Notice of Meeting

Surrey Local Pension Board

Date & time: Thursday, 18 January 2018 at 10.00 am
Place: G44, County Hall, Kingston upon Thames, KT1 2DN
Contact: Sharmina Ullah
Room 122, County Hall
Tel 02082132838
sharmina.ullah@surreycc.gov.uk

If you would like a copy of this agenda or the attached papers in another format, eg large print or braille, or another language please either call 020 8541 9122, write to Democratic Services, Room 122, County Hall, Penrhyn Road, Kingston upon Thames, Surrey KT1 2DN, Minicom 020 8541 8914, fax 020 8541 9009, or email sharmina.ullah@surreycc.gov.uk.

This meeting will be held in public. If you would like to attend and you have any special requirements, please contact Sharmina Ullah on 02082132838.

Board Members
Nick Harrison (Chairman) (Surrey County Council), Graham Ellwood (Vice-Chairman) (Surrey County Council), Paul Bundy (Surrey Police), Tina Hood (Surrey LGPS Members), Paresh Rajani (Surrey LGPS Members), David Stewart (Surrey LGPS Members), Claire Williams-Morris (Guildford Borough Council) and Trevor Willington (Surrey LGPS Members)

TERMS OF REFERENCE

The role of the local Pension Board, as defined by Regulation 106 of the Local Government Pension Scheme Regulations 2013 is to assist the County Council as Administering Authority:

(a) to secure compliance with:
   (i) the scheme regulations;
   (ii) any other legislation relating to the governance and administration of the LGPS Scheme and any connected scheme;
   (iii) any requirements imposed by the Pensions Regulator in relation to the LGPS Scheme.

(b) to ensure the effective and efficient governance and administration of the LGPS Scheme.

The Local Pension Board will ensure it effectively and efficiently complies with the Code of Practice on the governance and administration of public service pension schemes issued by the Pension Regulator.
The Local Pension Board will also help ensure that the Surrey Pension Fund is managed and administered effectively and efficiently and complies with the Code of Practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

The Local Pension Board has power to do anything that is calculated to facilitate or is conducive or incidental to the discharge of any of its functions.
AGENDA

1 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

2 MINUTES FROM THE PREVIOUS MEETING: 12 OCTOBER 2017 (Pages 1 - 12)
To agree the minutes as a true record of the meeting.

3 DECLARATIONS OF INTEREST
To receive any declarations of disclosable pecuniary interests from Members in respect of any item to be considered at the meeting.

Notes:
• In line with the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012, declarations may relate to the interest of the member, or the member’s spouse or civil partner, or a person with whom the member is living as husband or wife, or a person with whom the member is living as if they were civil partners and the member is aware they have the interest.
• Members need only disclose interests not currently listed on the Register of Disclosable Pecuniary Interests.
• Members must notify the Monitoring Officer of any interests disclosed at the meeting so they may be added to the Register.
• Members are reminded that they must not participate in any item where they have a disclosable pecuniary interest.

4 QUESTIONS AND PETITIONS
To receive any questions or petitions.

Notes:
1. The deadline for Member’s questions is 12.00pm four working days before the meeting (Friday 12 January 2018).
2. The deadline for public questions is seven days before the meeting (Thursday 11 October 2018).
3. The deadline for petitions was 14 days before the meeting, and no petitions have been received.

5 ACTION TRACKER (Pages 13 - 20)
The Board is asked to note its action tracker.

6 REORGANISATION OF THE SURREY PENSION FUND TEAM (Pages 21 - 22)
The Board is asked to note the content of this report.

7 SUMMARY OF THE PENSION FUND COMMITTEE MEETING(S), 10 NOVEMBER 2017 AND 29 NOVEMBER 2017 (Pages 23 - 26)
The Board is asked to note the content of this report.
The Board is asked to note the content of this report and make recommendations to the Pension Fund Committee if appropriate.

The Board is asked to note the content of this report and make recommendations if any further action is required.

The Board is asked to note the content of this report.

The Board is asked to note the content of this report and the Fund Risk Register (shown as Annex 1) and Administration Risk Register (shown as Annex 2) and make recommendations to the Pension Fund Committee (Committee) if required.

The Board will receive a verbal update.

The next meeting of the Local Pension Board meeting will be held on Friday 27 April 2018.

Julie Fisher
Acting Chief Executive
Published: Wednesday 10 January 2018
MOBILE TECHNOLOGY AND FILMING – ACCEPTABLE USE

Those attending for the purpose of reporting on the meeting may use social media or mobile devices in silent mode to send electronic messages about the progress of the public parts of the meeting. To support this, County Hall has wifi available for visitors – please ask at reception for details.

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Thank you for your co-operation
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MINUTES of the meeting of the SURREY LOCAL PENSION BOARD held at 1.00 pm on 12 October 2017 at County Hall.

These minutes are subject to confirmation by the Board at its meeting on 18 January 2018.

Members:

* Nick Harrison (Chairman)
* Graham Ellwood (Vice-Chairman)
  Paul Bundy
  Tina Hood
* Paresh Rajani
* David Stewart
* Claire Williams-Morris
  Trevor Willington
44/17 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Paul Bundy and Trevor Willington.

45/17 MINUTES FROM THE PREVIOUS MEETING [Item 2]

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

46/17 DECLARATIONS OF INTEREST [Item 3]

None were received.

47/17 QUESTIONS AND PETITIONS [Item 4]

None were received.

48/17 ACTION TRACKER [Item 5]

Declaration of interest:
None

Witnesses:
Neil Mason, Senior adviser (Pension Fund), Pensions and Treasury

Key points raised during the discussion:

1. The Board agreed to remove item 4/15 from the action tracker, concluding that the use of substitutes would be difficult as members required a substantial level of understanding and experience to participate effectively in meetings.

2. Officers advised that the Board can expect update reports on Surrey Pension Fund frozen refunds and unprocessed leavers at the Board’s next meeting on 18 January 2018.

3. Officers stated that collaboration with peer authorities to review AVC options continued to be explored and an update will be provided at the next meeting, with a plan to include the review in the fourth quarter.

4. Members shared concerns with the disappointing response from employers regarding their requirement to produce employer discretions policies. Officers advised that the Service was actively encouraging returns.

5. Officers agreed to provide regular Border to Coast updates.

Actions/ further information to be provided:
None

Recommendations:
None
49/17 COMMITTEE VERBAL UPDATE AND INVESTMENT STRATEGY STATEMENT REPORT [Item 6]

Declarations of interest:
None

Witnesses:
Neil Mason, Senior Advisor (Pension Fund), Pensions and Strategy

Key points raised during the discussion:

1. Officers informed the Board that the Pension Fund Committee (Committee) received a presentation on cyber security risks and ways in which this was being dealt with at Northern Trust, the custodian to the Fund. As a result it was highlighted that the Committee plan to review Surrey County Council’s own cyber security in greater depth at a future meeting.

2. It was noted that the Committee reviewed a new investment opportunity with Pantheon Infrastructure Fund and the Committee agreed to the commitment of USD60m.

3. Officers explained that there may on occasion be duplication in papers across the Board and Committee. However this was necessary for the Board to ensure compliance with the respective regulations and guidelines, and to monitor decision making by the Committee.

4. Officers highlighted that the Pension Fund investment advisor, Mercer had completed a review of the Investment Strategy and posed six questions (listed on page 21 of agenda papers) to the Committee who had responded with the following;
   - the Committee would consider a larger allocation to illiquid assets, given the Fund’s position as a long term investor.
   - the Committee were comfortable maintaining the same allocation to equities as the funding position continues to improve, subject to any change reference funding the illiquid assets.
   - the Committee would consider triggers for future de-risking when the funding position had been defined.
   - the Committee would consider what alternative ways to reduce risk (e.g. equity protection strategies).
   - the Committee would consider the views of the Pension Board regarding options for further integration of ESG matters into investment decision making.
   - it was agreed that a “one size fits all” investment strategy was not appropriate for all fund employers and that this would need to be pursued as part of 2019 valuation planning.

5. Following consideration of the Mercer investment review report, the Committee resolved to undertake further work on the options below:-
   - allocation to long-term illiquid asset classes,
   - downside protection with regard to equity risk, and
   - alternative indexation for passive investments.
6. The Board supported the Committee’s approach and requested officers to revert back to the Committee emphasising the importance of defining triggers for future de-risking as the funding position approves.

**Actions/ further information to be provided:**
Report back to the Pension Fund Committee on the Investment Strategy Statement report, emphasising the importance of defining triggers for de-risking as the funding position improves.

**Recommendations:**
The Board noted the verbal update and report.

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**50/17 ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMPLIANCE [Item 7]**

**Declarations of interest:**
None

**Witnesses:**
Neil Mason, Senior Advisor (Pension Fund) Pensions and Treasury

**Key points raised during the discussion:**

1. The Board had considered the draft report on environmental, social and governance matters and noted the draft letter addressed to the Border to Coast Pension Partnership (BCPP) (page 25 of agenda papers).

2. The Chairman had explained that before the letter had been sent a draft BCPP Responsible Investment Policy had been received. This Policy addressed all the points requested in the Fund’s draft letter save for the pooled fund making arrangements to develop a specific low carbon passive investment vehicle. It was agreed that the Fund’s letter would be updated to acknowledge the draft BCPP policy and the additional recommendation.

3. It was noted that the BCPP pooling arrangement provided a satisfactory approach to ESG matters.

4. The Board shared the view that it was important to strike a balance between investment risk and returns, whilst meeting liabilities. It was agreed Surrey’s approach was reasonable, being mindful not to invest funds that bring the Fund into disrepute.

5. The Board were informed how, in 2013, Surrey’s Pension Fund declined to disinvest in the tobacco industry as the Committee did not want to introduce negative screening of stocks.

6. Officers indicated that the South Yorkshire Pension Authority climate change policy sought to establish exposure to climate change and carbon risk. The Board agreed to recommend to the Committee that a carbon audit of the Fund’s portfolios be commissioned.

**Actions/ further information to be provided:**
The Local Pension Board recommends that the Pension Fund Committee seeks to establish the Fund’s exposure to climate change and carbon risk.
through the commissioning of a carbon audit of the Fund’s portfolios. Results may then be reviewed and used to focus engagement and strategy going forward.

**Recommendations:**
The Board agreed that the draft letter on ESG would be updated to acknowledge the draft BCPP Responsible Investment Policy.

**51/17 ADMINISTRATION AUDIT PROGRESS REPORT [Item 8]**

**Declarations of interest:**
None

**Witnesses:**
Neil Mason, Senior Advisor (Pension Fund) Pensions and Treasury
Jason Bailey, Pensions Lead Manager

**Key points raised during the discussion:**

1. Officers introduced the report by highlighting the chart on page 83 of the agenda papers which sets out a range of improvement initiatives within the Pension Service and timescales.

2. It was noted that the Pensions Service were looking into individual staff performance, setting up a new development skills matrix to monitor this on a daily and monthly basis. The Pensions Lead Manager welcomed the Board to observe the change in the Service’s approach when the Board planned to visit the operation.

3. Officers provided a further backlog work plan in the meeting (attached as annex 1), quantifying the volume of work in relation to transfers in and out.

4. There was a discussion around the member self-service portal and the positive feedback received on the online system. Officers informed the Board that functionality would be improved with an upgrade planned at the end of the month. Officers intend to promote the online portal more effectively.

5. The improvement plan also included the migration of the pension payroll to the Altair system which would allow users to view payslips, P60’s, change of address and bank details. The service were piloting i-Connect which would allow a secure way for employers to submit changes to payroll data which will then be automatically updated within the Altair system.

6. The Lead Pension Manager briefed the Board on the department management restructure, outlining that plans were designed to improve service delivery and not related to saving costs. The Board noted more information would be provided once the consultation launched in November.

7. The Chairman welcomed comments from the Internal Audit Officer in attendance who advised the Board the administration update was
encouraging and that a follow up report would be provided in the New Year.

8. The Board noted the Pension Administration Internal Audit Report 2016/17 and were advised that updates would be provided at a future meeting on the recommendations. The Chairman agreed to provide the Committee with an update on 10 November 2017.

**Actions/ further information to be provided:**
Officers to provide the Chairman with a summary of the Local Pension Board progress report to share with the Pension Fund Committee on 10 November 2017.

**Recommendations:**
1. The Board noted the contents of the report.
2. The Board recommended that the Pension Administration team produce a further update report for the next Local Pension Board meeting.
3. Internal Audit to be invited to a meeting of the Board once the follow up report was available.

**52/17 KEY PERFORMANCE INDICATORS (QUARTER ONE) [Item 9]**

**Declarations of interest:**
None

**Witnesses:**
Neil Mason, Senior Advisor (Pension Fund), Pensions and Strategy
Jason Bailey, Pensions Lead Manager

**Key points raised during the discussion:**

1. Despite the poor performance in a number of areas officers advised that improvements were expected for the second quarter and gave assurances that the Service has identified the key matters for attention.

2. The most concerning item was advising members on their retirement options that had been impacted by the significant volumes linked to care home closures.

3. The Board raised expressed their concerns and disappointment in the level of service. Officers repeated their assurance that they anticipated quarter two reports would show some improvement.

**Actions/ further information to be provided:**
None

**Recommendations:**
The Board noted the content of the report and annexes.
Declarations of interest:
None

Witnesses:
Neil Mason, Senior Advisor (Pension Fund), Pensions and Treasury
Jason Bailey, Pensions Lead Manager

Key points raised during the discussion:

1. Officers were pleased to report that the vast majority (94%) of active members were issued with annual benefit statements by the statutory deadline of 31 August 2017. It was noted that 1,381 statements were late due to the failure of scheme employers to provide annual data returns.

2. The Board noted that these delays would be reported to the Pension Regulator.

3. The Board suggested that the employers be notified that their delays had caused the breach to be reported to the regulator.

4. Officers advised a second run of statements would be produced late October.

5. Due to problems with the external print house, statements to deferred members were issued 13 days late.

6. The breach report to the Pension Regulator would reflect the planned improvement to on-line reporting of annual benefit statements.

The meeting was recessed at 2.30pm for a training session.

Actions/ further information to be provided:
None

Recommendations:

a) The Board noted the content of this report.
b) The Board noted that a breach would be reported to the Pensions Regulator.
c) The Board recommended that a project report on the production of annual benefit statements for 2017/18 be brought to the Board at its next meeting.

TRAINING SESSION 14.30 - 15.30
NEW PERFORMANCE METRICS  [Item 11]

Declaration of interest:
None

Witnesses:
Neil Mason, Senior Advisor (Pension Fund), Pensions and Treasury
Jason Bailey, Pensions Lead Manager

Key points raised during the discussion:

The meeting resumed at 3.35pm

1. Officers informed the Board that the new performance metrics would replace the existing key performance from quarter three.

2. The Board requested that the new performance metrics include the use of colour to be able to differentiate between the levels of performance.

3. It was noted that the new format would give a broader perspective of the administrative function, providing an overview of workflow, customer feedback and project plans.

Actions/ further information to be provided:
None

Recommendations:
The Board noted the new performance metrics

NEW SERVICE SPECIFICATION BETWEEN THE PENSION FUND AND THE PENSION ADMINISTRATION FUNCTION  [Item 12]

Declaration of interest:
None

Witnesses:
Neil Mason, Senior Advisor (Pension Fund), Pensions and Treasury
Jason Bailey, Pensions Lead Manager

Key points raised during the discussion:

1. The Board was advised that the new service specification had replaced the Service Level Agreement (SLA) with effect from 15 September 2017.

2. It reflected the change in the relationship between the Fund and the Orbis Pension Service team which had developed since the previous SLA was approved in 2014. The intention was define the level of service which the Fund should expect.

3. It was noted that the service specification had been was approved by the Pension Fund Committee at its meeting on 15 September 2017.

Actions/ further information to be provided:
None

Recommendations:
The Board noted the new service specification.

56/17 DRAFT ADMINISTRATION STRATEGY [Item 13]

Declarations of interest:
None

Witnesses:
Neil Mason, Senior Advisor (Pension Fund), Pensions and Treasury
Jason Bailey, Pensions Lead Manager

Key Points raised during the discussion:

1. The Board was informed that the purpose of the draft Administration Strategy was to define and regulate the relationship between the scheme employers and the Pension Fund. It reflected the substantial increase in the number of employers, now more than 200.

2. A new aspect of the draft Administration Strategy was employers’ levels of expectation and the consequences of the failure to meet those expectations, together with the obligations on employers.

3. The draft strategy would allow the Fund to make supplementary charges for services outside the norm (such as internal dispute resolution) or not used by all employers. It also set out penalties should employers not meet their obligations.

4. The Board noted concerns with the administration charge which had remained the same despite an increase of active employers. Officers explained a consultation is in progress, closing on 23 October 2017.

Actions/ further information to be provided:
None

Recommendations:
The Local Pension Board noted the draft Administration Strategy.

57/17 ADMINISTRATION RISK REGISTER [Item 14]

Declarations of interest:
None

Witnesses:
Neil Mason, Senior Advisor (Pension Fund), Pensions and Treasury
Jason Bailey, Pensions Lead Manager

Key Points raised during the discussion:

1. The Board was informed that the new administration risk register includes an inherent risk score and a residual risk score as a result of control processes in place.
2. Items on the administration risk register were agreed through consultation between the Pension Fund and the Administration Service, and was overseen by the Risk & Governance Manager.

3. The Board drew particular interest to risk A8, A11, A14 and A18 which remained amber. Officers assured that these were actively monitored and options were being explored to treat and mitigate further. It was agreed that the inherent risk in A4 should be better defined.

**Actions/ further information to be provided:**
None

**Recommendations:**
The Local Pension Board noted the new administration risk register.

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**58/17 REVIEW OF INTERNAL DISPUTE RESOLUTION CASES IN 2017/18 (QUARTER ONE) [Item 15]**

**Declarations of interest:**
None

**Witnesses:**
Neil Mason, Senior Advisor (Pension Fund), Pensions and Treasury

**Key points raised during the discussion:**

1. It was noted that one first stage appeal was submitted and responded to in the first quarter of 2017/18.

2. Officers explained that the adjudicator in this instance asked the employer to review their decision as there were systemic issues.

3. Surrey’s HR Service has recently reviewed its ill health retirement process and this addressed the systemic issues identified by the adjudicator’s advice in the matter.

**Actions/ further information to be provided:**
None

**Recommendations:**
The Board noted the content of the report.

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**59/17 BREACHES LOG [Item 16]**

**Declarations of interest:**
None

**Witnesses:**
Neil Mason, Senior Advisor (Pension Fund), Pensions and Treasury

**Key points raised during the discussion:**

1. Officers reported the breach at Item 10 and informed members that in accordance with the Surrey Pension Fund breaches policy the
Chairman of the Pension Fund Committee and the Chairman of the Local Pension Board were informed that the late issuance of annual benefit statements would be reported to the Pension Regulator.

**Actions/ further information to be provided:**
None

**Recommendations:**
The Local Pension Board noted the verbal update.

60/17 GUARANTEED MINIMUM PENSION RECONCILIATION UPDATE  [Item 17]

**Declarations of interest:**
None

**Witnesses:**
Neil Mason, Senior Advisor (Pension Fund), Pensions and Treasury
Jason Bailey, Pensions Lead Manager

**Key points raised during the discussion:**

1. Officers introduced the report by informing members that the Committee agreed for the Administration Service to engage with an external provider who had specialist expertise.

2. The project would take two months and progress was reported on a fortnightly basis.

3. The baseline position in the report did indicate significant work requirements and a better picture would be available by 31 October 2017.

4. Officers reported that the Committee were not in a position to decide the provisional tolerance levels in the reconciliation until the volume of cases was established.

**Actions/ further information to be provided:**
None

**Recommendations:**
The Local Pension Board noted the content of this report.

61/17 LOCAL PENSION BOARD ANNUAL REPORT 2016/17  [Item 18]

**Declarations of interest:**
None

**Witnesses:**
Neil Mason, Senior Advisor (Pension Fund) Pensions and Treasury

**Key points raised during the discussion:**

1. The Board made reference to the attendance and training log in the Annual report and requested revisions against members where appropriate.
Actions/ further information to be provided:
Officers to update the Local Pension Board attendance and training log 2016/17.

Recommendations:
The Board reviewed and noted the Local Pension Board Annual Report 2016/17.

62/17 ANNUAL ACCOUNTS 2016/17 [Item 19]

Declarations of interest:
None

Witnesses:
Neil Mason, Senior Advisor (Pension Fund) Pensions and Treasury
Jennifer Sambell, Senior Accountant (Pension Fund) Pensions and Treasury

Key points raised during the discussion:

1. It was noted that the Annual Accounts 2016/17 were reviewed and considered by both the Pension Fund Committee and the Audit and Governance Committee.

Actions/ further information to be provided:
None

Recommendations:
The Local Pension Board noted the following,

a) The financial statements set out in Annex 1
b) The letter of representation and
c) The external auditor's report

63/17 DATE OF THE NEXT MEETING [Item 20]

The Board agreed the next meeting to be held on 18 January 2018 at 10.00am in County Hall, Kingston upon Thames, Surrey KT1 2DN.

Meeting ended at: 4.24 pm

Chairman
The recommendations tracker allows Board Members to monitor responses, actions and outcomes against their recommendations or requests for further actions. The tracker is updated following each Board. Once an action has been completed, it will be shaded out to indicate that it will be removed from the tracker at the next meeting. The next progress check will highlight to members where actions have not been dealt with.

**Board and Officer Actions**

<table>
<thead>
<tr>
<th>Date of meeting and reference</th>
<th>Item</th>
<th>Recommendations/ Actions</th>
<th>To</th>
<th>Response</th>
<th>Progress Check On</th>
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<tbody>
<tr>
<td>27 July 2015</td>
<td>4/15 TERMS OF REFERENCE [Item 4]</td>
<td>An item to be brought to the next meeting on the use of substitutes.</td>
<td>Board</td>
<td>The Board members discussed this at the October meeting and agreed to review it in twelve months.</td>
<td>October 2017 – Board agreed to exclude the use of substitutes</td>
</tr>
<tr>
<td>27 July 2015</td>
<td>5/15 KNOWLEDGE AND UNDERSTANDING [Item 7]</td>
<td>Board members to advise the Board’s scrutiny officer when training is completed.</td>
<td>Board members</td>
<td>There are notifications of completed training outstanding, and the Board are asked to advise the scrutiny officer once completed. The training log has been included on the annual report.</td>
<td>January 2018</td>
</tr>
<tr>
<td>9 March 2016</td>
<td>9/16 SCHEME ADVISORY BOARD BENCHMARKING EXERCISE [Item 9]</td>
<td>The Board to receive the consultation from the Scheme Advisory Board for further comment.</td>
<td>Senior Advisor (Pension Fund)</td>
<td>The consultation is pending, following the return of the benchmark exercise figures – the Board will be updated when</td>
<td>Complete</td>
</tr>
<tr>
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<tr>
<td>9 March 2016</td>
<td>11/16 SURREY PENSION FUND: FROZEN REFUNDS [Item 11]</td>
<td>The address screening exercise to issue a letter and claim form to those entitled to a frozen refund prior to 2014.</td>
<td>Pension Services Manager</td>
<td>This work is planned post-valuation submission.</td>
<td>Complete</td>
</tr>
<tr>
<td>9 March 2016</td>
<td>12/16 SURREY PENSION FUND: UNPROCESSED LEAVERS [Item 12]</td>
<td>That a further report is provided following the tri-annual valuation.</td>
<td>Pension Services Manager</td>
<td>This update will be scheduled following the tri-annual valuation.</td>
<td>Complete</td>
</tr>
<tr>
<td>9 March 2016</td>
<td>16/16 UPDATE FROM RECENT SURREY PENSION FUND COMMITTEE MEETINGS: 13 NOVEMBER 2015, 12 FEBRUARY 2016 AND 25 FEBRUARY 2016 [Item 16]</td>
<td>The Board to receive a further update concerning asset allocation following the tri-annual valuation.</td>
<td>Senior Advisor (Pension Fund)</td>
<td>This item to be added to the forward work programme at a future date.</td>
<td>TBD</td>
</tr>
<tr>
<td>4 July 2016</td>
<td>22/16 ACTION TRACKER</td>
<td>Chairman to receive a quarterly update on number and subject of FOI requests.</td>
<td>Senior Accountant (Pension Fund)</td>
<td>No irregular FOI requested received in the 2nd quarter</td>
<td>TBD</td>
</tr>
<tr>
<td>4 July 2016</td>
<td>24/16 PROVISION FOR INDEPENDENT MEMBERS</td>
<td>The Board will review the provision for independent members on an annual basis.</td>
<td>Board</td>
<td>The Board will review this in 2017/18.</td>
<td>TBD</td>
</tr>
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<td>4 July 2016</td>
<td>25/16 UPDATE FROM RECENT SURREY PENSION FUND COMMITTEE MEETINGS: 13 MAY 2016</td>
<td>The Board will review the results of the review of the Fund's administration strategy and changes to KPIs.</td>
<td>Senior Advisor (Pension Fund)</td>
<td>This work is ongoing with the Board and a component of its forward plan.</td>
<td>Complete</td>
</tr>
<tr>
<td>4 July 2016</td>
<td>26/16 ADDITIONAL VOLUNTARY CONTRIBUTIONS</td>
<td>That the administering authority consider a review of the AVC arrangement and report back at a future meeting.</td>
<td>Senior Advisor (Pension Fund)</td>
<td>The Board will receive an update in 2017/18</td>
<td>TBD</td>
</tr>
<tr>
<td>4 July 2016</td>
<td>28/16 EMPLOYER DISCRETIONS</td>
<td>That the Board receive a quarterly update on scheme employer authority discretionary statements received.</td>
<td>Senior Advisor (Pension Fund)</td>
<td>Academies have been prioritised and chased. Response has been disappointing. Officers are considering options to encourage returns.</td>
<td>TBD</td>
</tr>
<tr>
<td>19 October 2016</td>
<td>41/16 ANNUAL BENEFITS STATEMENTS</td>
<td>An update report on the transfer to online annual benefit statements to be provided to the Board.</td>
<td>Pension Services Manager</td>
<td>This is part of the annual benefits statement update on the agenda for this meeting.</td>
<td>Complete</td>
</tr>
<tr>
<td>19 October 2016</td>
<td>42/16 KEY PERFORMANCE INDICATORS</td>
<td>The Board to visit the Pensions Services team.</td>
<td>Pension Services Manager</td>
<td>This will be scheduled for summer 2017.</td>
<td>TBD</td>
</tr>
<tr>
<td>15 March 2017</td>
<td>PENSION COMMITTEE UPDATE [Item 6]</td>
<td>Officers to confirm insurance arrangements for Pension Services in the event of a cyber security issue</td>
<td>Pension Services Manager</td>
<td>This has been confirmed in writing.</td>
<td>Complete</td>
</tr>
<tr>
<td>Date of meeting and reference</td>
<td>Item</td>
<td>Recommendations/ Actions</td>
<td>To</td>
<td>Response</td>
<td>Progress Check On</td>
</tr>
<tr>
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</tr>
<tr>
<td>15 March 2017</td>
<td>PENSION COMMITTEE UPDATE [Item 6]</td>
<td>That the Pension Committee consider what appropriate measures could be taken in order to reduce risk in response to the increasing funding level.</td>
<td>Surrey Pension Fund Committee</td>
<td>This will be referred to the Committee for formal response.</td>
<td>Complete</td>
</tr>
<tr>
<td>15 March 2017</td>
<td>ADMINISTRATION UPDATE [Item 7]</td>
<td>Officers to share project plan, deliverables and reporting timescales to the Board.</td>
<td>Pension Services Manager</td>
<td>The service improvement plan is being refreshed in response to the internal audit recommendation. The new service specification will set out fund expectations in respect to deliverables. The Board will be updated in October 2017.</td>
<td>Complete</td>
</tr>
<tr>
<td>15 March 2017</td>
<td>KEY PERFORMANCE INDICATORS QUARTER 3 2016/17 [Item 8]</td>
<td>That the Key Performance Indicators report on the time it takes to supply information to new joiners.</td>
<td>Pension Services Manager</td>
<td>Data to be included from Q1 2017/18 report</td>
<td>TBD</td>
</tr>
<tr>
<td>15 March 2017</td>
<td>CIPFA ADMINISTRATION BENCHMARKING CLUB 2017 [Item 10]</td>
<td>Officers to provide information on how actuarial and audit costs are calculated per member.</td>
<td>Senior Advisor (Pension Fund)</td>
<td>Finance to circulate prior to the next meeting</td>
<td>TBD</td>
</tr>
</tbody>
</table>
| 15 March 2017               | SURREY FUND PARTICIPATION IN ASSET POOLING [Item 12] | That officers develop an options appraisal and analysis with respect to the governance of the pooled investment arrangements, covering the implications of the following:  
  - Joint local pension board arrangements  
  - Communication arrangements between local pension | Head of Pensions | Update to January meeting | January 2018 |
<table>
<thead>
<tr>
<th>Date of meeting and reference</th>
<th>Item</th>
<th>Recommendations/ Actions</th>
<th>To</th>
<th>Response</th>
<th>Progress Check On</th>
</tr>
</thead>
</table>
| Report to Surrey Pension Committee – 2 June 2017 | LOCAL PENSION BOARD REPORT ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMPLIANCE | - boards  
- Member representation at pool level  
- Formalised communications pathways between the different layers of governance; or  
- No change to the current governance arrangements. | Surrey Pension Fund Committee | These recommendations were accepted by the Committee, and an update is included in the Board agenda papers for this meeting. | Complete |
<table>
<thead>
<tr>
<th>Date of meeting and reference</th>
<th>Item</th>
<th>Recommendations/ Actions</th>
<th>To</th>
<th>Response</th>
<th>Progress Check On</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Forum (LAPFF), annual Environment, Social and Governance (ESG) ratings and stewardship reports. That UN Principles for Responsible Investment (PRI) be followed but not to be a member. To request that Mercer undertake further research into the fiduciary prudence of adopting a target of investment in low carbon assets. That the Committee support the following expectations with the Border to Coast Pensions Partnership (BCPP) asset pool: • That portfolio level monitoring of ESG metrics and carbon footprinting is developed as part of the pooling arrangements. • That the pooled fund use its scale and influence to develop a consistent RI approach. • That the pooled fund appoint managers with clear ESG policies in place. • That the pooled fund retain specialist expertise in respect of responsible investment. • That the pooled fund make arrangements to develop a specific low carbon passive investment vehicle.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Date of meeting and reference</td>
<td>Item</td>
<td>Recommendations/ Actions</td>
<td>To</td>
<td>Response</td>
<td>Progress Check On</td>
</tr>
<tr>
<td>-------------------------------</td>
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<td>----------</td>
<td>------------------</td>
</tr>
<tr>
<td>12 October 2017</td>
<td>49/17 Committee Update &amp; Investment Strategy statement report [item 6]</td>
<td>Report back to Pension Fund Committee on the Investment Strategy statement report, emphasising the importance of defining triggers for de-risking as the funding position improves.</td>
<td>Surrey Pension Fund Committee</td>
<td>Reported to the Pension Fund Committee on 10 November 2017.</td>
<td>Complete</td>
</tr>
<tr>
<td>12 October 2017</td>
<td>50/17 Environmental, Social &amp; Governance Compliance [item 7]</td>
<td>The Local Pension Board recommends that the Pension Fund Committee seeks to establish the Fund’s exposure to climate change and carbon risk through the commission of a carbon audit of the fund’s portfolios.</td>
<td>Surrey Pension Fund Committee</td>
<td>The Pension Fund Committee agreed to the commissioning of a carbon audit.</td>
<td>Complete</td>
</tr>
<tr>
<td>12 October 2017</td>
<td>51/17 Administration Audit Progress Report [item 8]</td>
<td>Officers to provide the Chairman with a summary of the Local Pension Board progress report to share with the Pension Fund Committee on 10 November 2017.</td>
<td>Surrey Pension Fund Committee</td>
<td>The progress report was provided at the Committee’s meeting on 10 November 2017.</td>
<td>Complete</td>
</tr>
<tr>
<td>12 October 2017</td>
<td>51/17 Administration Audit Progress Report [item 8]</td>
<td>The Board recommended that the Pension admin team produce a further update report for the next Local Pension Board meeting</td>
<td>Pension Services Manager</td>
<td>As part of Administration update</td>
<td>January 2018</td>
</tr>
<tr>
<td>12 October 2017</td>
<td>51/17 Administration Audit Progress Report [item 8]</td>
<td>Internal Audit to be invited to a meeting of the Board once the follow up report was available.</td>
<td>Pension Services Manager</td>
<td>Internal Audit not available till April</td>
<td>January 2018</td>
</tr>
<tr>
<td>12 October 2017</td>
<td>53/17 Annual Benefit Statements [item 10]</td>
<td>The Board recommends a project report on the production of annual benefit statements for 2017/18 be brought forward to the Board at its next meeting.</td>
<td>Pension Services Manager</td>
<td>As part of Administration update</td>
<td>January 2018</td>
</tr>
</tbody>
</table>
Surrey Local Pension Board
18 January 2018

Reorganisation of the Surrey Pension Fund team

Recommendations:

1. The Board is asked to note the content of this report.

Detail:

Introduction

2. The Surrey Pension Fund team has recently undertaken a minor reorganisation, with the creation of two additional posts. This reorganisation takes account the enhanced operational demands on the Fund by the continuing increase in the number of employers under management. It also acknowledges the new requirements in governance compliance.

Existing structure

3. The existing structure as of 30 November 2017 was as follows:

<table>
<thead>
<tr>
<th>Position</th>
<th>Hours FTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head of Pensions</td>
<td>100% FTE</td>
</tr>
<tr>
<td>Senior Specialist Advisor</td>
<td>100% FTE</td>
</tr>
<tr>
<td>Business Support Officer</td>
<td>20% FTE</td>
</tr>
<tr>
<td>Senior Accountant</td>
<td>100% FTE</td>
</tr>
<tr>
<td>Trainee Accountant</td>
<td>40% FTE</td>
</tr>
</tbody>
</table>
New structure

4. The new structure as of 1 December 2017 is as follows:

- **Head of Pensions**
  - 100% FTE

- **Senior Accountant**
  - 100% FTE

- **Advisor/Accountant**
  - 100% FTE

- **Business Support Officer**
  - 40% FTE

- **Senior Specialist Advisor**
  - 40% FTE

- **Pension Appeals Specialist**
  - Bank [as & when required]

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**Report contact**: Neil Mason, Head of Pensions (Investments, Funding & Governance)

**Contact details**: T: 020 8213 2739  E: neil.mason@surreycc.gov.uk

**Sources/background papers:**

**Annexes:**
Surrey Local Pension Board
18 January 2018

Summary of the Pension Fund Committee meeting(s), 10 November 2017 and 29 November 2017

Recommendations:

1. The Board is asked to note the content of this report.

Detail:

Introduction

2. The Pension Fund Committee met on 10 November 2017 and 29 November. This report provides a summary of these meetings and any resolutions made.

10 November 2017:

Revised funding strategy statement (FSS)

3. The Pension Fund Committee (Committee) were presented with annexes to the FSS. These annexes reflected amendments previously agreed by the Committee:
   • Academy pooling policy: academies in multi-academy trusts are pooled as a category 1B employer by default;
   • Ill-health self-insurance policy: ill-health risk is pooled across all employers in the Fund.

The Committee approved the two annexes to the FSS

Border to Coast Pension Partnership (BCPP) Corporate Governance Voting Guidelines and Responsible Investment Policy
4. The Surrey Fund has a responsibility to maintain its own Responsible Investment Policy and Share Voting Policy. However, the Committee were presented with the BCPP Corporate Governance Voting Guidelines and Responsible Investment Policy:
   - The BCPP Corporate Governance Voting Guidelines reflect the belief of BCPP that companies operating to higher standards of corporate governance along with environmental and social best practice have greater potential to protect and enhance investment returns. BCPP will engage with companies on environmental, social and governance issues and exercise its voting rights at company shareholder meetings;
   - The BCPP Responsible Investment Policy is based on the belief that environmental, social and governance (ESG) issues can have a material impact on the value of financial assets and on the long term performance of investments, and therefore need to be considered across all asset classes in order to better manage risk and generate sustainable, long-term returns.

   The Committee agreed to adopt the BCPP Corporate Governance Voting Guidelines and Responsible Investment Policy

Private Equity Report

5. Based on investment assets of £3,845m as at 31 March 2017, 7.7% of the Fund is committed to private equity investments. The actual level of investment (based on the Fair Value of the remaining investments) is 4.6% of the Fund versus the asset allocation target of 5.0%.

6. In the period 1 April 2016 – 31 March 2017 the private equity portfolio has an internal rate of return of 11.5% (the benchmark for this asset class is the MSCI World Index, which returned gains of 7.2% over the same period).

Manager Issues and Investment Performance

7. The funding level has increased to 97.0% as at 30 September 2017 (82.6% as at 31 March 2016) and is based on the formal 2016 valuation results, updated for market conditions at 30 September 2017 and actual fund returns to that date.

8. The value of the Fund was £3,965.9m at 30 September 2017 compared with £3,890.5m at 30 June 2017. The investment performance for the period was +3.3%.

Administration and Governance Update

9. The Committee considered the following:
   - Key Performance Indicators for the quarter to 30 September 2017;
   - Proposals to receive a focused summary of the administration Performance Report, produced after scrutiny by the Local Pension Board, in future meetings;
• Updates to the monitoring report of the Local Pension Board in respect of the Pensions Administration Audit 2016/17;
• The recommendation of the Local Pension Board for the Pension Fund Committee to establish the Fund’s exposure to climate change and carbon risk through the commissioning of a carbon audit of the Fund’s portfolios;
• The comments of the Local Pension Board with regard to defining triggers for de-risking as the funding position improves;
• The procurement timetable for the actuarial contract (the new contract is due to be awarded on 14 March 2018).

The Committee resolved to receive a focused summary of the administration Performance Report, produced after scrutiny by the Local Pension Board, in future meetings.

Risk Register(s)

10. The review of the risk register during the preceding quarter has not led to any adjustments to the existing risk ratings or mitigation actions.

Investment Strategy Review

11. At its meeting on 10 February 2017, the Committee resolved to request that a specification paper for the strategic review of asset allocation by Mercer be circulated to the Committee for approval. Delegated authority was given to the Head of Pensions to arrange for Mercer to provide strategic review options.

12. At the meeting on 2 June 2017, the Committee asked for further work to be completed, reference the scoping document from Mercer and asked officers to complete this with a view to a strategy review being carried out for the September meeting.

13. A further report was included concentrating on the following areas:
   • Downside protection with regard to equity risk;
   • Alternative indexation reference passive investing; and
   • Allocating to long-term illiquid asset classes;

14. Downside protection with regard to equity risk: equity market values are at record levels, company valuations are above their long term averages, but earnings expectations are relatively weak. In addition, global economic growth remains below trend and there are a number of credit based and geopolitical events that could provide a tipping point to market volatility. Given this scenario, the Committee considered if it is an appropriate time to consider some form of protection for its asset equity values.

15. Alternative indexation reference passive investing: traditionally, passively managed portfolios have tracked market capitalisation indices. This can mean that passive portfolios are biased towards past success. They can also be vulnerable to the effects of asset price bubbles. To mitigate this risk it is possible for alternative indices to be constructed which may well have superior return and/or risk characteristics to standard indices.

16. Allocating to long-term illiquid asset classes: consideration could be given to making an allocation to long-term illiquid asset classes which would be expected to return an
equity like yield whilst reducing overall volatility relative to the value of the liabilities. One such asset class discussed was Private Debt.

_The Committee resolved:_
1) To meet on 29 November 2017 to consider options for downside protection with respect to equity risk.
2) To approve the implementation work to be carried out by Mercer with regard to the selection of suitable investment managers for alternative indexation investing.
3) To defer an allocation of private debt until the Border to Coast Pension Partnership (BCPP) vehicle is available.

**29 November 2017:**

**Downside Protection**

17. The Committee recognised that the strong performance of equity markets has resulted in a current estimated funding level relative to liabilities of close to 100%. In the last actuarial valuation, as at March 2016, the expected funding level by March 2019 was significantly lower than this. The Committee is concerned to ensure that the recent funding level improvement associated with asset prices is not lost through market volatility between now and the next actuarial review. In order to protect this gain and secure greater stability in employer contribution rates.

18. The protection recommended by Mercer is achieved by introducing a nil-premium put spread collar structure to hedge equity exposure. This approach provides protection against falls in equity markets, with equity upside sold to cover the cost of protection; this is referred to as a “nil premium” approach.

19. Total current equity exposure in the portfolio is broadly categorised as £1.4b in global equities, £950m of which is invested in passive funds and £1b in UK equities. The relative attractiveness of a downside protection to global and UK equities contrasts markedly.

20. The position with regards to global equities is that protection can be positioned at market falls of between 5% and 25% matched against the most appropriate index (MSCI global). This is paid for by ‘selling’ upside exceeding 8%. This position is much less compelling with regards to UK equities, where protection is positioned at market falls of between 10% and 30%, but, the cost is made up by ‘selling’ an upside exceeding only 1% matched against the most appropriate index (FTSE).

_The Committee authorised a downside protection strategy through a cost neutral put/call option strategy on the £1.4b of global equities._

---

**Report contact:** Neil Mason, Head of Pensions (Investments, Funding & Governance)

**Contact details:** T: 020 8213 2739  E: neil.mason@surreycc.gov.uk

**Sources/background papers:**

**Annexes:**
Surrey Local Pension Board
18 January 2018

Administration Performance Report 1 October 2017 to 31 December 2017

Recommendations:

The Board is asked to note the content of this report and make recommendations to the Pension Fund Committee if appropriate.

Background

1. At the Pension Fund Committee of 15 September 2017, the Pension Fund Committee (Committee) approved a new Administration Performance Report (APR) to replace the existing Key Performance Indicators (KPR) from quarter 3 of 2017/18.

2. The new APR is designed to give a wider snapshot of the administrative function. It is designed to provide an overview of the administration function including ongoing workflow, oversight of customer feedback and future performance plans. It also allows the Committee and Board oversight of statutory compliance and meets a recommendation from the 2016/17 internal audit.

3. At the Committee meeting of 10 November 2017, the Committee agreed that future administration statistic reports presented to the Committee be in the form of focused summary of the APR. This summary will be produced after the full APR has been scrutinised by the Board and will include any relevant Board recommendations.

The 2017/18 Quarter 3 APR

Summary

4. The APR contains three sections:
   - Ongoing workflow;
   - Performance standards; and
   - Administration forward plan.
5. The Ongoing workflow section provides detail of the activities of the administration function, along with measurement against performance standards. It includes the following sub-sections:
   - Overview;
   - Caseload detail (members);
   - Caseload details (employers); and
   - Complaints/breaches

6. The Performance standards section highlights functions that are a regulatory requirement but also concentrates on customer driven performance criteria to inform continuous improvement work. This section consists of the following sub-sections:
   - Scrutiny;
   - Data quality;
   - Communications;
   - Value for money; and
   - Projects.

7. The Administration forward plan include reports scheduled to be brought to the Committee and Board.

**Caseload performance RAG**

8. Member and employer caseloads are measured against performance levels, with red, amber and green ratings. A green rating indicates the tolerable performance level has been met. An amber rating indicates that performance levels were below tolerable by 5% or less. A red rating indicates that performance levels were below tolerable by more than 5%.

9. The Quarter 3 performance does show a number of categories rated as red, these chiefly concern transfer activity. While performance in the transfer category should be prioritised for improvements, it should be noted that this category is highly represented amongst backlog cases, due the historical necessity to freeze activity in this area while awaiting governmental guidance on transfer factors.

**Material changes since 2017/18 Quarter 2**

10. As this is the first APR produced using the new metrics it is not considered appropriate to measure performance against the 2017/18 Quarter 2 KPIs. Material changes will be highlighted in the April report to the Board.

**Next steps**

11. The Board is asked to note the content of this report and the 2017/18 Quarter 3 APR Report (shown as Annex 1) and make recommendations to the Pension Fund Committee if appropriate.

---

**Report contact:** Neil Mason, Head of Pensions (Investments, Funding & Governance)

**Contact details:** T: 020 8213 2739  E: neil.mason@surreycc.gov.uk

Page 2 of 3
Sources/background papers:

Annexes:

1. 2017/18 Quarter 3 APR Report
| No | Description | Performance standard | Performance aspiration | Tolerable performance* | Lead Officer | No of cases | Actual Score and Rag | Assuring % Cases | % Cases Overdue 1-10 Days | % Cases Overdue 11-20 Days | % Cases Overdue 20+ Days | Reporting Period | Previous no of cases | Previous Score | % Cases Overdue 1-10 Days | % Cases Overdue 11-20 Days | % Cases Overdue 20+ Days | Date Last Reported | Change | Comments |
| OW 1 | OVERVIEW | | | | | | | | | | | | | | | | | | | |
| OW 1.1 | TOTAL SURREY CASES | N/A | N/A | JB | 6,444 | Admin system report | 6,444 | | | | | 2017/18 Q3 | New | | | | | | | |
| OW 1.2 | TOTAL SURREY CASE BACKLOG | N/A | N/A | JB | 67 | Admin system report | 67 | | | | | 2017/18 Q3 | New | | | | | | | |
| OW 1.3 | SCHEME MEMBERSHIP | N/A | N/A | JB | 94,981 | Admin system report | 94,981 | | | | | 31/12/17 | New | | | | | | | |
| OW 1.4 | TOTAL OPT OUTS | N/A | N/A | JB | 11.83% | Admin system report | 11.83% | | | | | | New | New | | | | | | | |
| OW 1.5 | TOTAL ORBIS MEMBERSHIP | N/A | N/A | JB | c 250,000 | Admin system report | c 250,000 | | | | | | New | | | | | | | |
| OW 2 | CASELOAD DETAIL (MEMBERS) | | | | | | | | | | | | | | | | | | | |
| OW 2.1 | NEW STARTER | N/A | N/A | JB | 370 | Admin system report | 370 | 100% | 80% | N/A | N/A | N/A | 2017/18 Q3 | New | | | | | | | |
| OW 2.2 | DEFERRED STATUS | N/A | N/A | JB | 489 | Admin system report | 489 | 100% | 80% | TBC verbally | TBC verbally | TBC verbally | 2017/18 Q3 | New | | | | | | | |
| OW 2.3 | RETIREMENT (INITIAL) | N/A | N/A | JB | 473 | Admin system report | 473 | 100% | 80% | N/A | N/A | N/A | 2017/18 Q3 | New | | | | | | | |
| OW 2.4 | RETIREMENT (COMPLETE) | N/A | N/A | JB | 388 | Admin system report | 388 | 100% | 80% | 39 | 35 | 41 | 2017/18 Q3 | New | | | | | | | |
| OW 2.5 | DEATH IN SERVICE (INITIAL) | N/A | N/A | JB | 8 | Admin system report | 8 | 100% | 80% | New death measure Q4 | New death measure Q4 | New death measure Q4 | | | | | | | |
| OW 2.6 | DEATH IN SERVICE (COMPLETE) | N/A | N/A | JB | 10 | Admin system report | 10 | 100% | 80% | New death measure Q4 | New death measure Q4 | New death measure Q4 | | | | | | | |
## DEATH BENEFITS
Notify potential beneficiary of lump sum death in service grant within 5 days.

### Issues
- Non-LGPS Transfer Out (Estimate) 2017/18 Q3
- LGPS Transfer Out (Estimate) 2017/18 Q3
- LGPS Transfer Out (Actual) 2017/18 Q3
- Non-LGPS Transfer In (Actual) 2017/18 Q3

### Key Performance Indicators
- Non-LGPS Transfer Out (Estimate) 0%
- LGPS Transfer Out (Estimate) 90%
- LGPS Transfer Out (Actual) 80%
- Non-LGPS Transfer In (Actual) 2%

### Related Measures
- LGPS Transfer Out (Actual) 80%
- 20 working days

### Notes
- New death measure Q3
- New death measure Q4
- New death measure Q4
- New death measure Q4

## MEMBER CORRESPONDENCE Respond to member queries (Helpdesk)
N/A 80% First Point Fix

### New Death Measure
- Calculate refund due and issue payment
- Issue notification of death
- Notify potential beneficiary of lump sum death in service grant within 5 days.

### Legacy
- Write to dependant and provide relevant claim form within 5 days of notification of death
- Issue notification of dependant’s pension within 5 days of receipt of relevant claim forms

### Key Performance Indicators
- Non-LGPS Transfer Out (Estimate) 0%
- LGPS Transfer Out (Estimate) 90%
- LGPS Transfer Out (Actual) 80%
- Non-LGPS Transfer In (Actual) 2%

### Related Measures
- LGPS Transfer Out (Actual) 80%
- 20 working days

### Notes
- New death measure Q3
- New death measure Q4
- New death measure Q4
- New death measure Q4

## Admin system

### REFUNDS
Calculate refund due and issue payment

### LGPS TRANSFER IN (ESTIMATE)
Check previous service details and offer member the option to transfer and advise of timescales.

### LGPS TRANSFER OUT (ESTIMATE)
Check correct payment has been received, update database and issue confirmation to member.

### LGPS TRANSFER OUT (ACTUAL)
Check correct payment has been received, update database and issue confirmation to member.

### NON-LGPS TRANSFER IN (ESTIMATE)
Check previous service details and offer member the option to transfer and advise of timescales.

### NON-LGPS TRANSFER OUT (ESTIMATE)
Check correct payment has been received, update database and issue confirmation to member.

### NON-LGPS TRANSFER OUT (ACTUAL)
Issue payment

### Comments
- See backlog report
- See backlog report

## LGPS TRANSFER OUT (ESTIMATE)
Provide service and pay details to new employer

### LGPS TRANSFER OUT (ACTUAL)
Issue payment

### Comments
- See backlog report

## ILL HEALTH RETIREMENT (INITIAL)
Options issued to the member

### ILL HEALTH RETIREMENT (COMPLETE)
Issue payment of retirement grant and initiate pension

## CASELOAD DETAIL (EMPLOYERS)

### CONTRIBUTIONS RECEIVED
Pension paid 100% (total value) of relevant contributions to be received by 21st day of the ensuing period.

### EMPLOYER ESTIMATE
Provide employer with estimate as requested

### Comments
- 1-10 Days
- 11-20 Days
- 20+ Days
- Overdue

## COMMON /aber

### BREACHES

### Material breaches reported to HR

### Complaints reported to HR

### IDRP's logged in period

### Comments
- 1 x first stage
- 2 x second stage
<table>
<thead>
<tr>
<th>OW 4.5</th>
<th>IDRPs</th>
<th>IDRPs upheld in period</th>
<th>N/A</th>
<th>0</th>
<th>IDRPs log</th>
<th>2017/18 Q3</th>
<th>2017/18 Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>Description</td>
<td>Target</td>
<td>Intermediate performance*</td>
<td>Lead Officer</td>
<td>Performance (and RAG)</td>
<td>Assurance</td>
<td>Reporting Period</td>
</tr>
<tr>
<td>-----</td>
<td>---------------------------</td>
<td>------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>PS 1</td>
<td>SCRUTINY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PS 1.1</td>
<td>AUDIT (1) - External</td>
<td>Receive an unqualified audit report from the auditor</td>
<td>Under Summer 2018</td>
<td>JB</td>
<td>Audit report</td>
<td>2017/18</td>
<td></td>
</tr>
<tr>
<td>PS 1.2</td>
<td>AUDIT (2) - Internal</td>
<td>Annual audit returns no significant findings</td>
<td>Undertaken April 2018</td>
<td>JB</td>
<td>Audit report</td>
<td>2017/18</td>
<td></td>
</tr>
<tr>
<td>PS 1.3</td>
<td>IFR ANNUAL RETURN</td>
<td>Within 6 weeks of IFR notice</td>
<td>NA</td>
<td>JB / NM</td>
<td>TRC</td>
<td>2018</td>
<td>Within 6 weeks of IFR notice</td>
</tr>
<tr>
<td>PS 2</td>
<td>DATA QUALITY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PS 2.1</td>
<td>COMMON DATA</td>
<td>100% accuracy</td>
<td>95% accuracy</td>
<td>JB</td>
<td>Due July 2018</td>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>PS 2.2</td>
<td>CONDITIONAL DATA</td>
<td>100% accuracy</td>
<td>80% accuracy</td>
<td>JB</td>
<td>Due July 2018</td>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>PS 2.3</td>
<td>DATA PROTECTION (GDPR)</td>
<td>Fully compliant with regulations by 01 May 2018</td>
<td>Fully compliant with regulations by 01 May 2018</td>
<td>JB / NM</td>
<td>Update Due April 2018</td>
<td>Information Governance team</td>
<td>2018</td>
</tr>
<tr>
<td>PS 3</td>
<td>COMMUNICATIONS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PS 3.1</td>
<td>ANNUAL BENEFIT STATEMENTS</td>
<td>Issued by 31 August following scheme year end (31 March)</td>
<td>Issued by 31 August following scheme year end (31 March)</td>
<td>JB</td>
<td>Due July 2018</td>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>PS 3.2</td>
<td>EMPLOYER SATISFACTION/SURVEY</td>
<td>Overall satisfaction score for employers to be 100%</td>
<td>Overall satisfaction score for employers to be 100%</td>
<td>JB / NA</td>
<td>Due July 2018</td>
<td>Online survey results</td>
<td>2018</td>
</tr>
<tr>
<td>PS 3.3</td>
<td>MEMBER SATISFACTION/SURVEY</td>
<td>Overall satisfaction score for members to be 100%</td>
<td>NA</td>
<td>JB / NM</td>
<td>100%</td>
<td>Public website</td>
<td>Q3</td>
</tr>
<tr>
<td>PS 3.4</td>
<td>WEBSITE MAINTENANCE</td>
<td>100% of relevant communications material will be posted onto website within one week of being signed off</td>
<td>NA</td>
<td>JB / NA</td>
<td>100%</td>
<td>Public website</td>
<td>Q3</td>
</tr>
<tr>
<td>PS 3.5</td>
<td>MEMBER NEWSLETTER</td>
<td>By 31 March annually</td>
<td>NA</td>
<td>JB</td>
<td>Due Mar 2018</td>
<td>Copy published</td>
<td>2018</td>
</tr>
<tr>
<td>PS 3.6</td>
<td>PENSIONER NEWSLETTER</td>
<td>By 30 April annually</td>
<td>NA</td>
<td>JB</td>
<td>Due April 2018</td>
<td>Copy published</td>
<td>2018</td>
</tr>
<tr>
<td>PS 3.7</td>
<td>EMPLOYER FORUM(S)</td>
<td>By 31 December annually</td>
<td>NA</td>
<td>JB / NM</td>
<td>100%</td>
<td>Attendance confirmation</td>
<td>2018</td>
</tr>
<tr>
<td>PS 3.8</td>
<td>PENSION FUND AGM</td>
<td>By 30 November annually</td>
<td>NA</td>
<td>NM</td>
<td>Due 23 November 2018</td>
<td>Attendance confirmation</td>
<td>2018</td>
</tr>
<tr>
<td>PS 4</td>
<td>VALUE FOR MONEY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PS 4.1</td>
<td>CIFFA BENCHMARK</td>
<td>VFM of pensions administration should be in the highest quartile (as measured by the CIFFA benchmark)</td>
<td>NA</td>
<td>JB / NM</td>
<td>Achieved for 2016/17</td>
<td>CIFFA Benchmarking report</td>
<td>2016/17</td>
</tr>
<tr>
<td>PS 5</td>
<td>PROJECTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PS 5.1</td>
<td>DRP IMPLEMENTATION</td>
<td>By end of December 2018</td>
<td>NA</td>
<td>JB</td>
<td>See update report</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PS 5.2</td>
<td>EMPLOYER SELF SERVICE</td>
<td>By end of October 2017</td>
<td>NA</td>
<td>JB</td>
<td>Achieved - systems live and issued to 5 employers pending full roll out</td>
<td>Licenses issued</td>
<td></td>
</tr>
<tr>
<td>PS 5.3</td>
<td>ONLINE ABS</td>
<td>By 31 August 2017</td>
<td>NA</td>
<td>JB</td>
<td>Achieved</td>
<td>Online access</td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>Report</td>
<td>Description</td>
<td>Lead Officer</td>
<td>To</td>
<td>Frequency</td>
<td>Next due date</td>
<td>Commentary</td>
</tr>
<tr>
<td>----</td>
<td>--------------------------------</td>
<td>------------------------------------------------------------------------------</td>
<td>--------------</td>
<td>----------------------------------------------------------------------</td>
<td>-----------</td>
<td>------------------------</td>
<td>---------------------------------------------------------------------------</td>
</tr>
<tr>
<td>R 1</td>
<td>COMPLAINTS REPORT</td>
<td>Customer complaints compiled by the Orbis Customer Services Team</td>
<td>JB/NM</td>
<td>The Local Pension Board (and Pension Fund Committee as required)</td>
<td>Quarterly</td>
<td>Report for 18 Jan 2018 Board meeting</td>
<td>Complaints report provided for January 2018 Board. Report provided by operational support lead following dissolution of dedicated customer services team.</td>
</tr>
<tr>
<td>R 2</td>
<td>DATA IMPROVEMENT PLAN</td>
<td>Plan for continuous improvement of data quality</td>
<td>JB</td>
<td>The Local Pension Board (and Pension Fund Committee as required)</td>
<td>Annually</td>
<td>To be presented to July 2018 Board meeting</td>
<td></td>
</tr>
<tr>
<td>R 3</td>
<td>STAFF TRAINING AND COMPETENCY PLAN</td>
<td>Update of training and competency plan.</td>
<td>JB</td>
<td>The Local Pension Board (and Pension Fund Committee as required)</td>
<td>Annually</td>
<td>To be presented to July 2018 Board meeting</td>
<td></td>
</tr>
<tr>
<td>R 4</td>
<td>CIPFA BENCHMARKING REPORT</td>
<td>Compile data for CIPFA benchmarking report</td>
<td>JB</td>
<td>The Local Pension Board (and Pension Fund Committee as required)</td>
<td>Annually</td>
<td>To be presented to April 2018 Board meeting</td>
<td></td>
</tr>
<tr>
<td>R 5</td>
<td>DATA PROTECTION COMPLIANCE REPORT</td>
<td>Report on compliance with data protection/GDPR statutory requirements.</td>
<td>JB</td>
<td>The Local Pension Board (and Pension Fund Committee as required)</td>
<td>Annually</td>
<td>To be presented to April 2018 Board meeting</td>
<td></td>
</tr>
<tr>
<td>R 6</td>
<td>ANNUAL SERVICE REVIEW AND CONTINUOUS IMPROVEMENT REPORT</td>
<td>A review of activity during the past year and of improvements to the service identified for the forthcoming year</td>
<td>JB</td>
<td>The Local Pension Board (and Pension Fund Committee as required)</td>
<td>Annually</td>
<td>To be presented to April 2018 Board meeting</td>
<td></td>
</tr>
<tr>
<td>R 7</td>
<td>ANNUAL BENEFIT STATEMENT PROGRESS</td>
<td>A review of the progress towards meeting the 2018 ABS deadline of 31 August 2018</td>
<td>JB</td>
<td>The Local Pension Board (and Pension Fund Committee as required)</td>
<td>Update required for 18/01/18</td>
<td>Report for 18 Jan 2018 Board meeting</td>
<td>See Administration update report</td>
</tr>
<tr>
<td>R 8</td>
<td>GMP RECONCILIATION</td>
<td>A review of the progress towards meeting the 2018 GMP reconciliation deadline of 31 December 2018</td>
<td>JB</td>
<td>The Local Pension Board (and Pension Fund Committee as required)</td>
<td>Update required for 18/01/18</td>
<td>Report for 18 Jan 2018 Board meeting</td>
<td>See Administration update report</td>
</tr>
</tbody>
</table>
Surrey Local Pension Board  
18 January 2018  

Administration Update 1 October 2017 to 31 December 2017  

Recommendations:  
The Board is asked to note the content of this report and make recommendations if any further action is required.  

Background  
1. The Board has previously requested to be kept updated on progress relating to a number of key administration projects and planned improvements which may have an impact on members of the pension fund and the purpose of this report is to provide an update on the current status and progress against any specific target dates.  

GMP Reconciliation Project  
2. The Board may recall that a specialist data analyst, ITM Ltd, had been engaged to carry out a ‘fast tracked’ modular approach for part of Stage 2 of the reconciliation process for the Surrey Pension Fund (as well as other funds for whom Orbis provides an administration service).  

3. The main purpose of this phase was to allow a number of queries to be registered with HMRC ahead of the anticipated surge from other authorities and schemes as the deadline approaches.  

4. The project has now been completed by ITM and the attached report (Annex 1), though technical in nature, is a summary of the work that ITM carried out during this two month project. This highlights that, from a total of 86,008 cases requiring review at the start of the project, the number has reduced to 18,210 cases upon completion of the project. A total of 16,872 cases have been referred back to HMRC and we await their response on these.
5. The attached ‘expected’ project timeline, included as **Annex 2**, demonstrates that the next stage in the process is for Orbis to submit a ‘mini tender’ to select the most competitive provider to carry out the review of the remaining queries. Orbis anticipate that we will be able to obtain preferential terms because the selected provider would be carrying out this work across a number of schemes we administer and this in turn should minimise the cost to Surrey Pension Fund for this next stage of the project. The costs will be advised to the Board once the tender process has been completed.

6. Once the reconciliation process has been completed, the Pensions Committee will need to determine their policy on how to approach any overpayments that have occurred as a result of incorrect GMP information being applied to pensions in payment.

**Annual Benefit Statements – project update for 2017/18**

7. The Board will be aware that the vast majority (94%) of active annual benefit statements were issued or made available online in time for the deadline of 31 August 2017. The remaining statements were not issued in time because of delays in receiving information in a timely manner from scheme employers.

8. The statements for deferred members were issued 13 days outside of the statutory deadline.

**Report to the Pensions Regulator**

9. In accordance with the Surrey Pension Fund Breaches Policy the late production of statements was reported to the Pensions Regulator who has now responded to the breach report by advising that they do not intend to take any further action with regard to the breach.

**Planning for 2018 exercise**

10. As part of improvements planned for 2018 to ensure that all statements can be issued well in advance of the 31 August 2018 deadline, Orbis is planning to complete the production of the statements over the period from May to July 2018.

11. **Annex 3** shows the planned production schedule for the 2018 statements that illustrates the following key features:-

- Engagement will take place with employers at a much earlier stage to ensure that their EOY return is receiving in a timely manner and there are clear timelines in place for escalation in the event of any difficulties
- The production of the statements will be carried out in three phases starting in May and ending in July. This will be possible for the first time in 2018 because the statements are now made available online and the full production process is managed in-house rather than being reliant on external print houses.
- In conjunction with colleagues in IT&D, Orbis are developing an integrated tool to automate the production process for the statements once the EOY return has been processed

12. Although not dependent on the receipt of EOY returns from employers, the production of deferred statements for 2018 is scheduled for June 2018, well in advance of the 31 August 2018 deadline. Deferred members will be encouraged to view their statements online where possible.

13. The Board will be kept updated on the progress of the production of the 2018 statements to ensure compliance with the statutory requirements.

Backlog update

14. At the Board meeting on 12 October 2017, a schedule of the backlog of casework for transfers in and out of the Surrey pension fund previously identified by the audit report on administration was presented, together with a timeline for the completion of the backlog cases identified.

15. The attached update, included as Annex 4, reports on progress against the projected clearance of the backlog of transfer case work for the months of November and December. The Board will note that the number of cases outstanding has reduced from ** at the start of the recovery period to ** at the end of December. This is well ahead of the target clearance rate of * originally set out.

Audit Progress Report – High Level Pensions Plan

16. At its meeting on 12 October 2017, the Board was presented with the High Level Pensions Plan to show progress against a number of improvement and development outputs aimed at addressing the recommendations of the Internal Audit report.

17. Annex 5 provides an update of the High Level Pensions Plan previously presented. Any updates have been provided in Red at the foot of the original summary for each area.

Customer complaints report

18. Over the last six months, the volume of complaints received has been on average the same as quarter one, however the complaint response performance levels have increased significantly. Performance against the acknowledgement SLA response times have risen from 61.5% in quarter one to 100% in quarter three, and the complaint response times within SLA have risen from 46.2% to 87%. All complaints for quarter three have been resolved and there are none outstanding for this period.

19. Data on customer feedback for quarter 3 of 2017/18 is shown as Annex 6.
20. The Board are asked to note the updates and agree on the form of any future updates that are required.

-----------------------------------------------------------------------------------

Report contact: Jason Bailey, Lead Pensions Manager

Contact details: T: 020 8541 7473 E: jason.bailey@surreycc.gov.uk

Sources/background papers:

Annexes:

1. ITM GMP Reconciliation Accelerated Project Report
2. GMP 'expected' 12 month timeline
3. Annual Benefit Statement production schedule 2018
4. Backlog update report
5. Updated Improvement Project Plan
6. Q3 Customer Feedback Data
Project Update for the Surrey County Council Pension Fund
GMP Reconciliation

Sarah Millson/Victoria Franklin
31 October 2017
# Project Update

## Surrey County Council Pension Fund/GMP Stage 2 Reconciliation

### 1775

<table>
<thead>
<tr>
<th><strong>Project Manager (ITM &amp; Client):</strong></th>
<th>Sarah Millson/Victoria Franklin and Jason Bailey</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Project Sponsor (ITM &amp; Client):</strong></td>
<td>Maurice Titley and Jason Bailey</td>
</tr>
<tr>
<td><strong>Today's date:</strong></td>
<td>31 October 2017</td>
</tr>
<tr>
<td><strong>Overall RAG status:</strong></td>
<td>Green</td>
</tr>
<tr>
<td><strong>Project start date:</strong></td>
<td>1 September 2017</td>
</tr>
<tr>
<td><strong>Planned completion date:</strong></td>
<td>31 October 2017</td>
</tr>
<tr>
<td><strong>Estimated completion date:</strong></td>
<td>31 October 2017</td>
</tr>
<tr>
<td><strong>Predicted variance:</strong></td>
<td>None currently foreseen</td>
</tr>
</tbody>
</table>

### Project commentary

**RAG description**

The Dependant Linking analysis and Deceased Members analysis have been completed, bringing the modular project to an end.

HMRC have provided the clerical responses for the remainder of one of the batches of Error Code 5 queries processed by their automated solution. There is another batch of Error Code 5 queries outstanding; the automated responses were due on 13 October 2017 and the clerical responses are expected by 13 January 2018.

ITM will liaise with the Orbis team to discuss and agree the next steps in the GMP reconciliation process.

<table>
<thead>
<tr>
<th><strong>Concerns to be resolved by the project</strong></th>
<th>None at this time.</th>
</tr>
</thead>
</table>
Project dashboard

The chart below documents changes within the reconciliation categories since the production of the baseline. The baseline totals will continue to be displayed at the bottom of the chart so that there is visibility of progress being made.

<table>
<thead>
<tr>
<th>Status</th>
<th>Reconciled</th>
<th>Proposal</th>
<th>Unreconciled</th>
<th>Out Of Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No GMP liability</td>
<td>Exact match</td>
<td>Within tolerance</td>
<td>Proposal made to client</td>
</tr>
<tr>
<td>Active</td>
<td>27,653</td>
<td>435</td>
<td>265</td>
<td>252</td>
</tr>
<tr>
<td>Deferred Post GMP Age</td>
<td>1,109</td>
<td>297</td>
<td>157</td>
<td>13</td>
</tr>
<tr>
<td>Deferred Pre GMP Age</td>
<td>19,027</td>
<td>3,033</td>
<td>957</td>
<td>60</td>
</tr>
<tr>
<td>Pensioner Post GMP Age</td>
<td>3,207</td>
<td>5,766</td>
<td>3,380</td>
<td>44</td>
</tr>
<tr>
<td>Pensioner Pre GMP Age</td>
<td>480</td>
<td>417</td>
<td>171</td>
<td>1</td>
</tr>
<tr>
<td>Widow(er)</td>
<td>144</td>
<td>217</td>
<td>398</td>
<td>17</td>
</tr>
<tr>
<td>Unlinked dependant</td>
<td></td>
<td></td>
<td></td>
<td>14</td>
</tr>
<tr>
<td>Total on admin</td>
<td>51,620</td>
<td>10,165</td>
<td>5,328</td>
<td>401</td>
</tr>
<tr>
<td>Other admin (members with no liability)</td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>HMRC only</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Total reported cases</td>
<td>51,620</td>
<td>10,165</td>
<td>5,328</td>
<td>2</td>
</tr>
<tr>
<td>Baseline position</td>
<td>35,126</td>
<td>9,545</td>
<td>4,583</td>
<td></td>
</tr>
</tbody>
</table>
Notes to accompany the reconciliation status table:

Reconciled

- No GMP liability – GMP is zero on both the administration and HMRC records.
- Exact match – GMP on the administration and HMRC records reconciles exactly.
- Within tolerance – the difference between the administration and HMRC GMP is less than the tolerance level set. Provisional tolerance is £2p.w.

Proposals

- Proposal made to client – members where bulk analysis suggests that either the admin or HMRC data should be accepted and a decision from the client is required.
- Proposal made to HMRC – queries raised with HMRC where we have provided information to show that the member has no further liability in the scheme and HMRC should accept the admin data.

Unreconciled

- Awaiting data from client – results of bulk analysis e.g. On Admin, not on HMRC where a review of member files is required to resolve a query that cannot be dealt with by the extraction of data from the administration extract.
- Await data from HMRC – this encompasses all queries raised with HMRC and the ‘Error Code 5’ members where full data still needs to be provided. ITM will automatically raise an HMRC query spreadsheet for the members identified as part of the baseline production as the project initiated by HMRC to supply corrected data is behind schedule.
- Further review – all members who will be dealt with as part of the population reconciliation e.g. improving the linking between the HMRC and admin membership. Once the population reconciliation concludes the remaining members in the category will form part of the GMP Value Reconciliation, where mismatches between the GMP amounts held by HMRC and Admin are investigated in more detail.

Out of Scope

- Record Not Applicable – includes the following:
  - Members with no liability under the scheme and no corresponding record on the HMRC data (transfers out, refunds)
  - Members with pre 6 April 1978 service
  - Member with no liability status but another liability record is already linked to an HMRC record
  - Originally unlinked dependant records that are subsequently matched to a corresponding first life record
  - HMRC records initially not matched to admin that subsequently are
  - HMRC records that HMRC come to withdraw, e.g. original Error Code 5 cases that HMRC acknowledge have no surviving spouse
A summary is provided in relation to the following categories in the status column of the reconciliation table:

- **Other Admin (members with no liability)** – all members recorded on the admin data with a status of ‘no liability’ and no spouse in payment, e.g. refund, transfer out, full commutation, deceased with no widow(er) together with child pensioners and deceased dependants.

- **HMRC only** – cases where HMRC have a contracted-out liability recorded, but where no admin record was initially (or still) matched to it. Some of these members will be dealt with as we work through multiple record issues, with any outstanding cases being dealt with under the ‘On HMRC, not on Admin’ project action where a bulk query will be raised with HMRC asking for further information (e.g. employer details) to enable any further analysis to be carried out.
The ‘Dependant Linking’ and ‘Deceased Members’ project actions have been processed and the batch of HMRC queries and file review spreadsheets makes up 19.88% of the total discrepancies being investigated.
## HMRC queries (SRS)

### HMRC queries

<table>
<thead>
<tr>
<th>Batch</th>
<th>HMRC Batch Ref</th>
<th>Topic</th>
<th>Number of queries</th>
<th>Queries Logged with HMRC</th>
<th>Expected reply date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>17</td>
<td>Error Code 5 Queries – Not in Scheme</td>
<td>345</td>
<td>12 September 2017</td>
<td>13 October 2017*</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>13 January 2018**</td>
</tr>
<tr>
<td>2</td>
<td>18</td>
<td>Error Code 5 Queries – Was in Scheme</td>
<td>680</td>
<td>12 September 2017</td>
<td>13 October 2017*</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>13 January 2018**</td>
</tr>
<tr>
<td>3</td>
<td>21</td>
<td>COCIS Data Request</td>
<td>86,809</td>
<td>27 September 2017</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>26</td>
<td>On Admin Not HMRC – Pass 1</td>
<td>12,584</td>
<td>2 October 2017</td>
<td>7 December 2017*</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7 March 2018**</td>
</tr>
<tr>
<td>5</td>
<td>28</td>
<td>On HMRC Not Admin – Pass 1</td>
<td>34</td>
<td>2 October 2017</td>
<td>21 January 2018**</td>
</tr>
<tr>
<td>6</td>
<td>30</td>
<td>On HMRC Not Admin – Pass 1 - Automated</td>
<td>3,023</td>
<td>11 October 2017</td>
<td>29 December 2017*</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2 April 2018**</td>
</tr>
<tr>
<td>7</td>
<td>32</td>
<td>Multiple HMRC Record Matching</td>
<td>212</td>
<td>20 October 2017</td>
<td>5 February 2018**</td>
</tr>
<tr>
<td>8</td>
<td>33</td>
<td>Deceased Members</td>
<td>2</td>
<td>27 October 2017</td>
<td></td>
</tr>
</tbody>
</table>

*date confirmed by HMRC for ‘Automated responses’

**date confirmed by HMRC for ‘Clerical responses’

### HMRC query responses

<table>
<thead>
<tr>
<th>Batch</th>
<th>HMRC Batch Ref</th>
<th>Topic</th>
<th>Number of queries raised</th>
<th>Number of queries replied to</th>
<th>Response received from HMRC</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>18</td>
<td>Error Code 5 Queries – Not in Scheme</td>
<td>680</td>
<td>616</td>
<td>5 October 2017</td>
</tr>
<tr>
<td>3</td>
<td>15</td>
<td>COCIS Data Request</td>
<td>86,809</td>
<td>86,808</td>
<td>12 October 2017</td>
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<tr>
<td>2</td>
<td>18</td>
<td>Error Code 5 Queries – Not in Scheme</td>
<td>680</td>
<td>64</td>
<td>31 October 2017</td>
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### File reviews

<table>
<thead>
<tr>
<th>Batch</th>
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<th>Number of queries</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>On Admin Not HMRC – Pass 1</td>
<td>349</td>
<td>Issued 2 October 2017</td>
</tr>
<tr>
<td>2</td>
<td>On HMRC Not Admin – Pass 1</td>
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<td>Issued 2 October 2017</td>
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<tr>
<td>3</td>
<td>Multiple Admin Record Matching</td>
<td>8</td>
<td>Issued 26 October 2017</td>
</tr>
<tr>
<td>4</td>
<td>Dependant Linking</td>
<td>14</td>
<td>Issued 27 October 2017</td>
</tr>
<tr>
<td>5</td>
<td>Deceased Members</td>
<td>59</td>
<td>Issued 27 October 2017</td>
</tr>
</tbody>
</table>
Decisions required

<table>
<thead>
<tr>
<th>Decision required</th>
<th>Members affected</th>
<th>Date raised</th>
</tr>
</thead>
<tbody>
<tr>
<td>In order to efficiently reconcile the GMP values it is recommended that a</td>
<td>5,328</td>
<td>11/09/2017</td>
</tr>
<tr>
<td>tolerance is set. If the difference between the HMRC GMP value and the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>administration GMP value is less than this tolerance then the HMRC GMP value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>should be accepted with no further review being required. A widely</td>
<td></td>
<td></td>
</tr>
<tr>
<td>accepted industry standard for this tolerance is £2pw. This is assessed with</td>
<td></td>
<td></td>
</tr>
<tr>
<td>the administration GMP values revalued to the same effective date as for the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>data provided by HMRC.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The grounds to challenge the HMRC GMP record are limited, often requiring</td>
<td></td>
<td></td>
</tr>
<tr>
<td>the production of payroll records for the period of GMP accrual (78/79 to</td>
<td></td>
<td></td>
</tr>
<tr>
<td>96/97) which in most circumstances is not possible. Acceptable challenges</td>
<td></td>
<td></td>
</tr>
<tr>
<td>to the HMRC GMP values normally relate to differences in the GMP revaluation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>basis or rate and the omission of transferred-in GMP. In ITM’s opinion the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>analysis and file review cost required to secure one successful challenge to</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HMRC for cases within the £2pw tolerance would exceed the likely impact on the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>pension payable arising from accepting the HMRC GMP.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5,328 members currently have HMRC GMP values that do not exactly match the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>administration GMP value but fall within this £0.01pw to £2pw tolerance. This</td>
<td></td>
<td></td>
</tr>
<tr>
<td>number is likely to change as further cases are reconciled against HMRC data</td>
<td></td>
<td></td>
</tr>
<tr>
<td>during the course of the project.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Whilst a decision is sought from the Trustee Board, ITM will progress the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GMP reconciliation on the basis that this decision has been made with</td>
<td></td>
<td></td>
</tr>
<tr>
<td>immediate effect</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Progress reporting

<table>
<thead>
<tr>
<th>Project progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planned last period and achieved</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Not planned last period but achieved</td>
</tr>
<tr>
<td>Planned last period but not achieved</td>
</tr>
<tr>
<td>Reasons for exceptions</td>
</tr>
</tbody>
</table>

Planning

<table>
<thead>
<tr>
<th>Planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Task and milestones planned next period</td>
</tr>
<tr>
<td>Items added to the project plan</td>
</tr>
</tbody>
</table>
### Key risks and issues

<table>
<thead>
<tr>
<th>Risk</th>
<th>RAG status</th>
<th>Mitigation</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>HMRC response times are currently stated to be around six months.</td>
<td>![Red]</td>
<td>ITM will monitor HMRC’s performance how this change in service delay impact the GMP reconciliation.</td>
<td>Open</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Issue</th>
<th>RAG status</th>
<th>Mitigation</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## GMP Reconciliation – Projected Timeline over next 12 months  
(subject to HMRC response rates)

<table>
<thead>
<tr>
<th>Sep 17</th>
<th>Oct 17</th>
<th>Nov 17</th>
<th>Dec 17</th>
<th>Jan 18</th>
<th>Feb 18</th>
<th>Mar 18</th>
<th>Apr 18</th>
<th>May 18</th>
<th>Jun 18</th>
<th>Jul 18</th>
<th>Aug 18</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>External Support</strong></td>
<td></td>
<td>ITM to conduct 2 month project to reconcile and submit queries to HMRC (2a)</td>
<td>Mini-tender through framework for outstanding Stage 2 work, including complex queries (2b)</td>
<td>External provider investigates Stage 2(b) queries</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Internal Resource</strong></td>
<td></td>
<td>Business Operations to conduct individual file reviews on known discrepancies (additional in-house resource may be required)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>HMRC</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

HMRC to respond to reconciliation queries raised by ITM, Business Operations and Stage 2(b) provider.
## 2018 Annual Benefit Statement Proposed Production Schedule

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Issue EOY template to All Employers with accompanying guidance and offer of support. Deadline date of 30 April 2018 for submission of EOY return notified at that stage. Request to acknowledge receipt of requirements.</td>
<td>Reminder to Employers that EOY return required by 30 April 2018. Reiterate offer of support. Follow up any acknowledgements not received.</td>
<td>1st reminder to employers that EOY return now overdue.</td>
<td>2nd reminder to employers if required.</td>
<td>Personal contact from either Governance team/senior members of administration team with any employer with data still outstanding.</td>
<td>Determine any intervention action required with non-compliant employers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Annual Benefit Statement Production – Phased

<table>
<thead>
<tr>
<th></th>
<th>1st Phased Upload of ABS to online portal and notification to scheme members following processing of EOY returns received</th>
<th>2nd Phased Upload of ABS to online portal and notification to scheme members</th>
<th>3rd and Final Upload of ABS to online portal and issue of any paper statements to members specifically requesting this.</th>
<th>Sweep up exercise for any estimated statements required where EOY return not provided</th>
</tr>
</thead>
</table>
# Backlog Work Timeline

<table>
<thead>
<tr>
<th>Task Type</th>
<th>Total no. of tasks outstanding as at 12 October 17</th>
<th>Projected Completion date</th>
<th>Average no. of tasks each month to meet completion date</th>
<th>No. cleared in Nov 17 (awaiting external response)</th>
<th>No. in progress Nov 17 (awaiting external response)</th>
<th>Outstanding (still to be looked at)</th>
<th>Remaining (incl in progress)</th>
<th>Actual no. cleared in Dec 17</th>
<th>No. in Progress December 17</th>
<th>Outstanding (Still to be looked at)</th>
<th>Actual no. cleared in Jan 17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer Out Quotes</td>
<td>70</td>
<td>31 January 2018</td>
<td>24</td>
<td>55</td>
<td>9 (checking)</td>
<td>6 (checking)</td>
<td>15</td>
<td>12</td>
<td>1</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Transfers In Quotes</td>
<td>66</td>
<td>31 January 2018</td>
<td>22</td>
<td>7</td>
<td>-</td>
<td>60</td>
<td>59</td>
<td>0</td>
<td>0</td>
<td>60</td>
<td></td>
</tr>
<tr>
<td>Transfers In Actual Payments</td>
<td>11</td>
<td>30 November 2017</td>
<td>11</td>
<td>10</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Interfunds Out Quotes</td>
<td>10</td>
<td>30 November 2017</td>
<td>10</td>
<td>6</td>
<td>4 (inc one Strodes record)</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Interfunds Out Actual</td>
<td>8</td>
<td>30 November 2017</td>
<td>8</td>
<td>6</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Interfunds In Quotes</td>
<td>69</td>
<td>31 January 2018</td>
<td>23</td>
<td>30</td>
<td>30</td>
<td>9 (checking)</td>
<td>9</td>
<td>1</td>
<td>3</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Interfunds In Actual</td>
<td>16</td>
<td>31 December 2017</td>
<td>8</td>
<td>1</td>
<td>9 (checking)</td>
<td>6 (checking)</td>
<td>15</td>
<td>6</td>
<td>9</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>250</td>
<td></td>
<td>106</td>
<td>115</td>
<td>61</td>
<td>105</td>
<td>19</td>
<td>67</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

*Note: The table above provides a breakdown of tasks by type, with columns detailing the total number of tasks, projected completion dates, average tasks per month, and key metrics for each month.*
<table>
<thead>
<tr>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan</th>
<th>Feb</th>
<th>March</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Staff Performance Management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Staff Cross Skilling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Performance Dashboard Development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Department Management Restructure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tell Us Once</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Teachers Pension MDC</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Quick Wins</td>
<td>Workflow Re-Design</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Altair MSS</td>
<td></td>
<td>Retirement Process Reengineering</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Altair ESS</td>
<td>Altair MSS Upgrade</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>ABS’</td>
<td>Payroll to Altair &amp; Immediate Payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>i-Connect Pilot</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Bar Coding, Scanning &amp; Historising</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mortality Screening</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Address Screening</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Disaster Recovery</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bi Borough Backlog Clearance</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Staff Performance and Training
To assist in the reduction of the backlog work and to remove the ongoing contribution to it, work is being done with team members to monitor and improve productivity levels. This work is being driven by the Operations managers and is an ongoing effort to enhance the performance of the department. To assist the Ops managers with the monitoring of daily activity and incoming workload a performance dashboard is being developed using the Tableau software. This dashboard will provide the ability to plan daily and weekly workloads for individuals as well as monitor certain cases and tasks giving us better visibility of key KPI measures so we can proactively monitor them and therefore increase performance. Alongside the performance management team members are being upskilled in different processes to broaden skill sets and increase resources available for certain activities. This work is being linked to the volumes within the department so that we have a larger team able to deal with higher volume tasks. This activity will be managed through the development of a departmental skills matrix which will highlight gaps in knowledge of the team members and will also link to the teams appraisals and 121s. Spreading skills and knowledge throughout the team will enable greater management of workload volumes as well as provide resilience in areas of specialism whilst aiding the succession planning for the department.

Department Restructure
Jan 18 update – The consultation period for the management restructure closed on 30 November and we await approval from the relevant scrutiny review group to implement the planned changes. This is expected by 20 January. The proposal centres on the replacement of two existing management posts (Operations Manager and Process Owner) with two new management posts (Service Delivery Manager and Support and Development Manager) whose primary focus will be respectively on KPI performance and efficiency improvements through application of technology. These are likely to be external appointments and hope to have these new posts filled during Q1 of the 2018/19 financial year. The current Operations Manager and Process Owner are expected to leave the team by the end of April 2018.

TUO and Teachers MDC
As part of our process improvements we have signed up to use two online systems that will help automate elements of existing processes therefore contributing to reduction in the teams workloads and assist in improving the service delivered around these processes. The teachers Monthly Data Collection is now live and in it’s final stages where we are working with other teams within the service as well as the schools to correct the data cleansing issues. Once the outstanding errors are rectified this monthly return process will minimise the effort required from within Pension services around this process and remove the lengthy annual return process which it replaces. Tell us once will be kicked off in Oct with one of our London borough customers who have agreed to the terms and are happy for us to use it on their behalf. Once they are on-board we will follow with the rest of the funds over the next couple of months. The use of the system will speed up the notification of member deaths therefore speeding up the initiation of the processing of their cases and contributing to our KPI performance.

Altair Quick Wins and Process Improvements
Off the back of a review session held with colleagues from Heywoods to look at how we are using the Altair system and where we can quickly improve the day to day transactions. We have agreed to host training sessions for the team members which will address some of the improvements which were outlined in the post session report. This training will re-educate the team in certain functions of the Altair system and look at some basic workflow redesign to help improve task processing. Following on from the implementation of quick win improvements we have agreed with Heywoods to look at a complete redesign of our retirement process. The investigation and redesign will deliver a two stage improvement plan. An immediate to-be process which we can implement straight away as well as a future state process which will require other factors being in place to achieve. This exercise is also being treated as a pilot for the service from Heywoods and if successful we will look to use the same approach with all of our key processes. Working with Heywoods in this way will make sure we are making the best of the technology we have and also enable us to contribute the development of new functions and features of the Altair system giving, further improving how we will work in the future.

Jan 18 update – Following the review of existing workflow processes outlined above, some significant changes have been made from January 2018 to both the workflow processes and the allocation of casework by team leaders for the subjects of ‘retirements’ and ‘deaths’. We anticipate that this will have a positive impact on performance in these areas for Q4. The existing process flows and work allocations for be reviewed for ‘transfers’ during Q4 to implement from Q1 of 2018/19.
The upgraded version of the member portal has been developed and UAT tested. It is currently with our IMT department who are carrying out load testing to ensure the hosted setup we have with Heywoods is able to handle our user volumes. The load testing will be carried out throughout Oct and the switchover will follow this. Once live on the new version we will continue to develop the portal to make it as user friendly and beneficial for the members as possible.

Jan 18 update – All supplementary Benefit Statements for 2017 were issued by 30 November. Further communications are to be issued to scheme members between January and March 2018 on a targeted basis to encourage sign-up to the online portal in advance of the 2018 statements being issued. The upgrade to the portal (to provide improved user accessibility) is also now scheduled to go live in Q4.

Altair Payroll Mobilisation
The move of the pensions payroll to the Altair system will give us control of our complete end to end process and remove the reliance on the SAP system and payroll teams. The project is currently in the final stages of testing and data conversion with the first live payment from the Altair system at the end of Oct. After which the project will continue to deliver the upgrade to the Java version of the system and ensure all secondary processes are working. The project will also deliver a GL report to automatically integrate into the SAP system so that the Finance team can reconcile payments. Training for the team members on the new module is planned for early Oct to ensure the team are able to carryout the necessary input for the parallel running and ongoing use of the system. A lot of time has been spent making sure that all the data is correct within the new system to ensure the payroll runs correctly once in the Altair system.

Jan 18 update – The migration of the pensions payroll from SAP to Altair was successfully completed in November and all 20,000 plus pensioners were paid correctly without interruption to the monthly payment cycle. As well as providing cost savings to the pension fund in the longer term (once the initial implementation costs have been recovered) this also means pensioners can now view their payslip and P60 information online as well as make changes to their address and bank details.

i-Connect
i-Connect will provide a secure way for employers to submit changes to payroll data which will then be automatically updated within Altair on a monthly basis. This again will improve the service and process for our employers as well as provide efficiencies internally with the reduction of record maintenance and end of year activities. We have agreed an 3 month pilot of the i-Connect system with Heywoods so that we can establish how it would benefit us and if it can realistically work for us and our employers. There is keen interest in this from our London Borough customers we are looking to use a Hillingdon employer as part of the pilot. We have planned to mostly test the system internally with SCC so that we can review how the system works both from an administrator and employers point of view. We have developed the report required and have requested all the necessary IMT resources for the implementation. At present we are working with the Information Governance team to ensure the system meets all our data requirements as personal data will be travelling outside of our network. This process has been lengthy and once approved we can kick off activities to set up the pilot.

Scanning and Bar Coding
The existing setup for the scanning of documentation is far from robust and is outdated. With the upgrade of PC hardware across the County the existing scanners are now unsupported in the IMT infrastructure. With the aim to reduce paper within the department replacing the scanners would not be cost effective and would be replacing old technology. We are currently in investigation with our IMT colleagues to understand options for utilising existing MFD machines for the scanning of documentation whilst retaining all the indexing capabilities we currently have. Alongside the replacement of the scanners we are looking at the bar coding facilities within Altair. This will give us the ability to automatically indexing documents generated form the Altair system which will automates a large chunk of the daily postal processing enabling team members to utilise the time on other more value adding activities. These activities are due to be kicked off in Oct with the new processes live by the end of the year.

Data Screening
To improve our data quality and our communication with members and pensioners we are working with a company to cleanse our database and provide address
### Q1-Q3 Initial Complaints Update

#### Total Volume of Complaints Q1-Q3 2017/18

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Received</th>
<th>Acknowledgement provided within SLA</th>
<th>Response provided within SLA</th>
<th>Response provided out of SLA</th>
<th>Awaiting Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>12</td>
<td>61.5% (8)</td>
<td>46.2% (6)</td>
<td>23.1% (3)</td>
<td>25% (3)</td>
</tr>
<tr>
<td>Q2</td>
<td>8</td>
<td>100%</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Q3</td>
<td>15</td>
<td>100%</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

#### Breakdown by Type – Q3 2017/18

<table>
<thead>
<tr>
<th>Complaint by Type</th>
<th>Received</th>
<th>Acknowledgement provided within SLA</th>
<th>Response provided within SLA</th>
<th>Response provided out of SLA</th>
<th>Awaiting Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Delay</td>
<td>9 (39%)</td>
<td>100% (9)</td>
<td>100% (9)</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Data Breach</td>
<td>1 (4%)</td>
<td>100% (1)</td>
<td>100% (1)</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Lack of Communication</td>
<td>2 (9%)</td>
<td>100% (2)</td>
<td>100% (2)</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Legislative Provisions</td>
<td>2 (9%)</td>
<td>100% (2)</td>
<td>100% (2)</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Quality of Service</td>
<td>9 (39%)</td>
<td>100% (9)</td>
<td>100% (9)</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>
Surrey Local Pension Board
18 January 2018

Review of Internal Dispute Resolution cases in 2017/18 (quarter one).

Recommendations:

1. The Board is asked to note the content of this report.

Detail:

Introduction

2. Pursuant to the Local Government Pension Scheme (LGPS) Regulations 2013 (the Regulations) each scheme employer and administering authority must appoint an adjudicator to consider applications regarding the first instance decisions made by the scheme employer or where relevant the administering authority.

3. There is further recourse to the administering authority to reconsider the decision of the first stage adjudicator.

4. Under the Scheme of Delegation relating to section 106 agreements, the following officers are nominated to hear stage one and stage two Internal Dispute Resolution (IDRP) appeals:
   - The Director of Finance.
   - The Director of Legal and Democratic Services.
   - The Director of People and Development.
   - The Strategic Finance Manager (Pension Fund and Treasury).

Summary of the adjudications in 2017/18 (30 Sep 17 – 31 Dec 17 (quarter three))

5. No first stage appeals and two second stage two appeals were adjudicated in the third quarter of 2017/18.
The complaint (1)

6. The appellant claimed that the award of a tier 3 ill health pension should be reconsidered, due to the alleged failure of the council to consider all relevant medical evidence.

The nominated second stage adjudicator

7. The second stage adjudicator noted that LGPS Regulations and guidance demonstrate that an employer is entitled to and should place significant weight on the medical opinion of the IRMP.

8. Furthermore, the second stage adjudicator considered that the employer had demonstrated very clearly that all the available medical evidence had been considered in coming to their decision.

9. As a consequence the second stage adjudicator rejected the second stage appeal.

The complaint (2)

10. The appellant claimed that the previous decision of the first stage adjudicator not to agree to a backdating of pension eligibility should be reversed.

11. In addition the appellant argued that the offer of compensation for administrative delays of approximately six months suggested by the first stage adjudicator was insufficient.

The nominated second stage adjudicator

12. The second stage adjudicator upheld the decision by the first stage adjudicator not to allow the backdating of pension benefits as they could find no evidence that the claimant had not been prevented from joining the scheme on the date that was in dispute.

13. Furthermore, the second stage adjudicator considered that the offer of compensation for administrative delays suggested by the first stage adjudicator adequately reflected the distress, inconvenience and financial uncertainty suffered by the claimant and was consistent with guidance given by the Pension Ombudsman on non-financial injustice.

14. As a consequence the second stage adjudicator rejected the second stage appeal.

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Report contact: Neil Mason, Head of Pensions (Investments, Funding & Governance)
Contact details: T: 020 8213 2739  E: neil.mason@surreycc.gov.uk
Sources/background papers: The LGPS Regulations 2013
Annexes:


Surrey Local Pension Board

18 January 2018

Risk Registers 2017/18 Quarter 3

Recommendations:

The Board is asked to note the content of this report and the Fund Risk Register (shown as Annex 1) and Administration Risk Register (shown as Annex 2) and make recommendations to the Pension Fund Committee (Committee) if required.

Background

1. A quarterly assessment of the Pension Fund and Pensions Administration risk registers will give the Board the opportunity to influence and drive the risk management process during 2017/18.

The Risk Management Process

2. The risk management policy of the Surrey Pension Fund is to adopt best practice in the identification, evaluation and control of risks in order to ensure that the risks are recognised, and then either eliminate or reduce to a manageable level. If neither of these options is possible, then means to mitigate the implications of the risks should be established.

3. Each of the risk areas in each register has been assessed in terms of its impact on the Fund as a whole, on the fund employers, and on the reputation of the Pension Fund Committee and Surrey County Council as the administering authority. Assessment has also been given as to the likelihood of the risk.

4. Each of the three areas of impact identified above is assessed on a scale of one to four, with four implying the highest level of impact. The likelihood of the risk description (between one and five) is then applied to the combined impact score, which produces an overall risk score. Depending on the score, the risks are then identified as Red, Amber or Green.

5. To comply with best practice, a scoring process has been implemented, which will reassess the risk scores after the mitigating action taken to control and reduce the risks. The risk register includes a revised impact score and net risk score as a result of those mitigating actions.
6. Within the residual red risks, cost ranges are provided on the implications where possible.

Next steps

7. The Board is asked to note the content of this report and the Fund Risk Register (shown as Annex 1) and Administration Risk Register (shown as Annex 2) and make recommendations to the Pension Fund Committee (Committee) if required.

-------------------------------------------------------------------------------

Report contact: Neil Mason, Head of Pensions (Investments, Funding & Governance)

Contact details: T: 020 8213 2739  E: neil.mason@surreycc.gov.uk

Sources/background papers:

Annexes:

1. 2017/18 Quarter 3 Fund Risk Register
2. 2017/18 Quarter 3 Administration Risk Register
TREAT - 1) Fund is reliant upon current adequate contract management activity. 2) Fund is reliant on LGIM as transition manager.

TOLERATE - 1) Policies and procedures are in place which are regularly reviewed to ensure risk of investment loss is minimised. Governance arrangements are in place to monitor the Fund. External advisors assist in the development of the Investment Strategy. Fund Managers have to provide SADs or similar statement of internal controls.

TREAT - 1) Payment of third parties (other than fund managers) monitored. 2) Regular meetings and etc) are managed appropriately and that Part 2 matters remain so. 2) Maintain constructive relationships with employing suppliers at similar price being found promptly. 3) Fund is reliant on LGIM as transition manager.
<table>
<thead>
<tr>
<th>Risk Group</th>
<th>Risk Ref.</th>
<th>Previous</th>
<th>Risk Description</th>
<th>Fund</th>
<th>Impact</th>
<th>Employers</th>
<th>Likelihood</th>
<th>Total</th>
<th>Total risk score</th>
<th>Mitigation actions</th>
<th>Revised Likelihood</th>
<th>Net risk score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance</td>
<td>23</td>
<td>28</td>
<td>That the Border to Coast Pensions Partnership disbands or the partnership fails to produce a proposal deemed sufficiently ambitious.</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>9</td>
<td>1</td>
<td>5</td>
<td>TOLERATE: 1) Partners for the pool were chosen based upon the perceived expertise and like-mindedness of the officers and members involved with the fund to ensure compliance with the pooling requirements. Ensure that ongoing fund and pool proposals are comprehensive and meet government objectives.</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Governance</td>
<td>24</td>
<td>29</td>
<td>Failure to comply with legislative requirements e.g. SIP, FSS, Governance Policy, Freedom of Information requests</td>
<td>4</td>
<td>1</td>
<td>4</td>
<td>9</td>
<td>2</td>
<td>18</td>
<td>TOLERATE: 1) Publication of all documents on external website. 2) Managers expected to comply with SIP and IMA. 3) Pension Board self-assessment to ensure awareness of all relevant documents. 4) Annual audit review.</td>
<td>1</td>
<td>3</td>
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<tr>
<td>Operational</td>
<td>25</td>
<td>30</td>
<td>Procurement processes may be challenged if seen to be non-compliant with OJEU rules. Poor specifications lead to dispute. Unsuccessful fund managers may seek compensation following non-compliant process</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>6</td>
<td>3</td>
<td>18</td>
<td>TOLERATE: Ensure that assessment criteria remains robust and that full feedback is given at all stages of the procurement process.</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Governance</td>
<td>26</td>
<td>31</td>
<td>Failure to comply with recommendations from the local pension board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>6</td>
<td>1</td>
<td>6</td>
<td>TOLERATE: Ensure that an cooperative, effective and transparent dialogue exists between the pension committee and local pension board.</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Financial</td>
<td>27</td>
<td>32</td>
<td>Counterparty risk within the SCC treasury management operation</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>12</td>
<td>TOLERATE: 1) Lending limits with approved banks and other counterparties are set at prudent levels 2) The pension fund treasury management strategy is based on that of SCC.</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Risk Ref.</td>
<td>Risk Description</td>
<td>Risk Owner</td>
<td>Inherent Risk</td>
<td>Control actions</td>
<td>Residual risk</td>
<td>Action by whom</td>
<td>Reviewed on</td>
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<tr>
<td>A1</td>
<td>Incorrect data due to employer error, user error or historic error leads to service disruption, inefficiency and conservative actuarial assumptions.</td>
<td>JB/NM</td>
<td>4 1 3 8 3 24</td>
<td>TREAT and enforce admin strategy to assure employer reporting compliance 1) Update Service Specification between the Fund and Orbs and Orbits. 2) Implementation and monitoring of a Data Improvement Plan as part of the Service Specification between the Fund and Orbs.</td>
<td>3 1 3 7 2 14</td>
<td>JB/NM</td>
<td>Dec-17</td>
<td></td>
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<tr>
<td>A2</td>
<td>Lack of process ownership leads to ineffective processes and errors.</td>
<td>JB</td>
<td>1 3 2 6 3 18</td>
<td>TREAT 1) Require transparent workflow reporting with identification of process ownership to be reported to the Local Pension Board (the Board).</td>
<td>1 2 2 5 2 10</td>
<td>Dec-17</td>
<td></td>
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<tr>
<td>A3</td>
<td>Failure to follow up on outstanding issues results in inefficiency and damaged reputation.</td>
<td>JB</td>
<td>2 2 3 7 3 21</td>
<td>TREAT 1) Include monitoring of task follow-up times as part of the revised service standards in the Administration Strategy.</td>
<td>1 1 2 4 2 8</td>
<td>Dec-17</td>
<td></td>
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<tr>
<td>A4</td>
<td>Lack of capability of the admin system leads to inefficiency and disruption.</td>
<td>JB</td>
<td>2 2 1 5 2 10</td>
<td>TREAT TOLERATE 1) Ensure system efficiency is included in the annual improvement review.</td>
<td>2 2 1 5 2 10</td>
<td>Dec-17</td>
<td></td>
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<tr>
<td>A5</td>
<td>Poor reconciliation process leads to incorrect contributions.</td>
<td>NM-JS</td>
<td>2 3 3 8 4 32</td>
<td>TREAT 1) Ensure reconciliation process notes are understood by Pension Fund team. 2) Ensure the Pension Fund team is adequately resourced to manage the reconciliation process.</td>
<td>2 2 1 5 2 10</td>
<td>Dec-17</td>
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<tr>
<td>A6</td>
<td>Lack of guidance and process notes leads to inefficiency and errors</td>
<td>JB</td>
<td>1 4 2 7 3 21</td>
<td>TREAT 1) Ensure process notes are compiled and circulated in Pension Fund and administration teams.</td>
<td>1 2 2 5 2 10</td>
<td>Dec-17</td>
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<td>A7</td>
<td>Unstructured training leads to underdeveloped workforce resulting in inefficiency.</td>
<td>JB/NM</td>
<td>1 4 3 8 3 24</td>
<td>TREAT 1) Implementation and monitoring of a Staff Training and Competency Plan as part of the Service Specification between the Fund and Orbs.</td>
<td>1 2 2 5 2 10</td>
<td>Dec-17</td>
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<tr>
<td>A8</td>
<td>Conflicting priorities (Orbs, SCGvSSPP, Pensions pooling) leads to lack of overall strategy, confusion and missed opportunities.</td>
<td>JB/NM</td>
<td>2 2 3 7 4 28</td>
<td>TREAT TOLERATE 1) Establish transparent lines of communication between Orbs partnership leads and local service areas.</td>
<td>2 2 3 7 4 28</td>
<td>Dec-17</td>
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<tr>
<td>A9</td>
<td>Non-compliance with regulation changes relating to the pension scheme or data protection leads to fines, penalties and damage to reputation.</td>
<td>JB/NM</td>
<td>1 2 4 7 3 21</td>
<td>TREAT 1) The fund has generally good internal controls with regard to the management of the fund. These controls are assessed on an annual basis by internal and external audit as well as council officers. 2) Through strong governance arrangements and the active reporting of issues, the Fund will seek to report all breaches as soon as they occur in order to allow mitigating actions to take place to limit the impact of any breaches.</td>
<td>1 2 4 7 2 14</td>
<td>Dec-17</td>
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<tr>
<td>A10</td>
<td>Gaps in skills and knowledge due to key person/single point of failure and different skill requirements leads to inefficiency and poor performance.</td>
<td>JB</td>
<td>2 3 2 7 3 21</td>
<td>TREAT 1) ‘How to’ notes in place. 2) Development of team members &amp; succession planning needs to be improved. 3) Officers and members of the Pension Fund Committee will be mindful of the proposed CIPFA Knowledge and Skills Framework when setting objectives and establishing training needs.</td>
<td>2 3 2 7 2 14</td>
<td>Dec-17</td>
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<tr>
<td>A11</td>
<td>Failure to get on top of the backlog leads to resource issues and management distractions.</td>
<td>JB</td>
<td>1 3 4 8 4 32</td>
<td>TREAT 1) Backlog to be identified as a “Project” as part of the Service Specification between the Fund and Orbs. 2) Backlog to be included in revised Performance Statistics reported to and scrutinised by the Committee and Board.</td>
<td>1 3 4 8 2 16</td>
<td>Dec-17</td>
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<tr>
<td>A12</td>
<td>Failure to identify GMP liability leads to ongoing costs for the pension fund</td>
<td>JB</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>7</td>
<td>4</td>
<td>28</td>
<td>TREAT: 1) GMP to be identified as a “Project” as part of the Service Specification between the Fund and Orbis 2) Stage 1 reconciliation reviews has been completed. 3) Acquila Heywoods have been appointed to carry out an interim stage 2 review</td>
<td>3</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>A13</td>
<td>Inability to respond to a significant event leads to prolonged service disruption and damage to reputation.</td>
<td>JB/NM</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>9</td>
<td>3</td>
<td>27</td>
<td>TREAT: 1) Disaster recover plan in place as part of the Service Specification between the Fund and Orbis 2) Ensure system security and data security is in place 3) Business continuity plans regularly reviewed, communicated and tested 4) Internal control mechanisms should ensure safe custody and security of LGPS assets. 5) Gain assurance from the Fund’s custodian, Northern Trust, regarding their cyber security compliance</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>A14</td>
<td>Lack of productivity leads to impaired performance.</td>
<td>JB</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>7</td>
<td>4</td>
<td>28</td>
<td>TREAT: 1) Regular appraisals with focused objectives for pension fund and admin staff</td>
<td>2</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>A15</td>
<td>Failure to continuously improve leads to inefficiency and missed opportunities.</td>
<td>JB</td>
<td>2</td>
<td>2</td>
<td>6</td>
<td>3</td>
<td>18</td>
<td>TREAT: 1) Annual customer feedback survey to be carried out. 2) Quarterly complaints/praise feedback to be reported to and scrutinised by the Committee and Board 3) Implementation and monitoring of an annual Continuous Improvement Plan as part of the Service Specification between the Fund and Orbis</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>A16</td>
<td>Rise in ill health retirements impact employer organisations</td>
<td>NM</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>7</td>
<td>2</td>
<td>14</td>
<td>TREAT: 1) Implement self-insurance across employers within the fund</td>
<td>3</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>A17</td>
<td>Rise in discretionary ill health retirements claims adversely effecting self-insurance costs</td>
<td>JB/NM</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>5</td>
<td>2</td>
<td>16</td>
<td>TREAT: 1) Pension Fund monitors ill health retirement awards which contradict IRMP recommendations</td>
<td>2</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>A18</td>
<td>Structural changes in an employer's membership or an employer fully/partially closing the scheme. Employer bodies transferring out of the pension fund or employer bodies closing to new membership. An employer ceases to exist with insufficient funding or adequacy of bond</td>
<td>JB/NM</td>
<td>3</td>
<td>4</td>
<td>2</td>
<td>9</td>
<td>3</td>
<td>27</td>
<td>TREAT: 1) Administering Authority actively monitors prospective changes in membership. 2) Maintain knowledge of employer future plans. 3) Contributions rates and deficit recovery periods set to reflect the strength of the employer covenant. 4) Periodic reviews of the covenant strength of employers are undertaken and indemnity applied where appropriate. 5) Risk categorisation of employers implemented as part of 2016 actuarial valuation. 6) Monitoring of gilt yields for assessment of pensions deficit on a termination basis.</td>
<td>3</td>
<td>4</td>
<td>2</td>
</tr>
</tbody>
</table>