

**SURREY COUNTY COUNCIL**

**PENSION FUND COMMITTEE**

**DATE:** 8<sup>TH</sup> FEBRUARY 2019



**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 17<sup>th</sup> January 2019 that need to be brought to the attention of the Pension Fund Committee.

**RECOMMENDATIONS:**

It is recommended that the Pension Fund Committee:

1. Notes the report and particularly issues with pensions administration.
2. Approves the following changes to the Fund risk register:

Amendments to the following risks (shown as Annex 1) chiefly to reflect updates in regards to Border to Coast:

- 1-2, 4-8, 11, 13-15, 17-20, 23-24, 27.

Addition of the following risks:

- Transition of assets to BCPP be included as risk number 29, with a total risk of 40 (Red) and net risk of 10 (Green).
- The HM Treasury and Scheme Advisory Board cost management process has an implied increase in employer contributions be included as risk number 30, with a total risk of 28 (Amber) and net risk of 7 (Green).
- Impact of the Pension Services Manager leaving the council be included as risk of 31, with total inherent risk of 21 (Amber) and Residual risk of 7 (Green).
- Failure to deliver accurate and effective pension administration be included as risk of 32, with total inherent risk of 36 (Red) and Residual risk of 18 (Amber).
- 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**

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1. The most recent Local Board meeting was on 17<sup>th</sup> January 2019.
  2. The next Local Board meeting is scheduled for 25<sup>th</sup> April 2019.

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

3. The Assistant Director of Commercial Operations addressed the Board, following the departure of the Lead Pensions Manager. It was reported that a detailed service review by the outgoing Lead Pensions Manager had identified profound weaknesses in the delivery of pension administration. These included:
  - Unmanaged backlogs
  - Systems constraints in the interface between payrolls and the administration
  - Poor data quality
  - Insufficient roll-out of self service
  - Process delivery bottlenecks
  - Lack of planning for ‘scheme events’
  - Insufficient delegation and accountability
  - Limits in technology
  - Insufficient management information
  - Lack of effective use of automated workflow
4. The Board were advised that senior management had compiled an analysis of a number of areas that require immediate attention and set out a series of strategic milestones to be achieved over each of the next four years in order to address them. This would be included in a comprehensive recovery plan which will be costed and shared with pension fund officers, the Board and the Pension Committee where appropriate.
5. The Board required that a working party, including members of the pension fund team, Local Pension Board and senior management of the pension administration team be convened to monitor progress against the recovery plan.
6. A workshop is to be convened for officers and representatives of the Local Pension Board to consider the proposed improvement plan prepared by the former Lead Pensions Manager. A report will be presented to the Board at its next meeting on 25th April 2019.
7. There was some analysis of the key performance indicators in the report but it was acknowledged that it was of limited value until we have more reliable metrics
8. The pension fund team proposes to work with the administration team to review the Service Specification between the Fund and administration functions, to include the continued appropriateness of KPI metrics in parallel with monitoring the recovery plan.

## Action tracker

9. CIPFA has extended the deadline for remitting benchmarking data regarding Surrey County Council's pension administration service to 31<sup>st</sup> January 2019 and officers will give the Board an update at the next meeting.
10. The management action plan is to be revised following the Lead Pension Manager's resignation. The departing manager conducted a root and branch review of the pension administration service and set out a range proposals to improve performance.
11. A meeting to agree a new and more accurate method for reporting KPIs will be arranged.

## Forward plan

12. Cyber security training has been added to forward plan and instruction is expected to be provided at April's meeting.
13. Officers were asked to provide an item on annual benefit statements at the Board's meeting in April.
14. Members asked for a report on the implications of the updated tPR guidance on producing annual benefit statements and officers agreed to report at the next meeting.

## Risk Register

15. The Board recommended a number of amendments to the Fund risk register. These are detailed in a tracked version of the Fund risk register (shown as Annex 1).

## The Discretions Exercise.

16. Officers have sent three mailshots to employing authorities and they suggested sending one more, to reinforce awareness of the exercise, before the Chairman writes to the employing authorities to ask them to publish a discretions policy.
17. It was noted that, although nineteen employing authorities had submitted policies, only one was a borough and officers were asked whether the County Council had published one. They advised the Board that it had but it needed updating and officers will communicate this requirement to Surrey County Council, in its capacity as an employing authority, for revision.

## AVC Governance Review

18. Barnet Waddingham had been appointed to review AVC governance and provision and they expect to be able present copies of it to the Local Pension Board at their next meeting.

## The Pensions Regulator

19. Surrey County Council has reported itself to the Pension Regulator in connection with a breach of law relating to the annual benefit statements exercise.
20. A total of 33,349 active members' annual benefit statements (ABS) were identified for 2017/18, of which approximately 5% (1,614) were not issued or made available by the deadline of 31 August 2018.

## Review of IDRP

21. It was noted that some cases had been through both stages of the internal disputes resolution procedure during the quarter. Officers reported that the adjudicator was very efficient and most cases were being completed well within the prescribed timescales.
22. Members asked for a report on the implications of the updated tPR guidance on producing annual benefit statements and officers agreed to report at the next meeting.

### **CONSULTATION:**

23. Chairman of the Pension Fund Committee and the chairman of the Local Pension Board have been consulted on this report.

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

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

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

25. 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 COMMENTARY**

26. 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**

27. 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**

28. 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**

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

#### **WHAT HAPPENS NEXT**

30. 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 and Local Pension Board chairman.

**Annexes:**

1. Fund risk register with proposed changes tracked

**Sources/background papers:**

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