

MINUTES of the meeting of the **SURREY LOCAL PENSION BOARD** held at 10.00 am on 18 July 2019 at Members' Conference Room, County Hall, Kingston upon Thames, KT1 2DN.

These minutes are subject to confirmation by the Board at its meeting on Thursday, 24 October 2019.

Members:

- * Paul Bundy
- * Mr Graham Ellwood (Vice-Chairman)
- * Mr Nick Harrison (Chairman)
- * Tina Hood
- Katy Meakin
- * Paresh Rajani
- * David Stewart
- Trevor Willington

37/19 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Trevor Willington and Katy Meakin.

38/19 DECLARATIONS OF INTEREST [Item 2]

None received.

39/19 QUESTIONS AND PETITIONS [Item 3]

None received.

40/19 MINUTES FROM THE PREVIOUS MEETING: 25 APRIL 2019 [Item 4]

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

41/19 ACTION TRACKER [Item 5]

Witnesses:

Ben Cullimore, Democratic Services Assistant
Ayaz Malik, Pensions Accountant Advisor
John Smith, Senior Advisor (Pensions)

Key points raised during the discussion:

1. Members were provided with an updated version of the action tracker, which is attached to these minutes as Annex 1.
2. A Member of the Board questioned whether it would be possible to receive further training on how to use the toolkit and was told by the Pensions Accountant Advisor that he would look into it.
3. The Senior Advisor provided the Board with an update to A7/19, which was concerned with the Discretions Exercise Report. He informed Members that a further mailshot would be sent out at the end of July 2019 and that the Council was to draft a policy that was expected to be published in September 2019.

4. Responding to a question about A20/19 – ‘Officers are to ensure the Surrey Pension Fund website is updated’ – the Pensions Accountant Advisor told the Chairman that a new member of staff had been hired to take the lead on this, and that the Board would be updated on the progress made at its next meeting on 24 October 2019.

Actions/ further information to be provided:

1. The Pensions Account Advisor is to examine the possibility of further toolkit training being provided.
2. The Board is to be updated on the progress made to A20/19 at its next meeting on 24 October 2019.

Resolved:

The Board reviewed its action tracker.

42/19 FORWARD PLAN [Item 6]

Witnesses:

Ben Cullimore, Democratic Services Assistant

Key points raised during the discussion:

1. Members were provided with an updated version of the forward plan, which is attached to these minutes as Annex 2.

Actions/ further information to be provided:

None.

Resolved:

The Board reviewed its forward plan.

43/19 SUMMARY OF THE PENSION FUND COMMITTEE MEETING OF 7 JUNE 2019 [Item 7]

Witnesses:

Ayaz Malik, Pensions Accountant Advisor

Key points raised during the discussion:

1. The Chairman introduced the report and informed the Board that he had made comments to the Surrey Pension Fund Committee about the administration risk register. He went on to explain the amendments that had been made.
2. The Pensions Accountant Advisor ran through the highlights of the report and explained that an ESG forum had been organised for 26 September 2019 and would include representatives from Border to Coast and the Local Authority Pension Fund Forum. An email would be sent out to Members asking if they would be interested in attending.

3. The Board heard that the draft accounts were presented to the Committee, and that this was the first time this had happened before being seen by external auditors. The accounts would soon be signed off by the Audit and Governance Committee and would be ready to be presented to the Board at its next meeting on 24 October 2019.

Actions/further information to be provided:

The Pensions Account Advisor is to email Board Members about the ESG forum taking place on 26 September 2019.

Resolved:

The Board noted the content of the report.

44/19 INTERNAL AUDIT REPORT - REVIEW OF SURREY PENSION FUND ADMINISTRATION 2018/19 [Item 8]

Witnesses:

David John, Audit Manager
Andrew Marson, Pensions Lead Manager
Adele Seex, Business Support Officer
John Smith, Senior Advisor

Key points raised during the discussion:

1. The Audit Manager introduced the internal audit report and provided the Board with a background to the work that had been done. He explained that it was published in April 2019 and was based on work that had been undertaken between the end of 2018 and March 2019. The issues outlined were largely legacy issues and pre-dated the introduction of the current Pensions Lead Manager. The Audit Manager went on to say that the governance in place was different to what had come before and this had resulted in Internal Audit feeling positive about the direction of travel and the steps in place. A follow-up audit report would be completed around October or November 2019.
2. A Member of the Board questioned why the Audit Manager thought the situation was better now compared to how it had been in the past. In response, the officer explained that there was a different culture and mindset in place, as well as a greater desire to engage with audit and scrutiny.
3. As a follow-up to the Audit Manager's point, the Chairman spoke about the decision by the Chief Internal Auditor to put a report to the executive and leadership, which would be signed off by the Audit and Governance Committee and included a section on the issues being discussed by the Board. He also informed Members that he had met with the new Cabinet Member for Corporate Support and had the opportunity to discuss her key priorities, which included dealing with the pensions administration issues. The Chairman went on to propose that the Board put in writing its thoughts on the matter and raise them with the Cabinet Member, the Section 151 Officer and the Surrey Pension Fund Committee.
4. The Vice-Chairman spoke about his main concern being governance and issues surrounding the availability of extra resources. In response,

the Audit Manager said that he was encouraged by the service's prioritisation of the problems identified by the internal audit report and that an ownership of the issues meant they could be rectified without the need for further resources.

5. Speaking about measures that had already been put in place, the Pensions Lead Manager explained to Members that a project board had been established and would meet monthly. Referring to the 12 findings outlined in the internal audit report, the Pensions Lead Manager went on to inform the Board that he considered Items 2, 6, 8 and 12 to be have been completed, subject to agreement at the follow-up audit.
6. Discussion turned to the first finding outlined in the internal audit report, which was concerned with the review of key documents. The Pensions Lead Manager explained that a review of service specification was currently underway and the plan was for a report to be presented to the Surrey Pension Fund Committee at its next meeting on 13 September 2019. He went on to inform the Board that a progress meeting would take place in August and that monthly meetings involving both the pensions administration and fund teams had been scheduled. These meetings had a clearly defined agenda that included a periodic review of documents.
7. The Chairman questioned the second implementation date outlined in Finding 7 of the internal audit report, which was concerned with the data cleansing exercise, and was told by the Pensions Lead Manager that this would now take place in September 2019 in order to prioritise the Valuation and ABS exercises.
8. Discussing Finding 9, the Business Support Officer confirmed that the reconciliation of pension contributions for 2018/19 had been completed by the 31 May 2019 target implementation date.

Actions/further information to be provided:

The Chairman, on behalf of the Board, is to put in writing his thoughts on the pensions administration issues and raise them with the Cabinet Member for Corporate Support, the Section 151 Officer and the Surrey Pension Fund Committee.

Resolved:

The Board noted the content of the report.

45/19 ADMINISTRATION UPDATE (1 APRIL 2019 TO 30 JUNE 2019) [Item 9]

Witnesses:

Andrew Marson, Pensions Lead Manager

Key points raised during the discussion:

1. The Pensions Lead Manager introduced the report and ran through its highlights. He explained to the Board that improvement actions were being undertaken regarding complaints raised through the internal audit, GMP reconciliation was on track and there had been engagement with officers and Pension Fund representatives, the

system review was continuing, and progress to plan was being made regarding the end of year/annual benefit statements.

2. The Chairman highlighted that only 23 members out of approximately 37,000 were still required to produce end of year returns, benefit statements had been produced for 26,818 out of the 34,700 that needed them, and just 542 queries were still outstanding at this stage. He went on to congratulate the service for their work.
3. Referring to problems with addresses, the Pensions Lead Manager informed Members that statements would be generated for every member but that tracking agencies would be employed to help rectify the issue, together with a more rigorous tracing mechanism from September 2019.
4. Discussion turned to the key risks and issues outlined on page 82, with the Pensions Lead Manager explaining that the issue concerning the JLT checking bottleneck had been addressed but was being watched. He went on to say that 2,101 cases had been completed but that there were questions about the data quality, as 677 were unable to progress because of employer-related problems.
5. A Member of the Board asked if there were any performance milestones for the work being done by JLT and was told by the Pensions Lead Manager that they were only paid for successfully completed cases. There was a rate to which expectations were set but this approach ensured that JLT were incentivised to complete as many cases as possible. The Pensions Lead Manager then went on to explain that completed cases that were returned with data queries were raised with employers and follow-up pieces of work went back to JLT for completion.
6. The Pensions Lead Manager introduced the Improvement Plan (attached as Annex 3 to these minutes) and explained to the Board that it represented a big picture view of what was happening in the service. The total work outstanding was 26,559 cases, with 10,968 of those not previously appearing in any performance figures. The oldest case involving an unidentified leaver went back to 1991 and the clearance of backlog work was generating new work requests at an approximate rate of 1 in 10 members. The vast majority of the work went back approximately 10 years and was primarily related to deferred members and refunds. The Pensions Lead Manager went on to explain that most members would contact the service when they reached retirement age, which meant they were unlikely to be sitting on a significant amount of work with a financial impact and risk. However, the service still needed to keep in mind the reputational impact and risk and make sure deadlines were met.
7. The Chairman sought clarity on the work given to JLT and was told by the Pensions Lead Manager that this represented 3,232 cases relating to deferred members and leavers, all of which dated from before November 2018. He then explained that the figures outlined in the handout related to the total amount of work done no matter who had done it, and for this purpose JLT was an extension of the pensions administration team.
8. The Pensions Lead Manager went on to explain that pensions administration staff completed approximately 18,900 cases last year, which meant that there was currently over a year's worth of work that still needed to be done. The service contained a lot of experienced staff members but 25% were at or near retirement age and represented 45% of the service's LGPS knowledge, so the department

needed to make sure it was able to build on this knowledge and not go backwards.

9. Speaking about data quality, the Pensions Lead Manager explained that steps forward had been made and that the service needed a dedicated focus on it, as poor data quality was one of the main reasons why the backlog had happened in the first place. Regarding assurance, he said that his view was that the service needed to strengthen the level of its expertise amongst members of staff. The Pensions Lead Manager went on to discuss the proposed approach, which consisted of fully understanding the disclosure breach position before taking a view as to whether a report to the regulator was required, as the service needed to identify what member impact there had been before moving forward. Discussion then turned to the backlog, with the Pensions Lead Manager reiterating to the Board the fact that there was over one year's worth of work outstanding and that the contract with JLT would allow the service to generate efficiencies in-house.
10. The Board discussed the need for greater expertise in the service and the difficulty in attracting potential members of staff with LGPS expertise. The Pension Lead Manager explained that there had been success with the trainee team that had been brought in but that staff members with senior LGPS expertise were nonetheless needed. He went on to tell the Board that part of the future exercise was to capture the knowledge of experienced members of staff who were at or near to retirement age.
11. The Pensions Lead Manager outlined the next steps, which included getting the KPI reporting more robust. He explained that he was confident these were in the right orders of magnitude but they needed tightening up so that the Board could have more confidence in what it was being presented. He also spoke about the estimates of investment and informed Members that this had been done but needed to be independently looked at before it could be brought back to the Board.
12. A Member of the Board asked the Pensions Lead Manager about the use of robots and was told that two had recently gone live in the pensions administration service. One took care of helpdesk enquiries and the member service whilst the other dealt with deferred to payment processing. There were also other opportunities for future use.

Actions/further information to be provided:

None.

Resolved:

The Board noted the content of the report.

46/19 ADMINISTRATION PERFORMANCE REPORT (QUARTER ONE) [Item 10]

Key points raised during the discussion:

The Chairman agreed to consider the report as part of Item 9.

Actions/further information to be provided:

None.

Resolved:

The Board noted the content of the report.

47/19 RISK REGISTERS 2019/20 (QUARTER ONE) [Item 11]

Witnesses:

Ayaz Malik, Pensions Accountant Advisor
Andrew Marson, Pensions Lead Manager
John Smith, Senior Advisor (Pensions)

Key points raised during the discussion:

1. The Board heard from the Pensions Accountant Advisor, who explained that three risks had been added to the risk register – one in the pension fund risk register and another relating to pension administration. He also proposed to remove Risk 8 from the pension fund risk register as a permanent Section 151 Officer and new Director of Corporate Finance were now in place.
2. Referring to Risk 28 in the pension fund risk register, the Chairman recommended that the net risk score was raised from green to amber. He also noted that Risk 29 – ‘Failure to hold personal data securely’ – would be considered at the next meeting of the Board on 24 October 2019.
3. Responding to a question about Risk 33, the Pensions Lead Manager informed the Board that discussions were being had about the renewal of his work contract until March 2020. The Chairman then recommended that the net risk score was amended to amber, whilst both risk scores for Risk 34 should be amended to red.
4. Explaining the methodology behind the amendments made to the risk register, the Senior Advisor explained that in order to ensure risks were updated to either amber or red, officers were having to move individual risks into categories that were higher than they necessarily warranted. He went on to say that officers wanted to ensure there was a range of risks so that the key ones were flagged up and easy to identify.
5. Discussing inherit and reputational risks, the Senior Advisor informed the Board that officers had viewed the risks as they were at the time of formulation and scored them assuming that mitigating factors were properly applied and executed. In response, the Chairman said that until the Board had received assurances of the delivery process, risks needed to remain amber. He went on to suggest that the residual risk for A12 was amended to red.
6. It was agreed by the Board that the Chairman and Vice-Chairman would meet with officers to agree amendments to the risk register.

Actions/further information to be provided:

1. Risk 8 is to be removed from the fund risk register.
2. The net risk score of Risk 28 in the fund risk register is to be raised from green to amber.

3. The net risk score of Risk 33 in the fund risk register is to be raised from green to amber.
4. The total risk and net risk scores of Risk 34 in the fund risk register are to be raised from amber to red.
5. The Chairman and Vice-Chairman are to meet with officers to agree amendments to the risk register.

Resolved:

The Board noted the content of the report.

48/19 SURREY LOCAL PENSION BOARD ANNUAL REPORT 2018/19 [Item 12]

Witnesses:

Ayaz Malik, Pensions Accountant Advisor

Key points raised during the discussion:

1. The Pensions Accountant Advisor introduced the draft report and explained that it would form part of the final Surrey Local Pension Board Annual Report for 2018/19. This would then be presented to the Board at its next meeting on 24 October 2019.

Actions/further information to be provided:

None.

Resolved:

The Board noted the content of the report.

49/19 GOVERNANCE REVIEW [Item 13]

Witnesses:

Ayaz Malik, Pensions Accountant Advisor

Key points raised during the discussion:

1. The Pensions Accountant Advisor explained the background to the governance review report, which was presented at the last meeting of the Surrey Pension Fund Committee on 7 June 2019.
2. The Board heard that the governance review had been undertaken by Hymans Robertson and highlighted that the pension fund had strong governance in place. Officers were currently in the process of reviewing all of the nine recommendations set out in the review before presenting a report on the progress made at the next meeting of the Surrey Pension Fund Committee on 13 September 2019.

Actions/further information to be provided:

None.

Resolved:

The Board:

1. Noted the governance report and recommendations from Hymans Robertson and that the recommendations are included in the 2019/20 Business Plan.
2. Noted the mission statement for the Surrey Pension Fund.
3. Noted the objectives for the Surrey Pension Fund with regard to investments, funding, governance and delivery.
4. Noted the Business Plan for 2019/20.

50/19 ADDITIONAL VOLUNTARY CONTRIBUTIONS GOVERNANCE REVIEW (INTERIM) REPORT [Item 14]

Witnesses:

John Smith, Senior Advisor (Pensions)

Key points raised during the discussion:

1. The Senior Advisor explained to the Board that Barnett Waddingham (BW) had been commissioned to undertake a comprehensive additional voluntary contributions (AVC) review and that there were two highlights outlined in the interim report. The first concerned Equitable Life, which was in the process of being acquired by Utmost Life. A report was to be prepared to consider whether the proposal was in the best interests of members. The report would then be presented to the High Court, which would determine whether the acquisition could go ahead. The Senior Advisor explained that, as a policy holder, the pension fund would have a vote on whether to approve the acquisition.
2. In response to a question from the Chairman about the number of members who could be affected, the Senior Advisor said that the acquisition would be a positive development for most members in the with-profit fund but that some may be disadvantaged. The recommendations were scheduled to be published around October 2019 and implementation would take place towards the end of the year.
3. Turning to the issues surrounding Prudential, the Senior Advisor explained that it had effectively closed the two funds that make up the Surrey Pension Fund's life styling option by abruptly switching off the transitioning between them. It had been agreed that the Fund would transition all of the funds and alert members to what had happened and what other funds were available. The Prudential had offered alternative life style funds with different characteristics and slightly higher charges, and although BW advised the pension fund to continue to offer one, they recommended drawing members' attention to the option to transfer to other funds free of charge.
4. The Chairman requested that the Board was presented with a draft version of the letter that would be sent to members to alert them of the aforementioned changes.

Actions/further information to be provided:

The Board is to be presented with a draft version of the letter that will be sent to members to alert them of the AVC changes.

Resolved:

The Board noted the content of the report.

51/19 REVIEW OF INTERNAL DISPUTE RESOLUTION CASES IN 2019/20 (QUARTER ONE) [Item 15]

Actions/further information to be provided:

None.

Resolved:

The Board noted the content of the report.

52/19 RECENT DEVELOPMENTS IN THE LGPS [Item 16]

Witnesses:

John Smith, Senior Advisor (Pensions)

Key points raised during the discussion:

1. Discussing post-2014 refunds, the Chairman explained to the Board that there may have been a breach of law if any had not been paid within the required timeframe but that more facts were needed before a final determination could be made.
2. The Senior Advisor informed the Board that it had been announced that the McCloud Judgement would be rolled out across the whole of the public sector but the cost may not be as great as had been initially feared.

Actions/further information to be provided:

None.

Resolved:

The Board noted the content of the report.

53/19 EXCLUSION OF THE PUBLIC [Item 17]

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.

54/19 BREACH OF LAW REPORT (1 APRIL 2019 TO 30 JUNE 2019) [Item 18]

Witnesses:

John Smith, Senior Advisor

Key points raised during the discussion:

1. The Chairman questioned whether the breach of law should be reported to the regulator. The Senior Advisor commented that the breach only needed to be reported if it was material, and as there would be no material harm to members and the pension fund could recover any costs, this was unlikely to be the case.
2. Responding to a question about whether the Fund would be disadvantaged and was planning on charging interest, the Senior Advisor informed the Board that it would be possible to charge interest for late payments and that any other costs could be recovered from the employer under the terms of the admission agreement.
3. The Chairman recommended that the breach of law was not reported as long as the Fund and its members were not disadvantaged in any way.

Actions/further information to be provided:

None.

Resolved:

The Board noted the content of the report.

55/19 BORDER TO COAST UPDATE [Item 19]

Witnesses:

Ayaz Malik, Pensions Accountant Advisor

Key points raised during the discussion:

1. The Pensions Accountant Advisor introduced the report and ran through the key points, which included legal advice being sought for a conflict of interest relating to a non-executive director. He informed the Board of what was agreed at the last meeting of Border to Coast Pension Partnership Joint Committee and the financial commitments that had been made.
2. The Board also heard that investment training would be held on 6 August 2019 and that Members would be notified by email.

Actions/further information to be provided:

The Pensions Accountant Advisor is to notify Members about the investment training taking place on 6 August 2019.

Resolved:

The Board noted the content of the report.

56/19 PUBLICITY OF PART 2 ITEMS [Item 20]

The Board agreed that the Part 2 items remain confidential and restricted from the public.

57/19 DATE OF THE NEXT MEETING [Item 21]

The next meeting of the Surrey Local Pension Board will be held on 24 October 2019.

Meeting ended at: 12:41 pm

Chairman