

SURREY COUNTY COUNCIL

PENSION FUND COMMITTEE

DATE: 8TH JUNE 2018

LEAD OFFICER: SHEILA LITTLE, DIRECTOR OF FINANCE

SUBJECT: LOCAL BOARD REPORT



SUMMARY OF ISSUE:

This report is a summary of administration and governance issues reviewed by the Local Pension Board at its meeting of 23 April 2018 that need to be brought to the attention of the Pension Fund Committee.

RECOMMENDATIONS:

It is recommended that the Pension Fund Committee:

1. Consider the recommendations from the Local Pension Board in regard to the Administration Performance Report.
2. Consider the recommendations from the Local Pension Board in regard to the Risk Registers.
3. Consider if there are any reviews as to the compliance of particular cases, projects or processes that the Local Pension Board should undertake.

REASON FOR RECOMMENDATIONS:

In order to achieve best possible performance alongside optimal risk management.

LOCAL PENSION BOARD MEETINGS

1. The most recent Local Board meeting was on 23 April 2018.
2. This next Local Board meetings are scheduled as follows:
26 July 2018
23 October 2018

THE ADMINISTRATION PERFORMANCE REPORT (APR)

Background

3. At the Pension Fund Committee meeting of 15 September 2017, the Pension Fund Committee (Committee) approved a new Administration Performance Report (APR) to replace the existing Key Performance Indicators (KPI) from quarter 3 of 2017/18.

4. At the Pension Fund Committee meeting of 10 November 2017, the Committee agreed that future administrations statistics reports be presented to the Committee after the full APR has been scrutinised by the Local Board. To avoid unnecessary duplication it was agreed that this report be in the form of a summarised report of the APR and will include any relevant Board recommendations.

APR Summarised report

5. The APR measures member and employer caseloads against performance levels, with red, amber and green ratings. A green rating indicates the tolerable performance level has been met. An amber rating indicates that performance levels were below tolerable by 5% or less. A red rating indicates that performance levels were below tolerable by more than 5%.
6. The Quarter performance shows that were improvements in all categories that previously recorded less than 100%. The deferred benefits (45%), refunds (84%), LGPS transfers-out quotations (inter-funds 91%), non LGPS transfer-out quotations (90%) and non-LGPS transfer-out payments (92%) were the only areas showing less than 95% compliance.
7. The board was advised that that deferred benefits had been perceived as having lower priority in the past and arrears had built-up; however, this was being addressed by robotic process automation (RPA also known as “robotics”).
8. It was noted that it would be desirable to further improve the refund figure (84%) and increasing the tolerable figure of 90% was discussed.

Local Board recommendations

9. After review at its meeting of 18 January 2018, the Local Board recommended there be a further review of the appropriateness of current “performance aspiration” and “tolerable” performance standard; however, officers are of the view that 100% is the only appropriate aspiration.

FURTHER ADMINISTRATION AND GOVERNANCE ITEMS

Administration items

10. Commissioning training for the Board was discussed. It was advised that the LGA Trustee training modules have been withdrawn pending revision but a number of alternative providers / benefit consultants can offer similar products. It was noted that the LGA can provide bespoke training on a range of topics at a day rate but the board felt investment training would be particularly useful and potential providers were discussed.

11. The Board reiterated its concern about the numbers of employers who had not completed policies on the exercise of discretion. Officers explained that they were exploring a range of options, including engaging an external contractor to perform an exercise, and they agreed to submit a report at the next meeting.
12. The board asked how the administrators identify and monitor members who are in danger of breaching the annual / lifetime allowance and incurring a tax charge and officers agreed to report back at the next meeting.
13. The board asked whether officers had made any progress in identifying potential AVC providers and the latter advised that they had made preliminary investigations and agreed to give a report at the next meeting.
14. The GMP reconciliation project; the importance has been elevated and the Chairman asked for a report at the next meeting. The Chairman expressed concern that the stage 3 contractor had been appointed at such a late stage (it was subsequently announced that JLT was the successful applicant).
15. Administration improvement plan; the Pensions Operations Manager delivered a report and the board asked for firm dates for when outstanding actions will be complete.
16. Pension Administration Complaints; only one case overstepped the service level agreement and that was due to its complexity. The lessons learned from complaints are being addressed by updating procedures and improving documents (particularly standard forms).
17. GDPR; a paper was presented on the salient features of GDPR and the board noted that GDPR will come into force on 25th May 2018 and asked for a report on its implementation at the next meeting.
18. CIPFA Benchmarking Report; The board observed that there were extended gaps in the report and the partial omissions included actuarial costs, non-pension administration IT costs and the statistics for quotations and actual leavers. They noted that no information was provided on sickness absence and industry standard performance indicators which were covered on pages 24, 25 and 26. The board proposed that gender pay inequality should be added to future reports.

Administration performance report; deferred benefit processing was identified as an issue which the Pensions Administration Team is addressing by means of robotics. Refunds were identified as another area that could be improved and the board asked for a report on them at the next meeting so that they can consider whether the “tolerable” level should be raised to 90% (it was reported as 84%).

19. Administration developments; the Head of Business Operations reported on the administration function and the drive to recruit to replace recent resignations / retirements. He reported that there were two strong candidates for the role of Head of Pensions Administration.
20. Risk Register; the Board recommends to the Pension Fund Committee that that risks (1) price inflation higher than expected, (2) pensioners living longer, (3) pay increases greater than anticipated and (5) increased risk to global financial stability should be should be changed from treat to tolerate as nothing constructive can be done to mitigate them. The Board also recommended that officers add GDPR related risks to the register. The risk registers are shown as Annexes 1 and 2.
21. Border to Coast; the Head of Pensions delivered a (restricted) initial report on how initial costs will be apportioned, the status of the partnership and fielded questions from the board.
22. Any other business; it was notes that the opt-out rate was 10% and the board heard evidence that take up of the 50-50 scheme among modest earners was very low and it heard anecdotal evidence that a number of members who had opted-out for financial reasons were unaware of the option. The board asked officers to report back on the profile of 50-50 take up and asked for proposals to publicise it.

Governance items

23. The Local Pension Board discussed the matter of pension member representation as observers on the Border to Coast Pensions Partnership (BCPP) Board, and were supportive of this being implemented. It was subsequently reported that the Scheme Advisory Board is due to issue guidance on this matter. In addition, the BCPP Joint Committee on 24th March 2017 noted that this should be the subject of a future discussion. The Local board asked for information on the approach taken by other pools.

CONSULTATION:

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

RISK MANAGEMENT AND IMPLICATIONS:

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

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

26. 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.

SECTION 151 OFFICER (DIRECTOR OF FINANCE) COMMENTARY

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

LEGAL IMPLICATIONS – MONITORING OFFICER

28. 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

29. 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

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

WHAT HAPPENS NEXT

31. The following next steps are planned: receive further reports and continue collaboration between the Pension Fund Committee and Local Pension Board.

Contact Officer:

Neil Mason, Head of Pensions

Consulted:

Pension Fund Committee Chairman.

Annexes:

Annex 1: Fund risk register

Annex 2: Administration risk register

Sources/background papers:

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