

**SURREY COUNTY COUNCIL**

**PENSION FUND COMMITTEE**

**DATE: 2 JUNE 2017**

**LEAD OFFICER: SHEILA LITTLE, DIRECTOR OF FINANCE**

**SUBJECT: ADMINISTRATION UPDATE AND ISSUES**



**SUMMARY OF ISSUE:**

This report is a summary of all administration issues that need to be brought to the attention of the Pension Fund Committee.

**RECOMMENDATION:**

It is recommended that the Pension Fund Committee:

Note the reports on Key Performance Indicators for the quarter to 31 March 2017, the Pensions Administration Audit 2016/17 and the update from the Local Pension Board.

**REASON FOR RECOMMENDATIONS:**

In order to achieve best possible performance alongside optimal risk.

**KEY PERFORMANCE INDICATOR REPORT**

**Material changes from the last reporting period (ending 31 December 2016)**

- 1 Of the 13 administration sub-categories, six show an improvement when compared with the previous period, one indicates a decline in performance, two are unchanged and four are removed from the quarter's analysis due to reasons outlined in the notes on the key performance indicators (KPI) schedule (shown as Annex 1).
- 2 Overall, three administration categories failed to meet the performance target set for the reporting period, an improvement from the five shown in the previous reporting period.

**Requirement**

- 3 In line with best practice, future Pension Fund Committee meetings will continue to be supplied with a schedule of Pension Fund KPIs, covering investment and administration practices.
- 4 This quarter's KPIs were produced prior to any recommendations from the 2016/17 Pensions Administration Audit being completed. The KPIs are currently under consideration for their continued appropriateness, as part of the wider review of the Pensions Administration Strategy (the draft version of which is due to be presented to the Pension Fund Committee at its 15 September 2017 meeting).

- 5 The current KPIs cover the following areas:
- Funding level;
  - Death benefit administration;
  - Retirement administration;
  - Ill health retirement administration;
  - Benefit statements;
  - New joiners;
  - Transfers in and out;
  - Internal dispute cases;
  - Material posted on website;
  - Employer and member satisfaction;
  - Data quality;
  - Contributions monitoring;
  - Audit;
  - Overall administration cost;
  - Scheme membership;
  - Employer membership.
- 6 In order to provide the committee with an overview of the number of administration cases completed in the three-month reporting period, this number is now included in the KPI schedule.
- 7 Periods covered in the schedule range from one month, three months and twelve months.
- 8 Members are invited to discuss the performances set out in the schedule.

<b>PENSIONS ADMINISTRATION AUDIT 2016/17</b>
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### Terms of Reference

- 9 The 2016/17 internal audit review of pensions administration was completed in March 2017 and is included as Annex 2.
- 10 The terms of reference of the audit sought to obtain an overview of arrangements in place in pensions administration for:
- Data quality and security;
  - Equality and diversity;
  - Value for money;
  - Business continuity, and
  - Risk management.
12. A specific review of the pensions administration functions was undertaken to ensure the following:
- Up-to-date data of members of the LGPS are maintained;
  - Pension contributions are accurate and collected in a timely manner;
  - Pension payments are accurate and disbursed in a timely manner;
  - Contributions received and payments made are accurately shown in the general ledger (SAP) and the Pensions Administration system (Altair);
  - Senior management and members of the Pension Fund Committee receive

regular reports on the performance of the Fund using key performance indicators.

### **Audit opinion and recommendations summary**

- 13 The audit review found a number of specific control weakness and the overall audit opinion was that significant improvement is needed
- 14 Audit recommendations are contained in the Financial Management Action Plan, included as Annex 3.
- 15 In the Action Plan, the audit identified high priority, major control weaknesses that require immediate implementation of recommendations in the following areas:
- Senior management should ensure that changes to pensions regulations impacting on its administration are managed promptly and effectively;
  - The various changes that are required for the operations of the pensions administration team to be stable should be prioritised and addressed in a coordinated manner so that staff will feel supported and empowered;
  - The work done by the Pensions Help Desk should be developed and reported to senior management on a regular basis, including the members of the Pension Fund Committee and the Local Pension Board as required;
  - Procedure notes should be developed using the 'As-is' process maps and formal training should be provided so that new and experienced staff can deliver the administrative function more effectively;
  - There should be an appropriate central system to capture all complaints to the team. There should also be a formal process detailing how each complaint is dealt with, the timescale within which it should be resolved, who is assigned responsibility for addressing the complaint and the escalation routes;
  - The KPIs should be redefined to include additional pertinent KPIs such as the transfers-in and transfers-out for members of the LGPS, as these are not currently reported. It is acknowledged that KPIs have been developed for all of the funds administered by SCC pensions administration team but the auditor did not verify these as it was outside the scope of the audit. All comparable KPIs between funds should be compared by senior management to determine the impact that the overall workload has on the performance of each KPI reported, as it is currently not transparent. Based on this, the Pension Fund Committee and the Local Pension Board should be able to seek assurance from the Pensions Service;
  - A separate risk register to highlight the risks of the Pensions Administration Team should be developed, maintained and reported to the Pension Fund Committee and Local Pension Board.
- 16 The auditor also identified medium priority, existing procedures that have a negative impact on internal control of the efficient use of resources in the following areas:
- Taking on further work to administer pensions of other authorities should be reviewed in the short term until all the changes to the team have been implemented and the stability of working arrangements have been maintained, A template document detailing a clear business plan and related processes as well as risk assessments should be drawn up to include the step by step process that should be followed when considering taking on additional work. There should be an approval process in place to access the

new work and its impact. This should be communicated to the Pension Fund Committee and Local Pension Board to enable the impact of the new work and copying mechanisms to be fully scrutinised and understood so that actions taken is transparent to Councillors and members and employers of the Surrey Pension Fund;

- In addition to adequate team resources and support via technology, an annual programme of planned work for the team must be formulated so that the team can respond to changes more quickly and seamlessly;
- All of the member details should be correctly migrated when the data is transferred from SAP to Altair when Altair becomes the single system for Pensions Administration later this year and maintained thereafter;
- The need for improved communication and to provide responses to requests in a timely manner by the Pensions Administration Team should be emphasised. This will not only enable external reporting to be met in a timely manner but will also improve working relationships with internal and external customers.

### **Remedial action**

- 17 The Pensions Services Team has outlined its response to the recommendations in the 'Management Action Proposed' section of the Financial Management Action Plan, included as Annex 3. This provides a detailed response, timescales for action and a responsible officer.
- 18 Further progress against these actions will be reported to future Pension Fund Committee and Local Pension Board meetings.
- 19 In addition to the recommendations included in the audit report, officers have previously designed processes by which the performance of the pensions administration function can be monitored and continually improved. These include the introduction of a separate pensions administration risk register and the review of the Pensions Administration Strategy and the design of a new Service Specification between the Pensions Administration Service and the Surrey Pension Fund.
- 20 These new policy documents were on the Forward Plan for the Pension Fund Committee prior to the audit report and due for presentation at the 15 September 2017 Pension Fund Committee meeting. Officers will ensure that these policy documents complement internal audit recommendations.
- 21 Members are invited to discuss the audit report and recommendations.

<b>LOCAL PENSION BOARD UPDATE</b>
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- 22 The most recent Local Pension Board meeting was on 15 March 2017 (the minutes are shown as Annex 4).
- 23 The next meeting of the Local Pension Board is scheduled for 27 July 2017
- 24 The Pension Fund Committee is asked to consider if there are any reviews as to the compliance of particular cases, projects or process that the Local Pension Board should undertake.

**CONSULTATION:**

25 The Chairman of the Pension Fund Committee has been consulted on this report.

**RISK MANAGEMENT AND IMPLICATIONS:**

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

**FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

27 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 are discussed within the report.

**SECTION 151 OFFICER (DIRECTOR OF FINANCE) COMMENTARY**

28 The Section 151 Officer (Director of Finance) is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed.

**LEGAL IMPLICATIONS – MONITORING OFFICER**

29 There are no legal implications or legislative requirements.

**EQUALITIES AND DIVERSITY**

30 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**

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

**WHAT HAPPENS NEXT**

32 The following next steps are planned:

- Review of KPIs
- Monitoring of progress towards meeting audit recommendations
- Continued collaboration between the Pension Fund Committee and Local Pension Board.

**Contact Officer:**

Neil Mason, Senior Specialist Advisor (Pension Fund and Treasury)

**Consulted:**

Pension Fund Committee Chairman

**Annexes:**

Annex 1: Quarter 4 KPI schedule

Annex 2: Audit Review of Pensions Administration 2016/17

Annex 3: Audit Financial Management Action Plan

Annex 4: Minutes of a Local Pension Board Meeting of 15 March 2017

**Sources/background papers:**  
None

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