

SOUTH YORKSHIRE PENSIONS AUTHORITY

LOCAL PENSION BOARD

11 DECEMBER 2019

PRESENT: G Warwick (GMB) (Chair)

T Damms (Sheffield City Council), A Gregory (Scheme Member Representative), N Gregory (Academy Representative), S Loach (Employer Representative), K Morgan (Unite) and D Webster (Scheme Member Representative)

Officers: J Bailey (Head of Pensions Administration), G Graham (Fund Director), G Richards (Senior Democratic Services Officer) and G Taberner (Head of Finance and Corporate Services)

J Barata (CEM Benchmarking), I Colvin (Hymans Robertson) and J Simmonds (CEM Benchmarking)

Apologies for absence were received from N Doolan-Hamer, R Fennessy, M McCarthy and C Scott

1 WELCOME AND APOLOGIES

The Chair welcomed everyone to the meeting. Apologies were noted as above.

2 DECLARATIONS OF INTEREST

None.

3 ANNOUNCEMENTS

The Chair introduced I Colvin from Hymans Robertson who had been commissioned by the Scheme Advisory Board to look into governance in the LGPS.

I Colvin explained that Hymans Robertson were looking at the structure and governance framework of LGPS funds. There had been an extensive consultation during the summer and two reports had subsequently been published which included a number of recommendations. He would be working with G Graham and his team to look at the themes emerging and how these would affect SYPA as the Authority was unique across LGPS funds.

The Chair commented that The Pensions Regulator was looking closely at Local Pension Boards to ensure they were effective and fulfilling the role for which they were created.

In the past the Board's agendas had been mainly officer-driven but, with the recent appointment of an advisor to the Board, it was an ideal time to ensure agendas were more Board member-driven. The Chair requested that members suggest topics they would like to see raised, any areas they would like to look at in depth and any ideas for training sessions.

4 MINUTES OF THE MEETING HELD ON 17 OCTOBER 2019

RESOLVED – That the minutes of the meeting of the Board held on 17th October 2019 be agreed as a true record.

5 PENSIONS ADMINISTRATION STRATEGY

The Head of Pensions Administration presented a report to update the Board on the proposal to consult on changes to the Administration Strategy and the collection of contributions via direct debit.

The Administration Strategy set out what services SYPA would provide and what was expected from employers. The Strategy was introduced in 2016 and updated in March 2018 prior to the introduction of Monthly Data Collection.

As Monthly Data Collection (MDC) had now been successfully embedded into employer processes and routines, SYPA would now like to move to the collection of monthly contributions from employers by direct debit.

The existing Administration Strategy had been updated to reflect the proposed change in process and was ready for consultation with employers. The opportunity had been taken to update some other minor areas of the document which had become outdated. Appendix A showed the full Strategy document with tracked changes highlighting the amendments.

The Chair commented that he was pleased that the Pension Information Surgeries were to continue in each district, albeit with reduced opening times and asked if the days and times each office was open could be circulated.

Action: J Bailey to circulate the opening days and times of each district office to Board members.

In response to a question from S Loach, J Bailey confirmed the locations of the district offices as:

Barnsley	Gateway Plaza
Doncaster	Civic Office
Rotherham	Riverside House
Sheffield	Howden House

The Board queried why the annual tax seminar, provided by an independent advisor, for members was to be discontinued.

J Bailey replied that as the externally commissioned seminar was aimed at a small cohort of high earners, the Fund was paying for something that would only be relevant for a very limited number of members; this was not considered an appropriate use of resource. SYPA could continue to offer general information sessions around these issues and employers were also free to commission specialist support if they wished which SYPA could support with.

With regard to the advice for schools converting to academies, the second bullet point read: [schools should] “assess whether their budget will allow for the payment of employer contributions.....”. N Gregory suggested the wording should be amended to read “ensure” rather than “assess” as there was no choice other than to join the LGPS.

The Board noted other amendments including updating the service standards in the Customer Charter as previously agreed by the Authority, fees for the provision of information and additional non-standard work, and the table of charges and financial penalties.

In reply to a question regarding the requirement for employers to submit their MDC file by the 5th day of the month following the end of the payment period, J Bailey explained that this was due to the need to give 10 days’ notice for a direct debit; the statutory deadline for the payment of contributions was the 19th of the month. There was the potential for some flexibility if employers were willing to waive the 10 day notice period and any issues raised would be discussed with individual employers.

RESOLVED – That the Board:

- (i) Endorse the draft changes to the Administration Strategy for consultation with employers.
- (ii) Note the proposed changes in the contribution collection process and the revised timescales for receipt on the monthly data from employers.

6 SYPF FUNDING STRATEGY STATEMENT

The Fund Director presented a report which gave the Board the opportunity to provide its views on the draft Funding Strategy Statement.

The Board was informed that the Funding Strategy Statement sets out the Authority’s policies that define how it intends to ensure that funds are available to pay pensions as they fall due. These included the setting of employer contributions, the management of deficits and surpluses, the assessment of the employer covenant and the management of employer admissions and exits.

The key changes reflected in the draft FSS were set out in the report. With regard to the McCloud judgement, G Graham informed the Board that an estimate had been made of the impact of the case and employers were 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 was known. This would potentially provide greater stability in contribution rates for employers who chose to take the option.

Members noted that the maximum deficit recovery period would be 16 years, which was 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 would be brought down further.

RESOLVED – That the report be noted.

7 LOCAL PENSION BOARD BUDGET 2020/21

The Board considered its draft Budget for 2020/21.

Members noted that in the current financial year it was anticipated that the budget of £15,000 would be underspent by £9,000. The key variances were training, insurance and meetings running expenses.

With regard to the removal of the liability insurance for the Board, it was noted that the clear advice of the Scheme Advisory Board was that such a policy was not needed and therefore the policy had not been renewed.

The Fund Director explained that as the Board was not a decision making body it could not create a liability for the Authority therefore the insurance was unnecessary.

Although the training budget had been underspent it would remain at £6,000 for 2020/21. Members were encouraged to take up training opportunities and in addition resources had been reallocated for training sessions alongside Board meetings delivered initially by the Independent Advisor and officers.

To help the Authority to provide relevant training Board members were reminded to complete and return the Learning and Development questionnaire that had been circulated.

With regard to the savings being made on printing and postage, S Loach suggested that further savings could be made if the Board received agendas electronically.

RESOLVED – That the Board recommend the draft budget to the Authority for its approval as part of the Authority's overall budget.

8 MONITORING OF CONTRIBUTIONS PAYMENTS

A report was considered which updated 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.

The Board were informed that employers are required to make payments of all employer and employee contributions to the Authority within statutory deadlines.

Where payments are received later than the deadline, and the Authority considers that the late payment is of material significance, it had a duty to notify the Pensions Regulator of the late payments.

The report detailed the current procedures for monitoring of contribution payments and also showed a summary of the number of employers, analysed by size, who had made a late payment during the period April to September 2019.

It was noted that in the vast majority of cases, the amounts paid late were relatively small amounts and often relating to only one element of the contributions due.

As the Board had learned earlier when considering the update Pensions Administration Strategy, it was intended to move to Direct Debit collections with effect from 1st April 2020; this should reduce the risk of late payments in future.

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

In answer to a question from a Member, the Board was informed that none of the late payments had been reported to the Regulator as they had not been considered to be of material significance.

J Bailey informed the Board that in future the report would be presented on a quarterly basis.

RESOLVED – That the Board note the actions being taken in relation to the monitoring of contributions payments.

9 THE PENSIONS REGULATOR (TPR) UPDATE

A report was submitted to update the Board on the submission for the TPR Annual Scheme Return and the Public Service Governance and Administration Survey.

Members were reminded that the Pensions Regulator (TPR) required each pension scheme to submit an Annual Scheme Return each November. Whilst much of the return was routine administration and governance, TPR do also use the Annual Return to collect scores on data quality and the measurement of common and conditional data.

At the last meeting the Board were advised that the data score submitted for the 2018 Return was:

Common Data: 96%
Conditional Data: 87%

The Scheme Advisory Board (SAB) issued draft guidance on the data fields that could be measured by LGPS funds which was intended to provide a consistent approach across LGPS. SYPA developed its data analysis tool to accommodate

the SAB guidance and had submitted the following data scores calculated using the new guidance:

Common Data: 96%
Conditional Data: 91%

Members noted that although there had been an improvement overall, it was not particularly meaningful to compare the scores for 2018 and 2019 because the data measurements were not consistent. The summary of results to arrive at the data scores shown was attached at Appendix A for information.

Data would continue to be reported on quarterly and a Data Improvement Plan would be submitted to the next meeting of the Board.

At Appendix B was SYPA's response to TPR's annual Public Service Governance and Administration survey which was intended to help TPR understand what schemes were doing to improve their standards. The survey had been completed by officers in conjunction with the Chair of the Board.

It was thought that TPR would continue to focus on data along with cyber security, and member knowledge and understanding.

RESOLVED – That the Board:

- (i) Note the actions associated with the updated approach to data quality scoring submitted to the Pensions Regulator as part of the Annual Scheme Return.
- (ii) Note the responses to the TPR Governance and Administration Survey.

10 BENCHMARKING OF ADMINISTRATION

A report was submitted to update the Board on the outcome of two separate administration benchmarking exercises undertaken for 2018/19.

Members were informed that the CIPFA benchmarking exercise was specifically for LGPS funds and SYPA had been a participant for many years but this year SYPA and a number of other large LGPS funds also took part in a benchmarking exercise run by CEM, an independent provider with wider involvement in supporting the pensions world outside of the LGPS.

It was noted that the CIPFA Benchmarking Club was voluntary and that in 2019 only 27 funds out of approximately 90 funds chose to participate. Although this would limit the conclusions to be drawn from a national perspective, the club remains the principal source of comparative cost data available for LGPS funds.

It was hoped that one of the possible outcomes of the Good Governance Review would be that funds would be encouraged or mandated to participate in an appropriate benchmarking exercise.

The report showed that the total cost per scheme member for 2019 was £18.71 compared with an average of £17.69 for the comparator group. For comparison purposes, the total cost per scheme member in 2018 was £18.67.

It was difficult to draw conclusions from the data provided by CIPFA given the limited scale of participation but further analysis contained within the report suggested that SYPA invested less in Membership Engagement and Employer Engagement in 2018/19 than other participating funds. This issue had now been addressed, at least in part, by the recent administration restructure and the creation of specific engagement posts.

The Board considered the CEM Benchmarking Analysis which compared SYPA's governance and pensions administration costs and member service with a peer group of 12 other pension schemes which had membership of between 85,877 and 571,449.

In summary, the results of the analysis were:

Costs

- Total costs were £4.72 per member below the peer average.
- Governance costs were £1.67 per member lower than the peer average.
- BAU administration costs were £4.34 per member lower than the peer average.

Member Service

- SYPA scored well for service in the areas of:
 - Telephone – pre-connection
 - Social media
 - Meeting members one-to-one
 - Estimates
- SYPA scored below their peers in the areas of:
 - Telephone outcomes
 - Setting up new pensions

Cost effectiveness

- SYPA were positioned as high member service, low cost on the CEM administration cost effectiveness graph.

Employer Service

- SYPA scored well for its website.

J Bailey acknowledged the need to measure more aspects of service, especially with regard to telephone outcomes; how employers and how SYPA should report back to employers were performing was also an area to look at.

In all the report was generally positive and had brought out further areas to develop. It was hoped to see improvements in service areas, while recognising it was important not to concentrate too much on cost.

RESOLVED – That the Board:

- (i) Note the outcome of the 2018/19 CIPFA Benchmarking exercise.
- (ii) Note the potential areas for service development highlighted by the CEM Benchmarking exercise.

CHAIR