

**SURREY COUNTY COUNCIL  
PENSION FUND COMMITTEE**



**DATE:** 16<sup>TH</sup> NOVEMBER 2018  
**LEAD OFFICER:** LEIGH WHITEHOUSE, 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 23<sup>rd</sup> October 2018 that need to be brought to the attention of the Pension Fund Committee.

**RECOMMENDATIONS:**

It is recommended that the Pension Fund Committee:

1. Approves the recommendations from the Local Pension Board.
2. Concludes whether there are any reviews as to the compliance of particular cases, projects or processes that the Local Pension Board should undertake.
3. Endorses requesting a legal opinion on the ramifications of recovering overpaid guaranteed minimum pensions (GMPs).
4. Approves the addition of a risk for interim / replacement Section 151 Officer, with a moderate risk score of 8 (due to the number of experienced supporting officers in the Finance Management Team).

**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<sup>rd</sup> October 2018 (minutes of this meeting are included as Annex 1).
2. The next Local Board meeting is scheduled for 17<sup>th</sup> January 2019.

**Action tracker**

3. The discretions exercise – the Board asked officers to draw the employing authorities' attention to this initiative at the annual general meeting and to check distribution list to ensure that all employing authorities have been contacted.
4. The Board asked officers to provide an update report on the internal audit.

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5. Service improvement plan – the Board asked the Lead Pension Manager for bar charts to illustrate progress against agreed milestones.
  6. The Goldman Sachs investment Training was well received – but the board would like more training on investments and officers agreed to approach the council’s partners to facilitate it. The Board is looking to enhance investment oversight and they asked officers to produce a summary of the investment strategy for the next meeting. Officers have investigated governance training and they have identified CIPFA as the preferred provider and they planning to arrange training for the Board early next year.
  7. The Joint Committee of the Border to Coast partnership has agreed to member participation in principle and is expected to ratify that decision at its meeting on 21<sup>st</sup> November. The Local Pension Board and the Pensions Committee will be able to make nominations should that come to pass.
  8. Administration update report; the Board felt that the figure of 27,000 help desk contacts seemed high and asked whether they included significant numbers of repeat callers. The Lead Pensions Manager said that the queries were generally “one and done” and 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. The Board asked whether significant numbers related to annual benefit statement queries and the Lead Pension Manager agreed that it was a factor.

#### **Forward plan**

9. Cyber security training has been added to forward plan.
10. Officers were asked to provide an item on annual benefit statements at the Board’s meeting in April.

#### **Accounts**

11. The Board commended officers on the thoroughness of the Annual Report / Statement of accounts. Officers confirmed that statement of accounts had received an unqualified opinion.
12. The Board noted that contributions had fallen and administration costs had increased. The Head of Pensions noted that stricter reporting criteria had led to higher administration costs across the board.
13. The committee noted the report.

#### **Administration update report.**

14. The Lead Pensions Manager gave an update on the data cleansing exercise. Officers recommended revising the KPIs because the figures do not reflect the true picture and they understate the volume of work that the Pension Section

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handles. The Board discussed the merits of changing the KPIs and instructed 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 new one. The Local Pension Board will consider the two sets of figures and make a recommendation to the Pensions Committee if they decide that the new method is more accurate.

15. The Lead Pension Manager reported on GMP reconciliation and he will provide another update in January. The question of recovering overpayments of pension (because GMPs have not been applied) is complicated and officers were asked to obtain a legal opinion and to distribute copies of The LGA guidance to the Local Pension Board and the Pension Section.
16. 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.

### **Pension Administration statistics**

17. Local Pension Board expressed concern about the deterioration in the performance figures.
18. Lead Pension Manager warned that the figures were unlikely to improve until April's meeting when the changes that have been made would start to take effect. The Board noted comments in the report about the suitability of the current figures and wanted reassurance that they would have oversight of any changes in the method of reporting them. Officers suggested presenting 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, if appropriate.

### **Risk Register**

19. The Board asked whether officers could identify specific economic risks, such as price inflation, in the risk register.
20. Board asked officers to include a risk on the register for the Section 151 Officer as the post is currently held by an interim.
21. There was a discussion about recharging strain costs and officers agreed to report on the issue at the next meeting.
22. There was a general discussion about the risk of price inflation and the actuary commented that (hopefully) asset values would increase proportionately, but the Board asked whether it was possible to do more to mitigate risk? The actuary opined that trying to lock in existing investment returns risked making future accrual more expensive and, therefore, recommended a balanced approach.

### **Annual benefit statements**

23. The Local Pension Board considered the ABS figures and decided to report active members (5% non-compliance) and deferred benefits (37% non-compliance) to the Pension Regulator.

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## **Presentation by the new actuary**

24. Gemma Sefton gave a presentation on the Surrey Pension Fund 2019 outlook

## **Review of IDRPs**

25. The Board asked why two decisions concerning late transfers-in had not been made properly. Officers explained that there were two problems; officers with experience of the procedure had left the authority and the schedule of officers with delegated authority was not up to date. Officers informed the Board that the adjudicator (the person who hears IDRPs) has advised the Pension Section 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 must be updated as it has suffered attrition over the last year.

### **CONSULTATION:**

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

### **RISK MANAGEMENT AND IMPLICATIONS:**

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

### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

28. 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**

29. The 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**

30. 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**

31. 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**

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

### **WHAT HAPPENS NEXT**

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

**Contact Officer:**

John Smith, Senior Advisor

**Consulted:**

Pension Fund Committee Chairman.

**Annexes:**

**Sources/background papers:**

1. Quarter 2APR
2. Risk Register.

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