

MINUTES of the meeting of the **SURREY LOCAL PENSION BOARD** held at 10.00 am on 27 July 2017 at Committee Room 2, Guildford Borough Council, Millmead House, Millmead, Guildford, GU2 4BB.

These minutes are subject to confirmation by the Board at its meeting on 12 October 2017.

Members:

- Paul Bundy
- * Ellwood Graham (Vice-Chairman)
- * Mr Nick Harrison (Chairman)
- Tina Hood
- * Paresh Rajani
- * David Stewart
- * Claire Williams-Morris
- * Trevor Willington

In attendance

Ben Carasco, Vice Chairman of the Surrey Pension Fund Committee

26/15 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies had been received from Paul Bundy and Tina Hood. Claire Williams-Morris had given apologies for the first items of the meeting.

27/15 MINUTES FROM THE PREVIOUS MEETING: 15 MARCH 2017 [Item 2]

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

28/15 DECLARATIONS OF INTEREST [Item 3]

David Stewart asked that it be noted that he was employed by Hammersmith and Fullham, an authority whose pension administration is provided by Surrey County Council as part of the Orbis partnership. He would be leaving this role on 28 July 2017.

29/15 QUESTIONS AND PETITIONS [Item 4]

There were none.

30/15 COMMITTEE UPDATE: 27 JULY 2017 [Item 5]

Declarations of interest:

None

Witnesses:

Jason Bailey, Pensions Lead Manager

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

Key points raised during the discussion:

1. The Board was provided with a verbal update on the Surrey Pension Fund Committee meeting on 2 June 2017. Officers highlighted that the management and investment performance was considered, and had discussed how the improved funding level should be reflected in the asset balance of the fund. Officers were working with Mercers to analyse the options for changes in asset allocation, and would report back to the Committee at its September meeting. It was anticipated that any change would occur before the end of the year.
2. The Committee had considered the Board report on environmental, social and governance considerations, and accepted the recommendations the Board had made. This would be followed up through the Board's forward work plan.
3. The Committee had extended the current actuarial contract, as the tender through the Croydon framework had no longer been viable. A further tendering process would be undertaken through the Norfolk framework. The Board clarified that the tender would be for 2 valuation cycles.

Actions/ further information to be provided:

None.

Recommendations:

None.

31/15 ADMINISTRATION INTERNAL AUDIT REPORT 2016/17 [Item 7]

Declarations of interest:

None

Witnesses:

Jason Bailey, Pensions Lead Manager

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

Siva Sanmugarajah, Lead Auditor, Internal Audit

Key points raised during the discussion:

1. Officers outlined the annexes provided, and explained the context of the internal audit report. It was highlighted that there was a distinction between the sovereignty of the Fund and that of Orbis as a service provider, and that the progress report was intended to reflect the Board's areas of concern. Officers also asked that the Board note that the administration strategy and risk register, both of which were in development, would clarify roles and responsibilities in respect to Orbis and the Fund.
2. The Board was informed that Internal Audit would be reviewing Orbis' response to the recommendations, before a formal follow up audit was

conducted in quarter four 2017/18. It was also noted that the Surrey Pension Fund Committee would consider the Board's review on 15 September 2017, and the Surrey County Council Audit and Governance Committee would receive a progress report on 27 September 2017. Board members expressed some concern as to the duplication of process, and it was clarified that the Pension Fund Committee had asked the Board to review and lead with monitoring progress and responses from Orbis on behalf of the Fund.

3. The Board expressed concern that it had frequently highlighted performance issues over the past 18 months, and had received assurances that there would be improvements. The internal audit report was highlighted as evidence that there were continued challenges in delivering sustained improvement.
4. The Board noted that it had previously requested that any new business Orbis sought should be assessed on the basis of risk to current service delivery. The Chairman highlighted that he was to be informed if any new business was being tendered for, and advised of what impact this was likely to have.
5. The Board questioned whether officers were confident that staff increases were sufficient to address identified backlogs. It was confirmed that there was an increase of 4-5 Full-Time Equivalents (FTE) in the team, and that this would be a short term measure to deliver the improvement work. Officers highlighted that the internal audit activity had been conducted through late 2016-17. It was also noted that the impact on benchmarking data would be seen in the 2017/18 figures.
6. The Board queried what additional management capacity had been created to respond to the report's recommendations. Officers highlighted that an operations manager had been assigned from another area of Orbis to review performance. It was also the case that additional executive support was being recruited to enable project oversight during a six month period.
7. The Board commented that it did not have a sense of the project plan, current backlogs, proposed changes or timescales for improvement. It was reflected that this made it difficult to assess the extent to which the service had responded to the internal audit recommendations. Officers agreed to circulate an improvement plan, and noted that backlog volumes and expected clearance dates would be added to the key performance indicator reports for 2017/18. Officers commented that they would expect to see a reduction in backlogs over the course of the financial year.
8. The Board was informed that the proposals to develop a pension administration risk register would support improved oversight. Officers were invited to identify specific areas of concern, and it was highlighted that there were continued concerns about performance within the Pension Services team. Officers noted that comparisons with the performance of the team based in Lewes had identified issues, and that individuals were being seconded to support the documentation and revision of work processes.

9. The Board expressed that it wanted a clearer sense of the target dates for key outputs related to responding to the audit recommendations. It was also requested that areas of concern were highlighted through the response to the audit recommendations.

Actions/ further information to be provided:

The improvement project plan, with planned changes, outputs and timescales be provided to the Board.

Resolved

That the Board note the report, and will continue to monitor progress until the follow up audit in quarter four 2017/18.

32/15 CUSTOMER COMPLAINTS REPORT: QUARTER 1 [Item 9]

Declarations of interest:

None

Witnesses:

Jason Bailey, Pensions Lead Manager

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

Jasmine Jaffar, Performance Officer, Business Services

Key points raised during the discussion:

1. The Board noted that the complaints data had been collected from April 2017. Officers outlined the work undertaken to stream-line processes and how complaints data was collected and recorded. The Board noted the low number of complaints, and it was highlighted that this would likely increase as the service became more focussed on collecting this data as a priority. It was also noted that the 2nd quarter would show improvements in response dates.
2. It was clarified that complaints were recorded where timescales had not been met. The Board commented that transfer in and out complaints seemed low when compared to performance in this area. Officers agreed to record data on members contacts where there were queries about transfer progress.
3. The Board queried what data was captured regarding employer complaints. It was highlighted that these were frequently handled through HR partnership forums, though officers confirmed they were happy to log any relevant complaints in future reports.

Actions/ further information to be provided:

None.

Recommendations:

That future reports include employer complaints and member queries related to the progress of transfers in and out.

33/15 KEY PERFORMANCE INDICATORS: QUARTER 4 [Item 8]

Declarations of interest:

None

Witnesses:

Jason Bailey, Pensions Lead Manager

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

Key points raised during the discussion:

1. The Board noted that additional Key Performance Indicators (KPIs) requested at the last meeting regarding transfers in and new joiners would be reported from quarter one 2017/18. Officers commented that they would expect to see the KPI related to new joiners receiving information at 100% as there was a new bulk mailing process in place. The Board was informed that transfers in were frequently delayed because information was often provided late by the outgoing scheme. It had been agreed that new members need to be kept informed of progress, and that a procedure for this had been subsequently introduced.
2. The Board queried what actions had been taken in response to the decline in performance related to retirements. Officers confirmed that the team had revised its way of monitoring and allocating cases, and it was expected that an improvement would be seen in quarter two 2017/18. It was highlighted that quarter one 2017/18 would see an increase in the number of retirements, which was reflective of recent care home closures in Surrey.
3. The Board was informed that the process for employers notifying member retirement had changed, and that there was now a requirement for them to provide an advanced notification form. This process was working well with employers and it was anticipated would have a subsequent impact on the relevant KPIs.
4. The Board noted there had been no breach of statutory limits in respect to pension administration.

Actions/ further information to be provided:

None.

Recommendations:

None.

34/15 REVIEW OF INTERNAL DISPUTE RESOLUTION CASES 2016/17 (QUARTER FOUR) [Item 10]

Declarations of interest:

None

Witnesses:

Jason Bailey, Pensions Lead Manager

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

Key points raised during the discussion:

1. The Board noted that there were no internal dispute resolution cases for quarter four 2016/17.

Actions/ further information to be provided:

None.

Recommendations:

None.

35/15 DATA QUALITY ASSURANCE [Item 11]**Declarations of interest:**

None

Witnesses:

Jason Bailey, Pensions Lead Manager

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

Key points raised during the discussion:

1. The Board was informed that data quality was considered one of the primary risks to local government pension schemes. It was in response to a requirement of the Pensions Regulator that the quality assurance work was being undertaken.
2. It was noted that the Fund actuary, as part of the triennial valuation, assesses the quality of scheme data. The assessment from the recent valuation was that data quality was good for the Surrey Fund. Officers commented that Hymans were planning to benchmark data quality for the funds it worked with in the future.
3. Officers highlighted that the administration software supplier (Heywood) are to produce a report assessing the quality of common and conditional data held by the fund.
4. The Board was informed that a global address screening programme had been tendered, with final checks on the provider underway. The Board questioned how more detailed investigations would be conducted where required. Officers commented that this would be evaluated following the results of the global exercise, though any

activity would be targeted to prioritise those about to retire or whose benefits were due.

5. The Board queried the reconciliation rate for employee contribution rates, and whether a 2% threshold was a cause for concern.

Actions/ further information to be provided:

Additional information on how the reconciliation rate for employee contributions for 2015/16 provided in the Fund accounts compares to other pension funds.

Recommendations:

None.

36/15 RISK REGISTER [Item 12]

Declarations of interest:

None

Witnesses:

Jason Bailey, Pensions Lead Manager

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

Key points raised during the discussion:

1. The Board was informed that there were no new risks identified since the risk register was last reviewed. It was noted that the scoring remained unchanged in some instances where the action identified was to “treat” the risk.

Actions/ further information to be provided:

Officers to review impact on risk scores where the action to treat the risk has been taken.

Recommendations:

None.

37/15 SCHEME ADVISORY BOARD SURVEY [Item 13]

Declarations of interest:

None

Witnesses:

Jason Bailey, Pensions Lead Manager

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

Key points raised during the discussion:

1. The Board reviewed its proposed response to the Scheme Advisory Board survey. Board members suggested a few amendments, which were agreed. A query was raised regarding the indemnity and insurance arrangements for individual Board members. It was highlighted that this had been confirmed previously with Surrey County Council.

Actions/ further information to be provided:

Officers to circulate the survey as submitted

Recommendations:

None.

38/15 PENSION ADMINISTRATION STRATEGY SCOPING DOCUMENT [Item 14]**Declarations of interest:**

None

Witnesses:

Jason Bailey, Pensions Lead Manager

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

Key points raised during the discussion:

1. The Board was informed that the administration strategy would serve to formalise much of the work delivered by the Pension Service, and was driven in part by the growing number of employers in the Fund. It was highlighted that customers in the context of the strategy meant both employers and members.
2. The Board was informed that the administration strategy would set out the regulatory requirements, and support improved understanding of employer obligations. It would also define what would be considered activity outside of the Fund's administration cost allowance for each employer, and enable officers to review where supplementary charges should be made. Officers outlined the approach and timescale for consultation, with implementation planned for the beginning of 2018.
3. The Board discussed the approach to consultation, and was advised that this was intended to encourage closer collaboration between employers and the Fund administration. It was highlighted that smaller employers often did not have dedicated pension liaison resource, and the strategy should serve to clarify their statutory obligations in respect to the scheme.
4. The Board expressed the view that the strategy should set out core principles alongside an annex outlining the key performance

indicators, in order to enable these to change as required. It was noted that the expectations set out in respect to performance should also make explicit what control mechanisms were in place where these were not met.

Actions/ further information to be provided:

The Board to review the draft strategy at its meeting in October 2017.

Recommendations:

None.

39/15 ADMINISTRATION RISK REGISTER [Item 15]

Declarations of interest:

None

Witnesses:

Jason Bailey, Pensions Lead Manager

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

Key points raised during the discussion:

1. The Board was informed that the risk register would serve to formally identify and evaluate risk in relation to pension administration. It was confirmed that a draft would be presented to the Local Pension Board meeting in October 2017. Officers commented that the first workshop with Pension Services staff had been useful in capturing areas of concern.

Actions/ further information to be provided:

None.

Recommendations:

None.

40/15 SERVICE SPECIFICATION SCOPING DOCUMENT [Item 16]

Declarations of interest:

None

Witnesses:

Jason Bailey, Pensions Lead Manager

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

Key points raised during the discussion:

1. The Board was informed that the service specification would formalise the operations of the Pension Service. It was noted that it would be similar to the service specifications that Orbis has with commercial partners, and would work in conjunction with the administration strategy and risk register to support the activity of the Board and Committee.

Actions/ further information to be provided:

None.

Recommendations:

None.

41/15 GMP RECONCILIATION [Item 17]

Declarations of interest:

None

Witnesses:

Jason Bailey, Pensions Lead Manager

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

Key points raised during the discussion:

1. The Chairman introduced the item by highlighting that it had been included on the agenda at his request. It was noted that the private sector had made progress in reconciling Guaranteed Minimum Pension (GMP) liabilities, however local government pension schemes had possibly been slower in tackling this area.
2. The Board was given a summary of the issue, which had arisen following the ending of State Second Pension provision, leading to the closure of the HMRC GMP reconciliation services and the consequent need for pension funds to agree a final GMP liability with HMRC and take future responsibility for these member benefits. The Board was informed that inconsistent record keeping by HMRC and many pension providers made this a challenging area, and that there was a requirement to complete the reconciliation by December 2018.
3. Officers confirmed that ITM had been tendered to carry out the initial work on the behalf of the Fund, commencing from the beginning of August 2017. The outputs of the investigation would be shared with Board, and further actions confirmed.
4. The Board commented that the reconciliation could disadvantage some member benefits, and it was queried whether specific guidance would be produced in respect to how the Fund would rectify over-payments. Officers reflected that the Committee and Board would need to take a view as to what would be acceptable once the extent of the issue was known.

5. The Board was informed that the key areas of discrepancy were where pension liability had been transferred between funds, short periods of service where a member returned to a state second pension , or where increases had been miscalculated. The Board explored the issues related to increases, and it was highlighted that the relationship between the local government pension scheme and GMP increases were complex and there had been instances where overpayments had been calculated due to poor record keeping by HMRC.
6. The Board commented that there was a need for pre-emptive communication to members, and given the complexity of the issues it could be expected that there would be some challenging conversations where individual members were required to make repayments.

Actions/ further information to be provided:

An update following the ITM activity to be reported to the Board in October 2017.

Recommendations:

None.

42/15 ACTION TRACKER [Item 6]

Declarations of interest:

None

Witnesses:

Jason Bailey, Pensions Lead Manager

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

Key points raised during the discussion:

1. The Board reviewed the action tracker. It was confirmed that a visit to Pension Services would be organised for October.
2. The Board was informed that annual benefits statements were on track to be issued for 31 August 2017 deadline. Details were provided regarding the move to electronic statements for active members. It was confirmed that deferred members would receive paper statements along with details of the planned transfer to digital for the next year.

Actions/ further information to be provided:

None.

Recommendations:

None.

43/15 DATE OF THE NEXT MEETING [Item 18]

It was noted that the next meeting of the Board was 12 October 2017 at 1pm.

Meeting ended at: 12.57 pm

Chairman

This page is intentionally left blank