

SURREY COUNTY COUNCIL

PENSION FUND COMMITTEE

DATE: 11 DECEMBER 2020

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

SUBJECT: LOCAL BOARD REPORT



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**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 that require noting or action by the Pension Fund Committee.

**RECOMMENDATIONS:**

It is recommended that the Committee:

1. Notes the minutes of the Local Pension Board meeting of 12 November 2020 (included as Annexe 1).
2. Approves the following minor changes to the risk register: risks A21 the McCloud judgement, A22 migrating from County Hall, and A23 management of the backlog in the Administration Risk Register have all been updated.
3. Note the Local Board's concern at the position that the Fund has been placed in due to conflicts between the Restriction of Public Sector Exit Payments Regulations 2020 and the Local Government Pension Scheme Regulations 2013.

**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 into 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:****Turnaround Update Report**

1. As a result of a review of the Orbis partnership, management of pension administration is to revert to the sovereign control of East Sussex (ESCC) and Surrey County Councils (SCC) respectively.

2. A Pension Administration Turnaround (PAT) Board has been established to oversee the dissolution of the Orbis pension partnership, along with reversion to sovereign authorities and updating the relationships with the London Borough funds.
3. The PAT comprises six projects:
  - Dissolution of the Orbis pension administration
  - SCC sovereign return
  - ESCC sovereign return
  - Systems procurement
  - On-going relationships with existing Orbis partners
  - On-going relationship with Surrey Fire and Rescue service (SFRS)
4. The Chairman of the Pension Fund Committee and Local Pensions Board are apprised on a monthly basis on the progress of the PAT. The PAT programme currently has a green risk rating.

#### **Administration Update**

5. While Internal Audit did acknowledge the significant improvement work that was being undertaken at programme level, they have as yet been unable to provide the assurance that progress has been made against the agreed audit action plan. As a consequence, a position statement, as opposed to a full audit, was produced in 2019/20.
6. Internal Audit will carry out interim testing on data cleansing, Pension Payroll and procedure notes with a view to conducting a full audit in quarter four of 2020/21.
7. Only 46 of 33,293 active annual benefit statements missed the 31 August 2020 deadline, and 4 of these were due to the failure of scheme employers to provide annual data returns. The remaining 42 statements were based on last year's (2018/19) pay because the scheme employer did not provide this year's pay figure.
8. All the deferred member annual benefit statements were issued by the end of September. Unfortunately, 4,589 missed the deadline including 4,143 due to incorrect addresses ("gone away"), which will be remedied by the imminent address tracing exercise. A further 257 were delayed by error messages on Altair that have been investigated and corrected.
9. A software procurement exercise has been undertaken using the Norfolk Framework and there was one response from, the incumbent Heywood Aquilla.
10. After carrying out due diligence Surrey County Council has awarded the contract to Heywoods, although discussions to finalise the contract are continuing.
11. I-Connect is a software system that allows data and payroll input from employers to be interfaced with the pension administration system Altair. Implementation is progressing although there were some expected data compatibility issues that need to be investigated prior to the "go live" date.

12. There has been a focus on housekeeping with duplicate records and completed records that had not been closed being “cleansed.”
13. The death process has been completely re-engineered to simplify processes and to utilise improved software modules.
14. The key performance indicator matrix in the Administration Performance Report records the average number of days taken to complete a case. The Board requested that an additional column be added to annexe 3 of Administration Update Report to identify the oldest outstanding cases to provide focus on any long outstanding cases.

### **Administration Performance Report**

15. 3,246 cases were completed, which is a slight improvement on last quarter. The current staff utilisation rate is being investigated and the Board will be updated when this analysis of efficiency is complete.
16. There were 1,537 new starters reported this quarter, which compares with 811 in the same quarter last year and the administration Team is investigating why there has been a spike in cases during a lockdown.
17. Deaths have been identified as a key priority and 108 (63%) of initial death notifications were processed within SLA this quarter.
18. There is an imbalance in the distribution of cases and the Administration Team is investigating why there are so few transfers-in of all types in comparison to the number of new starters.
19. 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 required.
20. A Board member asked why the number of pension recharge invoices raised in the key performance indicators did not agree with the number paid in the quarter - and yet performance was shown as being 100% within SLA. An officer explained that most invoices relate to pension strain costs which employers can pay over one, two or three years and, therefore, invoices that are not settled in the quarter are not necessarily overdue. Officers agreed to refine the statistics to capture the process more effectively.

### **Exit Cap Emergency Decision**

21. The Restriction of Public Sector Exit Payments Regulations 2020 conflicts with the Local Government Pension Scheme Regulations 2013 forcing the Fund to make decisions that contradict the regulations.
22. In cases where the member is over 55 and the exit package exceeds £95,000, the Fund has decided to pay an actuarially reduced pension or a deferred benefit, instead of the unreduced pension required by regulation 30(7).

23. This is a pragmatic decision flowing from legal advice obtained by the Scheme Advisory Board and allows any balance of pension benefits to be paid later if required once the conflict of laws is resolved.

### **Risk Register**

24. The Board noted that risks A21 the McCloud judgement, A22 migrating from County Hall, and A23 management of the backlog in the Administration Risk Register (annex 2) have all been updated in the light of developments.

### **Pension Fund Committee Update**

25. The Board asked for the next Committee report to include table showing the transfers and allocations of assets into Border to Coast, with a forecast of anticipated transfers to come as Border to Coast launches new funds.

### **Action Tracker**

26. The Board requested environmental, social and governance (ESG) training for the next meeting.

### **Forward Plan**

27. The Board requested that a turnaround report be added as a standing item for each meeting.

### **Communications Update**

28. Examples of recent members' and employers' newsletters were presented to the Board for review and the Chairman asked the Administration Team to provide a copy of its communications schedule for 2020/21.

### **CONSULTATION:**

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

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

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

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

31. 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**

32. 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**

33. 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**

34. 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**

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

## **WHAT HAPPENS NEXT**

36. 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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### **Annexes:**

1. Minutes of the Local Pension Board meeting 12 November 2020 (when available)

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

1. The Pension Fund risk register (Administration)
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