

MINUTES of the meeting of the **SURREY LOCAL PENSION BOARD** held at 10.00 am on 15 November 2024 at Woodhatch Place, 11 Cockshot Hill, Reigate RH2 8EF.

These minutes are subject to confirmation by the Board at its meeting on Friday, 21 February 2025.

(* present)

Members:

- Brendan Bradley (attended virtually)
- * Chris Draper
- * Tim Evans (Chair)
- * Siobhan Kennedy
- * William McKee
- * Jeremy Webster
- Trevor Willington
- * Lisa Fogerty- Scott

52/24 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Trevor Willington.

Brendan Bradley joined the meeting virtually.

The Chair acknowledged the resignation of David Lewis from the Board due to ill health. On behalf of the Board, the Chair expressed gratitude to David Lewis for his valuable contributions and service during his tenure.

53/24 MINUTES FROM THE PREVIOUS MEETING: 26 JULY 2024 [Item 2]

The minutes were agreed as an accurate record of the meeting.

54/24 DECLARATIONS OF INTEREST [Item 3]

None.

55/24 QUESTIONS AND PETITIONS [Item 4]

There were none.

56/24 GLOSSARY, ACTION TRACKER & FORWARD PROGRAMME OF WORKS [Item 5]

Witnesses:

Neil Mason, Assistant Director, LGPS Senior Officer

Key points raised during the discussion:

1. The Chair introduced the glossary, action tracker and forward programme of works.
2. The LGPS Senior Officer explained the items for further discussion would be informed by the agreement of the strategic plan and the accompanying business plans.

Actions/ further information to be provided:

None.

Recommendations:

The report and annexes were noted with no recommendations made to the Pension Fund Committee.

57/24 SUMMARY OF THE PENSION FUND COMMITTEE MEETING OF 13 SEPTEMBER 2024 [Item 6]

Witnesses:

Nick Harrison, Chairman of Surrey Pension Fund Committee
Neil Mason, Assistant Director, LGPS Senior Officer

Key points raised during the discussion:

1. The Chairman of Surrey Pension Fund Committee highlighted areas from the report including:
 - a. That the Surrey Pension Fund was well-funded, partly due to changes in the discount rate. However, it was emphasised that a certain degree of judgement was involved in these projections.
 - b. Performance was good but slightly behind benchmark.
 - c. At the previous meeting, the Committee reviewed the real estate portfolio.
2. The Chair asked if the recent election of President Trump in the United States of America would have any impact on future performance. The Chairman of Surrey Pension Fund Committee acknowledged they saw a rise in US stocks following the election but explained that it was not possible to predict the overall effect.
3. The LGPS Senior Officer stated that he had recently shared the council's investment consultant's views with members of the Board. He summarised that while President Trump's tax proposals could potentially lead to higher returns, they also introduced risks associated with a more mercantilist approach to economic policy. These risks would be assessed in consultation with advisors.

Actions/ further information to be provided:

None.

Recommendations:

The Board noted the content of the report.

58/24 IMPROVING THE GOVERNANCE OF THE SURREY PENSION FUND UPDATE [Item 7]

Witnesses:

Neil Mason, Assistant Director, LGPS Senior Officer

Key points raised during the discussion:

1. The Chair introduced the agenda item as an update, emphasising its importance.
2. The Senior LGPS Senior Officer provided an overview of the governance improvements discussed previously by the Board and endorsed by the Committee. He explained that the key focus was to formally recognise the distinct relationship between the Pension Fund and Surrey County Council as two independent but related entities. The Board noted the proposals as outlined in the report.
3. The LGPS Senior Officer further noted that the proposals were approved at the meeting of the County Council during its most recent meeting. Additionally, the officer highlighted the Government's consultation response on pension governance regulations, issued the previous day, aligned with the changes already implemented.
4. It was further stated that independent advice from Barnett Waddingham, recommendations from internal audit, the Scheme Advisory Board's Good Governance Guidance, and the Pension Regulator's General Code of Practice had all been considered to improve governance arrangements for the Pension Fund.
5. The Chair added that the Surrey Pension Fund served over 300 employers, not just Surrey County Council, reinforcing the significance of maintaining and demonstrating independence.

Actions/ further information to be provided:

None.

Recommendations:

The Board noted the content of the report.

59/24 SURREY PENSION TEAM OVERVIEW - QUARTER 2 [Item 8]**Witnesses:**

Neil Mason, Assistant Director, LGPS Senior Officer
Colette Hollands, Head of Accounting and Governance

Key points raised during the discussion:

1. The LGPS Senior Officer, supported by the Head of Accounting and Governance, introduced the report and highlighted the following points:
 - a. The Fund value had increased over 3 months, 1 year and 3 years. However, individual mandates had underperformed their specific benchmarks, leading to an underperformance of the Fund overall. The growth in asset value, to £6bn, and an increase in the discount rate have combined to drive the funding ratio up to 143%.
 - b. That Service Delivery performance was above target and the legacy reduction rate continued to perform strongly.
 - c. 61% of legacy line items from the old ledger system had been cleared following their transfer to the new system. The Accounting & Governance team, working with EY, had been identifying and resolving the remaining items to ensure they were addressed within the financial year and did not carry forward.

- d. The third Pulse staff survey, a key measure of progress against the strategic plan's people and culture elements, closed on 30 June 2024. Results showed slight variations but remained positive, indicating the team was on track.

Actions/ further information to be provided:

None.

Recommendations:

The Board noted the report.

60/24 CHANGE MANAGEMENT UPDATE [Item 9]

Witnesses:

Neil Mason, Assistant Director, LGPS Senior Officer
Nicole Russell - Head of Change Management (virtual)

Key points raised during the discussion:

1. The Head of Change Management introduced the report and highlighted the following points:
 - a. During the last quarter, the Communications team met all planned communication timelines as per the Communication Policy and progressed with implementing the Amplifying Our Presence plan.
 - b. That the Surrey Pension Team won the 'Impact Investing Principles Adopter' at the Pensions for Purpose Awards.
 - c. The Team had delivered Pension Awareness Week materials to employers and shared resources with members via the Surrey Communication Working Group.
 - d. The team had produced and launched two brief video interviews outlining the Surrey Pension Team's future plans and workforce strategy.
 - e. The Staff Pulse Survey results were generally positive, similar to the previous survey, with notable improvement in development opportunities identified to enhance development plans and focus on Equality, Diversity, and Inclusion (EDI).
 - f. The residential Board and Committee training event was finalised and completed. Feedback from the event was gathered to enhance next year's training plan.
 - g. A comprehensive training programme for the Extended Leadership Team (ELT) had been launched.
 - h. In regard to project management, it was noted that the most significant projects currently on the agenda were McCloud, GMP and evolving the funds governance and identity.
 - i. The tendering process for an external consultant to support the Year 2/3 digital transformation strategy was underway.
 - j. Initiatives to evolve SPT's culture continued, including a session on "The Journey of the Pound Coin," highlighting the team's role in delivering pension services.
 - k. To enhance team cohesion, a Social Committee was established and successfully hosted several events over the summer.

2. The Chair thanked the officers for their efforts and noted the team's energy and commitment to making improvements.
3. The Head of Change Management outlined plans to engage two consultants to support the digital transformation strategy. One consultant would focus on the later stages of the strategy, providing insights into emerging technologies, such as artificial intelligence, and their potential applications in pension services. The second consultant would address immediate technical challenges, such as automating manual processes like reconciling employer payments with submitted data. These improvements aimed to enhance efficiency and reduce errors.
4. The Chairman of Surrey Pension Fund Committee highlighted that the information on page 91 of the agenda was outdated. While it referred to a potential member consultation on the RI policy, a major consultation had already been conducted, receiving approximately 7,000 responses from members, employers, and other stakeholders. The Board noted the error and correction.

Actions/ further information to be provided:

None.

Recommendations:

The Board noted the report.

61/24 SERVICE DELIVERY OVERVIEW [Item 10]

Witnesses:

Neil Mason, Assistant Director, LGPS Senior Officer
Tom Lewis, Head of Service Delivery

Key points raised during the discussion:

1. The Head of Service Delivery introduced the report and highlighted the following key points:
 - a. The performance levels in the period had achieved an overall score of 92%, an increase of 7% on the previous quarter.
 - b. The team continued to exceed the expected target for cases such as transfers, refunds, deferred benefits and issuing the acknowledgement of members who have passed away.
 - c. Performance improved in key areas that had been below expected levels in the last quarter. Retirement and ill health cases had both met and exceeded targets in this quarter.
 - d. The improvement in performance across all case types validated the decision to reorganise the team earlier this summer. This involved merging the Immediate and Future Benefit Teams into two blended Benefit Teams.
 - e. In September, all targets were achieved or exceeded, with everything marked green on the annexes on page 101. Looking ahead, October also saw all targets met, marking two consecutive months of success. November appeared to be following the same positive trend, indicating the desired consistency in team performance.

2. A Member of the Board congratulated the team for their ongoing performance improvements.
3. A Board Member raised concerns about diminishing returns in efficiency improvements. The Head of Service Delivery acknowledged the challenge of achieving further efficiency gains beyond a certain point due to human limitations and highlighted the benefits of using digital tools. Moving forward, the focus was on improving systems and processes to help the team reach the next level of efficiency, while maintaining consistent performance. Further to this, the LGPS Senior Officer stressed the importance of deeply understanding customer needs and ensuring that the organisation was effectively meeting them.
4. The Chair noted that, given the size of the membership, the number of complaints was relatively small and there appeared to be no consistent patterns, indicating that these were isolated incidents arising from the administration of the pension scheme.
5. Members noted that work had progressed with the legacy case reduction. The completion progress as of 30 September 2024 stood at 86%, as noted in the report, and stood at 93% by the time of the meeting.
6. Members noted details related to the Overseas Pensioner Check as outlined in the report.
7. A Board Member agreed with a previous discussion point on diminishing returns in efficiency improvements, stating that while the team was in the amber and red zones, focusing on KPIs might not be productive at this stage. However, they suggested reviewing internal performance standards to see how they compare with industry standards. Further to this, officers stated that the company, CEM Benchmarking, was being used not only for investment purposes but also for administration, communications, and digital services. This was the second year officers had used the report, and the Head of Service Delivery stated that he planned to review it to assess where the Fund stood in comparison to its peers.
8. Cllr Jeremy Webster updated the Board on his recent visit to the pension team, expressing admiration for the work he observed. He suggested holding a future meeting at Dakota to give the Board an opportunity to observe the team's work. The Chair agreed to explore this option for a future meeting.

Actions/ further information to be provided:

A6/24 - The Chairman to explore the possibility of holding a future Board meeting at Dakota House to provide the Board with an opportunity to observe the Pension Team's work.

Recommendations:

The Board noted the report.

62/24 RISK REGISTER UPDATE 2024/25 QUARTER 2 [Item 11]

Witnesses:

Colette Hollands, Head of Accounting and Governance
Neil Mason, Assistant Director, LGPS Senior Officer

Key points raised during the discussion:

1. The Head of Accounting and Governance introduced the report and raised the following points:
 - a. That the work completed was a team effort.
 - b. Annexe 1 detailed the process followed to carry out this review, which resulted in the five Sub IDs being individually reviewed and re-rated across the board.
 - c. Annexe 2 provided details of how the process was undertaken, including the approach used, and presented tables showing how the individual sub-risks were subsequently amended
 - d. The main addition was the extension of item 16 on the risk register, which previously covered only MySurrey. This was subsequently broken down into ten MySurrey sub-items.
 - e. Annex 3 included the usual written summary, comprising a service delivery perspective and an accounting and governance perspective. These summaries outlined the issues that remained ongoing with certain aspects of MySurrey.
 - f. The next steps were agreed through Pension Senior Leadership Team (PSLT) and the extended leadership team, establishing that individual team risk registers would be created and managed by team managers, who would identify the risks specific to their respective areas. Monthly reviews of these individual team risks would be conducted, with quarterly updates feeding through the service to the senior leadership team and then to the board and committee
2. A Member commented that the board pack was outstanding and highlighted the fantastic sense of progress evident in the reporting. They expressed their gratitude to those involved.
3. A Member pointed out that one area which seemed less reflective of ongoing work compared to others was the conflict of interest work, particularly in relation to the relationship with Surrey County Council and the Surrey Pension Fund. The officer thanked the Member and agreed, noting that work was underway to consolidate the three existing conflict policies into one unified policy.
4. A Member suggested that the risk report should focus more on the five key risks that could destabilise the organisation, especially those showing changes since the last review. They emphasised that the report should highlight whether the risk environment had become riskier and how the organisation was responding. The officer agreed, noting that with the new approach of drilling down into smaller team risk registers and monthly reviews, a clearer narrative could be developed. This would allow for a more detailed presentation of the key risks and their changes when reported quarterly.
5. Members noted details related to Annexe 3 and thanked officers for their detailed report.

Actions/ further information to be provided:

None.

Recommendations:

The Board noted the contents of the report, Annexe 1, Annexe 2 and Annexe 3.

63/24 THE PENSIONS REGULATOR GENERAL CODE OF PRACTICE [Item 12]

Witnesses:

Neil Mason, Assistant Director, LGPS Senior Officer
Colette Hollands, Head of Accounting and Governance

Key points raised during the discussion:

1. The Head of Accounting and Governance introduced the report. The officer explained that the General Code of Practice, published earlier in the year, provided a basis for self-assessment of adherence to the Code. Previously, there were 10 separate codes for UK pension schemes, with Code of Practice 14 applying to public sector schemes. Now, there was one comprising five streams and 51 modules. The officer noted that of the 11 chapters covered, three chapters remained to be addressed. Two of those were related to best practice items only, and the third focused on IT and cybersecurity. The officer acknowledged that the organisation was slightly behind on IT and cybersecurity but noted that this was being addressed through a separate initiative.
2. The officer outlined the next steps, noting that the remaining three chapters would be completed. They also planned to review areas within the 51 modules where partial compliance had been achieved and develop a plan to reach full compliance.
3. Members noted that there was no requirement to submit the assessment to the regulator. However, officers expressed a desire to have an independent review conducted, and they planned to work with the actuary to achieve that validation.

Actions/ further information to be provided:

None.

Recommendations:

The Board noted the update on compliance with TPR's General Code of Practice and actions identified.

64/24 ACTUARIAL UPDATE 2025 VALUATION PLANNING [Item 13]

Witnesses:

Colette Hollands, Head of Accounting and Governance
Neil Mason, Assistant Director, LGPS Senior Officer

Key points raised during the discussion:

1. The Head of Accounting and Governance introduced the report and provided a brief summary.
2. The Board were informed that Hyman's were offering three training sessions,. The first session was to be held online on 25 November 2024, followed by two more sessions. The officer encouraged both committee and board members to attend if they wished.

Actions/ further information to be provided:

None.

Recommendations:

The Board noted the content of the report regarding the timeline for the triennial valuation work during 2024/25.

65/24 SURREY PENSION FUND INTERNAL AUDIT PROGRESS REPORT - QUARTER 2 (01/07/24 - 30/09/24) [Item 14]

Witnesses:

Neil Mason, Assistant Director, LGPS Senior Officer
Liam Pippard, Principal Auditor

Key points raised during the discussion:

1. The officer provided a brief update for the quarter, highlighting a key issue regarding the banking controls follow-up. Although scheduled for this quarter, discussions with the service and others revealed that, due to delays with the MySurrey implementation, there had not been enough progress to proceed. It was agreed to review the situation in March, by which point the MySurrey work should be completed, allowing for the implementation of the necessary actions. A report will be provided at the end of the fourth quarter. Members noted further details of ongoing audit work as outlined in the report.
2. The Chair thanked officers for their work and said they he looked forward to reviewing the upcoming audit details when available.

Actions/ further information to be provided:

None.

Recommendations:

The Board noted the report.

66/24 SURREY PENSION FUND - EXTERNAL AUDIT UPDATE [Item 15]

Witnesses:

Neil Mason, Assistant Director, LGPS Senior Officer

Key points raised during the discussion:

1. The officer explained that the report was initially written without the attachment, as work with EY to complete the audit by 6 November 2024 was not possible. EY's progress report provided updates on the six main areas of the audit originally planned. The progress report was due to be presented to the Audit and Governance Committee on 20 November 2024. Members noted further updates as outlined in the published report.

2. Members noted that the cost of the EY audit would incur a small additional fee due to the need for extra resources.

Actions/ further information to be provided:

None.

Recommendation:

The Board noted the report.

67/24 LGPS - BACKGROUND PAPERS [Item 16]

Witnesses:

Neil Mason, Assistant Director, LGPS Senior Officer

Key points raised during the discussion:

1. The Assistant Director, LGPS Senior Officer introduced the report and provided a brief overview. Members noted recent developments following the Chancellor's Mansion House speech which included a pensions review and government proposals. A Member suggested that once the Chancellor's statement was digested, a single-issue meeting might be needed, given the potential impact on fiduciary duties and investment strategies.

Actions/ further information to be provided:

None.

Recommendations:

The Board noted the content of the report.

68/24 DATE OF THE NEXT MEETING [Item 17]

The date of the next meeting was scheduled for 21 February 2025.

Meeting ended at: 12.05 pm

Chairman