

SURREY COUNTY COUNCIL

SURREY PENSION FUND COMMITTEE



DATE: 8 SEPTEMBER 2023

LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR OF FINANCE, CORPORATE AND 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 (28 July 2023) for noting or actioning by the Pension Fund Committee (the Committee).

RECOMMENDATIONS

This report recommends that the Committee:

1. Notes the content of this report.
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.

DETAILS:

Summary of the Pension Fund Committee (Committee) meeting of 16 June 2023

1. The Board received a summary from the Assistant Director- LGPS Officer, who highlighted the following points:
 - a) The current value of the Fund (£5.2bn) and its funding level (127%)
 - b) The Committee accepted the recommendation of the Responsible Investment Sub Committee (RISC) that the net zero date for the Fund's investments should be 2050 or sooner.
 - c) The Committee approved the revised Investment Strategy. A link will be shared with the Board once the Strategy has been published.

- i. The Committee have approved the Fund's Real Estate asset allocation to Border to Coast, gained in September 2020, subject to necessary conditions being met.

Risk Register Update 2023/24 Quarter 1

- 2. The below commentary was highlighted to the Board on the areas in the [risk register dated June 2023](#) by the Head of Account and Governance, Paul Titcomb.

MySurrey (Unit 4)

- 3. The Board received an update on the implementation of MySurrey, which went live in June without any parallel running of systems. There have been teething problems as the new systems beds in, particularly with a number of configuration and data population issues. It was reported to the Board that the support team for MySurrey have experienced high call volumes during the month of July. A further financial system update on MySurrey can be found in **Annexe 1**.
- 4. The Board were assured that the key elements of the system are working well, critically the salary payments to staff.
- 5. There are issues that remain for the Pension Team, and we are awaiting a resolution for leaver notifications and receipt of specific accountancy reports that have not yet been delivered.
- 6. Risk scores have changed in one area Risk 16 - Implementation of new financial Systems (risk score reduced).
- 7. Following the accounting system transition new issues are being encountered and addressed and there is much still to do. However, the risk score has been reduced to reflect lower expectation of severe adverse impacts.

Implementation of new financial systems risk score reduced

Risk 16 is that implementation of new financial systems leads to delayed processing, data integrity issues or financial loss.

While there is still some work to do on a number of configuration elements and reporting, the cutover was actioned in early June. Some data population and access availability issues have followed the initial go live date and process backlogs have built up as teams gain familiarisation with the new system. Delayed processing remains a risk, due primarily to ongoing access or configuration issues, but the very high impact risk score has been reduced. This will, of course, remain under review.

Top risk areas commentary

8. Commentary is provided below on the two risk areas with the highest combined likelihood and impact scores.

Risk	Skills / knowledge gaps lead to inefficiency and poor performance	Work volume mismatch with operational capacity leading to backlogs
Risk ID	9	11
Score	16	16
Comment	This risk remains with some potential single points of failure within the organisational structure.	Legacy issues have been highlighted as a result of recent improvement focus.
Action	A preliminary review of the organisational structure has been undertaken for resilience and succession planning. A workforce plan is in preparation, with early actions on high priority elements.	Backlogs across the whole service are receiving priority attention and identified for action in the Business Plan for 2023/24. An initial assessment of resource requirements for dealing with backlogs has been undertaken – consequential steps are underway. A sub-risk in the register reflects specific issues regarding availability of resources.
Residual risk	Remains a risk – pending completion of actions arising from workforce plan.	Remains a risk pending progress on resolution of legacy issues and bedding in of new financial systems.

Administration Performance Report and Update

9. The Board were provided with an update on [performance for the quarter 1 April 2023 to 30 June 2023](#), highlighting the performance levels: achievement of an overall score of 83%, and specifically for the Pensions Regulator (tPR) work areas this is 85%.
10. The Board was advised that this quarter performance had decreased overall. In particular there are two areas that have been affected: survivors benefits and the acknowledgement of retirements. The Head of Service Delivery, Tom Lewis, explained how the team were working on a remedy to improve the performance. This involved allocating work daily, team managers assessing work allocation in the morning and afternoon; and using Altair Insights, a data analytics programme to monitor performance of the team.

Guaranteed Minimum Pension (GMP)

11. The Head of Service Delivery highlighted that work continues on the GMP reconciliation and provided the Board with more robust timings. It was confirmed all required data (post pension increase) had been submitted to Mercer to carry out analysis. It is expected clean data to be ready by 1 September and that a report will be available in early January of a full financial impact of over and under payments which will be brought to the attention of the Board and Committee.
12. The Chair of the Board raised that he thought the Chair of the Committee had concerns over the timescale set out. The Head of Service Delivery confirmed and reassured that analysis work had started, and that work was not starting in January 2024, but the data would be ready by that timeframe.

Annual Benefit Statements

13. Communications will be issued during July and August, alerting members that their statement is available on the online portal. Where members have opted out of digital communications, statements will be printed and distributed in August 2023.

Complaints

14. A member of the Board asked a question regarding the complaints report, and specifically that a complaint was “partially justified”. The Head of Service Delivery agreed to investigate how these cases are recorded and defined.

Cost of Living

15. The Board were informed that through various channels such as newsletters, annual benefit statements and by attending wellbeing events where possible, the service continues to provide support and guidance to members and employers, in relation to the current financial climate.

Legacy Rectification Report

16. The Board was informed of the proposed plans being put into place to drive down the legacy backlogs within Service Delivery and the Accounting and Governance Teams. A dedicated internal team is being recruited on fixed term and secondment contracts to clear the deferred cases. The Surrey Procurement team is assisting with the procurement of an external provider to clear transfer and concurrent cases.

Change Programme update.

17. The Board received an update from Nicole Russell, Head of Change Management, highlighting the following key points: -

One Pensions Team Dashboard

18. The Board was provided with a One Pensions Team Dashboard which delivers high level visibility of key performance indicators for Service Delivery, Accounting & Governance, Investment & Stewardship and Change Management as well as providing an insight into our workforce.
19. A member of the Board provided feedback on the Team Dashboard and asked for assistance on how to review the data, an explanation on terms used and to provide a glossary.
20. A further update on the current position can be found later in this agenda.

Transformation

21. The Surrey Pension Team hosted a working session with our 11 partner funds to refresh & align our principles for engagement with Border to Coast. It was confirmed that this piece of work is overarching and formed horizon scanning on where pooling will be in 2030 to 2040. There were no recommendations.

Internal Audit update.

22. The Board received an update from Liam Pippard, Principal Auditor on the work completed by Internal Audit in quarter one and provided an update on any high priority actions due for implementation.
23. It was confirmed that two follow up audit reports were undertaken in the first quarter. The Pension Fund Performance Audit was given a substantial assurance. Along with an interim update on the Pension Fund banking control. A full follow up will be carried out at the end of the year following the introduction of the new financial system MySurrey.
24. There are no high priority actions for implementation by the end of June.
25. The Chair of the Board requested for the full scope of future audits to be shared with the Board once the terms of reference have been set with the service for each audit.

Surrey Local Pension Board Draft Annual Report 2022/23

26. The Board received a summary of activities of the Local Pension Board during 2022/23. This information will be incorporated in the Fund Annual report.
27. It was brought to officer's attention that the attendance record for some board members was incorrect for February 2023. Along with the registered interests of Board Members. Amendments will be made and circulated to Members before it is included in the main annual report.

Cyber Security and Business Continuity

28. The Board received an update on the review on Cyber Security and Business Continuity undertaken by the Surrey Pension Team. A full report can be found in **Annexe 2**.
29. The Head of Accounting and Governance, Paul Titcomb provided an outline of the report's findings. The exercise was to identify a number of stakeholders with whom we interact, providing a list of third-party providers along with the top employers. A sample of requested policies was reviewed. There is a degree of future work required as significant reliance is placed on third parties' cyber security arrangements and therefore, there is a need to develop a comprehensive Pension Team specific policy for both Cyber Security and Business Continuity.
30. The Board agreed for these two items to be added to the forward plan as separate items.

LGPS Update (Background Paper)

31. The Board received information on issues impacting the LGPS.
32. In response to the recently launched consultation by the Department for Levelling Up, Housing and Communities (DLUHC) on the next steps for LGPS investing, the Board were made aware of questions raised by a Board Member around the fiduciary duties being compromised by having risky investments and of losing local control over investments especially as these will fall mainly under the control of Border to Coast. The Assistant Director - LGPS Senior Officer, Neil Mason informed the Board that a collective response to this consultation from the 11 Partners of Border to Coast will be circulated to both Board and Committee Members. This will also include the response from the Surrey Pension Fund.
33. It was highlighted to the Board that on 19 June the Government introduced into Parliament the Economic Activity of Public Bodies (Overseas Matters) Bill, which is aimed at preventing public bodies from being influenced by political or moral disapproval of foreign states when taking certain economic decisions, subject to certain exceptions. The Bill will extend to LGPS investment decisions, and the Pensions Regulator will be given power to enforce the ban on LGPS administering authorities. On 23 June the Scheme Advisory Board (SAB) responded stating this would be discussed further on 17 July 2023. Their initial response is available on their website.

CONSULTATION:

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

RISK MANAGEMENT AND IMPLICATIONS:

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

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

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

DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL COMMENTARY

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

LEGAL IMPLICATIONS – MONITORING OFFICER

38. 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

39. N/A

OTHER IMPLICATIONS

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

WHAT HAPPENS NEXT

41. 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

Annexes:

1. Cyber Security Review Update – Annexe 1
2. Financial Report My Surrey (Unit 4) - Annexe 2

Sources/background papers:

1. [Risk Register June 2023 – Board Mtg 28 July 2023](#)
 2. [Service Delivery Performance Report – Board Mtg 28 July 2023](#)
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