

SURREY COUNTY COUNCIL

SURREY PENSION FUND COMMITTEE



DATE: 21 JUNE 2024

**LEAD OFFICER: ANNA D'ALESSANDRO, INTERIM EXECUTIVE DIRECTOR,
FINANCE AND CORPORATE SERVICES**

SUBJECT: SUMMARY OF THE LOCAL PENSION BOARD

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 (17 May 2024) for noting or actioning by the Pension Fund Committee (the Committee).

RECOMMENDATIONS

This report recommends that the Committee:

1. Note the contents 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 the Glossary. The Assistant Director – LGPS Senior Officer highlighted to the Board items on the Action Tracker, which are now complete and propose to close the following items:
 - a) 2/23 – The revised Training Policy has been approved at the last Committee
 - b) 56/23 – Update provided in Item 9 Administration Performance Report.
2. It was agreed for Change Management to arrange for the Training Officer to provide a summary of the Training Policy and the expectation to be circulated to Board and Committee members.

Summary of the Pension Fund Committee Meeting on 22 March 2024

3. The Chair of the Pension Fund Committee (Committee) presented a summary of the Committee held in March. The Chair highlighted a number of key issues, which included that, over the next six months, the Committee will be exploring their investment beliefs, and this work will be fundamental to setting a strategic plan. This will involve a number of workshops.
4. It was agreed that, once agreed by the Committee, the scope of work relating to the activity around Investment beliefs would be circulated to Board Members for their observations.
5. The Assistant Director, LGPS Senior Officer also confirmed that the Committee had agreed the changes to the Terms of Reference to allow representation from any trade union.

Surrey Pension Team Overview - Dashboard Update

6. The Head of Change Management presented a report on Surrey Pension Team Overview - Dashboard Update, which covered the period January – March 2024 in [Annexe 1](#). It was brought to the attention of the Board that there are three items which are below the desired target on Investment – Fund Performance, People – Retention, and Service Delivery – Transfers Paid.
7. A Board member asked for the running rate on vacancies within the Surrey Pension Team to be added to the dashboard. This was agreed as an action.

Change Programme Update – Quarter 4

8. The Board received an update on the activities of the Change Management Team. This included Communication implementation on the first stages of the Amplifying our Presence plan. The survey on Engagement with the Board and Committee members has resulted in promoting the Governance SharePoint Site. Learning & Development – Staff of the One Pension Team have attended a Lunch and Learn session on Cyber Security and motivation. Planning for the residential Training for Board and Committee date set for 23 & 24 October has commenced.

Administration Performance Report and Update

9. The Head of Service Delivery provided an update on performance for quarter four. During this period performance levels achieved the overall score of 88% which is the same level as the previous quarter. Processing of retirements has stabilised this quarter and the issuing of the death notifications has improved with most issued within 24 hours. There are areas for improvement which include notification of Ill health and death benefits.

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

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

11. The Board was advised that during this quarter the CRT handled a total of 9,764 enquiries. An average of 87% of all enquiries were successfully resolved at first point of contact.

12. The Chair of the Board asked for an explanation on complaints regarding the login issues, covered in [Annexe 5](#). The Head of Service Delivery advised this is a combination of members not remembering the password and not being the easiest of systems to reset your password. This is an area that is on the list of improvements to be addressed with the system supplier and to be implemented in the future as part of an upgrade.

Guaranteed Minimum Pension (GMP) Reconciliation

13. The Board was advised following the decision to postpone the delivery of this work prior to pension increase that further investigation has not yet concluded. In recent weeks the officers working on this project have prioritised pension increases and McCloud implementation. The aim is to have this work completed before the next pension increase in 2025.

McCloud Remedy

14. The Head of Service Delivery informed the Board that in the test environment the administration software “Altair” has now been upgraded to the latest version, which ensures that the regulatory changes are fully implemented. Testing of this software is being carried out in May and June, with a view to this being moved into the live environment and fully operational from the end of June 2024.

Monthly Employer Returns (iConnect) rollout

15. The Board was provided with an update on the rollout of iConnect. As of 31 March 2024, 72 employers (21%) have been onboarded, which represents 54% of the active membership. A further 114 employers are expected to be onboarded as part of the year end process, taking the number to 186 (54%), this will represent 70% of the total active membership.

16. The Board was also advised within Q1 of the 2024/25 tax year a further 104 employers will be live on iConnect, with Surrey Police being one of the first from April 2024.
17. Discovery work is currently ongoing to look at using iConnect as an employer portal for employer contributions, strain costs and invoices, rather than using a separate system. We are looking to expand the system over the next 12-18 months.

Legacy Case Reduction

18. The Head of Service Delivery advised the Board that at the 1st of April 2024 the legacy reduction progress stood at 63% complete, with 7,802 cases completed and circa 4,500 remaining. The remaining cases will tend to be more complicated and time consuming than those already completed.

Risk Register Update 2023/24 Quarter 4

19. The Board received a report which advised that two risk scores have been reduced, while not reducing or diluting the focus of the team on making progress. Full details of the Risk Register are found in [Annexe 1](#).

Risk	Skills / knowledge gaps lead to inefficiency and poor performance	Work volume mismatch with operational capacity leading to backlogs
Risk ID	9	11
Score	16 to 9	16 to 9
Comment	Progress on workforce and talent plans has reduced 'major' and 'likely' scores. 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. Backlogs are receiving attention and being addressed.
Residual risk	Remains a risk – with some potential single points of failure within the organisational structure to be addressed.	Remains a risk pending full resolution of legacy issues.

20. The issues previously reported relating to Unit4/MySurrey financial system implemented in June 2023 remain an area of significant focus – and the risk score is unchanged. The Board were provided with a detailed update which can be [read here](#). A further update on MySurrey can be found in Annexe 1 attached to this report.

Top risk area commentary

21. Commentary is provided below on the specific risk with the highest combined likelihood and impact scores.

Risk	Implementation of new financial systems leads to delayed processing, data integrity issues or financial loss
Risk ID	16
Score	16
Comment	Ongoing issues with MySurrey – Engagement with project team continues. Consequential issues from ongoing payroll interface challenges continue.
Residual risk	Remains a risk pending progress on resolution of issues

22. The Chair asked to review the likelihood scores on risk IDs 13 and 14 to see if they should be reduced for the next Local Pension Board meeting. This would be done as part of the usual quarterly review.

MySurrey Unit 4

23. The Head of Service Delivery provided an overview of the current position. We are not receiving payroll leaver information from Surrey County Council in a timely manner and new starters have not been added to the Pension system since the go live date.
24. Regular meetings continue to take place with the Chairs of Board and Committee and the council. It is considered that the next few weeks are critical to determine appropriate next steps. The Assistant Director, LGPS Senior Officer explained to the Board that there is a traffic light system regarding the assessment of whether to report possible breach issues to the Pension Regulator and that this was currently at 'amber' status. Further evaluation is ongoing.
25. Board Members expressed their concern and would like to review the risk assessment on the Risk Register and update as appropriate; this would be done following the outcome of the Chairs' next meeting. It was agreed that a written update following this meeting would be circulated to Board members.

Business Continuity Plan

26. The Head of Accounting and Governance provided the Board with an outline of the current work in progress to establish a Fund specific Business Continuity Plan. The Board was asked to note the content of the report with a further update to be issued in July 2024.

Cyber Security

27. The Head of Accounting and Governance introduced the cyber security report, which noted that a formal training session had been undertaken; this was made mandatory for all of the Surrey Pension Team to attend, and it covered the following areas:
- a) To define what is meant by cyber security and cyber risk.
 - b) To consider the requirements of The Pension Regulator.
 - c) To provide an update on emerging cyber security issues.
 - d) To cover skills and knowledge needed to manage cyber risk.
 - e) To familiarise staff with the steps to take in the event of an incident.

Internal Audit update

28. The Principal Auditor provided the Board with an update on the work completed by Internal Audit in quarter four; this included transfers. Further details can be found in [Annexes A & B](#).
29. The Principal Auditor also provided the board with a summary of the planned activities by Orbis Internal Audit in its delivery of an [annual programme of audit work](#) of the Surrey Pension Fund for 2024-25. It includes investment, Business Continuity Plans and Governance.

2022/23 External Audit Update

30. The Board received an update from the Head of Accounting and Governance, confirming Grant Thornton had provided the signed audit report for the 2022/23 Pension Fund Financial Statements on 27 March 2023.
31. The audited accounts have been provided to the Scheme Advisory Board and the [final version](#) has been published on the Surrey Pension Fund website.
32. The Head of Accounting and Governance also confirmed that the audit plan for the 2023/24 Financial Statements will be put to the Council's Audit & Governance Committee in July.

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

33. The Board received information on issues impacting the LGPS, highlighting four key points:
- a) McCloud guidance
 - b) Lifetime Allowance (LTA) abolished; new limits introduced.
 - c) Pensions Increase and CARE revaluation confirmed for 2024.
 - d) Spring Budget implications for the LGPS.
34. The Assistant Director, LGPS Senior Officer highlighted to the Board that there continues to be considerable interest from Central Government regarding the LGPS in particular on the progress of pooling. Board Members were also reminded of the Border to Coast conference, which is to be held on 18 & 19 July. Border to Coast will be talking through their 2030 strategy.

CONSULTATION:

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

RISK MANAGEMENT AND IMPLICATIONS:

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

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

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

INTERIM EXECUTIVE DIRECTOR, FINANCE AND CORPORATE SERVICES COMMENTARY

38. The Interim Executive Director, Finance and Corporate Services is satisfied that all material, financial and business issues, and possibility of risks have been considered and addressed.

LEGAL IMPLICATIONS – MONITORING OFFICER

39. 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

40. N/A

OTHER IMPLICATIONS

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

WHAT HAPPENS NEXT

42. 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:

Neil Mason- The Assistant Director, LGPS Senior Officer

Annexes: MySurrey update – Annexe 1

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. [LPB MySurrey Update 17/05/2024 – Annexe 2](#)
8. [Internal Audit – Progress Report May 2024 Annexes A&B](#)
9. [Internal Audit – Internal Audit Strategy and Plan 2024-25.](#)
10. [Published Annual Report 2022/23](#)

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