

**SURREY COUNTY COUNCIL**

**PENSION FUND COMMITTEE**



**DATE: 11 SEPTEMBER 2020**

**LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR OF CORPORATE FINANCE**

**SUBJECT: LOCAL BOARD REPORT**

**SUMMARY OF ISSUE:**

Strategic objectives	
Governance	Delivery

This report provides a summary of administration and governance issues reviewed, or approved, by the Local Pension Board at its meeting of 31<sup>st</sup> July 2020 that require noting or action by the Pension Fund Committee.

**RECOMMENDATIONS:**

1. Notes the minutes of the informal Local Pension Board meeting of 31<sup>st</sup> July 2020 (included as Annexe 1).
2. Approves the following changes to the risk register:
  - Risk A8 (conflicting priorities [Orbis v the Surrey Pension Fund]) on the Administration Register should be raised to amber;
  - Risk A5 (poor reconciliation process) to be should be raised to amber.

**REASONS FOR RECOMMENDATIONS:**

The Public Sector Pensions Act 2013, requires Local Pension Boards to assist the Scheme Manager in securing compliance with the LGPS Regulations and requirements imposed by the Pensions Regulator. This report provides the Pension Fund Committee with insight in to the activities of the Local 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:**

**Update from the Director of Corporate Finance**

1. The Director of Corporate Finance presented a report detailing the changes to the management arrangement for pension administration. As a result of a review of the

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Orbis partnership management of pension administration, which had concluded that administration should revert to the sovereign control of East Sussex (ESCC) and Surrey County Councils (SCC) respectively (this report is shown as Annexe 2).

2. A pension administration “Turnaround Board” (PAT) has been established to oversee the dissolution of the Orbis pension partnership, along with reversion to sovereign authorities and London Borough fund relationships.
3. Sonia Sharma has been recruited to lead the programme and manage the specific work-streams. The progress of this board will be reported at the next Local Pension Board meeting in November (the draft PAT programme structure is shown as Annexe 3).
4. The Service Improvement Plan has been paused as the administration team is focussing on the fundamentals and managing the exit strategies of the departing pension funds.
5. The Chairmen of the Local Pension Board and the Pension Fund Committee will receive monthly updates.

#### **Administration Update**

6. It was noted that a number of modules had been implemented on Altair, the pension administration system, but they had not necessarily been installed properly.
7. The Annual Benefit Statement process is on schedule and seems to be running smoothly.
8. It was noted that there was a 15% error rate in the contractor’s backlog cases and the Chairman asked the Administration Team how they were identifying and correcting these oversights. The Pension Support and Development Manager has arranged a meeting with Mercers to address the issues.
9. The Pensions Support and Development Manager is reviewing processes in order to improve efficiency and address historical errors.
10. A member was disappointed that the annual letter notifying pensioners of the increase to their pensions had omitted the new pension figure for the second year running. The Forward Plan will be updated to remind the Administration Team to include the new annual pension figure in next year’s letter.

#### **Administration Performance Report**

11. The Administration Team completed 3,088 cases this quarter compared to 5,688 in the previous one; however, it should be noted that it was a lockdown quarter and the team were focusing on key priorities.
12. It was noted that undecided withdrawals had been incorrectly recorded as refunds paid, which artificially inflated the figures.
13. Members emphasised the importance of data quality and asked officers to review how data was extracted and presented. Members would like to have a better understanding of the resources required to do the work.

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## **Risk Registers**

Risk A8 (conflicting priorities [Orbis v SCC]) on the Administration Register should be raised to amber following changes to the management structure.

14. Risk A5 (poor reconciliation process) to be should be raised to amber to reflect continued concerns with administration performance standards.

## **Training Policy**

15. The Pension Finance Specialist presented an updated Training Policy and Hymans Robertson's fund specific report in relation to the National Knowledge assessment, which was very positive.
16. The Chairman asked to be provided with the names of the members who had not completed the assessment.

## **Action Tracker**

17. An "escrow" account for time sensitive refunds and death grants will be set up on the other side of the notional divide between the Pension Fund and Surrey County Council. It will be administered by either a director or the Section 151 Officer in order to ensure the requisite gravitas and separation.

### **CONSULTATION:**

18. The Chairmen of the Pension Fund Committee and the Local Pension Board have been consulted on this report.

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

19. Risk related issues have been discussed and are contained within the report.

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

20. The performance of the Pensions Administration function does present potential financial and value for money implications to the Pension Fund. The monitoring of these implications is discussed within the report.

### **DIRECTOR OF CORPORATE FINANCE COMMENTARY**

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

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

22. 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**

23. 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**

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

#### **WHAT HAPPENS NEXT**

25. The following next steps are planned:

- Monitor the progress of the pension administration turnaround board (PAT).
- Receive further reports and continue collaboration between the Pension Fund Committee and Local Pension Board.

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#### **Contact Officer:**

John Smith, Pension Governance and Employer Manager

#### **Annexes:**

1. Minutes of the Local Pension Board meeting 31<sup>st</sup> July 2020
2. Changes to the management arrangements of pensions administration
3. Pension Administration Turnaround Board programme structure

#### **Sources/background papers:**

1. The Pension Fund risk register (Administration)
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