

**SURREY COUNTY COUNCIL****PENSION FUND COMMITTEE****DATE:** 16 DECEMBER 2022**LEAD OFFICER:** ANNA D'ALESSANDRO, DIRECTOR CORPORATE FINANCE & COMMERCIAL**SUBJECT:** SUMMARY OF THE LOCAL PENSION BOARD REPORT**SUMMARY OF ISSUE:**

This report provides a summary of administration and governance issues reviewed by the Local Pension Board (the Board) at its last meeting (11 November 2022) for noting or action by the Pension Fund Committee (the Committee).

**RECOMMENDATIONS**

This report recommended that the Pension Fund Committee:

1. Notes the content of this report.

**REASONS FOR RECOMMENDATIONS:**

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

This meets the Fund's strategic governance and delivery objectives.

**DETAILS:****Forward Plan**

1. Items 4a Sight of response to DLUHC from Chairs (B2C, JC and Officers Pension Group (OPG)), 4b Sight of RI Policy consultation responses, Circulation of Investment papers (Part 2) -4c. Circulation of Investment papers (Part 2) had been added to the forward plan at the request of the Chair. To track progress these items will now move to the Action Tracker.
2. An ongoing action is for the Board to complete the knowledge training. This is also an area considered by audit.
3. The business plan is currently being worked through and forms a part of the forward plan this will be updated accordingly in early 2023.

## Risk Registers Update 2022/23 Quarter 2

4. The below commentary was highlighted to the Pension Board Members on the three risk areas in the risk register with the highest combined likelihood and impact scores.

Risk	Implementation of new financial systems leads to delayed processing, data integrity issues or financial loss	Skills / knowledge gaps lead to inefficiency and poor performance	Funding requirements higher due to actuarial assumptions materially different to experience
Risk ID	16	9	3
Score	20	16	16
Comment	The change from SAP to Unit 4 is still in the planning stage.	This risk manifested itself with the resignation of the Funding Manager in summer 2022.	Uncertainty in markets has led to some volatility and prospective headwinds.
Action	The Change team is coordinating efforts to understand the transition.	Swift backfilling with temporary resource was undertaken. Recruitment for full-time replacements in a number of posts is ongoing.	In addition to using latest market outlook data, the Actuary has also undertaken sensitivity analysis to evaluate resilience of preliminary calculations.
Residual risk	Remains a significant risk pending experience of implementation.	Remains a risk – particularly in relation to knowledge no longer with the organisation. There may be consequential issues with e.g. progress of external audit process.	Actions address a degree of near term risk but uncertainty remains and will be monitored.

5. There were no changes proposed to the risk register this quarter.

## Administration Performance Report and Update

6. The Board were provided with an update on performance for the quarters April to June and July to September. The Board were asked for comments on the layout and if the information provided was sufficient detail as depicted in **Annexe2**.
7. Overall, the Board was happy with the layout and information provided. A suggestion was to add an extra column, indicating a green arrow which means the performance had improved. A red arrow to indicate the performance standard had got worse. A horizontal arrow, which means the performance has remained the same.

8. For Member's to measure performance from the last performance report. A request for an exception paragraph to be added to the report which picks up areas of concern.
9. The Chairman suggested separating the backlog cases. Which can't be addressed under business as usual. This is something the officers will look into to see if it can be achieved.
10. Officers to work on trend analysis to report back at future Local Board Meetings.

#### Complaints

11. The Head of Service Delivery confirmed that there have been more complaints reported, but this was generally felt this was because the new team had a better understanding of the procedure and was including expression of dissatisfaction.

#### **Transformation Programme Update**

12. The Assistant Director informed the Board of the next steps in the Transformation Programme:-
  - a) **Customer Relationship Team** – The Pensions Helpdesk is on track to transition from Business Operations to the Surrey Pension Team and the go live date is set to as the end of November 2022.
  - b) **Customer Insights** – to develop a customer insights strategy and implement improvements in line with our Vision and Mission.
  - c) **Banking Controls** – to successfully transition Banking Controls from Business Operations to the Surrey Pension Team. The first stage is underway of training the Accounting and Governance Team.
  - d) **Culture and Training** – to continue embedding the culture and training required in line with our Vision and Mission.
13. The transformation work is now being absorbed by the pension leadership team under business as usual.
14. It was agreed for the Board to receive continuous improvement/change updates as part of the forward plan.

#### **Progress of 2021/22 Internal Audit Plan**

15. An update on Internal Audit activities was provided to the Board. Within this report there are five internal audits, some have been completed. Other Audits officers are working through the findings.
16. The Pension Fund Banking Controls audit is currently in progress and an update will be provided to the Board in the early part of 2023.
17. A Member of the Board asked if this was a review of the targets or a review of how the targets were reached. It was explained that there has been a mismatch between the 'as is' and 'to be' asset allocation as the changes were transitioned.

18. Work continues to ensure our general ledger reflects investments made through, Northern Trust the Custodian of our investments on a timely basis.
19. This is the second year that the pension team will have a standalone Audit Plan. A summary was given on internal audit activities for the pension fund for 2022/2023.

### **Valuation 2022**

20. The Board were provided with a summary on progress of the valuation.
21. Preliminary work has been undertaken by the Actuary on possible rates for the larger employers in the fund.

### **LGPS Recent Developments**

22. Members of the Local Pension Board were encouraged to attend the forthcoming Governance Conference 2023 which takes place on 19-20 January 2023.
23. The Chairman asked for the Technical Manager to expand on the implantation of the McCloud remedy in the Teacher Pension scheme. Around 18,000 teachers would be impacted by this although it is unclear at present how many will be in the Surrey Scheme.

### **CONSULTATION:**

24. The Chairmen of the Pension Fund Committee and the Board has been consulted on this report.

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

25. Risk related issues have been discussed and are included within the report.

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

26. The performance of administration and governance presents potential financial and value for money implications to the Pension Fund. The monitoring of these implications is addressed within the report.

### **DIRECTOR CORPORATE FINANCIAL & COMMERCIAL COMMENTARY**

27. The Director of Corporate Financial & Commercial is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed.

### **LEGAL IMPLICATIONS – MONITORING OFFICER**

28. 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**

29. 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**

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

## **WHAT HAPPENS NEXT**

31. The following next steps are planned:

- a) The Committee will receive further reports and continue to work with the Board where necessary and appropriate.

---

### **Contact Officer:**

Adele Seex, Governance Manager

Neil Mason, Assistant Director, LGPS Senior Officer

**Annexes:** Risk Register Annexe 1

Service Delivery Performance Report Annexe 2

This page is intentionally left blank