

**MINUTES** of the meeting of the **SURREY LOCAL PENSION BOARD** held at 10.00 am on 23 October 2018 at Committee Room G, County Hall, Penrhyn Road, Kingston upon Thames, KT12DN.

These minutes are subject to confirmation by the Board at its meeting on Thursday, 17 January 2019.

**Members:**

\*present

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

**53/18 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]**

Apologies were received from David Stewart and Claire William-Morris.

**54/18 MINUTES FROM THE PREVIOUS MEETING: 25 JULY 2018 [Item 2]**

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

**55/18 DECLARATIONS OF INTEREST [Item 3]**

There were none.

**56/18 QUESTIONS AND PETITIONS [Item 4]**

The Board received no questions or petitions.

**57/18 LOCAL PENSION BOARD ACTION TRACKER [Item 5]**

**Declarations of interest:**

None

**Witnesses:**

John Smith, Pensions Senior Advisor

**Key points raised during the discussion:**

1. There was a discussion around the employer discretions exercise and the Members noted that an update report would be provided at the next meeting of the Local Pension Board. To support the exercise the Chairman requested officers to highlight the discretions exercise at the Pensions AGM on 23 November 2018.
2. Officers informed Members that an internal audit was planned to take place this winter and agreed to provide an update report once the audit was carried out.
3. The Chairman indicated that the administration report failed to provide firm dates when outstanding actions on the improvement plan would be completed and asked the Lead Pension Manager for bar charts to illustrate progress against agreed milestones.
4. Officers noted that the investment training presented by Goldman Sachs on investment training was well received and to support further understanding officers agreed to provide an Investment Strategy paper for the next meeting. The Board noted that officers were exploring training opportunities with the Chartered Institute of Public Finance and Accountancy (CIPFA) and were planning to arrange training for the Board early next year.
5. It was highlighted that member participation on the Joint Committee of the Border to Coast Partnership would be confirmed at its meeting on 21 November 2018. Members noted that Local Pension Boards would have the opportunity to make nominations once this motion was agreed and approved.
6. Officers agreed to provide feedback on the road shows and drop-in surgeries organised by the service, both in general and specifically on the matter of annual and lifetime allowances.
7. The Board were presented with information from the help desk outlining top issues and expressed the view that the figure of 27,000 help desk queries from members seemed high. The Lead Pensions Manager advised that the main queries concerned member self-service activation and log-in details, updating address details and asking for assistance with documents, option forms and general guidance. It was also highlighted that a significant number of queries related to annual benefit statements.

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

- a) The Board asked officers to check distribution lists for employer discretions to ensure that all employing authorities have been contacted.

- b) The Board asked the Lead Pension Manager to provide bar charts to illustrate progress against agreed milestones in the service improvement plan.
- c) Officers to produce an Investment Strategy paper for the next meeting in January 2019.
- d) Officers to share feedback generated from the roadshows and drop-in surgeries in relation to annual and lifetime allowances.

**Resolved**

The Board noted its action tracker.

**58/18 LOCAL PENSION BOARD FORWARD PLAN [Item 6]**

**Declarations of interest:**

None

**Witnesses:**

John Smith, Pension Senior Advisor  
Ayaz Malik, Pension Accountant Advisor

**Key points raised during the discussion:**

1. Officers agreed to add cyber security to the Board's forward plan as the Board was expecting a presentation from the Information Management Technology Manager.
2. The Board asked officers to add an item on annual benefit statements at its meeting in April 2019 to enable members to comment on the preparatory work ahead of distribution later on in the year.

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

- a) Officers to add cyber security to the Board's forward plan.
- b) Officers to include an item on annual benefit statements at the Board's April meeting.

**Resolved:**

The Board noted its forward plan.

**59/18 ANNUAL REPORT / STATEMENT OF ACCOUNTS 2017/18 [Item 7]**

**Declarations of interest:**

None

**Witnesses:**

Ayaz Malik, Pensions Accountant Advisor

**Key points raised during the discussion:**

1. The Board commended officers on the thoroughness of the Annual Report / statement of accounts. Officers confirmed that the statement of accounts had received an unqualified opinion from our external auditors.
2. The Board noted that contributions and the administration costs had increased. The Head of Pensions commented that stricter reporting criteria had led to higher administration costs across the board.

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

None

**Resolved**

The Board noted the content of the Annual report and statement of accounts.

**60/18 ADMINISTRATION UPDATE 1 JULY 2018 TO 30 SEPTEMBER 2018 [Item 8]**

**Declarations of interest:**

None

**Witnesses:**

John Smith, Pensions Senior Advisor  
Michael Mann, Pensions Lead Manager  
Neil Mason, Head of Pensions

**Key points raised during the discussion:**

1. The Pensions Lead Manager introduced the report and updated Members on the data cleansing exercise due to be carried out ahead of the 2019 Funding Valuation.
2. Officers informed Members that the Pensions admin team and Pensions Fund team were working together to draft a revised set of key performance indicators for review by the Board and Pension Fund Committee. Officers explained this would provide a more accurate and

improved overview. The Board agreed for officers to produce two sets of Administration Performance Report figures for January's meeting; one set prepared on the existing basis and the other on the proposed new one.

3. It was noted that the Pension Administration team proposed to allocate work by speciality area to support focus and accountability.
4. The Lead Pension Manager reported on Guaranteed Minimum Pension reconciliation (GMP) and agreed to provide a further update in January. The question of recovering overpayments of pension because of GMP discrepancies was discussed and officers agreed to provide copies of the Local Government Association (LGA) guidance on the issue to the Local Pension Board and the Pension Section.
5. The Chairman stressed the importance of seeking legal advice on the GMP reconciliation process to enable Surrey to determine its approach going forward.
6. The Lead Pension Manager provided an update of the implementation of robotics. He advised the Board that it was still a work in progress as the calculation routines were heavily reliant on the quality of the data provided.

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

Officers to produce two sets of Administration Performance Report figures for January's meeting; one set prepared on the existing basis and the other on the proposed new one.

**Resolved**

The Board noted the content of this report.

**61/18 ADMINISTRATION PERFORMANCE REPORT 1 JULY 2017 TO 31 AUGUST 2018 [Item 9]**

**Declarations of interest:**

None

**Witnesses:**

John Smith, Pensions Senior Advisor  
Michael Mann, Pensions Lead Manager  
Neil Mason, Head of Pensions

**Key points raised during the discussion:**

1. The Board raised concerns with performance figures and agreed to express their disappointment to the Pension Fund Committee.

2. The Pensions Lead Manager explained that performance had suffered as key posts were vacant, but were now being recruited to.
3. It was noted that figures were unlikely to improve until the Board's April meeting when the organisational, staffing and procedural changes that have been made would start to take effect.
4. The Board noted comments in the report about the suitability of the current performance measures and wanted reassurance that they would have oversight of any changes in the method of reporting them.
5. As noted in minute 60/18, officers will present two sets of performance figures, one prepared on the old basis and the other on the new so that the Board could digest the differences and make a recommendation to the Pension Committee.

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

None

**Resolved**

The Board noted the content of this report and resolved to report its concerns with the current administrative performance to the Pension Fund Committee.

**62/18 RISK REGISTERS 2018/19 QUARTER 2 [Item 10]**

**Declarations of interest:**

None

**Witnesses:**

John Smith, Pensions Senior Advisor  
Michael Mann, Pensions Lead Manager  
Neil Mason, Head of Pensions

**Key points raised during the discussion:**

1. The Board noted that the outcome of the US presidential election continued to be reported as a risk in the report, and should be removed.
2. Members agreed that the general economy could have an adverse effect on the Pension Fund and asked officers to identify specific economic risks in the risk register for example, Brexit and US/China trade tariffs.
3. Officers assured the Board that the risk register would be updated to include the risk in relation to the change of sections 151 officer.

4. There was a discussion around the timelines of recharging strain costs to employers, and officers agreed to report on the issue at the next meeting to provide assurance to the Board.
5. Members commented on the risk of price inflation and asked officers whether this risk could be mitigated further. The Fund actuary explained that the attraction of locking in existing returns risked making future accrual more expensive and, therefore, a considered and balanced approach was desirable.
6. The Board reiterated concern with the lack of improvement and the number of amber scores in the administration risk register. The Board agreed to report this to the Pension Fund Committee.

**Actions/ further information to provided:**

- a) Officers to consider adding an item on specific economic risks on the register.
- b) Officers to update the risk register with the inclusion of the Section 151 officer risk.
- c) Officers to report on the invoicing of strain costs at the Board's next meeting in January.

**Resolved:**

The Board noted the report and made the following recommendations to the Pension Fund Committee;

- a) The removal of the following risk,

'Significant volatility and negative sentiment in investment markets following the outcome of the US presidential election'.

- a) The addition of the following risk,

'Pensions payroll system migration onto Altair from SAP in November be included as risk A19, with total inherent risk of 24 (amber) and residual risk of 20 (amber).

## **63/18 CUSTOMER COMPLAINTS REPORT QUARTER 2 [Item 11]**

### **Declarations of interest:**

None

### **Witnesses:**

Michael Mann, Pensions Lead Manager

### **Key points raised during the discussion:**

1. It was noted that the Pensions Admin team were recruiting 9 additional administrators to support the service and improve customer service.
2. It was highlighted that the service received 17 complaints in total this quarter and were processed within the turnaround time of 5 working days.

### **Resolved**

The Board noted the content of this report.

## **64/18 ANNUAL BENEFIT STATEMENTS EXERCISE 2018 [Item 12]**

### **Declarations of interest:**

None

### **Witnesses:**

John Smith, Pensions Senior Advisor

### **Key points raised during the discussion:**

1. It was noted that a total of 33,349 annual benefit statements for active members was identified for 2017/18 and 95% was issued by the deadline of 31 August 2018. The Board agreed that the non-compliance of issuing 1,614 should be reported to the Pension Regulator.
2. It was further noted that a total of 31,872 annual benefit statements for deferred members was identified for 2017/18 and 63% was issued by the deadline of 31 August 2018. The Board agreed that the failure to issue 11,864 statements because of unknown addresses should be reported to the Pensions Regulator.

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

- a) Officers to share breach report with the Local Pension Board



- b) Officers to develop an approach to obtain missing addresses, with a priority for members approaching or past their retirement dates.

**Resolved**

The Board noted the content of this report and recommended officers to report active members (5% non-compliance) and deferred benefits (37% non-compliance) to the Pension Regulator.

The Board noted the Governance Review report which was tabled in the meeting and approved officers to undertake a governance review, procuring specialist governance advisors to assist with this review.

The Board received a presentation from the Fund Actuary on the Surrey Pension Fund 2019 Outlook.

**65/18 SUMMARY OF THE PENSION FUND COMMITTEE MEETING OF 14 SEPTEMBER 2018 [Item 13]**

**Declarations of interest:**

None

**Witnesses:**

Neil Mason, Head of Pensions

**Key points raised during the discussion:**

1. The Head of Pensions provided the Board with a summary of the Pension Fund Committee's meeting on 14 September.

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

None

**Resolved:**

The Board noted the content of this report.

**66/18 EXCLUSION OF THE PUBLIC [Item 14]**

**Resolved:** That under Section 100(A) of the Local Government Act 1972, the public be excluded from the 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.

**67/18 BORDER TO COAST UPDATE [Item 15]**

**Declarations of interest:**

None

**Witnesses:**

Neil Mason, Head of Pensions

**Key points raised during the discussion:**

1. The Head of Pension reported that Border to Coast Pension Partnership (BCPP) had now launched and plans were underway to transition the Surrey Pension Fund portfolio of UK equities to BCPP, subject to satisfying the 'necessary conditions' of governance.

**Actions / further information to be provided**

None

**Resolved:**

The Local Pension Board noted the report.

**68/18 REVIEW OF INTERNAL DISPUTE RESOLUTION CASES IN 2018/18 (QUARTER TWO) [Item 16]**

**Declarations of interest:**

None

**Witnesses:**

Neil Mason, Head of Pensions

**Key points raised during the discussion:**

1. The Board asked why two decisions concerning late transfers-in had not been made properly. Officers explained that there had been two problems; officers with delegated responsibility who were familiar with the process had left the authority and their replacements had not followed the procedure properly. Officers advised the Board that the Pension Section has been advised that an officer with delegated responsibility must draft a formal reply, alerting the member to their right of appeal, and the list of officers with delegated responsibility will be updated.

**Actions / further information to be provided**

A further update to be provided on these cases.

**Resolved:**

The Local Pension Board noted the report.

**69/18 PUBLICITY OF PART 2 ITEMS [Item 17]**

**Resolved:**

The Board agreed to not disclose the items considered under Part 2 of the agenda to the press and public as the reports were commercially sensitive and confidential.

**70/18 DATE OF THE NEXT MEETING [Item 18]**

The Board noted its next meeting to be held on 17 January 2019.

Meeting ended at: 1.05pm-

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**Chairman**

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