

**SURREY COUNTY COUNCIL****SURREY PENSION FUND COMMITTEE****DATE: 22 MARCH 2024****LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL****SUBJECT: SUMMARY OF THE 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 (16 February 2024) for noting or actioning by the Pension Fund Committee (the Committee).

**RECOMMENDATIONS**

This report recommends that the Committee:

1. Note the content of this report.
2. Make any recommendations to the Board if required.

**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.

**DETAILS:****Glossary, Action Tracker, & Forward Plan**

1. The Board considered the Action Tracker and Forward Plan and made the following observation:
  - a) In response to item 7/23 & 55/23 of the Action Tracker, the Assistant Director LGPS Senior Officer provided an update on MySurrey (Unit 4). There have been two meetings with the Director of Finance, Corporate and Commercial, the Chairs of the Board and Committee, alongside officers. The meetings have provided some confidence that Surrey County Council (SCC) is addressing the issues also in part as a consequence of Surrey Pension Team (SPT) officers supporting this project.
  - b) The Head of Service Delivery provided the Board a detailed analysis of the progress made with MySurrey (Unit 4) and the collaboration with SCC's Payroll Department to try to resolve the issues with the data. Remedial actions have been identified and are expected to be in place by the end of the financial year. However, this is subject to maintaining officer resource at the current level.

- c) The Chair of the Committee asked for an update on those schools that have offboarded from SCC's payroll and transferred to a new payroll provider. The Head of Service Delivery informed the Board that arrangements with new payroll providers is progressing with the new providers adopting iConnect as the method of submitting the scheme member data. The Board have asked to be provided with an update at the next meeting relating to schools where data from the payroll provider is missing. This is also required by the Fund's Actuary.
- d) A Member of the Board asked a question regarding whether SCC had given appropriate consideration to the needs and requirements of the Pension Fund (the Fund) and its administration when these difficulties had been encountered, particularly at the outset.
- e) The Assistant Director LGPS Senior Officer stated that this relates to the wider governance relationship between SCC as the Administering Authority of the Fund and SCC as an employer in the Fund. The Change Management Team is currently carrying out some discovery work on the governance arrangements to identify potential conflicts in order to manage these most effectively.

### **Change Programme Update – Quarter 3**

- 2. The Board received an update on the activities the Change Management Team. A key area of focus is Learning & Development for the Board and Committee Members. The team has been investigation more effective and engaging ways to support Members to develop their knowledge and understanding. It is proposed to trial a two-day residential course for Members in October.
- 3. The Senior Project Specialist from the Change Management Team presented the Dashboard to the Board. A Member of the Board suggested.as a preference to receive the Dashboard data monthly as they were unable to receive the information via the live document due to not having a SCC email address.
- 4. Another Member of the Board suggested it would be useful to provide a rolling performance of the Fund, against KPI (key performance indicators) The Chair of the Board would like to see if we can resolve the issue of access to the live Dashboard for those Members who do not have internal email addresses.
- 5. The Chair of the Committee asked for a progress update and commentary on the legacy reduction. The Board were informed that the Legacy Team have exceeded the set target of 25% reducing the backlog by 45%.
  - a) Deferred cases completed stands at 3,349, a total of 76%.
  - b) 1,511 cases have been terminated as on reviewing these cases, it was identified that many had an open workflow on a completed case or required a task reclassification.
- 6. The Board was also informed that the procurement process to secure the services of a third-party supplier to support the reduction of transfer, aggregation, and concurrent cases, has ceased eased as the external provider identified is no longer permitted to access the pension system. Following the success of the internal Legacy Team, it has been decided to explore undertaking this work in house.

## Communication Policy Statement

7. The Board was presented with the Communication Policy. The policy meets regulatory requirements and recognises the importance of providing comprehensive and timely information to stakeholders. The Specialist Communications Officer highlighted the policy now includes the dashboard and a section on amplifying our (the SPT's) presence. The Board noted the content and recommended that the Communication Policy be approved by the Committee.

## Summary of the Pension Fund Committee Meeting 15 December 2023

8. The Board was presented with the Summary of the Pension Fund Committee (Committee) held in December. At this meeting, the Chair of the Committee highlighted several key points discussed including: MySurrey and the actions taken jointly; the Pension Fund funding level increasing to 140%; Environment, Social & Governance (ESG) and responsible Investment; private markets, and the update from Border to Coast.
9. The Assistant Director LGPS Senior Officer highlighted several points: the Service Delivery team has been shortlisted for an award of Pensions Administration Award; the actuarial update; and the Committee approval of the passthrough arrangement. The Committee had also instructed officers to review the impact of divesting the 25 largest fossil fuel companies.
10. The Board was informed the Scheme Advisory Board (SAB) had commissioned a report on the LGPS and Sharia Law. Following advice from an Islamic scholar, the scheme is considered Sharia compliant and as such there is no proposal to change the Funds investment strategy. The SAB has commissioned a working party to look at the scope of relationships between employers and the Fund particularly considering whether changes to contribution rates from employers are not based on economic factors.
11. The Board was advised that the Committee received a report on the government's consultation on the future of pooling and the government's response to this consultation. There are several areas where the government has given its view, which, at this time is not a statutory requirement. These are:
  - a) All assets to be pooled by April 2025.
  - b) Expected by 2040 there will be smaller pools, with an optimal size each of £200 billion.
  - c) The government has laid out its expectation for Funds to provide in their Investment Strategy Statements an explanation on how it is committing 5% to the levelling up agenda.
  - d) Consideration of committing 10% of the Fund portfolio into private equity assets.
12. In considering this information, the Board was assured that the Fund had anticipated an opportunity within the levelling up space to meet local investment opportunities, that were consistent with our strategy. The Fund is working with BCPP and its partner funds on developing a UK opportunities Fund. A report will be taken to the Committee in March.

## Administration Performance Report and Update

13. The Head of Service Delivery provided an update on performance for quarter three, 1 October to 31 December 2023. For this period, the overall performance score for all tasks measured was 88%. This is an 8% increase on the previous quarter. Over the last four quarters the team have consistently met the target for transfers. Having made changes to increase the resource on the Immediate Benefits team, the performance is heading in the right direction. A review of the structure of Service Delivery team has resulted in the creation of two additional post to build in resilience.

14. The Board received five annexes to review and comment:-

Title of Annexe	Summary of Annexe
<a href="#">Annexe 1</a>	provides an update on performance for this quarter, along with commentary explaining performance and any challenges faced in meeting the Service Level Agreements (SLAs).
<a href="#">Annexe 2.</a>	Provides a comparative quarterly performance trend analysis
<a href="#">Annexe 3</a>	a summary of the most common categories of cases being terminated.
<a href="#">Annexe 4</a>	Provide details of ten complaints received during this period
<a href="#">Annexe 5.</a>	Provides the top 5 queries for the quarter received by the Customer Relationship Team.

15. The Board was advised during this quarter CRT handled a total of 8,722 enquiries. At the initial point of contact, an average of 83% of all enquiries were successfully resolved at first point of contact. The remaining 17% were passed to back-office teams to resolve.

### Guaranteed Minimum Pension (GMP) Reconciliation

16. The Board was advised that a decision has been taken to postpone the delivery of this work prior to running this year's pension increases to allow for time to address several issues that have been identified. The key area of concern is the integrity of the data relating to over and underpayments, which could result in incorrect adjustments being made to pensioner records.

17. The Head of Service Delivery advised that we are engaging with key services and third parties to determine how to proceed from this point.

### McCloud Remedy

18. The Board was advised that in line with the disclosure regulations, member communications were issued in December 2023 to update all members of the scheme regulation changes taking effect as a result of the McCloud judgement.

19. The team have also been preparing for the operational impact of this change through a combination of internal engagement sessions, attending training courses and sessions from the Local Government Association (LGA), Heywood (our pension administration software provider) and other third parties.

20. Upgrades to the pension administration software to accommodate the changes have been made and will be tested. Work on some cases has paused whilst awaiting the actual guidance to calculate them.

Monthly Employer Returns (iConnect) rollout

21. The Board were informed of the roll out of iConnect with the focus currently on those who have recently left SCC payroll and moved to a new provider. We have engaged with other employers as we look to move them to iConnect by March 2025.
22. The Chair of the Board has asked for the number of Additional Voluntary Contribution (AVC) we currently have? Head of Service Delivery advised that currently there are 1,761 members contributing to the AVC arrangement and 153 have stopped paying contributions. The AVC supplier was last reviewed by the Board in June 2019.

**Risk Register Update 2023/24 Quarter 3**

23. The Head of Accounting and Governance noted that there were no material changes to the risk register. The risk score for MySurrey remains under review. Work continues regarding the talent development plans and is progressing well. Therefore, it is anticipated that the risk score Risk ID number 16 will show a reduction on the next quarter. Given the excellent work on the legacy issues being addressed, the risk score for this may also show a reduction.
24. The Chair of the Committee requested an update on the progress towards separating the Fund and SCC banking arrangements. The Head of Accounting and Governance explained that the outcome is dependent on the stabilisation of MySurrey and available resource. A project is underway to understand how this can be further progressed. This would be reported on in future, noting the initial findings of the audit report on the banking arrangements to the Board Members. It was agreed to provide the Board with an update at the next meeting.

Top risk areas commentary

25. Commentary is provided below on the specific risks with the highest combined likelihood and impact scores.

Risk	<b>Skills / knowledge gaps lead to inefficiency and poor performance</b>	<b>Work volume mismatch with operational capacity leading to backlogs</b>	<b>Implementation of new financial systems leads to delayed processing, data integrity issues or financial loss</b>
Risk ID	9	11	16
Score	16	16	16
Comment	This risk remains with some potential single points of failure within the organisational structure.	Legacy issues have been highlighted as a result of recent improvement focus.	Ongoing issues with MySurrey
Action	A preliminary review of the organisational structure has been undertaken for	Backlogs across the whole service are receiving priority attention and identified	Engagement with project team continues.

	<p>resilience and succession planning.</p> <p>A workforce plan is in preparation, with early actions on high priority elements.</p> <p>Preliminary talent development plans are in preparation.</p> <p>Further work is planned on organisational structure.</p>	<p>for action in the Business Plan.</p> <p>Progress reporting is now part of the team dashboard.</p>	<p>Reporting issues have shown further progress – but some standard reports remain outstanding.</p> <p>Intercompany transactions generated within the system remain an issue.</p> <p>Consequential issues from ongoing payroll interface challenges continue.</p>
Residual risk	Remains a risk – pending completion of actions arising from workforce and talent plans.	Remains a risk pending progress on resolution of legacy issues.	Remains a risk pending progress on resolution of issues

### Business Continuity Plan Interim Update

26. The Board received an update which highlighted the current work in progress to establish a Fund specific Business Continuity Plan. The Board was asked to note that we are working with SCC's Risk and Resilience Forum and carrying out Business Impact Assessments. This involves reviewing and detailing processes which is taking some time. The aim is to present a report in May.
27. A member of the Board asked a question relating to work undertaken to date Q3 2023/24 asked for clarification on aggregation of contracts. The Head of Accounting and Governance explained that we are currently reviewing all contracts.
28. Another member of Board asked if we envisage the reports on cyber security and business continuity to be two separate reports, to which the answer was yes that is the intention.

### Internal Audit update

29. The Principal Auditor provided the Board with an update on the work completed by Internal Audit in quarter three, which included cyber security arrangements. The Board was also provided with an update of planned audits, the iConnect audit is in progress. The transfers in audit has been completed and a full report will be available in quarter 4. Further details can be found in [Annexe A&B](#).
30. A new member of the Board asked about the process for shaping the audit plan and what the Board requirements are. The Principal Auditor confirmed that the plan takes account of the risk register, horizon scanning of up-and-coming risks and considers external factors that may impact the Fund.

31. The Assistant Director LGPS Senior Officer also commented that the Fund seeks to use Internal Audit as a way to “deep dive” into areas of concern raised by the Board or Officers. The internal auditors provide a more detailed analysis, concentrating analytical resource in a particular area for continuous improvement.

### **External Audit Update**

32. The Board received an update from the Head of Accounting and Governance, highlighting the change of auditor for 2023/24 to Ernst and Young (EY). The Fund has been allocated a separate EY Audit manager to that of Surrey County Council. The 2022/2023 accounts are now with Grant Thornton for final review. A version of the Pension Fund Annual Report (unaudited) was sent to the Scheme Advisory Board by the statutory deadline of 1 December.

### **The Pensions Regulator General Code of Practice**

33. The Governance Manager advised that the Pensions Regulator (tPR) has published its proposed General Code of Practice. The new code replaces the Code of Practice 14 for Public Service Pension Schemes. The code is expected to come into effect on 27 March 2024.

34. The Governance Manager highlighted [paragraph 5](#) of the report which refers to the Pension Board being removed from the definition of the governing body. Public and trustee toolkits are expected to be reviewed during the summer to bring them in line with the new code.

### **The Pensions Regulator Scheme Return**

35. The Governance Manager confirmed that the Regulator’s Scheme Return had been submitted on 8 January 2024. The Board noted the content of the report.

### **Local Government Pension Scheme (LGPS) Update (Background Paper)**

36. The Board received information on issues impacting the LGPS, highlighting three key points:

- a) McCloud updates.
- b) Lifetime allowance (LTA) to be abolished.
- c) General Code of Practice published.

### **CONSULTATION:**

37. The Chairs of the Committee and the Board have been consulted on this report.

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

38. Risk related issues have been discussed and are included within the report where relevant.

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

39. The performance of administration and governance presents potential financial and value for money implications to the Pension Fund.

## **DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL COMMENTARY**

40. The Director Finance, Corporate and Commercial is satisfied that all material, financial and business issues, and possibility of risks have been considered and addressed.

## **LEGAL IMPLICATIONS – MONITORING OFFICER**

41. 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**

42. N/A

## **OTHER IMPLICATIONS**

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

## **WHAT HAPPENS NEXT**

44. The following next steps are planned:

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

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### **Contact Officer:**

Adele Seex, Governance Manager

**Annexes:** None

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

1. [Administration Performance – KPI Annexe 1](#)
  2. [Administration Performance- KPI Trend Analysis – Annexe 2](#)
  3. [Administration Performance-Terminated Case Summary Annexe3](#)
  4. [Administration Performance – Q3 Complaints Summary- Annexe 4](#)
  5. [Administration Performance- CRT Top 5 Query Summary – Annexe 5](#)
  6. [Risk Register – Annexe 1](#)
  7. [Internal Audit – Annexe A&B](#)
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