

**SURREY COUNTY COUNCIL**

**PENSION FUND COMMITTEE**



**DATE: 8 SEPTEMBER 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. Notes the minutes of the Local Pension Board meeting of 5 August 2021 (shown as Annexe 1).
2. Approves the following changes to the administration risk register (Shown as Annexe 2): risks A5 poor reconciliation process leads to incorrect contributions, A11 failure to get on top of the backlog leads to resource issues and management distractions, A12 failure to identify GMP liability leads to ongoing costs for the pension fund, A13 Inability to respond to a significant event leads to prolonged service disruption and damage to reputation and A23 poor management control of the backlog leads to inaccurate Key Performance Indicators (KPI's) leading to a loss of confidence in levels of assurance from the Pensions Administration team.

**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:**

### **Administration update**

1. The Engagement and Education Team are building an employer website and the introduction of Iconnect for Surrey and other SAP users has facilitated collating data by interface on a monthly basis.
2. The administration Team has begun to collect data in anticipation of the McCloud remedy - but a lot depends on the employers providing the information.
3. The Senior Pensions Programme Manager explained that the GMP reconciliation exercise was being conducted by Mercers and expects to be able produce a detailed report on the results at the next meeting.
4. The Pension Service Delivery Manager promised to produce generic advice for members who are made redundant or released on the grounds of business efficiency.
5. Action: The Board will be furnished with examples of recent newsletters at the next meeting.

### **Administration performance report**

6. The method for reporting performance has changed and the statistic reported on this quarter was the number of cases completed within the service level agreement (SLA) divided by the number of cases completed. There is no longer any reference to the number of cases received.
7. It was noted that 24% of the cases completed in the quarter were terminated, as opposed to finished. The Pension Service Delivery Manager explained that this was partly due to an issue with the quotation robot and partly due to Mercers (the contractor) setting up duplicate cases.
8. A member asked why there were more than 5,000 cases over two years old and the Strategic Finance Manger (Pensions) explained that there were systemic issues and it would be investigated in conjunction with Internal Audit.
9. A member enquired how the average number of cases completed per administrator per day (1.75) compared to industry benchmarks. The Strategic Finance Manager (Pensions) explained that productivity needed to improve and this issue would be addressed as part of the turnaround programme.

### **Cyber security**

10. The Board asked what Logotech was and whether there was a dedicated business continuity plan. The Pension Governance and Employer Manager explained that Logotech was a standalone system with data entered by officers rather than by interface. The Business Continuity Plan was multi-stranded but dependent on the host authority because the Pension Fund did not have the scale to justify a dedicated IT team.
11. A member asked about the resource required to meet the Pension Regulator's (tPR) recommendations and the Strategic Finance Manager (Pensions) explained that the fund would identify the additional resource and training required and report back in the Autumn.

12. In response to a supplementary question, the Strategic Finance Manager (Pensions) explained that the training would be designed to help individual members to understand their responsibilities.
13. Recommendations:
- a) Cyber security training for officers, Board and Committee members should be expedited and incorporated in the Fund's training plan
  - b) The Administration Risk Register should be expanded or a dedicated cyber security risk register created in order to comply with tPR recommendations.

**Summary of the 2020/21 internal audit reviews of investments and administration and details of the 2021/22 internal audit plan**

14. The Principal Auditor explained that the opinion for investment was reasonable assurance, which means that most controls were in place and operating as expected.
15. The opinion for administration was partial assurance, which means that there are weaknesses in controls and the level of non-compliance puts key service and systems objectives at risk.
16. The audit strategy has changed and there would more reviews but they would be smaller in scale and better targeted and, therefore, the Board will receive shorter reports more frequently in the future.

**Risk registers**

17. The Board recommended the amendments (highlighted in red) to the following items in the Administration Risk Register; A5 poor reconciliation process leads to incorrect contributions, A11 failure to get on top of the backlog leads to resource issues and management distractions, A12 failure to identify GMP liability leads to ongoing costs for the pension fund, A13 Inability to respond to a significant event leads to prolonged service disruption and damage to reputation and A23 poor management control of the backlog leads to inaccurate Key Performance Indicators (KPI's) leading to a loss of confidence in the levels of assurance from the Pensions Administration team.
18. The Senior Pensions Finance Specialist highlighted minor changes to the administration risk register made in response to Board's comments from the previous meeting.
19. There were some queries about risk scores and whether the actions taken had any effect on the scoring. The Strategic Finance Manager (Pensions) explained that although we could mitigate some risks others had to be tolerated and he suggested exploring this with the Chairman outside the meeting.

**Scheme Advisory Board review of governance in the LGPS**

20. The Strategic Finance Manager (Pensions) explained that the Phase III was an evolution of the themes explored in the previous stages.
21. The precise implementation will be determined when the Ministry of Housing, Communities and Local Government (MHCLG) produces statutory guidance.

## **The Pension Regulator's consultation on a single combined code of practice**

22. The Strategic Finance Manager (Pensions) explained that tPR consulted on introducing a single code to replace the individual codes for the different types of pension scheme. He noted that Surrey would have preferred a tailored code of practice.

### **Training policy**

23. The Strategic Finance Manager (Pensions) explained that Hymans Robertson had conducted a knowledge assessment of both the Board and the Committee last year, and both bodies performed well.
24. The Senior Finance Specialist commended the LGA fundamentals courses to the members and explained that the Fund keeps a log of individual member's training. The Fund will be happy to offer a range of dates and alternative training, if required.
25. The Chairman explained that members judged themselves when asked about the metrics. The Strategic Finance Manager (Pensions) offered to develop a training matrix if the Board would like one.
26. Recommendations:
- a) The Board noted the report and agreed that members should prioritise attendance at training events wherever practicable.
  - b) The new Board members should complete the Pensions Regulator (TPR) toolkit by the next Board meeting in November.
  - c) That the Board reviews the training policy on an annual basis.

### **Turnaround Program update**

27. A number of references to the Turnaround Program had been made by the Chairman during the meeting. He stressed the importance of the Turnaround program the scope and range of which are summarised in Appendix 1. In future meetings updates to the turnaround program will be included in the Public meeting in Part 1.
28. The Strategic Finance Manager assured the Board that sufficient resources were in place to deal with the transformation but competition for resources was having an impact on the day-to-day work and work and the backlog.
29. In response to Member queries it was reported that:
- a) There is a complement of 100 staff, including vacancies, in the existing structure but this is likely to shrink.
  - b) The vast majority of staff will primarily work from home.
  - c) The Fund will be based at Dakota in Weybridge.
  - d) There is full financial backing from the Director of Resources.
30. A Member described the district and borough councils' perception of the service they received and asked the project team to meet with the Heads of HR to discuss the quality of the service being delivered. The Strategic Finance Manager (Pensions) stated that he would ensure stakeholders requirements were met.
31. The Chairman said that, although the report was currently exempt, because it dealt with people outside the Council, reports on the next phase could be taken in public.

32. In response to a Member query regarding barriers to workstreams the Programme Manager explained that there was a detailed map behind each workstream and she could give assurance that targets were being met.

#### **CONSULTATION:**

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

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

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

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

35. 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**

36. 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**

37. 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**

38. 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**

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

#### **WHAT HAPPENS NEXT**

40. The following next steps are planned:

- a) Monitor the progress of the Turnaround Program
- b) Receive further reports and continue collaboration between the Pension Fund Committee and Local Pension Board.

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**Annexes:**

1. Notes of the Local Pension Board meeting 5<sup>th</sup> August 2021.
2. Administration Risk Register.

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