

**MINUTES** of the meeting of the **SURREY LOCAL PENSION BOARD** held at 10.00 am on 24 October 2019 at Ashcombe Suite, County Hall, Penrhyn Road, Kingston upon Thames, Surrey, KT1 2DN.

These minutes are subject to confirmation by the Board at its meeting on Thursday, 13 February 2020.

**Members:**

- \* Paul Bundy  
Mr Graham Ellwood (Vice-Chairman)
- \* Mr Nick Harrison (Chairman)  
Tina Matravers
- \* David Stewart
- \* Trevor Willington

**58/19 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]**

Apologies were received from Graham Ellwood and Tina Matravers.

**59/19 MINUTES FROM THE PREVIOUS MEETING: 18 JULY 2019 [Item 2]**

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

**60/19 DECLARATIONS OF INTEREST [Item 3]**

None received.

**61/19 QUESTIONS AND PETITIONS [Item 4]**

None received.

**62/19 CYBER SECURITY [Item 5]**

**Witnesses:**

David John, Audit Manager  
Michael Wingrave, Team Manager – Networks and Security

**Key points raised during the discussion:**

1. The Team Manager introduced the presentation and ran the Board through the cyber measures that were in place. In particular he spoke about password issues, which was a matter frequently raised by Members.
2. Responding to a question about the suppliers the Fund worked with and the relationship with them, the Team Manager spoke about suppliers needing to follow certain rules and regulations that were dealt with by Information Governance.
3. The Board heard from the Audit Manager, who explained that an audit had been undertaken on cyber security that gave an opinion of “reasonable assurance”. Small changes needed to be made but things were in a good place.
4. It was agreed that an item on cyber security would be added to the forward plan to be considered annually.

5. The Board discussed the number of IT attacks and were told by the Team Manager that these occurred every day. They mainly included small issues, such as malicious emails and breached passwords.

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

An item on cyber security is to be added to the forward plan to be considered annually by the Board.

**Resolved:**

The Board received a presentation on the Council's implementation of cyber security.

**63/19 ACTION TRACKER [Item 6]**

**Witnesses:**

Andrew Marson, Pensions Lead Manager  
Neil Mason, Strategic Finance Manager  
John Smith, Senior Advisor (Pensions)

**Key points raised during the discussion:**

1. The Board heard from the Pensions Lead Manager, who explained that, regarding the trace addressing exercise (A11/18), approval for funding had been signed off and a contract with ITM signed. The data was expected to be with them the day after the meeting and results were to be returned in a couple of weeks.
2. Moving on to discretions (A7/19), the Board was informed by the Senior Advisor that it was a rolling process and that mailshots were being sent every few months. There were currently 90 policies and one or two were coming in every week. He went on to explain that there were around 300 employers and approximately a third had been contacted, and it was agreed that the officer would report back to the Board on progress in six months.
3. The Chairman requested that the Data Improvement Plan (A13/19) was reported on by the Pensions Lead Manager each meeting as a standing item.
4. Discussing risk registers (A30/19), the Chairman confirmed that he and the Vice-Chairman had met with officers and completed a thorough review of the register.
5. Moving to AVCs (A32/19), the Strategic Finance Manager explained that there were two workstreams. Firstly, a review had been undertaken on the AVC provision by Prudential that concluded they were an appropriate provider. The second issue concerned the proposed acquisition of Equitable Life by Utmost Life and the consequent transfer of AVC policies. The Policy Holder Independent Expert and the Fund's advisor were of the view that no members would be materially worse off if the acquisition went ahead, and the Fund intended to use its votes in favour of the transfer.

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

The data improvement plan is to be reported on by the Pensions Lead Manager at each meeting as a standing item.

**Resolved:**

The Board reviewed its action tracker.

**64/19 FORWARD PLAN [Item 7]****Key points raised during the discussion:**

1. The Chairman reiterated that items relating to the discretions exercise and data improvement plan would be added to the forward plan.

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

None.

**Resolved:**

The Board reviewed its forward plan.

**65/19 SUMMARY OF THE PENSION FUND COMMITTEE MEETING OF 13 SEPTEMBER 2019 [Item 8]****Witnesses:**

Neil Mason, Strategic Finance Manager (Pensions)  
Andrew Marson, Pensions Lead Manager

**Key points raised during the discussion:**

1. The Chairman informed the Board that he had written to the Section 151 Officer and both the Chairman's letter and the response were included in the report. He also explained that the issue had been discussed at the most recent Surrey Pension Fund Committee meeting.
2. A Member of the Board questioned the reference in the papers to the business case being prepared and whether there was a definitive timetable. In response, the Strategic Finance Manager explained that the Pensions Administration team had put forward the business cases included in the service improvement plan and that the Pensions Fund team were satisfied that those met the standards they would expect. The business cases would then be passed to the Chairman and Vice-Chairman of the Board and Committee, as well as the Section 151 Officer.
3. Responding to a question about costs, the Strategic Finance Manager explained that it would be a Fund cost and he did not expect it to have any financial effect on changes to employers.
4. The Pensions Lead Manager explained that the Pensions Administration team would be responsible for day to day administration and implementation of the Improvement Plan and would report to the Pensions Administration Executive, which comprised

senior representatives from the service, Fund officers and finance officers from within the Council. The group would then report through to the Board and Committee.

5. With regards to the proposed tailored employer investment strategies, a Member of the Board drew attention to a reference in the report that the intention was that “no one will be moved without their understanding” and asked if the Fund was initiating the multiple investment strategies. In response, the Strategic Finance Manager said that the Fund would take broader views and it was not something they would impose. In response, the Strategic Finance Manager said that the Fund would take a broad spectrum of views into account and it was not something it would impose. The Fund was planning to cooperate with members, but its primary concern was to protect the Fund.
6. Referring to the continued progress in pooling, the Chairman questioned what percentage of assets would be managed by the pool. The Strategic Finance Manager explained that it was a new allocation and that that week they had completed the transition of part of the Fund’s global equity assets, which did not include any transition costs. The total percentage was around £1bn out of the £4.4bn the Fund had with Border to Coast, as well as another £1bn in passive that was not going to be transferred in the short term and around £400m the Fund was looking to transition over the next two quarters.

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

None.

**Resolved:**

The Board noted the report.

**66/19 ADMINISTRATION UPDATE (1 JULY 2019 TO 30 SEPTEMBER 2019)  
[Item 9]**

**Witnesses:**

David John, Audit Manager  
Andrew Marson, Pensions Lead Manager

**Key points raised during the discussion:**

1. The Board heard from the Pensions Lead Manager, who explained that a lot of work had taken place in response to the concerns raised at the last meeting. There had been a wide and varied level of engagement, and the Pensions Lead Manager was pleased with the progress made and the level contained within the plans. The service was now at a place where it was able to step into the delivery of the Service Improvement Plan.
2. Referring to the outstanding cases detailed on page 62, the Chairman said that it was difficult to identify whether tasks held as uncategorised were new or old and asked the Board to keep a close eye on how the number of outstanding cases were diminishing. In response, the Pensions Lead Manager explained that, in addition to the KPI reporting, he wanted to develop a single-page view of whether cases

were new or related to legacy issues, which would allow the Board to see the overall totals coming down more clearly.

3. A Member questioned whether any of the outstanding pieces of work could generate more than one task per case and was told by the Pensions Lead Manager that the service was experiencing a ripple effect as they worked through the cases. There were almost 11,000 cases where officers knew there was a job to be done, and there had been a significant step up in the refund cases, with 10,968 of those being able to be progressed to the next stage. In there, there could well be additional jobs to action, with most cases being solitary but around 1 in 10 creating new ones.
4. The Board discussed the internal audit actions highlighted on page 99 and were told by the Pensions Lead Manager that in the months prior to the introduction of the second stage of the Service Improvement Plan, the Pensions Administration team had been carrying out a number of improvements to the service. In response to the internal audit findings, a project board of senior officers tracked the service's progress. The next stage was to make sure all of those actions had been mapped into the new plan.
5. Members heard from the Audit Manager, who explained that the original audit had timescales for actions between the end of June and September 2019, but it became evident that the time required was a lot longer and these had been revised. He went on to say that auditors would prepare a position statement audit in Q3 to provide both management and the Board with assurance that the direction of travel reported was underpinned by solid evidence. A full audit of the Pension Administration service would then take place in early Q1 the next financial year, as that would be an appropriate time to check that controls were fully in place. It was subsequently agreed that the Audit Manager would attend future Board meetings to provide updates.
6. Responding to a question about the systems review, the Pensions Lead Manager explained that the framework should be set up and in place for April 2020. The service was also planning to seek a modification to the contracts as they stand in order to give more breathing space for a full procurement process.
7. Turning to the increasing use of robotics, the Board heard that significant user testing had taken place and validation processes had been passed. Senior officers were going to carry out assessments and report back on the quality of the work.
8. The Pensions Lead Manager spoke about the draft communications strategy and explained to the Board that it was produced in response to the Fund's. It provided clarification on the service's method of communication and timescales, as well as more information about delivery.
9. The Chairman requested that draft versions of future member newsletters were presented to the Board.
10. Discussing presentations, roadshows and seminars, the Pensions Lead Manager explained that support had been given to events such as retirement seminars, where members were presented with opportunities to ask questions. He also highlighted the information contained on the website and support that can be provided by the pensions helpdesk.
11. The Chairman suggested that newsletters were sent out around the time of annual statements, and that guidance was sought as to

whether workshops were needed and what topics would be beneficial to explore in greater detail.

12. The Board noted the complaints update for Q3 and welcomed the End of Year and Annual Benefit Statement Review, which the Chairman said provided the Board with a lot of detailed information. He also congratulated the Pensions Administration service on meeting the deadline.
13. Speaking about the pensions helpdesk, the Pensions Lead Manager informed the Board that a video on annual benefit statements had been produced for the website and members had been signposted to that. The service was confident it had reduced the number of phone calls to the helpdesk.
14. Moving on to Annex 6, the Pensions Lead Manager told Members that they were close to finalising the GMP project. Most cases had been matched, but there were some stalemate cases where investigation work would be required. The Pensions Administration team was almost ready to start communicating with members, as well as dealing with under and overpayments and the recalculation of benefits. The plan was to do that from April 2020.

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

1. The Pensions Lead Manager is to author a single-page view of whether cases were new or related to legacy issues.
2. Draft versions of future member newsletters are to be presented to the Board.

**Resolved:**

The Board noted the report.

**67/19 ADMINISTRATION PERFORMANCE REPORT (QUARTER 2) [Item 10]**

**Witnesses:**

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

**Key points raised during the discussion:**

1. The Board heard from the Senior Advisor, who explained that the figures had changed slightly due to an amendment to the method of reporting. The numbers were lower than expected and a large proportion of work had carried over from another quarter and the numbers were lower than expected. It had been previously agreed that the method of reporting would be changed so that the number of cases received in the quarter and cases that were not completed would be included in the cumulative backlog recorded in the final column of the spreadsheet.
2. The future method of reporting was discussed, with Members asking if it would be possible to differentiate between new and old cases. In response, the Pensions Lead Manager suggested that older cases from before July 2019 could be stripped out so the Board could get a picture of how the Pensions Administration service was performing against new cases every quarter. It was agreed that this would be

addressed by only reporting on cases received during the quarter. The Board would be able to understand movements in the backlog by monitoring the cumulative backlog figure in the final column of the spreadsheet.

3. Members agreed that the method of reporting was distorted by the large number of cases being carried over from the previous quarter, and it was suggested that the outstanding backlog cases could be included on the extreme right of the performance report.

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

1. Future performance reports are to differentiate between new and old cases.
2. Future performance reports are to include a section on how the number of backlog cases is decreasing.

**Resolved:**

The Board noted the report.

**68/19 RISK REGISTERS 2019 (QUARTER 2) [Item 11]**

**Witnesses:**

Ayaz Malik, Pensions Accountant Advisor  
Andrew Marson, Pensions Lead Manager

**Key points raised during the discussion:**

1. The Pensions Accountant Advisor explained that the changes made to the risk register since the last meeting had been presented to the Surrey Pension Fund Committee. He also informed the Board that the future move out of County Hall had been added to the risk register, and this was flagged as a red risk due to many Pensions Administration employees living within five miles of County Hall and the effect the move may have on staff retention rates. The Pensions Lead Manager explained that it represented the biggest risk in the Service Improvement Plan in terms of potential disruption.
2. Asked by a Member if the Pensions Administration team had considered offering retention payments, the Pensions Lead Manager said that it was something they were considering but that staff members might leave because they wanted greater security and stability.
3. Referring to the proposed relocation, the Chairman asked the Surrey Pension Fund Committee to note that although the inherent risk was red and the resident risk amber, the latter was only an ambition as it was difficult for anyone outside the leadership team to anticipate where the new premises might be.
4. A Member of the Board asked for risk A1 (provision of incorrect data) to mention the Surrey Local Pension Board alongside the Surrey Pension Fund Committee and Pension Fund team. He also questioned what progress had been made regarding risk A19 (proposed payroll migration from SAP to Altair) and was told by the Pensions Lead Manager that the treatment was in progress and that until

development was complete the total risk score needed to be amended to amber.

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

The total risk score for A19 is to be amended to amber.

**Resolved:**

The Board noted the report and the Fund and Administration risk registers.

**69/19 REVIEW OF INTERNAL DISPUTE RESOLUTION CASES IN 2019/20 (QUARTER 2) [Item 12]**

**Key points raised during the discussion:**

1. Referring to the case in item 5, the Chairman explained that the Pension Fund would be putting the case back to the employing authority.

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

None.

**Resolved:**

The Board noted the content of the report.

**70/19 COMPLIANCE WITH THE PENSIONS REGULATOR'S CODE OF PRACTICE NO. 14 [Item 13]**

**Witnesses:**

Ayaz Malik, Pensions Accountant Advisor  
Neil Mason, Strategic Finance Manager (Pensions)

**Key points raised during the discussion:**

1. Referring to publishing information about schemes, as outlined on page 141, the Chairman asked who was responsible for updating, reviewing and approving this and was informed by the Pensions Accountant Advisor that it was a collaboration between the Pension Fund and Pension Administration team. The Strategic Finance Manager also added that the website was run by Hymans Robertson.
2. The Chairman highlighted scheme recordkeeping, as outlined on page 143, and informed the Board that the administration strategy and communication plan would be going to the Surrey Pension Fund Committee for approval at its December meeting. He also asked for a report to come back to the Board in six months, focusing on the items highlighted in red.
3. A Member of the Board questioned the "partially" compliant rating for the maintaining contributions entry and was informed by the Pensions Accountant Advisor that this was because reconciliation was currently being carried out on a quarterly basis, with the aim to transition to monthly.

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

An updated report on compliance is to come back to the Board in six months.

**Resolved:**

The Board noted the report.

**71/19 DRAFT ADMINISTRATION STRATEGY [Item 14]****Witnesses:**

Ayaz Malik, Pensions Accountant Advisor  
Neil Mason, Strategic Finance Manager (Pensions)

**Key points raised during the discussion:**

1. The Board heard from the Pensions Accountant Advisor, who explained that the previous Administration Strategy had been presented in 2017 and that many changes had been made since then. The strategy set out the expected levels of performances and actions that would be taken. The aim was to present a report to the Surrey Pension Fund Committee in December 2019, and consultation with employees would run until the end of January 2020.
2. The Strategic Finance Manager informed the Board that the Administration Strategy had been produced with the Pensions Administration team and that officers were confident that some of the reservations they had about previous versions of the Strategy had been alleviated.
3. The Chairman ran through some of the key sections in the Administration Strategy and highlighted that it introduced supplementary charges and dealt with penalties, which was an issue that the Board had raised before. He also asked for any comments received from employers to be brought to the Board's attention.

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

The Board is to receive information about any comments received from employers.

**Resolved:**

The Board noted the Draft Administration Strategy.

**72/19 NEW SERVICE SPECIFICATION BETWEEN THE PENSION FUND AND THE PENSION ADMINISTRATION FUNCTION [Item 15]****Witnesses:**

Ayaz Malik, Pensions Accountant Advisor  
Andrew Marson, Pensions Lead Manager  
Neil Mason, Strategic Finance Manager (Pensions)

**Key points raised during the discussion:**

1. The Pensions Accountant Advisor explained that the previous service specification had been presented to the Board in 2017 and the new version would go to the Surrey Pension Fund Committee in December 2019, with an implementation date of 1 April 2020.
2. The Chairman highlighted the information contained on page 201 relating to the monitoring of administration performance and the monthly meetings that were scheduled to take place between the Pension Fund and Pension Administration teams. He said it was a good standard to aim for and commended the effort.
3. A Member of the Board questioned the process relating to breaches of law and was informed by the Strategic Finance Manager that if a breach was material it was the duty of everybody to report it. There was a policy in place for reporting a breach internally to the Chairmen of the Surrey Local Pension Board and Surrey Pension Fund Committee.
4. Responding to a question about Orbis annually surveying a sample of members and scheme employers to gain feedback on the quality of service and to inform the Annual Continuous Improvement Report, the Pensions Lead Manager explained that members were surveyed when they interacted with the Fund.
5. Discussing the disaster recovery plan, the Chairman highlighted that there was a brief mention included in the Service Review and Continuous Improvement section on page 202 but that the wording needed to be refined.

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

None.

**Resolved:**

The Board noted the new Service Specification.

**73/19 RISK MANAGEMENT POLICY [Item 16]****Witness:**

John Smith, Senior Advisor (Pensions)

**Key points raised during the discussion:**

1. The Senior Advisor introduced the report and explained that the Risk Management Policy was closely aligned with the Council's policy. He also informed the Board that it was the basis for the Fund's risk register and how risks were assessed and mitigated. He went on to explain that the Policy had not changed significantly since the last version.
2. Referring to the risk scores section on page 219, the Chairman suggested there should be an agreed plan rather than a high-level idea.

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

None.

**Resolved:**

The Board noted and approved the Risk Management Policy.

**74/19 THE PENSIONS REGULATOR LGPS COHORT REPORT [Item 17]****Witnesses:**

Neil Mason, Strategic Finance Manager (Pensions)  
John Smith, Senior Advisor (Pensions)

**Key points raised during the discussion:**

1. The Senior Advisor explained that the Pensions Regulator had identified 10 LGPS for review and it reported back on that cohort. The report focused on the particular issues that affect the LGPS.
2. The Strategic Finance Manager explained that as the Fund was now compliant with Code of Practice 14, there would be additional work to consider a combined code of practice document later in the year.
3. A Member of the Board expressed their concern at the basic nature of some of the Pensions Regulator's recommendations, such as preventing a single officer raising and authorising payments, as outlined on page 244. In response, the Chairman said that it was a relatively new area of focus for them and they were making general suggestions after looking at what a selection of the funds were doing.

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

None.

**Resolved:**

The Board noted the report.

**75/19 INVESTMENT CONSULTANT STRATEGIC OBJECTIVES [Item 18]****Witness:**

Neil Mason, Strategic Finance Manager (Pensions)

**Key points raised during the discussion:**

1. The Strategic Finance Manager confirmed that investment consultants were covered by the Strategic Objectives for Investment Consultants but that the role of independent advisors was still with the LGPS for guidance and needed further clarification. Measurements standard for the performance of the Fund's independent consultant was being developed and would feed into the tender for a new investment consultant in the new year.

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

None.

**Resolved:**

The Board noted the report.

**76/19 ANNUAL REPORT/STATEMENT OF ACCOUNTS 2018/19 [Item 19]****Key points raised during the discussion:**

1. The Chairman introduced the report and explained that his synopsis of the work done by the Board could be found on page 271. He told Members that he had highlighted the work undertaken on dealing with administration backlogs, as well as a comment on the annual benefit statements.
2. Two Members of the Board said that they would inform officers about updates that needed to be made to their personal details.

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

Members are to inform officers about any updates that need to be made to their personal details in the Annual Report.

**Resolved:**

The Board noted the Annual Report and financial statements.

**77/19 DATE OF THE NEXT MEETING [Item 20]**

The next meeting of the Surrey Local Pension Board will be held on 13 February 2020.

Meeting ended at: 12:41 pm

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**Chairman**