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Date: 26 September 2018

To: MEMBERS OF THE SOUTH YORKSHIRE
LOCAL PENSION BOARD



**SOUTH YORKSHIRE
LOCAL PENSION BOARD**

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This matter is being dealt with by: Gill Richards

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Dear Member

SOUTH YORKSHIRE LOCAL PENSION BOARD
Thursday 4 October 2018

A meeting of the South Yorkshire Local Pension Board will be held at 1.00 pm on Thursday 4th October, 2018 in the Boardroom, Town Hall, Barnsley, S70 2TA.

The agenda is attached.

Yours sincerely

D Terris
Clerk

Encs

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

Terms of Reference

1. Compliance with Regulations and Legislation

- 1.1 Review Management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations and relevant legislation.
- 1.2 Assist with the development of, and continually review, documentation as is required by the Regulations including Governance Compliance Statement, Funding Strategy Statement and Investment Strategy Statement.
- 1.3 Review the implementation of revised policies and procedures following changes to the Scheme.

2. Administration

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

3. Auditors

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

4. Internal Controls and Risk Register

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

5. Communications

- 5.1 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.
- 5.2 Produce an Annual Report upon its activities to be submitted to the Pensions Authority.
- 5.3 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.

6. Budgets

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

SOUTH YORKSHIRE LOCAL PENSION BOARD

**THURSDAY 4 OCTOBER 2018 AT 1.00 PM IN THE BOARDROOM, TOWN HALL,
BARNSELY, S70 2TA**

AGENDA

	Item	Page
1	Welcome and Apologies	
2	Declarations of Interest	
3	Announcements	
4	Minutes of the meeting held on 7 June 2018	1 - 8
5	Presentation from the Pensions Regulator	
6	Work Programme	9 - 10
7	Local Pension Board Budget	11 - 12
8	Governance - Constitution & Terms of Reference	13 - 16
9	Annual Benefit Statements - Review of the 2018 Process	17 - 20
10	Administration and Employer Performance	21 - 28
11	Complaints, Compliments and Breach Reporting	29 - 46
12	Guaranteed Minimum Pensions Reconciliation	47 - 50
13	Member Learning & Development	Verbal Report
14	Any Other Business	

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SOUTH YORKSHIRE PENSIONS AUTHORITY

PENSION BOARD

7 JUNE 2018

PRESENT: J Thompson (Employer, Action Housing) (Chair)

N Gregory (Academy Representative), N Doolan-Hamer (Unison), K Morgan (Unite), S Ross (Scheme Member) and G Warwick (GMB)

Officers: M McCarthy (Deputy Clerk), G Graham (Fund Director), M McCoolle (Senior Democratic Services Officer), L Booth (Audit Manager) and J Bailey (Head of Pensions Administration)

Apologies for absence were received from G Berrett and N Simpson

1 ELECTION OF CHAIR AND VICE CHAIR

RESOLVED – That Members:-

- i) Appointed J Thompson as Chair of the Local Pension Board.
- ii) Appointed S Ross as Vice Chair of the Local Pension Board.

2 WELCOME AND APOLOGIES

The Chair welcomed everyone to the meeting and introductions were made.

Apologies for absence were noted as above.

3 DECLARATIONS OF INTEREST

None.

4 ANNOUNCEMENTS

None.

5 MINUTES OF THE MEETING HELD ON 15 MARCH 2018

L Booth requested that the minutes be amended to reflect her attendance at the last Board meeting.

M McCarthy stated that A Hunt, the Risk and Governance Manager at BMBC had considered that the Authority's public indemnity insurance, up to a figure of £2m, was sufficient.

RESOLVED – That subject to the above amendment, the minutes of the Board held on 15 March 2018 be agreed as a true record.

6 WORK PROGRAMME

The Board considered its Work Programme which provided an overview of the topics for discussion over the ensuing year.

RESOLVED – That the Work Programme be noted.

7 SY LOCAL PENSION BOARD ANNUAL REPORT 2017-2018

Members were presented with the South Yorkshire Local Pension Board's Annual Report 2017/18. Members' comments were sought on the Annual Report, prior to the document being made available on the Authority's website.

S Ross suggested that the style and format of the Annual Report should be discussed over the year.

K Morgan requested that the Annual Report be amended to indicate that he was now a Unite Trades Union representative.

RESOLVED – That:-

- i) Members' comments were sought on the Annual Report.
- ii) The Annual Report would be amended to reflect that K Morgan was now a Unite Trades Union representative.

8 INTERNAL AUDIT UPDATE

At the last Board meeting L Booth had been requested to regularly attend future meetings to provide Internal Audit progress updates. An annual Internal Audit report would be presented to the Corporate Planning and Governance Board meeting on 14 June 2018.

L Booth reported that the work in relation to the Internal Audit Plan 2017/18 was now complete, and that the 2018/19 Internal Audit Plan would commence, as agreed with officers and the Corporate Planning and Governance Board. All opinions from each Internal Audit review had been positive, and no fundamental recommendations had been made during the year. In 2016/17 a total of 28 recommendations had been made, compared to 23 recommendations in 2017/18. L Booth considered, from an Internal Audit perspective, that the Authority's direction of travel was exceptional.

The Internal Audit Plan for the Authority for 2018/19 would focus upon supporting the Border to Coast Pensions Partnership (BCPP), to include how the relationship with BCPP and the Authority was managed, together with the timescales for making proactive decisions.

J Thompson requested that update reports should be provided to future Board meetings.

RESOLVED – That Members:-

- i) Noted the update.
- ii) Noted that update reports would be provided to future Board meetings.

9 ANNUAL REVIEW OF THE CONSTITUTION AND TERMS OF REFERENCE

Members were presented with a report to review the Board's Constitution and Terms of Reference, which was reviewed annually. Several changes had been made since the Board's inaugural meeting in July 2015, which included strengthening the Terms of Reference, with the inclusion of a compliance section with the Regulations and relevant legislation, and updates to reflect the transfer of the Passenger Transport Pension Fund to the Greater Manchester Pension Fund.

The report sought Members' consideration to determine whether to increase the membership back to 12 Members, or to reduce it to 10 Members and to recruit one Scheme Member to fill the vacancy.

Members agreed to reduce the Board's membership to 10 Members, and to recruit one Scheme Member.

M McCarthy would review the Board's membership composition in relation to the appointment of the Scheme Member vacancy.

An induction session would be provided to the newly appointed Members onto the Board, and various events would be made available to all Members during the course of the year. M McCarthy referred to an opportunity to explore a number of issues around the pensions sector, which may impact upon the Authority; he would work with the Chair and Vice Chair on the matter, and report back to the Board accordingly.

S Ross suggested that a tailored approach to training would be helpful to enhance Members' understanding of the pensions sector.

M McCarthy stated that a pro-forma questionnaire would be despatched to Members to identify any individual training requirements.

The Pensions Regulator had indicated that the staffing level would significantly increase by 20%, and that training knowledge for the public sector would be focussed upon over the next 12 months to 2 years.

J Bailey highlighted the importance for Members to undertake GDPR training in relation to pensions administration. An exercise was currently underway to screen the Authority's pensions data against the deaths of Scheme Members.

J Thompson suggested that it would be useful to have a thematic approach to the Work Programme, to enable a thought process from a customer perspective and the quality of data. She suggested that the Constitution be amended to include GDPR within the Data Protection section.

G Graham stated that a review of the Authority's Constitution arrangements would be undertaken over the next 12 months, to include the Terms of Reference.

RESOLVED – That Members:-

- i) Commented and made suggestions for amendments to the Terms of Reference and Constitution.
- ii) Agreed to reduce the Board's membership to 10 Members, and to recruit one Scheme Member.
- iii) Noted that the Board's membership composition would be reviewed in relation to the appointment of the Scheme Member vacancy.
- iv) Noted that an induction session would be provided to the newly appointed Members onto the Board, and various events would be made available to all Members during the course of the year.
- v) A pro-forma questionnaire would be despatched to Members to identify any individual training requirements.
- vi) Noted that the Constitution be amended to include GDPR within the Data Protection section.
- vii) Noted that a review of the Authority's Constitution arrangements would be undertaken over the next 12 months, to include the Terms of Reference.

10 POOLING UPDATE

G Graham referred Members to the detailed pooling update report that had been presented to the Authority meeting held today, and was available on the Authority's website. A further report would be presented to the Investment Board meeting on 21 June 2018.

TUPE transfer arrangements had been agreed for six of the Authority's Investment staff to the Border to Coast Pensions Partnership (BCPP) on 2 July 2018, to transfer on their current terms and conditions, and appropriate roles had been identified. BCPP would relocate to their new offices at Toronto Square in central Leeds at the beginning of June 2018.

It had been agreed, as a result of the TUPE process, that the Authority would continue to manage the emerging market equities until September 2018, to enable BCPP to have a full staffing resource in place to manage the assets. A due diligence process was in place to determine the transfer of assets. A meeting would shortly be held with the Independent Advisors to secure sign off of the

proposal to transfer the assets, at which point G Graham would consult with the Chair and Vice Chair of the Authority.

Nominations had been sought from the Authority's Members to appoint two 'shareholder' non-executive directors to the BCPP.

G Graham referred to the Authority's in-house Investment Team, which operated differently in comparison to other pension funds and authorities in the way that independent advisors were utilised. The Authority was required to take appropriate advice in coming to decisions and the role of the advisers would develop to support this. Any unresolved matters at the point of transfer to BCPP would be reported to the Investment Board, and any significant variances would be reported to the Board, with a series of decisions published on the Authority's website.

RESOLVED – That Members noted the report.

11 ANNUAL GOVERNANCE STATEMENT

The Board considered a report on the Annual Governance Statement (AGS) that was published with the annual statement of accounts, and related to the governance framework as it applied during the year 1 April 2017 to 31 March 2018. In preparedness of the AGS for 2018/19, a new template would be utilised to provide a more thematic approach.

M McCarthy sought Members' comments on the AGS, to enable any amendments to be made and fed into the Corporate Planning and Governance Board meeting on 14 June 2018.

J Thompson queried whether it was appropriate for the Board to have sight of the Service's Risk Register. She requested that the confidential reporting procedures in relation to the Whistleblowing policy be presented to the next Board meeting for Members' consideration and comment.

M McCarthy stated that work was underway to merge the two risk registers.

RESOLVED – That Members:-

- i) Considered and commented on the Annual Governance Statement for 2017/18.
- ii) Noted that the confidential reporting procedures, in relation to the Whistleblowing Policy, be presented to the next Board meeting.

12 BUDGET MONITORING

Members were presented with the Board's expenditure for quarter ending 31 March 2018.

RESOLVED – That Members noted the position.

13 GDPR UPDATE

M McCarthy stated that GDPR would be addressed within the induction process for new Members and as part of the wider learning strategy.

J Bailey highlighted that the way in which the Authority held personal and sensitive data would continue to evolve. The Authority's staff had undertaken base level training on the GDPR requirements, which would continue to be enhanced. A privacy notice had been published to all Scheme Members to inform them how and why the Authority handled their personal data, together with a Memorandum of Understanding (MOU) to all employers within the Fund. Rob Winter, Head of Internal Audit and Corporate Anti-Fraud at BMBC, had agreed to act as Data Protection Officer for the Authority. Work would continue with the legal advisors to ensure that all of the data exchange was GDPR compliant.

J Thompson queried whether the Authority had cyber-crime insurance. M McCarthy would ascertain the position.

The Authority's data was backed up on a daily basis and stored off site. In the event of a fire or other incident, a contract was in place to enable the Authority to relocate from its headquarters in Barnsley to alternative premises in Wakefield.

RESOLVED – That the Members:-

- i) Noted the update.
- ii) To be informed as to whether the Authority had cyber-crime insurance.

14 BREACH REPORTING LOG

J Bailey informed Members of the requirement to incorporate data breach reporting, post GDPR.

Since the launch of the new process, a breach report had been received in relation to a Scheme Member's personal data that had been issued to another individual in error. The Authority had apologised to the Scheme Member concerned and no further issues had been raised; if the Board considered it appropriate, the matter would be reported to the Pensions Regulator.

Internal changes were currently being implemented to minimise the risk of a future occurrence. The Pensions Regulator had suggested that the Authority utilise a traffic light system to highlight the level of risk in relation to data breaches.

G Graham stated that the risk of a future data breach could be minimised further by transferring Scheme Members to electronic communication.

15 RISK REGISTER

Members considered a report to review the Authority's Risk Register. Since the Risk Register had last been presented to the Board, Risks 10 and 11 had been removed.

M McCarthy reassured Members that A Hunt would work with the Authority towards a merged Risk Register.

At the Authority meeting held today, it had been agreed to add an additional risk around workforce issues onto the Risk Register. In relation to Risk Number 07 'Failure to ensure the Authority protects the data it owns and the data it handles' the wording would be revised.

Members noted that a training session in relation to risk would be held during the course of the municipal year.

RESOLVED – That Members:-

- i) Reviewed the Risk Register.
- ii) Noted that the wording in relation to Risk Number 07 would be revised.
- iii) Noted that a training session in relation to risk would be held during the course of the municipal year.

CHAIR

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South Yorkshire Local Pension Board – Work Programme

Agendas	4 October 2018	17 January 2019	14 March 2019	July 2019
	Minutes	Minutes	Minutes	Minutes
	Work Programme	Work Programme	Work Programme	Work Programme
	Budget	Budget	Budget	Budget
	Presentation from the Pensions Regulator		Cycle of Meetings	Board's Annual Report
	Governance	Data Quality	Annual Review of Constitution & Terms of Reference	
	Annual Benefit Statements – Review of the 2018 Process			
	Administration & Employer Performance	Administration & Employer Performance	Administration & Employer Performance	Administration & Employer Performance
	Complaints, Compliments & Breach Reporting			Complaints, Compliments & Breach Reporting
	Member Learning and Development			Member Learning and Development
	Guaranteed Minimum Pensions Reconciliation Update			

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**SOUTH YORKSHIRE PENSIONS AUTHORITY
LOCAL PENSION BOARD EXPENDITURE TO Q/E 26/09/18**

Agenda Item 7

	ORIGINAL OUTTURN	REVISED OUTTURN	ACTUAL OUTTURN	2018-19 VARIANCE	Note
LOCAL PENSION BOARD					
Travel, Accommodation and Subsistence	3,500	-	27	3,473	1
Training/Conferences	8,000	-	750	7,250	1
Professional Advice/Other	3,500	-	1,673	1,827	2
	15,000	-	2,450	12,550	

1. Expenditure has been minimal against this budget as the Local Pension Board has only incurred travel expense claims, subsistence and training expenses at 26 September 2018

2. Professional Indemnity Insurance expenditure plus LPB meeting costs.

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SOUTH YORKSHIRE PENSIONS AUTHORITY

LOCAL PENSION BOARD

4 October 2018

Report of the Clerk and the Fund Director

CONSTITUTION AND TERMS OF REFERENCE

1) Purpose of the Report

To make recommendations for revised terms of reference and membership arrangements for the Local Pension Board.

2) Recommendations

Members are recommended to:

- a) **Recommend to the Pensions Authority the revised terms of reference for the Local Pensions Board set out in Appendix A.**
 - b) **Recommend to the Pensions Authority the revised membership arrangements for the Local Pensions Board set out in the body of this report.**
-

3) Background Information

3.1 At its last meeting the Board discussed the annual review of its constitution and terms of reference. During this discussion the issue of the overlap between the agenda of the Board and some of the Authority's Boards was raised. Officers have also been reviewing the wider governance arrangements of the Authority in the light of pooling and it therefore makes sense to look at the operation of the Local Pension Board in this context.

3.2 Section 5 of the Public Service Pension Act 2013 defines the functions of a Pensions Board as follows (emphasis added):

*(1) Scheme regulations for a scheme under section 1 must provide for the establishment of a board with responsibility for **assisting** the scheme manager (or each scheme manager) in relation to the following matters.*

(2) Those matters are—

- (a) securing **compliance** with the scheme regulations and other legislation relating to the **governance and administration** of the scheme and any statutory pension scheme that is connected with it;
- (b) securing **compliance** with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator;
- (c) such other matters as the scheme regulations may specify.

3.3 The Pensions Regulator very strongly expresses the view that the focus of the work of Local Pension Boards within the Local Government Pension Scheme should be on issues such as performance of the administration function, data quality and compliance with Code of Practice 14, and not on investment issues and wider organisational matters. The Board's current terms of reference result in an agenda which does not provide as much focus on these core issues as would be desirable, while also duplicating some aspects of the Authority's agenda. Therefore the revised terms of reference set out in Appendix A have been developed by officers in consultation with the Chair and Vice Chair of the Board, and are recommended for adoption.

3.4 The current membership of the Board is 12 (6 employers and 6 scheme members). This is significantly larger than the average board for a fund of this size reflecting the former joint arrangements with the Transport Fund. Currently there are two vacancies (one on each side) and it is suggested that these not be filled and that the constitution of the Board be amended to reflect the following:

Employers	Scheme Members
2 representatives of the District Councils	3 representatives (1 each nominated by Unison, GMB and Unite) who are members of the Fund.
1 representative of small admitted bodies	1 Active scheme member
1 representative of larger non council employers	1 Deferred/Pensioner scheme member
1 representative of the Academies sector	

3.5 The regulations under which Local Pension Boards have been established emphasise the potential conflict of interest which exists between being a member of the Administering Authority/Pension Committee and the Local Pension Board. The arrangements which have developed in South Yorkshire result in some scheme member representatives sitting both on the Authority and the Local Pension Board. This is not good practice and officers will discuss with the Trade Unions how this can best be resolved.

4) Implications and risks

- Financial – There are no financial implications arising from this report.

- Legal – The proposed changes to the terms of reference and membership bring the Board in line with the expectations set out in the regulatory framework.
- Diversity – There are no diversity implications from the proposed changes.
- Risk – The proposed changes through creating a more focussed agenda for the Board will reduce the risk that it does not fully fulfil the remit which the Pensions Regulator sees for it and measures it against.

Dianna Terris
Clerk

George Graham
Fund Director

Officer Responsible: George Graham
Post: Fund Director

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Background papers used in the preparation of this report are available for inspection at the offices of the Authority in Barnsley.

South Yorkshire Local Pension Board Terms of Reference

1. Compliance and Control

- 1.1 To review administrative governance and risk management processes and procedures in order to ensure they remain compliant with the Regulations and the Regulator's code of practice.
- 1.2 To assist with the development and review the implementation of the Authority's various policy documents and procedures.
- 1.3 To review the actions taken in response from internal and external review agencies (such as Internal and External Audit and the Pensions Ombudsman).

2. Administration

- 2.1 To monitor and review the performance of Scheme administration from the scheme members' and employers' perspective including making any recommendations for changes to the Pensions Administration Strategy.
- 2.2 To assess the quality of service provided by the pension administration service and identify any areas for improvement.

3. Communications

- 3.1 To monitor and make recommendations as appropriate on the means and content of communication with scheme members and employers
- 3.2 To produce an Annual Report upon the Board's activities to be submitted to the Pensions Authority.

4. Budgets

- 4.1 To agree an annual budget for the operation of the Local Pension Board and submit it to the Authority for approval.

5. Reporting

- 5.1 To make such recommendations to the Authority with regard to the matters set out in these terms of reference as it sees fit.

Further information on the functions and responsibilities of Local Pensions Boards can be found at the following links:

Scheme Advisory Board website:- <http://lgpsboard.org/index.php/board-publications/board-guidance>

Pensions Regulator website <http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx>

Which has a link to the Public Service Toolkit online training portal - to help Board members to increase knowledge and understanding of management of public service pension scheme

SOUTH YORKSHIRE PENSIONS AUTHORITY

LOCAL PENSION BOARD

4 October 2018

REVIEW OF 2018 ANNUAL BENEFIT STATEMENTS (ABS)

1) Purpose of the Report

To update members on the progress of the exercise to issue Annual Benefit Statements to active and deferred members.

2) Recommendations

Members are recommended to note the progress made with the 2018 exercise and to note the plans in place for 2019.

3) Background Information

- 3.1 Under the provisions of the Public Service Pensions Act 2013 each LGPS fund is required to issue an estimated Annual Benefit Statement (ABS) to every active and deferred scheme member by 31 August of each year.
- 3.2 Members may be aware that compliance with this deadline was not possible for any of the last three years since the overriding legislation was enacted. This was due to a combination of various factors – including late year-end submissions from some employers, system issues and general workload pressures.
- 3.3 SYPA took the unusual step of reporting to the Pensions Regulator in May 2017, well in advance of the 31 August 2017 deadline, that it did not expect to meet the target date for 2017. One of the main reasons cited was the workload pressures caused by preparation for the move to monthly data collection, intended to provide a more sustainable long term solution to the ABS production process (see Section 6 below for more information). Subsequent correspondence followed between SYPA and the Pensions Regulator and no further remedial action was taken by the Regulator in 2017.
- 3.4 In the event, active member statements were issued to 84% of the membership of the Fund by 31 August 2017 and the remaining 16% of the statements were issued on a phased basis over the period between

1 October 2017 and 31 March 2018, as and when outstanding queries with employers were resolved.

4. 2018 Approach – Active Members

- 4.1 As indicated above, the data required to produce ABS's for active members is currently derived from the year-end returns provided by each employer in the Fund (refer to Section 6 below for details of how this will change going forward). This means that the production of ABS's is wholly dependent on both timely receipt of year-end returns from employers as well as appropriate levels of response to the inevitable queries generated by the processing of the year-end returns.
- 4.2 In 2018, SYPA strengthened the level of engagement with employers in respect of the submission of the year-end returns and this was reinforced by the earlier changes made to the Administration Strategy which empowered SYPA to make a penalty charge for late submission of year-end returns if required.
- 4.3 Although we did not receive 100% compliance by the published deadline of 11 May 2018 for receipt of year-end returns, we did receive a year-end return from 100% of all employers by 31 August. This was an improvement on previous years where not all year-end returns were submitted by the time the ABS deadline had passed.
- 4.4 The net result of the increased responsiveness was that statements were issued to 44,176 members and all employers were represented amongst this number. This equates to at least 98.6% of the members recorded as being active as at 31 March 2018.
- 4.5 The remaining 1.4% of membership is a theoretical figure representing members with data queries raised with employers following receipt of the year-end return which had not been resolved by the time the statements were produced. This is mainly where the employer (or their payroll provider) did not submit the year-end return until August and was therefore unable to resolve the subsequent queries prior to the ABS statements being issued.
- 4.6 Analysis of these cases reveals that a significant proportion are in reality members who have left employment or opted out of the scheme and will not require an active member ABS. The figure of 1.4% of members outstanding is therefore overstated and the true figure is likely to be nearer half of this. The remaining queries are continuing to be actively pursued so that a final 'sweep up' run of statements can be issued during October 2018, with the intention to bring the total to 100% of eligible members.

5. **2018 Approach – Deferred Members**

5.1 Unlike active members, the production of ABS's for deferred members is not reliant on the successful submission of year-end returns from employers. Given the lack of reliance on external influences, SYPA was successfully able to issue ABS's to 100% of deferred members in advance of the 31 August deadline. This equates to 51,686 members.

6. **Future Approach to Statements - 2019 and beyond**

6.1 SYPA recognised some time ago that the continued reliance on timely receipt of year-end returns from employers was always going to pose a challenge against the 31 August 2018 deadline for issue of ABS's. This is one of a number of reasons why the decision was taken to move to capturing member data on a monthly basis going forward rather than yearly. Monthly data collection from employers went live in April 2018.

6.2 The collection of data on a monthly basis means that data queries can be resolved between SYPA and employers on an ongoing basis during the year rather than following receipt of a year-end return and this should avoid any unforeseen delays in preparing data for the ABS production exercise.

6.3 Similarly, the production of the ABS's can commence as soon as the March 2019 monthly data has been received and a full twelve month history is available. This should allow SYPA to phase the production of ABS's over an extended period, whilst still meeting the statutory deadline. The main benefit will be an improved level of service to our members as they are likely to be in receipt of their statement earlier in the year. It also means the administration team will be able to phase the handling of any subsequent queries and this should improve query response times for members.

6.4 As part of the 2018 ABS exercise, active and deferred members were also advised that all statements from 2019 onwards would only be available online (unless a member specifically requests a paper copy). As well as the obvious cost efficiencies, this encourages members to access the wider range of functions (e.g. updating nominations, calculating retirement projections, etc) which are now available online to assist them with retirement planning.

6.5 This move to online provision has been well received by scheme members to date, with only a handful of members indicating a preference for retaining a hard copy statement. SYPA is also continuing to invest in upgrades to the existing online functionality and will update the Board on progress in this area over the forthcoming months.

7) Implications and risks

- Financial – There are modest cost savings for SYPA (print and postage estimated around £15,000) from moving to online production of ABSs.
- Legal – None.
- Diversity – There are no diversity implications.
- Risk – None.

Officer Responsible: Jason Bailey
Post: Head of Pensions Administration

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Background papers used in the preparation of this report are available for inspection at the offices of the Authority in Barnsley.

SOUTH YORKSHIRE PENSIONS AUTHORITY

LOCAL PENSION BOARD

4 October 2018

ADMINISTRATION AND EMPLOYER PERFORMANCE

1) Purpose of the Report

To update Members on administration issues for the period 1 April 2018 to 30 June 2018.

2) Recommendations

Members are recommended to consider the contents of the report with a view to commenting on performance and indicating any areas that they may wish to receive further information on in future reports.

3) Background Information

3.1 Following discussions with the Chair and Vice Chair of the Local Pension Board, it was agreed that a report would be provided on a quarterly basis on the performance of the administration team as well as the level of engagement and compliance from employers. This is intended to provide Board members with a greater degree of transparency to contribute to an increased focus on administration issues (whether from SYPA or from employers) and will hopefully allow the Board to comment on any areas where further information or explanation may be required.

3.2 At this early stage, this report includes much of the detail provided to the Corporate Planning and Governance (CP&G) Board. The CP&G Board focuses on its audit function and, whilst this is also an important element of the Local Pension Board's work, the Local Board also has a unique representation of scheme member and employer interests and may be able to contribute to identifying any areas where SYPA should be focusing their efforts to improve administrative efficiency and customer service. As such, the theme of this quarterly administration report may evolve over time.

4) Staff Changes

4.1 There were no staff changes in the review period to report, though there have been issues with extended sickness absence which are referenced later in the report.

5) Administration Team Performance

5.1 Under the standard reporting protocol the casework performance of the Administration team for Quarter 1 was as follows:

Work Category	Number completed	In Time	Performance
Priority	1197	1036	86%
Non-Priority	11818	10292	87%
Overall	13015	11328	87%

5.2 This performance level of 87% overall compares favourably with the casework performance for the 2017-2018 year overall of **82%**.

5.3 The overall performance level of casework completed however does not provide a detailed picture of the type of work that is being completed and how successfully. For this reason, we have reviewed the casework areas covered by our Customer Charter and set out a summary of performance against these areas.

5.4 The table below shows the casework areas broken down by subject type according to our charter. Priority areas are deaths and retirements. For comparison purposes the equivalent figures for 2017-18 are also shown.

Case Type	Target Days	Numbers Completed	Numbers In Time	Q1 Performance	Performance 2017-18
PRIORITY CASES					
Formal Complaint	3	4	4	100%	89%
Pensioner Death	4	343	306	89%	81%
Deferred Pensioner Death	4	16	8	50%	34%
In Service Death	4	7	2	29%	22%
Retirements	5	822	711	87%	87%
NON PRIORITY CASES					
Divorce Proceedings	5	99	84	85%	71%
Transfer Out	5	112	80	71%	44%
General Enquiry	5	814	773	95%	91%
Transfer In	7	216	117	54%	40%
New Joiners	5	1585	1413	89%	89%
Early Leavers	See Below	1080	999	92%	87%
Preserved Benefits	20	881	602	68%	64%

Refund of Contributions	9	553	500	90%	91%
Re-employed Pensioner	7	1	1	100%	NA
Overall		6904	5921	86%	83%

- 5.5 **Priority Cases.** The table suggests that the processing of deaths stand out as a concern. Death cases can be particularly complex with a number of exchanges between the Administration team and the next of kin and in reality it is unsurprising that some have missed the target day of 4 days (within the administration team) for the complete process.
- 5.6 Despite that, targeted action has been taken to create a priority work queue under the control of the Performance Manager who is proactively monitoring and reallocating these cases on an individual basis to the staff available and qualified to process this senior level of case work.
- 5.7 Since the introduction of this control, performance on deaths has shown a significant improvement and currently stands at 94%. The 5 'in service' death cases that were completed outside of the target days in Quarter 1 are cases that had been commenced prior to the introduction of the new control.
- 5.8 In addition to this, the Head of Pensions Administration is currently reviewing and implementing an updated administration process for death cases to ensure that the cases are being handled in the most effective manner.
- 5.9 **Non Priority cases.** Members will note that the target days for completion for a number of lower priority cases appear particularly stringent and it is likely that working to these targets may not be the most appropriate allocation of resource time during a period when priority cases are not at 100% achievement.
- 5.10 The administration team intend to consult with a selection of scheme members to assess whether the target days set out in the Customer Charter are relevant and whether members would prefer focus in other areas. The results of the consultation will be shared with the Board.

6) **Outstanding work**

- 6.1 The table below of 'outstanding work' was presented as part of the Q4 report for 2017/18.

Work Outstanding at 31 March 2018

Active Cases	Pending	Awaiting Software Updates	Total
3919	6125	5395	15439

Key

Active Cases	Able to be processed
Pending	Case is in progress but awaiting further information – usually from scheme member or employer
Awaiting Software Update	Purposely on hold awaiting a software development to be released in September 2018 that will permit efficient processing

6.2 In preparation for the release of the software development referred to above, a number of ‘on hold’ cases have had their status updated ready for use of the introduction of the automated tool in September 2018. The impact of this is that an accurate update to the table above is not possible as at the end of quarter 1.

6.3 One advantage of the new software tool is that it will be possible to measure the number of outstanding “aggregation” cases which make up the vast majority of basis flagged as “awaiting software update”. A dedicated project team has been set up from 1 October 2018 specifically to work on the backlog of aggregation cases now that the automated tool is in place and progress on resolving these cases will be included as part of the quarterly update.

7) **Employer Performance against their SLAs**

7.1 As Members are aware employers are required to meet the following target standards for the submission of casework related information:

- New Starter (56 days)
- Early Leaver (56 days)
- Retirement with immediate entitlement to benefits (28 days)
- Death in Service (14 days)

However, since the introduction of Monthly Data Collection (MDC) from 1 April 2018 the requirement to submit documentation for the first two categories (New Starters and Early Leavers) has been removed, at least in part. This is because these are identified automatically as part of the MDC processing.

7.2 The table below therefore reflects only the performance of the four District Councils and remaining employers in respect of retirement notifications.

Employer	Cases	Pass	Fail	Performance
Barnsley MBC	22	22	0	100%
Doncaster MBC	33	29	4	88%
Rotherham MBC	26	24	2	92%
Sheffield CC	63	50	13	79%
Councils Total	144	125	19	87%
Other Employers	98	71	27	72%
All Employers Total	242	196	46	81%

- 7.3 **Monthly Data Collection (MDC).** Members may be aware that MDC was introduced from 1 April 2018 to improve the overall efficiency of the administration of the LGPS at SYPA – both for employers and for the administration team. Over time this will be a considerable benefit to scheme members who will have up to date pensions information held on their online records at any point in time.
- 7.4 Under MDC all employers are required to submit monthly returns by the 19th of the month following the pay period. At the time of producing the previous report for CP&G Board, monthly returns should have been received for April and May 2018.
- 7.5 The tables below show the number of returns received at that time, summarised according to whether the monthly return was submitted by an in-house team or an outsourced payroll provider.

Apr-18	Number of returns expected	Returns received	Outstanding	% Success Rate
Employers using external payroll providers	367	325	42	88%
Employers with single use/in house system	102	102	0	100%
Total Active Employers in SYPA Fund	469	427	42	91%

May-18	Number of returns expected	Returns received	Outstanding	% Success Rate
Employers using external payroll providers	370	327	43	88%
Employers with single use/in house system	102	102	0	100%
Total Active Employers in SYPA Fund	472	429	42	91%

- 7.6 Members will note that the submission rate for this new MDC process has generally been high with strong engagement from employers. Of the 42/43 returns previously outstanding for each of the first two months, 40 of these were attributable to employers who use Capita payroll services – Sheffield academies and other Sheffield employers.
- 7.7 The poor performance of Capita in respect of MDC and other ongoing areas of administration was escalated to Capita senior management. A separate report was also prepared for Sheffield City Council elected members and a recovery plan has been put in place with Capita which is producing beneficial results. The MDC files for employers using the Capita payroll have now been brought up to date.

7.8 At the time of producing this report, all employers in the fund had successfully provided monthly data reports for April, May and June (with the vast majority also submitting returns for July and August).

8. **Staffing issues impacting on work and performance**

8.1 Sickness absence statistics for the reporting period are shown in the table below. The previous quarter's figures are shown for comparison purposes in the second table.

1st April 2018 – 30th June 2018

Period	Certified	Uncertified	Overall
April	2.8%	1.1%	4.0%
May	4.2%	0.4%	4.6%
June	3.4%	1.0%	4.3%
Total	3.5%	0.8%	4.3%

1st January 2018 – 31st March 2018

Period	Certified	Uncertified	Overall
January	1.6%	1.5%	3.2%
February	1.1%	1.9%	3.0%
March	1.5%	1.0%	2.4%
Total	1.4%	1.5%	2.9%

8.2 There has been a significant increase in sickness absence from the previous quarter but this was predicted since four members of staff were off on long-term sickness absence for non work related conditions during the period in question.

8.3 Of the four long-term absences, three have now returned to work either on a phased or full basis following active management in conjunction with occupational health where appropriate. Unfortunately, at the time of producing this report, two further staff are now absent on long term sickness for non related conditions. This is continuing to have an impact on performance overall.

9. Implications

- **Financial** - potential financial penalties for employers failing certain service standards under the Authority's Pensions Administration Strategy.
- **Legal** - None
- **Diversity** - None
- **Risk** - Poor performance from employers increases the likelihood of a poorer service to members from the Administration team which in turn increases the potential for complaints and risk to reputation

Jason Bailey
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Background papers used in the preparation of this report are available for inspection from the offices of South Yorkshire Pensions Authority

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SOUTH YORKSHIRE PENSIONS AUTHORITY

LOCAL PENSION BOARD

4 October 2018

REVIEW OF BREACHES, COMPLAINTS AND COMPLIMENTS

1) Purpose of the Report

To update members on the latest available record of reported breaches and provide details of the complaints reporting for Quarter 1.

2) Recommendations

Members are recommended to:-

- **note the latest available breaches summary and comment on any further reporting requirements or actions**
 - **note the complaints reporting for Quarter 1.**
-

3) Background Information – Breach Reporting

3.1 At a previous meeting of the Local Pension Board on 5 October 2017, members were invited to comment on the new Reporting Breaches Procedure which was subsequently approved by the Authority. A copy of the new Procedure is provided at **Appendix A**.

3.2 This Procedure sets out that all breaches, whether material or not, should be recorded and presented to the Local Pension Board on a quarterly basis (where required).

3.3 **Appendix B** provides a record of all breaches that have occurred since the previous meeting of the Local Pension Board on 7 June 2018. This report provides the most updated information rather than follow the usual quarterly reporting periods as the Board may wish to have early sight of any material breaches.

3.4 It should be noted that five breaches have occurred since the last Local Pension Board meeting, all of which are data related. Three of the data breaches were caused by individual errors in the administration team and two were caused by errors made by employers (or their payroll providers).

3.5 The nature of the breaches is set out in the Annex and the breaches have initially been flagged as not material given the minimal impact on scheme members. However, the Board are invited to review these if they do not consider the rating or actions taken to date are sufficient.

4. Complaints Reporting for Quarter 1 of 2017/18

4.1 There were four formal complaints within the reporting period. This is a reduction from eight in the previous quarter. All four complaints were responded to within the three day target response time.

4.2 Of the four complaints received in the period, two complaints related to issues around delays in resolving a bulk pensions transfer following a TUPE employment transfer. These delays were outside of SYPA control but it was acknowledged that the members had not been kept updated with an explanation of the reasons for the ongoing delays.

4.3 The third complaint relating to issues caused by the “aggregation” backlog. The tool developed to handle the outstanding “aggregation” cases is now live and it is envisaged that the project team set up to handle these cases from October 2018 will be in a position to prioritise any specific cases where members raise concerns.

4.4 The fourth complaint relates to an overstated retirement estimate and has now moved on to be handled as a Stage 2 Appeal under the Internal Dispute Resolution Procedure. There were errors made in the handling of this member’s retirement which were caused by human calculation error rather than any systemic issues. The human errors originated from the member’s complicated employment records and it is also likely that the automated “aggregation” tool would have minimised the risk of human error had it been in operation at the time of the member’s retirement.

4.5 It is intended to continue to seek to identify whether complaints raised are indicative of any procedural or underlying concerns and these will form part of the complaints commentary in future reporting.

5) Implications and risks

- Financial – None.
- Legal – None.
- Diversity – There are no diversity implications.
- Risk – None.

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Background papers used in the preparation of this report are available for inspection at the offices of the Authority in Barnsley.



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:

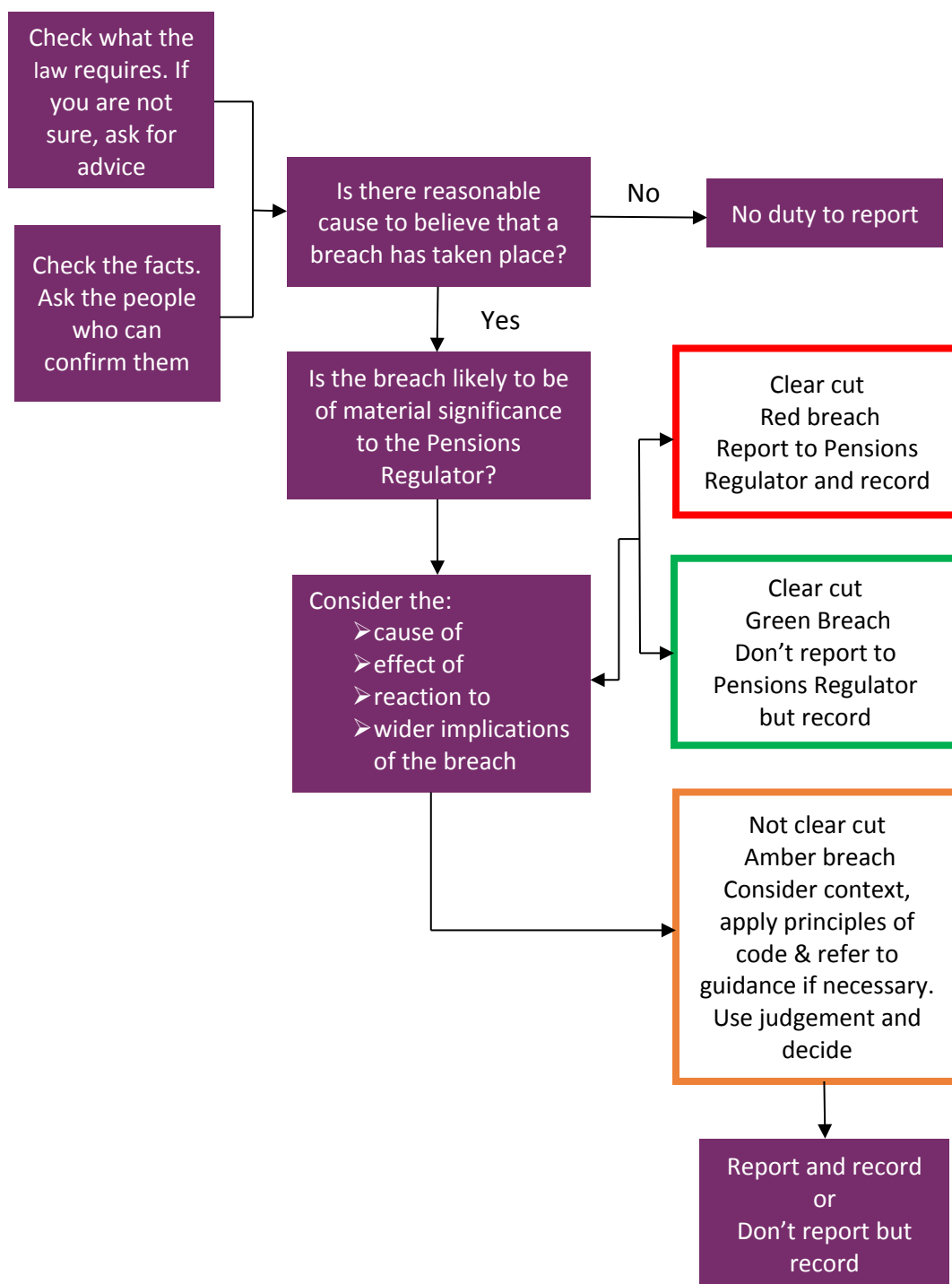
- Cause of the breach (what made it happen).
- Effect of the breach (the consequence(s) of the breach).
- Reaction to the breach.
- Wider implications of the breach.

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

Telephone: 01226 772954

Steve Barrett – Interim Fund Director

Email: 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

Telephone: 01227 773237

Monitoring Officer – Andrew Frosdick

Email: 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

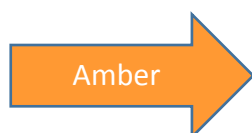
It is recommended that those responsible for reporting use the traffic light framework when deciding whether to report to the Pensions Regulator. This is illustrated below:



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

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

Tel: 01226 772923

Web: www.sypensions.org.uk

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Date Identified	Type of Breach (e.g. personal data, contributions, criminal activity, etc)	Description	Action Taken in Response to Breach	Possible Impact (Red/Amber/Green)	Date Reported to Local Pension Board or Authority	Reported to Pensions Regulator or other statutory body (e.g. ICO)?	Details of any follow up actions taken/required or wider implications	Breach Open/Closed
31-May-18	Personal Data	Pension statement relating to Member (A) was enclosed with correspondence issued to scheme member (B) in error. Statement for (A) was returned to SYPA by member (B) who had received it in error.	Member (A) was notified of the breach and raised no further concerns.	Green	7 June 2018 (LPB)	NO	All administration staff reminded of importance of checking enclosures before issuing correspondence.	CLOSED
10-Jul-18	Employer Cost Data	Early Retirement costs for member employed by Employer (1) sent to Employer (2) in error. Employer (2) noticed error and advised SYPA.	Employer (2) requested to confirm deletion of cost data sent via email.	Green	04/10/2018 (LPB)	NO		Open pending any Board comments
13-Jul-18	Data	Expression of Wish form completed by Member (A). Acknowledgement of receipt sent to Member (B) in error, though does not identify Member (A). Alerted to error by Member (B).	Apology issued to Member (B) and records correctly updated.	Green	04/10/2018 (LPB)	NO		Open pending any Board comments
17-Jul-18	Personal Data	Expression of Wish form completed by Member (A) with multiple records. Acknowledgment sent to former home address held on record (member included new address on Expression of Wish but did not indicate address change)	All records updated and member contacted by phone to advise	Green	04/10/2018 (LPB)	NO	Process to be reviewed to encourage online completion of Expression of Wish rather than forms.	Open pending any Board comments
04-Sep-18	Personal Data	Annual Statement for Member (A) was sent to Member (B) at the same employer as employer's payroll provider had advised SYPA of incorrect address for Member (A).	Member (A) was notified and raised no further concerns. Payroll provider alerted .	Green	04/10/2018 (LPB)	NO		Open pending any Board comments
11-Sep-18	Personal Data	Joiner pack and membership information for Member (A) was sent to Member (B) as employer had advised SYPA of incorrect address for Member (A).	Member (A) was notified and raised no further concerns. Employer alerted .	Green	04/10/2018 (LPB)	NO		Open pending any Board comments

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SOUTH YORKSHIRE PENSIONS AUTHORITY

LOCAL PENSION BOARD

4 October 2018

GUARANTEED MINIMUM PENSION (GMP) RECONCILIATION

1) Purpose of the Report

To update members on the progress of the exercise to reconcile GMP records between SYPA and HM Revenue and Customs (HMRC).

2) Recommendations

Members are recommended to note the progress made to date and the potential implications for certain members once the reconciliation exercise is complete.

3) Background Information

3.1 Members may be aware of the existence of this exercise which has been ongoing for 'contracted-out' pension schemes for some time but the following serves as background information to provide context as to the purpose of the reconciliation process.

3.2 The LGPS is a defined benefit scheme which was contracted out of the State Earnings Related Pension Scheme (SERPS). Had the scheme not been contracted out, each qualifying member would have accrued an additional state pension up to 6 April 1997 under the SERPS arrangements, funded by National Insurance contributions. A condition of this contracted out status was that the pension scheme maintain a record of an individual member's accruing guaranteed minimum pension (GMP).

3.3 This GMP value is designed to be broadly equivalent to the SERPS benefit that the member would have accrued, had they not been contracted out. The GMP value is usually included as part of, and not an addition to, the member's overall LGPS pension. However, the value of the GMP becomes relevant once a member reaches state pension age and their LGPS pension is in payment because responsibility for paying any annual (inflationary) increases on the GMP element is shared between the pension scheme and the Government. Any GMP increases due from the Government are paid as part of the member's state pension.

3.4 Contracting out was abolished from 6 April 2016, coinciding with the introduction of the new Single Tier State Pension. As a result of this pension schemes will no longer be provided with notification of GMP entitlement which would previously have come from HMRC. HMRC are providing a one-off service to enable Schemes to reconcile the GMP figures they hold with those held by HMRC; this is called the Scheme Reconciliation Service (SRS) and is currently scheduled by HMRC to cease in December 2018.

4) The Reconciliation Process

4.1 The reconciliation process, broadly, has three stages:

Stage 1 – Initial Analysis and data matching

Stage 2 – Reconciliation – data reconciliation, manual reviews and query liaison with HMRC

Stage 3 – Rectification – calculations of under/overpayments, communication with members

5) Current SYPA Progress

5.1 In common with many LGPS funds, SYPA previously appointed a specialist data analyst, ITM Ltd, to work with the Fund and handle the majority of Stages 1 and 2 of the reconciliation process.

5.2 The Stage 1 analysis revealed significant mismatches between HMRC and SYPA records. The level of queries was, however, consistent with the results of analysis undertaken by other local authority funds and was in line with expectations based on known issues with Government GMP records.

5.3 The work on Stage 2 of the Reconciliation is continuing and there are significant numbers of queries ITM have raised with HMRC on behalf of SYPA which remain outstanding. The number is approximately 25,000 in total, though many will be resolved by bulk resolution in time. This is a common experience amongst LGPS funds and, although HMRC have made efforts to increase resourcing in this area, it is difficult to envisage that they will have resolved all outstanding queries by 31 December 2018. The assumption is that this deadline may need to be extended.

6. Impact on scheme members

6.1 Working with ITM, SYPA prioritised the reconciliation work for pensioners who had already reached state pensions age because these are the members whose pensions in payment will potentially be directly impacted by any mismatch between SYPA and HMRC records in terms of an underpayment or overpayment of pension.

- 6.2 A significant number of pensioners GMP queries are still outstanding as a result of queries raised with HMRC but the table provides an indicative summary of the likely 'known' cases to date which are expected to be taken forwarded to Stage 3 (rectification).

Summary of Identified Cases to Date

Total members with past UNDERPAYMENT	105
Total estimated past UNDERPAYMENT	£66,433
*Top 12 members account for 81% of total past underpayment	
Total members with past OVERPAYMENT	260
Total estimated past OVERPAYMENT	£210,500
*Top 31 members account for 74% of total past overpayment	

- 6.3 It should be noted that the estimates shown above are only a 'point in time' summary pending the further results expected from Stage 2 and are based on the assumption suggested by HM Treasury that only GMP values where the difference between SYPA and HMRC figures is more than £2 per week will be subject to rectification.

- 6.4 HM Treasury have also indicated that funds should seek to repay any underpayments to pensioners but should not seek to recover past overpayments. Rather, that they should seek only to pay the correct reduced pension going forward. This will be a decision for the full Authority once Stage 2 of the reconciliation process is complete. It is likely that the outcome of the reconciliation process will not be known until Spring of 2019 at the earliest, based on HMRC response times to date.

7. Next Steps

- 7.1 ITM are continuing to work with SYPA to manage the remainder of Stage 2 of the reconciliation process which includes completing the reconciliation for active members as well as handling responses from HMRC in respect of queries previously raised for deferred and pensioner members.
- 7.2 Progress of the significant numbers of outstanding queries will continue to be monitored and reported to the Board until such time as the Stage 2 reconciliation is complete.
- 7.3 Stage 3 of the reconciliation (rectification) involves a series of complex calculations where the pension amounts have to be 'wound back' to State Pension Age in order to identify the true under/overpayment and these can be impacted by any periods when the GMP was not applied for differing reasons (e.g. if the member had delayed payment of their

state pension for example). SYPA will analyse whether further external support is required to assist with the rectification process once Stage 2 is complete.

8) Implications and risks

- Financial – There are potential implications for members and the SYPA Fund but these cannot be quantified until Stage 2 of the reconciliation process is complete.
- Legal – None at this stage. Most LGPS funds have not yet initiated Stage 3 of the reconciliation process (rectification) but it may be possible that any legal challenge to rectification from scheme members will impact the wider LGPS sector.
- Diversity – There are no diversity implications.
- Risk – The completion of the GMP reconciliation exercise remains on the SYPA Risk Register as failure to complete the process could result in an inappropriate GMP liability being retained by SYPA.

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Background papers used in the preparation of this report are available for inspection at the offices of the Authority in Barnsley.