

**SURREY COUNTY COUNCIL****PENSION FUND COMMITTEE****DATE: 16 JUNE 2023****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 (19 May 2023) for noting or actioning by the Pension Fund Committee (the Committee).

**GLOSSARY**

A&G	- Accounting & Governance
CRT	- Customer Relationship Team
CPI	- Consumer Price Index
GMP	- Guaranteed Minimum Pension
IDRP	- Internal Dispute Resolution Procedure
LGPS	- Local Government Pension Scheme
tPR	- the Pensions Regulator
SCAPE	- Superannuation Contributions Adjusted for Past Experience

**RECOMMENDATIONS**

This report recommends that the Committee:

1. Note the support of the Board; and
2. Make any recommendations to the Board if required.

**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:**

**Summary of the Pension Fund Committee (Committee) meeting of 10 March 2023**

1. The Board received a summary from Nick Harrison, Chair of the Committee, and Neil Mason, Assistant Director- LGPS Officer, who highlighted the following points:
  - i. Following the Responsible Investment consultation support was received from the Committee to re-endorse the responsible investment policy.
  - ii. The Committee continue to engage with Mercer and officers to develop and set a net zero target date.
  - iii. Committee Members received training from Border to Coast that confirmed the approach to Real Estate investment. A Board Member requested the training be circulated to all Members of the Board.
  - iv. The Committee reviewed the hedging policy.
2. The Boards attention was drawn to the Border to Coast AGM on 28th and 29th September in Leeds. This event comes highly commended and is an opportunity for Board Members to understand what is happening with Board to Coast and the wider LGPS pooling environment.

**Risk Register Update 2022/23 Quarter 4**

3. The below commentary was highlighted to the Board on the areas in the risk register dated March 2023 ([Annexe 1](#)).
4. Risk scores have changed in the areas of actuarial assumptions (risk score reduction) and workload (risk score increase):

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<b>Actuarial assumptions risk score reduced</b>	Risk 3 is that funding requirements are higher due to actuarial assumptions materially different to experience. Likelihood and impact scores for this risk have been reduced to reflect the completion of the actuarial valuation work using up to date assumption sets.
<b>Work volume risk score increased</b>	The likelihood and impact scores for risk 11 have been increased for this quarter. The risk is that work volume mismatch with operational capacity leads to backlogs. Backlogs across the whole service are receiving priority attention as part of the Strategic Business Plan for the Fund.

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## Top 3 risk areas commentary

5. Commentary is provided below on the three risk areas in the risk register with the highest combined likelihood and impact scores.

Risk	<b>Implementation of new financial systems leads to delayed processing, data integrity issues or financial loss</b>	<b>Skills / knowledge gaps lead to inefficiency and poor performance</b>	<b>Work volume mismatch with operational capacity leading to backlogs</b>
Risk ID	16	9	11
Score	20	16	16
Comment	The change from SAP to Unit 4 is programmed for June 2023	This risk remains with some single points of failure within the organisational structure.	Legacy issues have been highlighted as a result of recent improvement focus.
Action	The Change team is coordinating efforts to understand the transition. Ongoing monitoring of implementation timescales are underway.	Organisational structure remains under review for resilience and succession planning. This will be formalised in a workforce plan in summer 2023.	Backlogs across the whole service are receiving priority attention and identified for action in the Business Plan for 2023/24. Assessment of resource requirements for dealing with backlogs commenced – next steps underway.
Residual risk	Remains a significant risk pending experience of implementation.	Remains a risk – recommendations may arise from workforce plan.	Remains a risk pending progress on resolution of legacy issues.

## Changes planned to controls

6. The following enhancements are planned. Although risks 9, 11 and 16 are shown as individual service areas – these enhancements are planned for, or will engage with the whole team.

Risk ID	Area	Changes
1	A&G Funding	Employer engagement with higher risk cohorts planned.
4	Investment	Final sign off of Responsible Investment Policy and Task Force on Climate-Related Financial Disclosure (TCFD) report to be published. Mercer to review net zero strategy.

6	Investment	Asset allocation analysis – review of fixed income exposure.
9	Service Delivery	Workforce plan considering resilience and succession planning in preparation.
11	Service Delivery	Backlogs across the whole service receiving priority attention as part of Strategic Business Plan for 2023/24. Assessment of resource requirements for dealing with backlogs underway.
12	Service Delivery	Business Continuity plans and Cyber security approach to be reviewed during 2023/24.
13	Service Delivery	Technical team to engage with consultations on proposed Dashboards framework.
15	A&G Governance	The knowledge assessment undertaken is informing 2023/24 training plans.
16	A&G Funding	Engagement is ongoing with Unit 4 leads – the Pension Change team has been deployed.

7. A member of the Board raised a question regarding long term sickness and whether there had been an increase in ill health retirements. The Head of Service Delivery confirmed no significant increase in cases but agreed to review the cases from the last six months to look to identify any trends and report back to the Committee.

#### **Administration Performance Report and Update**

8. The Board were provided with an update on performance for the quarter 1 January 2023 to 31 March 2023 ([Annexe 2](#)), highlighting the performance levels: achievement of an overall score of 89%, which is an increase of 9% and 92% for the Pensions Regulator (tPR) work areas, an increase of 6% from last quarter.
9. Two areas for improvement have been identified: survivors benefits and ill-health retirements.

#### **Customer Relationship Team (CRT)**

10. The Board was advised that in Q4 the CRT handled a total of 12,201 enquiries. The Chair asked if any further analysis is available that identifies whether multiple queries are submitted by the same member. The Head of Service Delivery agreed as part the Customer Insight project to analyse how many individual members submitted enquiries.

#### Guaranteed Minimum Pension (GMP) Reconciliation

11. The Head of Service Delivery advised that a revised plan has been issued by Mercer which has been reviewed and timings and resources agreed. Key milestones will be presented back to the Board, along with the financial impact to the Fund.

### Pensions Increase

12. The Head of Service Delivery confirmed the pension increase has been applied to pensioner benefits in line with the CPI rate of 10.1%. Confirmation of this increase has been issued to members with their April payslips.

### Legacy Case Reduction

13. Analysis has been carried out to identify the volume of casework in scope as backlog. Part of this discovery work has been to explore the options available to reduce the legacy cases in line with the Service's key focus over the next 12 months. Benchmarking was undertaken to aid understanding of the backlog and how this compares to other LGPS funds.

### McCloud Remedy

14. The Board received a verbal update on the McCloud remedy. The Scheme Advisory Board (SAB) has issued guidance for those instances where information/data has not been received from payroll providers. Currently the employer with the largest incomplete data is Surrey County Council. Work is ongoing with the Council's SAP Development Team to extract the data required.

### Pension Dashboard

15. Work continues with cleansing basic member data and rectifying discrepancies.

### **MySurrey (Unit 4) – Programme Status**

16. The Board received an update on the implementation of the new financial system MySurrey (Unit 4) from Brendon Kavanagh, Programme Director for the Digital Insights Programme.
17. It was confirmed to the Board that the implementation of MySurrey will go live with the new finance system in June and that the Head of Accounting and Governance had received additional assurance over the last couple of weeks. Further updates will be provided going forward.

### **The Pensions Regulator – Public Service Governance and Administration Survey 2023**

18. The Board have been advised that the Pensions Regulator invited all public services pension schemes to take part and complete the survey 2022-23 by 17 February 2023.

### **LGPS Update (Background Paper)**

19. The Board received information on issues impacting the LGPS, covered elsewhere in this agenda,
20. A Board Member asked for further information relating to consultations on LGPS Investments. In response Neil Mason, Assistant Director- LGPS Senior Officer provided an overview. The first consultation considers whether LGPS funds transfer all listed assets into the LGPS pools by March 2025. The second consultation will focus on investments and includes proposals for LGPS funds to invest 5% of their assets in projects that support local areas. It is not known when these consultations will be published.

### **Change Programme Update**

21. The Board was provided with a verbal update from Nicole Russell, Head of Change Management, who highlighted the following points:
- I. Completed three agile sprints, which included looking at streamlining the process and reports production for Committee and Board.
  - II. Projects to support the delivery of the first year of objectives of our Strategic Plan.
  - III. Bespoke training plans for the Board and Committee members.
  - IV. Created visibility of career pathway opportunities for the Surrey Pension Team which will be launched on 1 June 2023.
22. Members of the Board were informed that the LGA Fundamentals training is now available to book and forms part of their mandatory training.
23. Future updates will be provided to the Board as a separate report from Change Management.

### **2021/22 External Audit Update**

24. Covered elsewhere in this agenda,

### **Valuation 2022**

25. Covered elsewhere in this agenda,

### **CONSULTATION:**

26. The Chairs of the Committee and the Board have been consulted on this report.

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

27. Risk related issues have been discussed and are included within the report where relevant.

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

28. The performance of administration and governance presents potential financial and value for money implications to the Pension Fund.

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

29. 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**

30. 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**

31. N/A

### **OTHER IMPLICATIONS**

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

### **WHAT HAPPENS NEXT**

33. The following next steps are planned:

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

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#### **Contact Officer:**

Adele Seex, Governance Manager

Neil Mason, Assistant Director, LGPS Senior Officer

**Annexes:** [Risk Register –March 2023- Annexe 1](#)  
[Service Delivery Performance Report- Annexe 2](#)

**Sources/background papers:** None

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