

SURREY COUNTY COUNCIL**SURREY PENSION FUND COMMITTEE****DATE:** 15 DECEMBER 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 (10 November 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:**Vote of Thanks**

1. The Board thanked Fiona Skene, who has retired and thanked her for the work undertaken during her time on the Board. The Assistant Director – LGPS Senior Officer, updated the Board on the recruitment process to on board a new scheme member. The Board also noted the vacancy for the Union representative from GMB that has been vacant for a while.

Change Programme Update – Quarter 3

2. The Board received an update from Head of Change Management, highlighting the One Pension Team Dashboard. It was noted that some of the members had access issues, and this was being addressed.
3. The Board was provided with a demonstration of the live version of the, One Pensions Team Dashboard from the Senior Project Specialist. This delivers high level visibility of key performance indicators for Service Delivery, Accounting & Governance, Investment & Stewardship and Change Management.

4. A member of Board asked for a trend analysis, along with a suggestion of just using the colours of the upward and downward arrows only. Officers explained that this was done to meet the accessibility requirements.
5. The Chair of the Board requested information in advance for better preparation to review the dashboard before each Local Pension Board Meetings.

Risk Register Update 2023/24 Quarter 2

6. The Head of Accounting and Governance. provided the Board with an update on quarter 2, focusing on risk 16 the implementation of the new financial system MySurrey (Unit 4) for Surrey County Council. The Board was made aware of various issues detailed in [Annexe 2](#) that could lead to delayed processing, data integrity and financial loss.
7. Several Members of the Board expressed their concern and would like to escalate that this is an aspect of concern. The Assistant Director – LGPS Senior Officer is happy to facilitate a meeting between the chairs of both the Board and Committee to agree an approach.
8. The Chair of the Committee also advised the Board that the Committee had also raised concern and that one of the Committee Members is the chair of the Resources and Performance Committee.

Top risk areas commentary

9. The Commentary below provided the Board with the top 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	Work volume mismatch with operational capacity leading to backlogs
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.
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The following minor changes were made to the risk register:

10. The following changes were made to Risk ID 8 and 10C.

Risk ID	Area	Changes
8	Investment	The likelihood increased to 2 for an overall score of 4.
10C	Service Delivery	The need to develop an interface between Altair and MySurrey for daily Immediate Payments. Risk score remains unchanged.

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Administration Performance Report and Update

11. The Head of Service Delivery provided the Board with an update on performance for quarter, 1 July to 30 September 2023. For this period the overall score achieved was 80%
12. The Board received three annexes, [Annexe 1](#) provides an update on performance for this quarter, along with commentary explaining performance and any challenges faced in meeting the Service Level Agreements (SLAs). In addition, a comparative quarterly performance trend analysis was provided in [Annexe 2](#).
13. Additional information was also supplied in [Annexe 3](#) which showed a summary of the most common categories of cases being terminated.

Customer Relationship Team

14. The Board was advised that using the trend analysis in [Annexe 5](#) our Customer Relationship Team Manager is working to create a series of member support documents, to help manage expectation in the process especially for members of the scheme wishing to retire.

Guaranteed Minimum Pension (GMP)

15. The Board was advised that work continues to resolve any discrepancies supplied in a recent report provided by Mercer.
16. The Chair of the Committee asked if the Committee members could be informed of the approach of repaying historic underpayments and how the fund is dealing with the overpayments. The Assistant Director, LGPS Senior Officer agreed to keep the Committee updated on progress as this task had been delegated to officers.
17. The Head of Service Delivery, drew the attention of the Board Members to the following points: -
 - a) Any member who has had their pension benefit underpaid will have this corrected and backdated. This will also include the payment of any interest due.
 - b) Any member who has been overpaid will have their benefit amended from, agreed date (TBC) and will not be back dated.

18. A Member of the Board asked how overpayments would be communicated. What would be our approach to recover overpayments if we receive a challenge from the member, when we asked for the money to be returned. Tom Lewis agreed to look at the communication and factor this into the project plan.

Annual Benefit Statements & Annual Allowance

19. The Board was advised that 99.9% annual benefit statements (ABS) and 95% of annual allowance statement have been issued in line with the scheme deadlines.

McCloud

20. The Board was advised that the regulations for McCloud have now come into effect on the 1st October 2023. In line with Local Government guidance (LGA) it has been necessary to place both Club and Interfund cases on hold where a member qualifies for underpin.
21. The Chair of the Board asked how many interfund do we deal with? The Technical Manager advised one hundred and sixty per month. Interfund out i.e. making payments to other funds is fifty-five a month. Transfers in & transfer out is ten per month (not a public sector scheme).

Legacy Rectification Report

22. The Board was informed that the Legacy Team have recruited a full Team, who have gone on the necessary training and began processing casework. At the end of quarter two a target of reducing the backlog was set at 10%. Tom Lewis was pleased to advise that the Team had achieved 18% within quarter 2.
23. The Board was also informed that a procurement process was underway to secure the services of a third-party supplier to support the reduction of transfer, aggregation, and concurrent cases.

Business Continuity Plan Update

24. The Board was advised that we continue to be reliant on third party Business Continuity Plans. Work continues to establish and develop an overarching pension fund specific Business Continuity Plan. A full report of our findings will be brought to the Committee in May 2024.
25. A member of the Board asked within the proposal do we have scope to test the Business continuity Plan? The Head of Accounting and Governance advised this will form part of the report of our findings and will be presented at the May Board meeting in 2024.
26. Another member asked if we would receive a separate report on cyber security. Officers advised that it was our intent to provide a separate report.

Internal Audit update

27. The Principal Auditor provided the Board with an update on the work completed by Internal Audit in quarter two, see [Annexe A](#).

28. A member of the Board asked about the scope for the investment audit, which is yet to begin. The Principal Auditor advised that the full scope will be agreed at the start of the audit. The intention is to review the controls around the investment arrangement, rather than the actual investments themselves.

External Audit Update

29. The Board received an update from the Head of Accounting and Governance. The audit opinions on the 2021/22 have been issued by the auditors on 23 October. The 2022/23 audit is progressing well, query responses from our side substantially complete.

30. The Board was advised that the auditors Grant Thornton are reviewing the resource they require to progress the audit for both the Council and the Pension Fund, it was also noted that this would be the last year for Grant Thornton to Audit the accounts. We are still on track to publish our annual report by 1st December with either audited or unaudited accounts.

LGPS Update (Background Paper)

31. The Board received information on issues impacting the LGPS. Highlighting three key points

- a) McCloud regulations;
- b) Investments and Climate Related Financial Disclosures highlighted; and
- c) All factors received following SCAPE discount rate change.

CONSULTATION:

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

RISK MANAGEMENT AND IMPLICATIONS:

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

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

34. 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

35. 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

36. 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

37. N/A

OTHER IMPLICATIONS

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

WHAT HAPPENS NEXT

39. 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: None

Sources/background papers:

1. [Risk Register June 2023 – Board Mtg 10 November 2023](#)
 2. [Update Financial System Annexe 2 – Board Mtg 10 November 2023](#)
 3. [Service Delivery Performance Report – Board Mtg 10 November 2023](#)
 4. [Service Delivery quarterly performance trend analysis 10 November 2023](#)
 5. [Internal Audit Progress Report –Board Mtg 10 November 2023](#)
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