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Dear Mr Huxley

Annual Benefits Statements 2017

Thank you for your letter of 1st August 2017 following mine of 5th 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 31st 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 5th 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 31st 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 5th 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 31st August 2017.
- A. The data was delivered to our external printer on Wednesday 8th August with a guaranteed posting date to ensure delivery before 31st 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 31st August 2017.
- A. 8,303 active members and 647 non-active members. All members who will not have received a statement by 31st 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 31st 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 30th November at the very latest.

- Q. The number of members that will have received their ABS by 31st 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 31st 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 31st August 2018. The planned shift to monthly reconciliation will commence from 1st 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 5th 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 1st 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 31st 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 1st 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 31st 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

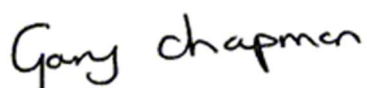
employer does not have to issue a separate new joiner form. The new joiner data we receive will also be uploaded to our member database removing the need for manual input and thereby improving accuracy.

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 21st 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