**NOTES** of the remote (Teams) meeting of the **SURREY LOCAL PENSION BOARD – INFORMAL** held at 10.00 am on 31 July 2020.

**Members:**
(Present = *)

* Paul Bundy
Mr Graham Ellwood (Vice-Chairman)
* Mr Nick Harrison (Chairman)
David Stewart
* Trevor Willington
Siobhan Kennedy

**Due to being inquorate this meeting was changed from a formal to informal meeting.**

## 1 APOLOGIES FOR ABSENCE

Apologies were received from David Stewart and Mr Graham Ellwood.

## 2 MINUTES FROM THE PREVIOUS MEETING: 13 FEBRUARY 2020

The minutes were noted by the Board and are to be agreed at the next formal public meeting.

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

Minute 12/20 – Breach of Law - Neil Mason, Strategic Finance Manager (Pensions) to share policy in regard to materiality with the Board and discuss formally at the next meeting.

## 3 ACTION TRACKER

**Witnesses:**
John Smith, Pensions Governance and Employer Manager

**Key points raised in the discussion:**

1. A1/20 – The Pensions Governance and Employer Manager explained that he would continue to work on arrangements to open the escrow account for processing frozen refunds. He explained that, after consulting other Administering Authorities, the Pension Fund had decided that creating a separate account on the opposite side of the notional divide between the Pension Fund and Surrey County Council was the best option. The account would be administered by one of Surrey County Council' directors or the Section 151 Officer in order to demonstrate adequate separation.

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

None.

## 4 FORWARD PLAN

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

a) Cyber Security is reflected in the Plan for an annual review.

b) As part of the initial response to the Covid-19 pandemic, the quarterly complaints and IDRP reports and the breach of law update were removed from the agenda standing items. It was agreed these should be reinstated in future agendas.
c) Employer Discretions to be an annual update only.

## 5 CHANGES TO THE MANAGEMENT ARRANGEMENTS FOR PENSION ADMINISTRATION

**Witnesses:**
Anna D'Alessandro, Director of Corporate Resources
Neil Mason, Strategic Finance Manager (Pensions

**Key points raised in the discussion:**

1. The Director of Corporate Resources introduced the report and highlighted:
   - That issues were complex with six funds in the arrangements and more sovereign control was needed to give greater attention to Surrey's priorities.
   - Interim management arrangements had been implemented, as it was difficult to recruit. Collette Hollands and Nick Weaver were on board to work jointly in this new role with a view to a permanent person being recruited in 6-12 months' time.
   - Three organisations were exiting which would take up to 12 months. Sonia Sharman would lead the programme management side of this.
   - There were no growth plans for the next 2-3years as the administration needed to be in a strong place to go forward and to concentrate on the exit strategy for those that wanted to leave. Sonia would attend the next meeting to update the Board.
2. Members reflected that the Board had been concerned with the administration of the Fund for some years and had raised the matter with officers and had regularly reported to the Pension Fund Committee. Members expressed their support for these fundamental changes which they expected would lead to improvements going forward. They asked to see a workplan/timeframe and targets with regular reporting at each meeting.
3. The Board made a further recommendation that the Chairmen of the LPB and PFC receive a monthly update.

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

a) Dem Services to invite Sonia Sharma to next meeting.
b) That the Chairmen for the LPB and PFC receive a monthly progress update, with a quarterly report to the Board.

## 6 SUMMARY OF THE PENSION FUND COMMITTEE MEETING OF 13 MARCH 2020

**Witnesses:**
Neil Mason, Strategic Finance Manager (Pensions)

**Key points raised in the discussion:**

1. The Strategic Finance Manager (Pensions) highlighted that:
   - A specialist consultant had been appointed to map the pension fund against the United Nation's Sustainable Development Goals (SDGs).
   - Recovery processes from the impact of Covid had been mapped.

- Tim Evans had been elected Chair of the Joint Committee of the Border to Coast Pool.

2. In response to a Member question about how Surrey get their suggestions through to the Pool, the Strategic Finance Manager (Pensions) acknowledged that there was a danger that Surrey's voice on its requirements could get lost but emphasised the importance of lobbying and encouraging other members of the Pool.
3. In response to a Member question on the funding position of other authorities the Strategic Finance Manager (Pensions) explained that there was not a lot of variation and that most were fully funded. He also stated that Surrey was one of the few Pool members with a strong positive cash flow position.
4. The Chairman asked about the current review of the pools and if the UK Treasury and the MHCLG were pushing investment into infrastructure. The Strategic Finance Manager (Pensions) explained that the eight pools had different structures and a key element of the review was whether the Government was content with the different structural arrangements.

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

None.

## 7 ADMINISTRATION UPDATE (1 APRIL 2020 TO 30 JUNE 2020)

**Witnesses:**
Nick Weaver, Head of Pensions Administration
Neil Mason, Strategic Finance Manager (Pensions)
Tom Lewis, Pensions Support and Development Manager
Siva Sanmugarajah, Pensions Process Manager

**Key points raised in the discussion:**

1. Officers highlighted various aspects of the report including:
   - Altair module implementations: Immediate Payments and Enhanced Admin to Pay (paragraphs 43 – 46). Attention needed to be given to the proper integration of system modules, involving data clean up exercises. In the past modules had been implemented but not necessarily integrated properly.
   - Annual Benefit Statements: (paragraphs 23 – 31). Remains on schedule for the August deadline.
   - Internal Audit report: (paragraphs 6 – 9). The Strategic Finance Manager (Pensions) would speak with Audit regarding their role and support going forward.
   - Legacy Removal: (paragraphs 35 - 39). The Board raised questions about the effectiveness of the quality assurance process because of the low number of cases sampled and the number of errors found. Officers reported that they and Mercer were reviewing the way forward.
2. The Board noted that there appeared to be a positive way forward on the Admin Software System Procurement (paragraphs 33 – 34), which has previously been assessed as a red risk.
3. The Chairman thanked staff for the smooth work being undertaken on Annual Benefits Statements.
4. A Member stated that it was disappointing that the April annual letter to pensioners notifying pension increases did not state what the new pension would be. He had been previously assured that the pension amount would be included in the letter. Officers acknowledged this point had been taken on board for next year.
5. The Board acknowledged the scale of project and remediation work in progress, as well as the activity to address processing backlogs.

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

a) That a report back be made on the outcome of the quality assurance review for legacy cases.
b) That a reminder be added to the Forward Plan that annual pension letters should include the new pension amount.

## 8 ADMINISTRATION PERFORMANCE REPORT

**Witnesses:**
John Smith, Pension Governance and Employer Manager

**Key points raised in the discussion:**

1. The Pension Governance and Employer Manager noted that the figures were mixed with some improvements but losing ground overall. It was noted that undecided withdrawals had been incorrectly recorded as refunds paid, which artificially inflated the figures.
2. Members spoke about the importance of data quality and asked officers to review how data was extracted and presented. There was also a need to understand whether there were adequate resources needed for the admin work.

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

That the Pension Administration Team produce clear and accurate figures.

## 9 RISK REGISTERS 2020/21

**Witnesses:**
John Smith, Pensions Governance and Employer Manager
Neil Mason, Strategic Finance Manager (Pensions)

**Key points raised in the discussion:**

1. The Pensions Governance and Employer Manager informed the Board that there were no major changes to the register this quarter.
2. A Member asked for A8 on the Admin Register to be revisited following changes to management structure and it was agreed that this should be amber.
3. Member also asked for A5 to be reassessed and it was agreed should be amber.
4. The Strategic Finance Manager (Pensions) stated that A8 would be re-written as the Orbis risk had changed.

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

To reassess A5 and A8 of the Admin Register with regard to marking them both amber, and for changes to be made prior to this report going to the Pension Fund Committee.

## 10 TRAINING POLICY

**Witnesses:**
Ayaz Malik, Pensions Finance Specialist

**Key points raised in the discussion:**

1. The Pension Finance Specialist presented an updated training policy which was approved by the Pension Fund Committee in June's meeting.
2. Officer also presented Hymans Robertson fund specific report for National Knowledge Assessment (NKA) which was very positive.
3. However, the officer explained that the report was a snapshot of results at June 2020 and the benchmark numbers will now have moved due to additional funds completing the assessment post the date of the National Assessment closure.
4. The officer advised Hymans had extended the deadline to allow all board members to complete the assessment. Once all members have completed the assessment an updated report will be shared.
5. Hymans are planning to undertake NKA every 2 years going forward.
6. The Board were updated on member nominations to the Board and were informed that GMB nominee had been approved by the Appointment/termination Panel and was due to go to PPDC in September. It was reported that no suitable employer representative had been found so far.

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

The Chairman to be provided with names of those that hadn't yet completed the assessment.

## 11 COMPLIANCE WITH TPR

**Witnesses:**
Ayaz Malik, Pensions Finance Specialist

**Key points raised in the discussion:**

1. The Pensions Finance Specialist presented annual report on compliance with the Pensions Regulator's Code of Practice 14. The officer highlighted that fund complies with most of the areas.
2. However, members expressed that although the fund complies with most of the areas further clarification is required on certain areas.

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

Officer to look at this again to align procedures and improve compliance.

## 12 SURREY LPB ANNUAL REPORT

**Witnesses:**
Ayaz Malik, Pensions Finance Specialist

**Key points raised in the discussion:**

1. A member explained how he had received and attended training that included webinars and that all members should be encouraged to attend webinars. A section on webinars training to be added to the annual report.

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

a) The Pensions Finance Specialist will update members on upcoming webinars.
b) That Board Members attendance at training/webinars should be logged.

## 13 EMPLOYER DISCRETIONS POLICY UPDATE

**Witnesses:**
John Smith, Pensions Governance and Employer Manager

**Key points raised in the discussion:**

1. The Pensions Governance and Employer Manager explained that over a third of employers had a policy in place which was disappointing objectively, but good in comparison with other Administering Authorities. The Chairman asked what percentage of the membership was covered by the membership was covered by a discretions policy and the Governance and Employer Manager advised the Board that, although it had not been calculated, it was probably much higher because the larger employing authorities are more likely to publish a policy.

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

a) That the percentage of the membership covered by a discretions policy be advised.
b) That an annual update be provided to the Board going forward.

## 14 RECENT DEVELOPMENTS IN THE LGPS

**Witnesses:**
John Smith, Pensions Governance and Employer Manager
Neil Mason, Strategic Finance Manager (Pensions)

**Key points raised in the discussion:**

1. Palestinian Support Group – The Strategic Finance Manager (Pensions) explained that work was ongoing regarding the power of members to have a say on investments.
2. McCloud - The Pensions Governance and Employer Manager explained that a draft remedy had been published. The original underpin affected very few members; but the potential remedy greatly extends its scope and potential costs.
3. Exit Cap – The Strategic Finance Manager (Pensions) explained that there were no significant changes to the draft proposal of £95K and that he would brief employers on the situation.

4. The Pension Ombudsman – A member expressed surprise at a Pension Ombudsman decision about an ill-health retirement *where the PO adjudicator ruled in a recent case that an LGPS adjudicator at stage 2 should replace a defective* ill-health retirement *with one of his own, instead of referring it back to the employer. Senior Counsel at TPO confirmed that the decision should be referred back to the employer as it is too onerous for the LGPS adjudicator to determine and it raises GDPR concerns (sight of confidential medical reports etcetera). T*he Pensions Governance and Employer Manager explained the adjudicator may have been inexperienced as, although the regulations appear to allow a stage 2 adjudicator to replace an employer's decision, the consensus is that the decision should be referred back to the employer for a variety of reasons, including GDPR related concerns about sharing confidential data.

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

None.

The meeting closed at 12.31pm.

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