Date: 03 December 2019

To: MEMBERS OF THE SOUTH YORKSHIRE
LOCAL PENSION BOARD

SOUTH YORKSHIRE
LOCAL PENSION BOARD

18 Regent Street
Barnsley
South Yorkshire
S70 2HG

www.southyorks.gov.uk

This matter is being dealt with by: Gill Richards
Direct Line: 01226 772806
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Dear Member

SOUTH YORKSHIRE LOCAL PENSION BOARD
Wednesday 11 December 2019

A meeting of the South Yorkshire Local Pension Board will be held at 10.00 am on Wednesday 11th December, 2019 in Meeting Room 1, Town Hall, Barnsley, S70 2TA.

The agenda is attached.

Yours sincerely

M. McCarthy

Martin McCarthy
Deputy Clerk

Encs

Distribution: Cllr Tony Damms, Nicola Doolan-Hamer, Rob Fennessy, Andrew Gregory, Nicola Gregory, Steve Loach, Cllr Tosh McDonald, Kevin Morgan, Garry Warwick. and David Webster

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 Regulators 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 the Scheme administration from the scheme members' and employers' perspective including making any recommendations for changes to the Pensions Administration Strategy.

2.2 Assess the quality of service provided by the Pensions 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. Budget

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.

SOUTH YORKSHIRE LOCAL PENSION BOARD

WEDNESDAY 11 DECEMBER 2019 AT 10.00 AM IN MEETING ROOM 1, TOWN HALL, BARNSLEY, S70 2TA

AGENDA

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SOUTH YORKSHIRE PENSIONS AUTHORITY

LOCAL PENSION BOARD

17 OCTOBER 2019

PRESENT: G Warwick (GMB) (Chair)

T Damms (Sheffield City Council), N Doolan-Hamer (Unison), R Fennessy (South Yorkshire Police), A Gregory (Scheme Member Representative), S Loach (Barnsley MBC), K Morgan (Unite) and D Webster (Scheme Member Representative)

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

C Scott (Independent Advisor to the Board)

Apologies for absence were received from Councillor T McDonald

1 ELECTION OF CHAIR

M McCarthy reminded the Board that at their last meeting they had been unable to come to a decision with regard to the position of Chair.

Since then an informal meeting had been held to discuss the matter.

M McCarthy asked for nominations for the position of Chair.

Cllr Damms nominated Garry Warwick. This was seconded by Nicola Doolan-Hamer.

RESOLVED: That Garry Warwick be elected as Chair of the South Yorkshire Local Pension Board for the ensuing year.

2 WELCOME AND APOLOGIES

The Chair introduced Clare Scott to the meeting who had been appointed as an Independent Advisor to the Board and who had extensive experience of the pensions industry.

C Scott gave a brief history of her roles within the industry and commented that she was looking forward to working with the Board. She would welcome any questions or comments from the Board at any time.

Action: G Graham to circulate C Scott's contact details to Board members.

The Chair welcomed everyone to the meeting, especially the new members. Round the table introductions were made.

The Chair suggested a short informal meeting at the close of today's meeting to discuss how the meeting had gone, future agenda items and training needs. This was agreed.

Apologies were noted as above.

3 DECLARATIONS OF INTEREST

None.

4 ANNOUNCEMENTS

None.

5 MINUTES OF THE MEETING HELD ON 25 JULY 2019

RESOLVED: That the minutes of the meeting of the Board held on 25 July 2019 be agreed as a true record.

6 FORMALISATION OF THE MEMBERSHIP OF THE LOCAL PENSION BOARD

The Board considered a report which formalised the membership of the Board following the appointment of several new members.

RESOLVED: That the revisions to the membership of the Board are noted.

7 SOUTH YORKSHIRE LOCAL PENSION BOARD CONSTITUTION

A report was submitted to seek approval for an updated Constitution for the Local Pension Board.

Members were reminded that discussions had taken place over the past few meetings of the Local Pension Board to address issues arising from some instability in membership.

As a consequence of this, it was necessary to formally update the Constitution to reflect the changes agreed and to ensure that the arrangements set out in the Constitution reflected current practice.

The revised Constitution, included at Appendix A to the report, now incorporated:

- The current agreed membership of the Board.
- The arrangements for the register of interests reflected in the Conflicts of Interest policy presented to the Local Pension Board for approval at its October 2019 meeting, including provision for publication.
- The Board's up to date Terms of Reference.

C Scott queried whether there should be an expectation of the amount of member attendance and the consequences of non-attendance within the Constitution.

G Graham agreed that this was a valid point and would be consistent with the Authority's Constitution which stated that a member would be removed from the Authority if they had not attended a meeting for six months.

RESOLVED: That the Board recommend that the Constitution, as set out at Appendix A to the report, be put to South Yorkshire Pensions Authority for approval.

8 QUARTERLY ADMINISTRATION UPDATE

J Bailey presented the Quarterly Administration report which updated the Board on administration performance and topical issues for the period 1 July 2019 to 30 September 2019.

Staffing Issues

Members were reminded that the administration service had been undertaking a consultation on a restructuring of the service following approval by the Staffing, Appointment and Appeals Committee in June 2019.

The consultation had now closed without the requirement for revision to the original proposals and the new structure was in the process of implementation. Appendices to the report detailed the previous structure, the final new structure and a list of the new and deleted reports.

The restructure had been designed to facilitate improved resource allocation to customer focus (for both employers and scheme members) and the increased application of technology to improve efficiency.

In response to a question from C Scott, J Bailey commented that although it had been an unsettling time for staff, they now seemed positive about the future and had come to terms with the need to change.

The Board noted that overall sickness absence had reduced for the quarter but unfortunately two new cases of long term absence had arisen towards the end of the quarter.

Case Work Performance

The report detailed the case work performance for the quarter, with figures from the previous year shown for comparison.

Overall performance had dipped significantly in Quarter 2; this was mainly due to data cleansing work which had been undertaken during the period and the fact that the team were carrying a number of vacancies.

During a previous meeting, the Board had asked to see the volumes of cases that were outstanding. This data was now included within the report and detailed the volume of cases which were pending (awaiting a third party response) and those which were either being processed or ready to be processed.

G Warwick questioned how many deferred members had been lost track of.

J Bailey replied that it was in the region of 5,000 and also informed the Board that the Service was currently engaged in a collaboration to procure a tracing agency.

N Doolan-Hamer queried how many new joiners who were auto-enrolled subsequently pulled out of the Scheme.

J Bailey explained that these figures weren't recorded as it was an employer matter but average retention figure were around 85%. It was confirmed that only very small numbers of employees took up the 50-50 pension option.

Employer Performance

Members were reminded that employers had responded well to the switch to monthly data collection and although responsiveness remained high in general, one of the councils had recently switched payroll system and had not been able to deliver their most recent monthly returns in a timely manner. SYPA were working with the employer to help ensure the short term problem was remedied as soon as possible.

C Scott enquired how the Authority dealt with employers who were persistently late with data or contributions.

J Bailey replied that there was no significant issues with collecting contributions; at the moment they were consulting through the Employers Forum with regard to switching contribution payments to direct debit.

With regard to data submissions, the Authority had a strong Administration Strategy that enabled the Authority to fine employers for non-compliance. There was rarely a need for this to be used.

Scheme Member Engagement

The Board was reminded that a survey had been issued to members who had recently retired to measure their levels of satisfaction with the process.

During the period approximately 500 members had retired and 69 of them had responded to the survey.

Overall positive satisfaction levels were over 92% which was pleasing , but the responses for those less satisfied suggested that the retirement documentation would benefit from a review. This would be undertaken by the newly-appointed Customer Services Manager.

The Annual Benefit Statements were issued online in 2019 and an exercise had been carried out to encourage all scheme members to sign up to use the online portal. Appendix D showed the number of registration since October 2018.

The online registrations continued to increase and further communications would be issued to members and employers to encourage everyone to register for the portal.

The Pensions Regulator

The Fund Director had circulated the link to the Pensions Regulator's report on the engagement that had taken place with 10 local government funds. Officers would be pleased to include further information in any future reports on any area highlighted by the Regulator as worthy of consideration.

D Webster queried whether it was good practice for the Board to review the Risk Register.

The Fund Director replied that the Pensions Authority's Audit Committee focused on the Risk Register but noted the need for the Board to have assurance that appropriate risk management and governance were in place.

The Head of Pensions Administration commented that members of the Board were welcome to attend Audit Committee meetings for assurance.

The Chair thanked J Bailey for a comprehensive report.

RESOVLED - That the report be noted.

9 REVIEW OF BREACHES, COMPLAINTS AND APPEALS

The Board considered a report to update members on the latest available record of reported breaches and provided details of complaints and appeals for the period 1st July 2019 to 30th September 2019.

Appendix A detailed nine breaches, five of which were not Authority related. Of the four that were, only one required a change to an existing process. It was not necessary to report any of the breaches to the Pensions Regulator or the Data Protection Officer.

Following audit recommendations, a revised draft Reporting Breaches Procedure which explicitly referenced requirements under the General Data Protection Regulation, was attached at Appendix B and which highlighted the proposed changes to the procedure.

There had been eight complaints during the period, details of which and actions taken were detailed at Appendix C.

RESOLVED – That the Board:

(i) Note the summary of breaches.

(ii) Note the proposed update to the breach reporting procedure.

(iii) Note the outcome of complaints received.

10 DATA QUALITY AND IMPROVEMENT

A report was submitted which gave an update on progress with the Data Improvement Plan ahead of the Pensions Regulator's annual return.

The Board were reminded that the Pensions Regulator had required Funds to report on the quality of common and conditional data for the first time in 2018/19.

The scores reported to the Regulator last year were:

Common Data:	96%
Conditional Data:	87%

For the 2019-20 exercise, which would be submitted to the Regulator in November, the Scheme Advisory Board had developed draft guidance consisting of a reduced set of 22 conditional data items which were to be used by LGPS funds as a basis for measuring their data.

SYPA's in-house data quality software tool (DART) was being further developed to cope with the changes.

Members were reminded that a draft Data Improvement Plan was provided in January 2019 based on the outcomes of the scoring. This was intended as a working document and it was likely that the actions under the Data Improvement Plan would need to change again once the results of the latest scoring were known.

The previous improvement plan had been updated and progress against common and conditional data were detailed in the appendices.

RESLOVED – That the Board:

(i) Note the proposed changes to the measurement of conditional data.

(ii) Note the progress made with the existing Improvement Plan.

11 LOCAL GOVERNMENT PENSION SCHEME - GOOD GOVERNANCE REVIEW

A report was submitted which informed the Board of the conclusions of the Good Governance Review carried out on behalf of the Scheme Advisory Board. The full report by Hymans Robertson, including the results of the survey, was included as an appendix.

The proposals detailed in the review and their implications for SYPA were set out in the report.

One of the proposals was that Authority members should be trained to the standard required of members of Local Pension Boards. The Board discussed the difficulties this could present, especially with the high turnover of Authority members each year.

The Board also discussed their own training requirements and the importance of training being pitched at the right level, members needed enough knowledge and confidence to be able to ask the right questions.

G Graham commented that short one hour sessions could be arranged for either before or after Board meetings.

G Richards would send out a training needs analysis form for members to fill in to see which areas should be focused on.

Other proposals included:

- The introduction of new statutory governance guidance.
- An enhanced annual governance compliance statement.
- The development of a formal Conflicts of Interest policy.
- An overall assessment of the effectiveness of the Authority's governance from an independent source.

The Fund Director reminded the Board that SYPA (along with the Environment Agency and the London Pension Fund Authority) were different other Authorities and there were a number of areas where the proposed framework was unlikely to fit for SYPA.

The would be raised with the Scheme Advisory Board and SYPA would work with the other unique administering authorities to ensure the final guidance would accommodate not just the "standard" administering authority that forms part of a council but also the various other arrangements that re in place across the scheme.

RESOLVED – That the contents of the Good Governance Review are noted.

12 REVIEW OF CONFLICTS OF INTEREST POLICY

The Conflicts of Interest Policy was presented to the Board after review.

The Board were informed that following review the Conflicts of Interest Policy required no significant amendment and was attached at Appendix A for approval. The approved version would be published on the internet for the purposes of transparency.

Members noted that the Monitoring Officer had reviewed the interests declared by members of the Board and concluded that there were no declared interests which require specific measures to be put in place.

RESOLVED – That the Board:

(i) Approve the Conflicts of Interest Policy following review.

(ii) Note that following review of the declared interests of members by the Monitoring Officer there were no issues that required additional measures to ensure they are managed at this point.

(iii) Agree that in future both the Policy and the register of interests should be reviewed on an annual basis and the results of the review reported to the Board to ensure public accountability.

(iv) Agree that the register of interests should be publicly available in the same way as for elected members of the Pensions Authority to ensure transparency.

CHAIR

SOUTH YORKSHIRE
PENSIONS AUTHORITY

Subject	**Administration Strategy**	**Status**	For Publication
Report to	Local Pensions Board	**Date**	11 December 2019
Report of	Head of Pension Administration		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Jason Bailey	**Phone**	01226 772954
E Mail	JBailey@sypa.org.uk		

1 Purpose of the Report

1.1 To update the Board on the proposal to consult on changes to the Administration Strategy and the collection of contributions via direct debit.

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2 Recommendations

2.1 Members are recommended to:

a. **Endorse the draft changes to the Administration Strategy for consultation with employers**

b. **Note the proposed change in the contribution collection process and the revised time scales for receipt of the monthly data from employers**

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3 Link to Corporate Objectives

3.1 This report links to the delivery of the following corporate objectives:

Customer Focus

To design our services around the needs of our customers (whether scheme members or employers). The proposed changes to the contribution collection process referenced in the administration strategy should be easier and more efficient for employers.

Listening to our stakeholders

To ensure that stakeholders' views are heard within our decision making processes. The consultation period should provide sufficient time for employers to raise any concerns about the proposed changes to the Administration Strategy.

4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report should have a positive impact on Risk O2 which concerns failure to meet statutory requirements because it should lead to more timely and accurate receipt of data from employers.

5 Background and Options

5.1 The legislation governing the LGPS provides that administering authorities should consider publishing an **Administration Strategy** which sets out how the pension fund will administer the pension scheme and details the requirements on employers in the fund which need to be met if the fund is to be administered effectively. The Administration Strategy also sets out the penalties that may be imposed on employers in the pension fund in the event that there are shortcomings in meeting their obligations.

5.2 SYPA first published an Administration Strategy in April 2016 and this was updated in March 2018 immediately prior to the introduction of Monthly Data Collection. There is an expectation that the Administration Strategy should be reviewed routinely as a matter of course but also where there is a procedural/legislative change that would impact on the Strategy.

5.3 Monthly Data Collection (MDC) has now been successfully embedded into employer processes and routines and SYPA would now like to move to the MDC process driving the collection of contributions from employers on a monthly basis via direct debit. This would have the obvious advantage of reconciling the individual scheme member data against the contributions paid by the employer at source rather than relying on a separate reconciliation between the MDC file and the direct payment of contributions from employers.

5.4 In order for the direct debit collection process to meet statutory timescales, employers would be required to submit an MDC file by the 5th day of the month following the end of the payment period. This would leave sufficient time to ensure that the payment of contributions could be achieved by the statutory deadline of the 19th of the month following the end of the payment period.

5.5 The existing Administration Strategy has been updated to reflect the proposed change in process ready for consultation with employers and the opportunity has been taken to update some other minor areas of the Strategy document which had become outdated e.g. the removal of references to Year-End returns which are no longer required. **Appendix A** shows the full Strategy document with the tracked changes that is intended to be issued to employers for consultation.

5.6 Members of the Board will note that the Administration Strategy does provide for the application of penalties to employers where required. As the document itself makes clear in the introduction, the strategy was designed in a spirit of partnership working with employers and every assistance, tool, facility, system, support, training and guidance will be provided where possible to enable employers to improve administrative performance and meet the requirements of the strategy.

5.7 Any penalties carried within the strategy are intended to apply as a last resort but it is important that the fund has the ability to intervene where employers are not complying with their statutory requirements. No increase in the maximum penalties for employers are proposed at this time, the main change being to require employers to provide a direct debit mandate in time for the change in process to direct debit collection from 1 April 2020.

5.8 Although the creation of an MDC file should be an automated payroll process, it is acknowledged that the proposal to bring forward the MDC file submission date to 5th of the month following the end of the payment period did cause some initial concern amongst a small number of employers when the proposal was raised at the recent annual Employers Forum. To provide employers with sufficient time to raise any concerns with SYPA regarding the change in process, it is proposed that the consultation remain open for a 6 week period. The feedback from the consultation would then be reported to the Board at the meeting in February.

6 Implications

6.1 The proposals outlined in this report have the following implications:

Financial	None
Human Resources	None
ICT	None
Legal	None
Procurement	None

Jason Bailey

Head of Pensions Administration

Background Papers	
Document	**Place of Inspection**

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Appendix A

SOUTH YORKSHIRE PENSIONS AUTHORITY

STRATEGY FOR THE ADMINSTRATION OF
THE LOCAL GOVERNMENT PENSION SCHEME IN SOUTH YORKSHIRE

Incorporating:

- Employer Service Level Agreements with the Fund Administrator
- Fund Administrator Service Level Agreement with Employers
- Communication Policy and Strategy (Elements of)
- Consultation Policy and Strategy (Elements of)
- IDR Procedure (Charging Policy)
- Actuarial Services (Charging for certain elements)
- Interest (Policy & Rates)
- Funding and Debt Recovery Strategies (Elements of and Policy)

The following, revised, document details the strategy to be adopted in the administration of the Local Government Pension Scheme by South Yorkshire Pensions Authority and participating Fund Employers with effect from 1 April 2020~~9 March 2018. For the South Yorkshire Passenger Transport Pension Fund, (the administration of which is carried out by South Yorkshire Pensions Authority on an agency basis), and its one participating employer, First South Yorkshire Ltd, the effective date of this strategy will be 1 May 2016~~.

It has been updated ~~developed and adopted~~ in consultation ~~and agreement~~ with the participating Fund Employers and is provided for through statute by Regulation 59 of the Local Government Pension Scheme Regulations 2013 (as amended).

It sets out, amongst other things, how the Administering Authority, SYPA, will administer the Pension Scheme and Fund on behalf of Employing Organisations, and their Scheme Members, participating in the South Yorkshire Pension Fund, its requirements for employers in terms of the timely and accurate provision of information pertinent to the administration of the Scheme and Fund, and the penalties to be applied to those employing organisations failing to meet their duties, responsibilities and obligations as detailed within this strategy document.

The strategy has been developed and adopted in consultation to improve the overall standard of administration of the Scheme and the Fund in the South Yorkshire Fund area and is intended to apply in a spirit of partnership working and co-operation where every assistance, tool, facility, system, support, training and guidance will be provided where possible to enable employers to improve administrative performance and meet the requirements of the strategy.

Any penalties and censures carried within the strategy are not intended to apply as a first resort but rather as a last resort following a period of grace during which time any organisation struggling to meet its obligations will be given the opportunity to make the necessary improvements to their performance.

Jason Bailey~~Gary Chapman~~

Gary Chapman

Head of Pensions Administration
South Yorkshire Pensions Authority

REVIEW DATE

This Administration Strategy will be reviewed as follows:

- Every 5 years as a matter of routine
- Whenever impacted by Regulatory Changes
- Whenever impacted by other legislative changes
- Whenever impacted by major changes to other policies, statements and strategies used by the Administering Authority
- As required by operational changes and demands

Where changes are planned, or deemed necessary, outside of the routine review period then consultation will begin on those proposals for change as soon as possible after the potential requirement(s) for change has been identified, or at the beginning of year five if the review is as a result of the routine review policy.

REGULATIONS AND OTHER LEGISLATION GOVERNING THE STRATEGY

- The Local Government Pension Scheme 1995, 1997 and 2008 Regulations as they still have effect in part
- The Local Government Pension Scheme (Transitional Protection) Regulations 2014
- The Local Government Pension Scheme Regulations 2013 in force now or as amended and in force at any future date
- The Public Sector Pensions Act 2013
- The Pensions Act 1993
- The Pensions Act 1995
- The Pensions Act 2014
- The 2004, 2006 and 2014 Finance Acts
- The Occupational & Personal Pension Schemes (Disclosure of Information) Regulations in force and as amended
- The Occupational Pension Schemes (Transfer Values) Regulations in force and as amended

This list is not exhaustive and other Legislation and Regulations may and will apply in certain specific circumstances

SERVICE LEVEL AGREEMENTS

South Yorkshire Pensions Authority is using its powers under Regulation 59 of the Local Government Pension Scheme Regulations 2013, Pension Administration Strategy, to consolidate its former Service Level Agreement documents, (which were signed by Employing Organisations on a voluntary basis when they were first introduced and only made compulsory for new organisations joining the Fund later), into, and make them, an integral part of, this formal Administration Strategy document

The original publication of, and any subsequent revisions and amendments to, this Strategy follows consultation with Employers and means that there will no longer be a requirement for Employers to have a separate SLA with SYPA. It is implicit that this strategy, and therefore the Service Level Standards contained within it, applies to ALL Employing Organisations participating in the South Yorkshire Pension Fund.

Where either necessary, relevant or appropriate those standards are detailed in the following pages so that all parties are aware of the requirements of this element of the Strategy as the administration of the Scheme in South Yorkshire moves forward under this document.

SCOPE

These are the tasks and issues falling within the scope of the Administration Strategy:

- The requirements and obligations of New Employers joining the Fund
- The routine notification and provision of information by employers about individual scheme members
- ~~The annual provision of information by employers about their scheme members (it is anticipated that 2018 will be the last year that annual information will be required, see next bullet point)~~
- The monthly provision of information and data of sufficient quality and quantity such as to enable the Administering Authority to collect payment of employee and employer contributions from employers via direct debit, to post member contributions, create records for new entrants to the Scheme, amend records to reflect personal and contractual changes and to create the leaver process for those members leaving the Scheme for whatever reason
- The non-routine bulk notification and provision of information by employers about their scheme members where event driven
- The payment to the Fund of employee and employer contributions including any additional contributions paid by scheme members
- The payment to the Fund's appropriate third party AVC providers of employee Additional Voluntary Contributions, AVCs
- The payment by employers of deficit contributions in accordance with the Funding Strategy Statement
- The payment by employers of any costs associated with the early termination of employment of scheme members or policy decisions requiring additional funding
- The development and publication of Employer Discretionary Policies
- The IDR Procedure and/or Formal Member Complaints about Employing Organisations
- Actuarial Services
- The Provision of Scheme compliant Payroll Services by employing organisations
- Accounting Standard Exercises for Employers
- Fund Valuation Exercises
- TUPE Transfers, Admission and/or Bond Agreements, School Conversions
- The provision of information to employers in relation to their scheme members for the purposes of:
    - Individual member retirement benefit estimates
    - Bulk member retirement benefit estimates
    - Bulk costings for employer led early retirement exercises
- The Communication Strategy
- The Consultation Strategy
- Reporting to the Regulator
- Debt Collection Procedure
- The National Fraud Initiative Exercise
- Service Standards to Employers
- Service Standards to Scheme Members
- Funding Strategy Requirements where appropriate and inter-related

- The provision of information to third parties in relation to transfer values and deferred benefits for individual scheme members
- Reporting to the Authority and its Boards

STATEMENT OF ADMINISTERING AUTHORITY OBJECTIVES AND AIMS

The following is SYPA's statement of its objectives and aims in relation to how it intends to deliver its administration service to all of its stakeholders:

"The Authority wishes and intends to provide a high quality pensions' service to employing organisations and members of the Fund by:

- **Supporting member organisations in their planning, promotion and use of pension provision for their employment needs**
- **Administering pension provision for member organisations in accordance with statutory requirements**
- **Being recognised as a continually improving provider of cost effective, efficient and high quality pension administration**
- **Providing a first class, accurate and timely service to its members, their dependants and representatives for the entire lifetime of their relationship with the Authority"**

EQUALITY STATEMENT

The Authority is committed to equal opportunities for our members and will take all necessary steps to ensure that is complies with the specific duties that have been placed upon it.

It is the Authority's intention, in addition to the specific promises made in its Customer Charters, to strive at all times to attain the aims of that commitment.

Additionally, the Authority recognises that some of its members may have special personal needs that may differ from the majority of its members and as such it aims to tailor some of its services to meet those needs.

Examples of where a bespoke service can be provided are:

- Large print documents
- Audio CD recordings of Customer Charter Service Standards
- Home visits where a member is unable to visit any of the Authority's premises
- Signing facilities for visiting members who are hard of hearing
- Limited Interpreter Services for any visiting members and/or their representatives who may have difficulties with spoken English

Some services will necessarily require advance notification of their requirement in order to help the Authority make the necessary arrangements and may not always be available even where notice is provided.

MEMBER SERVICES

PENSION INFORMATION SURGERIES

SYPA currently runs an on-line booking service for appointments by members at any one of its four ~~ive~~ locations. More detail can be found on the website at: www.sypensions.org.uk

SYPA is committed to continuing these services for as long as there is sufficient demand and it has access to premises at the four District Councils and has the facilities at the location of its HQ premises wherever that might be now or in the future.

PENSION SAVINGS TAX ISSUES

Whilst tax is a personal issue, some tax liabilities can arise as a result of pension savings growth for an individual exceeding that allowed by HMRC in any given tax year. As a result SYPA will notify members of any tax implications arising from their pension's savings in the LGPS:

- By an initial notification on their Annual benefit Statement

- By a follow up letter confirming the excess savings amount and the implications for tax if any
- By providing further information on the options available through the Scheme for discharging any tax liability arising

~~In addition SYPA will run a tax seminar each year aimed at those members whose level of earnings might demand more information on these tax issues for the people concerned. Such seminars will be presented by Independent Advisors licensed to provide information and advice.~~

REPORTING POLICY

The Pensions Regulator

The Pensions Regulator is the UK regulator of work-based pension schemes. It works with trustees, employers, pension specialists and business advisors, giving guidance on what is expected of them.

It also has functions under legislation passed in 2008 and a statutory objective to maximise compliance with the employer duties under that legislation relating to automatic enrolment.

Its principal aim is to prevent problems from developing. It uses its powers flexibly, reasonably and appropriately, with the aim of putting things right and keeping schemes, and employers on the right track for the long-term.

The Pensions Regulator has published a Code of Practice for Public Sector Pension Schemes that in itself is not law but which is designed to help Scheme Administrators comply with the law. SYPA intends to comply fully with this code of practice at all times and to self-report instances where it fails to do so.

It also has a policy of reporting “material” employer breaches that it becomes aware of where such a breach is deemed to be detrimental to the Fund’s position or reputation or where member benefits could be in jeopardy, for example where an employer deducts pension contributions from members’ pay but either fails consistently to remit those contributions to the Fund by the statutory deadline or fails to remit them at all.

The Pensions Regulator will decide on any appropriate course of action or censure deemed appropriate.

More information about the role and responsibility of the Pensions Regulator can be found at: **www.thepensionsregulator.gov.uk**

South Yorkshire Pensions Authority Annual Report

The Authority will, as a matter of Policy, include the names of those organisations incurring financial penalties in any year for poor performance or non-compliance with the Administration Strategy, in its Annual report.

Office of the Information Commissioner

SYPA has a policy of self-reporting “*material”* data protection breaches to the Office of the Information Commissioner. This policy will continue under both current and future legislation such as GDPR which is effective from May 2018.

DATA HANDLING AND SHARING

General

The business of the Authority requires it to transmit and receive personal data to a number of individuals and organisations, often electronically.

Where it transmits data electronically it will do so using a secure method and in accordance with any other Policies the Authority has in place, for instance, its E-Mail Usage Policy.

Where it receives data from individuals or organisations within the Fund it will require that data to be sent to it in a secure manner and may require the sender to adopt and use the Authority’s own secure electronic transmission facility.

It will only collect, store and use Data for the purposes for which it was collected and for the purposes of administering the Pension Scheme.

It will delete data in accordance with its Document Retention Policy.

General Data Provisions Regulations 2018

The General Data Protection Regulations 2018 ~~are due to~~ ca~~o~~me into force in May 2018. Although of European Genesis the UK Government has confirmed it will enshrine the principles of the Regulations in UK Law and the Regulations will therefore apply.

SYPA, who for the purposes of the Regulations are classified as a “Data Controller”, will comply with this legislation wholly and fully and will:

- Requisition the services of an independent and qualified Data protection officer
- Publish a Memorandum of Understanding with employers to clarify the arrangements for ~~Enter into all necessary agreements with those parties with whom it obtains and~~ sharing personal ~~es~~ data
- Ensure data sharing partners are themselves fully compliant with the requirements of the Regulations
- Publish a Privacy Notice to explain how and why it uses personal data ~~Obtain the appropriate consent from individuals to hold their data on any of its systems~~
- Only use their data for the purposes for which it was collected
- Only hold that data for as long as is necessary to administer the Scheme for the members concerned
- Ensure members are able to have their data deleted from the Authority’s systems in accordance with the Regulations

ADMINISTERING AUTHORITY DUTIES, RESPONSIBILITIES AND OBLIGATIONS

The main duties, responsibilities and obligations of an Administering Authority are detailed and can be viewed in the Local Government Pension Scheme Regulations 2013, Part 2 - Administration.

The major compliance tasks are as follows:

- To prepare and publish the Pension Fund Annual Report
- To prepare, publish and maintain its Funding Strategy Statement
- To prepare, publish and maintain its Communications’ Policy
- To commission and obtain a valuation of Fund assets and liabilities as at the 31 March in every third year commencing on 31 March 2016 and to obtain a report and a rates and adjustments certificate prepared by an Actuary in respect of that valuation
- To decide any question concerning a person’s previous service or employment, the crediting of additional pension and the amount of benefit to which any person has or will become entitled out of the Fund
- To publish a statement concerning its policy on the use of its discretions
- To issue annual benefits statements in respect of its active, deferred, deferred pensioner and pension credit members
- To appoint an adjudicator to consider applications from members affected by first instances decisions or any acts or omissions of the Administering Authority and to make a decision on such applications

The above list is not exhaustive nor is it as detailed as the Regulations which should be referred to in the event of any doubt.

ADMINISTERING AUTHORITY DISCRETIONS

The main discretions afforded to an Administering Authority are detailed and can be viewed in the Local Government Pension Scheme Regulations 2013, Part 2 - Administration.

The major discretions are concerned with and relate to the following:

- The waiving of reductions in any benefits of members where there is no longer a scheme employer to fulfil that function
- The person(s) or bodies to whom it will pay any death grant arising from the death of a member

In addition, the Administering Authority is also required to exercise its discretion, together with the Employing Organisation concerned, in the matter of extending the time frame in which a member can request an inwards transfer of pension rights from a previous arrangement.

Because of the Regulatory requirement for both employing and administering authority to agree on the use of this discretion it will be a requirement placed on all employers within the Fund to notify SYPA of any decision to allow an extension of time for requesting such a transfer. That notification must be submitted on the Late Transfer Form which is available on EPIC. Where appropriate it must be accompanied by any supporting minute from the Board, Panel or Committee ratifying the decision.

In addition **Absolute Discretion** is afforded under the Statutory Regulations to Administering Authorities to determine to whom any Death Grant is payable, even where an expression of wish exists for the deceased member. For operational expediency, SYPA have delegated this discretionary decision making power to the Officer occupying the post of Pension Benefits Team~~s~~ Manager, this avoids any conflict with the IDRP Adjudicator who may need to look at any decisions made under this discretion and subsequently appealed against and make a determination about the correctness of that decision. Currently the role of Adjudicator is delegated to the Post of Head of Pensions Administration. It is not practical for the Authority to have to make these decisions given the frequency of cases occurring balanced against the additional report writing required and the infrequency of Authority meetings which could delay payment of these benefits to the detriment of the potential recipients~~estate and any dependants~~.

EMPLOYING ORGANISATION DUTIES AND OBLIGATIONS

The main duties, responsibilities and obligations of a Scheme Employer are detailed and can be viewed in the Local Government Pension Scheme Regulations 2013, Part 2 - Administration.

The major compliance tasks are as follows:

- To contribute to the Fund in each year covered by the rates and adjustment certificate the amount determined by reference to that certificate
- To pay over all amounts received from employees by way of their contributions to the Fund
- To deduct from a person's pay any contributions payable by the member under the Regulations
- To decide any question relating to a person's rights or liabilities under the Scheme not falling to the Administering Authority to determine
- To appoint an adjudicator to consider applications from members affected by first instances decisions or any acts or omissions of the employer and to make a decision on such applications
- To provide the Administering Authority, within three months ~~41 days~~ of the end of the Scheme Year, with a statement of details of every employee that has been an active member during the scheme year. Employers now meet this requirement via the submission of monthly data files.~~Whilst Regulation requires provision within three months, SYPA is using its statutory powers to shorten this deadline because of the pressures placed upon it to meet other work deadlines resulting from the Year End Exercise and from the commencement of Monthly Posting from April 2018~~

The above list is not exhaustive nor is it as detailed as the Regulations which should be referred to in the event of any doubt.

EMPLOYING ORGANISATION DISCRETIONS

The main discretions afforded to a Scheme Employer are detailed and can be viewed in the Local Government Pension Scheme Regulations 2013, Part 2 - Administration.

The major discretions are concerned with and relate to the following:

- The Funding of additional pension
- Flexible Retirement
- Waiving of actuarial reductions
- Award of additional pension

PROVISION OF INFORMATION BY THE ADMINISTERING AUTHORITY TO:

Members and Member Representatives

The Authority is required to provide members and/or their representatives with a wide range of information under Regulation and other legislation which may also prescribe timeframes in which the information must be provided. SYPA has published Customer Charters detailing its own service standards. These are invariably much tighter and more stringent than those allowed for in law and are the standards SYPA always aims to achieve. However, the fall-back position at particularly busy or demanding times, and SYPA reserves the right to move to that fall-back position without notice, will be the legislative requirements governing the type of case(s) concerned.

Therefore, as a minimum, SYPA will always administer the Scheme in relation to the provision of information to members and/or their representatives in line with the Regulations in force at any time and in line with any other appropriate legislation.

The major requirements in this respect are as follows:

- The notification to individual members and/or their representatives of the type of benefit and amount of benefit to which the member and/or their representatives or dependants have become entitled as a result of an actual event, such as retirement or death, will be issued in line with the standards detailed in the Authority's Customer Charters. Any payments due from the Fund as a result will also be dealt with in line with the same service standards. The detailed content of such information will, as a minimum, meet the requirements of any Regulations or legislation in force at the time.
- The issuing of Annual Benefits Statements to Active, Deferred, Deferred Pensioner and Pension Credit members. Regulation states that these must be issued by 31 August and, although the Authority relies heavily on its Employing Organisation Partners for data upon which to base these statements it is the Authority's intention and objective to comply with Regulation in this respect and to issue Annual Benefit Statements by the 31 August each year or by whatever date subsequent changes in the Regulations dictate.
- The provision of information for matrimonial proceedings is a statutory duty under both Regulation and over-riding Divorce legislation. The Authority will administer the provision of this information in accordance with both sets of legal requirements both in terms of timeframes and the persons to whom the information is to be released. The service standards for this are also contained with the Authority's Customer Charters. Where matrimonial proceedings result in an actual Pension Sharing order then SYPA's Policy is to make a charge of £350 plus VAT for the implementation and maintenance of such an order. SYPA may increase the charge to reflect the cost of living and/or any changes to the information required to be issued which result in additional resourcing requirements. Costs will usually be charged to the ex-spouse of the member but may be allocated or apportioned by the Court in which case the Authority will comply with such direction and invoice the parties according to the Court's direction.
- The provision of Preserved Benefit and Transfer Value information is also prescribed for in Regulation and specific legislation. The Authority will provide such information in accordance with its legal obligations to members and/or their representatives. In this context a member's representative may be any financial advisor appointed by the member, any third party administrator authorised by the member to obtain such information or the administrators of any occupational scheme acting for the member in a new or subsequent employment. Where transfer value information is requested by an advisor or pensions' administration company for an active member of the pension scheme, then a

statement of entitlement will only be provided as a result of a direct request by the member concerned. This is to ensure, so far as possible, that the member is fully aware of the implications associated with the requirements of the Scheme for the member to opt-out in order to transfer out. The information will then be sent directly to the member concerned and not any third party.

The Authority's Policy on the provision of this information is to only provide it to the member and or their representative once in any twelve month rolling period. The Authority reserves the right to make a charge for the provision of this information prior to the commencement of a new 12 month period and the right to introduce such a charging policy at any time without notice. Any such charge so levied will only ever seek to cover the actual cost to the Authority of the work undertaken in producing the information again.

Independent Financial Advisors or other advisors acting for or on behalf of the member
The Authority will provide information to Independent Financial or other Advisors appointed or authorised by the member in accordance with any Regulatory or legislative obligations and, where Preserved Benefit and/or Transfer Value information is concerned, in accordance with the Policy described in the preceding paragraph.

The Authority:

- Will provide all member specific information it is obligated to provide in the timeframes required of it in law
- Will provide all generic Scheme information it is able to provide in order to assist the enquirers to advise their client(s)
- Will not respond to additional questions it deems not relevant to the enquiry
- Will not engage in follow up discussions by telephone, or communications by e-mail or letter until such time as the member has made a decision in relation to any transfer out of the Scheme, but
- Will provide all information required by the member or their representatives to enable members to take advantage of the Freedoms of Choice as announced by the Government in the 2015 Spring Budget and enabled in subsequent legislation

Participating Employer Organisations
Information will be provided to participating employers as a matter of routine in some instances and upon request in others.

Where information is provided as a matter of routine it will be provided in timeframes and schedules as follows:

- Employer performance, as measured against the agreed service standards, will be reported quarterly in retrospect for the periods:
  - **1 January to 31 March**
  - **1 April to 30 June**
  - **1July to 30 September**
  - **1 October to 31 December**

in each calendar year. Employer performance will also be reported to the Authority.

- Electronic Employer Newsletters will be issued as and when circumstances dictate that Regulatory or legislative change needs to be communicated
- Employer specific alerts of outstanding tasks will be communicated through the EPIC System or any subsequent replacement system developed and introduced by the Authority
- The Authority will hold an Employers' workshop/training event~~Forum~~ at least once a year, ~~usually in the Autumn,~~ to disseminate other important and relevant information
- The Authority will, either pro-actively or upon request, where appropriate and/or necessary, disseminate information by the use of roadshows, presentations, advisory surgeries, training seminars, on-line tutorials, and other electronic media. There would usually be no charge for these services

Where information is provided following a request from the employer then the following service standards will apply:

- Employers will be directed to the online portal to process requests for retirement estimates. However, where the online portal is not available, ~~Retirement~~e~~E~~stimate requests for individual employees will be provided **within 5 working days** of the Authority being in possession of all information necessary to ensure the accuracy of the estimate.
- Bulk Retirement Estimate requests **involving 20 or more employees** will be provided **within 10 working days** of receipt of the bulk request template assuming this is populated correctly and accurate estimates can be provided as a result
- Early Retirement Strain on the Fund Costs as part of a bulk estimate request will also be provided **within 10 working days** of receipt of the bulk request template

None of the information detailed above or the services used to provide this information will incur any fee or charge to employing organisations

Other Administering Authorities:
The working relationship between SYPA and other LGPS Administering Authorities is usually one based on member administration except where the Authority undertakes an element of collaborative working with another Administering Authority or the Administering Authority has become a software/systems' client of SYPA.

Member administration would usually involve:

- Supplying information to Fund Actuaries and the other Administering Authority where a bulk transfer of staff was taking place between employers of the respective Funds and either receiving and investing or paying out a subsequent bulk transfer payment, or
- Administering the Scheme in respect of individual voluntary member movement between funds and receiving and investing or paying out individual transfer payments

The Authority will conduct the administration of member business in respect of either of these scenarios in accordance with the requirements of any Regulations in force at the time and the service standard targets set by SYPA for individual member administration.

The Fund Actuary:
Typically, the routine business of the Authority with its Fund Actuary will fall into one of the following categories:

- Triennial Fund Valuation
- Accounting Standards exercises for participating employers
- Individual contribution rate assessments for new employers
- Risk assessments for new outsourced contract employers and bond assessments for the outsourcing employer
- Employer covenant assessments
- Liability assessments for employers leaving the Fund
- Re-assessment of Employer's Contribution Rate where any allowance is exceeded

Fund Valuation
The Fund Valuation is a Statutory Duty of the Administering Authority and SYPA will carry out this duty in accordance with the Regulations in force at the time.

The Authority will, as a partner and under Regulation, consult and work closely with employing organisations to ensure that member data and financial data relating to employer cash flow is accurate and up to date at all times and that year end data, or as the case may be, monthly data, submissions, are accurate, timely and usable. The objective being that immediately following the 31 March in any given valuation year the Authority will be in a position to provide the Fund Actuary with data of sufficient quality and timeliness to allow for accurate calculations of the Fund's assets and liabilities to be performed using agreed methodology and assumptions.

The target schedule in any valuation year will be as follows:

Year End work completed by SYPA and Valuation Data Extract to Fund Actuary	**July**
Interim Results	**September/October**
Individual Employer Results Consultation	**October/November**
Formal Report	**March**

There are no employer charges or fees related to the Valuation unless additional bespoke work is requested. Before the commencement of each financial year the Authority will publish each employing organisation's contribution statement for the next financial year. The statement will be placed on SYPA's EPIC System. Organisations must ensure that they read, check and comply with it by submitting a monthly data file to facilitate the ~~deducting and~~ collection of contributions by direct debit~~paying over the correct contribution amounts~~. This is an Audit requirement.

Accounting Standards Exercises

Although not required to do so under Regulation the Authority does offer to obtain and provide the appropriate accounting standards requisite information as a voluntary service to employers.

By making use of the readily available expertise and Fund profile familiarity of the Actuary the Authority feels it is able to offer a structured and efficient method of providing this information to participating employers whilst also using efficiency of scale to save employers money compared to the potential cost involved in individual approaches for actuarial assessments.

There are three scheduled exercises each year as follows:

- Organisations with a Year End of 31 March
- Educational Establishments with a Year End of 31 July
- Academies with a Year End of 31 August.

The procedure and schedule for all organisations is driven and set by the Fund Actuary following consultation and agreement on the assumptions to be used in the exercises.

The typical target schedule for organisations with a 31 March Year End would be:

End of January prior to Year End	-	SYPA writes to employers inviting participation and collection of data begins
Mid-February prior to Year End	-	Data issued to Actuary
Mid-April following Year End	-	Results issued to participating employers

The typical target schedule for organisations with a 31 July Year End would be:

End of May prior to Year End	-	SYPA writes to employers inviting participation and collection of data begins.
By 3rd week in July	-	Data issued to Actuary

End of August following Year End	-	Results issued to participating employers

The typical target schedule for organisations with a 31 August Year End would be:

Mid-July prior to Year End	-	SYPA writes to employers inviting participation and collection of data begins
By Mid-August	-	Data issued to Actuary
End of September following Year End	-	Results issued to participating employers

There is a cost for this service as the Authority has to commission and pay the Actuary for the work performed.

SYPA will negotiate an overall cost with the Actuary each year based on the numbers participating in the exercises. This cost will then be notified to those employers when known as part of the communication process.

In addition the Authority makes an administrative charge to cover its own costs of the additional work involved. Currently this charge is £100.00 per employing organisation but the Authority reserves the right to increase this in future should its own costs of administering the exercise(s) increase.

Employers will be invoiced by the Authority for their individual charge.

Individual contribution rate assessments for new employers

As part of the process of setting up a new employer when it joins the Fund, member data will be collected and submitted to the Actuary for an assessment of the indicative contribution rate payable for the remainder of the valuation period by the employer in question.

Typically, such assessments take about six weeks to complete. There is a schedule of charges for such work which is set by the Actuary and not the Authority. This is updated by the Actuary at regular intervals. The latest schedule is available upon request.

The new employer or the outsourcing employer is expected to pay any charges incurred in this respect.

Risk assessments for new outsourced contract employers and bond assessments for the outsourcing employer

Where a participating scheme employer outsources a service to a private contractor and that contractor enters into an admission agreement to admit transferred employees to the Scheme then, as a matter of routine, or at the instigation of the outsourcing employer, SYPA will, through the Fund Actuary, commission a risk and bond assessment as provided for by Regulation, in order to protect the outsourcing employer and the Fund from incurring unfunded liabilities in the event of early termination of the contract and the possible redundancy of employees upon re-absorption of the service.

The cost of the actuarial work will recharged to the outsourcing employer.

Employer covenant assessments

Covenant assessment may form part of the routine work associated with the admission of a new employer, in which case the cost of such work will be included in the overall cost of the risk/bond assessment and recharged accordingly.

However, where the Fund undertakes covenant assessment work at its own initiative as part of long-term risk management strategy then no charge will be passed on to employing organisations as a result.

Liability assessments for employers leaving the Fund

These assessments are commissioned by the Authority when an employer exits the Fund. An exit from the Fund may be triggered by:

- The natural end of a set period outsourced service contract
- The early termination of an outsourced service contract by the outsourcing employer or by the contractor
- The forced termination of an organisation as a result of financial issues
- The natural effluxion of active members leaving no contributors to the Fund

The Authority's Policy, as set out in its Funding Strategy Statement, (FSS), is that termination assessments, where required, will be calculated on a "minimum risk" basis to ensure that residual liabilities are fully funded and that, subject to prudent investment, sufficient money is recovered from the exiting employer to fund those liabilities for the remaining lifetime of its members and their dependants. However, its Termination Funding Policy under Regulation, set out within the FSS allows certain flexibilities in how, when and over how long it will recover those costs. In addition, employers within the scheme whose active membership has reduced to nil for some reason, will not automatically be required to exit the Scheme, thereby triggering an exit cost calculation. Instead they will be allowed a period of grace to allow for recruitment strategies to bring in new active members.

Where the exiting employer is solvent and able to discharge its liabilities in respect of the Fund the cost of the actuarial work will be added to the total to be recovered in respect of those liabilities.

Where the exiting employer is insolvent the cost of the actuarial work will be added to any claim made by the Authority, as a creditor, to the appointed administrator(s).

Where the exiting employer is a contractor and the exit is triggered by the natural expiry of the contract then SYPA will normally have endeavoured to manage the contributions required over the period leading to the exit to avoid any deficit or surplus arising.

Government and other Public Sector Agents

The Authority has signed up to be included in the National Audit Office's (NAO) bi- annual National Fraud Initiative (NFI) in which Public Sector Bodies and Organisations share Pensions and Payroll information in an effort to combat benefit fraud and reduce overpayments in both areas to individuals no longer entitled to receive them.

As a participant in this exercise SYPA will share information about its Fund Members with:

- The National Audit Office
- Its own Internal and External Auditors where appropriate
- The Auditors of other Local Authorities and other Local Government Organisations
- Other Local Authority Benefit Departments
- The Department for Work and Pensions
- The Police where appropriate and/or necessary

The Data Protection Act, and the General Data Protection Regulations, (effective May 2018), permit the sharing of data without the express consent of the individuals concerned where the object of such sharing is the prevention or investigation of fraud and other crimes.

Prior to the release of the reports SYPA will notify its members of its participation in the forthcoming exercise and confirm the intent to share data with other agencies.

Upon the release and receipt of the NFI Reports at the commencement point of each bi-annual exercise the Authority will nominate a senior officer to manage the project.

It will then prioritise and address the workload arising as follows:

- Apparent un-notified pensioner member deaths will be investigated within two months. Pensions in payment from the South Yorkshire Fund will be immediately suspended
- Apparent un-notified preserved pensioner deaths will be investigated within three months

- ~~Apparent un-notified re-employment of South Yorkshire Pensioners will be investigated within 6 months according to the recommended priority matches received from the NAO~~
- Report instances of suspected Fraud to the NAO, its Internal Audit Office and the Police
- Pursue the recovery of all overpayment of pensions resulting from the non-notification of pensioner deaths whether fraud is suspected or not*

*See later section on Debt recovery

As part of its management and administration of casework ~~relating to the payment of Death Grants from the Fund~~ the Authority will also share some data with other Administering Authorities through the Local Government Association's (LGA) National Database. It will also participate in the National "Tell us Once" initiative.

As part of its Communication Strategy the Authority will also share and/or provide member data to its printer Agents, for the provision of information to members, and its Tracing Agents for the purposes of paying benefits.

General

It should be noted that where information is required by any member, member representative, dependant or advisor, whether legal or financial, in order to pursue a claim through the courts for financial loss, damages or compensation for any event not connected to the Authority's actions or inactions or omissions, then the Authority will always make a charge to cover the cost of the work done in connection with the provision of the information requested. Any such charge will not be negotiable and will always need to be settled prior to the release of the information required.

POTENTIAL NEW EMPLOYERS

Potential new employers will have certain obligations to enable their admittance to participate in the LGPS in South Yorkshire to be completed in a timely and accurate manner and ensure that there is no subsequent detriment to members. Admission Agreements cannot be backdated.

The LGPS can be an expensive commitment and any potential new employers having a choice of pension provision, either through legislation or constitution, should satisfy themselves as to the appropriateness and suitability of the Scheme for their staff, organisation, budget and business plan.

Schools converting to Academy Status

Academies ~~have no choice and~~ are required to enroll ~~offer~~ their non-teaching staff into ~~membership of the~~ LGPS upon conversion. Schools considering conversion to Academy Status should:

- Liaise with their LEA well in advance of any proposed conversion date in relation to the current funding of the Pension Scheme and any potential financial deficit to be inherited
- Assess whether their budget will allow for the payment of employer contributions based on the pensionable payroll of their non-teaching staff being transferred to the new organisation, any deficit payments necessary and any business development plans under consideration following conversion
- Be aware of the Funding Strategy of the South Yorkshire Fund
- Provide SYPA with at least six months' notice of their intent to convert together with a proposed conversion date
- Be able to provide a full and detailed personal and payroll data set of the non-teaching staff being taken on by the new organisation from the old school at least three months in advance of the proposed conversion date
- Have a Payroll System (or agent) and staff, together with HR staff, ready and able to take over the management of the employer's pensions' administration function in relation to the LGPS from day one following the conversion
- Familiarise themselves with the requirements of the Fund, Regulations and other legislation associated with the administration of the Scheme and with this Administration Strategy
- Have other systems and staff in place to ensure continuity of the pensions administration function upon conversion

- Pay the actual fees associated with the creation of the academy as a new employer in the SYPA ~~F~~fund

Transferee Admission Bodies
Potential Transferee Admission Bodies considering pensions implications of bidding for a Local Authority or other public sector service contract where transferring staff would normally be eligible for the LGPS should:

- Liaise with the letting body well in advance of any proposed contract date in relation to the pension costs and liabilities involved in the running the contract
- Be aware of, and committed to meeting, the requirements of the Regulations in respect of Admission Bodies
- Ensure the lead-time is sufficient for the Actuarial work to be completed prior to the transfer date
- Be in a position to provide a bond or such guarantee as might be required by the letting body
- Be aware of the Funding Strategy of the South Yorkshire Fund
- Be aware of or, where appropriate, the Parent Company should be aware of, the financial implications for early termination of the contract, and also be aware of the Authority's Policy on the pursuit and recovery of debt, including Closure Costs, as detailed elsewhere in this document
- Have a Payroll System (or agent) and staff, together with HR staff, ready to take over the management of the employer's pensions' administration function in relation to the LGPS from day one of the contract
- Have other systems and staff in place to ensure continuity of the pensions administration function from day one of the contract

Community Admission Bodies
Community Bodies have absolute discretion in deciding whether to apply for admission to the Fund. Any organisation meeting the criteria for admission to the Fund as a Community Admission Body and considering applying should:

- Make their formal application at least six months prior to any proposed admission date
- Be aware of, and committed to meeting, the requirements of the Regulations in respect of Admission Bodies
- Ensure the lead-time is sufficient for the Actuarial work to be completed prior to the transfer date
- Be able to provide financial and personal data about the employees to be admitted under the terms of the Admission Agreement at least three months prior to any proposed admission date
- Be able to demonstrate strength of covenant
- Be aware of the Funding Strategy of the South Yorkshire Fund
- Be aware of the Authority's Policy on the pursuit and recovery of debt, including Closure Costs, as detailed elsewhere in this document
- Have a Payroll System (or agent) and staff, together with HR staff, ready to take over the management of the employer's pensions' administration function in relation to the LGPS from day one following the conversion
- Have other systems and staff in place to ensure continuity of the pensions administration function upon conversion
- Ensure they can provide a third party financial guarantor in line with the Authority's policy on the admission of Community Bodies

Town & Parish Councils
Town and Parish Councils are precepting, resolution bodies. There is no compulsion upon them to offer employees membership of the LGPS. Town and Parish Councils considering using the LGPS in South Yorkshire should:

- Assess whether their budget will allow for the payment of employer contributions based on the pensionable payroll of the employees they wish to give access to Scheme to
- Be aware of the Funding Strategy of the South Yorkshire Fund
- Provide SYPA with at least six months' notice of their intent to implement a Resolution to use the LGPS for their staff
- Ensure an appropriate resolution is passed at least one month prior to the proposed implementation date detailing the staff or posts to be designated as pensionable and to provide SYPA with copies of the Council Approved Resolution(s)
- Be able to provide a full and detailed personal and payroll data set of the employees joining the Scheme at least three months in advance of the proposed admission date
- Ensure that where they operate their own payroll, the Payroll System, or where the Payroll Function is provided by a third party that the third party system, can provide the range of information required by the Scheme in the format required
- Familiarise themselves with the requirements of the Fund, Regulations and other legislation associated with the administration of the Scheme and with this Administration Strategy

NEW EMPLOYER REQUIREMENTS

All new employers to the Fund will be required to:

- Attend a scheme administration meeting with officers of the Authority to ensure they understand the administration requirements of the Scheme in relation to their role as a scheme employer
- Ensure that the appropriate people attend such a meeting so that where responsibilities and duties in relation to the Pension Scheme are split across different posts all responsible people are aware of their obligations in this respect
- Undergo training where training needs are identified by either the Administering Authority or the Employer. Such training may be held either on site at the Employer's premises or at SYPA HQ where access to systems may be more easily facilitated if necessary
- Submit electronic documentation in relation to the formal notification of new joiners to the Scheme and any subsequent contractual changes affecting their employee members' pensionable circumstances, through the Authority's Employer Web System or any replacement system introduced in the future. Paper documentation will not be accepted
- Nominate specific contacts with whom the Authority can work on the various aspects of Scheme Administration requiring specialist knowledge or authority

FEES FOR THE PROVISION OF INFORMATION AND ADDITIONAL NON-STANDARD WORK

The Authority recognises that Employers already contribute to the administration of the Scheme through an actuarial allowance built into their contribution rates by the Fund Actuary as part of the triennial valuation exercise and, as such, it will carry out all of its statutory and routine duties and obligations under the Regulations and any other legislation affecting it without further charge.

However, the Authority reserves the right to charge for <u>work associated with the creation and termination of employers and for any</u> ~~non-standard~~ work <u>unique to an Employer (or Group of Employers) such as a bulk transfer of pension rights.</u>~~requested by an Employer that would require SYPA to undertake work over, above and beyond that which it would normally undertake or to provide a requested service that it would not normally provide.~~

The Authority also reserves the right to make a charge for bulk routine work that is required as a matter of urgency in exceptional circumstances that would lead the Authority to incur additional costs to complete the work, for example by the use of overtime, or where the work is required, exceptionally, well within the agreed service standards for that work which could then compel the Authority to resource the work at a cost to other work, members or employers.

Any such charge or fee would always be made clear and agreed at the outset before any such work was commenced or service provided.

Possible examples of instances where the Authority may deem it appropriate to make such a charge are:

- A bulk redundancy exercise where an employer may require benefit estimates and employer costs more quickly than the agreed service standard time for providing such information
- Non-routine or bespoke actuarial work, (see later Section on Actuarial Services)
- Officer attendance at special meetings outside normal working hours

The above list is not exhaustive.

INTERNAL DISPUTE RESOLUTION PROCEDURE (IDRP)

Under the Local Government Pension Scheme Regulations 2013, both Administering Authority and Employing Organisations are required to appoint an Adjudicator to review First Instance Decisions upon receipt of an application by the member or member's representatives. This is generally referred to as Stage 1 of the IDRP.

Where a Scheme Employer reviews a First Instance Decision under Regulation 74 and makes a consequential decision under Regulation 75 that results in the member making a referral to the Administering Authority for reconsideration of that decision, generally referred to as Stage 2 of the IDRP, then the Administering Authority Adjudicator will reconsider the First Instance decision and notify the employer and the member accordingly.

Where the Administering Authority makes a decision to uphold the member's appeal against the First Instance Decision and to refer the matter back to the employer for re-consideration then the Administering Authority may take the view that there has been a failing by the Employing Organisation in the original decision making review process. Possibly as a result of the Employer concerned:

- Not taking into account all relevant evidence, or
- Taking into account non-relevant evidence, or
- Disregarding the relevant evidence and making a decision that would be perverse or contrary to Regulation

SYPA's Adjudicator will always be happy to discuss these referrals and to provide any assistance, advice and guidance where appropriate or requested in the interests of ensuring that correct decisions are reached for right reasons and the member receives fair and equitable treatment through the process.

ACTUARIAL SERVICES

Actuarial services are provided by the Fund Actuary.

This service is subject to periodic tender and the appointed Fund Actuary may change.

The Fund Actuary is independent.

The retention of the Fund Actuary is a Regulatory requirement for the Authority and a number of the services commissioned from him are also required by Regulation.

Where a service or exercise is provided to the Administering Authority or Fund as a result of a statutory requirement then the Authority will fund this work from its administration budget.

Where a non-statutory service, task, exercise or some bespoke work is offered by the Authority to employing organisations then it is on the understanding that the Actuarial fees or charges will be passed through either proportionately or as previously agreed to those employing organisations on a non-profit basis for the Authority and/or Fund.

Where a service, task, exercise or bespoke work is requested specifically by an employing organisation to be commissioned by the Authority then it is on the understanding that the Actuarial fees or charges will be passed through to the employing organisation(s) concerned on a non-profit basis for the Authority and/or Fund.

Where an employing organisation chooses to approach the Fund Actuary independently, whether for advice, guidance, consultancy work or anything else then it is on the understanding that no charges will be incurred on behalf of the Authority or Fund and the employer concerned will be solely responsible for the settlement of any fees or charges arising.

It should be noted that the Fund Actuary will rarely invoice an employing organisation directly but will submit their bill for any work carried out to SYPA who will then recharge the amount invoiced to the employer concerned.

Where the Fund Actuary provides a schedule of standard charges for certain categories of work then SYPA will provide this to Employing organisations on request

PAYROLL SERVICES AND PROVIDERS

All employing organisations must ensure that they procure payroll services and systems that:

- Store the personal and financial data of its scheme member employees that is required by SYPA in order to maintain its business and meet its duties and obligations as an Administering Authority
- Are able to provide data extracts that meet the reporting requirements of the Administering Authority and the Scheme and are in the appropriate format to interface with the Authority's Computerised Pensions Administration System

Where an employing organisation takes its Payroll Services from a third party or from a payroll located in another part of the organisation or parent company then responsibility for providing timely, quality data from the Payroll remains with the employing organisation concerned that is ~~a~~ participating in the South Yorkshire Fund.

Where an employing organisation changes payroll providers in the financial year then that organisation must ensure that t~~T~~he new service provider's payroll must be able to:

- Store the personal and financial data of its scheme member employees that is required by SYPA in order to maintain its business and meet its duties and obligations as an Administering Authority
- Provide data extracts that meet the reporting requirements of the Administering Authority and the Scheme and are in the appropriate format to interface with the Authority's Computerised Pensions Administration System

The employing organisation concerned must also ensure that the new service provider has advance knowledge of the requirements of the Pension Scheme in terms of data supply and reporting, has a system in place that is able to meet those requirements and has sufficient notice of its duties and responsibilities to enable it to seamlessly take over the supply of data to ensure that the monthly posting of member contributions is maintained from the first month of the new provider's contract. Failure to ensure this will result in a finacial penalty being applied to the employing organisation responsible as outlined in Appendix A of this document.

Additionally, for scheme management, accounting and data control and quality purposes and to ensure continuity of the pensions administration side of the business for members, data on the previous payroll up to the date of termination and change must remain available for extraction and provision to SYPA as appropriate and necessary.

SERVICE STANDARDS – SERVICE LEVEL AGREEMENTS

All service standards for SLA purposes are measured by reference to the time taken by the Authority from the first day when it has all of the necessary information to hand to enable it to perform the task. The measurements exclude the day of receipt of the information or final part of the information required.

Administering Authority to Employing Organisations

• Respond to employer queries	**5 working days**
• Individual retirement benefit estimates	**5 working days**
• Individual early retirement employer costs	**5 working days**
• Bulk retirement benefits estimates (20 or more)	**10 working days**
• Bulk early retirement employer costs	**10 working days**

All service standards for SLA purposes are measured by reference to the time taken by the Authority from the “event date” to the date of receipt by SYPA in its HQ Office at~~ 18 Regent St~~, Barnsley, ~~S70 2HG.~~

Employing Organisation to Administering Authority

• Notification of a new scheme joiner	6~~8~~ **weeks**
• Notification of a member’s contractual change	4 **weeks**
• Notification of a member leaving the Scheme with a right to immediate payment of benefits	4 **weeks**
• Notification of a member leaving the Scheme without a right to immediate payment of benefits	6~~8~~ **weeks**
• Notification of the death of an active member	1~~2~~ **week~~s~~**
• Provide a written response to any query	1 **week**

SERVICE STANDARDS - CUSTOMER CHARTER

All service standards in the Customer Charters are measured by reference to the time taken by the Authority from the first day when it has all of the necessary information to hand to enable it to perform the task and exclude the day of receipt of the information or final part of the information required.

All Members

• Complaints	3 **working days**
• General Enquiries	5 **working days**
• Provision of information for Divorce Proceedings	5 **working days**
• Notification of death benefit entitlements to Dependants and/or representatives	5~~4~~ **working days**

Active Members

• Setting up a new joiner record	5 **working days**
• Making changes to records	5 **working days**
• Providing information about Additional Benefits	12 **working days**
• Provision of Retirement Benefit Estimates*	5 **working days**
• Providing transfer value quotations	10~~5~~ **working days**

Preserved Pensioner Members

• Notification of Entitlement	20 **working days**
• Provide an updated benefit statement	5 **working days**

Pensioner Members

• Information on re-employment	7 **working days**

*Subject to the Authority’s policy in force at the date of the request.

FINANCIAL PENALTIES FOR NON-COMPLIANCE BY EMPLOYING ORGANISATIONS

The Authority has determined that there will be a range of financial penalties for non- compliance with the requirements of this Administration Strategy under Regulation 70 of the Local Government Pension Scheme Regulations 2013, “Additional Costs arising from Scheme Employers’ level of performance”.

In addition it has determined a Policy to apply under the umbrella of this strategy document whereby penalties imposed on the Administering Authority by third party agencies as a result of, whether directly or indirectly, the poor administrative performance or decision making process of a scheme employer, will be recovered from the Employing organisation concerned.

Penalties imposed on the Administering Authority by other Agencies
The penalties that will be recovered are as follows:

- Financial penalties imposed on the Administering Authority by Agencies such as the Pensions' Regulator for a breach of its statutory duties, such as the issuing of Annual Benefit Statements, but where the breach was occasioned by the poor performance of an employing organisation by reason of non-provision of member and/or financial data, provision of data not fit for purpose or the late provision of data or a combination of all these factors.
  The penalty will be paid by the Authority but will be recovered from the Employing Organisation concerned.
- Financial Penalties imposed on the Administering Authority by HMRC, for instance Scheme Sanction Charges that arise as a result of the decision of a Scheme Employer, (for example, by allowing a member to claim benefits that will entail the Authority making an unauthorised payment).
  The penalty will be paid by the Authority but will be recovered from the Employing Organisation concerned.
- Any penalties imposed by the Office of the Information Commissioner following a data breach where the breach was occasioned by the actions of a scheme employer.
  The penalty will be paid by the Authority but will be recovered from the Employing Organisation concerned.

The list is not exhaustive and the Authority reserves the right to utilise the same principles and policy for other penalties imposed on it by outside agencies not detailed here.

Financial penalties for non-compliance by employing organisations

Financial penalties as detailed here may be applied by SYPA where failure of an employing organisation to:

- Meet the requirements of the Administration Strategy
- Meet the requirements of the Regulations
- Meet the requirements of other legislation

Results in:

- Additional work for the Authority or its Agent(s)
- Additional cost(s) for the Authority or its Agent(s)
- Failure of the Authority to meet its own obligations under Regulation, other legislation or guidance
- Complaints by organisations or Members
- Appeals by members or their representatives

Then the Authority will impose either a fixed penalty or a charge based on the cost of the work occasioned. The table in **Appendix A** provides details of the fixed penalty charges.

Any such penalties imposed will be recovered from the Employing Organisation concerned through additions to any existing deficit or deductions from any existing surplus with effect from the next contribution year (1st April).

INTEREST

It is the Authority's Policy, supported by Regulation in a number of areas, to charge interest for late payment on the following items and at the following rates. Late is defined as being a month or more after the due date:

- Payment of Employees' Pension Contributions, including any additional contributions paid by the employee, remitted to the Fund
- Payment of lump sum employer contributions arising from an employer decision to backdate membership for an individual or group of individuals (but cannot apply to Admission Agreements)

- Payment of Employer's Pension Contributions remitted to the Fund

Employee and Employer Contributions have to be with the Fund by the 19th of the month following the month of deduction. (Pensions Act 1993).

- Payment of any Lump Sum Deficit Contributions owed to the Fund
- Deficit payments are calculated as an annual amount due by the Fund Actuary. That annual figure is then sub-divided into 12 equal payments for remittance on a monthly basis by Employers. To allow for the spread of payments over a 12 month period and to compensate the Fund for lost investment return an element of interest is already included in the monthly amounts to be paid. Late payment of these amounts will however incur additional interest.
- Any rechargeable payments due in respect of Injury Allowances, Gratuities and Added Compensatory years
- Any costs arising from initial and annual invoices in respect of strain on the Fund costs arising from the early release of retirement benefits
- Lump sum payments arising from the granting of additional pension
- Any fees or charges arising from the use of additional or bespoke Actuarial Services or Employer initiatives
- Any fees or charges arising from the voluntary participation in Accounting Standards Exercises
- Any costs arising from the termination or exit from the Fund of a solvent employing organisation
- Any liability settlement charge arising from a claim on a Bond Agreement or similar charge that would have arisen from such a claim but where no Bond was required by the outsourcing employer. In these latter circumstances the liability falls to the employer concerned

Annual Invoices carry an element of interest in their costs already at the point of issue to allow for the spread of the cost over three years (or less). However, further interest will be incurred if annual invoices are settled late.

The rate of interest charged on all of the above items is 1% above the Bank of England Base Rate compounded with quarterly rests.

DEBT RECOVERY POLICY AND PROCEDURE

The Authority has a Debt Recovery Policy and Strategy in place.

It is the Authority's Policy to attempt recovery of ALL debts whether invoiced or not.

The Policy applies to individual Scheme Members, their dependants, their representatives, employing organisations, third party or outside agencies, purchasers of goods or services from the Authority and any other person or persons upon whom the Authority has a reasonable claim for payment.

The debt recovery procedure is as follows:

- Once the amount of the debt and the debtor is identified the Authority will issue an account
- If no response is received within one month of the date of issue of the account the Authority will issue one reminder
- No further reminders will be issued
- If no response is received within one month of the date of issue of the reminder the debt will be passed to the Authority's Debt Recovery Agents who will pursue the debt using the full force of the law if necessary
- Any additional costs incurred as a result of the debt recovery process, including interest for late payment, agent's fees and legal fees will be added to the total amount to be recovered
- Any party receiving an account from the Authority should immediately contact the number provided with a view to settling the debt in full or arranging a payment plan

No debt will be written off unless there is no prospect of recovery for any reason, for example there are no assets of value belonging to the debtor, (organisation insolvency), or the debtor's estate or where there is no estate and no surviving family.

Where the debt is in respect of overpaid pension and the pensioner has died recovery proceedings will be commenced against the estate through the pensioners surviving family, dependants or personal representatives.

SPECIAL REQUIREMENTS FOR EDUCATIONAL ESTABLISHMENTS

For business continuity purposes and for ensuring that scheme members of Educational Establishments are able to be provided with, and have access to, the same level of service as scheme members in other organisations during educational holiday breaks such as end of term and half term holidays as well as the extended summer break holiday, Educational Establishments must:

- Provide contact details of Payroll, HR, Finance and Business officers who are able to continue to conduct the pensions administration side of the employers business during any closedown or holiday period including third party service providers where appropriate
- Ensure their officers are available to deal with routine pensions administration tasks and queries during any closedown or holiday period
- Ensure specialist personnel are available to maintain the Accounting Standards Exercises during any closedown or holiday period, especially given that these exercises affect other employers and are Actuary driven

If at any point in the future SYPA experiences difficulties in business continuity with any Educational Establishment during a holiday break because the organisation has failed to ensure that contacts are available then it reserves the right to introduce and impose financial penalties on the organisation(s) concerned.

Member complaints submitted as a result of the above failure will be forwarded to the organisation concerned for a response to the member concerned.

The Authority will not be responsible for the effects of any failure of Educational Establishments to have arrangements in place during closedown or holiday periods that will enable an establishment to:

- respond to invitations,
- respond to data collection requests
- respond to queries on such information
- provide member information and documentation as normal to ensure member benefits are not delayed
- enable records to be kept up to date and
- ensure that the normal daily business of pensions administration is able to be continued for that establishment

ADMINISTRATION GUIDE FOR EMPLOYERS

To assist all participating employing organisations with the task of administering the employers' functions in relation to the Local Government Pension Scheme, the Authority has produced an online administration guide.

The guide can currently be found on EPIC and should be referred to whenever an employer is in any doubt about what is required of them in terms of their pension scheme administrative duties and obligations.

In addition, help, advice and guidance will always be available from Member Services Management Teams for employers falling within their purview.

Contact can be made by e-mail, telephone or letter.

APPENDIX A

Tables of charges and financial penalties

Charges

Implementation of a Pension Splitting order	**£350 + VAT**
Provision of information in relation to Accounting Standards Exercises	Currently **£100 + VAT** but subject to review~~being reviewed~~
Provision of additional transfer value within 12 months should the Authority introduce a charging policy. The current policy reserves the right to charge.	**£350 + VAT**
Bespoke Pensions Administration work	At the appropriate hourly rate to recover the actual cost of the work only
Rechargeable Actuarial work	At the appropriate hourly rate to recover the actual cost of the work only

Penalties

~~**Year End Returns 2018**~~ ~~Failure to submit a usable, balanced Year End Return by the deadline detailed in this document~~ ~~**(4-00 pm, Friday 11 May 2018)**~~	~~A fixed penalty of **£500** plus a further fixed penalty of **£50 per day** for every further day late following that deadline~~
~~**Queries arising from the Year End**~~ ~~The provision of Year-End information resulting in the Administering Authority being unable to reconcile information with the member record and necessitating a query~~ ~~Responses to queries necessitating a re-query~~	~~**£25** per case query~~ ~~**£10** per case re-query~~
Monthly Returns from April 2020~~18*~~ Failure to submit an accurate monthly return permitting the correct collection of contributions by direct debit by the 5~~19~~th of the month following the month of employees' contribution deduction	A fixed penalty of **£500** plus a further fixed penalty of **£50 per day** for every further day late following that deadline

Service Level Agreements Failure to submit member event information in line with the requirements of the SLA ~~through the monthly posting facility effective from April 2018~~	**£25** per case
Discretionary Policy Statements Failure to devise and publish any statement of policy on the use of discretionary powers under the Regulations by any statutory deadline	A fixed penalty of **£500** plus a Further fixed penalty of **£250** for every further week late following that deadline
Payroll Provider Service Failure to ensure that any new Payroll Service Provider is able to maintain the continuity of the monthly posting system	A fixed penalty of **£1000** for every monthly report that fails to be submitted from month 1 of the new contract by the standard monthly deadline **plus** the standard penalty for late submission of monthly returns

Direct Debit Mandate

Failure to complete a mandate to consent to the collection of contributions via direct debit prior to 1 April 2020 or the date of joining the SYPA fund or date of change in banking arrangements if later	A fixed penalty of **£500** plus a further fixed penalty of **£50 per day** for every further day late following that deadline

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~~***SYPA anticipates and expects that there could be initial teething problems with the submission of monthly returns.**~~

~~**For 2018 only, and for the month of April only, the first submission under the new monthly return procedure will, if late, not incur a penalty where the Employing Organisation or its Payroll Provider, is having difficulties and communicates those difficulties to SYPA immediately they are aware of them. Where such communication is made SYPA will endeavour to provide all the assistance and guidance it can to ensure the problem is rectified.**~~

~~**Where no communication is made any subsequent penalty incurred as a result will stand.**~~

Original version April 2016 – V1
Revised wef April 2020~~March 2018~~ – This version: V3~~2~~

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SOUTH YORKSHIRE
PENSIONS AUTHORITY

Subject	**Funding Strategy Statement**	**Status**	For Publication
Report to	Local Pensions Board	**Date**	11 December 2019
Report of	Fund Director		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	George Graham Fund Director	**Phone**	01226 772887
E Mail	ggraham@sypa.org.uk		

1 Purpose of the Report

1.1 To provide the Board with the opportunity to provide its views on the draft Funding Strategy Statement (FSS) to the Authority before its approval.

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2 Recommendations

2.1 Members are recommended to:

a. **Receive and comment upon the Draft Funding Strategy Statement at Appendix A.**

b. **Make any recommendations that are felt appropriate to the Authority in relation to the Funding Strategy Statement.**

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3 Link to Corporate Objectives

3.1 This report links to the delivery of the following corporate objectives:

Listening to our stakeholders

To ensure that stakeholders' views are heard within our decision making processes.

There is a requirement in the LGPS regulations to consult on the Funding Strategy Statement with relevant stakeholders. Given the composition of the Board it provides one of a range of opportunities to fulfil this requirement.

Effective and Transparent Governance

To uphold effective governance showing prudence and propriety at all times.

Ensuring that the draft Funding Strategy Statement is widely available to stakeholders for comment and is discussed in public for such as the Board and the Employers' Forum demonstrates the transparency of the process of its development.

4 Implications for the Corporate Risk Register

4.1 An effective funding strategy addresses the risks that exist around the Authority being able to balance the interests of the Fund and employers in achieving both full funding and long term stability in contributions.

4.2 As with any process based on a series of assumptions there is a significant risk that there is a difference between reality and the forecast. This is in part addressed through the level of prudence built into the assumptions, but as indicated within the Funding Strategy Statement itself this can only represent partial mitigation and an appreciable degree of risk will always remain.

5 Background and Options

5.1 Alongside the Triennial valuation process and the certification of contributions by the Actuary the Authority is required to produce a Funding Strategy Statement which in simple terms is intended to set out how it intends to ensure that funds are available to meet the liability to pay pensions when they fall due. Thus the Strategy sets out the Authority's policies in relation to a wide range of matters including the setting of employer contributions, the management of deficits and surpluses, the assessment of employer covenant and the management of employer admissions and exits.

5.2 The regulations require that stakeholders are consulted as part of the process of reviewing and producing the Funding Strategy Statement. The process undertaken in this case has involved:

- A formal consultation with all employers on key actuarial assumptions before the valuation date of 31st March 2019.
- A presentation by the Actuary at the Employers' Forum on 12th November 2019.
- Discussions with key employer groups covering both valuation results and these policy issues (separate meetings were held with District Councils, Academies, F&HE Institutions and other employers).
- All employers have been provided with the draft Funding Strategy Statement for comment.
- The Local Pension Board is being provided with the opportunity to comment on the draft statement at this meeting.

5.3 Any comments and views received will be reflected on by officers in producing their final recommendations to the Authority and will be included in the report on the final strategy considered by the Authority at its January meeting.

5.4 The key changes reflected in the draft FSS which is at Appendix A are set out below:

- **Alternative Funding Targets –** As a precursor to the introduction a differentiated investment strategies reflecting the risk to the Fund posed by specific employers different funding targets may be used for employers with a lesser covenant in order to provide more certainty that liabilities will be met. This approach will initially be particularly focussed on Community Admission Bodies especially those without a guarantor.
- **McCloud –** An estimate has been made of the impact of the McCloud case and employers are being provided with the option of making additional contributions now to begin to meet the cost or to make what may be a greater level of contributions (including a "backdating" element) once the final remedy is

known. This potentially provides greater stability in contribution rates for employers who choose take this option.

- **Short Term Pay Growth –** The assumption about short term pay growth based on research with major employers has been set at 3% for the next 3 years. This includes the effect of incremental progression as well as headline pay awards and thus is likely to be closer to the real growth in the pay bill.
- **Ill Health Captive –** The scope of this arrangement which in effect insures ill health liabilities for smaller employers will be increased to all employers with fewer than 100 active members. Employers who have participated up to now will likely see a reduction in premiums due to experience over the last 3 years.
- **Prepayments –** Options will be provided for all employers to prepay any deficit contributions, in addition the option to pay off the whole deficit will be offered. District Councils will continue to be offered a prepayment arrangement in relation to future service contributions.
- **Contribution Stability –** For employers who still have a deficit the total cash level of contributions over the period 2020-23 will be maintained at the same level as currently plus inflation. This provides a balance in sharing the benefits of improved funding levels between employers and the Fund where a deficit remains while increasing the certainty of recovering the deficit.
- **Deficit Recovery –** The maximum deficit recovery period will be 16 years (a reduction of 3 years as compared to the last valuation). Where possible and within the overall approach to contribution stability deficit recovery periods for individual employers will be brought down further.
- **Phasing of Contribution Increases –** Phasing of contribution increases will be allowed (at the discretion of the Fund) but only on the basis of the total contributions payable over the period 2020-23 being the same as required in the actuary's initial assessment. Additionally discussions are being held with Academies and F&HE Institutions about implementing any new contribution plans on an academic year basis in line with funding.
- **Academies –** The Fund's default position will be that Multi Academy Trusts are treated as a single employer, although individual schools will continue to be tracked separately.
- **Outsourcing and Exits –** Policies are proposed to address issues surrounding exit credits, the new fair deal and the Government's proposals around deferred employer status.

5.5 The framework set out in the draft FSS is intended to protect the Fund and ensure the greatest possible likelihood of achieving and maintaining full funding at employer level while at the same time giving flexibility to recognise both the general financial pressures facing employers and deal with cases of particular difficulty.

5.6 There are a number of uncertainties which the policy framework set out in the draft FSS seeks to address. The largest of these relates to the impact of the McCloud judgement, where while an estimate of the cost has been made no proposals have been tabled by the Government which would define the nature of the actual remedy. In general terms it will, all other things being equal, serve employers better to make provision for these costs now, rather than wait until a remedy is in place and play catch up. However, there is an affordability argument and the Fund has no power to make employers pay additional contributions in relation to what is at present a notional liability.

5.7 The Board are invited to discuss the issues raised by the draft FSS and consider whether it wishes to make any recommendations to the Authority.

6 Implications

6.1 The proposals outlined in this report have the following implications:

Financial	The Funding Strategy Statement provides the basis for determining future contributions by employers. The various options provided in terms of the ability to pre-pay some contributions and the broad strategy around deficit contributions and dealing with the implications of the McCloud case will impact on the Fund's cash flow profile going forward.
Human Resources	None
ICT	None
Legal	The production of a Funding Strategy Statement is a requirement of the LGPS Regulations. Working closely with the actuary in order to produce the statement as has been done ensures compliance with the regulations.
Procurement	None

George Graham

Fund Director

Background Papers	
Document	**Place of Inspection**

DRAFT

FUNDING STRATEGY STATEMENT

SOUTH YORKSHIRE PENSION FUND

NOVEMBER 2019

South Yorkshire Pensions Authority

This Funding Strategy Statement has been prepared by South Yorkshire Pensions Authority (the Administering Authority) to set out the funding strategy for the South Yorkshire Pension Fund ("the Fund"), in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

EXECUTIVE SUMMARY

It is the fiduciary responsibility of the Administering Authority (South Yorkshire Pensions Authority) to ensure that the South Yorkshire Pension Fund (the "Fund") has sufficient assets to meet its pension liabilities in the long term. The Funding Strategy adopted by the South Yorkshire Pension Fund will therefore be critical in achieving this statutory duty.

The purpose of this Funding Strategy Statement ("FSS") is to set out a clear and transparent funding strategy that will identify how each Fund employer's pension liabilities are to be met going forward.

> The details contained in this Funding Strategy Statement will have a financial and operational impact on all participating employers in the South Yorkshire Pension Fund.
>
> It is imperative therefore that each existing or potential employer is aware of the details contained in this statement.

Given this, and in accordance with governing legislation, all interested parties connected with the South Yorkshire Pension Fund have been consulted and given opportunity to comment prior to this Funding Strategy Statement being finalised and adopted. This statement takes into consideration all comments and feedback received.

MEETING THE FUND'S SOLVENCY OBJECTIVE

The Administering Authority's long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period. Contributions are set in relation to this objective which means that once 100% solvency is achieved, if assumptions are borne out in practice, there would be sufficient assets to pay all benefits earned up to the valuation date as they fall due.

However, because financial and market conditions/outlook change between valuations, the assumptions used at one valuation may need to be amended at the next to meet the primary objectives. This in turn means that contributions will be subject to change from one valuation to another.

This objective is considered on an employer specific level when setting individual contribution rates so each employer has the same fundamental objective in relation to their liabilities.
The general principle adopted by the Fund is that the assumptions used, taken as a whole, will be chosen sufficiently prudently for this objective to be reasonably achieved in the long term at each valuation.

The funding strategy set out in this document has been developed alongside the Fund's investment strategy on an integrated basis, taking into account the overall financial and demographic risks inherent in the Fund to meet the objective for all employers over different periods. The funding strategy includes appropriate margins to allow for the possibility of adverse events (e.g. material reduction in investment returns, economic downturn and higher inflation outlook) leading to a worsening of the funding position which would normally lead to volatility of contribution rates at future valuations if these margins were not included. This prudence is required by the Regulations and guidance issued by professional bodies and Government agencies to assist the Fund in meeting its primary solvency and long term cost efficiency objectives.

The level of prudence has been quantified by the Actuary to show the level of contingency to provide protection against future adverse experience in the long term. Individual employer results will also have regard to their covenant strength. Broadly speaking the discount rate has been set so that there is approximately a 66% (or two-in-three) chance that the real returns achieved will be at least those assumed in the discount rate. The level of prudence will be reviewed each valuation taking into account the solvency and long term cost efficiency objectives for the Fund.

SOLVENCY AND LONG TERM COST EFFICIENCY

Each employer's contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency requires that any funding plan must provide equity between different generations of taxpayers. This means that the contributions must not be set at a level that is likely to give rise to additional costs in the future which fall on later generations of taxpayers or put too high a burden on current taxpayers. The funding parameters and assumptions e.g. deficit recovery period must have regard to this requirement which means a level of prudence is needed. Furthermore, the FSS must have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

When formulating the funding strategy, the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary's Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the "solvency" of the pension fund and "long term cost efficiency" of the Scheme so far as relating to the Fund.

DEFICIT RECOVERY PLAN AND CONTRIBUTIONS

As the solvency level of the Fund is 99% at the valuation date i.e. the assets of the Fund are less than the liabilities, a deficit recovery plan needs to be implemented such that additional contributions are paid into the Fund to meet the shortfall. At an individual employer level, there will be some instances where an employer's asset share is higher than the liabilities and therefore a surplus will exist. In such cases, a plan may need to be implemented to remove some, or all, of the surplus over an agreed timeframe, taking into account any increases to the Primary Rate which also emerge.

For those employers where a shortfall exists, deficit contributions paid to the Fund by each employer will be expressed as £s amounts (flat or increasing year on year) and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford given other competing cost pressures. This may result in some flexibility in recovery periods by employer which would be at the sole discretion of the Administering Authority. The recovery periods will be set by the Fund, although employers will be free to select any shorter deficit recovery period if they wish. Employers may also elect to make prepayments of contributions which could result in a cash saving over the valuation certificate period.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed which in the long term provides equity between different generations of taxpayers whilst ensuring the deficit payments are eliminating a significant proportion of the capital element of the deficit, thereby reducing the interest cost. This will be periodically reviewed depending on the maturity profile of the Fund.

Subject to affordability considerations and individual employer circumstances, where a deficit exists and depending on the level of deficit, a guiding principle will be to maintain the total contributions at the prescribed monetary levels from the preceding valuation (including any indexation in these monetary payments over the recovery period). Contributions will only be reduced if the Fund deems this reasonable based on covenant and other risk factors. Full details are set out in this FSS.

Where there is a material increase in contributions required at this valuation, in certain circumstances the employer will be able to 'phase in' contributions over a period of 3 years in a pattern agreed with the Administering Authority and depending on the affordability of contributions as assessed in the covenant review of an employer. Employers will also be able to prepay deficit contributions if they have sufficient cash reserves to assist with affordability. Equally, certain employers will be able to align their contributions changes with their financial year if this does not end on 31 March.

The maximum recovery period for the Fund as a whole is 16 years at this valuation which is 3 years shorter than the average recovery period from the previous valuation. Subject to affordability and other considerations individual employer recovery periods would also be expected to reduce by a minimum of 3 years at this valuation.

The Government has confirmed that a remedy is required for the LGPS in relation to the McCloud judgment. Therefore, the Fund has considered its policy in relation to costs that could emerge from the McCloud judgment in line with the guidance from the Scheme Advisory Board in conjunction with the Actuary. Whilst the remedy is not known and may not be known for some time, for the purpose of this valuation, when considering the appropriate contribution provision, we have assumed that the judgment would have the effect of removing the current age criteria applied to the underpin implemented in 2014 for the LGPS. This underpin therefore would apply to all active members as at 1 April 2012. The relevant estimated costs have been quantified and notified to employers on this basis but also highlighting that the final costs may be significantly different. Employers will be able to <u>choose</u> to include these estimated costs over 2020/23 in their certified contributions. Alternatively, they will need to make allowance within their budgets and note that backdated contributions could be payable if the remedy is known before the next valuation.

[Drafting Note – This paragraph has been added following the guidance issued by the Scheme Advisory Board on 14 May 2019 concerning how to deal with the potential additional liabilities arising from the Cost Cap process and the McCloud and Sargeant age discrimination case (McCloud) (found here: http://www.lgpsboard.org/images/Other/Advice_from_the_SAB_on_McCloud_May_2019.pdf).This may need further adaptation once the outcome of the consultation is known. The Actuary will look at a potential cost to employers as part of the 2019 valuation process.]

ACTUARIAL ASSUMPTIONS

The actuarial assumptions used for assessing the funding position of the Fund and the individual employers, the "Primary" contribution rate, and any contribution variations due to underlying surpluses or deficits (i.e. included in the "Secondary" rate) are set out in Appendix A to this FSS.

The discount rate in excess of CPI inflation (the "real discount rate") has been derived based on the expected return on the Fund's assets based on the long term strategy set out in its Investment Strategy Statement (ISS). When assessing the appropriate prudent discount rate, consideration has been given to the level of expected asset returns <u>in excess</u> of CPI inflation (i.e. the rate at which the benefits in the LGPS generally increase each year).

The assumption for the long term expected future real returns has fallen since the last valuation. This is principally due to a combination of expectations the returns on the Fund's assets and the level of inflation in the long term. Also, the Fund has implemented a number of risk management strategies since the last valuation and the expected volatility of returns has fallen i.e., provides more certainty to outcomes. This is also taken into account by the Actuary when proposing the assumptions and at this valuation means that the level of prudence has been reduced. The assumption has therefore been adjusted so that in the Actuary's opinion, when allowing for the resultant employer contributions emerging from the valuation, the Fund can reasonably be expected to meet the Solvency and Long Term Cost Efficiency objectives.

Taking into account the above the Fund Actuary is proposing that the long term real return over CPI inflation assumptions for determining the baseline past service liabilities should be 1.5% per annum and 2.35% per annum for determining the future service ("primary") contribution rate. This compares to 2.0% per annum and 2.75% per annum respectively at the last valuation.

Based on the assumptions being borne out in practice and the membership at the valuation date the aggregate projected expected return for the Fund as a whole over the 16 recovery period is a real return of CPI+1.75% per annum.

Alternative Funding Targets and Risk Management Framework

In the short to medium term, the Fund intends to implement a risk management strategy whereby employers will be categorised into different "investment" buckets. In such cases a different investment strategy would apply to the different groups of employers resulting in lower investment risk than the current whole fund strategy.

The Fund is therefore beginning to categorise employers in the following way. This will form the basis for any initial allocation into the different "investment" buckets.

Local Authorities – District Councils (including maintained schools), Police Fire, Combined Authority Group and SYPA. These employers either have the power to raise income through taxation or, in the case of SYPA, costs are entirely met by the Pension Fund.

Education Sector – F&HE Institutions and Academies. All these employers are ultimately funded by central government, although in different ways and with different forms of support. They do represent similar forms of risk although the likelihood of default can vary significantly between institutions.

Contractors – These employers can range from large multi-nationals to relatively small local businesses. Where contracts are let by a local authority there tends to be a guarantee, while the situation with contracts let by academies is more variable. However, in all cases the ultimate position is that the council or academy would need (at least in the short term) to take on any service (and hence pension liability) in the event of failure.

Others – While an extremely varied group this group probably presents the greatest likelihood of default (if possibly the least financial impact). In general, such employers have no or limited guarantees and therefore there is a danger that in the event of default liabilities will fall on the remaining employers.

If an employer is deemed to have a weaker covenant than others in the Fund, is planning to exit the Fund or would like to target a lower risk strategy, the Administering Authority has the discretion to move that employer (typically following discussions with the employer) into another strategy to protect the Fund as a whole. The current overall Fund investment strategy (as set out in the Investment Strategy Statement) will be known as the “higher risk investment strategy”.
The investment strategy for each of the investment pots will be reviewed, following each actuarial valuation, as a minimum. The discount rate assumption that will be used for employers’ liabilities who fall into each category is linked directly to the relevant pot’s underlying assets allowing for the underlying level of risk associated.

Given that this risk management strategy will not be implemented before 1 April 2020, for the purpose of the 2019 actuarial valuation the setting of contribution rates to apply between 1 April 2020 and 31 March 2023, the Administering Authority will, depending on the circumstances of the employer, potentially apply a different funding target to certain employers in order to protect all stakeholders in the Fund i.e. to reflect different covenant / objectives etc. The different funding targets will be achieved by applying either a **5%** or **10%** loading to the employer’s baseline liabilities. In particular, where employers with a weaker covenant and in particular those with no guarantee have achieved a significant surplus based on a 100% funding target, a higher funding target will be set so as to deliver increased certainty that the employer will not fall into deficit in future.

Where a different funding target applies, this will be reflected in the employer’s deficit contributions / surplus offset over the period to 31 March 2023.

Demographic Assumptions

The demographic assumptions under all groups are based on the Fund Actuary’s bespoke analysis for the Fund, also taking into account the experience of the wider LGPS where relevant. For those employers terminating participation in the Fund, a more prudent mortality assumption will apply (see further comments below).

EMPLOYER ASSET SHARES

The Fund is a multi-employer pension scheme that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving each employer's asset share.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset shares, are allowed for when calculating asset shares at each valuation. Once the risk management strategy referred to above has been implemented, the investment return credited will depend on which bucket the employer's assets are in. In addition, the asset share may be restated for changes in data or other policies.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.

FUND POLICIES

In addition to the information/approaches required by overarching guidance and Regulation, this statement also summarises the Fund's practice and policies in a number of key areas:

1. Covenant assessment and monitoring

An employer's financial covenant underpins its legal obligation and crucially the ability to meet its financial responsibilities to the Fund now and in the future. The strength of covenant to the Fund effectively underwrites the risks to which the Fund is exposed. These risks include underfunding, longevity, investment and market forces.

The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital to the overall risk management and governance of the Fund. The employers' covenants will be assessed and monitored objectively in a proportionate manner, and an employer's ability to meet their obligations in the short and long term will be considered when determining its funding strategy.

After the valuation, the Fund will continue to monitor employers' covenants in conjunction with their funding positions over the inter-valuation period. This will enable the Fund to anticipate and pre-empt any material issues arising and thus adopt a proactive approach in partnership with the employer. More details are provided in the **Appendix E** to this statement.

2. Admitting employers to the Fund

Various types of employers are permitted to join the LGPS under certain circumstances, and the conditions upon which their entry to the Fund is based and the approach taken is set out in **Appendix C**. Examples of new employers include:

- Mandatory Scheme Employers - for example new academies (see later section)
- Designated bodies - those that are permitted to join if they pass a resolution for example Town and Parish Councils.

- Admission bodies - usually arising as a result of an outsourcing or a transfer to an entity that provides some form of public service and their funding primarily derives from local or central government.
- [Employers may also join the Fund under the 'Deemed Employer' route. Further information on this is set out within **Appendix C**.]

[Drafting Note – This has been added following the consultation published by the MHCLG on 10 January 2019 (found here: https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection). The Funding Strategy Statement and Fund policies may need further adaptation once the consultation process has been completed.]

The key objective for the Fund is to only admit employers where the risk to the Fund is mitigated as far as possible. The different employers pose different risks to the Fund.

In general, there will be a presumption against the admission of further, what were previously termed "Community Admission Bodies". Any such admission that is made will require a guarantee from a tax raising body.

Certain employers may be required to provide a guarantee (e.g. from a parent company) or alternative security before entry will be allowed, in accordance with the Regulations and Fund policies.

3. New academy conversions and multi-academy trusts

Current Fund policy regarding the treatment of schools when converting to academy status is for the new academy to inherit the school's share of the historic local authority deficit prior to its conversion. This deficit is calculated as the capitalised deficit funding contributions (based on the local authority deficit recovery period) the school would have made to the Fund had it not converted to academy status, subject to a minimum asset share of nil.

If the contribution rate for a local authority does not include any allowance for deficit funding contributions at the point at which a school converts to academy status, then no deficit will be allocated to the academy at the point of conversion.

In cases where numerous academies which participate in the Fund are in the same Multi-Academy Trust, the Fund's default position is that a combined funding position and average contribution requirements will apply (unless the Multi-Academy Trust requests separate contribution rates). Notwithstanding this, the Fund will continue to track the constituent academies separately on an approximate basis, in the interests of transparency and clarity around entry and exit of individual academies to the Trust in future.

The full policy is shown in **Appendix D.**

4. Termination policy for employers exiting the Fund

When an employer ceases to participate within the Fund, it becomes an exiting employer under the Regulations. The Fund is then required to obtain an actuarial valuation of that employer's liabilities in respect of the benefits of the exiting employer's current and former employees, along with a termination contribution certificate.

Where there is no guarantor who would subsume the liabilities of the exiting employer, the Fund's policy is that a discount rate linked to minimum risk investment returns (i.e. those that will be linked to any lower risk investment strategy subsequently implemented) and a more prudent longevity assumption is used for assessing liabilities on termination. Any exit payments due should be paid immediately although instalment plans will be considered by the Administering Authority on a case by case basis. Any exit credits (surplus assets over liabilities) will be paid from the Fund to the exiting employer within 3 months of completion of the cessation assessment by the Actuary. The Administering Authority will seek to modify this approach on a case by case basis if circumstances warrant it (for example, it may work with the outsourcing scheme employer to adjust any exit payment or exit credit to take into account any risk sharing arrangements which exist between the exiting employer and other Fund employers).

This is subject to the exiting employer providing sufficient notice to the Fund of their intent to exit; any delays in notification will impact on the payment date. The Administering Authority also reserves the right to modify this approach on a case by case basis if circumstances warrant it based on the advice of the Actuary.

Where there is a **guarantor** who would subsume the assets and liabilities of the outgoing employer, the policy is that any deficit or surplus would be subsumed into the guarantor and taken into account at the following valuation. This is subject to agreement from all interested parties who will need to consider any separate agreements that have been put in place between the exiting employer and the outsourcing scheme employer.

If all parties do not agree then the surplus will be paid directly to the exiting employer within 3 months of cessation (despite any other agreements that may be in place). In maintaining a consistent approach, the Fund will seek to recover the deficit from the exiting employer in the first instance. However, if this is not possible, the deficit will be subsumed by the guarantor and all remaining assets and liabilities will then be subsumed by the guarantor.

The Fund will inform the guarantor of the exiting employer's request to receive the surplus before making payment of the exit credit. However, the Fund will not become embroiled in any disagreement over the refund of any surplus which is contrary to commercial agreements.

Ultimately the Fund will have to comply with the Regulations and therefore pay any exit credit. It is then up to the guarantor to contest the surplus payment citing the commercial contract in place and the desire for equal treatment in the event of a deficit.

In the event of parties unreasonably seeking to crystalise the exit credit on termination, the Fund will consider its overall policy and seek to recover termination deficits as opposed to allowing them to be subsumed with no impact on contribution requirements until the next assessment of the contribution requirements for the guarantor. Equally where a guarantor decides not to underwrite the residual liabilities the basis of assessment on termination will assume the liabilities are orphaned and thus the minimum risk basis will apply.

[An employer may continue to participate in the Fund with no contributing members and utilise the "Deferred Debt" Arrangements at the sole discretion of the Administering Authority which will be subject to a satisfactory covenant review on an ongoing basis. In this circumstance they will be treated as per any other participating employer in relation to overall funding strategy (including potentially requiring a final exit payment at some point) allowing for the covenant.]

[Drafting Note – This section has been adjusted following the consultation published by the MHCLG on 8 May 2019 (found here: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/800321/LGPS_valuation_cycle_reform_consultation.pdf). The Funding Strategy Statement and Fund policies may need further adaptation once the consultation process has been completed.]

5. Insurance arrangements

For certain employers, the Fund currently insures ill health retirement costs via an internal captive insurance arrangement which pools these risks for eligible employers. The captive arrangement will be operated as per the objectives set out in **Appendix F**.

CONTENTS

APPENDICES

1 INTRODUCTION

The Local Government Pension Scheme Regulations 2013 (as amended) ("the 2013 Regulations") and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the 2014 Transitional Regulations") and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (all as amended) (collectively; "the Regulations") provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS). The key requirements for preparing the FSS can be summarised as follows:

- After consultation with all relevant interested parties involved with the South Yorkshire Pension Fund the Administering Authority will prepare and publish their funding strategy;
- In preparing the FSS, the Administering Authority must have regard to:
  - the guidance issued by CIPFA for this purpose; and
  - the Investment Strategy Statement (ISS) for the Scheme published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended);
- The FSS must be revised and published whenever there is a material change in either the policy set out in the FSS or the ISS.

BENEFITS

The benefits provided by the South Yorkshire Pension Fund are specified in the governing legislation contained in the Regulations referred to above. Benefits payable under the South Yorkshire Pension Fund are guaranteed by statute and thereby the pensions promise is secure for members. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time facilitating scrutiny and accountability through improved transparency and disclosure.

The Fund is a defined benefit arrangement with principally final salary related benefits from contributing members up to 1 April 2014 and Career Averaged Revalued Earnings ("CARE") benefits earned thereafter. There is also a "50:50 Scheme Option", where members can elect to accrue 50% of the full scheme benefits in relation to the member only and pay 50% of the normal member contribution.

EMPLOYER / EMPLOYEE CONTRIBUTIONS

The required levels of employee contributions are specified in the Regulations.

Employer contributions are determined in accordance with the Regulations (which require that an actuarial valuation is completed every three years by the actuary, including a rates and adjustments certificate specifying the "primary" and "secondary" rate of the employer's contribution).

PRIMARY RATE

The “Primary rate” for an employer is the contribution rate required to meet the cost of the future accrual of benefits including ancillary, death in service and ill health benefits together with administration costs. It is expressed as a percentage of pensionable pay, ignoring any past service surplus or deficit, but allowing for any employer-specific circumstances, such as its membership profile, the funding strategy adopted for that employer, the actuarial method used and/or the employer’s covenant.

The Primary rate for each employer is specified in the rates and adjustments certificate.

The Primary rate for the whole fund is the weighted average (by payroll) of the individual employers’ Primary rates.

SECONDARY RATE

The “Secondary rate” is an adjustment to the Primary rate to reflect any past service deficit or surplus, to arrive at the rate each employer is required to pay. The Secondary rate will be expressed as a cash adjustment in each of the three years beginning 1 April in the year following that in which the valuation date falls.

The Secondary rate for each employer is specified in the rates and adjustments certificate.

For any employer, the rate they are actually required to pay is the sum of the Primary and Secondary rates.

Secondary rates for the whole fund in each of the three years shall also be disclosed. These will be calculated as the total amount in respect of cash adjustments.

2
PURPOSE OF FSS IN POLICY TERMS

Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the actuary.

The Administering Authority's long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due.

The purpose of this Funding Strategy Statement is therefore:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward by taking a prudent longer-term view of funding those liabilities;
- to establish contributions at a level to "secure the solvency" of the pension fund and the "long term cost efficiency",
- to have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain.

3

AIMS AND PURPOSE OF THE FUND

THE AIMS OF THE FUND ARE TO:

- manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due
- enable employer contribution rates to be kept at a reasonable and affordable cost to taxpayers, scheduled, designating and admitted bodies, while achieving and maintaining fund solvency and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future due to sector changes
- maximise the returns from investment within reasonable risk parameters taking into account the above aims.

THE PURPOSE OF THE FUND IS TO:

- receive monies in respect of contributions, transfer values and investment income, and
- pay out monies in respect of scheme benefits, transfer values, exit credits, costs, charges and expenses as defined in the Regulations.

4

RESPONSIBILITIES OF THE KEY PARTIES

The efficient and effective management of the pension fund can only be achieved if all parties exercise their statutory duties and responsibilities conscientiously and diligently. The key parties for the purposes of the FSS are the Administering Authority , the individual employers and the Fund Actuary and details of their roles are set out below. Other parties required to play their part in the fund management process are bankers, custodians, investment managers, auditors and legal, investment and governance advisors, along with the Local Pensions Board created under the Public Service Pensions Act 2013.

KEY PARTIES TO THE FSS

The **Administering Authority** should:

- operate the pension fund
- collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in the Regulations
- pay from the pension fund the relevant entitlements as stipulated in the Regulations
- invest surplus monies in accordance the Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- take measures as set out in the Regulations to safeguard the fund against the consequences of employer default
- manage the valuation process in consultation with the Fund's actuary
- prepare and maintain a FSS and an ISS, both after proper consultation with interested parties, and
- monitor all aspects of the Fund's performance and funding, amending the FSS/ISS as necessary
- effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and a scheme employer, and
- establish, support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice.

The **Individual Employer** should:

- deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations)
- pay all contributions, including their own as determined by the actuary, promptly by the due date
- undertake administration duties in accordance with the Pension Administration Strategy.
- develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework
- make additional contributions in accordance with agreed arrangements in respect of, for example, additional pension contracts, early retirement strain, and
- have regard to the Pensions Regulator's focus on data quality and comply with any requirement set by the Administering Authority in this context, and
- notify the Administering Authority promptly of any changes to membership which may affect future funding.

- Understand the pensions impacts of any changes to their organisational structure and service delivery model.
- Understand that the quality of the data provided to the Fund will directly impact on the assessment of the liabilities and contributions. In particular, any deficiencies in the data would normally result in employer paying higher contributions than otherwise would be the case if the data was of high quality.

The **Fund Actuary** should:

- prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency and long term cost efficiency after agreeing assumptions with the Administering Authority and having regard to their FSS and the Regulations
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as pension strain costs, ill health retirement costs etc.
- provide advice to the Administering Authority and valuations on the termination of admission agreements including any exit credit payments.
- provide advice to the Administering Authority on bonds and other forms of security against the financial effect on the Fund of employer default
- assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as required by the Regulations
- advise the Administering Authority on funding strategy, the preparation of the FSS and the inter-relationship between the FSS and the ISS, and
- ensure the Administering Authority is aware of any professional guidance or other professional requirements which may be of relevance to the Fund Actuary's role in advising the Fund.

5
SOLVENCY FUNDING TARGET

Securing the “solvency” and “long term cost efficiency” is a regulatory requirement. To meet these requirements, the Administering Authority’s long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (the “funding target”) assessed on an ongoing past service basis including allowance for projected final pay where appropriate. In the long term, an employer’s total contribution rate would ultimately revert to its Primary rate of contribution.

SOLVENCY AND LONG TERM COST EFFICIENCY

Each employer’s contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund’s liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time.

When formulating the funding strategy, the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary’s Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the “solvency” of the pension fund and “long term cost efficiency" of the Scheme so far as relating to the Fund.

DETERMINATION OF THE SOLVENCY FUNDING TARGET AND DEFICIT RECOVERY PLAN

The principal method and assumptions to be used in the calculation of the funding target are set out in **Appendix A**. The Employer Deficit Recovery Plans are set out in **Appendix B.**

Underlying these assumptions are the following two tenets:

- that the Fund is expected to continue for the foreseeable future; and
- favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

This allows the Fund to take a longer term view when assessing the contribution requirements for certain employers.

In considering this the Administering Authority, based on the advice of the Actuary, will consider if this results in a reasonable likelihood that the funding plan will be successful potentially taking into account any changes in funding after the valuation date up to the finalisation of the valuation by 31 March 2020 at the latest.

As part of each valuation separate employer contribution rates are assessed by the Fund Actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy between the distinct employers and employer groups in the Fund.

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates arising from the 2019 actuarial valuation.

Individual employer contributions will be expressed and certified as two separate elements:

- the **Primary rate**: a percentage of pensionable payroll in respect of the cost of the future accrual of benefits and ancillary death in service and ill health benefits / ill-health premiums.
- the **Secondary rate**: a schedule of lump sum monetary amounts over 2020/23 in respect of an employer's surplus or deficit (including phasing adjustments).

For any employer, the total contributions they are actually required to pay in any one year is the sum of the Primary and Secondary rates (subject to an overall minimum of zero). Both elements are subject to review from 1 April 2023 based on the results of the 2022 valuation.

Where an employer is in a surplus position, the Secondary rate deduction from the Primary rate will be subject to a minimum threshold of £100, below which no deduction will be made.

DEFICIT RECOVERY PLAN

It is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford based on the Administering Authority's view of the employer's covenant and risk to the Fund.

Recovery periods will be set by the Fund on a consistent basis across employer categories where possible and communicated as part of the discussions with employers. This will determine the minimum contribution requirement and employers will be free to select any shorter deficit recovery period and higher contributions if they wish, including the option of prepaying the deficit contributions in one lump sum either on an annual basis or a one-off payment. This will be reflected in the monetary amount requested via a reduction in overall deficit contributions payable.

The Administering Authority does retain ultimate discretion in applying these principles for individual employers on grounds of affordability and covenant strength.

The key principles when considering deficit recovery are as follows:

- The Fund does not believe it appropriate for total contribution reductions to apply compared to the existing funding plan (allowing for indexation where applicable) where deficits remain unless there is compelling reason to do so.

- Subject to consideration of affordability, for scheduled and resolution bodies, and those admission bodies (not operating outsourced services) backed by a scheduled body guarantee, as a general rule the deficit recovery period will reduce by at least 3 years for employers at this valuation when compared to the preceding valuation (subject to a maximum of 16 years). This is to target full solvency over a similar (or shorter) time horizon. This is to maintain (as far as possible) equity between different generations of taxpayers and to protect the Fund against the potential for an unrecoverable deficit. The deficit recovery period will be set to at least cover the expected interest costs (actual interest costs will vary in line with investment performance) on the deficit.

- Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. Subject to affordability considerations and other factors, a bespoke period may be applied in respect of particular employers where the Administering Authority considers this to be warranted. The average recovery period adopted by all employers will be set out within the Actuary's report. Employers will be notified of their individual deficit recovery period as part of the provision of their individual valuation results.

- Those admission bodies operating outsourced services under a contract which expires within the maximum 16-year recovery period, the recovery period to apply will be the lifetime of the contract unless the body is in surplus (see comment below).

- Due to their weaker covenant, admission bodies not backed by a scheduled body guarantee will be subject to the same conditions as above but subject to a maximum recovery period of 11 years unless their defined (or expected) lifespan within the Fund is limited. Such known (or expected) events that could impact on their participation in the Fund should be notified to the administering authority by the body as soon as practically possible.

- For any employer, the total contributions they are actually required to pay in any one year is the sum of the Primary and Secondary rates (subject to an overall minimum of zero). Both elements are subject to further review from April 2023 based on the results of the 2022 actuarial valuation.

- Where an employer is in a surplus position, the Secondary rate deduction from the Primary rate will be adjusted to such an extent that any surplus is used (i.e. run off) over the maximum 16-year period unless agreed otherwise with the administering authority e.g. where the employer's participation in the Fund is expected cease within the next three years.

  Such deductions will be subject to a minimum threshold of £100 p.a., below which no deduction will be made. The current level of contributions payable by the employer may also be phased down to the reduced level as appropriate.

- Where increases (or decreases) in employer contributions are required from 1 April 2020, following completion of the 2019 actuarial valuation, the increase (or decrease) from the rates of contribution payable in the year 2019/20 may be implemented in steps depending on affordability of contributions as determined by the administering authority. This will be notified to employers as part of the valuation process. It may be possible to have a different phasing pattern in certain circumstances subject to the agreement of the administering authority.

- Where increases in the primary rate and/or secondary rate contributions are to be phased in, the Administering Authority's policy is that any adjustment in 2020/21 should be rectified in 2022/23 i.e. so that the total level of primary and secondary rate contributions payable is the same over the three-year period.

- However, where a surplus exists or where there has been a reduction in contributions paid in respect of an employer's deficit at the valuation, the Fund would not consider it appropriate for any increase in contributions paid in respect of future accrual of benefits to be implemented in steps.

- For employers that do not have a financial year end of 31 March 2020 (e.g. 31 July 2020), the Fund can, at the employers request before 28th February 2020 allow the employer to continue to pay their current contribution plan until their financial year end date. The new contribution plan would then be implemented after this date (i.e. 1 August 2020 if the year-end is 31 July 2020)

Special circumstances to consider alternative deficit recovery plans

- As part of the process of agreeing funding plans with individual employers, the Administering Authority will consider the use of contingent assets and other tools such as bonds or guarantees that could assist employing bodies in managing the cost of their liabilities or could provide the Fund with greater security against outstanding liabilities. All other things being equal this could result in a longer recovery period being acceptable to the Administering Authority, restricted to the maximum periods set out in Appendix B, although employers will still be expected to at least cover expected interest costs on the deficit.

- It is acknowledged by the Administering Authority that, whilst posing a relatively low risk to the Fund as a whole, a number of smaller employers may be faced with significant contribution increases that could seriously affect their ability to function in the future. The Administering Authority therefore would be willing to use its discretion to accept an evidence-based affordable level of contributions for the organisation for the three years 2020/2023. Any application of this option is at the ultimate discretion of the Fund officers in order to effectively manage risk across the Fund. It will only be considered after the provision of the appropriate evidence as part of the covenant assessment and also the appropriate professional advice.

- For those bodies identified as having a weaker covenant, the Administering Authority will need to balance the level of risk plus the solvency requirements of the Fund with the sustainability of the organisation when agreeing funding plans. As a minimum, the annual deficit payment must meet the on-going interest costs to ensure, everything else being equal, that the deficit does not increase in monetary terms.

  Notwithstanding the above principles, the Administering Authority, in consultation with the actuary, has also had to consider whether any exceptional arrangements should apply in particular cases.

Ill-Health Captive

- For those employers who are eligible for the ill-health captive arrangement, the contributions payable over the period 1 April 2020 to 31 March 2023 will be adjusted accordingly to reflect the premium charged to provide continued protection against the risks of excessive ill-health retirement costs emerging. Further details are provided in Appendix F of these adjustments.

Prepayment of Primary Rate and Secondary Rate Contributions

- For certain larger employers, subject to the agreement of the administering authority, the option to prepay Primary rate contributions may be made available. This option would be on the proviso that a "top-up" payment would be made by the employer prior to the end of the prepayment period in order to ensure that no underpayment emerges versus the minimum required by the valuation certificate.

- The facility to prepay secondary rate contributions where a deficit exists will be made available to all employers.

EMPLOYERS EXITING THE FUND

- Employers must notify the Fund as soon as they become aware of their planned exit date. Where appropriate, or at the request of the Scheme Employer, the Fund will review their certified contribution in order to target a fully funded position at exit. The costs of the contribution rate review will be payable by the employer or the outsourcing Scheme Employer (where necessary).

- On the cessation of an employer's participation in the Fund, in accordance with the Regulations, the Fund Actuary will be asked to make a termination assessment. In such circumstances

The policy for employers who have a guarantor participating in the Fund:

- The residual assets and liabilities and hence any surplus or deficit will transfer back to the guarantor. This is subject to agreement from all interested parties who will need to consider any separate contractual agreements that have been put in place between the exiting employer and the guarantor.

- If all parties do not agree then the surplus will be paid directly to the exiting employer within 3 months of completion of the cessation by the Actuary (despite any other agreements that may be in place). In maintaining a consistent approach, the Fund will seek to recover the deficit from the exiting employer in the first instance. However, if this is not possible, the deficit will be subsumed by the guarantor and all remaining assets and liabilities will then be subsumed by the guarantor.

- The Fund will inform the guarantor of the exiting employer's request to receive the surplus before making payment of the exit credit. However, the Fund will not become embroiled in any disagreement over the refund of any surplus which is contrary to commercial agreements.

- Ultimately the Fund will have to comply with the Regulations and therefore pay any exit credit. It is then up to the guarantor to contest the surplus payment citing the commercial contract in place and the desire for equal treatment in the event of a deficit.

- In the event of parties unreasonably seeking to crystalise the exit credit on termination unreasonably the Fund will consider its overall policy and seek to recover termination deficits as opposed to allowing them to be subsumed with no impact on contribution requirements until the next assessment of the contribution requirements for the guarantor. Equally where a guarantor decides not to underwrite the residual liabilities then the basis on termination the basis of assessment will assume the liabilities are orphaned and the minimum risk basis of termination will apply.

The policy for employers who do not have a guarantor participating in the Fund:

- In the case of a surplus, the Fund pays the exit credit to the exiting employer following completion of the termination process (within 3 months of completion of the cessation by the Actuary). This is subject to the exiting employer providing sufficient notice to the Fund of their intent to exit; any delays in notification will impact on the payment date.

- In the case of a deficit, the Fund would require the exiting employer to pay the termination deficit to the Fund as an immediate lump sum cash payment (unless agreed otherwise by the Administering Authority at their sole discretion) following completion of the termination process.

- The Administering Authority also reserves the right to modify this approach on a case by case basis at its sole discretion if circumstances warrant it based on the advice of the Actuary.

- Where an employer with no guarantor leaves the Fund and leaves liabilities with the Fund which the Fund must meet without recourse to that employer, the valuation of the termination payment will be calculated using a discount rate based on the minimum risk basis of termination.

Further details are set out in the termination policy is set out in Appendix C.

[Subject to sufficient financial covenant and at the sole discretion of the Administering Authority an employer may continue to participate in the Fund with no contributing members under the Deferred Debt arrangement.]

[Drafting Note – This has been added following the consultation published by the MHCLG on 8 May 2019 (found here: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/800321/LGPS_valuation_cycle_reform_consultation.pdf). The Funding Strategy Statement and Fund policies may need further adaptation once the consultation process has been completed.]

In all cases the Administering Authority reserves the right to apply a different approach at its sole discretion, taking into account the risk associated with an employer in proportion to the Fund as a whole. Any employer affected will be notified separately.

ALTERNATIVE FUNDING TARGETS

In certain circumstances, as a pre-cursor to the Fund implementing a risk management framework involving investment buckets, a higher funding target may be adopted for certain employers as deemed appropriate by the Administering Authority. Initially this will be particularly applied to admitted body employers without a guarantor and will be used as a means of increasing the certainty of achieving or maintaining full funding.

The contribution rate for these employers will be determined to target a funding position of either 105% or 110% for the baseline liabilities. The principles around the recovery period will be as noted earlier after the change in funding target has been applied.

FUNDING FOR NON-ILL HEALTH EARLY RETIREMENT COSTS

All Employers are required to meet non ill-health early retirement strain costs arising on the grounds of redundancy / efficiency by immediate capital payments into the Fund.

FUNDING FOR ILL HEALTH RETIREMENT COSTS

Should a member retire on ill health grounds, this will normally result in a funding strain for that employer (i.e. increased liability). The size of any funding strain will depend on how the cost of that ill health retirement compares with the expected cost built in the actuarial assumptions for that employer. The actual cost will also depend on the level of any benefit enhancements awarded (which depend on the circumstances of the ill health retirement) and also how early the benefits are brought into payment. The treatment of any ill-health retirement strain cost emerging will vary depending on the type of employer:

- For those employers who participate in the ill-health insurance captive, any ill-health retirement strain cost emerging will be met by a contribution from the captive fund as part of the subsequent actuarial valuation (or termination assessment if sooner). No additional contributions will be due immediately from the employer although an adjustment to the "premium" payable may emerge following the subsequent actuarial valuation, depending on the overall experience of the captive fund.

- For those employers who don't participate in the ill-health captive, the "primary rate" payable over 2020/23 includes an allowance for ill-health retirement costs. Any ill-health retirement strain costs emerging will form part of the contribution rate assessment for the employer at the subsequent actuarial valuation (or termination assessment if sooner). No additional contributions will be due immediately from the employer.

FUNDING FOR DEATHS IN SERVICE

The financial impact of the benefits that become payable on the death of a member differ depending on whether the member dies before or after retirement.

The extent of any funding strain/profit which emerges on the death of a pensioner member (typically a profit) will be determined by the age of the pensioner at death and whether or not any dependants' benefits become payable.

In the event of a member dying whilst in active service, it is not certain that a funding profit would emerge. Whilst the Fund would no longer have to pay the accrued benefits at retirement for the deceased member, a lump sum death grant and also dependants' benefits would become payable instead. The dependants' benefits would also be based on the pensionable service that the member could have accrued had they remained in service until retirement.

Typically, the death of a young member with low pensionable service and dependants is likely to result in a large funding strain for the employer. However, the death of an older/long serving member with no dependants could actually result in a funding profit. Any funding strain or profit will emerge at the next actuarial valuation through increased/reduced deficit, except where the employer is in the termination process when it will be taken into account when the Actuary determines the termination position.

7

LINK TO INVESTMENT POLICY AND THE INVESTMENT STRATEGY STATEMENT (ISS)

In assessing the value of the Fund's liabilities in the valuation, allowance has been made for growth asset out-performance as described below, taking into account the investment strategy adopted by the Fund, as set out in the ISS.

It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgo. However, it is possible to construct a portfolio which represents the "minimum risk" investment position which would deliver a very high certainty of real returns above assumed CPI inflation. Such a portfolio would consist of a mixture of long-term index-linked gilts, fixed interest gilts and possible investment derivative contracts known as "swaps".

Investment of the Fund's assets in line with this portfolio would minimise fluctuations in the Fund's funding position between successive actuarial valuations.

If, at the valuation date, the Fund had been invested in this portfolio, then in carrying out this valuation it would not be appropriate to make any allowance for growth assets out-performance or any adjustment to market implied inflation assumption due to supply/demand distortions in the bond markets. This would result in real return versus CPI inflation of minus 1% per annum at the valuation date. On this basis of assessment, the assessed value of the Fund's liabilities at the valuation would have been significantly higher, resulting in a funding level of c60%. This is a measure of the level of reliance on future investment returns.

Departure from a minimum risk investment strategy, in particular to include growth assets such as equities, gives a better prospect that the assets will, over time, deliver returns in excess of CPI inflation and reduce the contribution requirements. The target solvency position of having sufficient assets to meet the Fund's pension obligations might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

The overall strategic asset allocation is set out in the ISS and is as follows:

		Allocation %	Tolerance %
Bonds		**23.00**	
UK Index Linked		12.00	+/- 3.00
UK Buy and Maintain		5.00	+/- 2.00
Emerging Market High Return		3.00} 3.00} 6.00	} +/- 5.00
Quoted Equities		**50**	
UK		15.00	+/- 5.00
Overseas		35.00	+/- 5.00
	Developed Markets	27.125	+/- 5.00
	Emerging Markets	7.875	+/- 5.00
		35.00	
Illiquid Premium Private Equity Private Debt		 **7.00** **3.50**	 +/- 5.00 +/- 5.00
Infrastructure		**5.00**	+/- 5.00
Property		**10.00**	+/- 3.00
Cash		**1.50**	+/- 8.50
		100.00	

For the 2019 valuation, the investment return expectations as calculated by the Actuary equated to an overall best estimate average expected return of 2.65% per annum in excess of CPI inflation at the valuation date i.e. a 50/50 chance of achieving this real return For the purposes of setting funding strategy however, the Administering Authority believes that it is appropriate to take a margin for prudence on these return expectations and this is expected under the Regulations and guidance. Broadly speaking the discount rate of CPI+1.5% p.a. has been set so that there is approximately a 66% (or two-in-three) chance that the returns achieved will be at least those assumed in the discount rate.

This margin however, has been reduced to take account of the risk management strategies implemented to reduce the volatility of returns within the investment strategy.

RISK MANAGEMENT STRATEGY

In the context of managing various aspects of the Fund's financial risks, the Administering Authority has implemented a number of risk management techniques. In particular:

- Equity Protection - the Fund has implemented protection against potential falls in the equity markets via the use of derivatives. The aim of the protection is to provide further stability in employer contributions (all other things equal) in the event of a significant equity market fall (although it is recognised that it will not protect the Fund in totality).

The principal aim of these risk management techniques is to effectively look to provide more certainty of real investment returns vs CPI inflation and/or protect against volatility in the termination position. It is designed to reduce risk and provide more stability/certainty of outcome for funding and ultimately employer contribution rates. The effect of these techniques has been allowed for in the 2019 actuarial valuation calculations and could have implications on future actuarial valuations and the assumptions adopted. Further details of the framework have been included in the ISS.

ALTERNATIVE INVESTMENT STRATEGIES

Within the next valuation cycle, the Fund will be considering the merits of implementing alternative investment strategies. Such strategies will have a lower level of growth assets compared with the current "higher risk" whole Fund strategy and will apply to certain employers in the Fund depending on their characteristics and objectives, as determined by the Administering Authority.

[Drafting Note – This paragraph has been added to enable the Fund to expand on the investment options that are offered to employers in the future if necessary. This would apply to employers who want to reduce/better manage their risk or if the Fund feels that they have insufficient covenant to continue with the risk associated with the higher risk investment strategy. Any options will be communicated to the Committee at that time. Once agreed, the Funding Strategy Statement will be updated to reflect this.]

The applicable investment strategy will be reflected in the relevant employer's notional asset share , funding basis and contribution requirements as assessed at subsequent actuarial valuations.

8

IDENTIFICATION OF RISKS AND COUNTER-MEASURES

The funding of defined benefits is by its nature uncertain. Funding of the Scheme is based on both financial and demographic assumptions. These assumptions are specified in the actuarial valuation report. When actual experience is not in line with the assumptions adopted a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

The Administering Authority has been advised by the actuary that the greatest risk to the funding level is the investment risk inherent in the predominantly equity based strategy, so that actual asset out-performance between successive valuations could diverge significantly from that assumed in the long term. The Actuary's formal valuation report includes quantification of some of the major risk factors.

FINANCIAL

The financial risks are as follows:-

- Investment markets fail to perform in line with expectations
- Protection and risk management policies fail to perform in line with expectations
- Market outlook moves at variance with assumptions
- Investment Fund Managers fail to achieve performance targets over the longer term
- Asset re-allocations in volatile markets may lock in past losses
- Pay and price inflation significantly more or less than anticipated
- Future underperformance arising as a result of participating in the larger asset pooling vehicle.
- An employer ceasing to exist without prior notification, resulting in a large exit credit requirement from the Fund impacting on cashflow requirements.

Any increase in employer contribution rates (as a result of these risks), may in turn impact on the service delivery of that employer and their financial position.

In practice the extent to which these risks can be reduced is limited. However, the Fund's asset allocation is kept under constant review and the performance of the investment managers is regularly monitored. In addition, the implementation of a risk management framework to manage the key financial risks will help reduce risk over time.

DEMOGRAPHIC

The demographic risks are as follows:-

- Future changes in life expectancy (longevity) cannot be predicted with any certainty
- Potential strains from ill health retirements, over and above what is allowed for in the valuation assumptions
- Unanticipated acceleration of the maturing of the Fund resulting in materially negative cashflows and shortening of liability durations

Increasing longevity is something which government policies, both national and local, are designed to promote. It does, however, result in a greater liability for pension funds.

Ill health retirements can be costly for employers, particularly small employers where one or two costly ill health retirements can take them well above the "average" implied by the valuation assumptions. Increasingly we are seeing employers mitigate the number of ill health retirements by employing HR / occupational health preventative measures. These in conjunction with ensuring the regulatory procedures in place to ensure that ill-health retirements are properly controlled, can help control exposure to this demographic risk. The Fund's ill health captive arrangement will also help to ensure that the eligible employers are not exposed to large deficits due to the ill health retirement of one or more of their members (see further information in **Appendix F**).

Apart from the regulatory procedures in place to ensure that ill-health retirements are properly controlled, **employing bodies should be doing everything in their power to minimise the number of ill-health retirements**.

Early retirements for reasons of redundancy and efficiency do not immediately affect the solvency of the Fund because they are the subject of a direct charge.

With regards to increasing maturity (e.g. due to further cuts in workforce and/or restrictions on new employees accessing the Fund), the Administering Authority regularly monitors the position in terms of cashflow requirements and considers the impact on the investment strategy.

INSURANCE OF CERTAIN BENEFITS

The contributions for any employer may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs (aside from ill-health retirement costs which are already insured for eligible employers) being insured with a third party or internally within the Fund. More detail on how the Fund currently insures ill health costs for eligible employers is set out in **Appendix F**.

REGULATORY

The key regulatory risks are as follows:-

- Changes to Regulations, e.g. changes to the benefits package, retirement age, potential new entrants to scheme. Typically these would be via the Cost Management Process although in light of the McCloud discrimination case (see further comment in Section 9) there can be exceptional circumstances which give rise to unexpected changes in Regulations
- Changes to national pension requirements and/or HMRC Rules
- Political risk that the guarantee from the Department for Education for academies is removed or modified along with the operational risks as a consequence of the potential for a large increase in the number of academies in the Fund due to Government policy.

Membership of the Local Government Pension Scheme is open to all local government staff and should be encouraged as a valuable part of the contract of employment. However, increasing membership does result in higher employer monetary costs.

GOVERNANCE

The Fund has done as much as it believes it reasonably can to enable employing bodies and scheme members (via their trades unions) to make their views known to the Fund and to participate in the decision-making process. So far as the revised Funding Strategy Statement is concerned,

- consultation took place with employers at the end of 2018 on a range of key issues and assumptions influencing the valuation process. These issues were also discussed at the 2018 Employer Forum.
- Copies of the draft Funding Strategy Statement were circulated to all employers during November 2019 for their comments and an invitation to comment was placed on the Fund's website.
- The Fund Actuary and Fund Officers presented details in relation to specific issues and changes at workshops for specific groups of employers and at the 2019 Employer Forum

The final Funding Strategy Statement was approved on 23rd January 2020Governance risks are as follows:-

- The quality of membership data deteriorates materially due to breakdown in processes for updating the information resulting in liabilities being under or overstated
- Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements) with the result that contribution rates are set at too low a level
- Administering Authority not advised of an employer closing to new entrants, something which would normally require an increase in contribution rates
- An employer ceasing to exist with insufficient funding or adequacy of a bond.
- Political risk that the academies guarantee from the Department for Education is removed, especially given the large increase in the number of academies in the Fund.

For these risks to be minimised much depends on information being supplied to the Administering Authority by the employing bodies. Arrangements are strictly controlled and monitored (e.g. with regular data reconciliations with employers), but in most cases the employer, rather than the Fund as a whole, bears the risk.

PENSIONS AUTHORITY

South Yorkshire Pensions Authority, as the Administering Authority for South Yorkshire Pension Fund, has responsibility and accountability for overseeing the Fund.

Full details of the business of the authority including the meeting dates of the various Boards, minutes and agenda's, the contact details of the current Members and links to live webcasting of meeting can be accessed through the Authority's website https://www.sypensions.org.uk/Home/About-Us

PENSIONS ADMINISTRATION STRATEGY

The Pensions Administration Strategy (PAS) sets out clear standards of service to members by defining employer and Fund responsibilities in administering the Scheme and sets out the requirements for the two-way flow of information. The employer should notify the administering authority of the following events.

- Structural change in employer's membership e.g. large fall in employee numbers or large number of retirements.
- A closure in accessibility of the scheme to new entrants.
- An employer ceasing to exist.

The strategy has been developed and adopted in consultation and agreement with the participating Fund Employers and is provided for through statute by Regulation 59 of the Local Government Pension Scheme Regulations 2013 (as amended). It sets out, amongst other things, how the

Administering Authority, SYPA, will administer the Pension Scheme and Fund on behalf of Employing Organisations, and their Scheme Members, participating in the South Yorkshire Pension Fund, its requirements for employers in terms of the timely and accurate provision of information pertinent to the administration of the Scheme and Fund, and the penalties to be applied to those employing organisations failing to meet their duties, responsibilities and obligations as detailed within the strategy document.

The strategy has been developed and adopted in consultation to improve the overall standard of administration of the Scheme and the Fund and is intended to apply in a spirit of partnership working and co-operation where every assistance, tool, facility, system, training and guidance will be provided where possible to enable employers to improve administrative performance and meet the requirements of the strategy. Any penalties and censures carried within the strategy are not intended to apply as a first resort but rather as a last resort following a period of time and opportunity given for improvement to any organisation struggling to meet its obligations.

LOCAL PENSION BOARD

The Pension Board was established in April 2015 in accordance with the Public Service Pensions Act 2013, the national statutory governance framework delivered through the LGPS Regulations and guidance as issued by the Scheme Advisory Board.

The Board seeks to assist the South Yorkshire Pensions Authority to maintain effective and efficient administration and governance. The LPB comprises both Scheme members, retired and active, together with employer representatives. Employer representation is not restricted to the four large local Councils.

It meets quarterly and all Board Members have undertaken training and have established a work programme that will enable them to meet their obligations to ensure that the Fund complies with the relevant codes of practice and current legislation.

The Board is now supported by an Independent Adviser in order to ensure that it can provide effective challenge to the Authority and its officers.

9

MONITORING AND REVIEW

The Administering Authority has taken advice from the actuary in preparing this Statement, and has consulted with the employers participating in the Fund.

A full review of this statement will occur no less frequently than every three years, to coincide with completion of a full statutory actuarial valuation and every review of employer rates or interim valuation. Any review will take account of the current economic conditions and will also reflect any legislative changes.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the valuation process), for example, if there:

- has been a significant change in market conditions, and/or deviation in the progress of the funding strategy
- have been significant changes to the Scheme membership, or LGPS benefits
- have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy
- have been any significant special contributions paid into the Fund.

When monitoring the funding strategy, if the Administering Authority considers that any action is required, the relevant employers will be contacted. In the case of admitted bodies, there is statutory provision for rates to be amended between valuations and this will be considered in conjunction with the employer affected and any associated guarantor of the employer's liabilities (if relevant).

REVIEW OF CONTRIBUTIONS

In line with the Regulations, the Administering Authority has the ability to review employer contributions or request a full interim valuation. If considered appropriate, the Fund will carry out an interim valuation or a review of contributions for a specific employer or employer(s), if there:

1. has been a significant change in market conditions and/or deviation in the progress of the Funding Strategy,
2. has been a material change in an employer's covenant assessed in line with the policy in Appendix E.
3. the employer has notified the Fund of their intention to exit within the next 3 years. Employers must notify the Fund as soon as they become aware of their planned exit date.
4. has been a deviation in the progress of the funding strategy for the employer.
5. have been significant changes to the Scheme membership, or LGPS benefits.
6. has been a change in employer status.
7. have been any significant special contributions paid into the Fund.
8. have been significant statutory or regulatory changes.

In the normal course of events, contributions will only be reviewed for statutory or tax raising employers as part of a full actuarial valuation (statutory or interim valuation).

In exceptional circumstances, not envisaged in the Funding Strategy Statement, the Fund can apply for a direction from the Secretary of State to carry out an interim valuation. The Secretary of State would also have a power to require interim valuations of the Fund either on representation from the Fund, scheme employers or of his own volition.

Where the contribution review is triggered by an employer request (e.g. points 2, 3, 4, 5, 6 and 7 above), the costs associated with the review will be met by the employer(s) concerned.

COST MANAGEMENT THE McCLOUD JUDGMENT

The cost management process was set up by the Government, with an additional strand set up by the Scheme Advisory Board (for the LGPS). The aim of this was to control costs for employers and taxpayers via adjustments to benefits and/or employee contributions.

As part of this, it was agreed that employers should bear the costs/risks of external factors such as the discount rate, investment returns and inflation changes, whereas employees should bear the costs/risks of other factors such as wage growth, life expectancy changes, ill health retirement experience and commutation of pension.

The outcomes of the cost management process were expected to be implemented from 1 April 2019, based on data from the 2016 valuations for the LGPS. This has now been put on hold due to age discrimination cases brought in respect of the firefighters and judges schemes, relating to protections provided when the public sector schemes were changed (which was on 1 April 2014 for the LGPS and 1 April 2015 for other Schemes).

The Government have confirmed that this judgment will result in a remedy being required for the LGPS. The Scheme Advisory Board issued guidance which sets out how the McCloud case should be allowed for within the 2019 valuation.

The potential impact of the judgement (based on the information available at the time) has been quantified and communicated to employers as part of the 2019 valuation. This has been assessed by removing the current age criteria applied to the underpin implemented in 2014 for the LGPS. This underpin therefore would apply to all active members as at 1 April 2012. In effect this represents a worst case scenario in relation to those who were active as at 1 April 2012 (i.e. ignoring new joiners) and is therefore a prudent estimate of the impact. Employers will be able to choose to pay these estimated costs over 2020/23 in their certified contributions. Alternatively, they will need to make provision within their budgets.
If a definitive judgment is made before the 2022 valuation then for employers who chose not to incorporate the impact in their contributions backdated contributions will be collected immediately. The mechanism to achieve this has been set out in the Actuary’s certificate. For other employers any difference between the contributions collected and the actual cost will be adjusted in the 2022 valuation.

APPENDIX A - ACTUARIAL METHOD AND ASSUMPTIONS

METHOD

The actuarial method to be used in the calculation of the solvency funding target is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service. This method implicitly allows for new entrants to the scheme on the basis that the overall age profile of the active membership will remain stable. As a result, for those employers which are closed to new entrants, an alternative method is adopted, which makes advance allowance for the anticipated future ageing and decline of the current closed membership group potentially over the period of the rates and adjustments certificate.

FINANCIAL ASSUMPTIONS – SOLVENCY FUNDING TARGET AND COST OF FUTURE ACCRUAL

Investment return (discount rate) – Solvency Funding Target

The discount rate has been derived based on the expected return on the Fund assets based on the long term strategy set out in the Investment Strategy Statement (ISS). It includes appropriate margins for prudence. When assessing the appropriate discount rate consideration has been given to the returns in excess of CPI inflation (as derived below). The discount rate at the valuation has been derived based on an assumed return of 1.5% per annum above CPI inflation i.e. a real return of 1.5% per annum and a total discount rate of 3.9% per annum. This real return will be reviewed from time, to time, typically at the time of a formal valuation or bond review based on the investment strategy, market outlook and the Fund's overall risk metrics. The discount rate will be reviewed as a matter of course at the time of a formal valuation.

For those employers for whom the Administering Authority deems an alternative funding target should apply, a 5% or 10% loading will be applied to the baseline liabilities determined using the discount rate above, as deemed appropriate.

Investment return (discount rate) – Cost of Future Accrual

The future service liabilities are calculated using the same assumptions as the solvency funding target except that a different financial assumption for the discount rate is used. A critical aspect here is that the Regulations state the desirability of keeping the "Primary Rate" (which is the future service rate) as stable as possible so this needs to be taken into account when setting the assumptions.

As future service contributions are paid in respect of benefits built up in the future, the Primary Rate should take account of the market conditions applying at future dates, not just the date of the valuation, thus it is justifiable to use a slightly higher expected return from the investment strategy. In addition, the future liabilities for which these contributions will be paid have a longer average duration than the past service liabilities as they relate to active members only.

The financial assumptions in relation to future service (i.e. the normal cost) are based on an overall assumed real discount rate of 2.35% per annum above the long term average assumption for consumer price inflation of 2.4% per annum. This leads to a discount rate of 4.75% per annum.

Inflation (Consumer Prices Index)

The inflation assumption will be taken to be the investment market's expectation for RPI inflation as indicated by the difference between yields derived from market instruments, principally conventional and index-linked UK Government gilts as at the valuation date, reflecting the profile and duration of the Scheme's accrued liabilities, but subject to an adjustment due to retirement pensions being increased annually by the change in the Consumer Price Index rather than the Retail Price Index.

The overall average reduction to the assumption to long term RPI inflation to arrive at the CPI inflation assumption at the valuation date is 1.0% per annum. The CPI inflation assumption at the valuation date is 2.4% per annum.

Salary increases

In relation to benefits earned prior to 1 April 2014, the assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.25% p.a. over the inflation assumption as described above. This includes allowance for promotional increases. In addition to the long term salary increase assumption allowance has been made for expected short term pay restraint for employers The default assumption is for pay growth of 3% (covering both headline increases and incremental drift) each year from the valuation date up to 31st March 2023 although employers will be able to opt for the long-term assumption only should they wish.

Application of bespoke salary increase assumptions as put forward by individual employers will be at the ultimate discretion of the Administering Authority but as a minimum must be reasonable and practical. Employers will need to provide clear evidence that justifies any bespoke assumptions (for example a long-term pay agreement) To the extent that experience differs to the assumption adopted, the effects will emerge at the next actuarial valuation.

Pension increases/Indexation of CARE benefits

Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. This is modified appropriately to reflect any benefits which are not fully indexed in line with the CPI (e.g. Guaranteed Minimum Pensions where the LGPS is not required to provide full indexation).

For members in pensionable employment, their CARE benefits are also indexed by CPI although this can be less than zero i.e. a reduction in benefits, whereas for pension increases this cannot be negative, as pensions cannot be reduced.

DEMOGRAPHIC ASSUMPTIONS

Mortality/Life Expectancy

The mortality in retirement assumptions will be based on the most up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI), making allowance for future improvements in longevity and the experience of the scheme. The mortality tables used are set out below, with a loading reflecting Fund specific experience. The derivation of the mortality assumption is set out in a separate paper as supplied by the Actuary.

A specific mortality assumption has also been adopted for current members who retire on the grounds of ill health.

For all members, it is assumed that the trend in longevity seen over recent time periods (as evidenced in the 2018 CMI analysis) will continue in the longer term and as such, the assumptions build in a level of longevity 'improvement' year on year in the future in line with the CMI 2018 projections and a long term improvement trend of 1.75% per annum.

The mortality before retirement has also been reviewed based on LGPS wide experience.

Commutation

Based on scheme specific analysis undertaken over a long period, it has been assumed that, on average, retiring members will commute pension up to 90% of the maximum tax-free cash available at retirement (allowing for any standard 3/80ths cash sum that may be payable). The option which members have to commute part of their pension at retirement in return for a lump sum is a rate of £12 cash for each £1 p.a. of pension given up.

Other Demographics

Following an analysis of Fund experience carried out by the Actuary, the incidence of ill health retirements, withdrawal rates and the proportions married/civil partnership assumption remain in line with the assumptions adopted for the last valuation. In addition, no allowance will be made for the future take-up of the 50:50 option. Where any member has actually opted for the 50:50 scheme, this will be allowed for in the assessment of the rate for the next 3 years. Other assumptions are as per the last valuation.

Expenses

Expenses are met out the Fund, in accordance with the Regulations. This is allowed for by adding 0.5% of pensionable pay to the contributions as required from participating employers. This addition is reassessed at each valuation. Investment expenses have been allowed for implicitly in determining the discount rates.

Discretionary Benefits

The costs of any discretion exercised by an employer in order to enhance benefits for a member through the Fund will be subject to additional contributions from the employer as required by the Regulations as and when the event occurs. As a result, no allowance for such discretionary benefits has been made in the valuation

EMPLOYER ASSET SHARES

The Fund is a multi-employer pension scheme that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving the employer asset share.

In attributing the overall investment performance obtained on the assets of the Scheme to each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the Scheme as a whole unless agreed otherwise between the employer and the Fund at the sole discretion of the Administering Authority.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation. In addition, the asset share may be restated for changes in data or other policies.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.

SUMMARY OF KEY WHOLE FUND ASSUMPTIONS USED FOR CALCULATING FUNDING TARGET AND COST OF FUTURE ACCRUAL (THE "PRIMARY RATE") FOR THE 2019 ACTUARIAL VALUATION

Long-term yields	
Market implied RPI inflation	[3.40%] p.a.
Solvency Funding Target financial assumptions	
Investment return/Discount Rate	[3.90%] p.a.
CPI price inflation	[2.40%] p.a.
Long Term Salary increases*	[3.65%] p.a.
Pension increases/indexation of CARE benefits	[2.40%] p.a.
Future service accrual financial assumptions	
Investment return/Discount Rate	[4.75%] p.a.
CPI price inflation	[2.40%] p.a.
Long Term Salary increases*	[3.65%] p.a.
Pension increases/indexation of CARE benefits	[2.40%] p.a.

* in addition to this, an allowance for further short-term pay restraint may be made. This will be in the range of 2% per annum to 3% per annum for 4 years to 31 March 2023 depending on an employer's circumstances.

Life expectancy assumptions

The post retirement mortality tables adopted for this valuation, along with sample life expectancies, are set out below:

-Post retirement mortality tables

Current Status	Retirement Type	Mortality Table
Annuitant	Normal Health	101% S3PMA_CMI_2018 [1.75%] 88% S3PFA_M_CMI_2018 [1.75%]
	Dependant	133% S3PMA_CMI_2018 [1.75%] 89% S3DFA_CMI_2018 [1.75%]
	Ill Health	125% S3IMA_CMI_2018 [1.75%] 122% S3IFA_CMI_2018 [1.75%]
	Future Dependant	128% S3PMA_CMI_2018 [1.75%] 107% S3DFA_CMI_2018 [1.75%]
Active	Normal Health	109% S3PMA_CMI_2018 [1.75%] 90% S3PFA_M_CMI_2018 [1.75%]
	Ill Health	125% S3IMA_CMI_2018 [1.75%] 139% S3IFA_CMI_2018 [1.75%]
Deferred	All	131% S3PMA_CMI_2018 [1.75%] 105% S3PFA_M_CMI_2018 [1.75%]

Future Dependant	Dependant	137% S3PMA_CMI_2018 [1.75%] 113% S3DFA_CMI_2018 [1.75%]

-Life expectancies at age 65

Membership Category	Male Life Expectancy at 65	Female Life Expectancy at 65
Pensioners	22.4	25.6
Actives aged 45 now	23.8	27.5
Deferreds aged 45 now	22.4	26.4

Further detail and other demographic assumptions are set out in the Actuary's formal report.

APPENDIX B – EMPLOYER DEFICIT / SURPLUS RECOVERY PLANS

As the assets of the Fund are less than the liabilities at the effective date, a deficit recovery plan needs to be adopted such that additional contributions are paid into the Fund to meet the shortfall.

Deficit contributions paid to the Fund by each employer will be expressed as £s amounts and will increase at 2.4% p.a. (unless agreed with the Administering Authority). It is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford based on the Administering Authority's view of the employer's covenant and risk to the Fund.

Recovery periods will be set by the Fund on a consistent basis across employer categories where possible and communicated as part of the discussions with employers. This will determine the minimum contribution requirement and employers will be free to select any shorter deficit recovery period and higher contributions if they wish, including the option of prepaying the deficit contributions in one lump sum either on annual basis or a one-off payment. This will be reflected in the monetary amount requested via a reduction in overall £ deficit contributions payable.

The principles used to determine the recovery periods is summarised in the table below. These will be used to derive the minimum contributions payable subject to reasonable affordability and covenant assessment. In some cases, the actuary may recommend a higher deficit contribution for 2020/23.

Category	Maximum Deficit Recovery Period	Derivation
District Councils	16 years	Determined by reducing the period from the preceding valuation by at least 3 years
Other Tax-raising Scheduled and Designating Bodies	16 years	Determined by reducing the period from the preceding valuation by at least 3 years and to ensure, where appropriate, total contributions do not reduce versus the current contributions from the existing recovery plan.
Academies and Multi-Academy Trusts	16 years	Determined by reducing the period from the preceding valuation by at least 3 years and to ensure, where appropriate, total contributions do not reduce versus the current contributions from the existing recovery plan.
Higher and Further Education Bodies (Universities and Colleges)	16 years	Determined by reducing the period from the preceding valuation by at least 3 years and to ensure, where appropriate, total contributions do not reduce versus the current contributions from the existing recovery plan.
Community Admission Bodies (guaranteed by another Scheme Employer within the Fund)	16 years	Determined by reducing the period from the preceding valuation by at least 3 years and to ensure, where appropriate total contributions do

		not reduce versus the current contributions from the existing recovery plan.
Community Admission Bodies (with no guarantee),	11 years	Determined by reducing the period from the preceding valuation by at least 3 years (unless the expected participation in the Fund is known and is shorter) and to ensure, where appropriate, total contributions do not reduce versus the current contributions from the existing recovery plan.
Transferee Admission Bodies (guaranteed by the letting Scheme Employers)	16 years	Deficit recovery period to be limited to the lifetime of the contract. For those employers in surplus, the maximum recovery period may apply unless the contract is expected to expire in the next three years.

The recovery period adopted for individual employers has been notified to them along with their individual valuation results.

In determining the actual recovery period to apply for any particular employer or employer grouping, the Administering Authority may take into account some or all of the following factors:

- The size of the funding shortfall;
- The business plans of the employer;
- The assessment of the financial covenant of the Employer, and security of future income streams;
- Any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets, etc.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. Subject to affordability considerations a key principle will be to maintain the total contributions at the expected monetary levels from the preceding valuation (allowing for any indexation in these monetary payments over the recovery period).

For any employers assessed to be in surplus, their individual contribution requirements may be adjusted to such an extent that any surplus is unwound over a maximum 16 year period unless agreed with the Administering Authority (if surpluses are sufficiently large, contribution requirements will be set to a minimum nil total amount). The current level of contributions payable by the employer may also be phased down to the reduced level as appropriate.

Other factors affecting the Employer Deficit Recovery Plans

As part of the process of agreeing funding plans with individual employers and managing risk in the intervaluation period, the Administering Authority will exceptionally consider the use of contingent assets (for example a charge on a property) and other tools such as bonds or guarantees that could assist employing bodies in managing the cost of their liabilities or could provide the Fund with greater security against outstanding liabilities. All other things equal this could result in a longer recovery period being acceptable to the Administering Authority, restricted to a maximum period of 16 years, although employers will still be expected to at least cover expected interest costs on the deficit.

It is acknowledged by the Administering Authority that, whilst posing a relatively low risk to the Fund as a whole, a number of smaller employers may be faced with significant contribution increases that could seriously affect their ability to function in the future. The Administering Authority therefore would be willing to use its discretion to accept an evidenced based affordable level of contributions for the organisation for the three years 2020/2023. Any application of this option is at the ultimate discretion of the Fund officers in order to effectively manage risk across the Fund. It will only be considered after the provision of the appropriate evidence as part of the covenant assessment and also the appropriate professional advice.

For those bodies identified as having a weaker covenant, the Administering Authority will need to balance the level of risk plus the solvency requirements of the Fund with the sustainability of the organisation when agreeing funding plans. As a minimum, the annual deficit payment must meet the on-going interest costs to ensure, everything else being equal, that the deficit does not increase in monetary terms.

Notwithstanding the above, the Administering Authority, in consultation with the actuary, has also had to consider whether any exceptional arrangements should apply in particular cases.

APPENDIX C - ADMISSIONS AND TERMINATION POLICY

ENTRY TO THE FUND

MANDATORY SCHEME EMPLOYERS

Certain employing bodies are required to join the scheme under the Regulations. These bodies include tax raising bodies, those funded by central government (academies and colleges) and universities (reliant on non-government income). Academies also fall under this category.

DESIGNATING BODIES

Designating bodies are permitted to join the scheme if they pass a resolution to this effect. Designating bodies, other than connected entities, are not required under the Regulations to provide a guarantee. These bodies usually have tax raising powers and include Parish and Town Councils.

ADMISSION BODIES

An admitted body is an employer which, if it satisfies certain regulatory criteria, can apply to participate in the Fund. If its application is accepted by the administering authority, it will then have an "admission agreement". In accordance with the Regulations, the admission agreement sets out the conditions of participation of the admitted body including which employees (or categories of employees) are eligible to be members of the Fund.

Admitted bodies can join the Fund if

- They provide a service for a scheme employer as a result of an outsourcing (formerly known as Transferee Admission Bodies)
- They provide some form of public service and their funding in most cases derives primarily from local or central government. In reality they take many different forms but the one common element is that they are "not for profit" organisations (formerly known as Community Admission Bodies).

Admitted bodies may only join the Fund if they are guaranteed by a scheme employer. When the agreement or service provision ceases, the Fund's policy is that in all cases it will look to recover any outstanding deficit from the outgoing body unless appropriate instruction is received from the outsourcing employer or guaranteeing employer, in which case the assets and liabilities of the admission body will in revert to the outsourcing scheme employer or guaranteeing employer.

[JOINING THE FUND VIA THE 'DEEMED EMPLOYER' ROUTE

This is an alternative route to the admitted body route for achieving pension protection. It relates to employers which have employees working for a third party but fall under the deemed employer for the purposes of the Regulations.

It will be the outsourcing Scheme Employer's choice, when initially putting the contract out to tender, whether the Admission Agreement or Deemed Employer approach will be used. The outsourcing scheme employer will be also known as the deemed employer with regard to this admitted body.

If the Deemed Employer route is chosen, the admitted body will not join the Fund and will instead be grouped/pooled with the original scheme employer. This may be used when a pass through arrangement has been agreed.

The Fund's policy will be dependent on the deemed employer's policy and approach to dealing with these outsourcings. This makes it imperative that each outsourcing scheme employer has a clear policy on the treatment of each type of admitted body. The Fund also requires an agreement (similar to the admission agreement) with the admitted body to ensure their duties are fulfilled e.g. payment of contributions.]

[Drafting Note – This has been added following the consultation published by the MHCLG on 10 January 2019 (found here: https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection). The Funding Strategy Statement and Fund policies may need further adaptation once the consultation process has been completed.]

CONNECTED ENTITIES

Connected entities by definition have close ties to a scheme employer given that a connected entity is included in the financial statements of the scheme employer.

Although connected entities are "Designating Bodies" under the Regulations, they have similar characteristics to admitted bodies (in that there is an "outsourcing employer"). However, the Regulations do not strictly require such bodies to have a guarantee from a scheme employer.

However, to limit the risk to the Fund, the Fund will require that the scheme employer provides a guarantee for their connected entity, in order that the ongoing funding basis will be applied to value the liabilities.

CHILDREN'S CENTRE TRANSFER TO ACADEMY TRUSTS

Local education authorities have an obligation to provide Children's Centres under the Childcare Act 2006. The Act places duties on these authorities in relation to establishing and running Children's Centres and therefore the financial obligation to cover the LGPS costs of eligible staff remains a responsibility of the local education authority regardless of service delivery vehicle. The local education authority is liable for all the LGPS liabilities of the Children's Centre.

As the staff cannot be employed directly by an Academy or Academy Trust, the South Yorkshire Pension Fund will permit admission of a separate participating employer (with its own contribution rate requirements based on the transferring staff), through a tri-partite admission agreement between the South Yorkshire Pension Fund, the Local Education Authority of the ceding Council and the body responsible for managing the Children's Centre (this could be an Academy Trust or private sector employer).

SECOND GENERATION OUTSOURCINGS FOR STAFF NOT EMPLOYED BY THE SCHEME EMPLOYER CONTRACTING THE SERVICES TO AN ADMITTED BODY

[Drafting Note – This section will potentially need amending when the outcome of the consultation published by the MHCLG on 10 January 2019 is known (found here: https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection).]

A 2nd generation outsourcing is one where a service is being outsourced for the second time, usually after the previous contract has come to an end. For Best Value Authorities, principally the unitary authorities, they are bound by The Best Value Authorities Staff Transfers (Pensions) Direction 2007 so far as 2nd generation outsourcings are concerned. In the case of most other employing bodies, they should have regard to Fair Deal Guidance issued by the Government.

It is usually the case that where services have previously been outsourced, the transferees are employees of the contractor as opposed to the original scheme employer and as such will transfer from one contractor to another without being re-employed by the original scheme employer. There are even instances where staff can be transferred from one contractor to another without ever being employed by the outsourcing scheme employer that is party to the Admission Agreement. This can occur when one employing body takes over the responsibilities of another, such as a maintained school (run by the local education authority) becoming an academy. In this instance the contracting body is termed a ‘Related Employer’ for the purposes of the Local Government Pension Scheme Regulations and is obliged to guarantee the pension liabilities incurred by the contractor

“Related employer” is defined as “any Scheme employer or other such contracting body which is a party to the admission agreement (other than an administering authority in its role as an administering authority)”.

LGPS REGULATIONS 2013: SCHEDULE 2 PART 3, PARA 8

Where, for any reason, it is not desirable for an admission body to enter into an indemnity or bond, the admission agreement must provide that the admission body secures a guarantee in a form satisfactory to the administering authority from—

(a) a person who funds the admission body in whole or in part;

(b) in the case of an admission body falling within the description in paragraph 1(d), the Scheme employer referred to in that paragraph;

> *(d) a body that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of—*
>
> *(i) the transfer of the service or assets by means of a contract or other arrangement,*
>
> *(ii) a direction made under section 15 of the Local Government Act 1999 (115) (Secretary of State’s powers),*
>
> *(iii) directions made under section 497A of the Education Act 1996 (116)* ;

(c) a person who—

(i) owns, or

(ii) controls the exercise of the functions of, the admission body; or

In accordance with the above Regulations, the Fund requires a guarantee from the related employer. The related employer may seek a bond from the admitted body taking into account the risk assessment carried out by the Fund actuary.

ILL-HEALTH CAPTIVE

Those employers determined by the administering authority as being automatically eligible for the ill-health captive arrangement on entry to the Fund are as follows:

- Academies
- Admitted Bodies formerly known as Community Admission Bodies
- Designating / Resolution Bodies
- Transferee Admission Bodies
- All other bodies with less than 100 members

EXITING THE FUND

INTRODUCTION

Admission bodies are required to have an "admission agreement" with the Fund. In conjunction with the Regulations, the admission agreement sets out the conditions of participation of the admission body including which employees (or categories of employees) are eligible to be members of the Fund.

A list of all current admission bodies participating in the Fund is published in the Fund's annual report http://www.sypensions.org.uk/Publications/Annual-Reports

TERMINATION POLICY

When an employer's participation in the Fund comes to its end, or is prematurely terminated for any reason (e.g. a contract with a local authority comes to an end or the employer chooses to voluntarily cease participation), employees may transfer to another employer, either within the Fund or elsewhere. If this is not the case the employees will retain pension rights within the Fund i.e. either deferred benefits or immediate retirement benefits.

In addition to any liabilities for current employees the Fund will also retain liability for payment of benefits to former employees, i.e. to existing deferred and pensioner members.

Where the Fund obtains advance notice that an employer's participation is coming to an end, the Regulations enable the Fund to commission a funding assessment leading to a revised contribution certificate which is designed to eliminate, as far as possible, any surplus or deficit by the cessation date.

Whether or not an interim contribution adjustment has been initiated once participation in the Fund has ceased, the employer becomes an exiting employer under the Regulations and the Fund is then required to obtain an actuarial valuation of that employer's liabilities in respect of benefits of the exiting employer's current and former employees along with a revision of the rates and adjustment certificate showing any contributions due from the admission body.

When an employer exits the Fund the Regulations give power to the Fund to set a repayment plan to recover the outstanding debt over a period at its sole discretion and this will depend on the affordability of the repayments and financial strength of the exiting employer. Once this repayment plan is set the payments would not be reviewed for changes in the funding position due to market or demographic factors.

*[Drafting Note – "*Unless agreed otherwise " *has been added following the consultation published by the MHCLG on 8 May 2019 as it is possible employers could continue to participate in the Fund with no active members which is commonly referred to as an deferred debt arrangement (found here: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/800321/LGPS_valuation_cycle_reform_consultation.pdf). The Funding Strategy Statement and Fund policies may need further adaptation once the consultation process has been completed. This is distinct from an employer exiting the Fund and agreeing a repayment plan.]*

The Fund's policy for termination payment plans is as follows:

- The default position is for exit payments and exit credits to be paid immediately in full unless.
- At the discretion of the administering authority, instalment plans over a defined period will only be agreed when there are issues of affordability that risk the financial viability of the organisation and the ability of the Fund to recover the debt.
- Any costs associated with the exit valuation will be paid by the employer by either increasing the exit payment or reducing the exit credit by the appropriate amount. In the case of an employer where the exit debt/credit is the responsibility of the original employer through a risk sharing agreement the costs will be charged directly to the employer unless the original employer directs otherwise.

In the event that unfunded liabilities arise that cannot be recovered from the exiting employer, these will normally fall to be met by the Fund as a whole (i.e. all employers) unless there is a guarantor or successor body within the Fund.

BASIS OF TERMINATION

Whilst reserving the right to consider the options on a case by case basis, the Fund's general policy is that a termination assessment will be made based on a more cautious "minimum risk" funding basis, **unless** a Transferor Body (e.g. guaranteeing employer within the Fund) exists to take over the admission body's liabilities (including those for former employees). This is to protect the other employers in the Fund as, at termination, the admitted body's liabilities will become "orphan liabilities" within the Fund, and there will be no recourse to the admission body if a shortfall emerges in the future (after the admission has terminated).

Under the "minimum risk" basis of termination the discount rate assumption used will be derived to be consistent with a lower risk investment strategy linked to low risk income generating assets such as bonds. At the 2019 valuation date the discount rate adopted would have been 1.5% per annum. The "minimum risk" assumptions will be updated on a case-by-case basis, with reference to prevailing market conditions at the relevant employing body's cessation date. This is subject to the financial assumptions used being no less cautious than the equivalent valuation assumptions updated appropriately based on the advice of the actuary.

In addition to using a more cautious discount rate, the Actuary will also use a more cautious mortality assumption when assessing the size of the liabilities for termination purposes. In particular, the Actuary will assume a higher improvement rate for future improvements to life expectancy than is used for ongoing funding purposes. Where it is appropriate to apply a more cautious assumption the Actuary will assume that the accelerated trend in longevity seen in recent years will continue in the longer term and as such, the assumption will build in a minimum level of longevity 'improvement' year on year in the future in line with the CMI projections subject to a minimum rate of improvement of 2% per annum for males and females, compared to 1.75% per annum used in the 2019 valuation for ongoing funding and contribution purposes.

[Drafting Note – in the light of recent mortality trends emerging, and also the September announcement on the change in RPI inflation (and consequently the RPI/CPI gap), the assumptions applying in the minimum risk termination basis will be reassessed in due course.]

If a Transferor Body exists to take over the admission body's liabilities, the Fund's policy is that the most recent valuation funding basis will be used for the termination assessment updated for market yields and inflation applying at the termination date. The Transferor Body will then, following any termination payment made, subsume the assets and liabilities of the admission body within the Fund (sometimes known as the "novation" of the admission agreement). This will include the novation to the Transferor Body of any funding deficit (or surplus) on closure, which the Authority has been unable to resolve with the exiting employer or its insurer, indemnifier or bondsman.

[Subject to sufficient financial covenant and at the sole discretion of the Administering Authority an employer may continue to participate in the Fund with no contributing members under the Deferred Debt arrangement.]

[Drafting Note – Wording has been added following the consultation published by the MHCLG on 8 May 2019 (found here: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/800321/LGPS_valuation_cycle_reform_consultation.pdf).

The Funding Strategy Statement and Fund policies may need further adaptation once the consultation process has been completed.]

IMPLEMENTATION

ADMISSION BODIES PARTICIPATING BY VIRTUE OF A CONTRACTUAL ARRANGEMENT

For employers that are guaranteed by a guarantor (usually the original employer or letting authority), the Fund's policy at the point of cessation is for the guarantor to subsume the residual assets, liabilities and any surplus or deficit. This is subject to the agreement of all parties involved (i.e. the Fund, the exiting employer and the guarantor) who will need to consider any separate contractual agreements that have been put in place between the exiting employer and the guarantor.

If all parties do not agree then the surplus will be paid directly to the exiting employer within 3 months of completion of the cessation by the Actuary (despite any other agreements that may be in place). In maintaining a consistent approach, the Fund will seek to recover the deficit from the exiting employer in the first instance. However, if this is not possible, the deficit will be subsumed by the guarantor and all remaining assets and liabilities will then be subsumed by the guarantor.

The Fund will inform the guarantor of the exiting employer's request to receive the surplus before making payment of the exit credit. However, the Fund will not become embroiled in any disagreement over the refund of any surplus which is contrary to commercial agreements.

Ultimately the Fund will have to comply with the Regulations and therefore pay any exit credit. It is then up to the guarantor to contest the surplus payment citing the commercial contract in place and the desire for equal treatment in the event of a deficit.

In the event of parties unreasonably seeking to crystalise the exit credit on termination unreasonably the Fund will consider its overall policy and seek to recover termination deficits as opposed to allowing them to be subsumed with no impact on contribution requirements until the next assessment of the contribution requirements for the guarantor. Equally where a guarantor decides not to underwrite the residual liabilities then the basis on termination the basis of assessment will assume the liabilities are orphaned and the minimum risk basis of termination will be applied.

As the guarantor will absorb the residual assets and liabilities, it is the view of the Actuary that the ongoing valuation basis described above should be adopted for the termination calculations. This is the way the initial admission agreement would typically be structured i.e. the admission would be fully funded based on liabilities assessed on the valuation basis.

If the guarantor refuses to take responsibility, then the residual deferred pensioner and pensioner liabilities should be assessed on the more cautious minimum risk basis. In this situation the size of the termination payment would also depend on what happened to the active members and if they all transferred back to the original Scheme Employer (or elsewhere) and aggregated their previous benefits. As the transfer would normally be effected on a "fully funded" valuation basis the termination payment required would vary depending on the circumstances of the case. Where this occurs the exiting employer would then be treated as if it had no guarantor as per the policy below.

NON CONTRACT BASED ADMISSION BODIES WITH A GUARANTOR IN THE FUND

The approach for these will be the same as (i) above and will depend on whether the guarantor is prepared to accept responsibility for residual liabilities. Indeed, it may be that Fund is prepared to accept that no actual termination payment is needed (even if one is calculated) and that all assets/liabilities can simply be absorbed by the guarantor.

ADMISSION BODIES WITH NO GUARANTOR IN THE FUND

These are the cases where the residual liabilities would be orphaned within Fund. It is possible that a bond would be in place. The termination calculation would be on the more cautious “minimum risk” basis.

The actuarial valuation and the revision of any Rates and Adjustments Certificate in respect of the outgoing admission body must be produced by the Actuary at the time when the admission agreement ends; the policy will always be subject to change in the light of changing economic circumstances and legislation.

The policy for such employers will be:

• In the case of a surplus, the Fund pays the exit credit to the exiting employer following completion of the termination process (within 3 months of completion of the cessation by the Actuary). This is subject to the exiting employer providing sufficient notice to the Fund of their intent to exit; any delays in notification will impact on the payment date.

- In the case of a deficit, the Fund would require the exiting employer to pay the termination deficit to the Fund as an immediate lump sum cash payment (unless agreed otherwise by the Administering Authority at their sole discretion) following completion of the termination process.

The Administering Authority also reserves the right to modify this approach on a case by case basis at its sole discretion if circumstances warrant it based on the advice of the Actuary.

The above funding principles will also impact on the **bond requirements** for certain admitted bodies. The purpose of the bond is that it should cover any unfunded liabilities arising on termination that cannot be reclaimed from the outgoing body.

[EMPLOYERS THAT JOINED VIA THE 'DEEMED EMPLOYER' ROUTE

In the event of cessation, the assets and liabilities will remain with the outsourcing scheme employer and no termination assessment or payment will be required.]

[Drafting Note – This has been added following the consultation published by the MHCLG on 10 January 2019 (found here: https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection).
The Funding Strategy Statement and Fund policies may need further adaptation once the consultation process has been completed.]

CONNECTED ENTITIES

In the event of cessation, the connected entity will be required to meet any outstanding liabilities valued in line with the approach outlined above. In the event there is a shortfall, the assets and liabilities will revert to the Fund as a whole (i.e. all current active employers).

In the event that a scheme employer provides a guarantee for their connected entity, the assets and liabilities will revert in totality to that scheme employer on termination, including any unrecovered deficit.

RELEVANT REGULATIONS WITHIN THE LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 2013 (AS AMENDED BY THE LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT) REGULATIONS 2018)

Regulation 64 sets out special circumstances where revised actuarial valuations and certificates must be obtained including Regulation 64 (2) where an admission agreement ceases to have effect, the Administering Authority who made it must obtain –

- an actuarial valuation as at the date it ceases the liabilities in respect of current and former employees of the admission body which is a party to that admission agreement ("the outgoing admission body"),

- a revision of any rates and adjustments certificate for any Pension Fund which is affected, showing the exit payment due from the exiting body or exit credit payable to the exiting body.

Where it is not possible for any reason to obtain revised contributions from the exiting body, or from an insurer or any person providing an indemnity or bond on behalf of the body, the Administering Authority may obtain a further revision of any rates and adjustment certificate for the Pension Fund, showing –

a) in the case where the exiting body falls within paragraph 1(d) of Part 3 of Schedule 2 the revised contributions due from the body which is the related employer in relation to that admission body, and

b) in any other case, the revised contributions due from each employing authority who contributes to the fund.

If the Administering Authority becomes aware or is of the opinion of a Scheme employer becoming an exiting employer, Regulation 64 (4) provides that it may obtain from an actuary a certificate specifying, in the case of an admission body, the percentage or amount by which, in the actuary's opinion -

- the contribution at the primary rate should be adjusted, or

- any prior secondary rate adjusted should be increased or reduced, with a view to providing that assets equivalent to the exit payment that will fall due from the Scheme employer are provided to the fund by the likely exit date or, where the Scheme employer is unable to meet the liability by that date, over such period of time thereafter as the administering authority considers reasonable.

APPENDIX D - ACADEMIES / MULTI-ACADEMY TRUSTS

ACADEMY CONVERSIONS AND DEFICIT TRANSFERS

The Fund's policy regarding the treatment of schools when converting to academy status is for the new academy to inherit the school's share of the historic local authority deficit prior to its conversion. This is in accordance with the Department for Education (DfE) guidance issued when the Academy conversion programme was extended to cover all schools.

Therefore, the transferring deficit is calculated as the capitalised amount of deficit funding contributions (based on the local authority deficit recovery period) the school would have made to the Fund had it not converted to academy status. This deficit amount is subject to a limit to ensure that the minimum asset share of the new academy is nil.

If the contribution rate for a local authority does not include any allowance for deficit funding contributions at the point at which a school converts to academy status, then no deficit will be allocated to the academy at the point of conversion.

MULTI ACADEMY TRUSTS

Multi Academy Trusts (MATS) are groups of Academies managed and operated by one proprietor. The employer of non-teaching staff in Academies is the proprietor of the Academy Trust and not the individual Academy within the Trust. It is therefore the proprietor who is the employer for LGPS purposes making the MAT legally responsible for staff across all schools in the pool.

Within a MAT all Academies are governed by one Trust and a Board of Directors. The MAT holds ultimate responsibility for all decisions regarding the running of the individual Academies, however, the governing bodies of the individual academies remain in place and the MAT will need to decide the extent to which it delegates functions to these governing bodies to enable more focused local control.

Multi-Academy Trusts are set up to cover a number of academies across England. The employees of the former schools can be employed directly by the Trust so they can be deployed across different academy schools in the Trust if necessary.

In cases where numerous academies which participate in the Fund are in the same Multi-Academy Trust, the Fund's default position is that the a combined funding position and average contribution requirements will apply (unless the Multi-Academy Trust requests separate contribution rates). Notwithstanding this, the Fund will continue to track the constituent academies separately on an approximate basis, in the interests of transparency and clarity around entry and exit of individual academies to the Trust in future.

APPROACH TO SETTING CONTRIBUTION RATES

The South Yorkshire Pension Fund must have a separate employer number for each academy for transparency of cashflows, managing risks should an academy need to leave one Trust for another and for accounting reporting where disaggregated disclosure reports are required. It should also be noted that, at the present time, the Department for Education (DfE) have confirmed that guarantee relates to individual academies and MATs.

As commented above, unless requested otherwise by the MAT, the Fund's policy is that the actuary will certify a common primary rate for all the academies within the MAT bearing in mind that the risks of under and over payments will be shared by all academies in the MAT pool. The Fund has requested confirmation from the DfE that the guarantee extends to MATs. In the event that MATs are not guaranteed, the Fund will review any option for MATs to have a common primary rate.

The past service deficit will still be assessed at an individual academy level so that it only relates to the staff of the respective academy. The ceding local authority requires a corresponding adjustment for the share of the deficit that transfers on conversion therefore individual academy figures will be required. In line with the approach adopted for the Primary Rate, the Fund's policy is that the actuary will certify a combined secondary rate for all academies within the MAT unless requested otherwise by the MAT.

Any new academies joining an existing MAT pool in the South Yorkshire Pension Fund can contribute at the employer contribution rate already established for the MAT but an actuarial assessment will still need to be carried out to determine the deficit applicable to the transferring staff and thus the additional secondary rate contributions payable.

For any academies who exit a MAT pool during the inter-valuation cycle, the MATs secondary rate contributions will be adjusted at the point of exit, based on the outcomes for the exiting academy at the most recent actuarial valuation.

OUTSOURCINGS BY MULTI ACADEMY TRUSTS

The South Yorkshire Pension Fund's current policy is in accordance with the regulations requiring a separate admission agreement in respect of separate contracts.

Under **Schedule 2, Part 3, paragraph 5. of the 2013 Regulations**, if the admission body is exercising the functions of the Scheme employer in connection with more than one contract or other arrangement under paragraph 1(d)(i), the administering authority and the admission body shall enter into a separate admission agreement in respect of each contract or arrangement.

The Fund will need to have sight of the contract in order to satisfy the regulatory requirement that the Admission Agreement covers one contract. The Admission Agreement will need to have provision for adding future employees should any academies join the MAT subsequent to the commencement date.

The Scheme employer, the Multi Academy Trust in this instance, needs to be a party to any admission agreement and, as such, is the ultimate guarantor. In the event of contractor failure, the LGPS regulations provide that the outstanding liabilities assessed by the Fund's actuary can be called from the Scheme employer i.e. the Multi Academy Trust.

If academies are to comply with "new" Fair Deal guidance, employees carrying out a service on behalf of the Academies must be allowed continued access to the LGPS. This can be achieved by entering into an Admission Agreement with the Administering Authority, Multi Academy Trust and the contractor (admitted body).

At every triennial valuation the actuary reviews the funding level of the admitted body and adjusts its employer contribution rate as required. Once either the service contract comes to an end or all the LGPS members have left, the admission agreement terminates and, in accordance with Fund policy, the Fund will commission a cessation valuation in all cases from the Fund actuary to recovery any outstanding deficit unless instructed otherwise by the Trust. The Trust will then become responsible for the assets and liabilities standing to the account of the admitted body.

APPENDIX E – COVENANT ASSESSMENT AND MONITORING POLICY

An employer's covenant underpins its legal obligation and ability to meet its financial responsibilities now and in the future. The strength of covenant depends upon the robustness of the legal agreements in place and the likelihood that the employer can meet them. The covenant effectively underwrites the risks to which the Fund is exposed, including underfunding, longevity, investment and market forces.

An assessment of employer covenant focuses on determining the following:

- Type of body and its origins
- Nature and enforceability of legal agreements
- Whether there is a bond in place and the level of the bond
- Whether a more accelerated recovery plan should be enforced
- Whether there is an option to call in contingent assets
- Is there a need for monitoring of ongoing and termination funding ahead of the next actuarial valuation?

The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital.

RISK CRITERIA

The assessment criteria upon which an employer should be reviewed could include:

- Nature and prospects of the employer's industry
- Employer's competitive position and relative size
- Management ability and track record
- Financial policy of the employer
- Profitability, cashflow and financial flexibility
- Employer's credit rating
- Position of the economy as a whole

Not all of the above would be applicable to assessing employer risk within the Fund; rather a proportionate approach to consideration of the above criteria would be made, with further consideration given to the following:

- The scale of obligations to the pension scheme relative to the size of the employer's operating cashflow
- The relative priority placed on the pension scheme compared to corporate finances
- An estimate of the amount which might be available to the scheme on insolvency of the employer as well as the likelihood of that eventuality.

ASSESSING EMPLOYER COVENANT

The employer covenant will be assessed objectively and its ability to meet their obligations will be viewed in the context of the Fund's exposure to risk and volatility based on publically available information and/or information provided by the employer. The monitoring of covenant strength along with the funding position (including on the termination basis) enables the Fund to anticipate and pre-empt employer funding issues and thus adopt a proactive approach. In order to objectively monitor the strength of an employer's covenant, adjacent to the risk posed to the Fund, a number of fundamental financial metrics will be reviewed to develop an overview of the employer's stability and a rating score will be applied using a Red/Amber/Greed (RAG) rating structure.

In order to accurately monitor employer covenant, it will be necessary for research to be carried out into employers' backgrounds and, in addition, for those employers to be contacted to gather as much information as possible. Focus will be placed on the regular monitoring of employers with a proactive rather than reactive view to mitigating risk.

The covenant assessment will be combined with the funding position to derive an overall risk score. Action will be taken if these metrics meet certain triggers based on funding level, covenant rating and the overall risk score

FREQUENCY OF MONITORING

The funding position and contribution rate for each employer participating in the Fund will be reviewed as a matter of course with each triennial actuarial valuation. However, it is important that the relative financial strength of employers is reviewed regularly to allow for a thorough assessment of the financial metrics. The funding position will be monitored (including on the termination basis) using an online system provided to officers by the Fund Actuary.

Employers subject to a more detailed review, where a risk criterion is triggered, will be reviewed at least every six months, but more realistically with a quarterly focus.

COVENANT RISK MANAGEMENT

The focus of the Fund's risk management is the identification and treatment of the risks and it will be a continuous and evolving process which runs throughout the Fund's strategy. Mechanisms that will be explored with certain employers, as necessary, will include but are not limited to the following:

1. Parental Guarantee and/or Indemnifying Bond.
2. Transfer to a more prudent actuarial basis (e.g. the termination basis).
3. Shortened recovery periods and increased cash contributions.
4. Managed exit strategies and bespoke investment strategies in the run up to exit.
5. Contingent assets and/or other security such as escrow accounts.

APPENDIX F – ILL-HEALTH CAPTIVE INSURANCE ARRANGEMENT

OVERVIEW

With effect from 1 October 2014, for certain employers in the Fund, following discussions with the Fund Actuary and after considering potential alternative insurance arrangements, a captive insurance arrangement was established by the administering authority to cover ill-health retirement costs.

The captive arrangement operates as follows:

- “Premiums” are paid by the eligible employers into a captive fund which is tracked separately by the Fund Actuary in the valuation calculations.

- The captive fund is then used to meet strain costs emerging from ill-health retirements i.e. there is no impact on funding position for employers within the captive

- Any shortfall in the captive fund is effectively be underwritten by all other employers within the Fund i.e. with potential for increases to their own contribution requirements at subsequent actuarial valuations to meet the shortfall. If any excess funds are built up in the Captive, some or all of those excess funds will be held in reserve to act as a contingency against future adverse experience at the discretion of the administering authority based on the advice of the actuary,

- Premiums payable subject to review from valuation to valuation depending on experience and included in employer rates.

- Over the longer-term, given the regular review of the premiums payable into the Captive fund there would be expected to be no net cost to those employers underwriting the Captive Fund in the long-term i.e. any fluctuations in their own contribution requirements arising from experience would smooth out over time.

EMPLOYERS

Those employers (both existing and new) determined by the administering authority as being eligible for the arrangement are as follows:

- Academies and former Grant Maintained Schools
- Admitted Bodies formerly known as Community Admission Bodies
- Designating / Resolution Bodies
- Transferee Admission Bodies
- Other scheduled bodies meeting certain criteria at the inception of the arrangement.
- All other bodies with less than 100 members

For all other employers who do not form part of the captive arrangement, the any costs associated with ill-health retirements will emerge as part of subsequent actuarial assessments.

The Fund and the Actuary will also monitor the number of retirements that each captive employer is granting over time. If any employer has an unusually high incidence of ill health retirements, consideration will be given to the governance around the eligibility criteria applied by the employer and it is possible that some or all of the costs would fall on that employer if the governance was not deemed strong enough.

PREMIUM REVIEW

As part of each actuarial valuation exercise (or earlier review if appropriate) the Fund Actuary will review the experience of the captive fund since the last review.

Should the premiums paid into the captive fund over the period not be sufficient to cover the ill-health retirement costs emerging, any shortfall in the fund will be allocated across all those employers within the Fund underwriting the captive. If any excess funds are built up in the Captive, some or all of those excess funds will be held in reserve to act as a contingency against future adverse experience at the discretion of the administering authority based on the advice of the actuary.

The ongoing premium payable by those employers within the captive fund will also be assessed as part of this process and will be set by the Actuary to cover the period until the next review (e.g. to the next actuarial valuation assessment). The Premiums that will be assessed will take into account the expected level of future ill-health retirements across those employers within the captive and also to reflect any adverse/favourable experience where appropriate.

APPENDIX G - GLOSSARY

Actuarial Valuation: an investigation by an actuary into the ability of the Fund to meet its liabilities. For the LGPS the Fund Actuary will assess the funding level of each participating employer and agree contribution rates with the administering authority to fund the cost of new benefits and make good any existing deficits as set out in the separate Funding Strategy Statement.

Benchmark: a measure against which fund performance is to be judged.

Best Estimate Assumption: an assumption where the outcome has a 50/50 chance of being achieved.

Bonds: loans made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date. The term refers generically to corporate bonds or government bonds (gilts).

Career Average Revalued Earnings Scheme (CARE): with effect from 1 April 2014, benefits accrued by members in the LGPS take the form of CARE benefits. Every year members will accrue a pension benefit equivalent to 1/49th of their pensionable pay in that year. Each annual pension accrued receives inflationary increases (in line with the annual change in the Consumer Prices Index) over the period to retirement.

Corporate Bond Basis: an approach where the discount rate used to assess the liabilities is determined based on the market yields of high quality corporate bond investments (usually at least AA rated) based on the appropriate duration of the liabilities being assessed. This is usually adopted when an employer is exiting the Fund.

Contingent Assets: assets held by employers in the Fund that can be called upon by the Fund in the event of the employer not being able to cover the debt due upon termination. The terms will be set out in a separate agreement between the Fund and employer.

CPI: acronym standing for “Consumer Prices Index”. CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differs from those of RPI. These goods are expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are linked to the annual change in CPI.

Deficit: the extent to which the value of the Fund’s past service liabilities exceeds the value of the Fund’s assets.

Discount Rate: the rate of interest used to convert a cash amount e.g. future benefit payments occurring in the future to a present value.

Employer Covenant: the degree to which an employer participating in an occupational pension scheme is willing and able to meet the funding requirements of the scheme.

Employer's Future Service Contribution Rate: the contribution rate payable by an employer, expressed as a % of pensionable pay, as being sufficient to meet the cost of new benefits being accrued by active members in the future. The cost will be net of employee contributions and will include an allowance for the expected level of administrative expenses.

Equities: shares in a company which are bought and sold on a stock exchange.

Equity Protection: an insurance contract which provides protection against falls in equity markets. Depending on the pricing structure, this may be financed by giving up some of the upside potential in equity market gains.

Exit Credit: the amount payable from the Fund to an exiting employer where the exiting employer is determined to be in surplus at the point of cessation based on a termination assessment by the Fund Actuary.

Funding or Solvency Level: the ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

Funding Strategy Statement: This is a key governance document that outlines how the administering authority will manage employer's contributions to the Fund.

Solvency Funding Target: an assessment of the present value of benefits to be paid in the future. The desired funding target is to achieve a solvency level of a 100% i.e. assets equal to the past service liabilities assessed on the ongoing concern basis.

Government Actuary's Department (GAD): the GAD is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.

Ill-Health Captive: this is a notional fund designed to immunise certain employers against excessive ill-health costs in return for an agreed insurance premium.

Investment Strategy: the long-term distribution of assets among various asset classes that takes into account the Funds objectives and attitude to risk.

Past Service Liabilities: this is the present value of the benefits accrued by members up to the valuation date. It is assessed based on a set of assumptions agreed between the Administering Authority and the Actuary.

Percentiles: relative ranking (in hundredths) of a particular range. For example, in terms of expected returns a percentile ranking of 75 indicates that in 25% of cases, the return achieved would be greater than the figure, and in 75% cases the return would be lower.

Prepayment: the payment by employers of contributions to the Fund earlier than that certified by the Actuary. The amount paid will be reduced compared to the certified amount to reflect the early payment.

Present Value: the value of projected benefit payments, discounted back to the valuation date.

Prudent Assumption: an assumption where the outcome has a greater than 50/50 chance of being achieved i.e. the outcome is more likely to be overstated than understated. Legislation requires the assumptions adopted for an actuarial valuation to be prudent.

Real Return or Real Discount Rate: a rate of return or discount rate net of CPI inflation.

Recovery Plan: a strategy by which an employer will make up a funding deficit over a specified period of time ("the recovery period", as set out in the Funding Strategy Statement.

Section 13 Valuation: in accordance with Section 13 of the Public Service Pensions Act 2014, the Government Actuary's Department (GAD) have been commissioned to advise the Department for Communities and Local Government (DCLG) in connection with reviewing the 2019 LGPS actuarial valuations. All LGPS Funds therefore will be assessed on a standardised set of assumptions as part of this process.

50/50 Scheme: in the LGPS, active members are given the option of accruing a lower benefit in the 50/50 Scheme, in return for paying a lower level of contribution.

SOUTH YORKSHIRE
PENSIONS AUTHORITY

Subject	**Local Pension Board Budget 2020/21**	**Status**	For Publication
Report to	Local Pension Board	**Date**	11 December 2019
Report of	Fund Director and Treasurer		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Gillian Taberner Head of Finance & Corporate Services	**Phone**	01226 772850
E Mail	gtaberner@sypa.org.uk		

1 Purpose of the Report

1.1 To receive the Board's draft budget for 2020/21 and recommend it to the Authority for approval.

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2 Recommendations

2.1 Members are recommended to:

a. **Receive and comment on the draft budget for the Board for 2020/21.**

b. **Recommend the draft budget to the Authority for its approval as part of the Authority's overall budget.**

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3 Link to Corporate Objectives

3.1 This report links to the delivery of the following corporate objectives:

Customer Focus

To design our services around the needs of our customers (whether scheme members or employers).

Resourcing the Board to effectively carry out its role will allow it to contribute to ensuring that services are designed and delivered with customers in mind.

Effective and Transparent Governance

To uphold effective governance showing prudence and propriety at all times.

One of the benchmarks of effective governance is a transparent budget process of which this report forms a part.

4 Implications for the Corporate Risk Register

4.1 The budget proposals outlined in this report contribute to addressing the risks identified in the Corporate Risks Register associated with the effective operation of the Board. They do not, however, eliminate such risks which will depend on the way in which Board members fulfil the obligations placed on them through membership of the Board.

5 Background and Options

5.1 This report sets out the proposed Local Pension Board Budget for 2020/21. The Board's budget has not undergone any fundamental review since the Board was created in the wake of the Public Sector Pensions Act 2013. The recent turnover in membership and the decision to appoint an independent adviser to the Board provide an opportunity to carry out such a review based on a much clearer understanding of the Board's role and its resource implications than was available when the Board was first created.

5.2 In the current year it is anticipated that the total available budget of £15,000 will be underspent by £9,000 (60%). The key variances are as follows:

a. Training (£4,800) Underspend: There has been no training expenditure so far this financial year; £1,200 has been anticipated for costs that may arise in the final quarter of the year.
b. Insurance (£2,500) Underspend: Separate policy for Local Pension Board not required, therefore policy not renewed in this financial year. The budget for this will be reallocated going forward as shown below.
c. Meetings Running Expenses (£1,700) Underspend: The actual costs for room hire, catering, printing of agendas etc. are below the level of the budget that was set by around £4,000 altogether. However, some of this amount is being used this year to fund the new Independent Adviser appointed from October, resulting in the net underspend of (£1,700) for meetings running costs.

5.3 The table below sets out the proposed movements in resources from the base position (the 2019/20 Original Budget) and the proposed position for 2020/21.

Local Pension Board Budget 2020/21 **Type of Spending**	**2019/20 Budget £**	Reallocate Resources £	Savings £	**2020/21 Budget £**
Independent Adviser	**0**	6,000	0	**6,000**
Room hire and catering	**4,500**	-3,500	-250	**750**
Printing and Postage (Agendas etc.)	**1,000**	0	-250	**750**
Member travel expenses (Meetings)	**1,000**	0	-500	**500**
Insurance	**2,500**	-2,500	0	**0**
Training and associated travel and subsistence	**6,000**	0	0	**6,000**
Total	**15,000**	**0**	**-1,000**	**14,000**

The movements shown in the different columns represent the following:

- Reallocation of Resources – Reallocation of budgets between individual spending heads to reflect real expenditure patterns.

- Savings – The removal of resources not required to maintain current service levels

The budget for the LPB this year does not require any movement for the following:

- Inflation – The impact of maintaining the real value of certain budgets where prices are contractually linked to inflation.
- Growth – Additional enhancements to services proposed in line with the Corporate Strategy.

5.4 The budget proposed reflects a reallocation of budget to support the Independent Adviser, together with the removal of the budget for a separate liability insurance policy on the grounds that the clear advice of the Scheme Advisory Board is that such a policy is not required. Overall the budget represents a saving of 6.7% on 2019/20. Members' attention is drawn to the fact that the budget for member training, which has been maintained at the same level as previously, has historically been significantly underspent. Members are encouraged to take up training opportunities and in addition resources have been reallocated for "bite size" sessions alongside Board meetings delivered by the Independent Adviser and officers initially. At this stage no fundamental growth is proposed.

5.5 The final budget will include a proportion of the Authority's costs in relation to committee administration and other democratic services. These have not previously been included (and do not represent an increase in the Authority's overall costs). Including these costs provides a better indication of the total cost of maintaining the Board and assists in providing a better representation of the allocation of the Authority's overall costs for external reporting purposes.

5.6 Members of the Board are invited to comment on the draft budget and frame a recommendation to the Authority for consideration at its meeting on 23rd January 2020.

6 Implications

6.1 The proposals outlined in this report have the following implications:

Financial	As set out in the body of the report
Human Resources	None apparent
ICT	None
Legal	None
Procurement	None

George Graham **Neil Copley**

Fund Director **Treasurer**

Background Papers	
Document	**Place of Inspection**
Budget working papers	Floor 8 Gateway Plaza, Sackville Street, Barnsley

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SOUTH YORKSHIRE
PENSIONS AUTHORITY

Subject	Monitoring of Contributions Payments	Status	For Publication
Report to	Local Pensions Board	Date	11 December 2019
Report of	Head of Finance & Corporate Services and Head of Pensions Administration		
Equality Impact Assessment	Not Required	Attached	N/a
Contact Officer	Gillian Taberner Head of Finance & Corporate Services	Phone	01226 772850
E Mail	gtaberner@sypa.org.uk		

1 Purpose of the Report

1.1 To update the Board on current procedures for the monitoring of timely payment of contributions from employers and to provide details of contributions paid late and action taken in the financial year as at the end of quarter two.

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2 Recommendations

2.1 Members are recommended to:

a. **Note the actions being taken in relation to monitoring of contributions payments.**

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3 Link to Corporate Objectives

3.1 This report links to the delivery of the following corporate objectives:

Customer Focus

To design our services around the needs of our customers (whether scheme members or employers).

Monitoring of contributions payments helps to ensure that employers are fulfilling their obligation to pay over the contributions collected from the scheme members.

Effective and Transparent Governance

To uphold effective governance showing prudence and propriety at all times.

We have a responsibility to monitor timely payments of contributions from employers and take action where necessary. Reporting on this to the Board ensures that this process is transparent and subject to scrutiny.

4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report have no direct implications for the specific risks in the Corporate Risk Register. However, the monitoring of contributions payments and taking action as required is an important aspect of the Authority's overall risk management in relation to employer covenant.

5 Background and Options

5.1 Employers are required to make payments of all employer and employee contributions to the Authority within statutory deadlines – meaning that payment must be made by the 19th of the month following the month to which the contribution deductions relate.

5.2 Where payments are received later than the deadline and the Authority considers that the late payment is of material significance, we have a duty to notify the Pensions Regulator of the employer's failure to meet the required deadline.

Current Procedures for Monitoring of Contributions Payments

5.3 Employers are required to submit a remittance advice of contributions along with their payment each month and this is processed as part of the Monthly Data Collection requirements.

5.4 The contributions received from each employer are recorded and reconciled to their monthly data submissions by the Finance department. Any discrepancies and late or missing payments are investigated in conjunction with the Data team, including contacting the relevant employers and/or their payroll providers as necessary to ensure that payments are made.

5.5 A separate record is kept of any payments of contributions that are received later than the 19th of the month. Late payment interest charges are calculated at 1% above the Bank of England base rate and where this exceeds the current de-minimis threshold of £50, an invoice is issued to the employer for this charge.

Contributions Paid Late in 2019/20

5.6 The following table shows a summary of the number of employers, analysed by size, that have made a payment of some or all of the due contributions after the 19th of the month in respect of the period April to September 2019.

Late Payment of Contributions - April to September 2019				
Employer Size - Number of Active Members	**1 Month or Less**	**1 to 2 Months**	**2 to 3 Months**	**3 to 6 Months**
[0 to 50]	91	38	12	1
[50 to 100]	17	8	1	0
[100 to 260]	4	3	2	1
[1,000 to 2,000]	1	0	0	0
[4,000 to 5,000]	1	1	0	0
Total	**114**	**50**	**15**	**2**

5.7 In the vast majority of cases, the amounts paid late are relatively small amounts, often relating to only one element of the contributions due, such as an adjustment or an amount in respect of lump sum deficit payments.

5.8 There have been three instances where late payment interest has been charged to employers as follows.

	Number of Active Members	Total Interest Charged	Details
Horizon Community College	122	£65.64	Contributions for June - a total of £42,783 due on 19/07/2019, paid on 20/08/2019.
Barnsley Premier Leisure	144	£81.97	Contributions for June, July and August - a total of £29,917 - were all paid on 15/10/2019.
South Yorkshire Fire Authority	259	£61.62	Contributions for October - a total of £128,520 due on 18/10/2019, paid on 28/10/2019.

Future Developments

5.9 A separate report has been presented to the Board in relation to the changes to the Administration Strategy reflecting the proposal to move to Direct Debit collection of contributions with effect from 1 April 2020. This should reduce the risk of late payment of contributions in future as the collection of contributions will be driven by the monthly data submission and collected on or before the 19th of each month.

5.10 In the event of an employer failing to make a data submission on time, it is proposed that contributions will still be collected (usually on the basis of the previous month's return) to avoid late payment situations.

6 Implications

6.1 The proposals outlined in this report have the following implications:

Financial	No direct implications for the Authority; the monitoring of employer payments is one of the ways in which the Authority ensures that the cash flows due to the Pension Fund are received as they fall due.
Human Resources	None
ICT	None
Legal	The payment of contributions to the administering authority within 19 days of the end of the month to which they relate is a statutory requirement for employers and it is the administering authority's duty to monitor this and report on breaches of material significance to the Pensions Regulator.
Procurement	None

Gillian Taberner **Jason Bailey**

Head of Finance & Corporate Services **Head of Pensions Administration**

Background Papers	
Document	**Place of Inspection**
None	

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Agenda Item 9

SOUTH YORKSHIRE
PENSIONS AUTHORITY

Subject	**The Pensions Regulator (TPR) uUpdate**	**Status**	For Publication
Report to	Local Pensions Board	**Date**	11 December 2019
Report of	Head of Pension Administration		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Jason Bailey	**Phone**	01226 772954
E Mail	JBailey@sypa.org.uk		

1 Purpose of the Report

1.1 To update the Board on the submission of the TPR Annual Scheme Return and the Public Service Governance and Administration Survey.

---

2 Recommendations

2.1 Members are recommended to:

a. **Note the actions associated with the updated approach to data quality scoring submitted to TPR as part of the Annual Scheme Return**

b. **Identify any areas for focus emerging from the responses to the TPR Governance and Administration Survey**

---

3 Link to Corporate Objectives

3.1 This report links to the delivery of the following corporate objectives:

Customer Focus

To design our services around the needs of our customers (whether scheme members or employers). The improvements in data quality to be set out in the revised Data Improvement Plan should improve the services we provide to our members by reducing the risk of error.

Effective and Transparent Governance

To uphold effective governance showing prudence and propriety at all times. Engagement with TPR and awareness of their potential areas of focus is an important element of good governance.

4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report impact on Risk O2 which concerns failure to meet statutory requirements. Completion of TPR requirements helps ensure SYPA meets its statutory reporting obligations.

5 Background and Options

Annual Scheme Return

5.1 The TPR requires each pension scheme to submit an Annual Scheme Return each November. Whilst much of the return is routine administration and governance information (membership numbers, Pension Board membership, etc), TPR do also use the Annual Return to collect scores on data quality and the measurement of common and conditional data.

5.2 At the last meeting, the Board were advised that the data score submitted for the 2018 Return was as follows:

a. Common Data Score 2018: **96%**
b. Conditional Data Score 2018: **87%**

5.3 The Scheme Advisory Board (SAB) issued draft guidance earlier this year on the data fields that could be measured by LGPS funds, the main purpose of which was intended to provide a consistent approach to the measurement of data across the LGPS. This guidance was shared at the last meeting of the Board. SYPA developed its data analysis tool to accommodate the SAB guidance and for 2019 has now submitted the following data scores to TPR calculated using the new guidance:-

a. Common Data Score 2019: **96%**
b. Conditional Data Score 2019: **91%**

5.4 Although there has been an improvement overall, it is not particularly meaningful to compare the scores for 2018 with 2019 because the data measurements were not consistent. It is hoped, however, the guidance issued by the Scheme Advisory Board (and adopted by SYPA) will enable a more consistent approach to be adopted in the LGPS going forward. Initial feedback from other funds suggests that the guidance was not necessarily widely utilised this year and many appeared to continue with the existing data measures they used in 2018. This will hopefully change for future years.

5.5 The summary of results to arrive at the data scores shown above are attached at **Appendix A**. The administration team is developing a new **Data Improvement Plan** to reflect the SAB guidance and this will replace the Plan presented to the Board previously. Progress against this plan will be included as part of the quarterly administration report to the Board in future.

Public Service Governance and Administration Survey

5.6 TPR issue an annual survey on governance and administration issues in the public service schemes. The survey is intended to help TPR understand what schemes are doing to improve their standards of governance and administration. **Appendix B** shows the response to the survey compiled by SYPA in conjunction with the Chair of the Board. Members are invited to highlight any areas of potential concern that the administration team may need to consider focusing attention on.

5.7 Separately, members are reminded that the report on the results of the 2018 TPR Survey as well as the report on the TPR 'Deep Dive' engagement with a cohort of

LGPS funds can be found in the Local Pension Board area of the online Reading Room.

6 Implications

6.1 The proposals outlined in this report have the following implications:

Financial	None
Human Resources	None
ICT	None
Legal	None
Procurement	None

Jason Bailey

Head of Pensions Administration

Background Papers	
Document	**Place of Inspection**

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Appendix A

Data Quality Results as at 18 November 2019

Conditional Data

TPR Results

Category

Common Data
Common Extra Data
Conditional Data

Actions

View Results
Export to File
Store Results
Exit

Select the Category and click on View to display the results

Validation	Actives	Unproc Leavers	Deferred	Deferred Ex Spouse	Deferred Pensioner	Deferred GMP/PR	Pensioner	Pensioner Ex Spouse	Ben Pensioner	Total	Total Pass	% Pass	Total Fail	Bench mark	
11. Member Details – Date Joined Scheme	48362	0	50746	0	3	0	47379	0	0	146490	146488	99	2	90	✓
12. Member Details – Employer Details	48362	6626	50746	105	3	0	47379	81	0	153302	153292	99	10	90	✓
13. Member Details - Salary	48362	0	50746	0	0	0	0	0	0	99108	97783	98	1325	90	✓
14. CARE Benefits – CARE Data	48362	6626	50746	0	3	0	0	0	0	105737	104528	98	1209	90	✓
15. CARE Benefits – CARE Revaluation	48362	6626	50746	0	3	0	0	0	0	105737	104858	99	879	90	✓
16. HMRC – BCE Event 2 & 6	0	0	0	0	3	0	47379	81	0	47463	47029	99	434	90	✓
17. HMRC – Lifetime Allowance	0	0	0	0	3	0	47379	81	0	47463	47457	99	6	90	✓
18. HMRC – Annual Allowance	48362	0	0	0	0	0	0	0	0	48362	45401	93	2961	90	✓
19. Contracting Out – Date Contracted Out	48362	6626	50746	0	3	0	47379	0	0	153116	153015	99	101	90	✓
20. Contracting Out – NI Contributions & Earnings History	0	0	50746	0	3	0	47379	0	0	98128	98128	100	0	90	✓
21. Contracting Out – Pre 88 GMP	0	0	50746	0	3	0	47379	0	0	98128	94835	96	3293	90	✓
22. Contracting Out – Post 88 GMP	0	0	50746	0	3	0	47379	0	0	98128	94220	96	3908	90	✓

Conditional Data Result	Total Records	Total Pass	% Pass	Total Fail
	160077	146024	91	14053

Common Data

TPR Results

Category

Common Data
Common Extra Data
Conditional Data

Actions

View Results
Export to File
Store Results
Exit

Select the Category and click on View to display the results

Validation	Actives	Orphan AVC Only	Unproc Leavers	Deferred	Deferred Ex Spouse	Deferred Pensioner	Deferred GMP/PR	Pensioner	Pensioner Ex Spouse	Ben Pensioner	Preserved Refund	Total	Total Pass	% Pass	Total Fail	Bench mark	
1. NI Number	48362	9	6626	50746	105	3	0	47379	81	6536	9270	169117	168811	99	306	90	✓
2. Surname	48362	9	6626	50746	105	3	0	47379	81	6775	9270	169356	169356	100	0	90	✓
3. Forenames	48362	9	6626	50746	105	3	0	47379	81	6775	9270	169356	169356	100	0	90	✓
4. Gender	48362	9	6626	50746	105	3	0	47379	81	6775	9270	169356	169356	100	0	90	✓
5. DOB	48362	9	6626	50746	105	3	0	47379	81	6775	9270	169356	169356	100	0	90	✓
6. Date Pensionable Service Started	48362	9	6626	50746	105	3	0	47379	81	0	9270	162581	162527	99	54	90	✓
7. Expected Retirement Date	48362	9	6626	50746	105	3	0	47379	81	0	9270	162581	162414	99	167	90	✓
8. Membership status	48362	9	6626	50746	105	3	0	47379	81	6775	9270	169356	169344	99	12	90	✓
9. Last status event	48362	9	6626	50746	105	3	0	47379	81	6775	9270	169356	169340	99	16	90	✓
10. Address	48362	9	6626	50746	105	3	0	47379	81	6775	9270	169356	163227	96	6129	90	✓
11. Postcode	48362	9	6626	50746	105	3	0	47379	81	6775	9270	169356	168780	99	576	90	✓

Common Data Result	Total Records	Total Pass	% Pass	Total Fail
	169356	162796	96	6560

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The Pensions Regulator

Public Service Governance and Administration Survey 2019

This document is intended to be used as a guide to help you gather the information required for the survey. Please note, however, that we need you to complete the questionnaire through the online survey link contained in your invitation email.

Thank you for taking the time to complete this survey. Please answer the questions in relation to the scheme referenced in your invitation email. Where the scheme is locally administered, we mean the sub-scheme or fund administered by the local scheme manager.

Your responses will be kept anonymous unless you consent otherwise at the end of the survey. Linking your scheme name to your answers will help inform The Pensions Regulator's (TPR's) engagement with you in the future.

This survey should be completed by the scheme manager or by another party on behalf of the scheme manager. They should work with the pension board chair to complete it, and other parties (e.g. the administrator) where appropriate.

There is a space at the end of the survey to add comments about your answers where you feel this would be useful.

SECTION A – GOVERNANCE

The first set of questions is about how your pension board works in practice.

A1. EVERYONE TO ANSWER

Does your scheme have a documented policy to manage the pension board members' conflicts of interest?

Please select one answer only

1. Yes
2. No
3. Don't know

A2. EVERYONE TO ANSWER

Does your scheme maintain a register of pension board members' interests?

Please select one answer only

1. Yes
2. No
3. Don't know

A3. EVERYONE TO ANSWER

Focusing on the scheme's pension board meetings in the last 12 months, please tell us the following:

Please write in the number for each of a-c below

a)	**Number of board meetings that were scheduled to take place (in the last 12 months)**	........4..........
b)	**Number of board meetings that actually took place (in the last 12 months)**	..........4........
c)	**Number of board meetings that were attended by the scheme manager or their representative (in the last 12 months)**	...........4.......

A4. EVERYONE TO ANSWER

Do the scheme manager and pension board have sufficient time and resources to run the scheme properly?

Please select one answer only

1. Yes
2. No
3. Don't know

A5. EVERYONE TO ANSWER

Do the scheme manager and pension board have access to all the knowledge, understanding and skills necessary to properly run the scheme?

Please select one answer only

1. Yes
2. No
3. Don't know

A6. EVERYONE TO ANSWER

How often does the scheme manager or pension board carry out an evaluation of the knowledge, understanding and skills of the board as a whole in relation to running the scheme?

Please select one answer only

1. At least monthly
2. At least quarterly
3. At least every six months
4. At least annually
5. Less frequently
6. Never
7. Don't know

A7. EVERYONE TO ANSWER

On average, how many hours of training per year does each pension board member have in relation to their role on the pension board?

Please write in the number below

....18.......................... hours per year

A8. EVERYONE TO ANSWER

Does the pension board believe that in the last 12 months it has had access to all the information about the operation of the scheme it has needed to fulfil its functions?

Please select one answer only

1. Yes
2. No
3. Don't know

A9. EVERYONE TO ANSWER

Is the pension board able to obtain sufficient specialist advice on the following matters when it needs to?

Please select one answer per row	Yes	No	Don't know
a) Administration	o	o	o
b) Cyber security	o	o	o
c) Legal	o	o	o

A10. EVERYONE TO ANSWER

Focusing on the composition of your pension board, please tell us the following:

Please write in the number for each of a-d below

a) Number of <u>current</u> board members	.......10...........
b) Number of <u>vacant</u> positions on the board	.........0..........
c) Number of members that have <u>left</u> the board in the last 12 months	...........4........
d) Number of members that have been <u>appointed</u> to the board in the last 12 months	...........5........

A11. EVERYONE TO ANSWER

Does the scheme have a succession plan in place for the members of the pension board?

Please select one answer only

1. Yes
2. No
3. Don't know

A12. EVERYONE TO ANSWER

Has the scheme manager delegated the responsibility for making the day-to-day decisions needed to run the scheme to another person?

Please select one answer only

1. Yes
2. No
3. Don't know

SECTION B – MANAGING RISKS

The next set of questions is about managing risks.

B1. EVERYONE TO ANSWER

Does your scheme have its own documented procedures for assessing and managing risk?

Please select 'No' if your scheme relies on your local authority's documented procedures for assessing and managing risk.

Please select one answer only

1. Yes
2. No
3. Don't know

B2. EVERYONE TO ANSWER

Does your scheme have its own risk register?

Please select 'No' if your scheme relies on your local authority's risk register.

Please select one answer only

1. Yes
2. No
3. Don't know

B3. EVERYONE TO ANSWER

In the last 12 months, how many pension board meetings reviewed the scheme's exposure to new and existing risks?

Please write in the number below

..2...........................

B4. EVERYONE TO ANSWER

To what do the top three governance and administration risks on your register relate? If you do not have a risk register, please tell us to what the top three governance and administration risks facing your scheme relate.

Please select up to three options below

1. Funding or investment
2. Record-keeping (i.e. the receipt and management of correct data)
3. Guaranteed Minimum Pension (GMP) reconciliation
4. Securing compliance with changes in scheme regulations
5. Production of annual benefit statements
6. Receiving contributions from the employer(s)
7. Lack of resources/time
8. Recruitment and retention of staff or knowledge
9. Lack of knowledge, effectiveness or leadership among key personnel
10. Poor communications between key personnel (board, scheme manager, administrator, etc.)
11. Failure of internal controls
12. Systems failures (IT, payroll, administration systems, etc.)
13. Cyber risk (i.e. the risk of loss, disruption or damage to a scheme or its members as a result of the failure of its IT systems and processes)
14. Administrator issues (expense, performance, etc.)
15. Other (please specify): ....
16. Don't know

SECTION C – ADMINISTRATION AND RECORD-KEEPING PROCESSES

The next set of questions is about administration and record-keeping.

C1. EVERYONE TO ANSWER

Does the scheme have an administration strategy?

Please select one answer only

1. Yes
2. No
3. Don't know

C2. EVERYONE TO ANSWER

Which of the following best describes the scheme's administration services?

Please select one answer only

1. Delivered in house
2. Undertaken by another public body (e.g. a county council) under a shared service agreement or outsource contract
3. Outsourced to a commercial third party
4. Other
5. Don't know

C3. EVERYONE TO ANSWER

Which of the following do you use to measure the performance of your administrators (whether in-house or outsourced)?

Please select all the options that apply

1. Performance against a service level agreement or service schedule
2. Member satisfaction ratings
3. ‘Right first time’ statistics
4. Testing the accuracy of calculations
5. Analysis of errors
6. Complaints volumes and trends
7. Volumes of rework required
8. Assessing project delivery against initially agreed time and cost
9. Benchmarking against the market
10. Auditing administration functions and systems
11. None of these
12. Don’t know

C4. EVERYONE TO ANSWER

To what extent are the following processes automated?

A process is automated if it is completed through the use of technology, for example through a software platform, with minimal human intervention.

Please select one answer per row

	Fully automated	Mainly automated with some manual intervention	Mainly done manually	All done manually	Don’t know
a) Verification and input of employer data	○	○	○	○	○
b) Reconciliation of contributions	○	○	○	○	○
c) Reporting – data quality	○	○	○	○	○
d) Reporting – complaints and issues	○	○	○	○	○
e) Benefit value calculations	○	○	○	○	○
f) Transfer value calculations	○	○	○	○	○
g) Production of benefit statements	○	○	○	○	○
h) Monitoring workload and resourcing	○	○	○	○	○

C5. EVERYONE TO ANSWER

What, if any, barriers do you face to automating more of the scheme's processes?

Please select all the options that apply

1. Lack of suitable technology
2. Difficulty in integrating it with the scheme's existing systems
3. The initial set-up costs involved
4. Securing the necessary internal approval
5. Internal resistance to (further) automation
6. Lack of knowledge/expertise about how to implement this
7. Poor quality of the data
8. Other (please specify): ....
9. No barriers to automating more of the scheme's processes
10. Don't know

C6. EVERYONE TO ANSWER

In the last 12 months, how many pension board meetings had administration as a dedicated item on the agenda?

Please write in the number below

.4............................

C7. EVERYONE TO ANSWER

Do you have processes in place to monitor scheme records for all membership types on an ongoing basis to ensure they are accurate and complete?

Please select one answer only

1. Yes
2. No
3. Don't know

C8. EVERYONE TO ANSWER

Does the scheme have an agreed process in place with the employer(s) to receive, check and review data?

Please select one answer only

1. Yes
2. No
3. Don't know

C9. EVERYONE TO ANSWER

Is your scheme single employer or multi-employer?

Please select one answer only

1. Single employer scheme (i.e. used by just one employer)
2. Multi-employer scheme (i.e. used by several different employers)

C10. ANSWER IF SINGLE EMPLOYER SCHEME (C9=1)

Does your participating employer…

Please select one answer per row	Yes	No	Don't know
a) Always provide you with timely data?	○	○	○
b) Always provide accurate and complete data?	○	○	○
c) Submit data to you monthly?	○	○	○
d) Submit data to you electronically?	○	○	○

C11. ANSWER IF MULTI-EMPLOYER SCHEME (C9=2)

What proportion of your scheme's employers…

Please write in the percentage (from 0% to 100%) for each of a-d below. If you do not know exactly, please give an approximate percentage.

a) Always provide you with timely data?	..........98......... %
b) Always provide accurate and complete data?	............90...... %
c) Submit data to you monthly?	.........100.... %
d) Submit data to you electronically?	..........100.... %

C12. EVERYONE TO ANSWER

Does the scheme have a process in place for monitoring the payment of contributions?

Please select one answer only

1. Yes
2. No
3. Don't know

C13. EVERYONE TO ANSWER

Does the scheme have a process in place for resolving contribution payment issues?

Please select one answer only

1. Yes
2. No
3. Don't know

SECTION D – CYBER SECURITY

The next set of questions is about your scheme's cyber security.

D1. EVERYONE TO ANSWER

Which, if any, of the following controls does your scheme have in place to protect your data and assets from 'cyber risk'?

By 'cyber risk' we mean the risk of loss, disruption or damage to a scheme or its members as a result of the failure of its information technology systems and processes.

Please select all the options that apply

1. Roles and responsibilities in respect of cyber resilience are clearly defined and documented
2. Cyber risk is on the risk register and regularly reviewed
3. Assessment of the vulnerability to a cyber incident of the key functions, systems, assets and parties involved in the running of the scheme
4. Assessment of the likelihood of different types of breaches occurring in the scheme
5. Access to specialist skills and expertise to understand and manage the risk
6. System controls (e.g. firewalls, anti-virus and anti-malware products and regular updates of software)
7. Controls restricting access to systems and data
8. Critical systems and data are regularly backed up
9. Policies on the acceptable use of devices, passwords and other authentication, and on home and mobile working
10. Policies on data access, protection, use and transmission which are in line with data protection legislation and guidance
11. An incident response plan to deal with any incidents which occur
12. The scheme manager has assured themselves of third party providers' controls (including administrators)
13. The scheme manager receives regular updates on cyber risks, incidents and controls
14. The pension board receives regular updates on cyber risks, incidents and controls
15. None of these
16. Don't know

D2. EVERYONE TO ANSWER

Have any of the following happened to your scheme, including at your administration provider, in the last 12 months?

Please select all the options that apply

1. Computers becoming infected with ransomware
2. Computers becoming infected with other viruses, spyware or malware
3. Attacks that try to take down your website or online services
4. Hacking or attempted hacking of online bank accounts
5. People impersonating your scheme in emails or online
6. Staff receiving fraudulent emails or being directed to fraudulent websites
7. Unauthorised use of computers, networks or servers by staff, even if accidental
8. Unauthorised use or hacking of computers, networks or servers by people outside your scheme
9. Any other types of cyber security breaches or attacks
10. None of these
11. Don't know

D3. ANSWER IF EXPERIENCED ANY CYBER SECURITY BREACHES IN THE LAST 12 MONTHS (D2=1-9)

Thinking of all the cyber security breaches or attacks experienced by your scheme in the last 12 months (including at your administration provider), which, if any, of the following happened as a result?

Please select all the options that apply

1. Software or systems were corrupted or damaged
2. Personal data (e.g. on members, beneficiaries or staff) was altered, destroyed or taken
3. Permanent loss of files (other than personal data)
4. Temporary loss of access to files or networks
5. Lost or stolen assets, trade secrets or intellectual property
6. Money was stolen
7. Your website or online services were taken down or made slower
8. Lost access to any third-party services you rely on
9. None of these
10. Don't know

SECTION E – DATA REVIEW

The next set of questions is about your scheme's approach to reviewing and improving its data.

E1. EVERYONE TO ANSWER

When did your scheme last complete a data review exercise?

Please select one answer only

1. Within the last 12 months
2. More than 12 months ago
3. Never completed one
4. Don't know

E2. ANSWER IF SCHEME HAS EVER COMPLETED A DATA REVIEW EXERCISE (E1=1 OR 2)

Did your scheme's most recently completed data review exercise identify any issues or problems with the following?

Please select one answer per row	Yes	No	Don't know
a) National insurance number	○	○	○
b) Date of birth	○	○	○
c) First name	○	○	○
d) Surname	○	○	○
e) Gender	○	○	○
f) First line of address	○	○	○
g) Postcode	○	○	○
h) Membership start date	○	○	○
i) Membership end date (if applicable)	○	○	○
j) Expected retirement age	○	○	○
k) Anticipated income at retirement (based on expected retirement age)	○	○	○
l) Other data item(s)	○	○	○

E3. ANSWER IF REVIEW IDENTIFIED ISSUES WITH ANY OF THE SPECIFIC DATA ITEMS (YES AT ANY OF E2a-k)

Focussing just on the specific data items that you identified issues or problems with in your most recently completed data review, approximately what percentage of the scheme memberships were affected by each one?

Please select one answer per row (just for those selected at E2)	*% of memberships affected* <1%	1-9%	10-19%	20-29%	30%+	Don't know
a) National insurance number	○	○	○	○	○	○
b) Date of birth	○	○	○	○	○	○
c) First name	○	○	○	○	○	○
d) Surname	○	○	○	○	○	○
e) Gender	○	○	○	○	○	○
f) First line of address	○	○	○	○	○	○
g) Postcode	○	○	○	○	○	○
h) Membership start date	○	○	○	○	○	○
i) Membership end date (if applicable)	○	○	○	○	○	○
j) Expected retirement age	○	○	○	○	○	○
k) Anticipated income at retirement (based on expected retirement age)	○	○	○	○	○	○

E4. ANSWER IF DATA REVIEW IDENTIFIED ISSUES WITH ANY DATA ITEMS (YES AT ANY OF E2a-l)

Has any action been taken to address the issues or problems identified with the data?

Please choose one answer that most closely describes the action your scheme has taken to date

1. An improvement plan is in development
2. An improvement plan is in place but rectification work is not yet complete
3. An improvement plan has been put in place and rectification work has been completed
4. Rectification work has been undertaken without an improvement plan
5. No improvement plan has been developed and no work has been undertaken
6. Don't know

SECTION F – ANNUAL BENEFIT STATEMENTS

The next set of questions is about members' annual benefit statements.

F1. EVERYONE TO ANSWER

In 2019, what proportion of active members received their annual benefit statements by the statutory deadline?

Please write in the percentage below. If you do not know exactly, please give an approximate percentage.

..............99.6................ %

F2. ANSWER IF DEADLINE WAS MISSED FOR ANY MEMBERS (F1=0-99%)

Was the missed deadline for issuing active member statements reported to TPR?

Please select one answer only

1. Yes - and Breach of Law report made
2. Yes - but decided not to make a Breach of Law report
3. No - not reported
4. Don't know

F3. ANSWER IF MISSED DEADLINE WAS NOT REPORTED TO TPR (F2=3)

What was the main reason for not reporting the breach?

Please select one answer only

1. Not material - few statements affected
2. Not material - very short delay
3. Other reason (please specify): ....
4. Don't know

F4. EVERYONE TO ANSWER

What proportion of all the annual benefit statements the scheme sent out in 2019 contained all the data required by regulations?

Please write in the percentage below. If you do not know exactly, please give an approximate percentage.

............100.................. %

SECTION G – RESOLVING ISSUES

The next set of questions is about resolving issues or complaints the scheme has received.

G1. EVERYONE TO ANSWER

Does the scheme have a working definition of what constitutes a complaint?

Please select one answer only

1. Yes
2. No
3. Don't know

G2. EVERYONE TO ANSWER

Focusing on the complaints you have received in the last 12 months from members or beneficiaries in relation to their benefits and/or the running of the scheme, please tell us the following information.

Please write in the number for each of a), b) and c) below. The number at b) should be equal to or lower than the number at a). The number at c) should be equal to or lower than the number at b).

a) Total number of complaints received	......35..............
b) Number of these complaints that have entered the Internal Dispute Resolution (IDR) process	......10.............
c) Number of these complaints that were upheld by the IDR process	.......2............

G3. ANSWER IF ANY COMPLAINTS ENTERED THE IDR PROCESS IN THE LAST 12 MONTHS (G2b>0)

To what did the top three types of complaint going through the IDR process relate?

Please select up to three options below

1. Slow or ineffective communication
2. Inaccuracies or disputes around pension value or definitions
3. Delays to benefit payments
4. Disputes or queries about the amount of benefit paid
5. Delay or refusal of pension transfer
6. Inaccurate data held and/or statement issued
7. Pension overpayment and recovery
8. Eligibility for ill health benefit
9. Other (please specify): ....
10. Don't know

SECTION H – REPORTING BREACHES

The next set of questions is about the scheme's approach to dealing with any breaches of the law.

H1. EVERYONE TO ANSWER

Does the scheme have procedures in place to allow the scheme manager, pension board members and others to identify breaches of the law?

Please select one answer only

1. Yes
2. No
3. Don't know

H2. EVERYONE TO ANSWER

In the last 12 months, have you identified any breaches of the law that are not related to annual benefit statements?

Please select one answer only

1. Yes
2. No
3. Don't know

H3. ANSWER IF ANY BREACHES OF THE LAW NOT RELATED TO ANNUAL BENEFIT STATEMENTS HAVE BEEN IDENTIFIED IN THE LAST 12 MONTHS (H2=1)

What were the root causes of the breaches identified?

Please select all the options that apply

1. Systems or process failure
2. Failure to maintain records or rectify errors
3. Management of transactions (e.g. errors or delays in payments of benefits)
4. Failure of the employer(s) to provide timely, accurate or complete data
5. Late or non-payment of contributions by the employer(s)
6. Other employer-related issues (please specify): ..Employers providing personal data to the pension fund for non-members..
7. Something else (please specify): ....
8. Don't know

H4. EVERYONE TO ANSWER

Are there procedures in place to assess breaches of the law, and report these to TPR if required?

Please select one answer only

1. Yes
2. No
3. Don't know

H5. ANSWER IF ANY BREACHES OF THE LAW NOT RELATED TO ANNUAL BENEFIT STATEMENTS HAVE BEEN IDENTIFIED IN THE LAST 12 MONTHS (H2=1)

In the last 12 months, have you reported any breaches to TPR as you thought they were materially significant? Please do not include any breaches that related to annual benefit statements.

Please select one answer only

1. Yes
2. No
3. Don't know

SECTION I – GOVERNANCE AND ADMINISTRATION

The next set of questions is about your progress in addressing governance and administration issues.

I1. EVERYONE TO ANSWER

What do you believe are the top three factors behind any improvements made to the scheme's governance and administration in the last 12 months?

Please select up to three options below

1. Improved understanding of underlying legislation and standards expected by TPR
2. Improved engagement by TPR
3. Improved understanding of the risks facing the scheme
4. Resources increased or redeployed to address risks
5. Administrator action (please specify): ....
6. Scheme manager action (please specify): ....
7. Pension board action (please specify): Appointment of Independent Adviser and filling of vacant posts on the Board...
8. Other (please specify): ....
9. No improvements made to governance/administration in the last 12 months
10. Don't know

I2. EVERYONE TO ANSWER

What are the main three barriers to improving the governance and administration of your scheme over the next 12 months?

Please select up to three options below

1. Lack of resources or time
2. Complexity of the scheme
3. The volume of changes that are required to comply with legislation
4. Recruitment, training and retention of staff and knowledge
5. Lack of knowledge, effectiveness or leadership among key personnel
6. Poor communications between key personnel (board, scheme manager, administrator, etc.)
7. Employer compliance
8. Issues with systems (IT, payroll, administration systems, etc.)
9. The McCloud judgement
10. Other (please specify): ....
11. There are no barriers
12. Don't know

SECTION J – PERCEPTIONS OF TPR

The final set of questions is about your views of TPR.

J1. EVERYONE TO ANSWER

Thinking about your overall perception of TPR, to what extent do you agree or disagree with the following words as ways to describe TPR?

Please select one answer per row	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Don't know
a) Tough	○	○	○	○	○	○
b) Efficient	○	○	○	○	○	○
c) Visible	○	○	○	○	○	○
d) Fair	○	○	○	○	○	○
e) Respected	○	○	○	○	○	○
f) Evidence-based	○	○	○	○	○	○
g) Decisive	○	○	○	○	○	○
h) Clear	○	○	○	○	○	○
i) Approachable	○	○	○	○	○	○

J2. EVERYONE TO ANSWER

Thinking now about how TPR operates, how effective do you think it is at improving standards in scheme governance and administration in public service pension schemes?

Please select one answer only

1. Very effective
2. Fairly effective
3. Neither effective nor ineffective
4. Not very effective
5. Not at all effective
6. Don't know

J3. EVERYONE TO ANSWER

To what extent do you agree or disagree with the following statements?

Please select one answer per row	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Don't know
a) TPR is effective at bringing about the right changes in behaviour among its regulated audiences	○	○	○	○	○	○
b) TPR is proactive at reducing serious risks to member benefits	○	○	○	○	○	○

SECTION K – ATTRIBUTION

Thank you for completing this survey. Your responses will help TPR understand how schemes are progressing and any issues they may face, which will inform further policy and product developments. Before you submit your answers, there are just a few more questions about your survey responses.

K1. EVERYONE TO ANSWER

Which of the following best describes your role within the pension scheme?

Please select one answer only

1. Scheme manager*
2. Representative of the scheme manager
3. Pension board chair
4. Pension board member
5. Administrator
6. Other (please specify): ....

**In this survey 'scheme manager' refers to the definition within the Public Service Pensions Act, e.g. the Local Authority, Fire and Rescue Authority, Police Pensions Authority, Secretary of State/Minister or Ministerial department.*

K2. EVERYONE TO ANSWER

What other parties did you consult with to complete this survey?

Please select all the options that apply

1. Scheme manager
2. Representative of the scheme manager
3. Pension board chair
4. Pension board member
5. Administrator
6. Other
7. Did not consult with any other parties

K3. EVERYONE TO ANSWER

To inform TPR's engagement going forward, they would like to build an individual profile of your scheme by linking your scheme name to your survey answers. This will only be used for internal purposes by TPR and your scheme name would not be revealed in any published report.

Are you happy for your responses to be linked to your scheme name and supplied to TPR for this purpose?

Please select one answer only

1. Yes, I am happy for my responses to be linked to my scheme name and supplied to TPR for this purpose
2. No, I would like my responses to remain anonymous

K4. EVERYONE TO ANSWER

And would you be happy for the responses you have given to be linked to your scheme name and shared with the relevant scheme advisory board? This is to help inform the advisory boards of areas for improvement and to further their engagement with pension boards.

Please select one answer only

1. Yes, I am happy for my responses to be linked to my scheme name and shared with the relevant advisory board
2. No, I would like my responses to remain anonymous

K5. EVERYONE TO ANSWER

TPR may conduct some follow up research on this topic to improve their advice and engagement with schemes such as yours. Would you be willing for us to pass on your name, contact details and relevant survey responses to them so that they, or a different research agency on their behalf, could invite you to take part?

You may not be contacted and, if you are, there is no obligation to take part. Your contact details will be stored for a maximum duration of 12 months, before being securely destroyed.

Please select one answer only

1. Yes, I am happy to be contacted for follow-up research
2. No, I would prefer not to be contacted for follow-up research

K6. EVERYONE TO ANSWER

Please record your name below. This is just for quality control purposes and will not be passed on to TPR (unless you have agreed that they can contact you for follow-up research).

Please write in below

.........Jason Bailey...

K7. EVERYONE TO ANSWER

Finally, please use the space below if you have any other comments or would like to clarify/ explain any of the answers you have given.

Please write in below if applicable

With regard to Question I2, we have not specifically identified the McCloud judgement as a barrier over the next 12 months because we are not confident a remedy will be reached within that period. However, once it is, this has the potential to have a serious impact on the administrative efficiency of the fund for a period of time due to the potential complexities and manual intervention that may be required

....

....

....

....

....

....

Thank you. Please now submit your responses through the online survey link contained in your invitation email. If you have any queries or technical issues please contact James Murray (Director, OMB Research) at james.murray@ombresearch.co.uk or on 01732 220582.

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SOUTH YORKSHIRE
PENSIONS AUTHORITY

Subject	**Benchmarking of Administration**	**Status**	For Publication
Report to	Local Pensions Board	**Date**	11 December 2019
Report of	Head of Pension Administration		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Jason Bailey	**Phone**	01226 772954
E Mail	JBailey@sypa.org.uk		

1 Purpose of the Report

1.1 To update the Board on the outcome of two separate administration benchmarking exercises undertaken for 2018/19

2 Recommendations

2.1 Members are recommended to:

a. **Note the outcomes of the 2018/19 CIPFA benchmarking exercise**
b. **Comment on the potential areas for service development highlighted by the CEM Benchmarking exercise**

3 Link to Corporate Objectives

3.1 This report links to the delivery of the following corporate objectives:

Customer Focus

To design our services around the needs of our customers (whether scheme members or employers). The new CEM Benchmarking exercise identifies some potential areas for customer service improvements over the next 12 months.

Effective and Transparent Governance

To uphold effective governance showing prudence and propriety at all times. Benchmarking our services against comparators seeks to provide a level of assurance that the service we are delivering to members is of sufficient quality and value for money.

4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report does not have implications for the Corporate Risk Register.

5 Background and Options

5.1 For the year 2018/19, SYPA has participated in two separate benchmarking exercises. The CIPFA benchmarking exercise is specifically for LGPS funds and SYPA has been a participant in this exercise for many years, but SYPA and a number of other large LGPS funds also took part this year for the first time in a benchmarking exercise run by CEM who are an independent provider with wider involvement in supporting the pensions world outside of the LGPS. CEM will be presenting their results to the Board at the meeting and there will be an opportunity to review the outcomes of the CEM exercise in more detail.

CIPFA Benchmarking

5.2 SYPA has for a number of years been a participant in the LGPS Benchmarking club run by CIPFA. The Benchmarking club is voluntary and has a varying number of participants with only 27 out of approximately 90 funds choosing to participate in the 2019 exercise. Although this limits the conclusions to be drawn from a national perspective, the Benchmarking club currently remains the principal source of comparative data available specifically for LGPS funds to measure administrative costs and performance.

5.3 It is hoped one of the possible outcomes of the Good Governance review currently being undertaken by the Scheme Advisory Board will be that funds will be encouraged or mandated to participate in an appropriate benchmarking exercise so that the comparator results can be more usefully analysed.

5.4 **Appendix A** shows the report of comparator data which compares SYPA with the 16 funds (out of the 27 who participated) who are most similar in terms of membership numbers. This provides a more accurate picture of administrative costs than the full report which includes a number of smaller funds who could not be expected to benefit from the same economies of scale.

5.5 Section Two of the report shows that the total cost per scheme member for 2019 was **£18.71** compared with an average of **£17.69** for the comparator group (£21.34 for all funds). For comparison purposes, the total cost per scheme member for 2018 was very similar at £18.67 compared with an average of £17.42 for the comparator group.

5.6 It is difficult to draw hard conclusions from the data provided by CIPFA given the limited scale of participation but further analysis of the costs per member on Page 7 of the report suggests that SYPA invested less in Membership Engagement and Employer Engagement in 2018/2019 than the other participating funds. This issue has now been addressed at least in part by the recent administration restructure and the creation of specific engagement posts.

5.7 In seeking to understand the rationale for SYPA costs being slightly above average, it is clear from Page 7 that the higher than average costs associated with ‘benefits processing’ are the main factor. Most of this cost will be accounted for by the fact that Monthly Data Collection (MDC) was introduced in April 2018 and required the creation of a new team of 6 FTE staff. Over time this initial additional resource requirement has, and will, continue to diminish, as the MDC process is embedded with employers.

5.8 Sections 3 and 4 of the Report include data on workload measures as an attempt to introduce a service quality measure to accompany the data on administration costs. This is an important move in terms of benchmarking but the charts provided in the report should be viewed with caution, partly because only 8 funds submitted data but more importantly because the workload measures are compared against ‘local’ service standards which vary from fund to fund. SYPA has traditionally worked to more stringent service standards than other LGPS funds.

CEM Benchmarking

5.9 As suggested above, LGPS funds have previously expressed concerns with the limitations of CIPFA benchmarking given the understandable focus on cost which risks providing a limited view of the effectiveness of the administration service. For the first time, a number of the larger LGPS funds have therefore decided to participate in an alternative benchmarking exercise run by CEM.

5.10 The main difference between the two exercises is that CEM aims to look at the administration service from the perspective of the scheme member rather than focusing purely on the operating cost. In this way, it is attempting to benchmark the quality of the administration service as well as the cost and reach a more holistic view of how the service is performing.

5.11 The draft report produced by CEM following their analysis is attached at **Appendix B** for reference but it was felt Board members may find it helpful to understand the approach adopted by CEM as this was the first time SYPA have participated in this exercise. Therefore, CEM will be presenting their findings at the Board meeting and Members will have the opportunity to question the approach and outcomes in more detail.

5.12 Appendix B is the Executive Summary produced by CEM and will be the focus of the presentation to the Board. The full report runs to 118 pages but will be available for Board Members in the online Reading Room.

6 Implications

6.1 The proposals outlined in this report have the following implications:

Financial	
Human Resources	
ICT	
Legal	
Procurement	

Jason Bailey

Head of Pensions Administration

Background Papers	
Document	**Place of Inspection**

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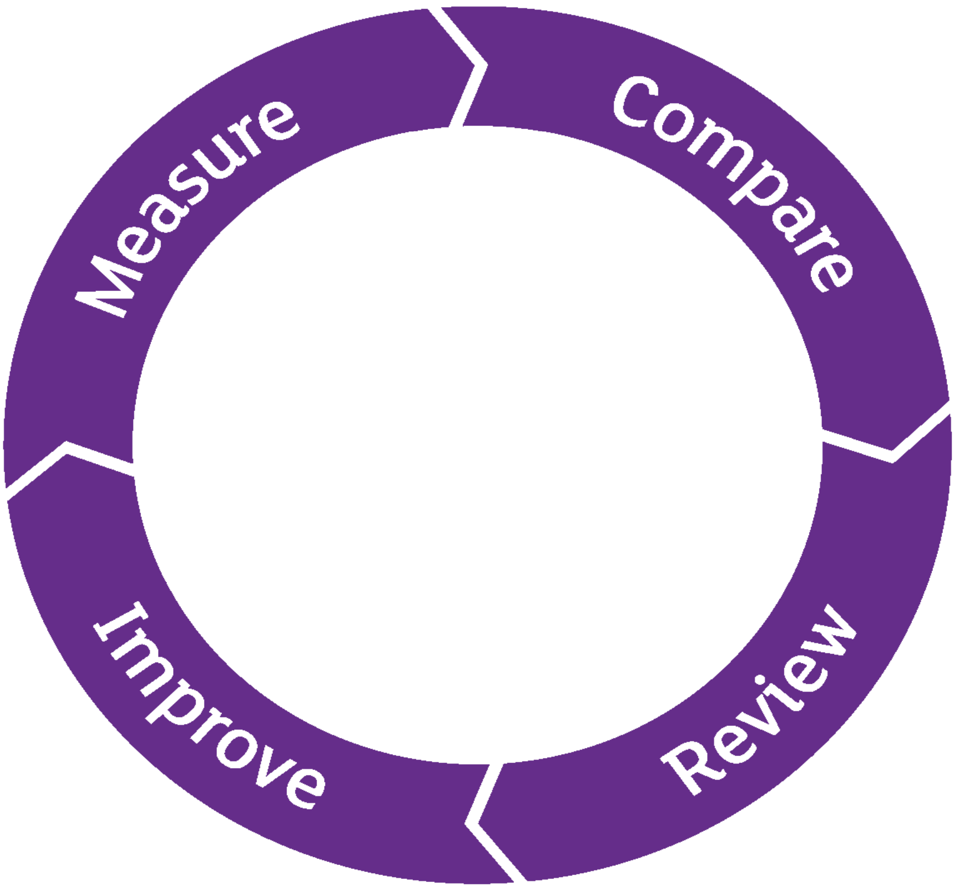
CIPFA The Chartered Institute of Public Finance & Accountancy

Analytics & Research

pensions administration benchmarking club

2019 - South Yorkshire Pensions Authority Comparator Report



Useful Information

Throughout the report your figures are shown in tables and in graphical form. If you are not familiar with our reports we hope this page will help you to better understand the way we present this data.

Averages

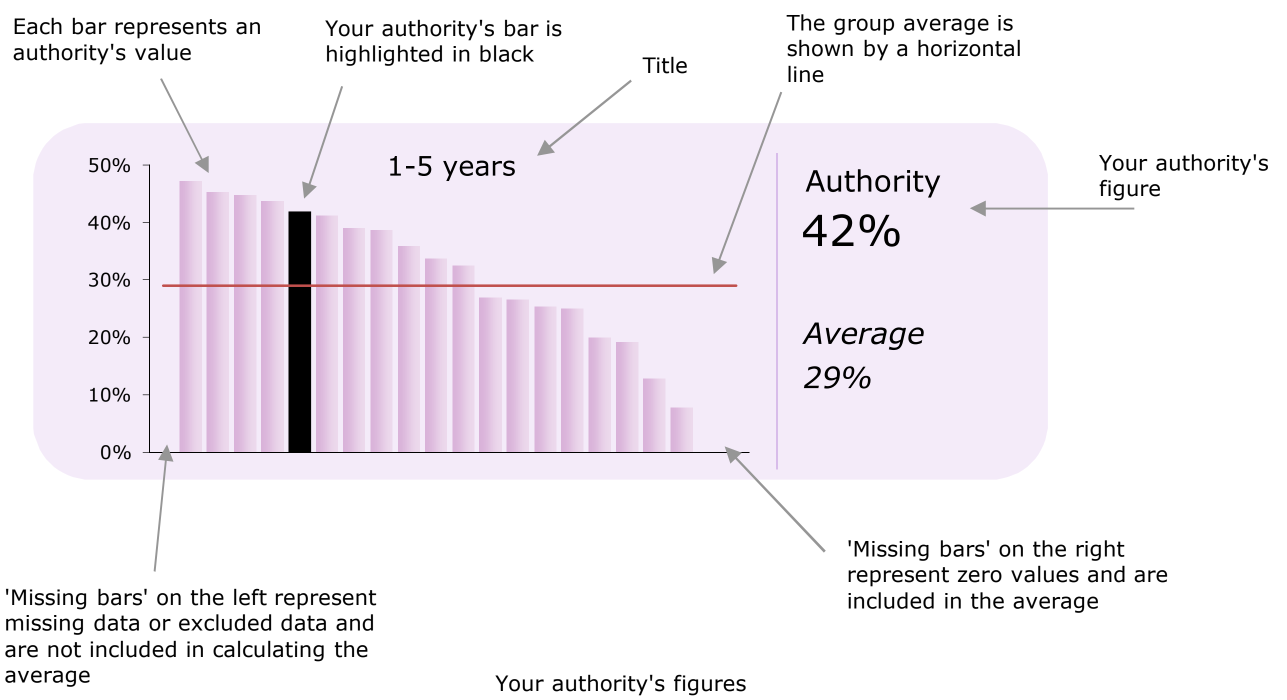
Almost all of our tables and charts compare your figure with a group average. The average is the unweighted mean value for the group. This average value ignores missing data, or data that we have excluded and for this reason sets of averages sometimes do not reconcile precisely.

Charts

We display a large amount of data on charts as this allows us to show the data for the entire group efficiently and gives far more information than a simple average (i.e. range of data, individual authority values etc.). Below we have annotated an example chart to help explain what they are showing.

Bar Charts

These are our standard method of displaying a full set of data



Your authority's figures

Staff experience	FTE	%	*Avg*
< 1 year	1.5	10%	*9%*
1-5 years	6.5	42%	*29%*
5-10 years	3.5	23%	*21%*
> 10 yrs	4.0	26%	*41%*
Total	**15.5**		

Introduction

This report compares your performance with other local authorities who have taken part in the Pensions Administration Benchmarking Club for 2019 and is divided into the sections listed below.

At the end of the Benchmarking process, your authority will also receive supplemental materials which will provide further depth to this report:

- **Interactive Report:** an Excel spreadsheet containing all the bar charts found in this report. The user can change the charts to show custom comparator groups.
- **Database:** an Excel spreadsheet containing all the data submitted by club members this year. The user can also populate a copy of the questionnaire with the data for any member.
- **Scrapbook:** a report containing an analysis of the responses to the text based parts of the questionnaire.

Contents

Section 1 - Summary

This page provides a brief summary of the most salient aspects of the report.

Section 2 - Cost Measures

This section concentrates on cost/member ratios starting with total cost/member which is then broken down by direct costs, indirect costs and income.

Section 3 - Workload Measures

The first measure of workload is the number of members in the scheme, which is shown along with a breakdown by class of membership. This is followed by an analysis of the number and type of LGPS employers as well as numbers contributing to Additional Voluntary Contributions (AVCs), Additional Regular Contributions/Additional Pension Contributions (ARCs/APCs) and added years.

Other workload measures shows the cases outstanding from last year brought forward and those commenced and completed in the year. These include:

- Various letters regarding death, retirement, transfers and divorce
- Process and pay lump sum retirement grant
- Deferment and refund
- Member estimates, joiners, aggregation and link ups

Section 4 - Industry Standard Performance Indicators

This section looks at how authorities perform against each of the LGPC performance indicators.

Section 5 - Staff Related Measures

The measures included here are an analysis of staff numbers by pay band, pensions work experience and staff qualifications.

Section 6 - Communications

This section shows the various forms of communications for members, pensioners and employers.

Section 7 - IT and Data Quality

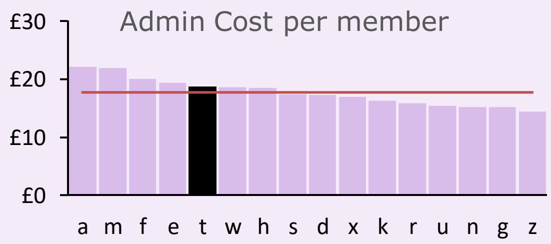
This section shows the IT Arrangements for the pensions administration and measurements of data quality.

Section 8 - Comparison by Method of Service Delivery (final report only)

This shows members' costs and averages compared for in-house and externally managed pension schemes.

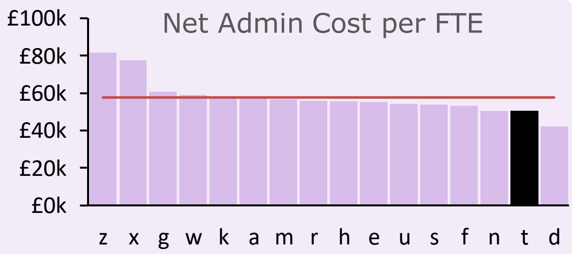
SECTION 1 - SUMMARY

Key Findings:



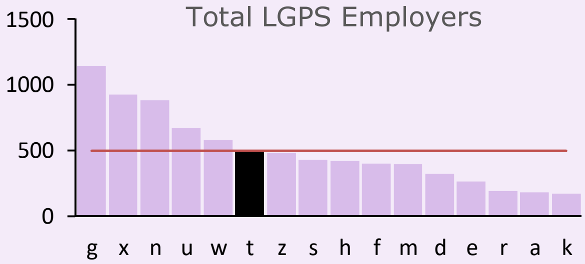
South Yorkshire Pensions Authority
£18.71

Average
£17.69



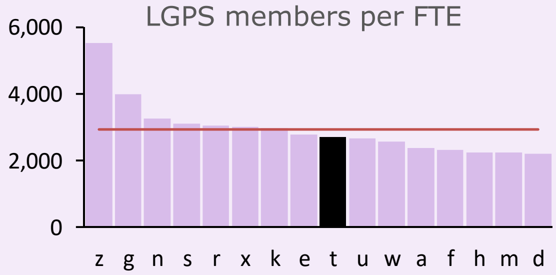
South Yorkshire Pensions Authority
£50.5k

Average
£57.6k



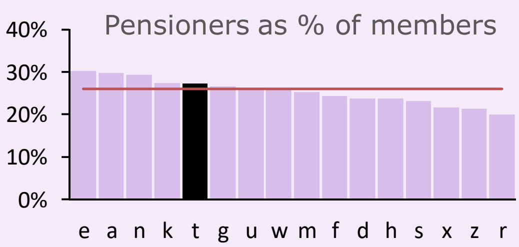
South Yorkshire Pensions Authority
494

Average
498



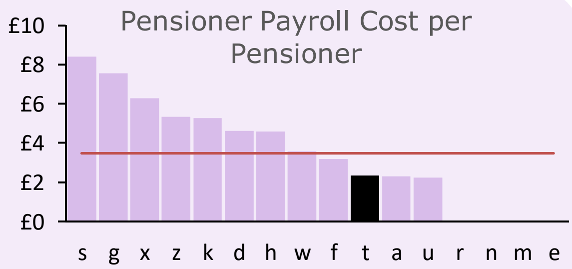
South Yorkshire Pensions Authority
2,701

Average
2,937



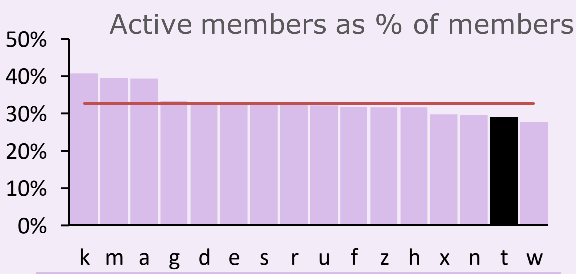
South Yorkshire Pensions Authority
27.2%

Average
26.0%



South Yorkshire Pensions Authority
£2.33

Average
£3.48



South Yorkshire Pensions Authority
29.1%

Average
32.7%

SECTION 2 - ADMIN COST MEASURES

ADMIN COST PER MEMBERS 2018/19

This tree diagram analyses the cost per member.

For each benchmark two figures are given, the first being South Yorkshire Pensions Authority's cost and the second (in italics) is the group average.

Net LGPS admin cost
£18.71 *£17.69*

- Direct costs
  £12.24 *£13.22*
  - Benefits Processing
    £8.99 *£7.35*
  - Employer Engagement
    £0.51 *£1.54*
  - IT/Systems
    £1.81 *£2.17*
  - Pensioner Payroll
    £0.63 *£0.86*
    - Payroll cost per pensioner
      £2.33 *£3.48*
    - % Pensioners
      27.2% *26.0%*
  - Membership Engagement
    £0.30 *£1.30*
- Indirect costs
  £7.35 *£4.98*
- Income
  (£0.89) *(£0.54)*

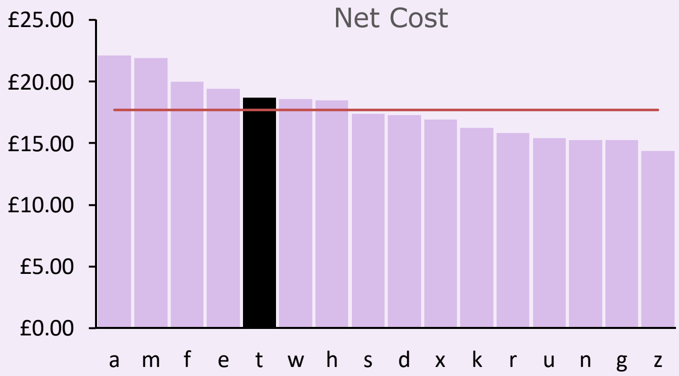
FTE Staff	
Pension Section total	82.8
less	
Governance	1.0
Investment	3.0
Financial Management	8.5
Other	7.8
Admin of LGPS	**62.5**

LGPS admin costs	£'000	£ per member	*Avg.*
Benefits Processing	1,518	8.99	*7.35*
Employer Engagement	86	0.51	*1.54*
IT / Systems	306	1.81	*2.17*
Pensioner Payroll	107	0.63	*0.86*
Membership Engagement	50	0.30	*1.30*
Total Direct Costs	**2,067**	**12.24**	***13.22***
Total Indirect Costs	**1,241**	**7.35**	***4.98***
Gross Cost	**3,308**	**19.59**	***18.20***
Total Income	**(150)**	**(0.89)**	***(0.54)***
Net Cost	**3,158**	**18.71**	***17.69***

Total Scheme Membership	**168,823**
Pensioners	**45,915**

Source: Sections 2 & 3, 2019 Questionnaire

ADMIN COST PER MEMBER 2018/19

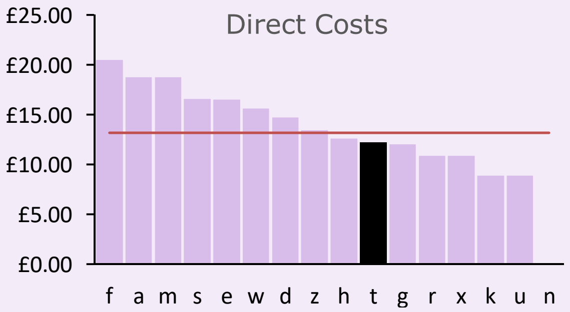


South Yorkshire Pensions Authority

£18.71

Average

£17.69

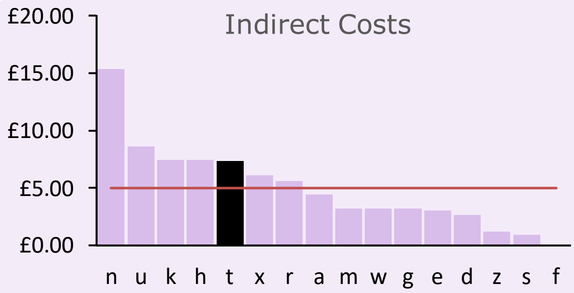


South Yorkshire Pensions Authority

£12.24

Average

£13.22

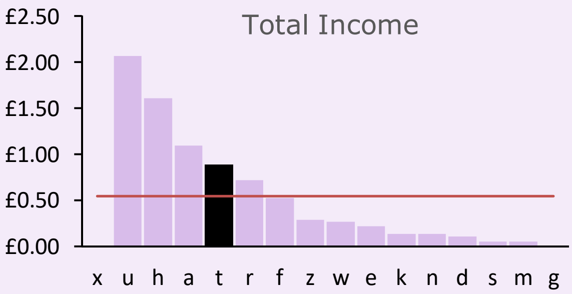


South Yorkshire Pensions Authority

£7.35

Average

£4.98



South Yorkshire Pensions Authority

£0.89

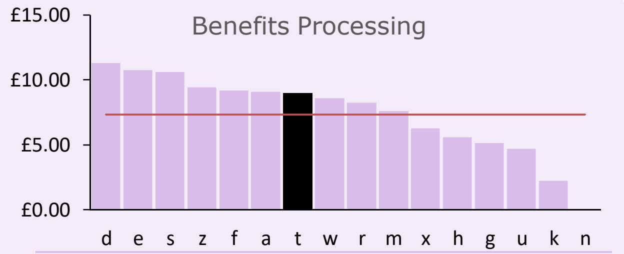
Average

£0.54

Source: Section 3, 2019 Questionnaire

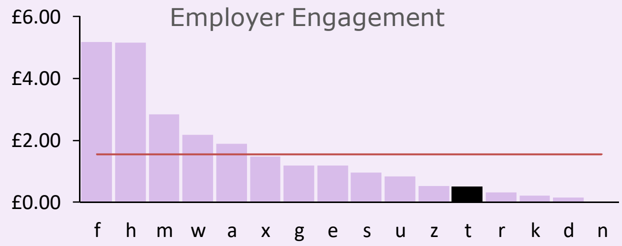
COSTS PER MEMBER - Direct Costs 2018/19

The following graphs are the costs that make up the direct costs that South Yorkshire Pensions Authority had during the financial year 2018/19.



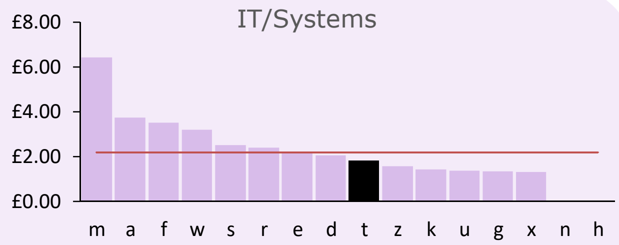
South Yorkshire Pensions Authority
£8.99

Average
£7.35



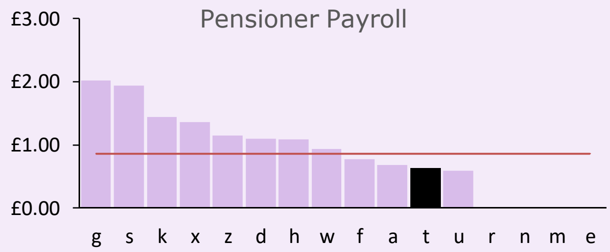
South Yorkshire Pensions Authority
£0.51

Average
£1.54



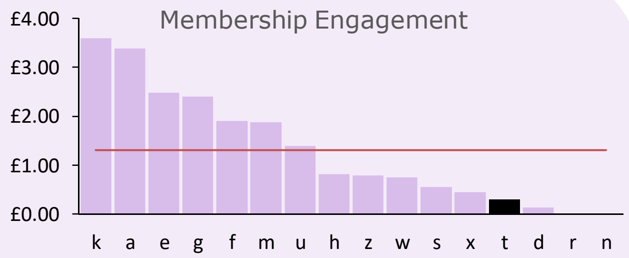
South Yorkshire Pensions Authority
£1.81

Average
£2.17



South Yorkshire Pensions Authority
£0.63

Average
£0.86



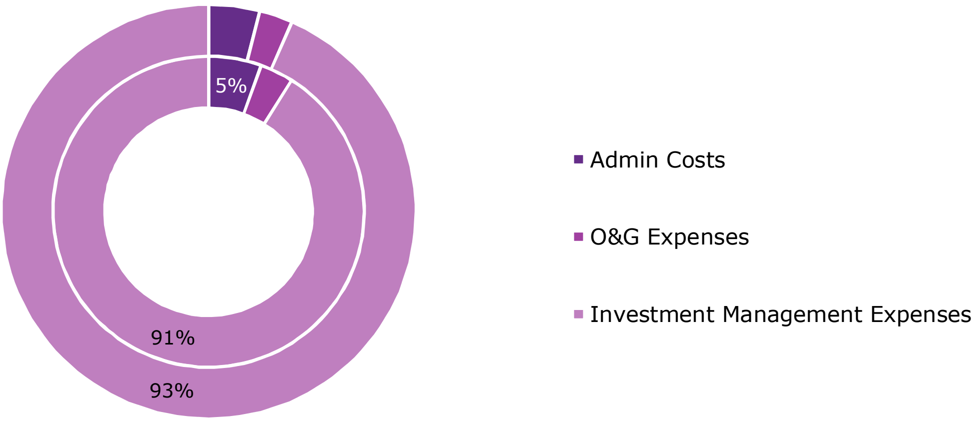
South Yorkshire Pensions Authority
£0.30

Average
£1.30

Source: Section 3, Questionnaire 2019

LGPS Management Expenses Summary 2018/19

LGPS Management Expenses	£'000	£ per member	*Avg.*
LGPS Administration Costs	2,067	12.24	*12.96*
LGPS Oversight and Governance Expenses	1,367	8.10	*8.30*
LGPS Investment Management Expenses	48,712	288.54	*215.41*
Total LGPS Management Expenses	**52,146**	**308.88**	***222.69***



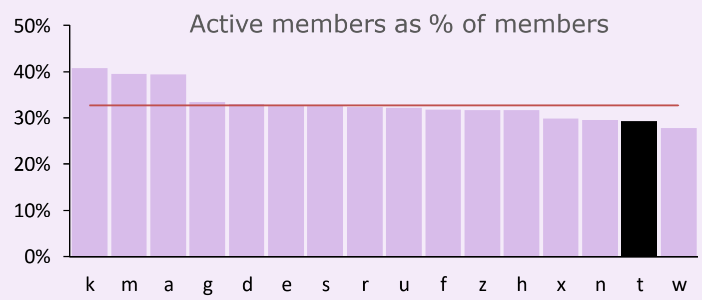
The outer ring of the graph above is the figures for South Yorkshire Pensions Authority and the inner ring is the average figures. For local authorities with percentages less than 5%, these will not be shown.

Source: Section 3, 2019 Questionnaire

COMPOSITION OF MEMBERS AS AT 31/03/2019

Composition of members	Number	%	*Avg.*	*Avg. %*
Active Staff	49,145	29.1%	*58,256*	*32.7%*
Deferred Staff	51,877	30.7%	*53,930*	*30.2%*
Pensioners	45,915	27.2%	*46,223*	*25.9%*
Dependants	6,667	3.9%	*7,177*	*4.0%*
Frozen refunds	9,044	5.4%	*6,683*	*3.7%*
Leavers unprocessed/in progress	6,175	3.7%	*6,070*	*3.4%*
Total	**168,823**		***178,339***	

Active Members



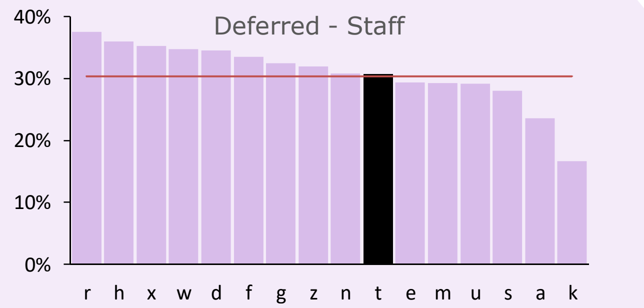
South Yorkshire Pensions Authority

29.1%

Average

32.7%

Non-Active Members

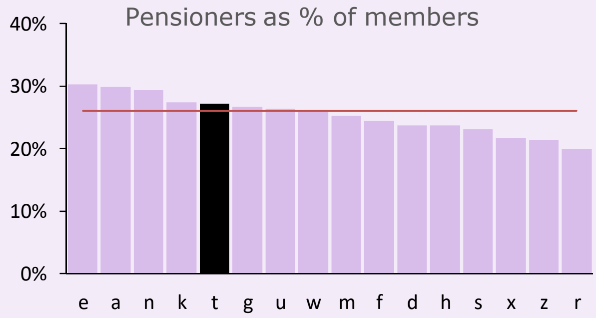


South Yorkshire Pensions Authority

30.7%

Average

30.3%



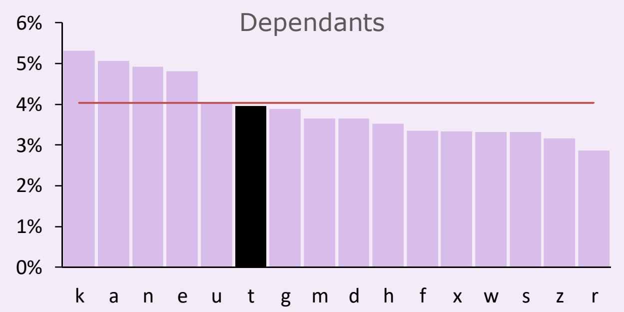
South Yorkshire

27.2%

Average

26.0%

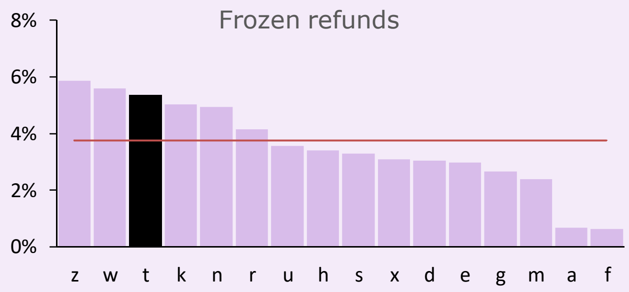
Source: Section 4b, Questionnaire 2019



South Yorkshire Pensions Authority

3.9%

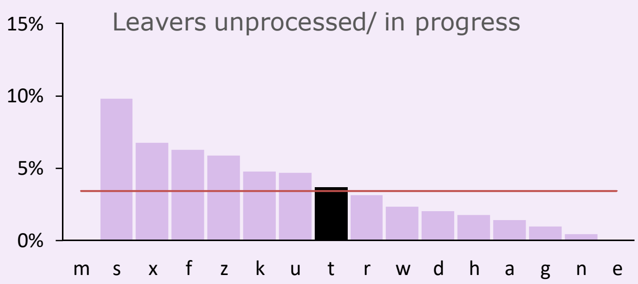
Average
4.0%



South Yorkshire Pensions Authority

5.4%

Average
3.8%



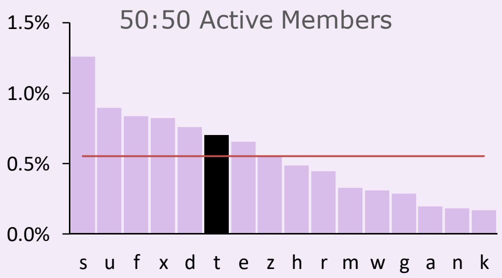
South Yorkshire Pensions Authority

3.7%

Average
3.4%

COMPOSITION OF MEMBERS AS AT 31/03/2019

Composition of active members	Number	%	*Avg.*
50:50	344	0.7%	*0.6%*



South Yorkshire Pensions Authority

0.7%

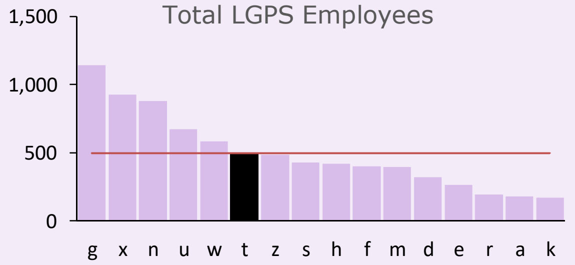
Average
0.6%

Source: Section 4b, Questionnaire 2019

NUMBER OF LGPS EMPLOYERS AS AT 31/03/2019

LGPS employers (31/03/2019)	Number	Avg.
Scheduled	335	*324*
Admitted	159	*174*
Total	**494**	***498***

Employer changes 2018/19	Joined		Leaving	
	Number	***Avg.***	**Number**	***Avg.***
Scheduled	20	*26*	0	*6*
Admitted	16	*15*	3	*10*

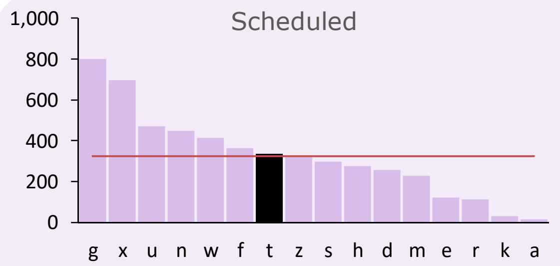


South Yorkshire Pensions Authority

494

Average

498

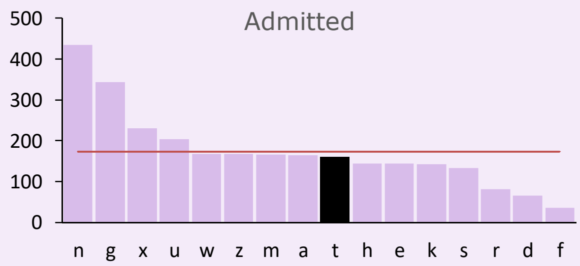


South Yorkshire Pensions Authority

335

Average

324



South Yorkshire Pensions Authority

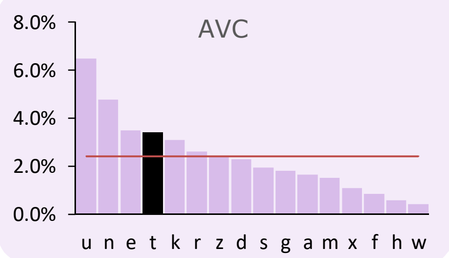
159

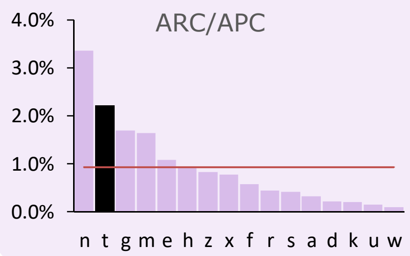
Average

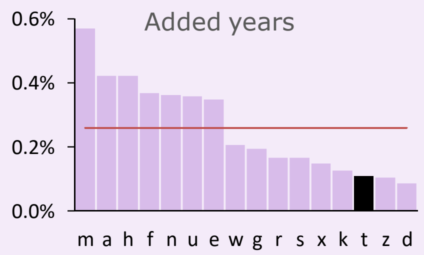
174

AVCs, ARCs and added years 2018/19 (as a % of active members)

Contributors to AVCs and ARCs	Number	%	Avg.	Active members
Currently contributing				49,145
- AVC	1,680	3.4%	*2.4%*	
- ARC/APC	1,090	2.2%	*0.9%*	
- Added years	53	0.1%	*0.3%*	
Total	**2,823**	**5.7%**	***3.6%***	





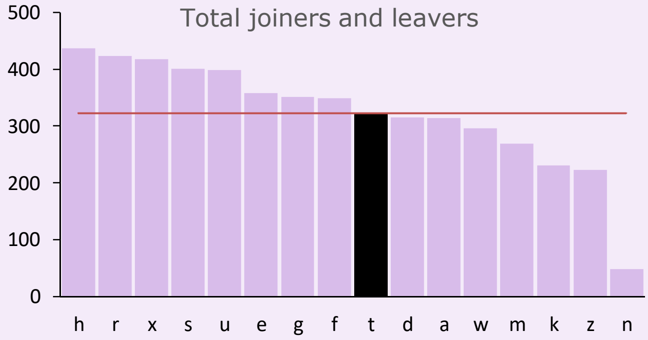


Source: Section 4a & e, Questionnaire 2019

JOINERS & LEAVERS (per '000 active members) 2018/19

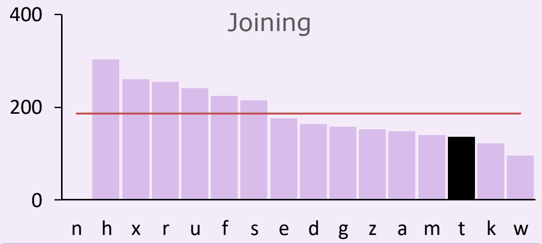
Joiners & Leavers	Number	'000	*Avg.*
Joining	6,705	136	*186*
Retiring	3,432	70	*52*
Deaths	1,564	32	*24*
Transferred out	326	7	*6*
Deferred	2,669	54	*46*
Refund/Frozen refund	1,072	22	*33*
Total	**15,768**	**321**	***322***

Active members	49,145



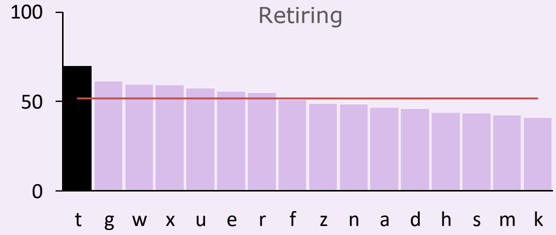
South Yorkshire Pensions Authority
321

Average
322



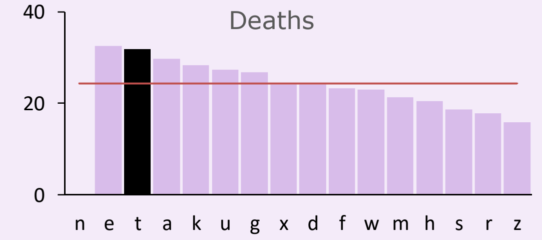
South Yorkshire Pensions Authority
136

Average
186



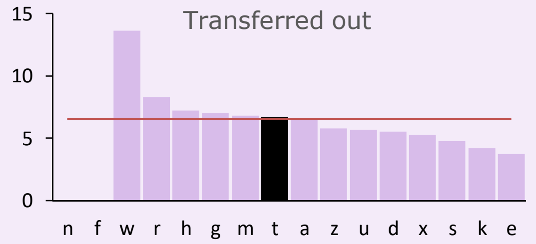
South Yorkshire Pensions Authority
70

Average
52



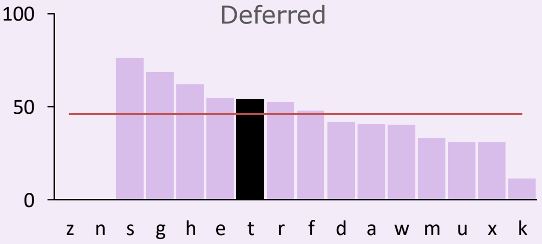
South Yorkshire Pensions Authority
32

Average
24



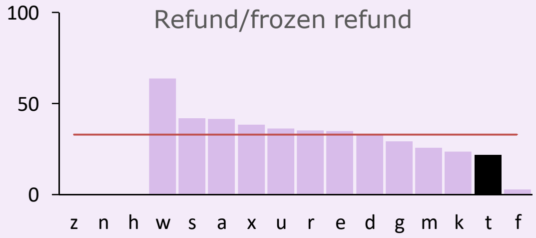
South Yorkshire Pensions Authority
7

Average
6



South Yorkshire Pensions Authority
54

Average
46



South Yorkshire Pensions Authority
22

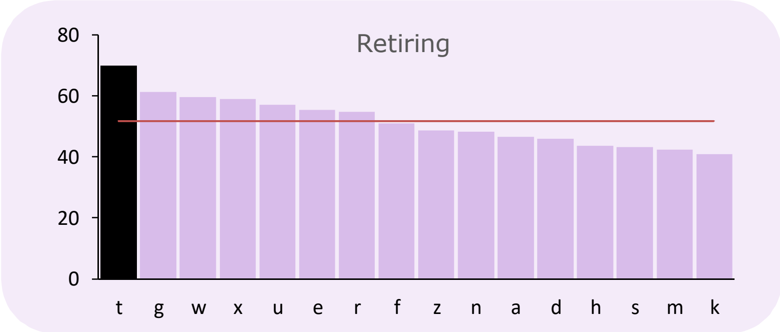
Average
33

Source: Section 4c, Questionnaire 2019

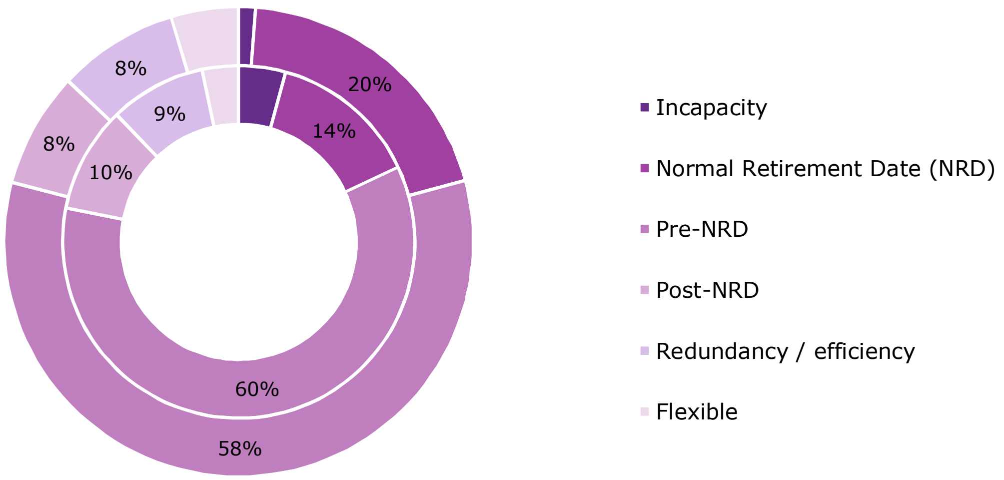
RETIRING 2018/19 (per '000 active members)

	Total number	per active members	*Average (per '000)*
Total LGPS members retiring	3,432	70	*52*

Active members 49,145



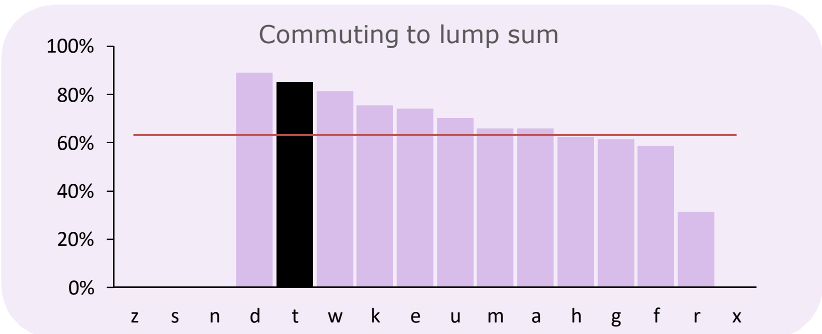
Retirements



The outer ring of the graph above is the figures for South Yorkshire Pensions Authority and the inner ring is the average figures. For local authorities with percentages less than 5%, these will not be shown.

Retirements commuting to lump sum

Number	% total	*Avg.*
2,917	85%	*63%*



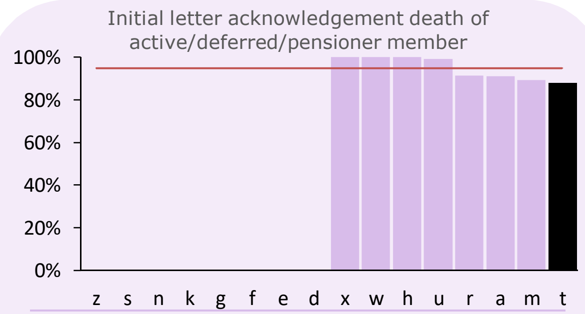
OTHER WORKLOAD MEASURES

Cases in 2018/19	Total cases in the year*		Number of cases completed in	
	South Yorkshire Pensions Authority	*Average*	South Yorkshire Pensions Authority	*Average*
Deaths - Initial letter acknowledgement death of active/deferred/pensioner member	1,744	*1,280*	1,534	*1,670*
Deaths - Letter notifying amount of dependent's benefit	1,744	*1,196*	1,534	*1,244*
Retirements - Letter notifying estimate of retirement benefits (Active)	931	*1,609*	749	*2,069*
Retirements - Letter notifying estimate of retirement benefits (Deferred)	3,501	*2,573*	2,708	*2,505*
Retirements - Letter notifying estimate of retirement benefits (Total)	**4,432**	***4,163***	**3,457**	***4,304***
Retirements - Letter notifying actual retirement benefits (Active)	1,423	*1,363*	1,249	*1,660*
Retirements - Letter notifying actual retirement benefits (Deferred)	2,266	*1,638*	2,128	*1,828*
Retirements - Letter notifying actual retirement benefits (Total)	**3,689**	***2,887***	**3,377**	***3,247***
Retirements - process and pay lump sum retirement grant (Active)	1,423	*1,307*	1,249	*1,606*
Retirements - process and pay lump sum retirement grant (Deferred)	2,266	*1,415*	2,128	*1,655*
Retirements - process and pay lump sum retirement grant (Total)	**3,689**	***2,754***	**3,377**	***3,179***
Deferment - calculate and notify deferred benefits	6,644	*6,513*	2,669	*4,931*
Transfers In - Letter detailing transfer in quote	752	*425*	506	*759*
Transfers In - Letter detailing transfer in	279	*312*	192	*281*
Transfers Out - Letter detailing transfer out quote	436	*857*	344	*1,011*
Transfers Out - Letter detailing transfer out	133	*354*	120	*346*
Refund - Process and pay a refund	665	*1,900*	620	*1,892*
Divorce Quote - Letter detailing cash equivalent value and other benefits	363	*300*	321	*326*
Divorce Settlement - Letter detailing cash equivalent value and application of Pension Sharing Order	24	*14*	9	*18*
Member Estimates	1,190	*1,472*	1,146	*1,869*
Joiners - Send notification of joining the LGPS to scheme member	7,010	*7,975*	6,962	*8,724*
Aggregation - send notification of aggregation options	2,563	*2,932*	2,546	*2,651*
Link ups	3,459	*1,906*	3,442	*2,145*

** total cases in the year is the cases outstanding as at 01/04/18 and the number of cases commenced in the year added together.*

Source: Section 4f, Questionnaire 2019

OTHER WORKLOAD MEASURES - Percentage of cases completed in the year (2018/19)

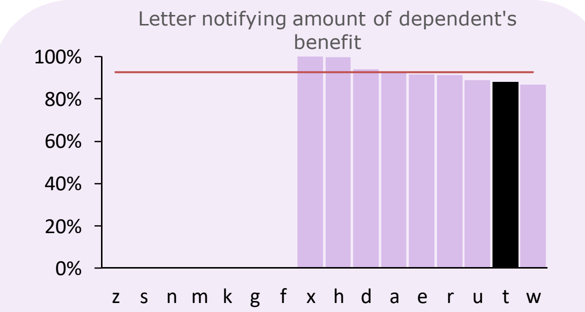


South Yorkshire Pensions Authority

88%

Average

95%

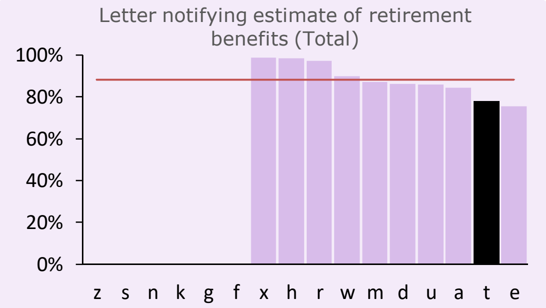


South Yorkshire Pensions Authority

88%

Average

93%

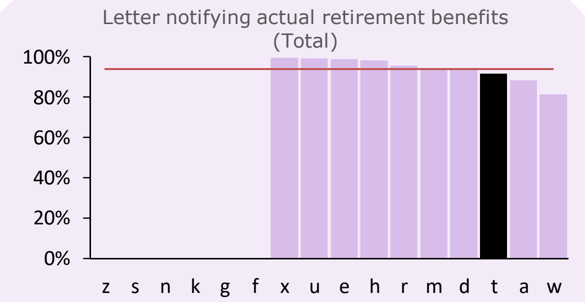


South Yorkshire Pensions Authority

78%

Average

88%

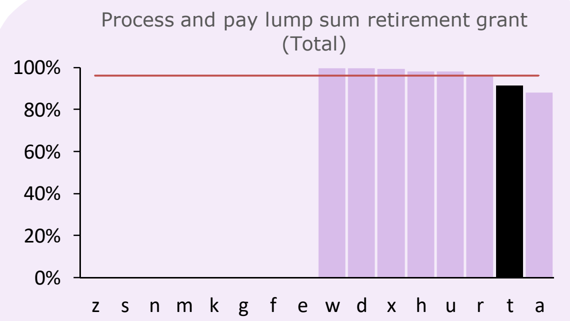


South Yorkshire Pensions Authority

92%

Average

94%

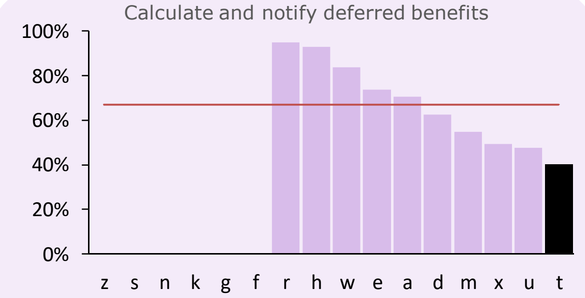


South Yorkshire Pensions Authority

92%

Average

96%



South Yorkshire Pensions Authority

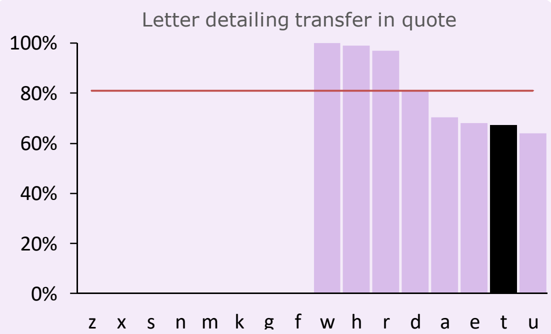
40%

Average

67%

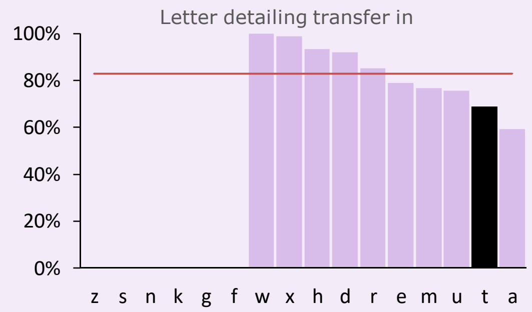
Source: Section 4f, Questionnaire 2019

OTHER WORKLOAD MEASURES - Percentage of cases completed in the year (2018/19)



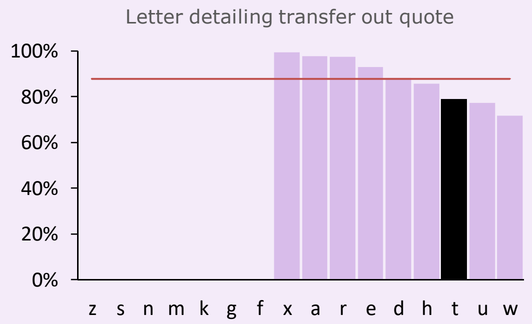
South Yorkshire Pensions Authority
67%

Average
81%



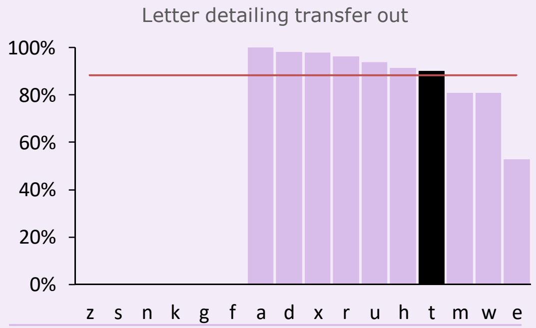
South Yorkshire Pensions Authority
69%

Average
83%



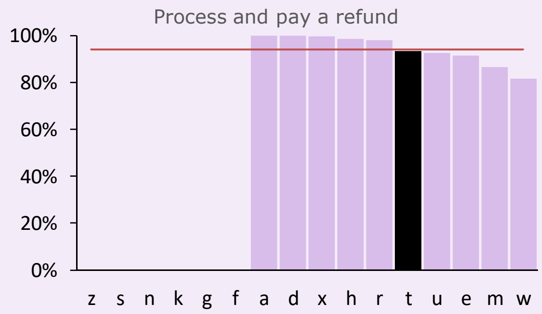
South Yorkshire Pensions Authority
79%

Average
88%



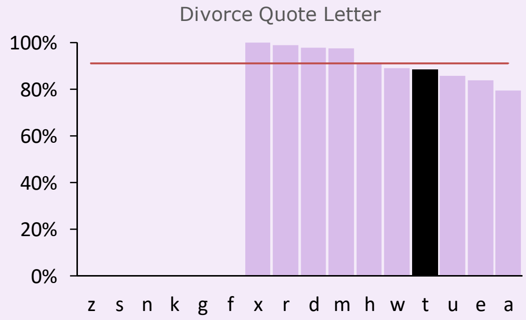
South Yorkshire Pensions Authority
90%

Average
88%



South Yorkshire Pensions Authority
93%

Average
94%

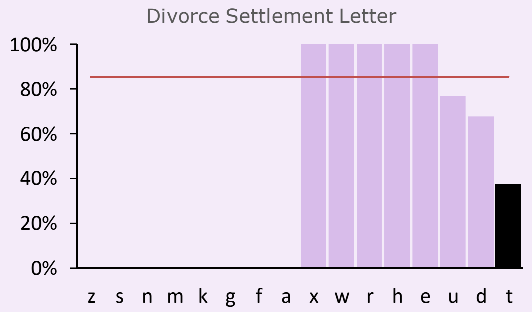


South Yorkshire Pensions Authority
88%

Average
91%

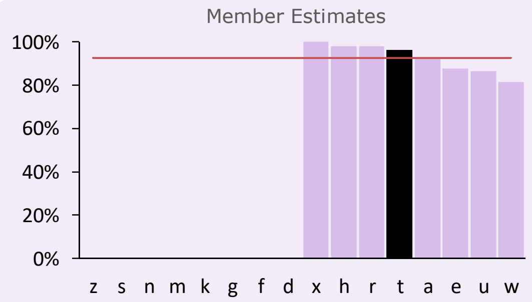
Source: Section 4f, Questionnaire 2019

OTHER WORKLOAD MEASURES - Percentage of cases completed in the year (2018/19)



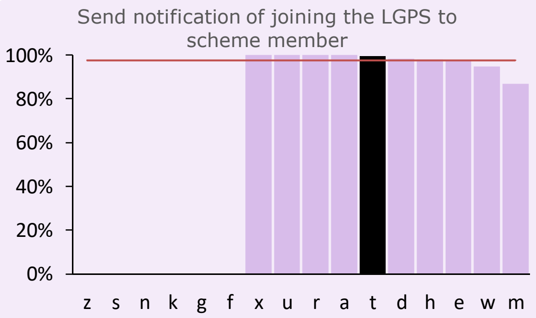
South Yorkshire Pensions Authority
38%

Average
85%



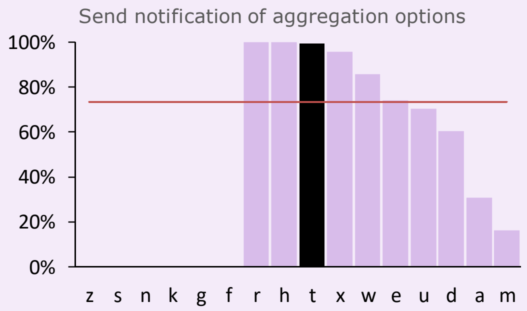
South Yorkshire Pensions Authority
96%

Average
93%



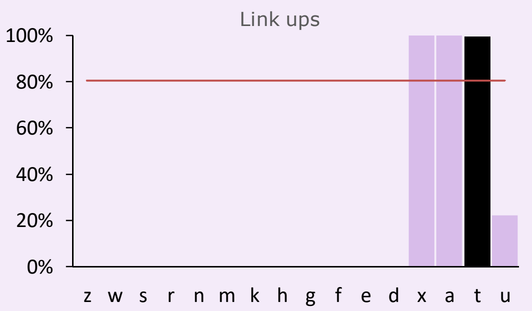
South Yorkshire Pensions Authority
99%

Average
97%



South Yorkshire Pensions Authority
99%

Average
73%



South Yorkshire Pensions Authority
100%

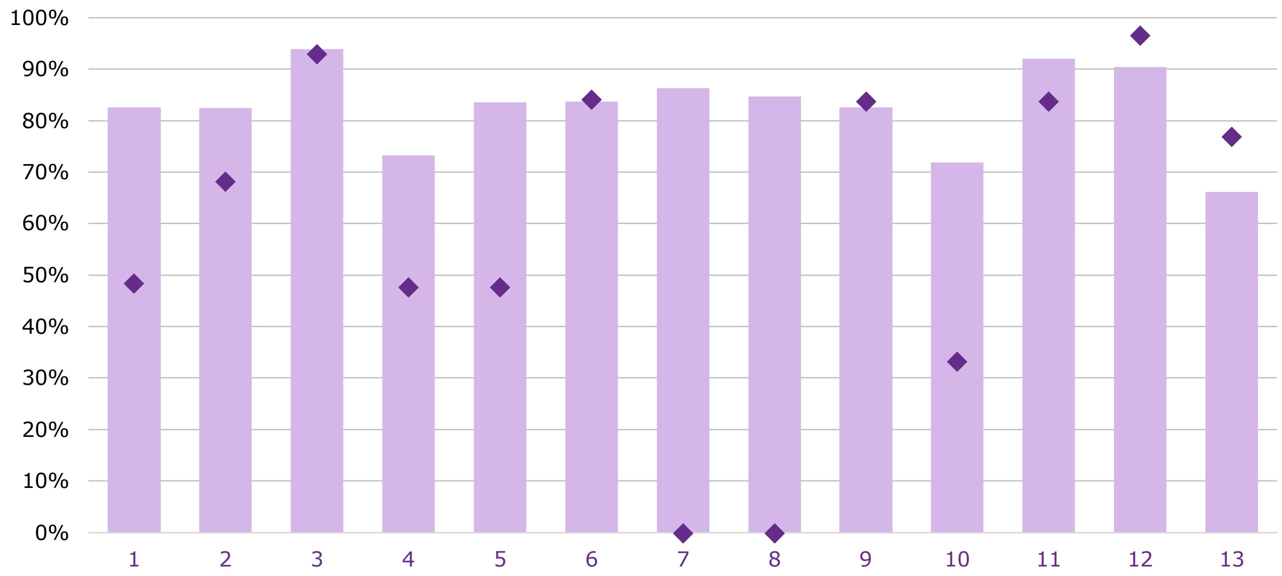
Average
80%

Source: Section 4f, Questionnaire 2019

SECTION 4 - INDUSTRY STANDARD PI'S

	Industry Standard PI's	Local Target	(Legal Target)	Achieved	Avg.
1	Letter detailing transfer in quote	5 days	(2 months)	48.4%	*82.6%*
2	Letter detailing transfer out quote	10 days	(2 months)	68.3%	*82.5%*
3	Process and pay a refund	5 days	(2 months)	93.1%	*93.9%*
4	Letter notifying estimate of retirement benefits (Active)	4 days	(2 months)	47.7%	*73.3%*
5	Letter notifying actual retirement benefits (Active)	4 days	(2 months)	47.7%	*83.5%*
6	Process and pay lump sum retirement grant (Active)	5 days	(2 months)	84.2%	*83.7%*
7	Initial letter acknowledgement death of member	na	(2 months)	na	*86.2%*
8	Letter notifying amount of dependent's benefit	na	(2 months)	na	*84.7%*
9	Divorce quote letter	5 days	(3 months)	83.8%	*82.6%*
10	Divorce settlement letter	5 days	(3 months)	33.3%	*71.9%*
11	Send notification of joining LGPS to scheme member	5 days	(2 months)	83.7%	*92.1%*
12	Deferred into pay	5 days	(2 months)	96.6%	*90.4%*
13	Calculate and notify deferred benefits	20 days	(2 months)	77.0%	*66.2%*

Achieved industry standard PI's



The light purple bars in the graph above show the average of all respondents achieving each performance indicator whilst the dark purple markers show the responses for South Yorkshire Pensions Authority.

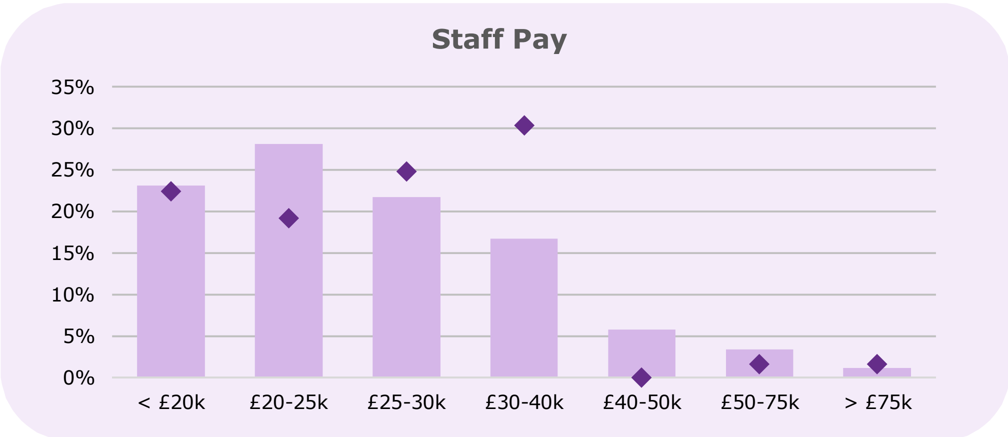
Source: Section 5, Questionnaire 2019

SECTION 5 - STAFF RELATED MEASURES

as at 31 March 2019

Staff Pay	FTE	%	*Avg.*
> £75k	1.0	1.6%	*1.1%*
£50-75k	1.0	1.6%	*3.4%*
£40-50k	0.0	0.0%	*5.8%*
£30-40k	19.0	30.4%	*16.7%*
£25-30k	15.5	24.8%	*21.7%*
£20-25k	12.0	19.2%	*28.1%*
< £20k	14.0	22.4%	*23.1%*
Total	**62.5**		

Staff Experience	FTE	%	*Avg.*
< 1 year	0.0	0.0%	*11.2%*
1-5 years	19.4	31.1%	*25.9%*
5-10 years	7.1	11.4%	*10.8%*
10-15 years	8.4	13.5%	*14.9%*
> 15 years	27.5	44.1%	*37.3%*
Total	**62.4**		



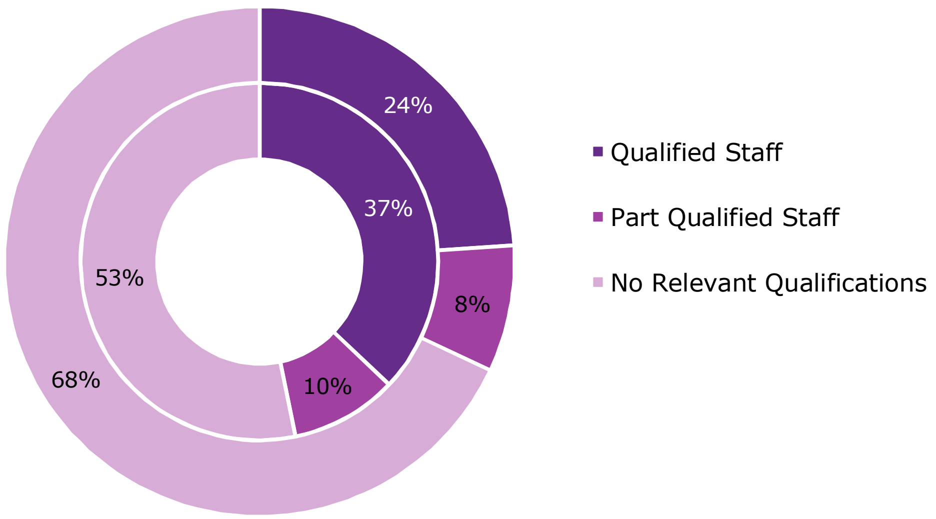
The light purple bars in the graphs above show the average of all respondents staff pay/experience while the dark purple markers are the responses for South Yorkshire Pensions Authority.

Source: Section 6a & b, Questionnaire 2019

STAFF QUALIFICATIONS

as at 31 March 2019

Staff Qualifications	FTE	%	Avg.
Qualified Staff	15.0	24.0%	*37.1%*
Part Qualified Staff	5.0	8.0%	*9.7%*
No Relevant Qualifications	42.5	68.0%	*53.3%*
Total	**62.5**		
Number in Training	5.0	8.0%	*5.3%*



The outer ring of the graph above is the figures for South Yorkshire Pensions Authority and the inner ring is the average figures. For local authorities with percentages less than 5%, these will not be shown.

CIPFA listed the following qualifications for the sections above:

Fully Qualified: Associate Membership of the Pensions Management Institute (APMI) and Fellowship of the PMI (FPMI), Full Membership of Chartered Institute of Payroll Professionals (MCIPP), CIPP Foundation Degree in Pensions Administration and Management, CIPP Certificate in Pension Administration and Consultative Committee of Accountancy Bodies (CCAB) Accounts.

For Part Qualified: CIPP Certificate in Pension Administration and CIPP Foundation Degree in Pensions Administration and Management (part completion).

Other professional and relevant qualifications that members have provided are listed below:

- Investment Management Certificate (for investment management staff in the Fund)
- Integrated Program Performance Management (IPPM) Foundation/Diploma
- National Vocational Qualification (NVQ) in administration
- Chartered Institute of Personnel & Development (CIPD)
- Association of Payroll and Superannuation Administrators (APSA)
- Qualification in Public Sector Pensions Administration (QPSPA)
- Fellow of Institute for Securities & Development (FCSI)
- Chartered Institute of Public Finance and Accountancy (CIPFA)
- Association of Accounting Technicians (AAT)
- Association of Chartered Certified Accountants (ACCA)
- PRojects IN Controlled Environments (PRINCE2)
- Financial Planning Certificate
- Internal Career Progression scheme
- Institute and Faculty of Actuaries (IFOA)
- Chartered Management Institute (CMI)
- Retirement Provision Certificate (RPC)
- CIPP Certificate in Payroll

Source: Section 6c, Questionnaire 2019

SECTION 6 - COMMUNICATIONS

*In brackets, italised, is the average of percentage of authorities that **are** providing this service and the average number that's provided.*

Please note, the sections on this page are not comparable due to differences in how the numbers were provided. E.g. Newsletters are sent out twice (2) a year and a total 12,000 newsletters are sent out in a year.

Active Members

	Provided?	Number	How notifed - Workplace?	Home?	Self-service?
Newsletters	Yes *(81%)*	1 *(12,538)*	na	Both	Yes
Presentations/Road-shows	Yes *(69%)*	31 *(29)*	na	na	na
Clinics	Yes *(50%)*	1,871 *(193)*	na	na	na
Pensions Saving Statements	Yes *(94%)*	319 *(2,675)*	na	Both	Yes
Annual Benefit Statements*	Yes *(100%)*	39,789 *(47,486)*	na	Both	Yes

South Yorkshire Pensions Authority doesn't provide a dedicated helpline, they do provide an AGM, there is a dedicated website area and there is a social media presence.

98% of the Annual Benefit Statements for 31/03/18 was sent by the deadline and the statements for 31/03/19 will be sent by the statutory deadline, 31/08/19.

Deferred Members

	Provided?	Number	How notifed?	Self-service?
Newsletters	Yes *(75%)*	1 *(7,346)*	Both	Yes
Presentations/Road-shows	No *(13%)*	na *(9)*	na	No
Clinics	Yes *(25%)*	na *(4)*	na	No
Pensions Saving Statements	No *(56%)*	na *(7)*	Both	Yes
Annual Benefit Statements*	Yes *(100%)*	46,893 *(46,575)*	Both	Yes

South Yorkshire Pensions Authority doesn't provide a dedicated helpline, they do provide an AGM, there is a dedicated website area and there is a social media presence.

After March '18 was when the Annual Benefit Statements for 31/03/18 were produced and After March '19 is when the statements for 31/03/19 will be produced.

Pensioners

	Provided?	Number	How notifed?	Self-service?
Payslips/year-end statements	**Yes *(100%)***	47,922 *(68,357)*	Both	Yes
Newsletters	Yes *(94%)*	2 *(23,584)*	Both	Yes
Presentations/Road-shows	No *(6%)*	0 *(8)*	na	na
Clinics	Yes *(19%)*	0 *(0.8)*	Both	Yes

South Yorkshire Pensions Authority doesn't provide a dedicated helpline, they do provide an AGM, there is a dedicated website area and there is a social media presence.

Employers

	Provided?	Number
Newsletters	Yes *(94%)*	4 *(11)*
Presentations/Conferences	Yes *(94%)*	1 *(5)*
User-groups	No *(50%)*	0 *(3)*
Training	Yes *(100%)*	31 *(15)*

South Yorkshire Pensions Authority doesn't provide a dedicated helpline, they do provide an AGM and there is a dedicated website area.

Source: Section 7a - d, Questionnaire 2019

Self- Service

*In brackets, italised, is the average percentage of authorities that **are** providing this service and the average percentage taken up/being used.*

Members	Provided?		Number of take up	% of take up	
All members					
Contact details	Yes	*(81%)*	13,878	8%	*(17%)*
Dependants details	Yes	*(50%)*	13,878	8%	*(17%)*
Pensioners					
Bank details	Yes	*(56%)*	3,301	7%	*(16%)*
Payslips	Yes	*(69%)*	3,301	7%	*(20%)*
Year-end statements	Yes	*(69%)*	3,301	7%	*(19%)*
Active/deferred members					
Annual Benefit Statements	na	*(50%)*	9,880	10%	*(22%)*
Generate own estimates	na	*(50%)*	9,880	10%	*(27%)*

All members
168,823
Pensioners
45,915
Active & Deferred Members
101,022

Employers	Provided?		Employers with access	Employees with access	Is it being used?	
Members records	Yes	*(69%)*	517	4,172	Yes	*(63%)*
Employers records	Yes	*(38%)*	454	1,564	Yes	*(38%)*
Casework progress	No	*(13%)*	0	0	No	*(13%)*
Electronic data interface (EDI)	Yes	*(69%)*	493	493	Yes	*(56%)*
Generate estimates for member	No	*(31%)*	0	0	No	*(25%)*
Generate redundancy estimates	No	*(31%)*	0	0	No	*(31%)*

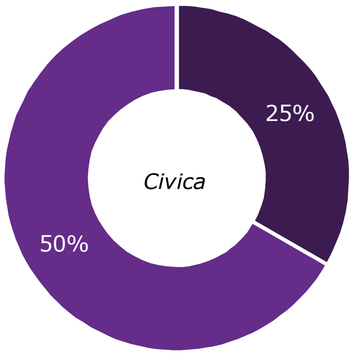
SECTION 7 - IT AND DATA QUALITY

IT ARRANGEMENTS

The IT Arrangements for the pension adminstration in South Yorkshire Pensions Authority is: Local

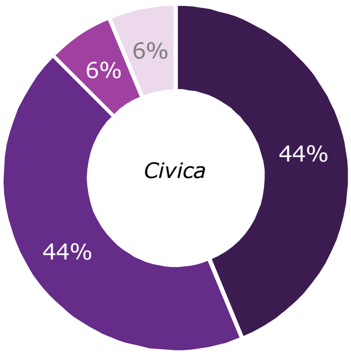
The local facilities dedicated to and run by the Pension section for the following sections will have the average choices from authorities as a donut chartband the system for South Yorkshire Pensions Authority is denoted in the centre.

Pensions Software



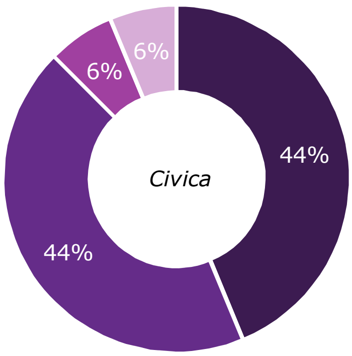
Civica (25%)
Heywood - Altaire (50%)

DIPS/Scanning



Civica (44%)
Heywood - Altaire (44%)
Heywood - Axis (6%)
In-House (6%)

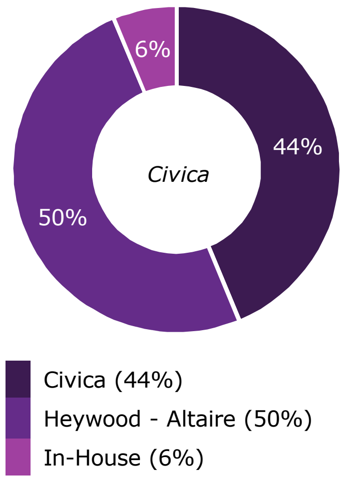
Workflow



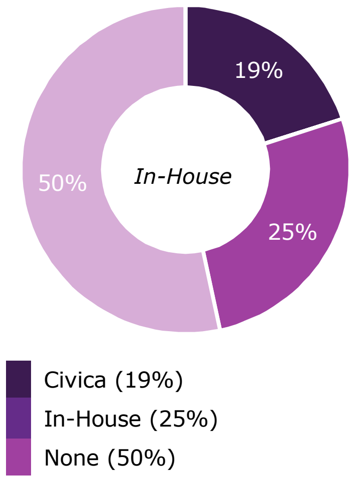
Civica (44%)
Heywood - Altaire (44%)
Heywood - Axis (6%)
In-House (6%)

Source: Sections 7&8, Questionnaire 2019

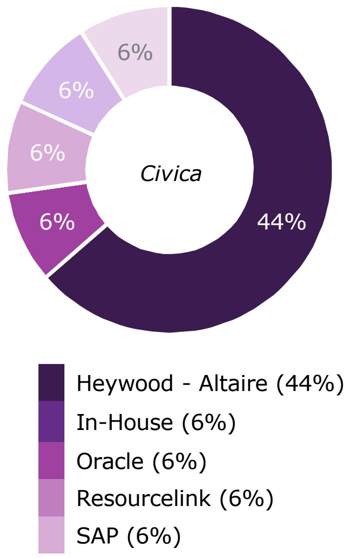
Task Management



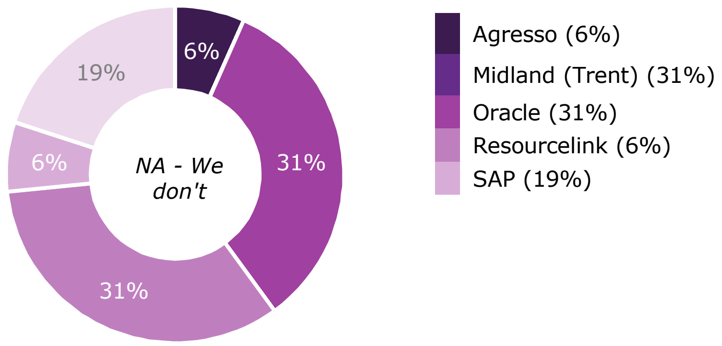
Call centres/CRM Software



Pension Payroll



Main Employer's Payroll



For the donut graphs above, if there is a percentage that is less than 5%, this will not be shown on the chart but is denoted in the legend.

DATA QUALITY

South Yorkshire Pensions Authority has had their common data measured in the last 3 years and 96% of this was assessed to be present and accurate. In regards to the scheme specific data, South Yorkshire Pensions Authority has had it measured in the last 3 years with 87% assessed to be present and accurate.

The last time South Yorkshire Pensions Authority had their data measure was:

Oct-18

Responses from members of the benchmarking club regarding steps taken to clean data so it meets the Pensions Regulator's standard will be provided in the narrative scrapbook following the release of the final reports.

Source: Sections 8&9, Questionnaire 2019

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CIPFA holds more data on local government performance than any other organisation in the world and our Corporate Services Benchmarking Clubs are the market leader in local government benchmarking, with high levels of participation and customer satisfaction. Our detailed reports, databases, and interactive tools provide you with solid evidence to support decisions on budget and improvement.

We also do...

In addition to Pensions, other Benchmarking Clubs include Accountancy, Creditors, Debtors and Payroll.

We also provide other Pensions related services through TISonline.

To learn more about other benchmarking clubs in areas such as Adult Social Care and Children's Services, or to see our Value for Money indicator stream, please see our website:
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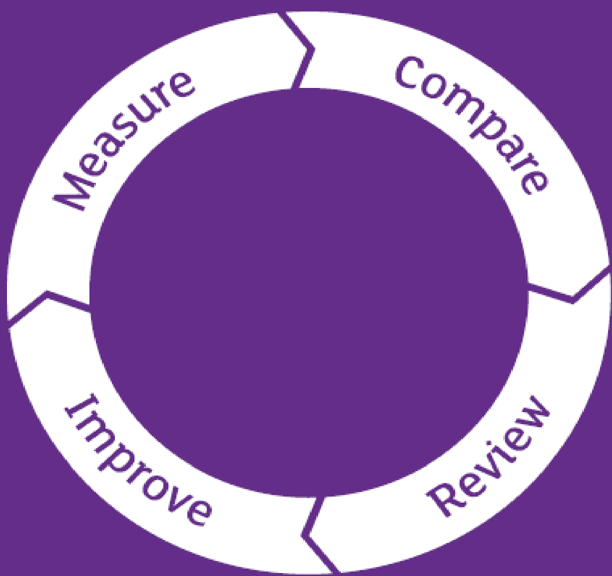
E: **customerliaison@cipfa.org** T: **020 7543 5600**



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Pension Administration Benchmarking Analysis

For the year ending March, 2019

South Yorkshire Pensions Authority LGPS

18/11/2019

CEM Benchmarking UK Ltd.
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Contents

South Yorkshire Pensions Authority LGPS
Pension administration benchmarking results

For the year ending March 2019

Page 167

CEM Benchmarking
What gets measured gets managed

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This report compares your governance and pension administration costs and your member service with a peer group of other schemes

Peer group for South Yorkshire

		# of members (000's)					
#	Scheme	Active	Deferred	Pensioners	Total	% active	Administration model
1	BT Pension Scheme	0	80,872	205,142	286,014	0%	In-house
2	Greater Manchester	111,618	136,466	129,140	377,224	30%	In-house
3	Lothian	34,569	20,685	30,623	85,877	40%	In-house
4	LPP (Local Pensions Partnership)*	169,827	220,273	172,475	562,575	30%	In-house
5	Merseyside	46,726	40,259	51,585	138,570	34%	In-house
6	Royal Mail	84,643	17,378	35,065	137,086	62%	In-house
7	RPMI (Railway Pension Scheme)*	93,045	106,750	147,643	347,438	27%	In-house
8	South Yorkshire Pensions Authority LGPS	49,145	51,877	45,915	146,937	33%	In-house
9	SPPA (Scottish Public Pensions Agency)	272,362	88,883	210,204	571,449	48%	In-house
10	Tesco	0	293,349	64,072	357,421	0%	In-house
11	Tyne and Wear	45,934	41,476	49,551	136,961	34%	In-house
12	USS (Universities Superannuation Scheme)	202,165	165,075	84,704	451,944	45%	In-house
13	West Midlands	123,734	105,355	95,679	324,768	38%	In-house
	Average	96,044	103,433	100,823	300,300	33%	14 out of 14 in-house
	Median	88,844	84,878	87,216	305,391	34%	

Page 168

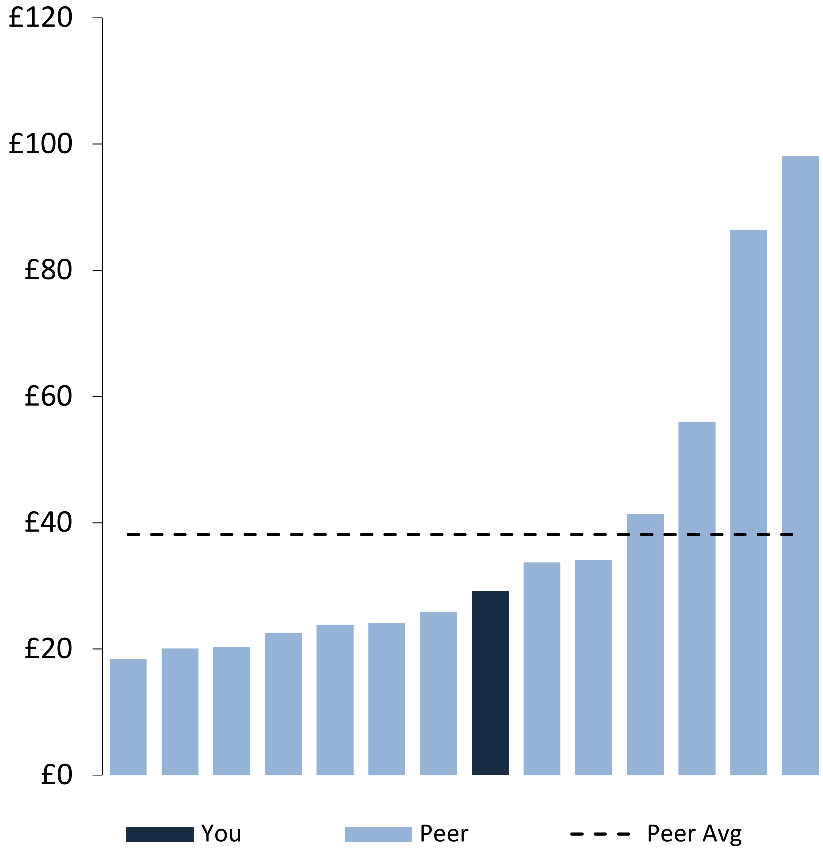
Your peer group comprised 13 pension schemes between 85,877 and 571,449 members. The peer median was 305,391 members, compared with your own 146,937 members. The peer group has been selected based on the availability of data, scheme size and membership mix.

Peer data is the most up-to-date available. In most instances it is for the year to March 2019 though some peers have different year ends. We have rolled forward data from prior years for some peers, increasing costs in line with National Average Earnings where no updated data was available and substituting current year membership data from publicly available documents.

* LPP and RPMI operate administration platforms serving multiple clients. We are benchmarking their operating costs rather than the fees they charge to their clients.

Your total cost of £29.16 per member was £8.96 below the peer average of £38.12.

Total Cost per member



	£ 000s		£ per member		
	You 2019	You 2018	Peer Avg	You 2019	You 2018
Governance	737		6.68	5.01	
Projects	112		3.72	0.76	
Administration	3,435		27.72[1]	23.38	
Total cost	4,284		38.12	29.16	

We include costs that are directly related (e.g., staff costs or an outsourced provider's fee) plus attributions of IT, accommodation, HR, support services and professional fees.

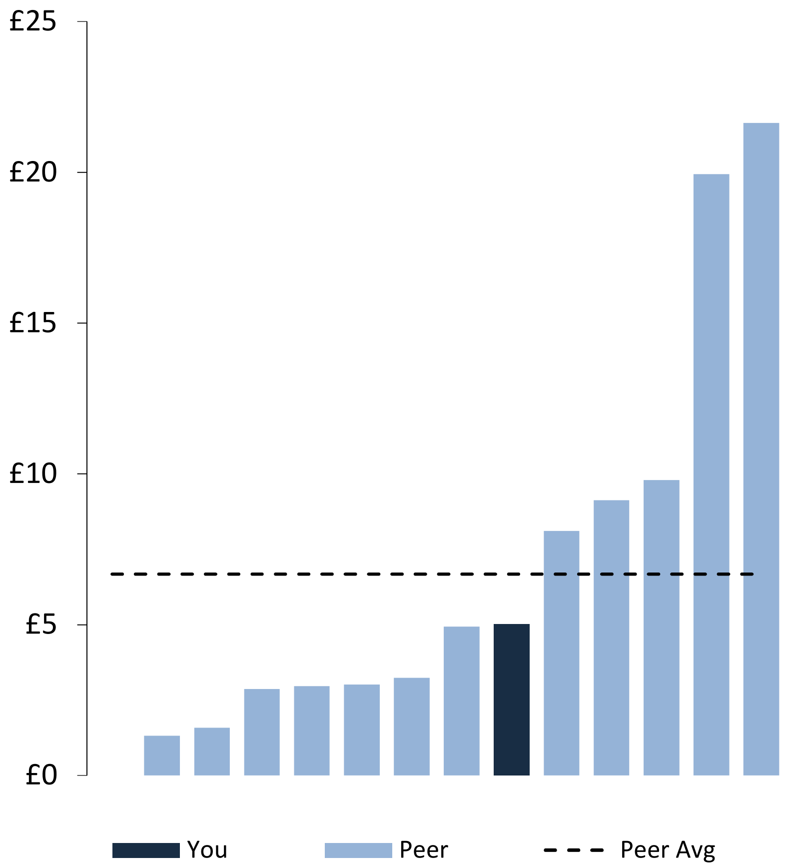
The costs associated with investment operations, investment management and oversight/governance relating to investments are specifically excluded.

In the pages that follow we illustrate how you compare in each of the three areas and highlight the factors that influence your relative positioning.

[1] Adjusted for scale - refer to page 6.

Your governance, strategy and policy cost of £5.01 per member was £1.67 below the peer average of £6.68.

Governance, strategy and policy cost per member



Components of governance, strategy and policy cost

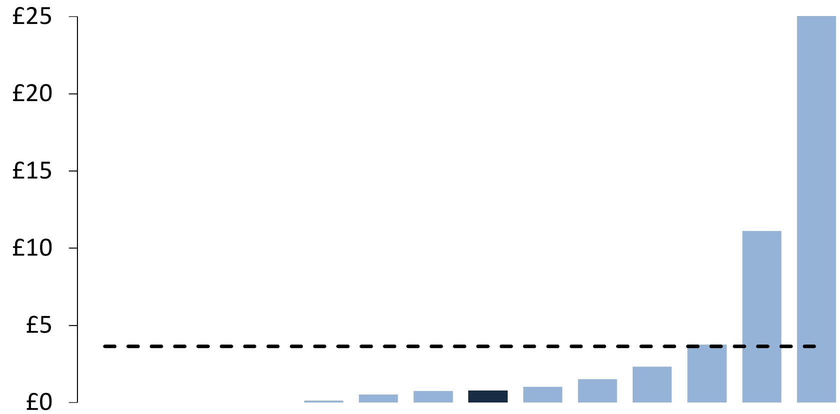
	£ 000s			£ per member		
	Peer Avg	You 2019	You 2018	Peer Avg	You 2019	You 2018
Board/Trustee fees and expenses	294	65		0.95	0.44	
CEO, secretariat, strategy, policy[1]	813	506		2.61	3.44	
Legal	302	17		0.99	0.12	
Actuarial valuation[2]	199	7		0.73	0.05	
Actuarial other	325	142		1.13	0.97	
External audit	71	0		0.27	0.00	
Total	2,003	737		6.68	5.01	

[1] Includes attributions of accommodation, HR and other support costs.
[2] The peer average is the average amongst those schemes that have a valuation cost in the year.

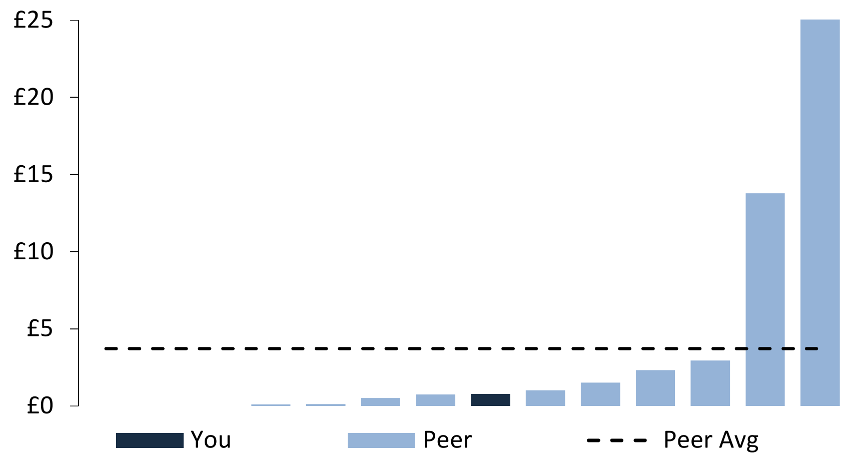
The scope of work and activities of the Board and executive team vary substantially from scheme to scheme and are difficult to compare. The type of scheme, complexity, propensity to outsource, M&A activity etc., are all factors that affect an individual scheme's positioning.

Your project costs of £0.76 per member for 2018/2019 were £2.88 below the peer average of £3.64.

2018/19 Project Costs



Multi-Year Average Project Costs



	£ per member	
	You	Peer Avg
Single year 2018/2019	£0.76	£3.64
Multi-year average	£0.76	£3.72

What is included:

- One-off costs that were not capitalised, including fees paid to external administration providers for one-off projects or irregular work. These costs are averaged over as many years as possible based on the scheme's participation record, with a maximum of 5 years.

- The attribution of accommodation and HR costs based on FTEs dedicated to major projects in the current year, if any.

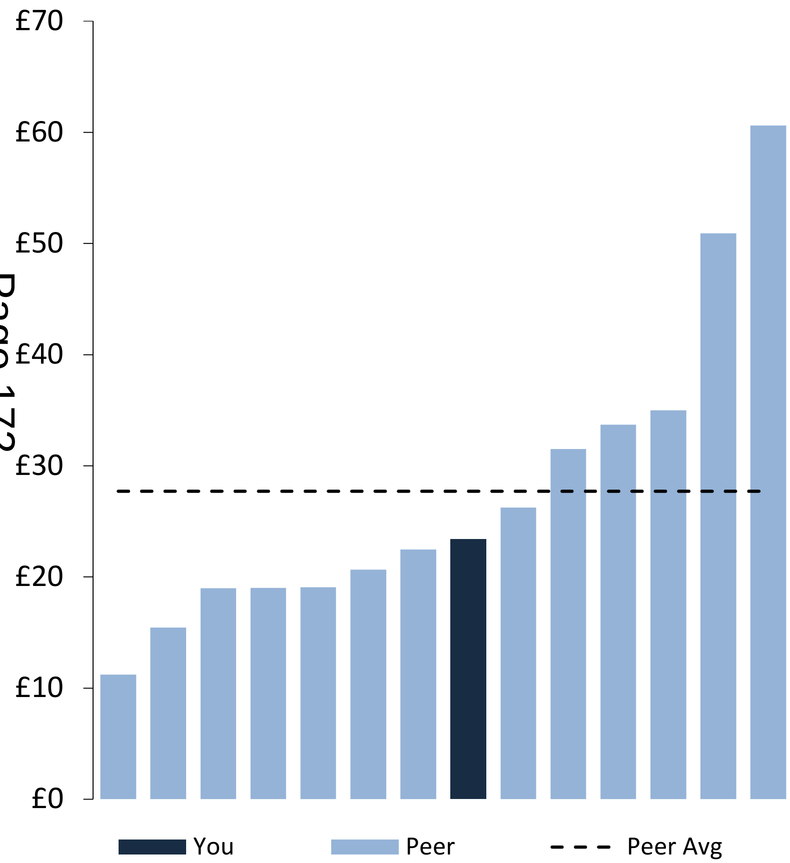
- Current year amortisation on capitalised costs.

Project costs reported this year by you:
- 2019 Member Web and Automation Modules - £ 83,000
- 2019 GMP Reconciliation - £ 29,000

Note that some schemes have submitted less than 5 years of data. Where this is the case that the costs are averaged over the number of years where data has been available. Some schemes have reported no capital expenditure.

Your business-as-usual (BAU) administration cost of £23.38 per member was £4.34 below the adjusted[1] peer average of £27.72.

Adjusted regular administration cost



	£ per member		
	Adjusted[1] peer avg	You 2019	You 2018
Administration costs	27.72	23.38	

The following BAU tasks were included:

- Processing leavers, joiners, retirees, deaths, etc.
- Maintenance of the membership database
- Dealing with incoming and outgoing post, e-mails and phone calls
- Finance and accounting (excluding investment accounting)
- Mass communication including member statements, newsletters, websites, etc.
- Pensioner payroll
- Serving employers
- Collecting data and contributions.
- Communication strategy, print and design
- Business integrity: quality, risk management, technical support, etc.
- Internal oversight of any outsourcing contract.

[1] To make a fairer comparison we adjust (or 'normalise') costs to eliminate the effect of economies of scale. On average, peer costs have been increased by £4.24 per member. Before the adjustment the peer average cost was £23.47.

Some reasons why your costs were £4.34 below the adjusted peer average:

Some of the reasons why your costs were below the adjusted peer average are outlined and quantified below.

Reason	Impact £ per member	Explanation
Headcount	£3.40	You have 1 FTE for every 2,275 members, 19.5% more than the peer average of 1 FTE per 2,718 members.
Salaries and benefits	£0.09	Your average remuneration was £34,892 per FTE. This was 0.7% more than the peer average of £34,633.
Accommodation	-£0.12	Your accommodation costs were £2,466 per FTE. This was 12.2% less than the peer average of £2,809.
HR and Training	£0.15	Your HR and Training costs were £2,427 per FTE. This was 20.8% more than the peer average of £2,010.
Spending less per member on IT	-£0.08	Your IT spend (exc. major projects) was £4.26 per member. The peer average was £4.35.
Third party fees and other direct costs	-£3.53	Your third party fees and other direct costs were £1.63 per member. The peer average was £5.16.
Total	-£0.09	Difference in cost before adjusting for economy of scale impact
Adjustment for scale	-£4.24	You had a scale disadvantage. Your 146,937 members was below the in-house peer average of 294,333.
Total	-£4.34	Difference in cost after adjusting for economy of scale impact

1. Third party fees and other direct costs includes, where relevant, fees paid to external providers for activities that are outsourced. In some schemes these outsources activities can be material, e.g. outsourcing pension payroll and can explain differences in other areas, e.g. headcount.

You spend more on finance and accounting and member transactions than peers.

	Costs by function				FTE by function	
	You		Peer average		You	Peer average
Function	£ per member	% of total	£ per member	% of total	FTE per 10,000 members	FTE per 10,000 members
Contact centre (if you have one)[1]	£0.00	0%	£1.00	4%	0.00	0.32
Member transactions / interactions[1]	£9.38	40%	£7.91	35%	2.69	1.99
Pensioner payroll[3]	£0.52	2%	£0.83	4%	0.25	0.20
Mail room / imaging	£1.14	5%	£0.56	2%	0.18	0.08
Communication (strategy, design, web, etc)	£0.90	4%	£1.12	5%	0.14	0.13
Scheme-wide processes	£1.21	5%	£1.06	5%	0.41	0.27
Serving employers	£0.63	3%	£0.59	3%	0.16	0.15
Finance and accounting	£2.81	12%	£1.22	5%	0.58	0.22
Technical, risk mgt, compliance, quality	£0.37	2%	£1.27	6%	0.00	0.19
Other	£0.00	0%	£1.17	5%	0.00	0.08
IT	£3.92	17%	£4.19	18%	0.70	0.26
Accommodation	£1.26	5%	£1.08	5%	0.00	0.01
HR	£0.33	1%	£0.46	2%	0.05	0.05
Other support services	£0.91	4%	£0.31	1%	0.00	0.00
Total	£23.38		£22.77		5.15	3.94
Balancing amount[2]			£4.95			
Total	£23.38		£27.72	Members per FTE	2,275	2,718

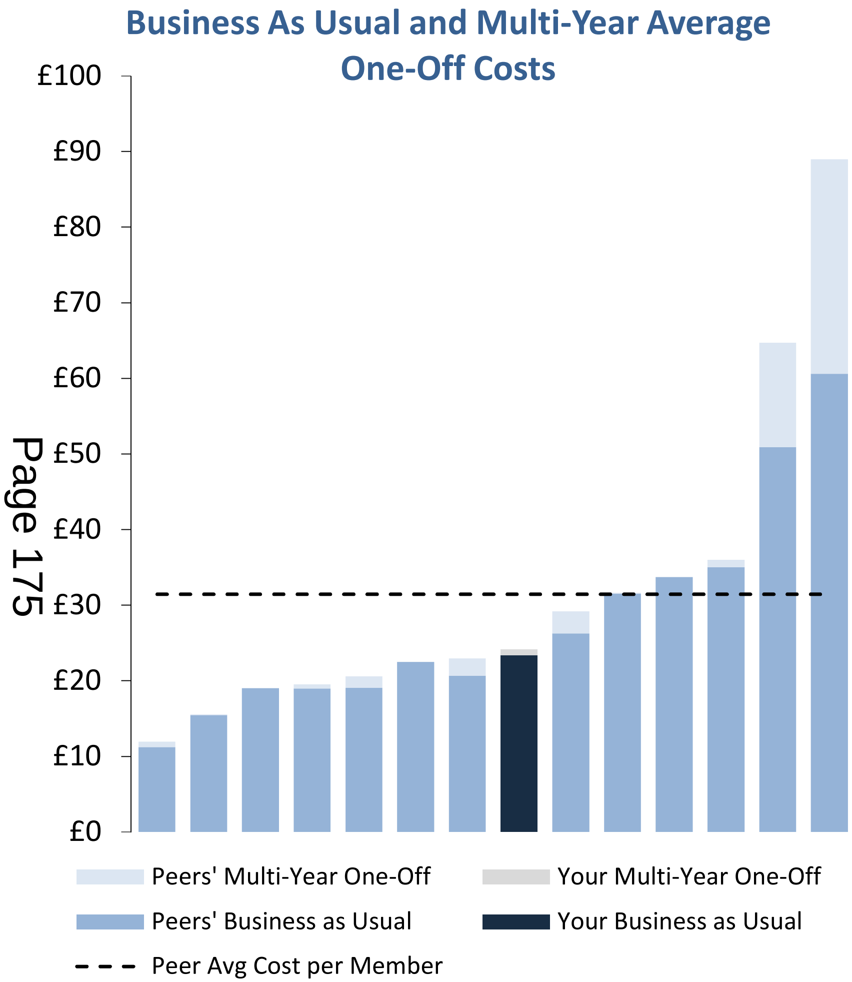
1. Not all peers have a contact centre so care needs to be taken in interpreting the data in this area. Combining contact centre and member transactions may provide a better measure of relative spend and FTEs.

2. The 'balancing' amount includes outsourced costs, scale adjustment (for peers), and the impact of peers that do not provide a functional cost breakdown.

3. Your cost for pensioner payroll on a per pensioner basis was £1.66. The peer average was £2.82.

Page 174

Your combined business-as-usual administration and multi-year project costs of £24.14 per member were £7.30 below the peer average of £31.44.



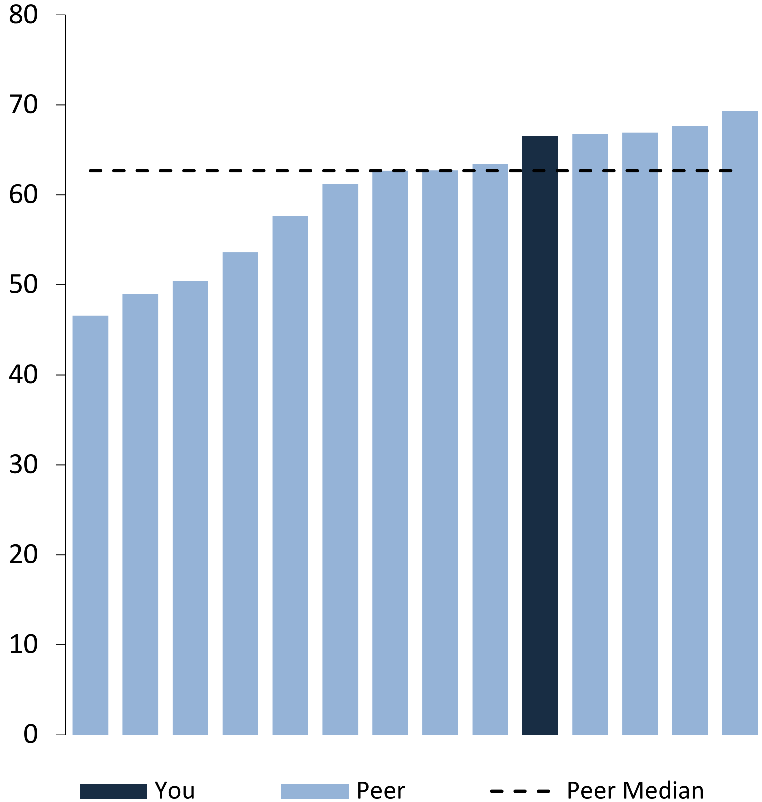
Page 175

	£ 000s		£ per member		
	You 2019	You 2018	Peer Avg	You 2019	You 2018
Multi-year project costs	112		3.72	0.76	
Business-as-usual costs	3,435		27.72	23.38	
Total cost	3,547		31.44	24.14	

Your total member service score was 67 out of 100. This was above the peer median of 63.

Total member service score[1]

Page 176



Looking at cost in isolation is unhelpful. Context is required, as is a means to measure value for money. CEM believes the right measure is member service, hence the service score.

Service is defined from a member's perspective. Higher service means more channels, faster turnaround times, more availability, more choice, better content and higher quality.

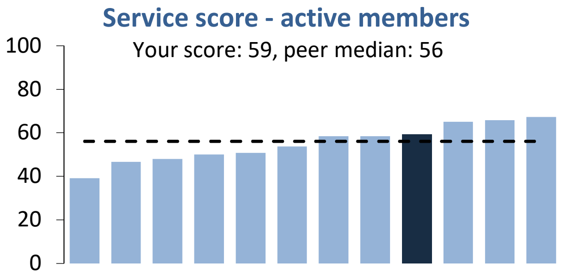
Higher service is not necessarily cost-effective. For example, the ability to answer the telephone 24 hours a day is higher service, but not cost effective.

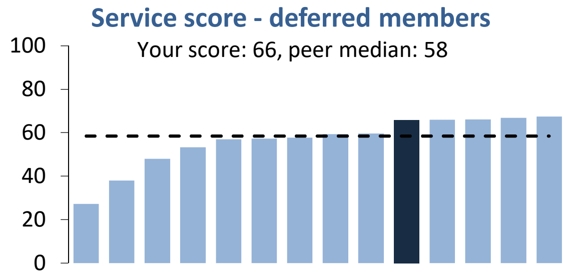
The total service score is equal to your service scores for active members, deferred members and pensioners, weighted by your membership mix. Your membership mix is also used to weight the total scores for your peers.

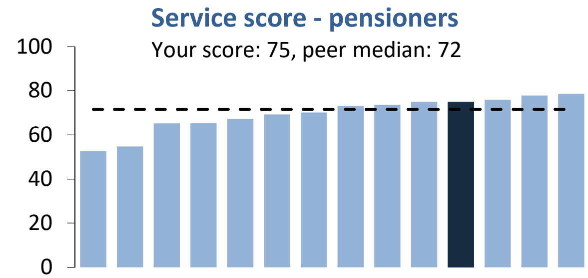
	Weight	2019 score	2018 score	1 year change
Active	33%	59	-	-
Deferred	35%	66	-	-
Pensioner	31%	75	-	-
Total	100%	67	-	-

1. For peers with no active members we have added a default active member service score equal to your own active member service score.

Service score by member type and activity







You   Peer   Peer Median

Activity	Weight	Peer med	You 2019	You 2018
Pension Set Ups	10%	56	41	
Benefit Statements	10%	68	65	
Estimates	8%	88	90	
Newsletters and Campaigns	4%	30	30	
Face-To-Face - Individuals	5%	30	88	
Face-To-Face - Groups	8%	43	41	
Telephone - Pre-Connection	10%	49	67	
Telephone - Capability	6%	84	82	
Telephone - Outcomes	4%	40	10	
Digital - Public	4%	57	76	
Digital - Secure - Use	7%	66	63	
Digital - Secure - Functionality	7%	58	72	
Digital - Social Media	4%	23	55	
SLA - Scope	3%	81	90	
SLA - Strength	5%	45	44	
Measuring What Matters	5%	30	20	
Deductions				
Complaints (up to 5 pts)	n/a	0	0	
Weighted total	100%	56	59	

Activity	Weight	Peer med	You 2019	You 2018
Pension Set Ups	10%	70	63	
Benefit Statements	8%	61	57	
Estimates	8%	60	95	
Newsletters and Campaigns	4%	44	59	
Tracing Members	15%	91	95	
-	-	-	-	
Telephone - Pre-Connection	10%	43	67	
Telephone - Capability	6%	84	82	
Telephone - Outcomes	4%	40	10	
Digital - Public	4%	58	70	
Digital - Secure - Use	7%	59	61	
Digital - Secure - Functionality	7%	48	65	
Digital - Social Media	4%	20	55	
SLA - Scope	3%	80	87	
SLA - Strength	5%	43	45	
Measuring What Matters	5%	37	0	
Deductions				
Complaints (up to 5 pts)	n/a	0	0	
Weighted total	100%	58	66	

Activity	Weight	Peer med	You 2019	You 2018
Pension Increases	22%	100	100	
P60s	17%	100	100	
-	-	-	-	
Newsletters and Campaigns	4%	40	36	
-	-	-	-	
-	-	-	-	
Telephone - Pre-Connection	11%	43	67	
Telephone - Capability	7%	75	75	
Telephone - Outcomes	4%	40	10	
Digital - Public	4%	75	80	
Digital - Secure - Use	7%	43	55	
Digital - Secure - Functionality	7%	74	83	
Digital - Social Media	4%	20	55	
SLA - Scope	3%	75	75	
SLA - Strength	5%	59	88	
Measuring What Matters	5%	38	0	
Deductions				
Complaints (up to 5 pts)	n/a	0	0	
Missed Payments (up to 65 pts)	n/a	0	0	
Weighted total	100%	72	75	

Notes:
1. The weighted total service score for peers is the median amongst the peer group, not the sum of the peer medians by activity x the weight.
2. The service score is not designed to be comparable across the member categories, i.e., if active members score higher than deferreds, it does not mean that active members enjoy a higher level of service per se.

Key outliers influencing your total member service score relative to peers

Higher than peers

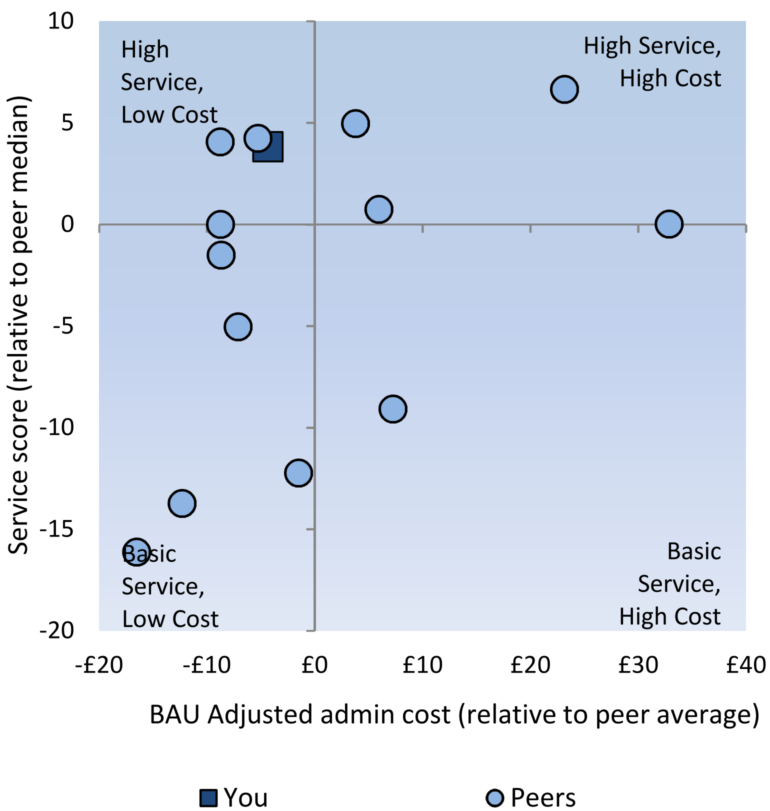
- You met with more members individually, face-to face than your peers - 1,871 members which is 3.8% of your active membership. The peer median was 0.6%. (Though your members needed to come to your offices for these meetings – many of your peers are meeting members at their place of work).
- You score well for estimates. Your members can get an estimate in the post or on-line (and the on-line calculator is linked to member data). The content of your estimates is also good.
- You also score well for the members' experience in reaching you on the telephone. This is because you don't have a contact centre and pension administrators answer all calls. (Your score is lowered however on account of not measuring some aspects of service over the telephone.)
- You have lots of helpful content in the public area of your website (member frustration grows if they have to sign in to access forms, publications and other information that is not specific to them).
- When they log on to your website, your members generally experience a higher level of functionality than peers.
- You are using three social media platforms (Facebook, Twitter and LinkedIn). This is more than most peers.
- You have more SLA measures than your peers. You generally target to deliver 100% of tasks within your targets - which is tough to achieve. Your SLAs for pensioners were particularly strong.

Lower than peers

- 25% of your pension commencement lump sums were paid within 1 week of retirement for retiring active members. The peer median was 45%. For deferreds, you paid 55% of pension commencement lump sums within 1 week. The peer median was 86%.
- Approximately 16% of your calls didn't connect, with callers getting an engaged tone or recorded message. Also you couldn't tell us how many calls were abandoned or rang unanswered. Some of your peers can supply this data.
- You don’t monitor what happens to calls after they connect (e.g., first contact resolution rates). Many of your peers are measuring what happens to calls. Neither do you complete call quality monitoring (i.e., listening in on calls to help develop the skills of staff on the phone) – most of your peers do.
- 12.8% of your active members are registered as users on your website. This is lower than the peer median of 25%. Deferred members and pensioners are also less likely to be registered users.
- You generally measure less than your peers in terms of member satisfaction, understanding and experience. Most of your peers are measuring across a wider range of tasks (e.g., phone calls, retirements).

You were positioned as high member service, low cost on the CEM administration cost effectiveness graph.

Total service score vs. adjusted admin cost



Page 179

If you pay more for pension administration, do you get more? We answer this question by positioning each peer on our signature 'cost effectiveness graph'.

Your positioning on the graph is based on:

- Your administration cost of £23.38 was £4.34 lower than the adjusted peer average of £27.72.
- Your total service score of 67 was 4 points higher than the peer median of 63.

Your operational strategy should focus on delivering services that are appropriate for your members within a budget that is right for your scheme. There is therefore no right answer about where you should be positioned in the graph on this page.

Having said this, our research suggests a low correlation between cost and service (according to the CEM scale). It should therefore be possible to increase your service score without a corresponding increase in costs.

We suggest that schemes focus on service improvements that can be implemented cost effectively. We also suggest benchmarking regularly as a means to monitor progress over time.

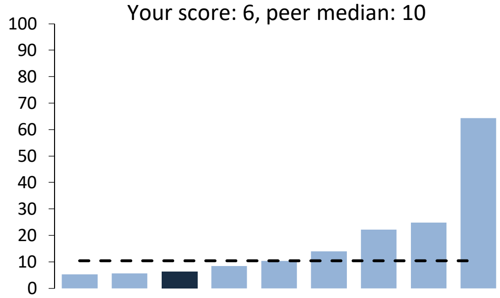
Page 180

Employer service dashboard

Your administration team serves two groups of ‘clients’ – members and employers. You serve 488 employers. On average, peers serve 430 (range 84 to 1190). 95% of your employers are small (<100 active members). On average, 80% of employers are small amongst your peers. There is no single overarching score for employer service as we believe that different employers have different needs. Here is how you compare in some areas where comparisons can be made:

Meeting Employers

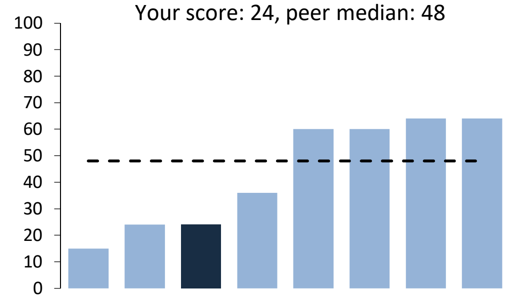
Your score: 6, peer median: 10



You held 31 meetings with employers, equal to 6% of your employers. The peer median was 10% (avg. 18%).

SLAs - relating to how you serve employers

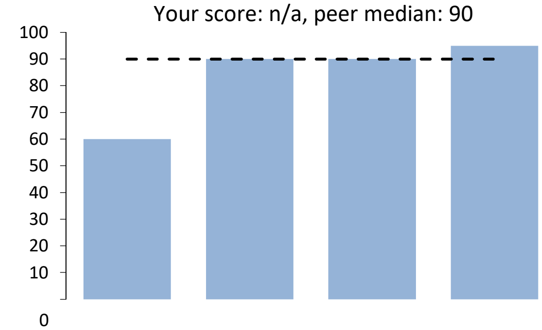
Your score: 24, peer median: 48



You had targets for fewer employer specific tasks (rather than member).

Reporting to employers about member service

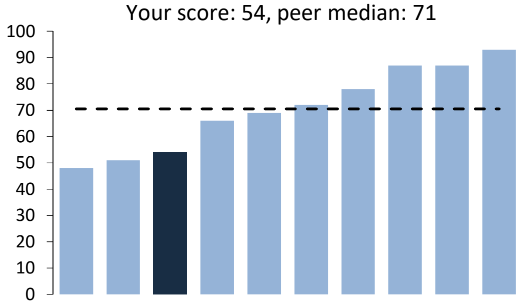
Your score: n/a, peer median: 90



You don’t report to employers individually about member service.

Training employer staff

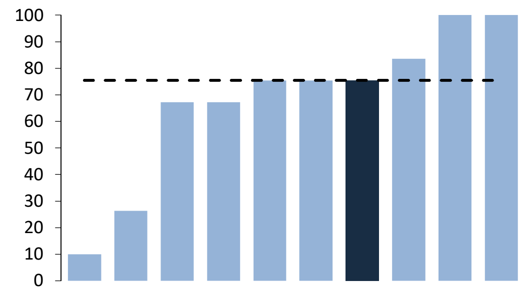
Your score: 54, peer median: 71



You offers some training options, including face-to-face and by posting videos online.

Employer website

Your score: 75, peer median: 75



You have lots of functionality on your website for employers.

You Peer Peer Median

* Not every peer answers every question. Corporate schemes in particular are not included. The median is the median amongst those schemes that were able to answer the relevant questions.

Selected employer service metrics

	You	Peers
Data collection		
How often is salary and contribution data collected?	Monthly	20% Continuously, 0% Weekly, 60% Monthly, 10% Varies By Employer
Client Relationship Managers (CRMs)		
# of employers (total) (A)	488	
# of employers that have an identified CRM (B)	0	
% of employers that have an identified CRM (B/A)	0.0%	Average 12%[1]
# of CRMs dedicated to employer service (C)	0	Average 5[1]
Number of employers per CRM (B/C)	0	Average 4[1]
Do CRMs complete site visits to employers?	No	78% Yes[1]
Total visits by CRMs (D)	0	Average 21[1]
Average # of site visits per CRM (D/C)	n/a	Average 5[1]
CRM visits as a % of employers (D/B)	0	Average 0[1]
Website		
Do you have a secure area for employers?	Yes	100% Yes
Can employers upload data (e.g., salaries)?	Yes	80% Yes[2]
Can employers enrol new members on the website?	Yes	80% Yes[2]
Can employers report leavers on the website?	Yes	80% Yes[2]

Page 181

1 Amongst those that have CRMs.

2 Amongst those that have a secure area website for employers.

In summary

Costs

- Your total costs were £4.72 per member below the peer average.
- Your governance costs were £1.67 per member lower than the peer average.
- Your BAU administration costs were £4.34 per member lower than the peer average.

Member Service

- Your total service score was above the peer median.
- You scored well for service in these areas:
  - Telephone – pre-connection
  - Social media
  - Meeting members one-to-one
  - Estimates
- You scored below your peers in these areas:
  - Telephone - outcomes
  - Setting up new pensions

Cost effectiveness

- You were positioned as high member service, low cost on the CEM administration cost effectiveness graph.

Employer Service

- You scored well for your website.