

SURREY COUNTY COUNCIL**PENSION FUND COMMITTEE****DATE: 09 SEPTEMBER 2022****LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR CORPORATE FINANCE & COMMERCIAL****SUBJECT: LOCAL PENSION BOARD REPORT****SUMMARY OF ISSUE:**

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

RECOMMENDATIONS

The Board recommends to the Committee that the changes below are made to the Risk Register,

Risk ID	Status	Changes
2	New sub-risk	A more general cause of the risk of employers delaying payments has been included.
5	Score update	The likelihood score for risks associated with investment strategy has been raised to 'possible'.
9	Score update	The likelihood and impact scores for issues with team knowledge have been raised – primarily due to the potential implications of people leaving the team.
10	Sub-risk deletion	Risk 10C to be deleted.
13	New sub-risk	A sub-risk arising from the introduction of pensions dashboards has been included.
16	New	A separate risk of issues arising from the implementation of the new accounting system has been included.

REASONS FOR RECOMMENDATIONS:

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

Forward Plan

1. The Chair made a request for officers to provide a report on the current increase in inflation and its associated impacts and risks. This is to be added to the forward plan.

Summary of the Pension Fund Committee

2. After discussions regarding recent correspondence from the Department for Levelling Up, Housing and Communities (DLUHC), the Assistant Director - LGPS Senior Officer agreed to circulate to members a joint written response to DLUHC from the Chairs of the Border to Coast Joint Committee and Officer Operations Group.
3. The Assistant Director- LGPS Senior Officer (AD) agreed also highlighted the progress of the Responsible Investment Policy, which was approved by the Committee subject to a consultation. The results of this consultation will be taken to the December Pension Fund Committee, to seek final approval of the policy and implementation plan.
4. The Chairman of the Board suggested circulating the new Investment papers from Part two to the Board Members.

Revisions to the Risk Registers

5. The Head of Accounting and Governance highlighted two new summaries. Firstly, the heat map (Annexe 1) which shows the relative positioning of the risks. Secondly, a summary of the risks presented in a table sorted by risk score.
6. There are three key changes which the Board recommends to the Committee:
 - a) Add to risk register as a new risk (ID16) the Implementation of new financial systems (Unit 4 / My Surrey) leads to delayed processing, data integrity issues or financial loss.
 - b) score increased to (ID9) Skills / knowledge gaps lead to inefficiency and poor performance, due to staff changes, following the restructure.
 - c) Investment strategy (ID4) and proposed implementation materially affects investment performance, score increased.
7. In response to questions raised on the implementation of the new financial system from the Board, the AD agreed to add an update paper on Unit 4 to the Forward Plan.

Update on Cyber Security and Business Continuity

8. The Head of Accounting and Governance present the report that explained that a light-touch review of the Pension Fund Business Continuity and Cyber Security had taken place and the following next steps are planned:
 - a) The business continuity plan to be aligned to the risk register for the Pension team. This will be reported to the Board.
 - b) Both documents will be kept under regular review and updated.

Service Delivery Report and Update

9. The Systems, Membership & Data Senior Manager raised the following key points

Performance

10. Is proposed that the service provides KPI data from an automated process in the Altair system (Insights) going forward with the process developed and verified in collaboration with Internal Audit. The Board agreed to a reporting holiday for KPIs for this quarter, whilst the reporting transfers to the new system.

Complaints.

11. During the period 1 April – June 2022 eight complaints were received. Three of the eight complaints related to specific projects such as address tracing, backlog cases and the suspended pension review and the complaint was justified. The others related to incorrect information provided (2 complaints justified) and delays in processing (3 complaints not justified).

Internal Dispute Resolution Procedure (IDRP) and Pension Ombudsman Cases

12. The Board was advised that there have not been any new stage 1 appeals and just one stage 2 appeals in the period.

Pensions Helpdesk

13. The Helpdesk handled a total of 16,881 Surrey enquiries between 1 April and 30 June 2022. An average of 87% of all enquiries were resolved at the first point of contact. The queries handled by the helpdesk over this period are categorised as follows: -

Communication Channel	Volume
Call backs	201
Email	9155
Telephone	7525
Total	16881

Engagement and Education

14. The Board were presented with several Annexes, demonstrating and highlighting the work of the Communication and Training team. This includes the website and member self-serve monthly statistics for May.

Guaranteed Minimum Pension (GMP) reconciliation project

15. The Board were presented with the table below which provided an overview of the total members in scope following completion of the reconciliation phase of the project:

Member Type	Total in scope	Records match	Records to be rectified	Excluded
Pensioner	22,697	17,282	5415	2043
Dependent	3,882	3,055	827	910
Deferred	47,374	45,051	1710	613

16. Work will now be carried out to investigate the validity of the excluded cases and assess the detail of the cases to be rectified as to whether these result in under or over payment of pension entitlements.

McCloud

17. Work continues to obtain all the necessary information from scheme employers with requests for data for all scheme members in line with the SAB recommendation. The team have received 106 returns out of the 127.

Data Cleansing

18. During the period of January to April 2022 extensive analysis and correction of known data discrepancies for the valuation years 1 and 2 (2019/20 & 2020/21) has been carried out. The member data for the valuation has been submitted to the Actuary.

Address Tracing

19. This piece of work is ongoing; the results of the address tracing exercise have been received from our appointed third-party supplier.

Pension Increase 2022

20. The pension increase exercise has been completed for 2022 with all communications issued.

Annual Benefit Statements (ABS) for 2022

21. End of year returns have been received from scheme employers or their payroll providers.

Pensions Administration System Developments

22. We continue to review and document our processes. The Service Delivery team are working to cleanse the administration database. Once this cleansing has taken place, planning will begin for the system migration to the cloud-based hosting server platform. Initial conversations have taken place between Surrey Pensions Team and Surrey CC IT Services to understand the scope of this work.

Digital Mail

23. A partnership agreement between Surrey County Council and Birmingham City Council has been adopted for all incoming post to the Surrey Pension Team. The Service Delivery has its own PO Box number which went live 1 August. The Accounting and Governance and Investment also has a PO Box which went live on 8 August. The majority of mail will now be sent to these PO boxes to be dealt with on a daily basis.

Pensions Dashboard

24. We have representatives from the Surrey Pensions Team attending the London Pensions Officer Group (LPOG), South Area Pensions Officers Group and Pensions Lifetime Pensions and Lifetime Savings Association (PLSA) to keep abreast of developments. Our service provider Heywood will be key to support the delivery of this project.

Turnaround Programme Update

25. The Assistant Director informed the Board of the next steps in the Turnaround Programme, which has now moved into a Transformation phase, overseeing the following aspects of work: -
- a) **Customer Relationship Team** – to successfully transition the Pensions Helpdesk from Business Operations to the Surrey Pension Team and to assess the capability and functionality.
 - b) **Customer Insights** – to develop a customer insights strategy and implement improvements in line with our Vision and Mission.
 - c) **Banking Controls** – to successfully transition Banking Controls from Business Operations to the Surrey Pension Team.
 - d) **Culture and Training** – to continue embedding the culture and training required in line with our Vision and Mission.

Progress of 2021/22 Internal Audit Plan

26. An update on Internal Audit activities was provided to the Board. There are three draft reports from Audit that are currently under review and will be brought to the November Board meeting with management responses.

Valuation 2022

27. The Board were provided with a summary of valuation assumptions, this included an increase in the discount rate.

Surrey Local Pension Board Annual Report 2021/22

28. The Board agreed with the draft Board annual report to be included in the Pension Fund Annual Report.

LGPS Recent Developments

29. Members were encouraged to view the Local Government Pension Scheme Advisory Board website <https://lgpsboard.org/index.php/welcome>

CONSULTATION:

30. The Chairmen of the Pension Fund Committee and the Board has 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 administration and governance presents potential financial and value for money implications to the Pension Fund. The monitoring of these implications is addressed within the report.

DIRECTOR CORPORATE FINANCIAL & COMMERCIAL COMMENTARY

33. The Director of Corporate Financial & Commercial 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.

OTHER IMPLICATIONS

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

WHAT HAPPENS NEXT

37. The following next steps are planned:

- a) The Committee will receive further reports and continue to work with the Board where necessary and appropriate.

Contact Officer:

Adele Seex, Governance Manager

Neil Mason, Assistant Director, LGPS Senior Officer

Annexes: Risk Register heat map – Annexe 1

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