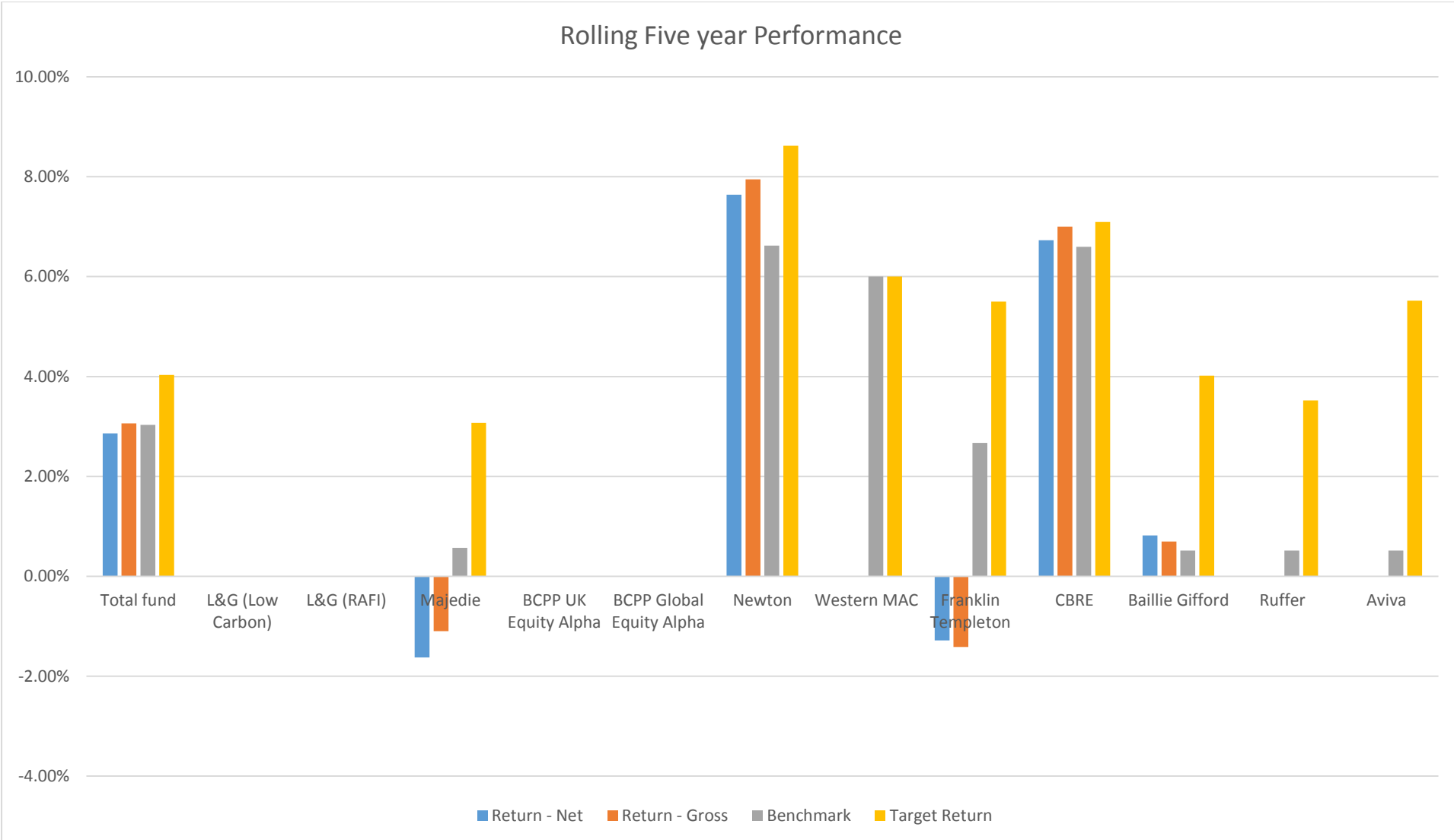
Franklin Templeton	Absolute Return Fund	-4.23%	-4.30%	Barclays Multiverse Index (+5.5% target return)	5.74%	5.50%
CBRE	Property Fund	6.29%	6.53%	IPD UK All Balanced Funds	0.57%	6.24%
Baillie Gifford	Diversified Growth Fund	-1.37%	-1.49%	UK Base Rate	0.57%	4.07%
Ruffer	Diversified Growth Fund	0.35%	0.35%	UK Base Rate	0.57%	3.57%
Aviva	Diversified Growth Fund	-0.44%	0.62%	UK Base Rate	1.79%	5.57%
Alternatives	Private Equity/ Infrastructure	10.54%	11.96%	MSCI World Index	8.53%	13.53%



The Three Year Returns for L&G (RAFI & Low Carbon) Fund, BCPP UK Equity Alpha and BCPP Global Equity Alpha funds are not yet known due to their new inception

Manager	Asset Category	Net of Fees Performance	Gross of Fees Performance	Benchmark Index	Benchmark Performance	Target Return
		5 Year (%)	5 Year (%)		5 Year (%)	5 Year (%)
Total fund		2.86%	3.06%	Customised	3.03%	4.03%
<b>Asset pool managed investments</b>						
BCPP UK Equity	Active Listed Equity	-	-	FTSE All Share	-	-
BCPP Global Equity Alpha	Active Listed Equity	-	-	MSCI ACWI	-	-
<b>Non-asset pool managed investments</b>						
L&G (Low Carbon)	Passive Listed Equity	-	-	MSCI World	-	-
L&G (RAFI)	Passive Listed Equity	-	-	MSCI World Low Carbon	-	-
Majedie	Active Listed Equity	-1.63%	-1.10%	FTSE All Share	0.57%	3.07%
Newton	Active Listed Equity	7.64%	7.95%	MSCI AC World	6.62%	8.62%
Western – MAC	Multi Asset Credit Fund (Fixed Income)	-	-	Total Return Fund (+6% target return)	6.00%	6.00%

Franklin Templeton	Absolute Return Fund	-1.28%	-1.42%	Barclays Multiverse Index (+5.5% target return)	2.67%	5.50%
CBRE	Property Fund	6.73%	7.00%	IPD UK All Balanced Funds	6.60%	7.10%
Baillie Gifford	Diversified Growth Fund	0.82%	0.70%	UK Base Rate	0.52%	4.02%
Ruffer	Diversified Growth Fund	-	-	UK Base Rate	0.52%	3.52%
Aviva	Diversified Growth Fund	-	-	UK Base Rate	0.52%	5.52%
Alternatives	Private Equity/ Infrastructure	14.48%	14.49%	MSCI World Index	12.33%	17.33%



The Five Year Returns for L&G (RAFI & Low Carbon) Fund, BCPP UK Equity Alpha, BCPP Global Equity Alpha, Western MAC, Ruffer and Aviva are not yet known due to their new inception



# Responsible Investment



# Responsible Investment

The Fund will report its findings for its Taskforce for Climate Related Financial Disclosures (TCFD) 2019-20, carried out by its Independent Provider, as well as including its initial findings from its mapping work against the United Nations Sustainable Development Goals.

Both reports will be ready by the end of September 2020, and will be included here before the final report is sent to audit for inspection.

# Fund Policies



# Investment Strategy Statement

Surrey Pension Fund's full Investment Strategy Statement, approved by the Pension Fund Committee on 8 February 2019 can be found on the Surrey Pension Fund Website using the link below.

<https://www.surreypensionfund.org/media/4424/20190208-investment-strategy-statement.pdf>

## Responsible Investment Policy

The Fund aims to be an active shareholder in the exercising of its company share voting rights to promote and support good corporate governance principles.

For assets managed in the Border to Coast Pensions Partnership (BCPP) pool, the Fund supports the Responsible Investment Policy of BCPP (shown as Appendix C). BCPP undertake voting on these assets in accordance with the BCPP Corporate Governance and Voting Guidelines (shown as Appendix D).

For assets managed outside of the BCPP pool, the Fund will comply with the principles of the Responsible Investment Policy of BCPP. Share voting is undertaken in-house, after consultation with fund managers and a specialist corporate governance advisor.

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), a membership group of LGPS funds that campaigns on corporate governance issues. Assets held within BCPP are managed in accordance with the engagement principles as outline in the BCPP Responsible Investment Policy. This engagement demonstrates a commitment to sustainable investment and the promotion of high standards of corporate governance and responsibility.

For access to BCPP's Responsible Investment Policy, Corporate Governance & Voting Policy, Annual Responsible Investment Report and its Task Force on Climate-related Financial Disclosure Report please use the link below;

<https://www.bordertocoast.org.uk/sustainability/>

# Funding Strategy Statement

The FSS is reviewed in detail at least every three years as part of the triennial valuation. The 2019 Funding Strategy Statement can be accessed using the below link

<https://www.surreypensionfund.org/media/5328/funding-strategy-statement-v5.pdf>

It is possible that (usually slight) amendments may be needed within the three year period. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications,
- amendments affecting only one class of employer would be consulted with those employers,
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Pensions Committee and would be included in the relevant Committee Meeting minutes.

# Governance Compliance Statement

The Local Government Pension Scheme (England and Wales) (Amendment) (No 2) Regulations 2005 came into effect on 14 December 2005. The Regulations provided the statutory framework within which LGPS administering authorities were required to publish a governance policy statement by 1 April 2006. The policy intention was that the statement also described and explained the administering authority's arrangements for the representation and participation of Scheme stakeholders. A copy of the Surrey Pension Fund's current governance policy statement can be found on Surrey CC's website.

The Local Government Pension Scheme (Amendment)/(No 3) Regulations 2007 (SI 2007 No 1561) provided further statutory framework, including the provision that administering authorities produce a statement disclosing the degree to which it complies with best practice in its governance procedures. This statement is reproduced in full below:

## GOVERNANCE COMPLIANCE STATUTORY GUIDANCE

Principle	Surrey's Approach	Compliance
-----------	-------------------	------------

<b>STRUCTURE</b>		
The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Surrey County Council delegates the management of the Surrey Pension Fund to the Pension Fund Committee. The Committee is responsible for these areas under the terms of reference contained in the Council's Constitution.	Comply
That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Surrey is compliant with these principles. Employers and employee representatives are represented on the Pension Fund Committee. The Committee comprises county councilors, borough/district councilors, an external employer representative and a union representative to represent employees and pensioners. All Committee members have full voting rights.	Comply
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	There is currently no secondary committee..	n/a
That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	There is currently no secondary committee.. Should a secondary committee be established, all members of that secondary committee would sit on the	n/a

	main Pension Fund Committee.	
<b>Principle</b>	<b>Surrey's Approach</b>	<b>Compliance</b>
<b>REPRESENTATION</b>		
<p>That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:</p> <ul style="list-style-type: none"> <li>• employing authorities (including non-scheme employers, e.g., admitted bodies);</li> </ul>	<p>With over 150 employer bodies, not all stakeholders are directly represented on the Pension Fund Committee. All stakeholders are free to make representations in writing to the Committee. The County Council, the eleven districts and boroughs, Office of the Police and Crime Commissioner and employees are directly represented on the Pension Fund Committee.</p>	Explain
<ul style="list-style-type: none"> <li>• scheme members (including deferred and pensioner scheme members);</li> </ul>	<p>The Pension Fund Committee membership includes a trade union representative.</p>	Comply
<ul style="list-style-type: none"> <li>• independent professional observers; and</li> </ul>	<p>The Committee employs an independent consultant who is an experienced ex Chief Investment Officer of an investment house. The</p>	Comply

	consultant is present at all Committee meetings.	
<ul style="list-style-type: none"> <li>expert advisors (on an ad hoc basis).</li> </ul>	Expert advisors attend the Committee as required, depending on the nature of the decisions to be taken. For example, the actuary attends when the valuation is being considered and the investment consultant attends when strategic asset allocation decisions and investment matters are being discussed.	Comply
That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	All members are treated equally in terms of access to papers and to training that is given as part of the Committee processes.	Comply

Principle	Surrey's Approach	Compliance
<b>SELECTION AND ROLE OF LAY MEMBERS</b>		
That Committee or Panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Committee members are given initial and ongoing training to support them in their role as trustees.	Comply
<b>VOTING</b>		
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each	Surrey is fully compliant with this principle. Most decisions are reached by consensus, but voting rights remain with the Pension Fund Committee	Comply



body or group represented on main LGPS committees.	because the Council retains legal responsibility as the administering authority.	
<b>TRAINING/FACILITY TIME/EXPENSES</b>		
That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	This falls within the County Council's normal approach to member expenses. Pension Fund Committee members receive expenses. Training has been referred to above.	Comply
That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	The policy applies equally to all members of the Pension Fund Committee. All members currently enjoy voting rights.	Comply

<b>Principle</b>	<b>Surrey's Approach</b>	<b>Compliance</b>
<b>MEETINGS (FREQUENCY/QUORUM)</b>		
That an administering authority's main committee or committees meet at least quarterly.	Surrey is fully compliant with this principle by holding quarterly and special appointment meetings. The Chief Finance Officer sends performance data and relevant information as appropriate. The quorum for the committee is three.	Comply
That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	There is currently no secondary committee.	n/a
That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	The Pension Fund holds an annual meeting in November each year to which all key stakeholders are invited. The meeting is a two-way process in which all delegates have the opportunity to ask questions and express their views. The Committee welcomes representations on any issue in writing at any time.	Comply
<b>ACCESS</b>		
That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	All members of the Pension Fund Committee have equal access to committee papers, documents and advice.	Comply

<b>Principle</b>	<b>Surrey's Approach</b>	<b>Compliance</b>
<b>SCOPE</b>		
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Surrey is fully compliant with this principle by bringing all investment, liability, benefit and governance issues to the Pension Fund Committee. An agenda will usually include a fund monitoring report, individual reports from managers, and reports on specific investment, administration and governance issues. A business plan is approved each year.	Comply
<b>PUBLICITY</b>		
That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Surrey is fully compliant with this principle by publishing statements in the Annual Report and on its website.	Comply

# Governance Policy Statement

Governance Policy Statement for the Purposes of The Local Government Pension Scheme (Amendment) (No 2) Regulations 2005

This Statement is prepared for the purposes of the above Regulations. It sets out the policy of the Administering Authority in relation to its governance responsibilities for the Local Government Pension Scheme (LGPS).

Contents

Overall governance framework

Delegation of functions and allocation of responsibility for:

- Administration
- Funding
- Investment
- Communication
- Risk management

Terms of reference and decision making:

- Structure of committees and representation
- Voting rights

Operational procedures:

- Frequency of meetings
- Competencies, knowledge and understanding
- Reporting and monitoring

Review of this policy statement

## 1. Overall Governance Framework

The Administering Authority with its advisors has identified the following key areas (the “five principles”) to support its overall governance framework.



The governance framework focuses on:

- The effectiveness of the Pension Fund Committee and officers to which delegated function has been passed, including areas such as decision-making processes, knowledge and competencies.
- The establishment of policies and their implementation.
- Clarity of areas of responsibility between officers and Pension Fund Committee members.
- The ability of the Pension Fund Committee and officers to communicate clearly and regularly with all stakeholders.
- The ability of the Pension Fund Committee and officers to ask for the appropriate information and advice and to interpret that information in their supervision and monitoring of the Scheme in all areas.
- The management of risks and internal controls to underpin the framework.

**Overall responsibility for the governance of the Local Government Pension Scheme and for the approval of this document resides with the Pension Fund Committee.**

## **2. Delegation of Functions**

The following functions are delegated by the Administering Authority:

### **Scheme Administration**

**Governance Principles: Effective Committee delegation; appropriate accountability; rigorous supervision and monitoring**

Including, but not exclusively or limited to, record keeping, calculation of and payment of benefits, reconciliation and investment of contributions, preparation of annual accounts, provision of membership data for actuarial valuation purposes.

The Administering Authority has responsibility for “Scheme Administrator” functions as required by HM Revenues and Customs (HMRC) under the Finance Act 2004.

**Delegated to:**

Pension Fund Committee (monitoring)

Chief Finance Officer (Pension Fund administration implementation)

### **Funding**

**Governance Principles: Effective Committee delegation; appropriate accountability; written plan policies**

Including, but not exclusively or limited to, setting of the appropriate funding target for the Local Government Pension Scheme. The Chief Finance Officer shall be responsible for maintaining the Funding Strategy Statement (FSS). The Pension Fund Committee shall be responsible for approving the FSS.

**Delegated to:**

Pension Fund Committee (policy approval)

Chief Finance Officer (maintaining FSS and policy implementation)

### **Investment**

**Governance Principles: Effective Committee delegation; appropriate accountability; written plan policies**

Including, but not exclusively or limited to, setting of an appropriate investment strategy or strategies, selection of investment managers, setting of performance benchmarks and regular monitoring of performance. The Pension Fund Committee shall be responsible for maintaining the Statement of Investment Principles.

**Delegated to:**

Pension Fund Committee (strategy approval, manager selection, benchmarks, monitoring)

Chief Finance Officer (Pension Fund investment implementation)

### **Communications**

**Governance Principle: Effective Information Flow; written plan policies**

Including setting of a communication strategy, issuing or arranging to be issued re benefit statements, annual newsletters and annual report. The Pension Fund Committee shall be responsible for maintaining the Communications Policy.

**Delegated to:**

Pension Fund Committee (policy approval)

Chief Finance Officer (Pension Fund policy implementation)

**Risk Management**

**Effective Committee delegation; appropriate accountability; written plan policies**

Including the identification, evaluation and monitoring of risks inherent within the Local Government Pension Scheme. The Pension Fund Committee shall be responsible for approving the Risk Register. The Chief Finance Officer shall be responsible for maintaining the risk register.

**Delegated to:**

Pension Fund Committee (policy approval)

Chief Finance Officer (Pension Fund policy implementation)

**3 Terms of Reference and Decision Making**

**Terms of Reference:**

**Governance Principle: Effective Committee delegation; written plan policies**

The Pension Fund Committee's Terms of Reference as approved by Full Council on 19 March 2013.

**Administration, Funding, Investment, Communications and Risk Management**

In line with the Council's Constitution, the Pension Fund Committee shall oversee Pension Fund investments, the overall management of the Fund, the governance surrounding the Fund, and the administration of the Pension Scheme.

**Structure of the Pension Fund Committee and representation:**

**Governance Principle: Effective Committee delegation**

The Pension Fund Committee shall be made up of:

- 4 Conservative members;
- 1 Liberal Democrat member;
- 1 Independent member;
- 2 Districts and Boroughs Members
- 1 Employer Representative;
- 1 Employee Representative

**Decision Making:**

**Governance Principle: Effective Committee delegation; rigorous supervision and monitoring**

The Pension Fund Committee shall have full decision-making powers.  
Each member of the Pension Fund Committee shall have full voting rights.

**4. Operational Procedures**

**Frequency of Meetings:**

**Governance Principle: Effective Committee delegation; effective information flow**

The Pension Fund Committee shall convene no less frequently than four times per year. The Pension Fund Committee shall receive full reports upon all necessary matters as decided by the Chief Finance Officer and any matters requested by members of the Pension Fund Committee.

Provision exists for the calling of special meetings if circumstances demand.

**Competencies, Knowledge and Understanding:**

**Governance Principle: Effective Committee delegation; appropriate accountability**

Officers and Members of the Pension Fund Committee shall undertake training to ensure that they have the appropriate knowledge, understanding and competency to carry out the delegated function. It is recommended that such knowledge, understanding and competency is evaluated on an annual basis to identify any training or educational needs of the Officers and the Pension Fund Committee.

**Reporting and Monitoring:**

**Governance Principle: Rigorous supervision and monitoring; effective information flow**

The Pension Fund Committee shall report to the Audit and Governance Committee on a frequency, and with such information as shall be agreed and documented, on a no less than annual basis, the minimum provision being the Pension Fund's annual report.

**5 Review of this policy statement**

Responsibility for this document resides with the Chief Finance Officer. It will be reviewed by the Chief Finance Officer no less frequently than annually. This document will be reviewed if there are any material changes in the administering authority's governance policy or if there are any changes in relevant legislation or regulation.



**Pension Fund Committee: Terms of Reference**

- a) To undertake statutory functions on behalf of the Local Government Pension Scheme and ensure compliance with legislation and best practice.
- b) To determine policy for the investment, funding and administration of the pension fund.
- c) To consider issues arising and make decisions to secure efficient and effective performance and service delivery.
- d) To appoint and monitor all relevant external service providers:
  - fund managers;
  - custodian;
  - corporate advisors;
  - independent advisors;
  - actuaries;
  - governance advisors;
  - all other professional services associated with the pension fund.
- e) To monitor performance across all aspects of the service.
- f) To ensure that arrangements are in place for consultation with stakeholders as necessary
- g) To consider and approve the annual statement of pension fund accounts.
- h) To consider and approve the Surrey Pension Fund actuarial valuation and employer contributions.

F10	Director of Finance/ Strategic Finance Manager (Pensions)	Borrowing, lending and investment of County Council Pension Fund moneys, in line with strategies agreed by the Pension Fund Committee. Delegated authority to the Chief Finance Officer to take any urgent action as required between Committee meetings but such action only to be taken in consultation with and by agreement with the Chairman and/or Vice Chairman of the Pension Fund Committee and any relevant Consultant and/or Independent Advisor.
H4	Lead Pensions Manager	

H5	Director of Finance	<p>To exercise discretion (excluding decisions on admitted body status) in relation to the Local Government Pension Scheme where no policy on the matter has been agreed by the Council and included in the Discretionary Pension Policy Statement published by the Council, subject to any limitations imposed and confirmed in writing from time to time by the Chief Finance Officer.</p> <p>To determine decisions conferring 'admitted body' status to the Pension Fund where such requests are submitted by external bodies.</p>
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# Statement of Accounts



# Statement of Responsibilities and Certification of Accounts

## The Responsibilities of the County Council

The County Council is required:

- to make arrangements for the proper administration of the financial affairs of the Fund and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Finance Officer & Deputy Director for Business Services (Chief Finance Officer).
- to manage the Fund's affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- to approve the statement of accounts.

## The Responsibilities of the Chief Finance Officer

The Chief Finance Officer is responsible for the preparation of the Fund's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code of Practice").

In preparing this statement of accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice

The Chief Finance Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

**TBC**

# Independent Auditor's Report & Statement of Consistency

Independent auditor's report to the members of Surrey County Council on the consistency of the financial statements of Surrey Pension Fund included in the Pension Fund Annual Report  
Opinion

**TBC**

# Surrey Pension Fund Accounts 2019/20

The Pension Fund Draft Accounts 2019/20 were presented to and approved by the Pension Fund Committee on 13 June 2020. As a result of COVID-19, the audit of the accounts had been agreed for a later date, with the signing off of the accounts expected to be completed toward the end of August

The full Surrey Pension Fund Accounts can be found using the link below on pages 121-162.

[https://www.surreycc.gov.uk/\\_data/assets/pdf\\_file/0009/227385/Statement-of-Accounts-2019-20-DRAFT.pdf](https://www.surreycc.gov.uk/_data/assets/pdf_file/0009/227385/Statement-of-Accounts-2019-20-DRAFT.pdf)

# Scheme Advisory Board Statistics



# Scheme Advisory Board Statistics

## Financial Performance and Forecast:

	2019/20 Budget £000	2019/20 Actuals £000	2019/20 Variance £000	2020/21 Budget £000
<b>Income</b>				
Employers contributions	139,783	147,155	7,372	150,665
Members contributions	38,117	39,470	1,353	39,865
<b>Total contributions</b>	<b>177,900</b>	<b>186,625</b>	<b>8,725</b>	<b>190,530</b>
Transfers in	17,361	11,082	-6,279	10,539
Investment income	60,236	51,320	-8,916	52,346
<b>Total income</b>	<b>255,496</b>	<b>249,027</b>	<b>-6,469</b>	<b>253,415</b>
<b>Expenditure</b>				
Pensions	-134,198	-134,183	15	-144,668
Commutation and lump sum retirement benefits	-20,100	-23,829	-3,729	-20,100
Other benefits	-4,523	-3,631	892	-3,915
<b>Total benefits</b>	<b>-158,821</b>	<b>-161,643</b>	<b>-2,822</b>	<b>-168,682</b>
Leavers	-12,576	-15,339	-2,763	-19,559
Administrative expenses	-2,225	-2,270	-45	-2,225
Oversight and governance costs	-2,717	-1,919	798	-1,328
Investment expenses	-9,559	-10,512	-953	-10,731
Taxes on income	-1,144	-551	593	-995
<b>Total expenditure</b>	<b>-187,042</b>	<b>-192,234</b>	<b>-5,192</b>	<b>-203,520</b>
<b>Net income</b>	<b>68,454</b>	<b>56,793</b>	<b>-11,661</b>	<b>49,895</b>
<b>Change in market value</b>	<b>85,773</b>	<b>-512,885</b>	<b>-598,658</b>	<b>548,466</b>
<b>Net increase in Fund Value</b>	<b>85,773</b>	<b>-512,885</b>	<b>-598,658</b>	<b>598,361</b>
<b>Net Asset Value</b>	<b>4,469,805</b>	<b>3,859,486</b>	<b>-610,319</b>	<b>4,457,847</b>



## Surrey Pension Fund 2020-21 Operational Budget

<b>2020/21 Operational Budget</b>	<b>£000</b>
<b>Orbis Pensions Administration Baseline</b>	
Staffing	1,250
Non-Staffing	300
Overheads	280
<b>Total Orbis Pensions Administration Baseline</b>	<b>1,830</b>
<b>Orbis Pensions Administration Projects</b>	
Backlog	300
I-Connect	60
GMP Reconciliation	35
<b>Total Orbis Pensions Administration Projects</b>	<b>395</b>
<b>Oversight &amp; Governance</b>	
Fund Officers & Management	394
Advisers	268.4
Audit	21
Memberships and Benchmarking	108.8
Legal Costs	23.5
Pooling Costs (including Governance)	510
Training Budget	3
<b>Total Oversight &amp; Governance</b>	<b>1,327.9</b>
<b>Investment &amp; Custody</b>	
Custody Fees	120
Investment Management Fees	10,601
<b>Total Investment &amp; Custody</b>	<b>10,721</b>
<b>Total 2020/21 Operational Budget</b>	<b>14,273.7</b>

The most significant variance between budget and actuals for 2019/20 financial year were related to the significant market downturn as a result of COVID-19.

Investment management expenses incurred was below forecast, primarily weaker investment performance for the year led to a reduction of fees.

**Three Year Forecast:**

	2020/21 Budget £000	2021/22 Budget £000	2022/23 Budget £000	Total £000
<b>Income</b>				
Contributions	190,530	192,857	194,016	<b>577,403</b>
Transfers in	10,539	10,023	9,532	<b>30,093</b>
Investment income	52,346	53,393	54,461	<b>160,201</b>
<b>Total income</b>	<b>253,415</b>	<b>256,273</b>	<b>258,009</b>	<b>767,698</b>
<b>Expenditure</b>				
Benefits	168,682	180,243	193,736	<b>542,661</b>
Transfer out	19,559	24,941	31,803	<b>76,303</b>
Management expenses	15,278	15,546	15,819	<b>46,643</b>
<b>Total expenditure</b>	<b>203,520</b>	<b>220,730</b>	<b>241,358</b>	<b>665,608</b>
<b>Net income</b>	<b>49,895</b>	<b>35,544</b>	<b>16,651</b>	<b>102,090</b>

# Contributions by Employer

A table of the active employers with employee and employer contributions made during the year is shown below.

Employing Organisation	Employees Contributions £000	Employers Contributions £000
A2 Dominion	10	233
Ability Housing Association	6	18
Academy of Contemporary Music	5	14
Achieve Lifestyle	15	47
Amey LTD (Mole Valley)	3	7
Ash Parish Council	8	25
Ashley CofE Aided Primary School	31	114
Auriol Junior School	23	75
Banstead Infant School	15	51
Barnsbury Primary School	32	104
Beaufort Primary School	35	116
Bisley Parish Council	2	5
Blenheim High School	62	241
Bletchingley Village Primary School	20	81
Boxgrove Primary School	45	176
Bramley Parish Council (Quarterly)	2	5
Broadmere Primary Academy	25	83
Brooklands College	135	655

Brookwood Park Ltd	5	13
Brookwood Primary School	11	38
Burstow Parish Council	2	6
Busy Bees Daycare (Caring Daycare)	1	3
Cardinal Newman Catholic Primary School	22	76
Care Quality Commission	2	669
Carwarden House Community School	33	111
Catalyst (Southern Addictions Advisory Service (SADAS))	17	69
Chartwood School	43	185
Chertsey High School	13	54
Chiddingfold Parish Council	2	4
Childhood First	22	95
Christ's College	32	110
Clarion Housing Group	10	42
Cleves Academy Trust	33	121
Cobham Free School	33	98
Collingwood College	95	335
Compass Contract Services	4	16
Compass: GLF	2	8
Compass: Xavier Catholic Education Trust	6	29
Connaught Junior School	17	62
Cordwalles Junior School	10	35
Cranleigh Parish Council	7	19

Crawley Ridge Infant School	9	35
Crawley Ridge Junior School	15	56
Cross Farm Infant School	10	39
Crowhurst Parish Council	0	1
Cuddington Com Prim School	12	42
Cuddington Croft Primary School	22	74
Danetree Primary School	37	126
Darley Dene Primary School	4	12
De Stafford School	37	119
Dormansland Parish Council	1	3
Dovers Green School	31	116
Dunsfold Parish Council	0	2
East Horsley Parish Council	2	4
East Surrey College	263	910
East Surrey Rural Transport	3	11
Eastwick infant School	45	157
Effingham Parish Council	1	6
Elmbridge Borough Council	786	3,003
Elmbridge Building Control	17	49
Elmbridge Housing Trust	-	60
Engage Enrich Excel Trust	4	10
Epsom & Ewell Borough Council	590	2,154
Epsom and Ewell High School	73	203

Esher Church of England High School	83	281
Esher Church School	19	62
Esher College	76	245
Farnham Heath End	31	102
Farnham Town Council	24	50
Freedom Leisure - Guildford (Wealden Leisure)	32	78
Freedom Leisure - Woking (Wealden Leisure)	19	47
Frensham Parish Council	1	2
Fullbrook School	70	261
Fusion Lifestyle	1	6
George Abbot School	135	474
GLF	135	346
Glyn School	63	194
Godalming College	71	223
Godalming Town Council	17	42
Goldsworth Primary School	46	139
Good Shepherd Trust	22	52
Gordons School Academy Trust	30	117
Guildford Borough Council	1,512	6,326
Guildford College	319	1,527
Guildford County School	53	186
Guildford Grove Primary School	43	174
Hale Primary School	9	34

Hammond School	9	30
Hamsey Green Primary	18	72
Hanover Housing Association	80	726
Haslemere Town Council	5	10
Hatchlands Primary School	2	7
Hawkedale School	7	33
Heathside School	63	228
Hillcroft Primary School	29	95
Hinchley Wood Primary School	17	75
Hinchley Wood School	74	286
Hoe Valley Free School	35	85
Holly Lodge Primary School	17	66
Holmesdale Community infant school	23	86
Holy Family Catholic Primary School	11	38
Holy Trinity C of E Primary School	18	67
Horley Town Council	9	21
Howard of Effingham School	45	152
IESE ltd	65	119
Innovate (Weydon MAT)	2	6
Jubilee High School	38	118
Kenyngton Manor Primary School (Academy)	31	104
Kier (May Gurney)	7	33
Kings College Guildford	22	92

Knaphill School	18	52
Lakeside Primary School	21	81
Leatherhead Trinity School and Children's Centre	28	121
Lift Multi Academy Trust	6	20
Lightwater Village School	11	38
Lime Tree Primary School	31	102
Linden Bridge School	64	241
Lingfield Parish Council	1	3
Loseley Fields Primary School	19	81
Lumen Learning Trust	13	30
Marden Lodge Primary School and Nursery	18	61
Maybury Primary School	15	55
Meadhurst Primary school	28	99
Meadow Primary School	31	102
Merstham Park School	6	25
Merstham Primary School	10	36
Merton & Sutton Joint Cemetery Board	0	38
Mole Valley District Council	612	1,810
Moor House School	33	214
Mytchett Primary School	13	48
Nescot	284	1,150
New Haw Community Junior School	24	82
New Monument Primary Academy	15	48



Northmead Junior	27	103
Ottershaw Cof E Infant & Juniors	21	76
Oxted School	67	222
Pabulum Ltd	2	9
Peaslake Free School	3	11
Pine Ridge Infant School	31	74
Pinnacle Housing	7	24
Pirbright Village School	25	96
Pond Meadow School	63	209
Potters Gate CofE School	26	94
Pycroft Grange Primary School	22	74
Pyrford Church of England Aided Primary School	36	126
Queen Eleanor's Church of England School	17	61
Ravenscote Junior School	26	93
Reef Cleaning Solutions (GSO Ltd)	0	1
Reigate School	61	209
Reigate & Banstead Borough Council	958	3,820
Reigate College	101	344
Reigate Grammar School	111	437
Riverbridge Primary School	42	120
Rodborough School	43	174
Rosebery Housing Association	4	209
Rosebery School	45	144

Runnymede Borough Council	750	2,592
Russell Education Trust	36	71
Rydens Enterprise School	36	120
South Farnham Education Trust	62	183
Salesian School, Chertsey	105	307
Salfords Primary School	18	61
Sandcross Primary School	41	167
Sandfield Primary School	13	54
Sandringham School	12	48
SAVI	15	50
Saxon Primary School	27	80
Sayes Court School	21	60
Send Parish Council	2	6
SERCO	18	75
Shalford Infant School	4	14
Shalford Parish Council	1	5
Sir William Perkins School	11	54
Skanska Construction Ltd	23	82
South Camberley primary and nursery	42	145
Spelthorne Borough Council	781	2,898
Springfield Primary School	25	84
St Alban's Catholic Primary School	20	68
St Andrew's CofE Primary School	23	84

St Andrew's Church of England Infant School	5	20
St Anne's Catholic Primary School	21	74
St Augustine's Catholic Primary School	23	77
St Charles Borromeo Catholic Primary School, Weybridge	15	53
St Cuthbert Mayne School	9	32
St Hugh of Lincoln Catholic Primary School	9	35
St John the Baptist Catholic Comprehensive School, Woking	95	289
St John's Church of England Primary School	25	90
St John's Primary School	16	61
St Lawrence Primary School	12	43
St Marks & All Saints Primary	8	30
St Mary's C of E (Aided) Junior School (Oxted)	32	144
St Mary's CofE Junior School	10	37
St Matthews CoE School	26	96
St Paul's Catholic College	54	213
St Paul's CofE Primary School	24	81
St Peters' Catholic School	32	98
St Polycarp's Catholic Primary School	13	43
St Stephens CoE School	23	87
St Thomas of Canterbury Catholic Primary School	16	55
Stanwell Fields CofE Primary School	19	57
Staywell	8	26
Stoughton Infant School	25	93

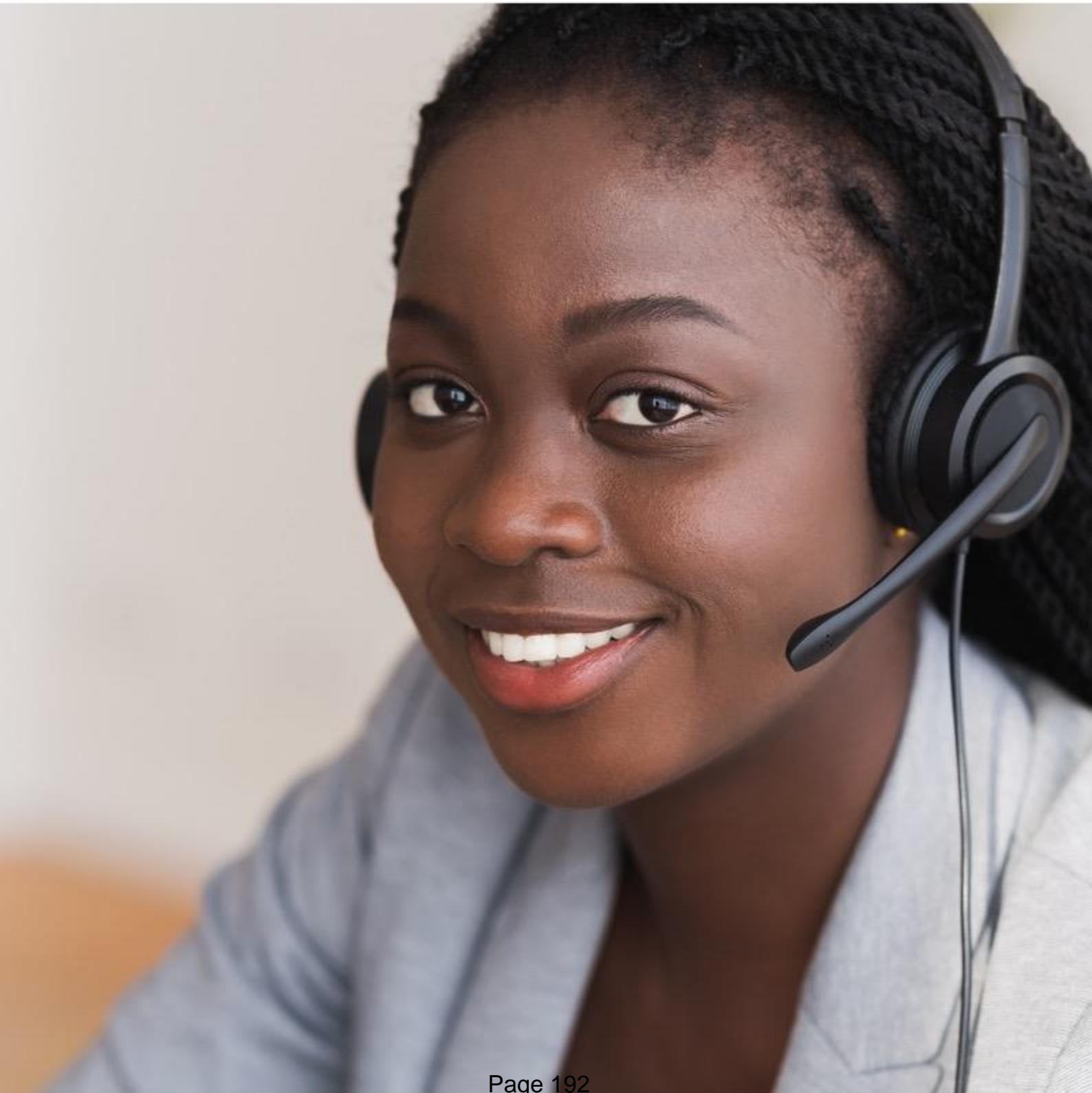
Sunbury Manor School	63	224
Surrey Choices	58	119
Surrey County Council Pool	17,823	69,630
Surrey Heath Borough Council	644	2,299
Surrey Hills Primary School	13	47
Surrey Police	3,225	9,789
Surrey Sports Park	11	23
Surrey Wildlife Trust	4	19
Sythwood Primary School	58	196
Tandridge District Council	620	2,715
Tatsfield Primary School	9	34
Thamesmead School	60	222
The Abbey School	27	91
The Alliance Multi Academy Trust (TAMAT)	8	21
The Ashcombe School	63	198
The Beacon School	50	156
The Bishop David Brown School	50	163
The Bishop Wand Church of England School	45	163
The Echelford Primary School	32	95
The Grove Primary School	23	88
The Hermitage School	19	63
The Horsell Village School	17	54
The Howard Partnership Trust	153	459

The Kite Academy Trust	33	107
The Magna Carta School	50	185
The Marist Catholic primary school	30	106
The Matthew Arnold School	36	111
The Oaktree School	26	83
The Raleigh School	33	75
The Ridgeway School	56	194
The Royal Grammar School	18	122
The Vale Primary School	12	41
The Warwick School	50	161
The Weald CofE Primary School	12	44
Therfield School	43	135
Thomas Knyvett College	33	111
Tomlinscote School and Sixth Form College	59	228
University of Creative Arts	969	3,021
University of Surrey	533	2,856
Wallace Fields Junior School	22	99
Walton Oak School	34	100
Warlingham Parish Council	1	3
Warlingham School	92	343
Warlingham Village Primary School	12	40
Warren Mead School	11	42
Warren Mead Infant School	18	58

Waverley Borough Council	827	3,475
Waverley Abbey CofE Junior School	15	54
Waverley Hoppa Transport	9	33
West End Parish Council	2	5
West Ewell Primary School	32	109
West Hill School	25	94
Westfield Primary School	28	103
Weydon School	94	287
Weyfield Academy	19	67
Whyteleafe Primary School	17	58
Whyteleafe Village Council	1	2
WilsonJones	1	4
Windlesham Parish Council	4	9
Windlesham Village Infant School	6	21
Wishmore Cross Academy	24	87
Witley Parish Council	4	13
Woking Borough Council	829	3,398
Woking College	39	146
Woking Community Transport	-	31
Woking High School	85	273
Woodlea Primary School	8	34
Woodmansterne Primary School	16	53
Woolmer Hill School	26	86

Worplesdon Parish Council	5	15
Wray Common primary school	28	96
Wyke Primary School	11	44

# Contacts





# Contacts

## Benefits and Contributions

Enquiries should be directed in writing to Pension Services at the following address:

Pensions Unit  
Room 218  
Kingston Upon Thames  
Surrey KT1 2EB  
Telephone: 020 8541 9289 or 9292  
E Mail: [mypensions@surreycc.gov.uk](mailto:mypensions@surreycc.gov.uk)  
Fax: 020 8541 9287

## Accounts and Investments

Information regarding the accounts and investments can be obtained from The Pension Fund Team at  
[Pension.fund@surreycc.gov.uk](mailto:Pension.fund@surreycc.gov.uk)

## Pension Scheme Regulations

1997 Regulations S.I. 1997/1612  
Copies may be obtained from:

The Stationery Office Ltd  
2nd Floor, St Crispins  
Duke Street  
Norwich  
NR3 1PD

Website:  
[www.opsi.gov.uk/si/si1997/19971612.htm](http://www.opsi.gov.uk/si/si1997/19971612.htm)

## Useful Addresses

Occupational Pensions Board

PO Box 1NN  
Newcastle upon Tyne  
NE99 1NN  
Tel: 0191 225 6316

The Pensions Advisory Service  
(TPAS)  
11 Belgrave Road  
London  
SW1V 1RB

Tel: 0845 601 2923  
Email: [enquiries@pensionsadvisoryservice.org.uk](mailto:enquiries@pensionsadvisoryservice.org.uk)

Pensions Ombudsman  
11 Belgrave Road  
London  
SW1V 1RB

Tel: 0207 630 2200  
Email: [enquiries@pensions-ombudson.org.uk](mailto:enquiries@pensions-ombudson.org.uk)

## Employee and Employer Guides

The Department for Community and Local Government has produced guides to the Pension Scheme Regulations. These are available on request from Pension Services.

## National Website

[www.lgps.org.uk](http://www.lgps.org.uk)

# Glossary of Terms



# Glossary of Terms

## **Active Management**

**A style of management where the fund manager aims to outperform a benchmark by superior asset allocation, market timing or stock selection (or a combination of these). Compare with passive management**

## **Actuary**

An independent consultant who advises the County Council on the financial position of the Fund. See **actuarial valuation**.

## **Actuarial Valuation**

This is an assessment done by an **actuary**, usually every three years. The actuary will work out how much money needs to be put into a pension fund to make sure pensions can be paid in the future.

## **Additional Voluntary Contribution (AVC)**

An option available to individuals to secure additional pensions benefits by making regular payments in addition to the 5.5%-7.5% of basic earnings payable.

## **Admitted Bodies**

Employers whose staff can become members of the Fund by virtue of an admission agreement made between the administering authority and the employer.

## **Asset Allocation**

The apportionment of a fund's assets between asset classes and/or world markets. The long-term strategic asset allocation of a fund will reflect the fund's investment objectives. In the short term, the fund manager can aim to add value through **tactical asset allocation** decisions.

## **Benchmark**

A yardstick against which the investment policy or performance of a fund manager can be compared. The Surrey Fund's benchmark is customised, meaning that it is tailored to the Fund's **liability profile**.

## **Bond**

A debt investment with which the investor loans money to an entity (company or government) that borrows the funds for a defined period of time at a specified interest rate.

## **Book cost**

The value of an asset as it appears on a balance sheet, equivalent to how much was paid for the asset (less liabilities due). Book cost often differs substantially from **market value**.

## **Broker**

An individual or firm that charges a fee or commission for executing buy and sell orders submitted by an investor.

## **Commission**

A service charge assessed by an agent in return for arranging the purchase or sale of a security or real estate. The commission must be fair and reasonable, considering all the relevant factors of the transaction. (Underwriting commission)

## **Corporate Bond**

A debt security issued by a corporation, as opposed to those issued by the government.

## **Corporate Governance**

The system by which companies are run, and the means by which they are responsible to their shareholders, employees and other stakeholders.

## **Creditors**

Amounts owed by the pension fund.

## **Custody**

Safe-keeping of securities by a financial institution. The custodian keeps a record of the client's investments and may also collect income, process tax reclaims and provide other services such as performance measurement.

### **Debtors**

Amounts owed to the pension fund.

### **Derivative**

Used to describe a specialist financial instrument such as **options** or **futures contracts**. Financial instruments are agreements to buy or sell something, under terms laid out in a contract.

### **Diversification**

A risk management technique that mixes a wide variety of investments within a portfolio. It is designed to minimize the impact of any one security on overall portfolio performance.

### **Dividend**

Distribution of a portion of a company's earnings, decided by the board of directors, to a class of its shareholders. The amount of a dividend is quoted in the amount each share receives or in other words dividends per share.

### **Dividend Yield**

An indication of the income generated by a share, calculated as Annual Dividend per Share/Price per Share

### **Emerging Markets**

There are about 80 stock markets around the world of which 22 markets are generally considered to be mature. The rest are classified as emerging markets.

### **Equity**

Stock or any other security representing an ownership interest.

### **Ex-dividend**

Purchase of shares without entitlement to current dividends. This entitlement remains with the seller of the shares.

### **Final Salary Scheme**

An employer pension scheme, the benefits of which are linked to length of service and the final salary of the member (also known as defined benefit).

### **Fixed interest**

A loan with an interest rate that will remain at a predetermined rate for the entire term of the loan. See bond.

### **FTSE All-Share**

An arithmetically weighted index of leading UK shares (by market capitalisation) listed on the London Stock Exchange (LSE). The FTSE 100 Index covers only the largest 100 companies.

### **Funding Level**

A comparison of a scheme's assets and liabilities.

### **Futures Contract**

A contract to buy goods at a fixed price and on a particular date in the future. Both the buyer and seller must follow the contract by law.

### **Gilts**

The familiar name given to sterling, marketable securities (or bonds) issued by the British Government.

### **Hedge**

Making an investment to reduce the risk of adverse price movements in an asset. Normally, a hedge consists of taking an offsetting position in a related security, such as a **futures contract**.

### **Index Linked**

A **bond** which pays a **coupon** that varies according to some underlying index, usually the Consumer Price Index.

### **LGPS**

Local Government Pension Scheme.

### **LSE**

London Stock Exchange

### **Mandate**

The agreement between a client and investment manager laying down how the portfolio is to be managed, including performance targets.

### **Market Value**

A security's last reported sale price (if on an exchange) i.e. the price as determined dynamically by buyers and sellers in an open market. Also called market price.

### **Option**

The name for a contract where somebody pays a sum of money for the right to buy or sell goods at a fixed price by a particular date in the future. However, the goods do not have to be bought or sold.

### **Passive Management**

A style of fund management that aims to construct a portfolio to provide the same return as that of a chosen index. Compare with **active management**.

### **Pension Fund**

A fund established by an employer to facilitate and organise the investment of employees' retirement funds contributed by the employer and employees. The **pension fund** is a common asset pool meant to generate stable growth over the long term, and provide pensions for employees when they reach the end of their working years and commence retirement.

### **Private Equity**

When equity capital is made available to companies or investors, but not quoted on a stock market. The funds raised through private equity can be used to develop new products and technologies, to expand working capital, to make acquisitions, or to

strengthen a company's balance sheet. Also known as **development capital**.

### **Property Unit Trusts**

Pooled investment vehicles that enable investors to hold a stake in a diversified portfolio of properties.

### **Return**

Synonymous with profit, be it income received, capital gain or income and capital gain in combination. Usually expressed as a percentage of the nominal value of the asset.

### **Risk**

The likelihood of performance deviating significantly from the average. The wider the spread of investment in an investment sector or across investment sectors, i.e. the greater the diversification, the lower the risk.

### **Scheme Employers**

Local authorities and other similar bodies whose staff automatically qualify to become members of the pension fund.

### **Security**

An investment instrument, other than an insurance policy or fixed annuity, issued by a corporation, government, or other organisation, which offers evidence of debt or equity.

### **Socially Responsible Investment (SRI)**

Investments or funds containing stock in companies whose activities are considered ethical.

### **Specialist Manager**

A fund management arrangement whereby a number of different managers each concentrate on a different asset class. A specialist fund manager is concerned primarily with **stock selection** within the specialist asset class. **Asset allocation** decisions are made by the investment committee, their consultant or by a specialist

tactical asset allocation manager (or combination of the three).

**Stock**

A type of security that signifies ownership in a corporation and represents a claim on part of the corporation's assets and earnings. Also known as shares or **equity**.

**Stock Selection**

The process of deciding which stocks to buy within an asset class.

**Tracking Error**

An unplanned divergence between the price behaviour of an underlying stock or portfolio and the price behaviour of a benchmark. Reflects how closely the make-up of a portfolio matches the make-up of the index that it is tracking.

**Transaction Costs****Unit Trust**

A pooled fund in which investors can buy and sell units on an ongoing basis.

**Unlisted Security**

A security which is not traded on an **exchange**.

**Unrealised Gains/(losses)**

The increase/(decrease) at year-end in the market value of investments held by the fund since the date of their purchase.

**Yield**

The rate of income generated from a stock in the form of dividends, or the effective rate of interest paid on a bond, calculated by the coupon rate divided by the bond's market price. Furthermore, for any investment, yield is the annual rate of return expressed as a percentage.

Those costs associated with managing a portfolio, notably brokerage costs and taxes.

**Transfer Value**

The amount transferred to/from another pension fund should a member change employment. The amount transferred relates to the current value of past contributions.

**Transition**

To move from one set of investment managers to another.

**Underwriting**

The process by which investment bankers raise investment capital from investors on behalf of corporations and governments that are issuing securities (both equity and debt).

# Annex 1:

## Techniques for Calculating Fee Savings from Asset Pooling



## Annex 1: Techniques for Calculating Fee Savings from Asset Pooling

<b>Savings Analysis from Asset Pooling</b>			<b>Rounded to nearest £1000</b>
<b>Calculating price and quantity variances for an asset portfolio transferred to BCPP UK Equity Alpha Fund using 31/10/2018 valuations, as at 31/03/2019</b>			
Value of UK Equities as at as at 31/10/2018	£316m	70.38%	
Value of UK Equities as at as at 31/10/2018	£133m	29.62%	
<b>Total Value of UK Equities</b>	<b>£449m</b>	<b>100.00%</b>	
<b>Ad valorem fee rate</b>			
Fund Manager 1	24bps per £1m		
Fund Manager 2	35bps per £1m		
Value of Assets as at 31/03/2019	£464m		
Ad valorem fee rate	33bps per £1m		
<b>Price Variance Workings</b>			
<b>Current Fund Values at old fee rate:</b>	(£464m x 70.38%) x £0.0024		£784,000
	(£464m x 29.62%) x £0.0035		£481,000
			<b>£1,265,000</b>
<b>Current Fund Value at new fee rate:</b>	£464m x £0.0033		<b>£1,531,000</b>
<b>Price Variance</b>			<b>£266,000</b>
<b>Quantity Variance Workings</b>			
<b>Old fee rate x (old fund value - new fund value):</b>	£0.0024 x (£449m - £464m) x 70.38%		-£25,000
	£0.0035 x (£449m - £464m) x 29.62%		-£16,000
<b>Quantity Variance</b>			<b>-£41,000</b>
<b>Total Variance Workings</b>			
	£1,224,000 - <b>Old fees - new fees:</b> £1,531,000=		-£307,000
<b>Total Variance</b>			<b>-£307,000</b>



**Annex 1: Techniques for Calculating Fee Savings from BCPP UK Equity Alpha Fund**

<b>Savings Analysis from Asset Pooling</b>			<b>Rounded to £000s</b>
<b>Calculating price and quantity variances for an asset portfolio transferred to BCPP UK Equity Alpha Fund using 31/10/2018 valuations, as at 31/03/2019</b>			
		%	
Value of UK Equities as at as at 31/10/2018	£316m	70.38%	
Value of UK Equities as at as at 31/10/2018	£133m	29.62%	
<b>Total Value of UK Equities</b>	<b>£449m</b>	<b>100.00%</b>	
<b>Ad valorem old fee rate</b>			
Fund Manager 1	24bps per £1m		
Fund Manager 2	35bps per £1m		
<b>Ad valorem new fee rate</b>			
Value of Assets as at 31/03/2019	£464m		
Ad valorem new fee rate	0bps per £1m		
<b>Price Variance Workings</b>			
<b>Current Fund Values at old fee rate:</b>	$(£464m \times 70.38\%) \times$ $£0.0024$		£653,000
	$(£464m \times 29.62\%) \times$ $£0.0035$		£137,000
			<b>£790,000</b>
<b>Current Fund Value at new fee rate:</b>	£464m x £0.0000bps		<b>£0</b>
<b>Price Variance</b>			<b>-£790,000</b>
<b>Quantity Variance Workings</b>			
<b>Old fee rate x (old fund value - new fund value):</b>	$£0.0024 \times (£449m - £464m) \times$ $70.38\%$		-£25,000
	$£0.0035 \times (£449m - £464m) \times$ $29.62\%$		-£16,000
<b>Quantity Variance</b>			<b>-£41,000</b>
<b>Total Variance Workings</b>			
	<b>Old fees - new fees:</b>	£790,000 - £0 =	£749,000
<b>Total Variance</b>			<b>£749,000</b>
<b>Total Manager Fee Savings per annum</b>			<b>£442,000</b>

**Annex 1: Techniques for Calculating Fee Savings from BCPP Global Equity Alpha Fund**

<b>Savings Analysis from Asset Pooling</b>			<b>Rounded to £000s</b>
<b>Calculating price and quantity variances for an asset portfolio transferred to BCPP Global Equity Alpha Fund using 30/09/2019 valuations, as at 31/03/2020</b>			
Value of Global Equities as at 30/09/2019	£556m	%	100.00%
<b>Total Value of Global Equities</b>	<b>£556m</b>		<b>100.00%</b>
<b>Ad valorem fee rate</b>			
Fund Manager 1	55bps per first £60m, 35bps >£60m		
Value of Assets as at 31/03/2020	£446m		
Ad valorem fee rate	33.7bps per £1m		
<b>Price Variance Workings</b>			
<b>Current Fund Values at old fee rate:</b>	(£60m) x £0.0055		£330,000
	(£446m - £60m) x £0.0035		£1,351,000
			<b>£1,681,000</b>
<b>Current Fund Value at new fee rate:</b>	£446m x £0.00337		<b>£1,503,000</b>
<b>Price Variance</b>			<b>-£178,000</b>
<b>Quantity Variance Workings</b>			
<b>Old fee rate x (old fund value - new fund value):</b>	£0.0035 x ((£556m - £60m) - (£446m - £60m))		£385,000
<b>Quantity Variance</b>			<b>£385,000</b>
<b>Total Variance Workings</b>			
	£2,066,000 -		
<b>Old fees - new fees:</b>	£1,503,000 =		£563,000
<b>Total Variance</b>			<b>£563,000</b>

**No Performance fee savings. No performance fees paid for previous manager and current manager**



# Annex 2 – Administration Performance Report

## ADMINISTRATION - ONGOING WORKFLOW

No	Description	Performance standard	Tolerable performance*	2019-20					
				No of cases received	No of cases completed	No of cases completed within SLA	Percentages of cases completed within SLA (Score and RAG)	Average time from start to finish to complete cases (in days)	Number of cases outstanding (total backlog)
<b>OW 1</b>	<b>OVERVIEW</b>		-	-	-	-	-	-	-
OW 1.1	TOTAL SURREY CASES Total number of cases in period	N/A		17,314	14,878	11,760			11,338
OW 1.2	TOTAL SURREY CASE BACKLOG Total number of cases in period	N/A							
OW 1.3	SCHEME MEMBERSHIP Number of members in the Surrey LGPS	N/A							
	Active members	N/A							
	Deferred members	N/A							
	Pensioner members	N/A							
OW 1.4	TOTAL OPT OUTS Total percentage of SCC eligible members not currently in the Surrey LGPS	N/A		8.97%					
OW 1.5	TOTAL ORBIS MEMBERSHIP	N/A							

OW 1.6	EMPLOYERS Number of employers in the Surrey LGPS	N/A							
	Councils	N/A							
	Academies	N/A							
	Admission bodies	N/A							
	Other	N/A							
<b>OW 2</b>	<b>CASELOAD DETAIL (MEMBERS)</b>								
OW 2.1	NEW STARTER New scheme member to be set up on Altair, check payroll details, request any transfers and send a statutory notice sent to the member.	30 working days	80%	4,813	3,048	3,048	63%	Processed outside of Altair	0
OW 2.2	DEFERRED STATUS Calculate pay, check membership, calculate deferred benefits, update Altair and issue a benefit statement.	2 months	80%	2,189	2,592	1,238	57%	116	4823
OW 2.3	RETIREMENT (INITIAL NOTIFICATION) Calculate pay, membership and retirement benefits and send initial letter and forms to member.	15 working days	80%	1,928	2,054	1,749	91%	13.75	222
OW 2.4	RETIREMENT (COMPLETE) upon receipt of all the forms and pay the retirement grant, update Altair, set up the pension on the payroll and send a benefit statement to the member.	15 working days	85%	1,383	1,449	1,296	94%	10.75	115

OW 2.5	DEATH NOTIFICATION Stop any pension, send condolences letter, request details of any dependents / beneficiaries and send claim forms for any balance / overpayment / Death Grant.	5 working days	90%	504	562	443	88%	10.25	94
OW 2.6	SURVIVOR'S PENSIONS Upon receipt of all relevant certificates, forms and supporting evidence set up all survivor's pensions on the payroll and send each beneficiary a pension statement.	10 working days	90%	220	338	299	136%	16.25	33
OW 2.7	DEATH GRANT PAYMENT Upon receipt of all the certificates, claim forms and details of potential beneficiaries the Death Grant and any balance of pension should be paid and the return of any overpayment requested. The Pension Section should notify the relevant parties of any payments / decisions in writing.	10 working days	90%	329	266	232	71%	21.75	96
OW 2.8	ILL HEALTH RETIREMENT (INITIAL) Upon receipt of all the relevant documents, send an estimate and the claim forms and request the certificates.	15 working days	90%	27	39	27	100%	30.25	8
OW 2.9	ILL HEALTH RETIREMENT (COMPLETE) Upon receipt of all forms / certificates, update Altair, pay the retirement grant, set	15 working days	90%	45	47	46	102%	9.25	4

	up the pension on the payroll and update Altair.								
OW 2.10	MEMBER CORRESPONDENCE Respond to member queries (Helpdesk)		70%	-	No. of calls = TBC	-		-	-
OW 2.11	REFUNDS Check the record, calculate the refund due and make payment	20 working days	80%	3,014	1,449	931	31%	55.25	2921
OW 2.12	LGPS TRANSFER IN (ESTIMATE) Upon receipt of the service statement, check the service details and inform the member of the option to transfer and advise them of the timescales.	20 working days	80%	2,132	623	472	22%	109.5	1688
OW 2.13	LGPS TRANSFER IN (ACTUAL) Check that the membership and payment received is correct, update Altair and send a service statement to the member.	20 working days	80%	492	474	439	89%	22.25	114
OW 2.14	NON-CLUB TRANSFER IN (ESTIMATE) Check the transfer quotation and inform the member of the service / pension credit it would purchase, the option to transfer and the relevant timescales.	20 working days	80%	277	236	161	58%	120	871
OW 2.15	NON-LGPS TRANSFER IN (ACTUAL) Check that the payment and the details are correct, update Altair and send a service statement to the member.	20 working days	80%	50	53	N/A		N/A	8
OW 2.16	LGPS TRANSFER OUT (ESTIMATE) Send deferred benefit statement to the new employer.	20 working days	80%	493	433	363	74%	32.25	123

OW 2.17	LGPS TRANSFER OUT (ACTUAL) Make payment to the new administering authority after twelve months / upon receipt of membe's election and update Altair.	20 working days	80%	385	376	322	84%	31.75	58
OW 2.18	NON-LGPS TRANSFER OUT (ESTIMATE) Upon request send transfer quotation and discharge forms.	20 working days	80%	446	420	324	73%	22.5	111
OW 2.19	NON-LGPS TRANSFER OUT (ACTUAL) Check that all the discharge forms have been completed correctly, check tPA register, make payment and update Altair.	20 working days	80%	81	96	69	85%	25.25	24
OW 2.20	EARLY RETIREMENT STRAIN Invoice to be raised as soon as the pension benefits are put into payment and a copy sent to the Pension Fund Team.	5 working days	95%	26			100%		
OW 2.21	STRAIN INVOICES TO BE PAID BY EMPLOYERS	30 working days	95%		26		100%		
<b>OW 3</b>	<b>CASELOAD DETAIL (EMPLOYERS)</b>								
OW 3.1	CONTRIBUTIONS RECEIVED Pension Fund 100% (total value) of contributions to be received by 21st day of the ensuing period.	N/A	95%				96%		
OW 3.2	EMPLOYER ESTIMATE Upon request, provide employer with early retirement estimate.	10 working days	80%	204	245	201	99%	8	25
<b>OW 4</b>	<b>COMPLAINTS / BREACHES</b>								
OW 4.1	BREACHES Breaches logged in period	N/A		1					



OW 4.2	BREACHES Material breaches reported to tPR	N/A							
OW 4.3	MEMBER COMPLAINTS Complaints logged by the customer services team.	N/A							
OW 4.4	IDRPs IDRPs logged in period	Normally two months		17	8	8	47%		
OW 4.5	IDRPs IDRPs upheld / partially upheld in period	Normally two months		8	3	3	38%		



# Surrey Pension Fund

# Pension News

Autumn 2020

## An update for Members of the Local Government Pension Scheme (LGPS)

Dear Colleague,

We are pleased to publish the latest edition of our Members Newsletter, which is produced to keep you updated on changes in the Local Government Pension Scheme (LGPS) and other useful information.

## COVID-19 Update

With the COVID-19 (Coronavirus) outbreak creating a fast moving and uncertain situation affecting us all, personally and professionally, we wanted to set out our arrangements for delivering our services to you.

Orbis Pensions remains operational and our aim is to ensure we can maintain vital services during this time. For current information regarding our services, and for other queries you may have regarding how this outbreak may affect your pension, please visit: <https://www.surreypensionfund.org>

## 'Pension Made Simple' Videos

Would you like to know more about your pension?

The LGPS member website has recently uploaded 7 videos to explain various pension topics.

These videos are short, simple and packed with valuable information which can help to answer queries that you might have about your pension.

Please visit the link below to view the videos:

<https://www.lgpsmember.org/more/Videos.php>



## Member Self-Service Portal

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The 'My Pension' Portal was introduced to allow you to view and update your personal details, update nomination beneficiaries and view your membership details.

Most importantly, you are able to view your Annual Benefit Statements and use the benefit projector tool to calculate your retirement benefits and options, which can help you to plan your retirement.

### What do I need to do?

If you haven't done so, register now by following the three steps below:

- 1) Go to [mypension.surreycc.gov.uk](https://mypension.surreycc.gov.uk)
- 2) If you haven't got a username or password please click on '**Request One.**'
- 3) You will receive an email within 24 hours to complete your registration.

Got a question about the 'My Pension' Portal?

[Please visit our FAQs.](#) You can find them by clicking 'Help' at the top of the portal login page. Or watch our video guide at:

<https://www.youtube.com/watch?v=d06yafxrl7A>

## Your Annual Benefit Statement

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Once you have logged into the 'My Pension' portal, select **Annual Benefit Statements** from the dashboard. You can download and save your statement, or print it off if you would like a paper copy. Please take the time to check that the details we hold for you are correct.

If you need to change your address, email address or telephone number, you can update these by selecting the **Your Details** tab from the dashboard. To check, create or amend your nominations, please select the **Nominations** tab from the dashboard.

If your marital status has changed, then please email [myhelpdeskpensions@surreycc.gov.uk](mailto:myhelpdeskpensions@surreycc.gov.uk) with your name, National Insurance number, date of birth and a copy of the relevant document to confirm your new marital status, e.g. marriage certificate.

## Tax Controls & Your Pension

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There are controls on the total amount of contributions you can make into all pension arrangements and receive tax relief on, as well as on the pension savings you can have before you become subject to a tax charge. This is in addition to any income tax you pay on your pension once it is in payment.

There are two controls—the Annual Allowance and the Lifetime Allowance.

The Annual Allowance limit for 2019/20 is £40,000. If you have exceeded this limit, we will write to you by 6 October, to let you know what you need to do. Further details can be found at:

<https://www.lgpsmember.org/ats/about-tax.php>

# The McCloud Judgement

When the LGPS changed from a final salary to a career average pension scheme in 2014, protections for older scheme members were introduced.

Similar protections were provided in other public pension schemes.

The Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. This ruling is often called the 'McCloud judgement.'

The Government is still considering exactly what changes need to be made to remove the discrimination from the LGPS. This means it has not been possible to reflect the impact of the judgement in your annual benefit statement this year. If you qualify for protection it will apply automatically — **you do not need to make a claim.**

For more information, see the [frequently asked questions on the LGPS member website](#).

## Contribution Bands for 2020/21

As a member of the LGPS, the contribution rate that you pay depends upon your annual pensionable salary. Every year, the contribution bands are increased by Consumer Price Index. This year, the increase is 1.7%. The following table shows the contribution bands for the 2020/21 financial year.

Contribution table 2020/21			
If your actual pensionable pay is:		You pay a contribution rate of:	
		main scheme	50/50 section
Up to	£ 14,600.00	5.50%	2.75%
£ 14,601.00	£ 22,800.00	5.80%	2.90%
£ 22,801.00	£ 37,100.00	6.50%	3.25%
£ 37,101.00	£ 46,900.00	6.80%	3.40%
£ 46,901.00	£ 65,600.00	8.50%	4.25%
£ 65,601.00	£ 93,000.00	9.90%	4.95%
£ 93,001.00	£ 109,500.00	10.50%	5.25%
£ 109,501.00	£ 164,200.00	11.40%	5.70%
£ 164,201.00	or more	12.50%	6.25%

On the 1 April each year, the CARE portion of your pension (pension built up since 1 April 2014) is revalued with a cost of living adjustment. **This year, your CARE pension was increased by 1.7% on the 1 April 2020.**

# Buying Additional Pension Contributions (APCs)

APCs are designed for members who are looking to increase the pension benefits that they will receive.

Most of us look forward to a happy and comfortable retirement and in order to enhance this, you may wish to consider paying extra contributions.

## How much pension can I purchase?

If you are in the main section of the LGPS, you can pay additional contributions to buy up to £7,194 of extra pension. You can choose to pay for the extra pension by spreading the payment of the APCs over a number of complete years or by paying a lump sum amount.

If you wish to spread the payment, the regular contributions would be deducted from your pay, just like your normal pension contributions. Your normal contributions plus the APCs are deducted from your pay before your tax is calculated, so if you pay tax, you receive tax relief automatically through the payroll.

If you wish to buy extra pension by paying a one-off lump sum, you can do so via your pay and will receive immediate tax relief. Alternatively, you can make a payment directly to the Surrey Pension Fund.

If you choose to make the payment directly, you will need to arrange tax relief yourself via HMRC. You can do this via your self assessment tax return or by calling or writing to [HM Revenue and Customs \(HMRC\)](#).

Tax relief is available on all pension contributions up to 100% of your taxable earnings.

## How do I apply?

The minimum period of time that you can spread the payment of APCs over is 12 months, and the maximum is the number of years to your normal pension age.

Your normal pension age is linked to your [State Pension age](#) (but with a minimum of age 65). If you are a year or less from your normal pension age you can only pay by lump sum.

You cannot elect to buy extra pension if you are in the 50/50 section of the LGPS.

For more information, please go to [www.lgpsmember.org](http://www.lgpsmember.org) and select **Already A Member > Increasing Your Pension Benefits**. The link to the below calculator can be found on the right hand site of that page.

**Please note that you may need to complete an application and medical form, these can be found by contacting the Helpdesk.**

### Buy Extra Pension - Get a Quote

Click where you see this image to display help

To get a quote enter the details for calculation below then choose your payment method - EITHER regular payments OR a one off lump sum. For your chosen method enter EITHER (a) the extra annual pension you wish to buy OR (b) the amount that you can afford to pay. DO NOT ENTER BOTH. If you choose regular payments please also enter the number of years over which you wish to pay APCs and your pay frequency.

Details for calculation		Regular Payments	OR	Lump Sum Payment
1. Gender	<input type="text" value="-- select --"/>	5(a). Pension £ <input type="text"/>	<input type="radio"/>	8(a). Pension £ <input type="text"/>
2. Date of Birth	<input type="text" value="00"/> <input type="text" value="00"/> <input type="text" value="YYYY"/>	OR	<input type="radio"/>	OR
3. Section of scheme	<input type="text" value="--select--"/>	5(b). Amount £ <input type="text"/>	<input type="radio"/>	8(b). Lump Sum £ <input type="text"/>
4. Percentage your employer has agreed to pay	<input type="text" value="0"/> %	6. Pay frequency <input type="text" value="-- select -"/>	<input type="radio"/>	9. Payment method <input type="text" value="-- select -"/>
		7. Years (whole) <input type="text"/>		
		<input type="button" value="Get results"/>		<input type="button" value="Get results"/>

# How Your Pension is Invested

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The LGPS, unlike other pension schemes in the public sector, is funded. This means that benefits are backed by a pension fund.

As a scheme member, you will pay contributions to the pension fund, as does your employer and these contributions are invested to provide additional returns.

Every three years, an independent actuary values the money held in the fund and calculates how much your employer should contribute to the scheme. This ensures that the pension fund can meet the ongoing liabilities, such as payment of pensions, etc.

## How are the funds invested?

Surrey Pension Fund believe it is just as important to inform our Members how their pensions are being invested, in addition to how we ensure they are getting paid.

Following a competitive tendering exercise, the Surrey Pension Fund had appointed an independent provider to understand how it can further contribute towards the United Nations Sustainable Development Goals (UN SDGs).

The United Nations [2030 Agenda for Sustainable Development](#), adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future.

At its heart are the 17 [Sustainable Development Goals \(SDGs\)](#), which are an urgent call for action by all countries - developed and developing - in a global partnership.

The SDGs recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – whilst tackling climate change and working to preserve our oceans and forests.

The Surrey Pension Fund Committee, working with Officers, the Fund's Independent Advisor and the Local Pensions Board have, over a number of years, been exploring how the Fund can continue to enhance its approach as a responsible long-term investor, more closely incorporating Environmental, Social and Governance (ESG) factors into the selection, management and retention of the Fund's investments.

We also aim to go further to make more impactful investments with our Members' pensions, which directly contribute towards these SDGs.

We encourage our Members to follow us on this journey, either by contacting the Pension Fund at: [pension.fund@surreycc.gov.uk](mailto:pension.fund@surreycc.gov.uk)

or by keeping up-to-date of our upcoming Pension Fund Committee meetings at:

<https://mycouncil.surreycc.gov.uk/ieListMeetings.aspx?Committeeld=334>



## Beware Scammers

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Scams remain a huge problem within the pensions industry, with people often losing vast sums of money.

Scammers are using the COVID-19 pandemic to take advantage of the current financial uncertainty.

They are approaching members, promising attractive offers to get them to transfer their pension pot or to release funds from it.

### For further information:

Please visit the Financial Conduct Authority, the Pensions Regulator website and the LGPS website:

[fca.org.uk/scamsmart](https://fca.org.uk/scamsmart)

[thepensionsregulator.gov.uk](https://thepensionsregulator.gov.uk)

[lgpsmember.org/more/scams.php](https://lgpsmember.org/more/scams.php)



## Tell Us Once Service

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Tell Us Once is a service that lets you report a death to most government organisations all at once.

Orbis Pension Services have teamed up with the Tell Us Once service to avoid any pension payments being overpaid.

If your representatives use the Tell Us Once service, we will be notified and will contact them for further information.

## Changes to LGPS

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Parental Bereavement Leave and Pay regulations came into force from **6 April 2020**.

If you are absent for this reason, your pension will be unaffected from any period of reduced pay.

## Retirement Planning

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The Pensions and Lifetime Savings Association have launched the Retirement Living Standards to help you plan your retirement.

Please visit the link below to view the guidance:

[www.retirementlivingstandards.org.uk/](https://www.retirementlivingstandards.org.uk/)

### Contact Us


View your pension online:  
[mypension.surreycc.gov.uk](https://mypension.surreycc.gov.uk)

Problem accessing the 'My Pension' portal?

 0300 200 1034

 0300 200 1031

 [myhelpdeskpensions@surreycc.gov.uk](mailto:myhelpdeskpensions@surreycc.gov.uk)

 Orbis Pension Services  
Room 218, County Hall,  
Penrhyn Road,  
Kingston Upon Thames

KT1 2DN



Autumn 2020

## An update for Employers of the Local Government Pension Scheme (LGPS)

Dear Colleague,

We are pleased to publish the autumn edition of our Employers' Newsletter; produced to keep you informed of your responsibilities as a Local Government Pension Scheme (LGPS) employer. Inside you'll also find helpful links, the latest developments in the LGPS and any changes in the services we offer.

## The McCloud Judgement & FAQs

When the LGPS changed from a final salary to a career average pension scheme in 2014, protections for older scheme members were introduced, this is known as the underpin.

Similar protections were provided in other public pension schemes.

The Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. This ruling is often called the 'McCloud judgement.'

A consultation has been published on the proposed changes to the LGPS. This can be found at [www.gov.uk/government/consultations/local-government-pension-scheme-amendments-to-the-statutory-underpin](http://www.gov.uk/government/consultations/local-government-pension-scheme-amendments-to-the-statutory-underpin)

This means it has not been possible to reflect the impact of the judgement to member's Annual Benefit Statement this year.

If a member qualifies for protection it will apply automatically — **they will not need to make a claim.**

The proposed changes would mean that a revised underpin will apply to all members, regardless of their age, who:

- Were active on 31 March 2012.
- Build up benefits in the 2014 Scheme (2015 for Scotland and Northern Ireland).
- Do not have a disqualifying break.

Under the proposals, in order to calculate if an underpin addition applies, we will need Hours and Service Break data for all qualifying members going back to 1 April 2014.

We will in due course be sending out a standard data collection template to request this information, along with notes to accompany this and a Q&A sheet.

Should you have any queries from members there is a member's FAQ page with the latest news on the main LGPS website ([lgpsmember.org](http://lgpsmember.org)) which members can be directed to.

# Annual Benefit Statements & 'My Pension' Portal

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All Annual Benefit Statements (ABS) should have been received by **31 August 2020**. (For active members who started employment before 31 March 2020.)

Below are a few of the most commonly asked questions that members may have:

## I have just started employment – why have I not got an Annual Benefit Statement?

If you started your employment (and joined the LGPS) in the first few months of this year, then your record may not have been set up in time for a 2020 ABS to be produced. However, you will receive a statement next year providing that you are still contributing to the LGPS.

## Why has a colleague received their statement but I haven't?

All statements will be on the 'My Pension' portal by the 31 August 2020.

As there are so many statements to upload to the member portal, this does take a few weeks, so your colleague may be able to view their statement before you.

## My Final Salary Pension Benefits are showing as zero, why is this?

If you were not a member of the LGPS before 1 April 2014, then you will not have any Final Salary pension benefits.

You can find our full ABS FAQs on the 'My Pension' Portal.



Members can view their 2020 Annual Benefit Statement, as well as any previous statements online on the 'My Pension' Portal.

To view their ABS, members need to log in to the 'My Pension' portal from [mypension.surreycc.gov.uk](http://mypension.surreycc.gov.uk) and go to the Annual Benefit Statement tab.

## How do they register for the 'My Pension' portal?

If they have not already registered for the 'My Pension' portal, it is free of charge and easy to do. They can **watch our new video for a simple step-by-step guide** on how to register at [www.youtube.com/watch?v=d06yafxrl7A](http://www.youtube.com/watch?v=d06yafxrl7A)

# Reform of Exit Payments (95k Cap)

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On 23 September 2020, the House of Lords approved the draft Restriction of Public Sector Exit Payments Regulations 2020. The House of Commons voted to approve the regulations on 30 September 2020, with the regulations **coming into effect on 4 November 2020**.

As part of the proposals, certain active scheme members of a designated public body aged 55 and over, and who are below their normal pension age, will lose the right to receive unreduced pension benefits in the event that they are made redundant or retired on grounds of efficiency. The Ministry of Housing, Communities and Local Government issued

draft strain cost guidance and an impact assessment to provide further clarity about the effects of the proposals and the consultation closes on **9 November 2020**. In the interim, we are not able to provide early retirement termination estimates until we receive further guidance.

Further information can be found on the [Scheme consultations page](#) of [www.lgpsregs.org](http://www.lgpsregs.org). The LGA have produced [slides and video recording](#) covering how the £95k cap and MHCLG's further reform proposals will affect employees of local authorities eligible for the LGPS. These are available from the [LGPS events page](#).

# The Difference Between Final Pay & CARE Pay

## What is Final Pay?

Final pensionable pay is based on either the pay due for the member's final year of scheme membership on which they paid contributions or, if it's higher, one of the previous 2 years.

This includes: their normal pay, contractual shift allowance, bonus, contractual overtime (but not non-contractual overtime), Maternity Pay, Paternity Pay, Adoption Pay, Shared Parental Pay, any other taxable benefit specified in their contract as being pensionable.

If the member were part-time for all or part of their final year, then the whole-time pay that the member would have received if they had worked whole-time is used. If their pay in the final year was reduced because of sickness or relevant child related leave, Final Pay is the pay they would have received had they not been on sick leave or relevant child related leave.

## How the pay information you provide is used:

We take the Final Pay that you provide and multiply it by the membership years and divide by an accrual rate.

So, for someone who has been a member full time for 6 years from 1 April 2008 and had a final salary of £25,000, the calculation will be  $£25,000 \times 6 / 60 = £2,500$  per year.



## What is CARE Pay?

Career average revalued earnings pensionable pay (CARE Pay) is the pay on which the member normally pay pension contributions.

Typically, **pensionable pay includes**: their normal salary or wages, bonuses, overtime (both contractual and non-contractual), maternity, paternity, adoption and shared parental pay, shift allowance, additional hours payments (if they work part-time) and any other taxable benefit specified in their contract as being pensionable.

What the member **does not** pay contributions on: any travelling or subsistence allowances, pay in lieu of notice, pay in lieu of loss of holidays, payment as an inducement not to leave before the payment is made, any award of compensation (other than payment representing arrears of pay) made for the purpose of achieving equal pay, pay relating to loss of future pensionable payments or benefits, pay paid by you as the employer if the member goes on reserve forces, the monetary value of a car or pay received in lieu of a car and any sum which has not had tax liability determined on it.

## How the pay information you provide is used:

We take the yearly pay figure you provide and divide by 49 if the member is in the main scheme or 98 if the member is in the 50:50 scheme. The resulting pension is added to the member's pension pot.

For example, CARE pay 2019/20 =  $£25,000 / 49 = £510.20$  annual pension added to the members pension pot. The whole pot is then revalued on 1 April in line with CPI (Consumer Price Index).

To find out more information refer to the LGA HR and Payroll Guides at:

<https://lgpsregs.org/employer-resources/guidesetc.php>

## Employer Resources

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There is a new 'Employer Resources' section on the LGA Regs website.

Here you can find the latest Employer Guides and Documents, up-to-date COVID-19 FAQs as well as bite-size training courses. There's also a link to book onto Employer role training and other worthwhile courses.

You can find the hub at [www.lgpsregs.org/employer-resources/index.php](http://www.lgpsregs.org/employer-resources/index.php)



## New HR & Payroll Guide

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Updated versions of the LGPS HR & Payroll Guides were released on 11 June.

The new Payroll Guide contains amended guidance on how to calculate Assumed Pensionable Pay (APP) where a member has received a lump sum payment within the last 12 months before the start of the APP.

You can find the latest versions on the LGA Regs website:

HR Guide at [www.lgpslibrary.org/assets/gas/ew/HRv4.1c.pdf](http://www.lgpslibrary.org/assets/gas/ew/HRv4.1c.pdf)

Payroll Guide at [www.lgpslibrary.org/assets/gas/ew/Pv4.1c.pdf](http://www.lgpslibrary.org/assets/gas/ew/Pv4.1c.pdf)

## COVID-19 LGPS Update

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On 19 June 2020, the Department of Health and Social Care published guidance for employers in England. The guidance sets out the steps that employers may need to take following the death of an adult social care worker from COVID-19.

Find out the full details at: [www.gov.uk/government/publications/](http://www.gov.uk/government/publications/)

## Changes to LGPS

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You can find the full updated list of discretionary policies to be determined upon by Scheme employers, administering authorities and other parties online at [lgpslibrary.org/assets/gas/ew/DISCLv1.9c.pdf](http://lgpslibrary.org/assets/gas/ew/DISCLv1.9c.pdf)

The full list of discretionary policies for Scheme employers from 1 April 2014 as at 14 May 2018 can also be found on the LGA Regs website at [lgpslibrary.org/assets/gas/ew/DISCPv1.11c.pdf](http://lgpslibrary.org/assets/gas/ew/DISCPv1.11c.pdf)

## Annual Allowance

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By 6 October, we will have sent a Pension Savings Statement to all the members who have exceeded their Annual Allowance. This statement will show them the value of their pension growth for the financial year.

Further information on AA can be found at: [www.gov.uk/tax-on-your-private-pension/annual-allowance](http://www.gov.uk/tax-on-your-private-pension/annual-allowance)

### Contact Us


View your pension online:  
[mypension.surreycc.gov.uk](http://mypension.surreycc.gov.uk)

Problem accessing the 'My Pension' portal?

 0300 200 1034

 0300 200 1031

 [myhelpdeskpensions@surreycc.gov.uk](mailto:myhelpdeskpensions@surreycc.gov.uk)

 Orbis Pension Services  
Room 218, County Hall,  
Penrhyn Road,  
Kingston—Upon—Thames

KT1 2DN

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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