

**SURREY COUNTY COUNCIL****PENSION FUND COMMITTEE****DATE: 12 MARCH 2021****LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR OF CORPORATE FINANCE****SUBJECT: LOCAL PENSION BOARD REPORT****SUMMARY OF ISSUE:**

<b>Strategic objectives</b>	
<b>Governance</b>	<b>Delivery</b>

This report provides a summary of administration and governance issues reviewed by the Local Pension Board at its last meeting for noting or action by the Pension Fund Committee.

**RECOMMENDATIONS:**

It is recommended that the Pension Fund Committee:

1. Approves amendments to the Local Pension Board Terms of Reference (shown as Annexe 1).
2. Notes the notes of the informal Local Pension Board meeting of 11<sup>th</sup> February 2021 (shown as Annexe 2).
3. Approves the following changes to the risk register (Shown as Annexe 3): risks (A8), Head of Pension Administration leaving, (A20) and moving out of County Hall (A22) in the Administration Risk Register (background paper).
4. Note that the conflicts between the Restriction of Public Sector Exit Payments Regulations 2020 and the Local Government Pension Scheme Regulations 2013 have, at least temporarily, been resolved. The Government has disapplied the exit cap and promised to revoke it in due course; however, it is still looking at ways of reducing exit payments.

**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.

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**DETAILS:**

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**Governance of the Local Pension Board**

1. Due to failing to meet the quorum, as stated in the Terms of Reference, the Local Board meeting was on an informal basis, with no official minutes taken.
2. It is noted that the quorum for meetings of Council Committees is lower than that of the Local Pension Board at ¼ of Committee membership, with a minimum of 3.
3. To ensure that the quorum can more easily be met for future Local Pension Board meetings, it is recommended that the quorum is amended in the Local Pension Board Terms of Reference (see Annexe 1) so that it consistent with Council Committees.

**ESG Training**

4. Minerva Analytics delivered an accomplished presentation on environment and social governance (ESG) issues. This covered the material previously presented to the Pension Fund Committee.

**Action Tracker**

5. Most of the old frozen refunds have been traced and the Pension Fund is waiting for confirmation from HSBC that an escrow style account has been set up (A1/20).
6. Work on the new starter process (A14/20) is ongoing. A key change is a check against the national insurance data base in relation to prior service with the LGPS, rather than relying on members for this information.

**Administration Update Report**

7. Deaths, retirements and refunds have been prioritised since the beginning of the pandemic. Weekly reporting has been introduced in order to monitor progress in the key processes. The Administration Team is working to refine the way it collates and reports statistics, in particular to highlight the aging of outstanding items.
8. The Corporate Complaints database is used to record and respond to complaints received and customers can interrogate the system to monitor progress. It was noted the number of complaints received is low in comparison to the volume of work processed.
9. The Pensions Helpdesk has recruited six new agents to help it address the backlog and aims to be back to their 3-day response SLA by April.
10. The Engagement and Education Team's Communications and Training Plan for 2021 for scheme members and employers has been produced. The Board commented favourably on the annual calendar and the samples of newsletters and other communications.

**£95K Exit Cap**

11. The contingency plans for handling the issues arising from the introduction of the exit cap were superseded when the Government disappplied it on 12<sup>th</sup> February 2021 with the intention of completely revoking it.
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### Frozen Refund Project

12. There are still a number of potential refunds outstanding, despite address tracing, and the remaining cases are being checked against the National Insurance data base to verify whether the remaining cases are entitled to a refund or not.

### Administration Software procurement

13. Heywood Aquilla has won the competitive tender and will provide administration software for the next five years. This is an important development to provide the stability to allow improvements in the Administration function. A new reporting module "Insights" will be implemented as part of the contract which may help with improved KPI reporting.

### Legacy Removal

14. About 17,000 cases have been fully remediated between the Mercers and Surrey teams, with about 1,600 to 1,700 cases still to go. Quality assurance checks were incorporated into the programme.

### Automation

15. The iConnect and Altair Enhanced Admin to Pay systems have been implemented. These systems are important to streamline the alignment of the pension and payroll systems and is ready to receive payroll data.

### Process Improvement

16. A project has been completed to review the handling of death cases, an important and sensitive area of service. The next priority is to review the handling of transfers in and out.

### Horizon Planning

17. The Board reviewed the key projects for 2021/22 including address tracing, McCloud, end-of-year annual benefit statements, annual allowances, audit work and pension increases.

## **Administration Performance Report**

18. There were 2,334 new starters, which compares with 1,600 in the same quarter last year. The numbers of transfers-in of all complexions were low in comparison to the large number of new starters, which suggested that the new starter process was not working properly, hence the revised process to obtain information from the national insurance data base.
  19. Although only 164 (77%) of initial death notifications were completed within service level agreement (SLA) this quarter, a significant number of backlog cases were also cleared.
  20. Two other key priorities are the first stages of retirement and ill-health retirement, which are critical elements that require the bulk of the work. It is hoped that the percentages completed within SLA, which were 67% and 37%, respectively, can be improved upon in future quarters.
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21. The death process has been overhauled and the new starter process is being reviewed. The changes are designed to facilitate better performance in the future

### **Risk Registers**

22. The weightings of the risks: conflicting priorities (A8), Head of Pension Administration leaving (A20) and moving out of County Hall (A22) in the Administration Risk Register have been updated in light of current conditions. The Board approved the changes in weighting.

### **Communication Policy**

23. The Board welcomed the new communication policy (shown as Annexe 4), noting it was comprehensive and well prepared.

### **Compliance with the Regulator's Code of Practice**

24. The Board reviewed the latest assessment which showed the Fund is making good progress in most areas, with a limited number of areas for attention.

### **National Knowledge Assessment Results and Training Plan**

25. The Board noted that the Board and the Committee had performed well in comparison to other funds. Hymans Robertson assembled training from a variety of sources to drive improved governance in local government, drawing on the CIPFA 2013 Code of Practice on Public Sector Pensions, Finance Knowledge and Skills and the SAB Good Governance Report Phase 2 (Phase 3 is anticipated shortly).
26. The Board asked for specific training on the Market in Financial Instruments Directive 2 (MIFID 2) and structured training by the actuary, including a training session on the Fund's own investment strategy to be incorporated into the training plan.

### **Annual Benefit Statements (ABS)**

27. 46 active members' annual benefit statements missed the 31<sup>st</sup> August deadline; however, at less than 0.2% they were well within the 5% permitted so the Board did not regard it as material and, consequently, it is not necessary to report it to the Pension Regulator.

### **Pension Savings Statement (Accounting for Tax)**

28. Four out of ninety-five active statements and seven deferred pension savings statements missed the 6<sup>th</sup> October deadline. All were issued by 15th October. The main risk is members forgetting to pay the tax through their annual tax return but this potential lapse is mitigated by charges in excess of £2,000 being paid by the scheme and recovered from the member's retirement benefits and the Fund exercising its discretion to extend scheme pays to member's with tax charges of less than £2,000. The Board felt that this error was not material and, therefore, this is no need to report it to the Pension Regulator.

### **Turnaround Board Update**

29. The Turnaround Board focuses on six key projects; The PAT is compiled of six projects;
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- 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)

The Turnaround Board reports to the Local Pension Board and the Pension Fund Committee at their quarterly meetings.

#### **CONSULTATION:**

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

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

31. Risk related issues have been discussed and are included within the report.

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

32. 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**

33. 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**

34. 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**

35. 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.

#### **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. Local Pension Board Terms of Reference (tracked changes).
2. Notes of the informal Local Pension Board meeting 11 February 2021.
3. Administration Risk Register.
4. Communications Policy.

**Sources/background papers:**

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