

**MINUTES** of the meeting of the **SURREY LOCAL PENSION BOARD** held at 10.00 am on 9 March 2016 at The Chapel, Surrey Fire and Rescue Service Headquarters, Croydon Road, Reigate, Surrey, RH2 0EJ.

These minutes are subject to confirmation by the Committee at its next meeting.

**Elected Members:**

- \* Paul Bundy
- A Tony Geer
- \* Mr Nick Harrison (Chairman)
- \* Tina Hood
- \* Mr John Orrick (Vice-Chairman)
- \* David Stewart
- \* Claire Williams-Morris
- \* Trevor Willington

**In attendance**

Neil Mason, Senior Advisor (Pension Fund)  
 Alex Moylan, Senior Accountant  
 Jason Bailey, Pension Services Manager

**1/16 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]**

The Board welcomed Tina Hood, who had been appointed as a member representative on 29 January 2016.

There were no apologies for absence or substitutions.

**2/16 MINUTES FROM THE PREVIOUS MEETING: 12 OCTOBER 2016 [Item 2]**

These were agreed as an accurate record of the meeting.

**3/16 DECLARATIONS OF INTEREST [Item 3]**

Trevor Willington asked that it be noted that he is a governor at Nescot College, which is an employer in the scheme.

David Stewart asked that it be noted that he was employed by Hammersmith and Fulham, an authority whose pension administration is provided by Surrey County Council as part of the Orbis Partnership.

**4/16 QUESTIONS AND PETITIONS [Item 4]**

There were no questions or petitions.

**5/16 FORWARD PLAN [Item 5]**

**Witnesses:**

Neil Mason, Senior Advisor (Pension Fund)  
 Alex Moylan, Senior Accountant

**Key points raised during the discussion:**

1. The Chairman asked the Board to note the forward plan, which had been created with input from officers and the Vice-Chairman. It was highlighted that the Board would be meeting quarterly, and Board members were invited to propose items for future agendas.

**Resolved:**

The Board noted its action tracker.

**6/16 ACTION TRACKER [Item 6]****Witnesses:**

Neil Mason, Senior Advisor (Pension Fund)  
 Alex Moylan, Senior Accountant

**Key points of the discussion:**

1. The Board requested an item considering independent member appointments for the next meeting.
2. The Board was reminded to advise the Board's scrutiny officer on any training completed. It was confirmed that Surrey Pension Fund Committee training attended by Board members was also recorded.
3. The Board was advised that the Chartered Institute for Public Finance and Accountancy (CIPFA) Pension Administration benchmarking figures had been finalised. These contained no material changes from the draft figures reviewed by the Board on 12 October 2015.

**Resolved:**

That the Board notes its action tracker.

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

The Board to receive an item on independent member appointments at its next meeting (Quarter 1 2016/17)

**7/16 UPDATE FROM RECENT SURREY PENSION FUND COMMITTEE MEETINGS: 13 NOVEMBER 2015, 12 FEBRUARY 2016 AND 25 FEBRUARY 2016 [Item 7]****Witnesses:**

Neil Mason, Senior Advisor (Pension Fund)  
 Alex Moylan, Senior Accountant

Jason Bailey, Pension Services Manager

**Key points raised during the discussion:**

1. Officers updated the Board on the Surrey Pension Fund Committee meetings that had taken place since 12 October 2015. The Board was advised that the key areas of focus had been the government consultation regarding the pooling of investments, and the models of actuarial valuation for the forth-coming tri-annual valuation of the Pension Fund.
2. In reference to investment fund pooling, the Board was informed that the Surrey Pension Fund had opted to join with 13 partners to form Border to Coast Pension Partnership. This was a pooled fund totalling in the region of £36 billion in assets, with Surrey representing approximately £3 billion. The Board was informed that the proposed partnership had been well received by central government, who had responded to the expertise already present within the partnership. It was commented that the government's stated intention was that investment decisions would be taken by an executive body, with oversight from each of the partners through a supervisory body.
3. The Board raised several questions pertaining to the governance of the Border to Coast Pension Partnership, and the role of the different bodies in decision-making and scrutiny. Officers clarified that the governance arrangements were yet to be set out in detail, but that an initial £50,000 investment had been required of each partner for legal and merger consultancy costs. The Board was informed that the set-up costs would fall equally to each partner, but the management charge for assets under management through the partnership would be pro-rata. It was also highlighted that decisions around asset allocation and funding would remain under each partner's local decision-making structures.
4. The Board discussed recent coverage in the media concerning local government pension investments, both in reference to infrastructure and "sin stocks" (tobacco, alcohol and firearms). The Board noted that the Pension Fund Committee's response to the government's consultation on investment regulations had highlighted the Fund's fiduciary duty to its members, and had expressed concern regarding the proposals set out in the consultation to enable central government to direct pension fund investments.
5. The Board also discussed the level of interest in ethical investments by members. It was highlighted that a public question had been submitted to the Pension Fund Committee on 13 November 2015. The Board was informed that the Local Government Association had sought counsel opinion on the matter 18 months prior, this had highlighted the primacy of a pension fund's fiduciary duty to its members over any decision to disinvest. This had been reinforced by central government in the proposed changes to investment regulations. Officers also commented that there had been a number of individuals writing in or submitting Freedom Of Information (FOI) requests in reference to investments. The Board requested that the detail of the Fund's responses was circulated for their information.

6. Officers highlighted that a decision had been taken on 12 February 2016 by the Pension Fund Committee to extend the fund's property portfolio to include global investment, with a £30 million additional investment in property. There were discussions ongoing with CBRE on how to proceed with implementing this decision.

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

The proposed governance arrangements contained in the Pension Fund Committee report on pooled investments to be circulated to the Board.

The Fund's response to FOI requests concerning investments to be shared with the Board.

**8/16 KEY PERFORMANCE INDICATORS AND ADMINISTRATION [Item 8]**

**Witnesses:**

Neil Mason, Senior Advisor (Pension Fund)  
 Alex Moylan, Senior Accountant  
 Jason Bailey, Pension Services Manager

**Key points raised during the discussion:**

1. Officers outlined the areas requiring improvement in relation to the Key Performance Indicators (KPIs) and actions taken to address these. It was highlighted that:
  - Changes as result of the 2014 scheme and the complexity of administering these had impacted adversely on the performance of Pension Services.
  - General awareness of pensions had increased amongst members, and Pension Services had seen an increase in the number of enquiries it received.
  - Pension Services had expanded to take on the pension administration for the London Boroughs of Hammersmith and Fulham and Hillingdon and the Royal Borough of Kensington and Chelsea. This had created additional resource implications during transfer and implementation.
2. The Board was informed that the following actions had been taken in regard to the above:
  - Pension Services had been restructured, creating two posts with a specific focus on improving performance and reviewing operational processes.
  - Negotiations with the software provider had introduced a number of new functions to the pensions systems, enabling additional savings to be realised while improving performance in relation to pension administration.
  - Additional staff had been recruited in light of the additional resource implications created by the tri-annual assessment.

Officers stated that they expected to see improvements in performance by quarter two of 2016/17.

3. The Board commented that previous discussions had highlighted additional demand was created due to a number of retirements within the Pension Service. A question was raised as to whether the restructure had sought to improve resilience in the team. Officers commented that the restructure had dissolved the specialised benefits team, and instead created four operational teams. This had the advantage of enabling all staff to train up and deal with benefits queries. It was confirmed that there was a training plan in place for the year ahead to support this.
4. The Board was informed that a dedicated pensions help-desk had been operational since February 2016, it was highlighted by officers that this had provided management data and given better intelligence on the type of queries coming to Pension Services. The Board was told that 70% of these queries had been dealt with during the first contact, and that this was positive performance for a newly established helpdesk.
5. The Board discussed how the Pension Service provided services to employers. Officers commented that a dedicated employer portal was being established, and this would enable improved processes around data input. It was recognised by officers that the communications with employers needed improvement, and the Board was informed that the Pension Service would be meeting with district and boroughs to discuss their changing needs in light of the current financial pressures faced by all local authorities
6. The Board highlighted the performance figures related to the provision of benefit statements, and commented that this was an area of concern given the statutory obligations in this regard. Officers explained that changes to the scheme in 2014 had created additional data requirements on all administering authorities and employers. To this end, the Pension Regulator had acknowledged the additional challenge for all administering authorities in 2014/15 and agreed to take no further action. The Pension Regulator had set a clear expectation that the target of 100% of annual benefit statements issued to members by September was attained by all administering authorities in 2015/2016. The Board was informed that Pension Services anticipated that this would be achieved, and highlighted that employers were being required to make submissions for the tri-annual valuation by June 2016. The progress of this would give a clear indication as to whether the statements would be issued in accordance with the statutory requirements. The Board requested an update on this to the next meeting.
7. The Board discussed the 98% target for contributions to be received by 21<sup>st</sup> day of the ensuing period. Officers clarified that it was the responsibility of employers to collect and pass on contributions, and that there were sometimes delays in doing so. The Board was informed that this was not consistently one employer, and actions were taken to raise it with employers when it occurred. The Chairman highlighted the statutory requirement to receive all contributions within the 21 days and asked that the bench-mark be raised to 100% reflect that. The Board asked that any failure to achieve that bench-mark was

reported, with additional narrative where it was believed to be of material consequence.

8. The Board expressed concerns that the Pension Service was seeing a detrimental impact on performance as result of taking on additional local authority administering authority clients. It recognised that that there was action being undertaken to address these issues, but also commented that appropriate analysis should be conducted prior to further expansion in order to understand any likely impact on performance. The Chairman proposed to write to the Cabinet Member for Business Services and Resident Experience and Chief Finance Officer putting forward the Board's comments.

**Resolved:**

- That the Chairman write to the Cabinet Member for Business Services and Resident Experience to encourage greater impact analysis prior to any agreement to provide pension administration services to other administering authorities.

**Recommendation:**

- That the contributions received benchmark to be adjusted to 100% in line with the statutory requirements.

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

- Pension Services to circulate its action plan and timescales for improvement in relation to the issues outlined above to Board members.
- An update on the progress of employer data submissions in relation to the tri-annual valuation and the issuing of annual pension benefit statements to be brought to the next Board meeting.

**9/16 SCHEME ADVISORY BOARD BENCHMARKING EXERCISE [Item 9]**

**Witnesses:**

Neil Mason, Senior Advisor (Pension Fund)  
 Alex Moylan, Senior Accountant  
 Jason Bailey, Pension Services Manager

**Key points raised during the discussion:**

1. The Board was informed that 13 funds took part in the Scheme Advisory Board pilot. The next steps for the Scheme Advisory Board were to recommend to the Department for Communities and Local Government (DCLG) that these key performance indicators became a regulatory requirement. Officers commented that the intention was to assist high performing funds to identify and offer assistance to those requiring additional support. It was noted that the benchmarking exercise was weighted more to investment performance than administration.

2. The Board sought clarification on the scoring and asked how self-assessments would be reviewed to ensure consistency. Officers highlighted that a consultation was expected from the Scheme Advisory Board and that the Local Pension Fund Board would have an opportunity to share its comments.

**Resolved:**

That the Board note the Scheme Advisory Board Benchmarking Exercise

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

The Board to receive the consultation from the Scheme Advisory Board for further comment.

**10/16 SURREY PENSION FUND: DISASTER RECOVERY PROCEDURES [Item 10]**

**Witnesses:**

Neil Mason, Senior Advisor (Pension Fund)  
 Alex Moylan, Senior Accountant  
 Jason Bailey, Pension Services Manager

**Key points raised during the discussion:**

1. The Board discussed the business continuity arrangements for both the finance management and administration of the fund. The Board confirmed that the payment of benefits to members was considered a priority under the business continuity plans of both Finance and Shared Services.
2. It was confirmed that the Altair software had been successfully tested. Officers commented that there was a level of risk if both data centres used by Shared Services were rendered non-operational, but the cost of mitigating this had been prohibitive. The Board was informed that the data centres were located in Guildford and Redhill.

**Resolved:**

That the Board notes the content of this report.

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

None.

**11/16 SURREY PENSION FUND: FROZEN REFUNDS [Item 11]**

**Witnesses:**

Neil Mason, Senior Advisor (Pension Fund)  
 Alex Moylan, Senior Accountant  
 Jason Bailey, Pension Services Manager

**Key points raised during the discussion:**

1. The Board was given an outline of the nature of frozen refunds. Officers highlighted that, prior to 2014, refunds of contributions were held indefinitely until the person either claimed the refund or retired, when it would be paid to them as a benefit. Following changes to the Local Government Pension Scheme (LGPS) in 2014, this frozen refund would now be refunded after five years.
2. The Board questioned what monetary value was held in frozen refunds, and officers agreed to follow-up with further detail. It was clarified that solely the value of the frozen refund was held, with no additional interest accounted for.

**Resolved:**

That the Board notes the content of this report.

**Actions/further information to provided:**

Officers to confirm the monetary value held by the Fund in frozen refunds.

The address screening exercise to issue a letter and claim form to those entitled to a frozen refund prior to 2014.

**12/16 SURREY PENSION FUND: UNPROCESSED LEAVERS [Item 12]****Witnesses:**

Neil Mason, Senior Advisor (Pension Fund)  
 Alex Moylan, Senior Accountant  
 Jason Bailey, Pension Services Manager

**Key points raised during the discussion:**

1. The Board sought clarity on the relationship between leavers with no pension entitlement, and those with a frozen refund as referred to in item 11. Officers explained that the numbers did not directly relate to one another, though it was highlighted that those members who did not claim a refund in the six month time period would be processed to receive a deferred benefit.
2. Officers asked the Board to note that the number of cases waiting to be processed as deferred members should reduce to zero, following the data-submission for the tri-annual valuation.
3. The Board was informed that the issues around the pension system aggregating separate employments were being resolved. The Board discussed the use of multiple contracts by schools for staff members, and the impact this could have on administering pensions. It was clarified that those acting up into roles would receive the benefit through the Career Average Revalued Earnings scheme.

**Resolved:**



That the Board note the content of the report.

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

That a further report is provided following the tri-annual valuation.

**13/16 COUNSEL OPINION ON THE LEGAL STATUS OF PENSION BOARDS [Item 13]**

**Witnesses:**

Neil Mason, Senior Advisor (Pension Fund)  
Alex Moylan, Senior Accountant  
Jason Bailey, Pension Services Manager

**Key information raised during the discussion:**

1. The Board was given a brief update on the context of the counsel opinion. It was confirmed by officers that all Board members would be covered under the County Council's indemnity and insurance arrangements, as this had been raised previously by the Board on 27 July 2016.
2. The Board asked whether there would be a requirement to review governance structures in light of the counsel opinion. It was confirmed that this would be undertaken once the Scheme Advisory Board had updated its guidance.

**Resolved:**

That the Board note the content of the report.

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

The correspondence confirming indemnity and insurance arrangements to be circulated to the Board.

A further report concerning any changes to governance structures required to be brought once the Scheme Advisory Board has updated its guidance.

**14/16 DATE OF THE NEXT MEETING [Item 14]**

The Board agreed to schedule its next meeting for June 2016, with a date to be confirmed based on member availability.

**15/16 EXCLUSION OF THE PUBLIC [Item 15]**

The Board resolved:

That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting during consideration of 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.

**16/16 UPDATE FROM RECENT SURREY PENSION FUND COMMITTEE MEETINGS: 13 NOVEMBER 2015, 12 FEBRUARY 2016 AND 25 FEBRUARY 2016 [Item 16]**

**Witnesses:**

Neil Mason, Senior Advisor (Pension Fund)  
 Alex Moylan, Senior Accountant  
 Jason Bailey, Pension Services Manager

**Key points raised during the discussion:**

1. The Board was advised that there were a number of commercially sensitive decisions taken in relation to the previous Pension Fund Committee meetings. Board members discussed each of these items in turn and sought clarity on a number of points.

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

The Board to receive a further update concerning asset allocation following the tri-annual valuation.

**17/16 REVIEW OF INTERNAL DISPUTE RESOLUTION CASES IN 2015/16 (QUARTER 3) [Item 17]**

**Witnesses:**

Neil Mason, Senior Advisor (Pension Fund)  
 Alex Moylan, Senior Accountant  
 Jason Bailey, Pension Services Manager

**Key points raised during the discussion:**

1. The Board discussed the nature of Internal Dispute Resolution (IDR) cases.

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

None.

Meeting ended at: 12.56 pm

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**Chairman**