

MINUTES of the meeting of the **SURREY LOCAL PENSION BOARD** held at 10.00 am on 11 November 2022 at Council Chamber, Woodhatch Place, 11 Cockshot Hill, Reigate, Surrey ,RH2 8EF.

These minutes are subject to confirmation by the Board at its meeting on Friday, 17 February 2023.

(* present)

Elected Members:

- * Tim Evans (Chairman)
- * Siobhan Kennedy
- * David Lewis (Vice-Chairman)
- * William McKee
- Fiona Skene
- * Jeremy Webster
- Trevor Willington

In attendance

Nick Harrison, Chairman of Surrey Pension Fund Committee

40/22 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Trevor Willington.

41/22 MINUTES FROM THE PREVIOUS MEETING: 29 JULY 2022 [Item 2]

The minutes were agreed as an accurate record of the meeting.

42/22 DECLARATIONS OF INTEREST [Item 3]

There were none.

43/22 QUESTIONS AND PETITIONS [Item 4]

There were none.

44/22 ACTION TRACKER AND WORKPLAN [Item 5]

Key points raised during the discussion:

1. The Chairman explained that there was an ongoing action for the board to complete knowledge and understanding as part of the Board's training plan. The LGPS Senior Officer explained that audit was monitoring the completion of training and thanked the board for completing the recent knowledge assessment.
2. With regards to the forward plan the new items 4a-c had been added to the plan at the request of the Chairman. The LGPS Senior Officer explained that in regard to 4a, a response had been shared in June. With regards to 4b, consultation responses would be shared once the consultation had been completed and with regards to 4c, this was ongoing and reports would be shared with the board at its next meeting.

3. The team was working through its strategic business plan and would be updating the forward plan accordingly in early 2023.

Recommendations:

That the Action Tracker and Forward Plan be noted.

45/22 SUMMARY OF THE PENSION FUND COMMITTEE MEETING OF 23 SEPTEMBER 2022 (POSTPONED FROM 9 SEPTEMBER) [Item 6]

Witnesses:

Neil Mason, Assistant Director - LGPS Senior Officer

Nick Harrison, Chairman of Surrey Pension Fund Committee

Key points raised during the discussion:

1. The Chairman asked the LGPS Senior Officer to expand upon the net zero considerations for the Surrey Pension Fund and the Border to Coast partnership pathway to net zero.
2. The LGPS Senior Officer stated that the Fund had approved the six changes to the risk register that the pension board had recommended. The funding level as of 31 March 2022 was 108% and work was being undertaken with employers around how this would flow into contribution rates. The consultation on the responsible investment policy was launched on 12 September and to date 6000 responses had been received. The consultation would be taken to the responsible investment sub-committee in the first week of January 2023.
3. The LGPS Senior Officer explained that the Fund had been provided with a report by Mercer which concluded that an immediate focus on companies with less 1.5 increase in temperatures, excluding scope 3 emissions would reduce the investable universe that the fund could invest in by up to 85%. Officers had been asked to look at this and update the terms of reference around how net zero would be approached. Specialists in the field would be instructed to conduct a report on the implications for the fund on various different net zero scenarios. Border to Coast provided the Fund with information on how they would seek to meet net zero by 2050.
4. The Chairman of the Surrey Pension Fund Committee stated that the choices presented by Mercer were stark and the committee wanted to set an achievable target.
5. A Board Member queried if an analysis of the likely impact on the fund would firstly look at the impact on the investment returns of the fund. The LGPS Senior Officer explained that investment theory would suggest that a reduction in investable universe would increase the volatility and potential for downside.

Actions/ further information to be provided:

That the Mercer report on net zero impacts be shared with the Board.

Recommendations:

That the report be noted.

46/22 RISK REGISTER UPDATE 2022/23 QUARTER 2 [Item 7]

Witnesses:

Paul Titcomb, Head of Accounting and Governance
Neil Mason, LGPS Senior Officer

Key points raised during the discussion:

1. The Chairman stated that there had been a big improvement in the presentation of the risk register.
2. The Head of Accounting and Governance provided an update on the top three risks including, Implementation of new financial systems leading to delayed processing, data integrity issues or financial loss, Skills / knowledge gaps leading to inefficiency and poor performance and Funding requirements higher due to actuarial assumptions materially different to experience.
3. A Member of the Board queried what risk was associated with dashboards. The LGPS Senior Officer explained that the risk was in enabling the transfer of information to be done correctly which in turn was reliant on system providers. A number of people will have access to these dashboards when they are introduced which will increase the number of queries to the team about these.

Actions/ further information to be provided:

None

Recommendations:

That the report be noted.

47/22 ADMINISTRATION PERFORMANCE REPORT AND UPDATE- 1 JULY 2022 TO 30 SEPTEMBER 2022 [Item 8]

Witnesses:

Neil Mason, Assistant Director, LGPS Officer
Colette Hollands, Head of Service Delivery

Key points raised during the discussion:

1. The Head of Service Delivery introduced the report explaining that the report covered the last quarter and specifically service performance for the last 6 months. The Head of Service Delivery updated the Board on the audit recommendations, our actual performance, the presentation of the revised performance tables and backlogs.
2. It was explained that the performance tables had been updated as per audit recommendations. An update was given on the audit recommendations. New columns had been added to the table including columns F and G around outstanding cases. Another audit recommendation was around not consistently meeting KPI's in the work areas being reported. Service delivery managers now have the ability to monitor caseloads via the insights software and are using this to consider changes in priorities and resources.
3. The Chairman queried if anything could be learnt from the loss of staff and what the reasons for this was. The Head of Service Delivery explained that the service ran a successful training programme which

meant that people left through promotions and natural progression to other roles and other funds.

4. The Chairman of the Pension Fund Committee queried what the consequences of low performance standard for deferred status on the performance report meant. The Head of Service Delivery explained that the numbers went up and down in peaks and troughs and resources had been increased to reduce the backlog. The consequences of low performance on deferred status was that members were not being informed as quickly as the service would like.
5. Officers were asked to provide an update on transfers in and transfers out numbers and explained in most cases the service was waiting on information from third parties. In the past staff had not be trained on this process but this was now being proactively addressed by the service delivery manager. A bulk process to clear cases for deferred benefits was being explored.
6. A Member of the Board suggested that an extra column needed to be added to the performance table so Member's could measure performance from the last performance report. The Member also asked for an exception paragraph to be added to the report which picks up areas of concern.
7. The Chairman asked if the backlog cases could be separated so those cases which would be ongoing for a longer period of time could be differentiated out in the performance report. The Head of Service Delivery estimated that it would take two years to sort out the backlog.
8. With regards to Annex 3, it was queried if officers were surprised there had been so many login issues. The Head of Service Delivery stated that this was expected as annual benefit statements would have gone out from June-August and would be published via the MSS portal which would have meant logging in to the portal to access statements. Forgotten logins were understandable for this period.

Actions/ further information to be provided:

1. That an extra column needed to be added to the performance table so Members could measure performance from the last performance report. Also, an exception paragraph to be added to the report which picks up areas of concern.
2. That the backlog cases be separated so those cases which would be ongoing for a longer period of time could be differentiated out in the performance report.

Recommendations:

For the report to be noted.

48/22 TRANSFORMATION PROGRAMME UPDATE [Item 9]

Witnesses:

Neil Mason, Assistant Director - LGPS Senior Officer
Paul Titcomb, Head of Accounting and Governance

Key points raised during the discussion:

1. The LGPS Officer provided the Board with an update on the current transformation plans which included to successfully transition the Pensions Helpdesk from Business Operations to the Surrey Pension Team, to develop a customer insights strategy, to successfully

transition Banking Controls from Business Operations to the Surrey Pension Team, to continue embedding the culture and training required in line with our Vision and Mission.

2. There was an expectation that the transition of the Pensions Helpdesk from Business Operations to the Surrey Pension Team would go live at the end of November 2022.
3. The Head of Accounting and Governance explained that the transition of banking controls had begun, the first stage of which would be training the pensions team. A timing of full transition would be provided in due course.
4. The transformation work would be absorbed into business as usual and a head of change management was being recruited too.
5. It was agreed that as the transformation work was being absorbed into the service a continuous improvement update would be provided to the Board moving forward.

Actions/ further information to be provided:

For the Board to be provided with a continuous improvement update from the pensions service as part of its forward plan.

Recommendations:

For the report to be noted.

49/22 INTERNAL AUDIT UPDATE [Item 10]

Witnesses:

Neil Mason, Assistant Director - LGPS Senior Officer

Paul Titcomb, Head of Accounting and Governance

Elaine Laycock, Principal Auditor

Key points raised during the discussion:

1. The Head of Accounting and Governance provided the Board with an update on five internal audits. Some of these had been completed whilst officers were working through the findings on the others which were still in progress. The 2022/2023 Internal Audit plan had been agreed and was attached to the report.
2. With regards to the Pension Fund Banking Controls audit it was explained that a progress update would be provided to the Board in the early part of 2023 although good progress had been made to complete the actions listed in the audit. With regards to the review of Investment Strategy targets, a Member of the Board asked if this was a review of the targets or a review of how the targets were reached. It was explained by the LGPS Senior Officer that there was a mismatch between the asset allocation as it was and the asset allocation 'to be' and therefore we were out of step with the asset strategy.
3. It was explained that Northern Trust was the custodian of our investments. It was imperative to ensure our general ledger reflects these investments on a timely basis.
4. The Principal Auditor explained that the Pension Fund was in its second year of having a standalone Audit Plan. A brief summary was given of internal audit activities for the pension fund for 2022/2023.

Actions/ further information to be provided:

None

Recommendations:

For the report to be noted.

50/22 2022 VALUATION [Item 11]**Witnesses:**

Neil Mason, Assistant Director - LGPS Senior Officer

Key points raised during the discussion:

1. A Member of the Board commented that they had found the first part of the LGA foundations course helpful.
2. Referring to paragraph 5 of the report, the LGPS Senior Officer explained that the actuary had included short term projections on inflation, so that the current inflation environment was included in their analysis. Work was being undertaken on cash flow analysis and from April 2023 pensioners would be paid 10% more.
3. The LGPS Senior Officer thanked the Employer Manager for her work on this project.

Actions/ further information to be provided:

None

Recommendations:

For the report to be noted.

51/22 LGPS - BACKGROUND PAPERS [Item 12]**Witnesses:**

Neil Mason, Assistant Director - LGPS Senior Officer
Sandy Armstrong, Technical Manager

Key points raised during the discussion:

1. The LGPS Senior Officer stated that the consultation on TFCD was taking up a lot of officer time.
2. The Chairman explained that booking was now open for the LGPS Governance conference 2023, which takes place on 19- 20 January 2023. The Board was recommended to attend.
3. The Technical Manager explained that the implementation of the McCloud remedy in the Teachers' Pension Scheme (TPS) will mean some teachers will be retrospectively eligible for the LGPS covering the period from 1 April 2015 to 31 March 2022. The TPS did not move to being a CARE scheme until 1 April 2015, prior to which it was final salary. For the TPS implementing the McCloud remedy, members affected will be put back into the 'legacy' scheme (final salary) from 1 April 2015 to 31 March 2022 (remedy period) and then moved across to the 'reformed' scheme (CARE scheme) from 1 April 2022. Around 18,000 teachers would be impacted by this although it is unclear at present how many will be in the Surrey scheme. Additional work would be created for the pensions team.
4. A Member asked for the LGPS Senior Officer to explain the cost cap at 2% and if this was the cost of administration for the fund. The LGPS

Senior Officer explained that this was the entire cost for managing the fund.

5. Members were asked to confirm their attendance to the LGPS governance conference.

Actions/ further information to be provided:

None

Recommendations:

For the report to be noted.

52/22 DATE OF THE NEXT MEETING [Item 13]

The next meeting is scheduled for 17 February 2023.

Meeting ended at: 11:33

Chairman

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