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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 31st August 2017 deadline. This will apply for this year only whilst we implement a new process that will ensure that the 31st 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 31st 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 31st 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 31st 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 31st 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 31st 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 31st 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.

Issue	Solution
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 1st April 2018.

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

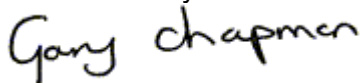
members that will receive them on time will be those for whom we have no query and whose employer issued their annual return by our 31st May 2017 deadline. Those for whom we have queries will be investigated and the intention will be to resolve any issues and send their statement before 31st March 2018. 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 31st 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 31st 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