

# Public Document Pack

Date: 27 September 2017

To: MEMBERS OF THE SOUTH YORKSHIRE JOINT  
LOCAL PENSION BOARD



**SOUTH YORKSHIRE  
LOCAL PENSION BOARD**

18 Regent Street  
Barnsley  
South Yorkshire  
S70 2HG

[www.southyorks.gov.uk](http://www.southyorks.gov.uk)

This matter is being dealt with by: Gill Richards

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Dear Member

**SOUTH YORKSHIRE JOINT LOCAL PENSION BOARD**  
**Thursday 5 October 2017**

A meeting of the South Yorkshire Joint Local Pension Board will be held at 11.30 am on Thursday 5th October, 2017 at the offices of the South Yorkshire Pensions Authority, 18 Regent Street, Barnsley, S70 2HG.

Car parking will be available at the rear of the building.

The agenda is attached.

Yours sincerely

D Terris  
Clerk

Encs

**Distribution:** Glyn Boyington (Chair), Geoff Berrett, Steve Carnell, Nicola Doolan, Cllr Phillip Lofts, Kevin Morgan, Susan Ross, Jill Thompson (Vice-Chair) and Garry Warwick.

## **Terms of Reference**

### **1. Administration**

- 1.1 Monitor and review the performance of Scheme administration including suggesting any changes to the Pensions Administration Strategy.
- 1.2 Monitor, review and report on the receipt of contributions.
- 1.3 Monitor investment manager reports.
- 1.4 Review the format, timing and source of management information presented to the Board.

### **2. Auditors**

- 2.1 Monitor and review the appointment and performance of the auditors.
- 2.2 Monitor and review the Annual Report and accounts.
- 2.3 Review the recommendations produced by audit and give consideration to what action should be taken and make recommendations to the Scheme Manager as appropriate.
- 2.4 Monitor and Review the Work Programmes for the Pensions Authority and its Boards and the South Yorkshire Passenger Transport Pension Fund Committee.

### **3. Internal Controls and Risk Register**

- 3.1 Monitor and review the Authority's Risk Register.
- 3.2 Monitor internal controls and procedures of the Pensions Authority.

### **4. Communications**

- 4.1 Monitor and make recommendations as appropriate on:-
  - The information available on the SYPA internet site
  - The information provided to Scheme members on leaving, retirement etc.
- 4.2 Produce an Annual Report upon its activities to be submitted to the Pensions Authority.
- 4.3 Produce reports and make recommendations to the Pensions Authority that relate to the work of the LPB. Any reports must be provided at least ten working days in advance of the next Pensions Authority meeting.

### **5. Budgets**

- 5.1 Agree a yearly budget for the operation of the Local Pension Board and submit to the Authority for approval.
- 5.2 Monitor the level of fees against the annual budget set for the Pensions Board.

# **SOUTH YORKSHIRE JOINT LOCAL PENSION BOARD**

**THURSDAY 5 OCTOBER 2017 AT 11.30 AM**

## **AGENDA**

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## SHEFFIELD CITY REGION COMBINED AUTHORITY/SOUTH YORKSHIRE PENSIONS AUTHORITY

### JOINT LOCAL PENSION BOARD

20 JULY 2017

PRESENT: G Boyington (Scheme Member) (Chair)

G Berrett (Employer, SYP), N Doolan-Hamer (Unison), K Morgan (Unite), S Ross (Scheme Member), J Thompson (Employer, Action Housing) and G Warwick (GMB)

Officers: G Chapman (Head of Pensions Administration), M McCarthy (Deputy Clerk), G Richards (Democratic Services Officer) and S Smith (Head of Investments SYPA)

Apologies for absence were received from S Carnell, Councillor P Lofts, S Barrett, N Copley and A Frostdick

1 WELCOME AND APOLOGIES

Apologies were noted as above.

2 DECLARATIONS OF INTEREST

None.

3 ANNOUNCEMENTS

None.

4 MINUTES OF THE MEETING HELD ON 16 MARCH 2017

With regard to the vacancy for an Academy representative on the Board, M McCarthy reported that this was still work in progress.

Reminders had been sent out recently reminding Members that, if they had not already done so, to complete the Pensions Regulator's self-assessment survey.

It was pointed out that it had been agreed previously that the Boards' budget would be £10,000 however, the budget report on the agenda stated £15,000. M McCarthy would look into this.

RESOLVED – That the minutes of the meeting held on 16 March 2017 be agreed as a correct record.

5 WORK PROGRAMME

The Board considered its Work Programme.

There was a discussion around the scheduling of Board meetings. The current schedule did not allow the Board to comment on reports such as the Annual Governance Statement before they were approved.

It was agreed that officers would look at adjusting the schedule or arranging additional meetings.

**6**     RISK REGISTER

The Board considered the Authority's strategic Risk Register.

With regard to risk 1, M McCarthy would seek clarification on the text mentioning the Local Pension Board.

A key for the Probability and Impact column would be included in future.

The Chair commented that risk 4 around social and environmental issues was a topic the Board members may be asked about and Board members needed to be aware of the Authority's policies.

**7**     LOCAL PENSION BOARD BUDGET

The Board noted its budget as at the end of Quarter 1.

**8**     SOUTH YORKSHIRE JOINT LOCAL PENSION BOARD ANNUAL REPORT

The Board considered its Annual Report which would be presented to the Pensions Authority in October.

The Chair thanked J Thompson for assistance in writing the report.

It was noted that Councillor attendance continued to be an issue; if the problem persisted the Board would consider requesting a change to the Constitution.

**9**     ANNUAL REVIEW OF THE CONSTITUTION AND TERMS OF REFERENCE

The Board reviewed its Constitution and Terms of Reference.

It was noted that both documents would need to be amended when the Passenger Transport Pension Fund (PTPF) transferred to Greater Manchester Pension Fund and the Board would be re-named, losing the 'Joint' from its title.

The Board discussed whether to replace the PTPF representatives or reduce Board membership to five employers and five employee members. It was decided to keep membership at 12 members for resilience.

Considering the difficulty in encouraging local authority members to attend, it was suggested that the Constitution could be amended so that a local authority officer could attend rather than an elected member.

Some members thought the Constitution was too prescriptive around membership and should not stipulate the number of types of employer.

Officers would check the guidance regarding membership, amend the Constitution and Terms of Reference and email them to the Board for comments before they were presented to the Authority for approval.

10 LOCAL PENSION BOARD CONFERENCE, YEAR 2, 28 JUNE 2017

The Chair and Vice-Chair had recently attended the Local Pension Board Conference, Year 2 which had been well attended.

The delegates were informed that The Pensions Regulators' focus over the forthcoming year would be on

- Governance
- Record-Keeping
- Internal Controls
- Member Contributions

There was emphasis on the new General Data Protection Regulations coming in from May 2018. One of the primary focuses for Pensions Authorities was to ensure compliance with the new regulations and this would be an area the Board could monitor.

G Boyington commented that the new regulations were much more demanding than the current ones and the Authority and Board must be satisfied that there was a policy in place that worked.

G Chapman agreed that there would be a lot more work, it was not practical to employ a data protection officer and not appropriate for a senior manager to undertake; discussions were ongoing with BMBC regarding sharing an officer.

It was decided that officers would look into organising a workshop on GDPR in the autumn, possibly to coincide with the October meeting of the Board.

The Board considered additional items to be added to their Work Programme including:

- Cyber Security/GDPR
- TPR Regulations – Acid Test
- Data Quality
- Board Appraisals for LPB members
- Succession Planning for LPB members

It was decided that the Chair, Vice-Chair and M McCarthy would meet in the near future to discuss succession planning. In the meantime, it would be useful if Board members could indicate whether they were prepared to continue on the Board for a further term.

11 INTERNAL DISPUTE RESOLUTION PROCEDURE

The Board considered the Authority's Internal Dispute Resolution Procedure and the information on the procedure available to Scheme members on the Authority's website.

G Chapman informed the Board that, as prescribed in the Regulations, the Authority had an Internal Dispute Resolution Procedure.

The LGPS had adopted a two stage procedure, at the first stage the member submitted an appeal to the organisation that made the decision being disputed. The second stage was intended to review the initial and first stage decisions and must be considered by SYPA as administering Authority.

Once the internal dispute route had been exhausted, a member could submit an appeal to the Pensions Ombudsman.

In answer to a question from a member, G Chapman informed the Board that everyone had the right to a second stage appeal, even where there was no further evidence.

97-98% of appeals were around ill-health retirements. In such cases the employers' decision was based around an independent medical opinion.

In addition to the Internal Dispute Resolution, the Authority also operated a formal complaints procedure. The Authority had received 10 formal complaints during the year, mostly from members asking for something the scheme rules did not allow.

12 INVESTMENT POOLING UPDATE

S Smith informed the Board that the Border to Coast Pensions Partnership (BCPP) had been formally constituted and the first meeting of the Joint Committee had been held in June.

The Committee had elected Cllr John Weighell from North Yorkshire as Chair and the Authority's Cllr Sue Ellis as Vice-Chair.

BCPP had informed DCLG that they could not hit the deadline of 1 April 2018 and were working to 1 June 2018.

The property search had resulted in a shortlist of four in central Leeds. It was hoped to agree a location and terms before the end of the year.

The Chair of BCPP had been appointed – all 12 had approved the appointment as per the Constitution.

Recruitment of the Chief Executive and two non-executive directors was underway, Cllr Ellis would be involved in the interviews for these posts.



This would be followed by the appointment of other senior officers, such as the Chief Investment Officer, in September.

Work was continuing on the submission to the FCA and ICT options were being explored.

13 REPORTING BREACHES OF THE LAW

The Board considered the Regulatory Code of Practice from the Pensions Regulator on reporting breaches of the law.

G Chapman reported that the Administration Division's restructure in April had created a Compliance team which would strengthen areas such as taxation issues and data and record keeping.

The Pensions Regulator had already been informed that the Authority would not achieve the target date for issuing Annual Benefit Statements. It was hoped to issue 75% by the 31<sup>st</sup> August 2017 deadline and the remainder by 31 March 2018. This decision had been taken to avoid a repeat of the backlog of cases that had built up the previous year.

14 REVIEW OF ADMINISTRATION STRATEGY

G Chapman informed the Board that it had been intended to review the Administration Strategy in October and to discuss this with the Board at the meeting today.

Due to the major changes occurring in April 2018 with regard to monthly contribution reconciliation it had been decided to review the Strategy to coincide with the implementation. The Board would be consulted on this beforehand.

15 INDEMNITY INSURANCE FOR LOCAL PENSION BOARDS

With regard to public indemnity insurance, M McCarthy informed the Board that A Hunt, BMBC's insurance lead, had no doubt that the casualty/liability insurance would cover the Local Pension Board but had asked Zurich Municipal who provide the Authority's insurance to confirm how their policy would respond.

Zurich's response was that their solution was to extend the officials indemnity element of the policy to include the Local Pension Board.

The Board asked for confirmation of this in writing.

CHAIR

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# Agenda Item 5

## South Yorkshire Joint Local Pension Board Work Programme

Terms of Reference Area	Jan	March	July	Oct	Author
<b><u>Board Arrangements</u></b>					
Board Work Programme	x	x	x	x	GR
Cycle of Board Meetings		x			GR
Board's Annual Report			x		MM/GR
LPB Budget Monitoring	x	x	x	x	BC
Minutes of Previous Meeting/Matters Arising	x	x	x	x	GR
Annual Review of Constitution & ToR			x		MM/GR
Update to Constitution & Terms of Reference				x	GR
Learning & Development	x				MM/GR
<b><u>Administration</u></b>					
Employers Performance			x		GC
Pensions Administration Performance	x		x		GC
Review of Administration Strategy			x		GC
Investment/Pooling Update	x	x	x	x	Various
Authority and Board Work Programmes				x	FB
SYP Annual Fund Meeting				x	GC
SYP Annual Fund Meeting Survey	x				GC
Employers Forum Survey		x			GC
Review of Annual Report & Accounts			x		GR
Treasury Management	x				TBC
Budget Monitoring			x		TBC
Complaints and Compliments			x		
Draft Reporting Breaches Procedure				x	GR
<b><u>Auditors</u></b>					
Internal Audit Update (incl. recommendations)	x				RW
Internal Audit Annual Report			x		RW
External Audit Annual Governance Report			x		LW
External Audit Annual Audit Letter	x				LW
<b><u>Risk Management</u></b>					
Annual Review of Risk Management			x		AH
Risk Register	x	x	x	x	GC/SB
<b><u>Communications</u></b>					
Information of the SYPA Website	x		x		GR
Information provided on retirement, leaving etc.		x			GR

Topical issues & requests from LPB members will be added where necessary.

Updated 05.09.17

## SOUTH YORKSHIRE PENSIONS AUTHORITY

### JOINT LOCAL PENSION BOARD

5 October 2017

### RISK REGISTER

**1. Purpose of the Report**

To monitor and review the Authority's Risk Register as per 3.1 of the Local Pension Board's Terms of Reference.

**2. Background Information**

The Corporate Planning and Governance Board is responsible for the oversight of the Authority's Risk Register and is involved in the identification of high level strategic risks. To enable the Corporate Planning & Governance Board to carry out these responsibilities the Risk Register is a regular item on Board agendas.

**3. Risk Update**

Revisions have been made to the Register since it was last presented to the Local Pension Board for consideration. These are highlighted in red on the attached Risk Register.

One new risk has been added. This reflects the risk around the implementation of the General Data Protection Regulation in May 2018.

**4. Comments**

Members are asked to comment and/or make suggestions on the content of the Risk Register.

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## SY PENSIONS AUTHORITY RISK REGISTER AS AT

27/09/2017

Priority	Risk No	Risk Title	Risk Consequences	Risk Owner	Existing Control Measures	Current Score	Probability and Impact	Target Score	Probability and Impact	Risk Mitigation Action	Owner	% comp	Review Date	Commentary (If Applicable)
	001	Failure to ensure there are appropriate succession plans in place to ensure employees are given opportunities to demonstrate their capability to 'step-up' to more senior roles	Leading to... Knowledge gaps; Negative impact on existing / remaining employees; Business Continuity and resilience issues; Negative impacts on service delivery; Poor performance and non-delivery of targets; Reputational damage; Potential knock on effects where knowledge gaps could appear in areas where employees have been promoted from;	Head of Paid Service	Training of employees; Sharing of information; Use of minutes and central resources to ensure employees are well informed; Involvement in all issues of management teams to ensure continuity; No immediate competitors for recruitment in the Pensions industry; Procedures well documented; Currently carrying some vacancies to provide some flexible options; Need to provide full Business Case prior to any recruitment being undertaken; External HR support in place; Authority Management Committee in place; BMBC HR support;	2	P - H F - M OI - M	4	P - H F - L OI - L	Access to online training for all staff now available. Fund Director to report to the Authority 5/10/17 on structural proposals post pooling including succession planning and qualification levels for new posts. Delivery of internal Training Programme 17/18	Head of Paid Service  Head of Paid Service / Head of Pens Admin		31/12/2017  31/12/2017	This has been updated to recognise the development of the online training plan. The risk scoring remains the same until the training has been implemented and then reviewed at that point. The restructure in pensions administration has elevated a number of key staff which is positive for retention
	002	Failure to ensure that the Elected Members knowledge and understanding of Pensions related activities is robust, and meets the statutory requirements in terms of Section 248a of the Pensions Act 2004	Leading to... Improper scrutiny and challenge by Elected Members; Mistakes, Errors and omissions and non-compliance with statutory requirements; Failure to ensure contributions are collected; Failure to ensure benefits are calculated properly; Failure to ensure surplus monies are properly and prudently invested; Reputational damage in terms of censure from regulators;	Clerk to the Authority	Induction training provided to new Members which comprises a three day external training course; One day internal refresher course in 2013; Periodic awareness presentations delivered to Members; A self assessment framework for Members and Chairs is in operation but needs refining - this should assist in identifying training requirements; Lead Member for training identified; Working to the spirit of the CIPFA Code of Practice (Code of Practice on Public Sector Pensions Finance Knowledge and Skills, revised in 2013) - Treasurer is the nominated CIPFA officer; Production of Annual Report which includes commentary on Members training activities; External training augmented by internal training;	5	P - M F - VL OI - L	6	P - L F - VL OI - L	Review of Members self assessments	Treasurer		31/12/2017	
Page 11	003	Failure to ensure that required pay and contributions data from customers is provided in an accurate and timely manner	Leading to... Negative impacts on operational targets; Inaccurate information being given to employees and pensioners resulting in complaints, customer dissatisfaction and reputational damage;	Head of Paid Service	District Group Meetings between officers; Regular reports on progress submitted to Corporate Planning and Governance Board; Standard item on South Yorkshire Treasurers Association meetings; Practitioner officer working group established; Ongoing liaison with External Audit; Pensions regulator responsible for regulating schemes and is able to fine and censure those responsible for inaccurate or late information; Enhanced and more robust Service Level Agreements between customers and Authority; Pension Strategy approved by Authority - reviewed and revised version in place for 01/04/2016 - incorporates SLA's and improves upon them in terms of fines being levied for customers who are non-compliant;	2	P - M F - H OI - M	3	P - L F - H OI - H	Pensions Administration Strategy Implemented  Monthly postings to be implemented for 18/19	Vice Chair (Corporate Planning and Governance Board)  Head of Pens Admin		31/12/2017  31/12/2017	Positive steps forward in this area but the risk remains high until the change to monthly posting has been implemented. The software has been delivered and testing is going well. Employers are keen to be part of the test.
	004	Failure to ensure that social, environmental and other factors such as the use or endorsement of fossil fuel, obesity and tobacco by companies in which the Fund invests are considered when making investment decisions	Leading to... Non-achievement of investment objectives; Failure to protect and enhance the economic value of the companies the Fund invests in; Reputational damage;	Fund Director	Internal policy documents in place; Awareness information circulated within Investments Team; Membership of various pressure groups; Reports to Members Oversight Board; Awareness of balance between risk (investing in companies that may have an interest in fossil fuel, obesity and tobacco) against reward (high yield investments); Members have embraced the approach exhorted by Professor John Kay in his 2012 'Review of equity markets and long term decision making' and the phrase 'voice over exit'; Pensions Climate Change Policy Document published and feedback received; Statement of Investment Principles in place; Performance reports include information on investments made;	4	P - M F - M OI - M	5	P - L F - L OI - L	Reports to members have been submitted during the year.	Head of Investments		30/11/2017	Members are kept up to date with reports as appropriate.
	005	Failure to ensure that the deposits held with banks and other financial institutions is repaid on the agreed due date (Credit Risk)	Leading to... Financial loss; Negative impact on overall financial viability of the scheme;	Fund Director	Treasury Management Strategy requires that deposits are not made with financial institutions unless they meet identified minimum criteria set by the Authority; Maximum sum to be invested identified for each institution; Credit monitoring arrangements in place; Financial references obtained for institutions that the Authority may potentially invest in;	5	P - L F - M OI - L	6	P - L F - L OI - L	Ongoing monitor and review	Head of Investments		31/03/2018	Treasury Management strategy reviewed and approved March 2017. Monitoring reports submitted during the year.
	006	Failure to ensure that the Authority has appropriate access to its cash resources to meet its commitments to make payments (Liquidity Risk)	Leading to... Financial loss; Negative impact on overall financial viability of the scheme; Inability to meet pensioner payroll costs and investment commitments;	Fund Director	The Fund has immediate access to its cash holdings with the majority of cash being deposited for no longer than a week, and no cash being deposited for more than a month; The latest triennial actuarial valuation undertaken in 16/17; Assumptions within Actuarial report (mortality and commutation rates) unchanged for previous evaluations; The Authority works to the principle of 'collect, handle, secure and invest';	5	P - L F - M OI - L	6	P - L F - L OI - L	Actuarial review in 2016 completed : new contribution rates in place from April 2017. Treasury management operations kept under review	Head of Investments		30/11/2017	Actuarial review completed by March 2017

## SY PENSIONS AUTHORITY RISK REGISTER AS AT

27/09/2017

Priority	Risk No	Risk Title	Risk Consequences	Risk Owner	Existing Control Measures	Current Score	Probability and Impact	Target Score	Probability and Impact	Risk Mitigation Action	Owner	% comp	Review Date	Commentary (If Applicable)
	007	Failure to ensure the Authority protects the data it owns, and the data it handles	Leading to... Loss of personal information resulting in reputational damage and censure by Information Commissioner; Loss of trust from partnering organisations; Successful attacks by hackers or third parties; Disruption and delays;	Head of Paid Service / Fund Director	Data back up undertaken daily and backed up information removed from site; Disaster Recovery procedures and Business Continuity Plan in place; External Audit by third party organisations the Authority works with; Security of emails via GSX accounts or the use of Mimecast software; IT Security Policy in place; Reporting of incidents to Information Commissioner; Information Governance training included in training programme; BOLD training available via BMBC; Data Protection Officers no longer in post within SY Pensions; Contract management arrangements regarding the software provided by SY Pensions to third parties includes performance management consideration; Liaison with Landlord regarding improvements to physical security of Regents Street Offices such as lock on doors undertaken; Mandatory Data Protection training in place;	3	P - L F - H OI - H	5	P - VL F - M OI - H	Bi-Annual review of BCP  Roll-out of Windows 10 to enable hard drives to be encrypted  Review of where data is stored to ensure is can not be extracted  Provision of online training to employees 16/17. Investigate GDPR and provide relevant training if necessary	IT Manager IT Manager IT Manager IT Manager		31/03/2018 Complete 31/12/2017 31/03/2018	The IT plan is tested on an annual basis. No issues from the last test. The review of data storage is well underway. The online training course has been completed. The impact of GDPR from May 2018 needs to be considered.
	008	Failure to ensure that the reconciliations between SY Pensions and the DWP relating to the end of the contracting out window (31/03/2016) are undertaken within an appropriate timescale	Leading to... SY Pension will have to guarantee minimum pension levels, and essentially have to underwrite the risk of miscalculation or lack of / poor information;	Head of Paid Service	Details from central Government are still emerging; Current lack of resources within SY Pensions makes this a challenging area to comply with; Approval received to outsource arrangements to I.T.M. Ltd;	2	P - H F - M OI - M	4	P - M F - M OI - M	Review of work undertaken by I.T.M. Ltd to ensure members benefits are correct. Reconciliation work has been undertaken and recalculations ready to be done.	Head of Pens Admin		31/12/2017	Progress has been made but recalculations are now in a queue along with other work waiting to be done. Recalculation plan being developed.
	009	Transition to the new investment 'pooling' arrangements is not well managed	Poorer value for money Negative impact on the staff involved in the transition Reputational damage for SYPA and the LGPS	Clerk to the Authority	Member Steering Group in place (MSG) Chair of SYPA fully engaged in MSG Officer Steering Group with SYPA senior officers involved Sec151/Monitoring Officer oversight of arrangements Regular reports to SYPA & LPB	3		3		Member and officer participation in pooling arrangements and supports individual workstreams	Fund Director		Nov-17	Regular reporting in place at SYPA meetings. Key BCPP appointments now made. SYPA structure post transfer being reported to the authority for approval on 5th October.
Page 12	10	Transfer of the Sheffield City Region Comined Authority (SCRCA) Passenger Transport Fund to the Greater Manchester pension Fund effective 1.4.17	Whilst this relates to the PTF rather than SYPA there is nonetheless a potential reputational impact if this is not well managed by SYPA officers.	Fund Director	Project Magpie has been set up by GMP supported by Hymans (Actuary) and the Head of Pensions is a member of the project team. Consultation is currently underway via DCLG expecting to confirm the transfer, retrospectively, from 1.4.17 with some months of post transfer transition.	4		6		Maintain as standing item on SMT Head of Pensions a member of the project team and reports to SMT Head of Investments engaged as required on asset transfers. Head of Finance exercises oversight of financial implications.	Fund Director/ Head of Pensions / Head of Investments/ Head of Finance		30/11/2017	SMT standing agenda item. Data transfer to take place during October 2017 and Asset Transfer no later than 31st January 2018
	11	The MiFID II (Markets in Financial Instruments Directive) arrangements are somewhat complex European driven changes which could impact adversely on all LGPS funds.	The changes are currently set to take effect from 3 January 2018, part of a process of harmonising regulations for investment services across market operations in the European Economic Area. The main issue that funds could face is a re-classification from 'per se professional' to 'retail' client status. Funds could see significant restrictions on their investment activities as retail clients e.g. in terms of the types of investment funds and asset classes which they could invest in.	Fund Director / Head of Investments	The Financial Conduct Authority (FCA) is the body responsible for implementing the requirements in the UK, in the context of the EU and UK regulatory frameworks. Funds will however, have the opportunity to "opt-up" to 'elective professional client', i.e. professional client status. The FCA believes that the ability to access financial markets will not be fundamentally affected by broader changes if classified as a professional client. The specific procedure for opting-up will include both qualitative and quantitative assessments	3		5		There are no immediate financial consequences for the Fund. BCPP officers working with the FCA and others to forge an acceptable way forward for the operation of LGPS funds within MiFID II is crucial to future operating practices. Opt up process to be reported to Investment Board 14.9.17	Fund Director / Head of Investments		30/11/2017	Kept under review within BCPP Officer operating Group. LGA now have an opt-up process as guidance for funds. To be reported to Iboard 14.9.17 and applied in practice.
	12	The implementation of the General Data Protection Regulations (GDPR) in May 2018.	The GDPR will impact on the way that we can lawfully collect, use, retain and share information about members. With new duties to report breaches and the potential for significant financial penalties it is important to ensure that we are ready to comply with the GDPR.	Fund Director	We are compliant with the current Data Protection Act with regard to data security and staff awareness. However under GDPR all our current data sharing agreements must be reviewed and we also need to advise scheme members of their privacy rights and the possibility of them requesting that cease to hold aspects of their personal data. IT security is also being enhanced.	2		5		IT Staff are attending a three day training course in October which will assist in the development of further IT security. Following the training a project team will be created to proportionately examine our data relationships. A BOLD training course will be rolled out to staff when available. We are party to an LGPS working group to share developments	Head of Pens Admin		30/11/2017	Report to the authority on progress due November 2017

**Key:**  
**P = Probability**  
**F = Financial Impact**  
**OI = Other Impacts**  
**VL (1) = Very Low**  
**L (2) = Low**  
**M (3) = Medium**  
**H (4) = High**  
**VH (5) = Very High**



# Agenda Item 7

The Pensions Regulator  
Napier House  
Trafalgar Place  
Brighton  
BN1 4DW

Our ref: Pen/GC  
Your ref:  
Direct Line: (01226) 772954  
Fax: (01226) 772938  
E-mail: gchapman@sypa.org.uk  
Date: 5<sup>th</sup> May 2017

Dear Sir

## **Local Government Pension Scheme Annual Benefit Statements**

I am writing with advance notice that South Yorkshire Pensions Authority is only likely to meet the statutory requirement for issuing annual benefit statements for approximately 75% of active members by the 31<sup>st</sup> August 2017 deadline. This will apply for this year only whilst we implement a new process that will ensure that the 31<sup>st</sup> August target will be achieved without difficulty in the years to come.

By way of background information, South Yorkshire Pensions Authority is responsible for administering the Local Government Pension Scheme for over 400 employers in the South Yorkshire area and beyond. As at 31<sup>st</sup> March 2017 we were responsible for,

51,944 Active Members  
53,110 Deferred Members  
49,321 Pensioner Members

At present the provision of annual benefit statements by the 31<sup>st</sup> August deadline is impossible to achieve without compromising other work areas. The overriding reason for this is that contribution returns from employers have traditionally been reconciled on an annual basis as for many years this was the only viable method for a large fund such as ours.

The current process requires employers to issue a balanced annual return by 31<sup>st</sup> May following the year end which leaves us very little time for query resolution and the work that we have to do to ensure the right contributions are posted to the member account, calculate the members accrued pension for the year and produce the statement which, in itself, is a complex document given the options available within the LGPS.

In conjunction with the introduction of the 31<sup>st</sup> August deadline and in order to maximise the processing time available we implemented a Pensions Administration Strategy that, amongst other things, contained the ability to levy penalties on employers for poor performance including late submission of their annual return. Whilst most of the penalties are only likely to be used as a means of last resort we implemented the penalty for late submission of annual returns immediately for all employers. This proved to be an effective strategy since 94% of employers issued their return on time in 2016 compared to 52% in 2015.

Whilst the improvement in employer performance gave us the best possible chance to issue annual benefit statements on time, in the end, the only way we were only able to successfully meet the target in 2016 was to suspend production on non-priority casework such as new starters and early leavers with operative dates after 31<sup>st</sup> March 2016 and build up a substantial backlog of work in the process. The backlog of work has not yet been fully cleared even though our staff have been working overtime and implemented a number of initiatives to get us back up to date. Worse still, all backlog work fails our customer service performance targets and has a detrimental impact on our overall performance that we report to our elected members, local pension board and of course the membership.

We have implemented a solution to this issue but it is not a quick fix. In order to improve performance from all perspectives the processing and reconciliation of contribution and member data must shift from annual to monthly. By reconciling monthly, error detection is improved and is timelier resulting in member records being regularly kept up to date. Importantly, reconciliation is also spread over a longer period rather than being compressed into just a few months. Reconciling on a monthly basis will lead to data for annual benefit statements being ready in just weeks after the year end and in any event well before the 31<sup>st</sup> August deadline.

Although this solution has obvious benefits there were a number of challenges we needed to consider before we could commit to the change.

<b>Issue</b>	<b>Solution</b>
Our pensions administration software must be capable of receiving, validating and uploading data from a multitude of scheme employers and their range of payroll systems	Our system is capable but needs development to meet our requirements. We have partnered with our software supplier who will deliver an upgrade ready for testing during late summer 2017
Engagement with scheme employers is necessary to ensure that they are capable of issuing returns on a monthly basis and responding to queries in a timely manner thereafter. We have over 400 hundred participating employers ranging from large metropolitan district councils to single member admission bodies	We have consulted with our employers and presented our vision to them at our annual employers forum. The employers were overwhelmingly in support of the proposal with many of them volunteering to be test sites once the new software becomes available
We have insufficient staffing resource to enable the transition from annual to monthly reconciliation of contributions and data	A major review of staffing was undertaken and approval was granted to increase our establishment by five additional posts along with some internal reorganisation. Four of the new posts will be engaged in dealing 100% on monthly reconciliation of member contributions and the production of timely annual benefit statements.

As you can see we have moved swiftly with the issues we encountered in 2016 but unfortunately the transition from annual to monthly processing cannot take place overnight. Our new recruits started in post at the end of April but until we have the software upgrade in place they are to be engaged in data cleansing and preparatory work ahead of the transition. Whilst this will be productive and helpful it is unfortunate that we will still have to reconcile the 16/17 annual returns in the same manner as we have previously and the same will apply in relation to 17/18. It is only at the point when we can start reconciling contributions on a monthly basis will we see the true benefit and this is scheduled to be live across all our employers with effect from 1<sup>st</sup> April 2018.

Our proposal for this year only is that we aim to deliver as many annual benefits statements as possible by 31<sup>st</sup> August 2017 but do not attempt to send them all by this date. Typically the

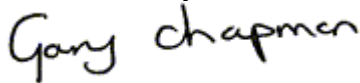
members that will receive them on time will be those for whom we have no query and whose employer issued their annual return by our 31<sup>st</sup> May 2017 deadline. Those for whom we have queries will be investigated and the intention will be to resolve any issues and send their statement before 31<sup>st</sup> March 2018. This will enable us to maintain the production of non-priority work without resorting to stockpiling cases as we did last year.

New for this year is an improvement to our printing process that we have agreed with our external printing company. Instead of issuing statements as a bulk exercise when all statements are ready we will now have multiple batch runs throughout the year. This will not only mean that some members will receive their statements well in advance of the 31<sup>st</sup> August deadline but those that are delayed due to query will be sent as soon as they are ready rather than waiting for a bulk run as we have done in the past.

We have consulted and have the support of the Chair and Vice-Chair of the Authority and if you are in agreement we will communicate our plan with the scheme members through our spring newsletter and our website. Your agreement to our plan will greatly assist us during this period of transition but if you think we should continue to aim for the 31<sup>st</sup> August deadline for all active members we will do so. An early response if this is the case would be appreciated so that we can put our contingency plans into operation.

Please contact me if you would like to discuss this matter.

Yours faithfully

A handwritten signature in black ink that reads "Gary Chapman". The signature is written in a cursive, slightly slanted style.

Gary Chapman  
Head of Pensions Administration

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## The Pensions Regulator

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### **Private & Confidential**

Graham Chapman  
South Yorkshire Pension Authority  
18 Regent Street  
Barnsley  
South Yorkshire  
S70 2HG

1 August 2017

Dear Mr Chapman

### **South Yorkshire Pensions Authority (SYPA)**

Thank you for your letter of 5 May 2017.

### **Annual Benefits Statements 2017**

My understanding of your letter is that SYPA will not be able to meet the required 31 August 2017 statutory deadline for the delivery of an Annual Benefit Statement (ABS) to the eligible membership.

You have requested that The Pensions Regulator (TPR) agree to a plan whereby around 75% of ABSs will be delivered by 31 August 2017 and the residual (those requiring more in depth investigation) being delivered by 31 March 2018. In your letter you state that delivery of the ABSs on time last year created a substantial backlog of work which is still being worked on, therefore delivery of the ABSs is not seen as a viable option for this year.

As it is a legal requirement to deliver ABSs to relevant members by the 31 August each year under the Local Government Pension Scheme Regulations 2013, TPR is unable to agree to any plans or other arrangements that do not adhere to this statutory deadline.

The requirement to provide an ABS to deferred and active members has been a requirement for Local Government Pension Schemes since 1 April 2014. As this now should be an embedded scheme administration process, TPR is taking a firmer line with regards to compliance failures. Therefore, if you have been unable to meet the legislative deadline for the ABS delivery by 31 August 2017, a further update breach report will be required to be submitted detailing the pensions legislation that has been breached from the perspective of the reporter, and why this breach(es) is materially significant (eg X number of members who have not been sent their ABS by the statutory deadline). In addition to the breach report, a robust plan is required to show the actions SYPA intend to take to comply with the LGPS Regulations regarding ABS for the 2017/18 scheme year, along with confirmation from the Scheme Manager that they believe the actions and timescales within the plan are fully achievable. Further details on requirements on reporting breaches and the materiality of the breaches can be found in Code of Practice 14: "Governance and Administration of Public Service Pension Schemes" and in the "Compliance and Enforcement Policy for Public Service Pension Schemes" which are available on our website.

### **Case Investigation**

Please be advised that as a result of your letter, we have opened a case investigation on the matter advised and to assist us with this investigation please can you provide me with the requested information below.

Please advise:

- When the ABS mailing is due to start (if it has not started already) and what is the planned percentage delivery completion by members by 31 August 2017?
- Does this mailing include non-active members? SYPA is required to automatically provide the deferred, deferred pensioner and pension credit members with an ABS.<sup>1</sup>
- The number of members that will not have received their ABSs by 31 August 2017 broken down by membership status (i.e. active, deferred, deferred pensioner and pension credit memberships).
- The number of members that will have received their ABSs by 31 August 2017 broken down by their membership status.
- There is reference to a Pension Administration Strategy in your letter of 5 May 2017, are you able to share this strategy with TPR for information?
- In your letter you note there are delays in receiving employer data, has this caused SYPA to breach pensions legislation?
- If delays in receiving employer data have caused SYPA to breach pensions legislation (not just restricted to ABS production) then please provide details of the names of the employers involved and numbers of scheme members employed by each employer, thus potentially affected?
- What actions SYPA has taken with regard to the delays in employers supplying data? What contact has been made with the employers in question, including any escalation to senior management, and has consideration been given to the use of powers available to the Scheme Manager under the LGPS Regulations 2013?
- Is there a plan in place to improve the ABS exercise for 2017/18?

### **Administrative Backlog**

In your letter you note there has a "substantial backlog of work" caused by activities undertaken last year for the ABS exercise. I would like to explore this issue.

Please advise:

- The details of this backlog, including the number of items in the backlog, what administrative items make up this backlog and when will the backlog be cleared?
- What is the oldest item in this backlog?
- Did the backlog have any member impact or lead to scheme data being compromised?
- Has any thought been given to whether or not this backlog was a breach of pensions legislation and, if so, was materially significant and thus should be reported to TPR?

### **Monthly Processing of Employer Data**

It is encouraging to see progress in SYPA meeting the requirements as set out in the Regulations, in particular the move to monthly processing appears to be a step in the right direction.

Please advise:

- How the move to monthly processing is being managed, is there a project plan in place and when is the projected completion date?

---

<sup>1</sup> The Local Government Pension Scheme Regulations 2013 – Section 89

- How far advanced is the recruitment to meet monthly processing requirements and if not completed, when it is expected to be completed and staff to be in post?
- How is the move to monthly processing expected to impact on future ABS exercises?

**Pension Board**

Please advise whether the Pension Board meeting minutes are published on the SYPA website and if yes, where they can be accessed from?

We should be grateful if you would provide the above information to us by 15 August 2017.

Yours sincerely



**Michael Huxley**

Case Management, Frontline Regulation Directorate

[Michael.Huxley@thepensionsregulator.gov.uk](mailto:Michael.Huxley@thepensionsregulator.gov.uk)

## Appendix

Please note that the information you provide in response to this request may be used by the Regulator for the purpose of exercising its functions. Pursuant to section 80 of the Pensions Act 2004, any person who knowingly or recklessly provides the Regulator with information which is false or misleading in a material particular in these circumstances is guilty of an offence.

Please note that information obtained by the Regulator may be "restricted" within the meaning of section 82 of the Pensions Act 2004. If so, the Regulator, and any person who receives the information directly or indirectly from the Regulator, is subject to the restrictions on its further use and disclosure set out in that section. Your attention is drawn in particular to the provisions of section 82(1) and 82(2) of the Pensions Act 2004. Onward disclosure of restricted information, other than in accordance with the Pensions Act 2004, is a criminal offence.

Information (including personal data) provided to the Regulator in response to this request may be used (including disclosing it to third parties) in connection with any of its functions or duties under the Pension Schemes Act 1993, Pensions Act 1995, the Pensions Act 2004, the Pensions Act 2008 or any other enactment which confers functions or duties upon the Regulator.

The Regulator is a data controller for the purposes of the Data Protection Act 1998 ("DPA"). We hold and process personal data in accordance with the principles set out in the DPA in carrying out our statutory functions/duties. Please ensure you have the necessary authorisation/permission to disclose to the Regulator personal data of other individuals or persons.





The Pensions Regulator  
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E-mail: gchapman@sypa.org.uk  
Date: 15<sup>th</sup> August 2017

Dear Mr Huxley

### Annual Benefits Statements 2017

Thank you for your letter of 1<sup>st</sup> August 2017 following mine of 5<sup>th</sup> May 2017. I note you are instigating a case investigation into our plans for the production of annual benefit statements for our members in 2017.

My earlier letter was intended to advise in advance on our proactive steps taken to address the likelihood we would not achieve 100% compliance with the Regulations requiring Annual Benefits Statements to be with members by 31<sup>st</sup> August. It also explained the reasons why and my plans and actions designed to improve this for next year and thereafter.

I'd like to draw attention to our commitment to customer service excellence. We have held accreditation awards since 2004. Our latest external assessment took place in April this year where we successfully retained our Customer Service Excellence Award with 100% compliance in all 57 assessment criterion. We introduced service standards for casework before it became the industry norm and computerised workflows existed and we have issued annual benefit statements since 1993, long before it became a statutory requirement. We are committed to data quality and have developed a data cleansing tool that identifies issues as they occur and which we sell to our LGPS colleagues on a non-profit basis to help raise data quality standards across the sector. This is hopefully to reassure you that we take our service standards very seriously and always strive for continuous improvement in everything we do.

The aspiration of continuous improvement was at the heart of the proposal I put forward on 5<sup>th</sup> May. I'll not repeat the content of my letter but should say that I am aware that reporting a breach before the breach occurs is not anticipated within the code of practice. I felt that being upfront with our plans would demonstrate that careful consideration had been given to a solution that benefits all of our members. We do not see this as a negligent failure of our responsibilities but rather a carefully considered plan to improve member experience for years to come. We have committed considerable resources to this end.

I would hope that this will enable you to feel more comfortable with our proposals and our aims in alerting you in advance. We support and understand the need for targets. Our aim has been to meet them with a quality response but our current process and the complexity of the LGPS makes the current 31<sup>st</sup> August target onerous. The target could easily be achieved if we relaxed the quality control checks we perform on the data we receive but we are aiming for the best service to our members. We understand that to improve, we need to implement a change to the process and as I explained in my previous letter this cannot be achieved overnight, however clear plans are in place.

I wonder whether we can seek some flexibility around Paragraph 246 of Code of Practice 14 which suggests that it may be possible for a breach not to be considered material where there are teething problems resulting from, for example, the implementation of a new system?

The purpose of my letter of 5<sup>th</sup> May was not to seek permission to disregard our statutory requirements, which we do take very seriously, but to demonstrate why we felt that the best outcomes would be achieved by taking the steps we have. I had hoped that being candid about the position ahead of the breach would be positive affirmation of our best intentions towards our scheme members and would hope we can build an understanding with you on this basis.

### Case Investigation

My responses to your case investigation questions are as follows,

- Q. When is the ABS mailing due to start (if it has not started already) and what is the planned delivery completion to members by 31<sup>st</sup> August 2017.
- A. The data was delivered to our external printer on Wednesday 8<sup>th</sup> August with a guaranteed posting date to ensure delivery before 31<sup>st</sup> August 2017. The data includes 82.5% of active members. A copy of our active member dashboard is enclosed for information.
- Q. Does this mailing include non-active-members.
- A. Yes 98.63% of non-active members are being issued.
- Q. The number of members that will not have received their ABS's by 31<sup>st</sup> August 2017.
- A. 8,303 active members and 647 non-active members. All members who will not have received a statement by 31<sup>st</sup> August have been sent a letter with an explanation why. Active members are invited to login or register for online access to their member records where they can run their own benefit calculations either at a current date or at their normal pension date. Non-active members can view their own data and can check for updates to their deferred benefits as and when they are updated. All online members will also be able to access 'Track my Case' which is a new feature we have developed to communicate to members the status of any work we are currently performing on their pension record, in this case, annual statement production. A copy of the letter sent to active members is attached for information.

There is a major push to resolve the outstanding queries as soon as possible after 31<sup>st</sup> August target has passed. We are already working on the queries but in some cases we are reliant on the employer to provide the answers. Once the initial run has been issued we have an arrangement with our external printer to issue subsequent runs as and when required. We are anticipating this to be a weekly event and the first run scheduled for the beginning of September already includes 540 out of the 647 remaining non-active member statements. We expect to have completed the entire exercise by 20<sup>th</sup> November at the very latest.

- Q. The number of members that will have received their ABS by 31<sup>st</sup> August 2017.
- A. 37,919 active members and 46,499 non-active members
- Q. If delays in receiving employing data has caused SYPA to breach pensions' legislation please provide details of the employers.
- A. A number of employers missed our deadline for submission of a balanced and reconciled annual return but they have all now submitted a return.
- Q. What actions have SYPA taken with regard to delays in employers supplying data.
- A. Our pensions' administration strategy requires a reconciled annual return to be received and accepted by 31<sup>st</sup> May. Breaches result in an automatic £250 penalty which is escalated at £100 per each further week of delay. This has successfully resulted in over 90% of employers submitting their data on time. A copy of our Administration Strategy is enclosed.
- Q. Is there a plan to improve the ABS exercise for 2017/18
- A. Yes, building on the experience of this year, our reorganisation and the enhanced reporting techniques we now have in place The statements for 17/18 will still rely on reconciliation at the year-end but next year we will have no concerns about meeting our obligation of issuing 17/18 statements by 31<sup>st</sup> August 2018. The planned shift to monthly reconciliation will commence from 1<sup>st</sup> April 2018 and this will have a positive impact on statements issued by August 2019 and the future.

#### Administrative Backlog

The backlog of work referred to in my letter of 5<sup>th</sup> May has now been cleared. The backlog arose during a period where we had no option but to prioritise annual benefit statement production. No scheme member was adversely affected during the period whilst we had the backlog and scheme member data was never under any threat of being compromised. This was a short-term emergency decision to achieve the target for issuing annual benefit statements in 2016 and will not be repeated.

#### Monthly Processing of Employer Data

The project is progressing on time and still scheduled for a 1<sup>st</sup> April 2018 launch. The new team is fully in place and already having an impact by assisting with the 16/17 annual return process. The software upgrade required to enable monthly reconciliation was delivered on time on 31<sup>st</sup> July. It is now being configured and then the testing phase will commence immediately thereafter. A number of our employers have been recruited as test partners as we spend the next couple of months testing uploads, validations and reconciliations. Towards the end of the testing phase the Data Team managers will be visiting all employers and/or their payroll providers to ensure they are aware of their responsibilities come 1<sup>st</sup> April 2018. Our Administration Strategy will be updated and re-launched to include penalties for the late issue of monthly returns.

Monthly processing will enable the production of annual statements well within the 31<sup>st</sup> August deadline owing to us being in a position to query any anomalies in the month following that in which they occur as opposed to at the year-end as we do currently. Monthly processing will also allow for greater automation of processes and reduce the occasions when we are not informed of an event by an employer. For example new joiners will be extracted from the contribution upload meaning the

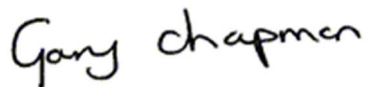
employer does not have to issue a separate new joiner form. The new joiner data we receive will also be uploaded to our member database removing the need for manual input and thereby improving accuracy.

Local Pension Board

Local Pension Board agenda's & minutes are published and can be viewed at <http://meetings.southyorks.gov.uk/ieListMeetings.aspx?CId=400&Year=0&zTS=C>

Finally If you require any clarification or additional information please get in touch although please note that I am away on holiday for two weeks commencing 21<sup>st</sup> August.

Yours sincerely

A handwritten signature in black ink that reads "Gary Chapman". The signature is written in a cursive, slightly slanted style.

Gary Chapman  
Head of Pensions Administration

SOUTH YORKSHIRE PENSIONS AUTHORITY  
LOCAL PENSION BOARD EXPENDITURE TO Q/E 30/09/17

# Agenda Item 8

	ORIGINAL OUTTURN	ACTUAL OUTTURN	2017-18 VARIANCE	Note
<b>LOCAL PENSION BOARD</b>				
Travel, Accommodation and Subsistence	3,500	414	3,086	1
Training	8,000	698	7,302	1
Professional Advice	3,500	-	3,500	1
	<b>15,000</b>	<b>1,112</b>	<b>13,888</b>	

**1. Expenditure has been minimal against this budget as the Local Pension Board has only incurred travel expense claims, subsistence and training expenses at the end of Qtr2**

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SOUTH YORKSHIRE  
**LOCAL PENSION BOARD**

# CONSTITUTION

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## **1. Name**

- 1.1 The name of the Board is “the South Yorkshire Pensions Authority Local Pension Board” and is established by South Yorkshire Pensions Authority (“the Authority”) as the administering authority under the provisions of Section 5 of the Public Sector Pensions Act 2013 (“the Act”).

## **2. Purpose and Role**

- 2.1 The role of the Local Pension Board as defined by Sections 5(1) and (2) of the Public Service Pensions Act 2013 is to:
  - 2.1.1 Secure the effective and efficient governance and administration of the LGPS for the South Yorkshire Pension Fund
  - 2.1.2 Provide the Scheme Manager with such information as it requires to ensure that any member of the Local Pension Board or person to be appointed to the Local Pension Board does not have a conflict of interest.
  - 2.1.3 Ensure the South Yorkshire Pension Fund effectively complies with the Code of Practice on the Governance and Administration of Public Service Pensions Schemes issued by the Pensions Regulator and is effectively managed and administered in compliance with the Code

## **3. Powers of the Local Pension Board**

- 3.1 Where any breach of legislation or duties is committed or is alleged to have been committed by the Pensions Authority or its Boards the Local Pension Board shall:
  - 3.1.1 Within one month of the possible breach, meet with the Authority Chair (supported by the Section 151 officer) to discuss the breach.
  - 3.1.2 Ask the Authority Chair to explain the actions taken and provide evidence of the legitimacy of the actions taken.
  - 3.1.3 Consider the matter on the facts available and evidence provided by the Chair and shall:
    - 3.1.3.1 Refer it back to the Authority to consider afresh and correct any areas of concern/breaches of duty; or
    - 3.1.3.2 Determine that no breach of duty has taken place.
- 3.2 If under clause 3.1 above it is decided that a breach has occurred, the Local Pension Board shall (as required by the Code of Practice and the Pensions Act 2004):
  - 3.2.1 Report the breach to the Scheme Manager who should take prompt and effective action to investigate and correct the breach and its causes and, where appropriate, notify any affected members; or
  - 3.2.2 Where prompt and effective action to remedy the breach has not been taken and/or where scheme members have not been informed when they should have been, report the breach as a breach of material significance to the Pensions Regulator.

3.3 As per Regulation 106(6) and subject to the terms in this Constitution, the Local Pension Board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.

#### **4. Scheme Manager Consents**

4.1 The Local Pension Board shall not:

- 4.1.1 Consider or become involved in any internal dispute resolution appeals or the process itself.
- 4.1.2 Enter into contracts on behalf of the Administering Authority.
- 4.1.3 Use the Local Pension Board to act on behalf of a particular constituency or Pension Fund member in general or in relation to a specific complaint at any time.
- 4.1.4 Compromise the Pensions Authority's ability to comply with its fiduciary duty to the Pension Fund and its members.

4.2 The Local Pension Board must seek written consent from the Scheme Manager before it:

- 4.2.1 instructs the Pension Fund actuary to provide a report of any kind;
- 4.2.2 requests any external advisor to attend a meeting of the Local Pension Board which shall require any remuneration of any level;
- 4.2.3 incurs a cost to the Pension Fund;
- 4.2.4 can amend this constitution.

#### **5. Membership**

5.1 In accordance with Regulation 107 of the LGPS (Governance) Regulations 2014 the South Yorkshire Local Pension Board will be made up of an equal number of employer and member representatives which is no less than four in total. The South Yorkshire LPB will comprise of 12 members in total.

5.1.1 Employer representatives will consist of:

- 2 Local Authority members (rotated every 2 years)
- 1 'Other Large Employer' (appointed for 3 years)
- 2 Academy (appointed for 3 years)
- 1 Admitted Body (appointed for 3 years)

5.1.2 Employee representatives will consist of:

- 3 Trades Unions who must be LGPS Scheme members (appointed for 3 years)
- 3 members selected from active, pensioner and deferred members (appointed for 3 years)

5.1.3 Appointment of employer and Trades Union representatives will be by nomination, Scheme member representatives will be appointed by an application process.

- 5.1.4 A member may serve a maximum of two terms of office.
- 5.2 No officer or elected Member of an administering authority who is responsible for the discharge of any function under the Regulations may be a Member of a Local Pension Board.
- 5.3 Members of the Local Pension Board will be voting members; each member shall have one vote. It is expected that the Board will, as far as possible, reach a consensus; the Chair of the Board will have the final deciding vote which will be reported to the Administering Authority.
- 5.4 Regulation 107 requires that the administering authority, South Yorkshire Pensions Authority, ensures that all employer or member representatives sitting on the Board have relevant experience and capacity to represent the employers or members of the Fund.
- 5.5 Substitute members will not be permitted.
- 5.6 Each Local Pension Board member shall endeavour to attend all LPB meetings during the year.

## **6. Chair**

- 6.1 The Board shall elect a Chair from amongst its members.
- 6.2 The Board shall elect a Vice-Chair from amongst its members.
- 6.3 When the Chair of the Board is from the employer representatives, then the Vice-Chair will be elected from the member representatives, and vice versa.

## **7. Leaving the Board**

- 7.1 A member of the Board shall cease to hold office if:
- 7.1.1 He or she notifies the Board of a wish to resign.
- 7.1.2 He or she is an elected councillor and is appointed to the Pensions Authority.
- 7.1.3 He or she ceases to be employed by the body on behalf of whom he/she acts as a representative, including but not limited to Trade Unions or Scheme employers.
- 7.1.4 A member fails to attend meetings or otherwise comply with the requirements of being a Board member, for example fails to attend the necessary knowledge and understanding training.
- 7.1.5 A member dies or becomes incapable of acting.
- 7.1.6 There exists a conflict of interests in relation to a Board member which cannot be managed within the internal procedures of South Yorkshire Pensions Authority.

## **8. Standards and Interests**

8.1 Members of the Board shall comply with their Local Authority's Code of Conduct for Members; members of the Board who are not Councillors shall comply with any Code of Conduct applicable to their professional body and/or the organisation they represent. All members of the Board will adhere to the Seven Principles of Public Life. These are:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

8.2 Members of the Board shall register their disclosable pecuniary interests with South Yorkshire Pensions Authority's Monitoring Officer as required under the Code, the Localism Act 2011 and Regulations made under the Localism Act 2011.

## **9. Conflicts of Interests**

9.1 Further to the Regulations, a member shall not be appointed who has an existing conflict of interest.

9.2 For the avoidance of doubt, being a member of the Pension Scheme is not a conflict of interest.

9.3 Where a member becomes conflicted during their appointment, they shall inform the Scheme Manager without delay and their tenure shall end with immediate effect.

9.4 Where a member has been removed from the Board under this clause 9, they will be entitled to be reappointed once the conflict has been resolved.

9.5 Such reappointment shall be made to the Board only where written approval from the Scheme Manager (advised by the Monitoring Officer) has been provided.

## **10. Meetings and Procedures of the Board**

10.1 The Board shall hold meetings quarterly. Additional meetings may be called at any time by the Chair.

10.2 In the absence of the Chair at a meeting of the Board, the Vice-Chair will preside over that meeting. In the event that both the Chair and Vice-Chair are absent then the Board will appoint one of its members to preside at that meeting.

10.3 The quorum for a meeting of the Board shall be at least 2 employer and 2 employee representatives.

10.4 Board meetings shall be held in public. The public may be excluded from the meeting when matters are considered that, in the opinion of the Scheme Manager, contain information covered by exempt/confidential information procedures under

Schedule 12A of the Local Government Act 1972 (as amended) or represent data covered by the Data Protection Act 1998.

10.5 All agendas and papers for Board meetings will be made publically available on South Yorkshire Pensions Authority's website unless, in the opinion of the Scheme Manager, they are covered by exempt/confidential information procedures under Schedule 12A of the Local Government Act 1972 (as amended) or represent data covered by the Data Protection Act 1998.

10.6 Minutes of proceedings at meetings of the Board shall be kept in accordance with statutory requirements. Following the approval of the minutes by the Chair of the Board, they shall be forwarded to all Pension Board members.

10.7 Minutes of meetings of the Board shall be published on South Yorkshire Pensions Authority's website.

## **11. Knowledge, Skills and Training**

11.1 To be appointed as a member of the Board a person must have knowledge and understanding of and be fully familiar with:

11.1.1 the rules of the scheme;

11.1.2 any document recording policy about the administration of the Scheme which is for the first time being adopted in relation to the Scheme;

11.1.3 the law relating to pensions; and

11.1.4 any other matters which are prescribed in regulations.

11.2 Pension Board members will undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.

11.3 Pension Board members will comply with the Scheme Manager's training policies and attend all training provided by the Scheme Manager.

11.4 A written record of relevant training and development will be maintained for each member of the Board.

11.5 Training where needed, that is provided by the Scheme Manager will be charged to the Pension Fund.

11.6 Subject to the Regulations or any advice or requirement issued by the Pensions Regulator, the Board must agree and implement a programme of training in respect of all members of the Board to ensure that they are adequately trained to perform their respective duties.

## **12. Accountability**

12.1 The Local Pension Board will be collectively and individually accountable to the Scheme Manager and the Pensions Regulator.

### **13. Expenses and Funding**

13.1 Members of the Board will be reimbursed for reasonable subsistence and travel expenses in accordance with relevant policies of the Administering Authority.

13.2 For the avoidance of any doubt, Pension Board members shall not receive an annual allowance of any kind.

13.3 The Board will be provided with adequate resources to undertake its role, these will include as a minimum:

- Accommodation and administrative support to conduct its meetings;
- Training; and
- Legal, technical and other professional advice.

13.4 The expenses of the Local Pension Board shall be regarded as part of the costs of the administration of the Fund.

### **14. Variations**

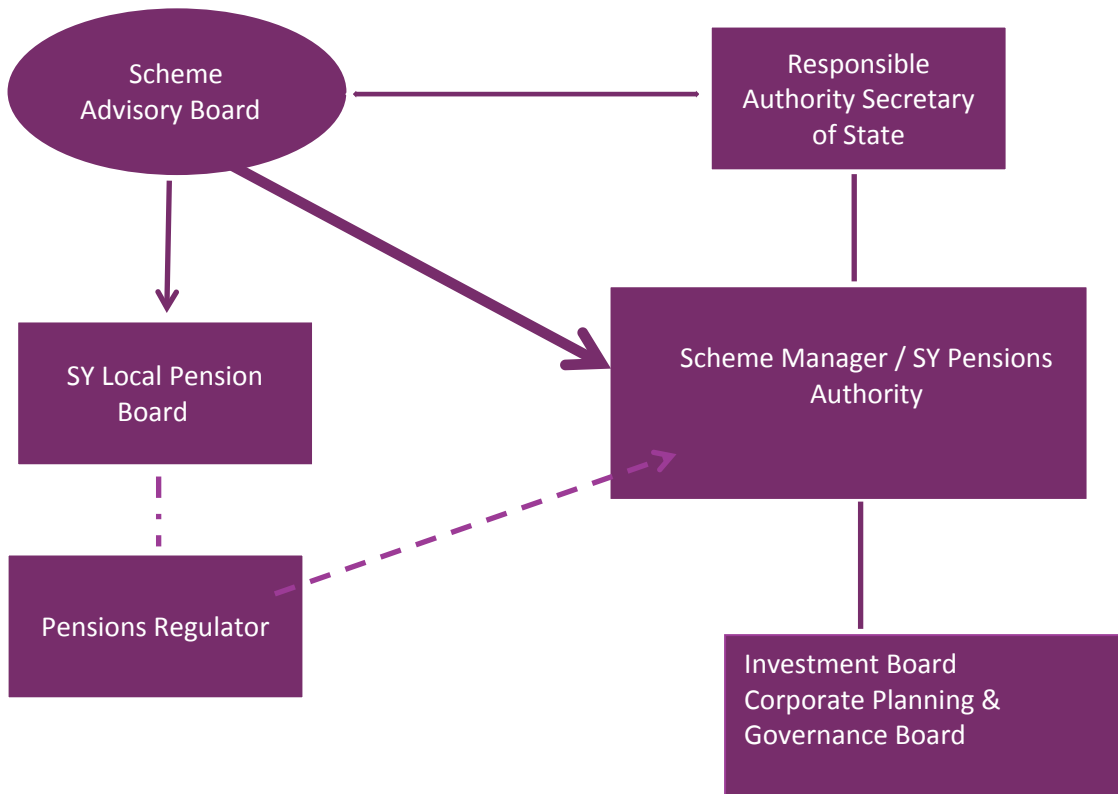
14.1 Any variation to this Constitution, considered necessary by the Board, shall be reported to the Scheme Manager for consideration and written consent.

14.2 No variation made by the Board will be valid without the express consent of the Scheme Manager.

### **15. Data Protection**

15.1 The Local Pensions Board will adhere to the Data Protection Policies held by the Administering Authority.

## 16. Governance Structure



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## South Yorkshire Local Pension Board Terms of Reference

### 1 Administration

- 1.1 Monitor and review the performance of Scheme administration including suggesting any changes to the Pensions Administration Strategy.
- 1.2 Monitor, review and report on the receipt of contributions.
- 1.3 Monitor investment manager reports.
- 1.4 Review the format, timing and source of management information presented to the Board.

### 2 Auditors

- 2.1 Monitor and review the appointment and performance of the auditors.
- 2.2 Monitor and review the Annual Report and accounts.
- 2.3 Review the recommendations produced by audit and give consideration to what action should be taken and make recommendations to the Scheme Manager as appropriate.
- 2.4 Monitor and review the Work Programmes for the Pensions Authority and its Boards.

### 3 Internal Controls and Risk Register

- 3.1 Monitor and review the Authority's Risk Register.
- 3.2 Monitor the internal controls and procedures of the Pensions Authority.

### 4 Communications

- 4.1 Monitor and make recommendations as appropriate on:-
  - The information available on the SYPA internet site
  - The information provided to Scheme members on leaving, retirement etc.
- 4.2 Produce an Annual Report upon its activities to be submitted to the Pensions Authority.
- 4.3 Produce reports and make recommendations to the Pensions Authority that relate to the work of the LPB. Any reports must be provided at least ten working days in advance of the next Pensions Authority meeting.

### 5 Budgets

- 5.1 Agree a yearly budget for the operation of the Local Pension Board and submit to the Authority for approval.
- 5.2 Monitor the level of fees against the annual budget set for the Pensions Board.

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**South Yorkshire Pensions Authority – cycle of future meetings  
Authority Meetings**

<b>Agendas</b>	<b>5 October 2017</b>	<b>30 November 2017</b>	<b>18 January 2018</b>	<b>15 March 2018</b>
<b>Strategic Overview of Business</b>	S41 Feedback	S41 Feedback	S41 Feedback	S41 Feedback
<b>Board Scrutiny</b>	Call-Ins	Call-Ins	Call-Ins	Call-Ins
<b>Review of Strategies</b>	Qtr 1 Performance Snapshot Report	Qtr 2 Performance Snapshot Report		Qtr 3 Performance Snapshot Report
	CP&GB Audit Committee Functions Annual Report	Annual Review of Risk Management Policy		Treasury Management Statement
<b>Business</b>	SYPF Annual Fund Meeting	Budgets and Revised Estimates	Budgets and Revised Estimates	Meeting Dates of Authority and Boards
	Pooling Update	Pooling Update	Pooling Update	Pooling Update
	Post Pooling Structure	FoIA Annual Report	Annual Fund Meeting	Write Offs
		GDPR Data Protection	Members Self-Assessment Report	
		Living Wage Report		
<b>Training &amp; Development</b>				

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**South Yorkshire Pensions Authority – cycle of future meetings**  
**Corporate Planning & Governance Board**

<b>Agendas</b>	<b>1 June 2017</b>	<b>20 July 2017</b>	<b>19 October 2017</b>	<b>15 February 2018</b>
<b>Overview of Business</b>	Minutes of Previous Meeting	Minutes of Previous Meeting	Minutes of Previous Meeting	Minutes of Previous Meeting
	Work Programme	Work Programme	Work Programme	Work Programme
<b>Pensions Admin</b>	Pensions Administration Update	Pensions Administration Update	Pensions Administration Update	Pensions Administration Update
		Annual Review of Ill Health Retirements	Benchmarking Results 2016/2017	
		Annual Review of Appeals		
<b>Stakeholders</b>	Employers SLA Performance	Employers SLA Performance	Employers SLA Performance	Employers SLA Performance
		Annual Review of Employers SLA Performance		
<b>Audit Committee Issues</b>	Risk Management	Risk Management	Risk Management	Risk Management
	Approve Annual Governance Statement	External Audit Annual Governance Report (ISA 260)	KPMG Annual Audit Letter	KPMG Annual Audit Plan
	CP&GB Audit Committee Functions Draft Annual Report	FCA Clients Assets	KPMG Audit Progress Report and Technical Update	Internal Audit Plan Report 2018/2019
	Internal Audit Progress Report Qtr4/outstanding recommendations	Internal Audit Progress Report Qtr1/outstanding recommendations	Internal Audit Progress Report Qtr2/outstanding recommendations	Internal Audit Progress Report Qtr3/outstanding recommendations
	Internal Audit Annual Report 2016-17	Letter of Representation	Internal Audit Planning 2017/2018 Consultation Paper	

	<b>1 June 2017</b>	<b>20 July 2017</b>	<b>19 October 2017</b>	<b>15 February 2018</b>
<b>Audit Committee Issues</b>	Internal Audit Charter & Strategy 2017/2018	Final Accounts 2016/2017	Statement on Internal Control Investment Mandate	
	Internal Audit Effectiveness Report 2016/2017	Annual Report	Treasury Management Update	
	KPMG Audit Progress Report and Technical Update			
<b>Corporate Governance Monitoring Compliance</b>	Budget Monitoring (January-March)	Budget Monitoring (April-June)	Budget Monitoring (July-September)	Budget Monitoring (October-December)
<b>Business</b>	Treasury Management Update		Annual Review of Tender Contracts	Annual Fund Meeting
<b>Training &amp; Development</b>				

## South Yorkshire Pensions Authority – cycle of future meetings

### Investment Board – Work Programme

<b>Agendas</b>	<b>22 June 2017</b>	<b>14 September 2017</b>	<b>14 December 2017</b>	<b>8 March 2018</b>
<b>Overview of Business</b>	Pre Meeting Discussion	Pre Meeting Discussion	Pre Meeting Discussion	Pre Meeting Discussion
	Minutes of Previous Meeting	Minutes of Previous Meeting	Minutes of Previous Meeting	Minutes of Previous Meeting
	Work Programme	Work Programme	Work Programme	Work Programme
<b>Training &amp; Development</b>	External Training Events			
<b>Strategic Development/Review</b>	Local Authority Pension Fund Forum Minutes	Local Authority Pension Fund Forum: Minutes/Conference	Local Authority Pension Fund Forum Minutes	Local Authority Pension Fund Forum: Minutes/Conference
<b>Review of Fund Performance</b>	Qtly Update: preliminary performance figures 2016/2017	Quarterly Update	Quarterly Update	Quarterly Update
<b>Business and Contracts</b>	Pooling Update	Pooling Update	Pooling Update	Pooling Update
	Commercial Property Management Update	Health & Safety: Standard Life Annual Report	Institutional Investor Group on Climate Change: Membership Renewal	British Venture Capital Association: Membership Renewal
	Agricultural Land Portfolio Report	Responsible Investment & Corporate Governance	Investment Beliefs	Responsible Investment Engagement Update

	<b>22 June 2017</b>	<b>14 September 2017</b>	<b>14 December 2017</b>	<b>8 March 2018</b>
<b>Business and Contracts</b>	Workforce Disclosure Initiative	Carbon Audit Report	Climate Change Policy	Voting Guidelines
	Overseas Equity Allocation	Corporate Class Actions	Myners Principles Compliance Statement	
		MiFID II Report		
<b>Review of Advisor Performance</b>				Review of the Advisors
<b>Presentations</b>		Portfolio Evaluation: Annual Performance Review		Royal London
		Standard Life Investments: Annual Performance Presentation		
		Equity Protection Strategy Report		
		Mercer Presentation on Equity Protection Options		



## **SOUTH YORKSHIRE PENSIONS AUTHORITY**

### **JOINT LOCAL PENSION BOARD**

**5<sup>th</sup> October 2017**

#### **SYPF - Annual Fund Meeting 2017**

##### **1. Purpose of the Report**

To advise members about the 2017 Annual Fund Meeting (AFM).

---

##### **2. Recommendations**

**Members are recommended to note Thursday 19th October for this year's AFM.**

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##### **3. Information**

- 3.1 The 2017 Annual Fund Meeting (AFM) will be held at The Source Skills Academy, Meadowhall, on Thursday 19th October.
- 3.2 Following the format of previous meetings the AFM will be held during the evening with a 5.30pm start time to allow maximum attendance. A light buffet will be served after the meeting has concluded and transport for Fund members will be arranged to and from the meeting.
- 3.3 The style and format of the meeting will follow last year's event. Questions will be invited from the floor after each presentation.
- 3.4 The meeting will again be available to view in near real time. The link which enables members with internet access to watch the event is publicised in our newsletters and on the website. In addition we will email a reminder about the event on the day. However, with all venues, this facility will be subject to testing the mobile phone service at the venue prior to the event.
- 3.5 Members will have also received an email from the Communications Team, inviting those who wish to attend the meeting to complete an application form, confirming attendance.

#### **4. Implications and risks**

##### **Implications**

- Financial

There is a provision within this year's budget to hold the event

- Legal

There are no legal implications

- Diversity

There are no diversity implications

Officer Responsible: Joanne Webster Communications Manager  
Telephone contact 01226 772915

**Gary Chapman**  
**Head of Pensions Administration**  
Phone 01226 772954  
E-mail [gchapman@sypa.org.uk](mailto:gchapman@sypa.org.uk)

**Background papers** used in the preparation of this report are available for inspection in the Pensions Administration Unit.

**Other sources and references:**

## SOUTH YORKSHIRE PENSIONS AUTHORITY

### JOINT LOCAL PENSION BOARD

5 October 2017

### REPORTING BREACHES PROCEDURE

#### **1. Purpose of the Report**

To review the draft Reporting Breaches Procedure before submission to the Authority for approval in November.

#### **2. Background Information**

At its meeting in July, the Board considered the Pensions Regulator's Reporting Breaches of the Law Code of Practice.

While acknowledging that the Authority complies with the Code of Practice and recognising that the Administration restructure has created a Compliance Team which has strengthened areas such as taxation issues and data and record keeping, the Board felt that the Authority should have its own Reporting Breaches Procedure.

Attached is a draft Procedure which has been compiled using best practice examples from the Pensions Regulator.

#### **4. Comments**

Members are asked to comment and/or make suggestions on the content of the Procedure before it is submitted to the Authority for approval in November.

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SOUTH YORKSHIRE  
**PENSIONS AUTHORITY**

# Reporting Breaches Procedure

## 1. Introduction

- 1.1 This document sets out the procedures to be followed by certain persons involved with the South Yorkshire Pensions Authority, the Local Government Pension Scheme managed and administered by South Yorkshire Pensions Authority, in reporting breaches of the law to the Pensions Regulator.
- 1.2 Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.
- 1.3 This Procedure document applies in the main to:
- All members of the South Yorkshire Pensions Authority.
  - All members of the South Yorkshire Local Pension Board.
  - All officers involved in the management of the Pension Fund including the Pensions Administration Team, the Investment Team and the Treasurer (Section 151 Officer).
  - Any professional advisors including auditors, actuaries, legal advisors and fund managers.
  - Officers of employers participating in South Yorkshire Pension Fund who are responsible for Local Government Pension Scheme matters.

## 2. Requirements

- 2.1 This section clarifies the full extent of the legal requirements and to whom they apply.

### 2.2 Pensions Act 2004

Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:

- a trustee or manager of an occupational or personal pension scheme;
- a member of the Pension Board of a public service pensions scheme (in the case of South Yorkshire, the Authority and the Local Pension Board);
- a person who is otherwise involved in the administration of an occupational or personal pension scheme;
- the employer in relation to an occupational pension scheme;
- a professional advisor who is otherwise involved in advising the trustees of managers of an occupational or personal pension scheme in relation to the scheme,

to report a matter to the Pensions Regulator as soon as it becomes practicably possible where that person has reasonable cause to believe that:

- a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and
- b) the failure to comply is likely to be of material significance to the Pensions Regulator.

The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse. The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However, the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal advisor and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

### **2.3 The Pension Regulator's Code of Practice**

Practical guidance in relation to this legal requirement is included in The Pension Regulator's Code of Practice in the following areas:

- Implementing adequate procedures.
- Judging whether a breach must be reported.
- Submitting a report to the Pensions Regulator.
- Whistleblowing protection and confidentiality.

### **2.4 Application to the South Yorkshire Pension Fund**

This procedure has been developed to reflect the guidance contained in the Pension Regulator's Code of Practice in relation to the South Yorkshire Pension Fund and this document sets out how the Authority will strive to achieve best practice through use of a formal reporting breaches procedure.

## **3. The South Yorkshire Pension Fund Reporting Breaches Procedure**

The following procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of the law relating to the South Yorkshire Pension Fund. It aims to ensure individuals responsible are able to meet their legal obligations and avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

### **3.1 Clarification of the law**

Individuals may need to refer to regulations and guidance when considering whether or not to report a possible breach. Some of the key provisions are shown below:

- [Section 70\(1\) and 70\(2\) of the Pensions Act 2004](#)
- [Employment Rights Act 1996](#)
- [Occupational and Personal Pension Schemes \(Disclosure of Information\) Regulations 2013](#) (Disclosure Regulations)
- [Public Service Pension Schemes Act 2013](#)
- Local Government Pension Scheme Regulations  
[Pre 2014 schemes](#)  
[2014 scheme](#)
- [The Pension Regulator's Code of Practice](#)

In particular, individuals should refer to the section on 'Reporting Breaches of the Law' and for information about reporting late payments of employee or employer contributions refer to the section on 'Maintaining Contributions'

Further guidance and assistance can be provided by the Treasurer (s151 Officer) and the Monitoring Officer, provided that requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence).

### **3.2 Clarification when a breach is suspected**

Individuals need to have reasonable cause to believe that a breach has occurred, not just a suspicion. Where a breach is suspected, the individual should carry out further checks to confirm the breach has occurred. Where the individual does not know the facts or events, it will usually be appropriate to check with the Treasurer, the Monitoring Officer, a member of the Pensions Authority or Local Pension Board or others who are able to explain what has happened. However, there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases the Pensions Regulator should be contacted without delay.

### **3.3 Determining whether the breach is likely to be of material significance**

To decide whether a breach is likely to be of material significance an individual should consider the following, both separately and collectively:

- Cause of the breach (what made it happen).
- Effect of the breach (the consequence(s) of the breach).
- Reaction to the breach.
- Wider implications of the breach.

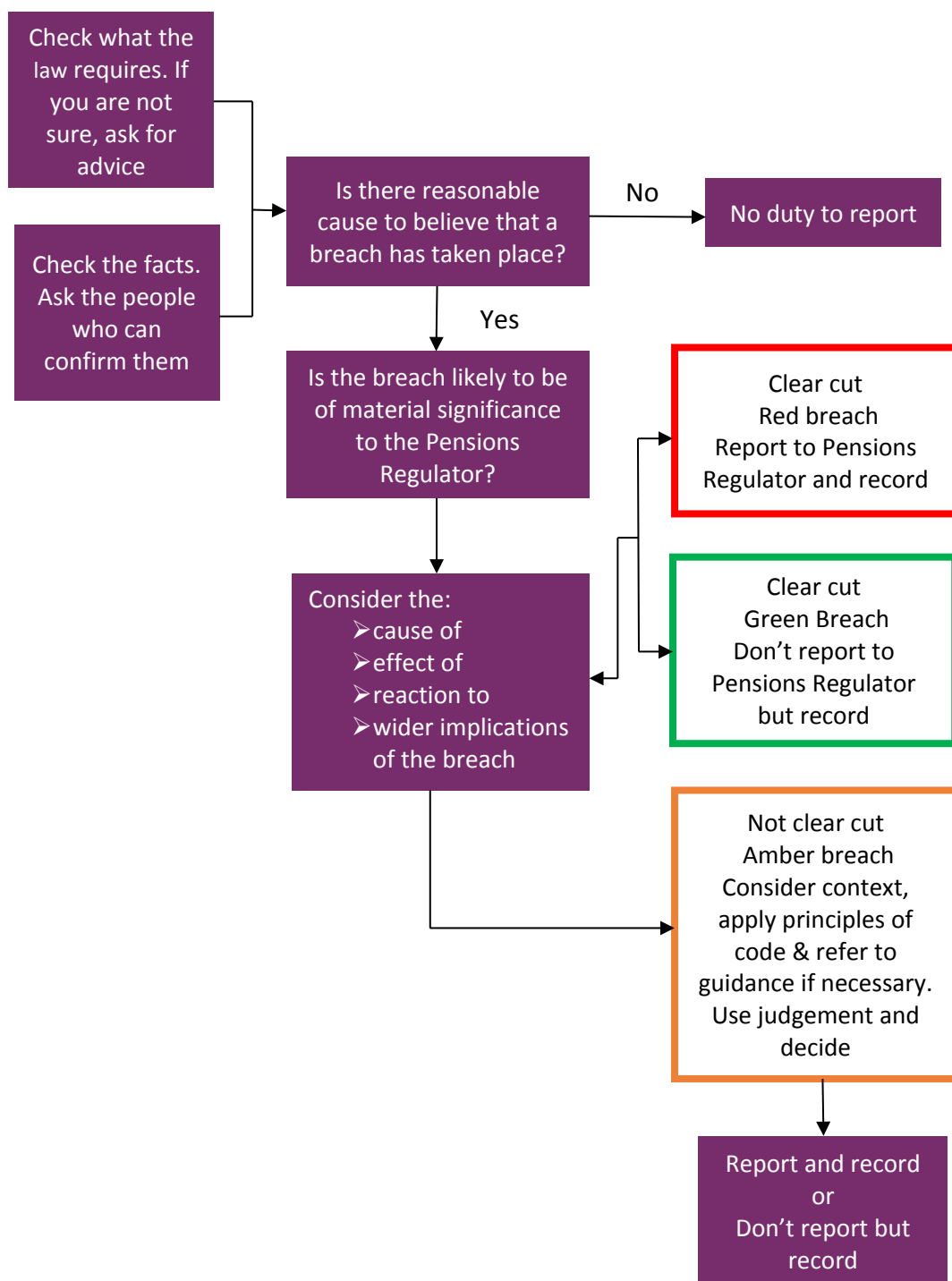
Further details on the above four considerations are provided in Appendix A to this procedure.

The individual should use the traffic light framework described in Appendix B to help assess the material significance of each breach and to formally support and document their decision.

### **3.4 A decision tree is provided below to show the process for deciding whether or not a breach has taken place and whether it is materially significant and therefore requires to be reported.**



## Decision-tree: deciding whether to report



### 3.5 Referral to a level of seniority for a decision to be made on whether to report

South Yorkshire Pensions Authority has a designated Monitoring Officer to ensure the Authority acts and operates within the law. They are considered to have appropriate experience to help investigate whether there is reasonable cause to believe a breach has occurred, to check the law and facts of the case, to maintain records of all breaches and to assist in any reporting to the

Pensions Regulator, where appropriate. If breaches relate to late or incorrect payment of contributions or pension benefits, the matter should be highlighted to the Monitoring Officer and the Treasurer at the earliest opportunity to ensure the matter is resolved as a matter of urgency. Individuals must bear in mind, however, that the involvement of the Monitoring Officer is to help clarify the potential reporter's thought process and to ensure this procedure is followed. The reporter remains responsible for the final decision as to whether a matter should be reported to the Pensions Regulator.

The matter should not be referred to any of these officers if doing so will alert any person responsible for a possible serious offence to the investigation (as highlighted in section 2). If that is the case, the individual should report the matter to the Pensions Regulator setting out the reasons for reporting, including any uncertainty – a telephone to the Regulator before the submission may be appropriate, particularly in more serious breaches.

### **3.6 Dealing with complex cases**

The Treasurer or Monitoring Officer may be able to provide guidance on particularly complex cases. Information may also be available from national resources such as the Scheme Advisory Board or the [LGPC Secretariat](#) (part of the LGA Group). If timescales allow, legal advice or other professional advice can be sought and the case can be discussed at the next Authority meeting.

### **3.7 Timescales for reporting**

The Pensions Act and Pension Regulators Code require that if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable. Individuals should not rely on waiting for others to report and nor is it necessary for a reporter to gather all the evidence which the Pensions Regulator may require before taking action. A delay in reporting may exacerbate or increase the risk of the breach. The time taken to reach the judgements on “reasonable cause to believe” and on “material significance” should be consistent with the speed implied by ‘as soon as reasonably practicable’. In particular, the time taken should reflect the seriousness of the suspected breach.

### **3.8 Early identification of very serious breaches**

In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, the Pensions Regulator does not expect reporters to seek an explanation or to assess the effectiveness of the remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert the Pensions Regulator to the breach.

### **3.9 Recording all breaches even if they are not reported**

The record of past breaches may be relevant in deciding whether to report a breach, for example, it may reveal a systemic issue. South Yorkshire Pensions Authority will maintain a record of all breaches identified by

individuals and reporters should therefore provide copies of reports to the Treasurer. Records of unreported breaches should also be provided as soon as reasonably practicable and certainly no later than within 20 working days of the decision not to report. These will be recorded alongside all reported breaches. The record of all breaches (reported or otherwise) will be reported to the Pensions Authority on a quarterly basis and this will also be shared with the Local Pension Board.

### 3.10 Reporting a breach

Reports must be submitted in writing via the Pensions Regulator's [online system](#), or by post, email or fax, and should be marked urgent if appropriate. If necessary, a written report can be preceded by a telephone call. Reporters should ensure they receive an acknowledgement for any report they sent to the Pensions Regulator. The Pensions Regulator will acknowledge receipt of all reports within five working days and may contact reporters to request further information. Reporters will not usually be informed of any actions taken by the Pensions Regulator due to restrictions on the disclosure of information.

As a minimum, individuals reporting should provide:

- Full scheme name (South Yorkshire Pensions Authority).
- Description of breach(es).
- Any relevant dates.
- Name, position and contact details.
- Role in connection to the scheme.
- Employer name or name of scheme manager (the latter is South Yorkshire Pensions Authority).

If possible, reporters should also indicate:

- The reason why the breach is thought to be of material significance to the Pensions Regulator.
- Scheme address (provided at the end of this procedure document).
- Scheme manager contact details (provided at the end of this procedure document).
- Pension Scheme registry number (10165252)
- Whether the breach has been reported before.

The reporter should provide further information or reports of further breaches if this may help the Pensions Regulator in the exercise of its functions. The Pensions Regulator may make contact to request further information.

### 3.11 Confidentiality

If requested, the Pensions Regulator will do its best to protect a reporter's identity and will not disclose information except where it is lawfully required to do so. If an individuals' employer decides not to report and the individual employed by them disagrees with this and decides to report a breach

themselves, they may have protection under the Employment Rights Act 1996 if they make an individual report in good faith.

### 3.12 **Reporting to South Yorkshire Pensions Authority and the Local Pension Board**

A report will be presented to the Pensions Authority and the Local Pension Board on a quarterly basis (if necessary) setting out:

- All breaches, including those reported to the Pensions Regulator and those unreported, with associated dates.
- In relation to each breach, details of what action was taken and the result of any action (where not confidential).
- Any future actions for the prevention of the breach in question being repeated.
- Highlighting new breaches which have arisen in the last year/since the previous meeting.

This information will also be provided upon request by any other individual or organisation (excluding sensitive/confidential cases or ongoing cases where discussion may influence the proceedings). An example of the information to be included in the quarterly reports is provided at Appendix C to this procedure.

### 3.13 **Review**

This Reporting Breaches Procedure will be kept under review and updated as considered appropriate by the Treasurer. It may be changed as a result of legal or regulatory changes, evolving best practice and ongoing review of the effectiveness of the procedure.

### **Further information**

If you require further information about reporting breaches or this procedure, please contact:

Gary Chapman – Head of Pensions Administration

Email: [gchapman@sypa.org.uk](mailto:gchapman@sypa.org.uk)

Telephone: 01226 772954

Steve Barrett – Interim Fund Director

Email: [sbarrett@sypa.org.uk](mailto:sbarrett@sypa.org.uk)

Telephone: 01226 772887

South Yorkshire Pensions Authority, 18 Regent Street, Barnsley, S70 2HG.

Designated officer contact details:

Treasurer – Neil Copley

Email: [neilcopley@barnsley.gov.uk](mailto:neilcopley@barnsley.gov.uk)

Telephone: 01227 773237

Monitoring Officer – Andrew Frosdick

Email: [andrewfrosdick@barnsley.gov.uk](mailto:andrewfrosdick@barnsley.gov.uk)

Telephone: 01226 773001

### **Determining whether a breach is likely to be of material significance.**

To decide whether a breach is likely to be of material significance individuals should consider the following elements, both separately and collectively:

- Cause of the breach (what made it happen).
- Effect of the breach (the consequence(s) of the breach).
- Reaction to the breach.
- Wider implications of the breach.

### **The cause of the breach**

Examples of causes which are likely to be of concern to the Pensions Regulator are provided below:

- Action, or failing to act, in deliberate contravention of the law.
- Incomplete or inaccurate advice.
- Poor administration, i.e. failure to implement adequate administration procedures.
- Poor governance.
- Slow or inappropriate decision-making practices.

When deciding whether a cause is likely to be of material significance individuals should also consider:

- Whether the breach has been caused by an isolated incident such as a power outage, fire, flood or a genuine one-off mistake.
- Whether there have been any other breaches (reported to the Pensions Regulator or not) which when taken together may become materially significant.

### **The effect of the breach**

Examples of possible effects (with possible causes) of breaches which are considered likely to be of material significance to the Pensions Regulator in the context of the LGPS are given below:

- Authority/Board members not having enough knowledge and understanding, resulting in the Authority and Boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements.
- Conflicts of interest of Authority or Board members, resulting in them being prejudiced in the way they carry out their role and/or the ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements.
- Poor internal controls, leading to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being

properly identified and managed and/or the right money not being paid to or by the scheme at the right time.

- Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement.
- Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time.
- Misappropriation of assets, resulting in scheme assets not being safeguarded.
- Other breaches which result in the scheme being poorly governed, managed or administered.

### **The reaction to the breach**

A breach is likely to be of concern and material significance to the Pensions Regulator where a breach has been identified and those involved:

- Do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence.
- Are not pursuing corrective action to a proper conclusion.
- Fail to notify affected scheme members where it would have been appropriate to do so.

### **The wider implications of the breach**

Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to the Pensions Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the Fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

## Traffic light framework for deciding whether or not to report

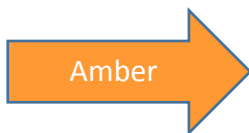
It is recommended that those responsible for reporting use the traffic light framework when deciding whether to report to the Pensions Regulator. This is illustrated below:



Where the cause, effect, reaction and wider implications of a breach, when considered together, are likely to be of material significance.

These must be reported to the Pensions Regulator.

Example: Several members' benefits have been calculated incorrectly. The errors have not been recognised and no action has been taken to identify and tackle the cause or to correct the errors.



Where the cause, effect, reaction and wider implications of a breach, when considered together, may be of material significance. They might consist of several failures of administration that, although not significant in themselves, have a cumulative significance because steps have not been taken to put things right. You will need to exercise your own judgement to determine whether the breach is likely to be of material significance and should be reported.

Example: Several members' benefits have been calculated incorrectly. The errors have been corrected, with no financial detriment to the members. However, the breach was caused by a system error which may have wider implication for other public service schemes using the same system.



Where the cause, effect, reaction and wider implications of a breach, when considered together are not likely to be of material significance. These should be recorded but do not need to be reported.

Example: A members' benefits have been calculated incorrectly. This was an isolated incident, which has been promptly identified and corrected, with no financial detriment to the member. Procedures have been put in place to mitigate against this happening again.

All breaches should be recorded even if the decision is not to report.

When using the traffic light framework, individuals should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together. Some useful examples of this framework is provided by the [Pensions Regulator](#).

Example Record of Breaches

Date	Category (e.g. administration, contributions, funding, investment, criminal activity)	Description and cause of breach	Possible effect of breach and wider implications	Reaction to relevant parties to breach	Reported/Not reported (with justification if not reported and dates)	Outcome of report and/or investigations	Outstanding actions

\*New breaches since the previous meeting should be highlighted



# Contact Details

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If you can read this but know someone who cannot, please contact us on 01226 772923 so we can provide this information in a more suitable format.

If you wish to contact us on any issue regarding your pension, please contact us.

## Office Hours:

Monday - Thursday      9.00am - 5.00pm

Friday                      9.00am - 4.30pm

If you would prefer to discuss your pension in person, you are welcome to come in and see us at the address below:

South Yorkshire Pensions Authority, 18 Regent Street, Barnsley, S70 2HG.

(Please note that walk-in appointments are not available between 12 noon and 2.00pm.)

**Email:** [admin@sypa.org.uk](mailto:admin@sypa.org.uk)

**Tel:** 01226 772923

**Web:** [www.sypensions.org.uk](http://www.sypensions.org.uk)

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