

**SURREY COUNTY COUNCIL
PENSION FUND COMMITTEE**



DATE: 14TH SEPTEMBER 2018
LEAD OFFICER: KEVIN KILBURN, ACTING SECTION 151 OFFICER
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 25th July 2018 that need to be brought to the attention of the Pension Fund Committee.

RECOMMENDATIONS:

It is recommended that the Pension Fund Committee:

1. Considers the recommendations from the Local Pension Board with regard to the Administration Performance Report.
2. Provides an update to the Local Pension Board on the current position regarding pension member representation in the BCPP governance structure.
3. Concludes whether 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 25th July 2018 (minutes of this meeting are included as Annex 1).
2. The next Local Board meeting is scheduled for 23rd 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. It was noted that is important to take the context into consideration when interpreting this quarter's figures as a number of key posts have been replaced and it is, perhaps, understandable that the figures have suffered.
7. Of the 26 pension administration case load details sub-categories, there were Improvements in three areas and a decline in thirteen. The deferred benefits (increased to 63%), refunds (fallen to 51%), death dependants' benefits initial (fallen to 80%), death on pension initial (fallen to 63%) were all below the tolerable level (red) and death dependants' benefits complete (fallen to 85%) was on the cusp (amber).
8. Following the report on robotics at the last board meeting members asked officers when robotic process automation was expected to go live. The Pensions Service Delivery Manager informed the Board that the automated solution was a work in progress and assured members an update on the development could be provided at a later date.
9. The Pension Service Delivery Manager commented that it was difficult for her to comment on past performance as she had only been here for such a short amount of time; however, she drew attention to the various initiatives they are implementing in order to improve the service offered to customers (members and employers).She drew attention to the following issues;
 - Lack of resource – The Lead Pensions Manager is working on a resource plan and has identified where our resource gaps are .They are currently working with HR and Finance to recruit staff to fill these gaps so that they have a full complement of staff.
 - Employer Data concerns – the Pension Section has issues with the data provided by some scheme employers which it is addressing.

Local Board recommendations

10. 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.
11. The Investments Risk Register; in addition to the recommendation to change four of the first five risks on the risk register officers identified a number of, mostly minor, improvements to other areas of the register. The Board noted that the new risk of change in Section 151 Officer was added to the register.

FURTHER ADMINISTRATION AND GOVERNANCE ITEMS

Administration items

12. Commissioning training for the Local Pension Board was discussed at March’s meeting and it was advised that the LGA Trustee training modules have been reissued and dedicated investment training had been offered by Goldman Sachs and potential dates had been circulated to members.
13. The Board expressed its concern about the number of employers that had not submitted discretions policies during March’s meeting and officers reported that an internal exercise to address this issue would be launched in August 2018. The project will be structured so as to ensure that employers who fail to respond are monitored, reminded and offered assistance. There will also be a parallel exercise to offer employers support in hearing appeals under the internal disputes resolution procedure (IDRP) which will be rolled out simultaneously.
14. Officers reported the parameters that the Pension Section sets for identifying members who are at risk of breaching the annual / lifetime allowance and how they monitor members who are in danger of breaching the limits and incurring a tax charge.
15. The Pension Service Delivery Manager advised the Board that the active member’s newsletter would draw attention to the annual allowance, lifetime allowance and the 50-50 scheme. Members stressed that officers needed to identify members who opted-out due to difficulties in paying the full pension contribution and alert them to the 50-50 scheme alternative.
16. Officers provided an update report on the exercise to review and quality assure the fund’s AVC provision. The Board was advised that four firms of actuaries had been asked for quotations for carrying out a review of the market place and identifying the best providers in terms of quality, service and investment performance had been approached.

17. It was noted that the guaranteed minimum pension (GMP) reconciliation exercise is close to completion and Members requested the statistics and an analysis of data which the supplier undertook to provide by the end of July 2018.
18. The Pension Service Delivery Manager informed the Board that a Customer and Service Improvement Officer had been appointed to explore and review processes in order to make them more efficient. Members raised concerns about staff turnover and were advised that there were currently six vacancies and that designations and pay grades were being reviewed in order to match the roles to the volume and distribution of the work.
19. The Pension Service Delivery Manager informed the Board that the annual data cleanse would take place in September 2018 in order to prepare for the triennial valuation in 2019.
20. The Pensions Service Delivery Manager clarified that the significant increase in cash-flow was due to some employers delaying paying over contributions / deficit contributions until the year end.
21. Pension Administration Complaints; the highest incidence of complaints was service delay (42%) followed by lack of communication (33%); however, it was noticed that these figures did not agree with the statistics reported in annex 1. The Board commended the Pension Section on the low level of complaints and the trade union representative in attendance praised the work of the help desk.
22. The Pensions Service Delivery Manager noted members' recommendation to prioritise death cases as the performance levels were below tolerable.
23. Internal disputes resolution procedure (IDRP); one stage two determination was made, one case was appealed to the Pensions Ombudsman and one determination was received from the Pensions Ombudsman (a separate case).
24. Officers reported that the Pension Section had produced a privacy statement which it had published on its website in order to comply with GDPR. It will use the August 2018 annual benefit statements to draw active and deferred members' attention to it.
25. Officers reported on the pre-valuation project plan; it was noted that the Fund actuary, Hymans Robertson, carried out the triennial valuation of the Fund's assets and liabilities. The primary and secondary rates for all employers in the

Fund were derived from this exercise. The next valuation is scheduled for 31 March 2019 (effective 1 April 2020) and the Board was presented with a draft project plan. Officers clarified that the references to 'HEAT' in the report referred to 'Hymans Employer Asset Tracker' and it was noted that the purpose of the plan was to track changes and support the production of accurate results.

Governance items

26. The Local Pension Board discussed the matter of pension member representation as observers on the Border to Coast Pensions Partnership (BCPP) Board and noted that the Scheme Advisory Board had recommended that, *“in line with the UK Corporate Governance Code principle of ‘comply or explain’, any pool making a decision to exclude member representatives from their formal oversight structures should publish this decision and formally report the reasons to the local pension boards which the pool serves.”*
27. The Local Pension Board – exclusion of the public; it was resolved that under Section 100(A) of the Local Government Act 1972, the public be excluded from meeting for 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.

CONSULTATION:

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

RISK MANAGEMENT AND IMPLICATIONS:

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

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

30. 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

31. The Acting Section 151 Officer is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed.

LEGAL IMPLICATIONS – MONITORING OFFICER

32. 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

33. 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

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

WHAT HAPPENS NEXT

35. 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: Minutes of the Local Pension Board meeting of 25th July 2018

Annex 2: Quarter 2 APR

Annex 3. Risk Register.

Sources/background papers: