

SURREY COUNTY COUNCIL

PENSION FUND COMMITTEE

DATE: 7 JUNE 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 25 April 2019 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. Notes the progress and developments in improvements in the Pension Administration department, but also that the service improvement plan is in its infancy.
3. Endorses relying on the legal opinion on the recovery of overpaid guaranteed minimum pensions (GMPs) prepared by Squire Patton Boggs for the Local Government Association (LGA).
4. Agrees that there are currently no projects or processes that the Local Pension Board should be commissioned to undertake on behalf of the Committee.

REASON FOR RECOMMENDATIONS:

The Public Sector Pensions Act 2013 requires for Local Pension Boards to assist the Scheme Manager in securing compliance with the LGPS Regulations and requirements imposed by the Pensions Regulator. This report provides the Pension Fund Committee with insight in to the activities of the Local Board and furthers the successful collaboration of the Committee and Board in managing risk and compliance and promoting effective governance.

DETAILS:

Action tracker

1. The Board agreed that item A1/15, knowledge and understanding, would be removed from the action tracker as it is an item reviewed by the Board on a long standing basis.
2. The Chairman requested an update on item A2/16, the discretions exercise, at October's meeting.

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3. The Strategic Finance Manager (Pensions) confirmed that the governance review, item A2/19, would be presented at the next Local Board in July and would be reviewed at June's Pension Fund Committee meeting. Board members were asked to send comments to the Board Chairman.
 4. It was agreed that items A2/18, the AVC review, and A4/18, cyber security, would be added to the Board's forward plan.
 5. It was noted in item A9/19 that the Pension Administration Service is appointing a tracing agency to reduce the large number of deferred beneficiaries without valid addresses, is to be carried forward.
 6. The Board approved the Local Government Association's generic recommendation on item A12/19, endorsing Surrey Legal Services view on recovering GMP overpayments, following the advice of Squire Patton Boggs.

Forward plan

7. Items on cyber security and AVC review are to be added to the forward plan for consideration at July's meeting.
8. Reports on the annual and lifetime allowances, member feedback from roadshows and the employer discretions exercise are to be added to the forward plan for consideration at October's meeting.
9. The Lead Pension Manager will report on progress made on the Service Improvement Plan at each Board meeting.

Administration update report

10. The Lead Pension Manager to provide an update on the developments in pensions administration department (further information can be found in the Administration Monitoring paper). The Board noted the new Performance Report, which showed timelines for the delivery of improvements.
11. The Board stressed that the processing of death cases remained unsatisfactory.
12. In the GMP reconciliation project, JLT have completed their work relating to member queries from HMRC.
13. A contract has been entered in to with JLT to handle the processing of the backlog.
14. In relation to the 2019 Annual Benefit Statement project, 216 employer returns have already been received, from a total of 276 scheme employers. Further follow-up action will be taken regarding the outstanding returns.
15. Significant work is being undertaken in a data cleansing exercise, in conjunction with the 2019 valuation. A progress report will be presented at the next Board meeting.
16. The Board received the annual CIPFA administration benchmarking report and noted that the cost per member remained below average. The Board queried that no staff in the administration team had professional qualifications, in comparison to peers and asked for a further report on this issue.

Risk register

17. Risk A4, lack of capability in the administration team, is to be amended to correct an error which recorded the residual risk as being greater than the inherent risk.
18. Risk register A18, structural changes in an employer's workforce, is to be deleted as it is captured elsewhere.
19. The Board discussed the officer judgment that many of the residual risks in the Administration Risk Register were modified from amber to green, as the likelihood had been amended from rating "3" to "2". This reflected that there is an improvement plan being implemented, but, the implementation process was still in its infancy. The Chairman asked that this be considered with caution.

Compliance with the Pension Regulator's code of practice

20. The Pension Advisor/Accountant was commended for a through piece of work, assessing compliance with 93 separate requirements.
21. Item 27 is to be amended to record that the Chairman is an elected councillor – albeit not a member of the ruling party - as opposed to an "independent chair".
22. Item 30, information relating to the membership of the Pension Fund Committee and the Local Pension Board, officers are to ensure that Surrey Pension Fund's website is updated.
23. Item 46, communications policy, officers are to update the entry so that the ongoing communications strategy is noted.
24. The Board agreed that the compliance checklist would be scheduled for an annual review, but items marked as "partially" compliant would be reviewed in six months.

CONSULTATION:

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

RISK MANAGEMENT AND IMPLICATIONS:

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

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS:

27. 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:

28. 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:

29. 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:

30. 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:

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

WHAT HAPPENS NEXT:

32. 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

Local Pension Board Chairman

Annexes:

Annex 1 – Administration Risk Register 2018/19 Quarter Four