

Date: 07 October 2020

To: MEMBERS OF THE SOUTH YORKSHIRE
LOCAL PENSION BOARD

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This matter is being dealt with by: Gill Richards

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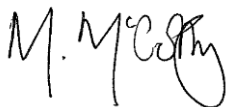
Dear Member

SOUTH YORKSHIRE LOCAL PENSION BOARD
Thursday 15 October 2020

A virtual meeting of the South Yorkshire Local Pension Board will be held at 10.00 am on Thursday 15th October, 2020.

The agenda is attached.

Yours sincerely



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

THURSDAY 15 OCTOBER 2020 AT 10.00 AM AS A VIRTUAL MEETING

AGENDA

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10	Consideration of any recommendations to be made arising from the items on the agenda	Verbal Report

SOUTH YORKSHIRE PENSIONS AUTHORITY

LOCAL PENSION BOARD

23 JULY 2020

PRESENT:

M Chaplin (Sheffield City Council), N Doolan-Hamer (Unison), R Fennessy (South Yorkshire Police), A Gregory (Scheme Member Representative), N Gregory (Academy Representative), S Loach (Barnsley MBC), G Warwick (GMB) and D Webster (Scheme Member Representative)

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

C Scott (Independent Advisor to the Board)

I Colvin (Hymans Robertson)

Apologies for absence were received from D Gawthorpe and Councillor T McDonald

1 ELECTION OF THE CHAIR OF THE LOCAL PENSION BOARD

M McCarthy asked for nominations for the position of Chair of the Board.

N Doolan-Hamer nominated G Warwick. This was seconded by N Gregory.

RESOLVED – That G Warwick be appointed as Chair of the Board for the ensuing year.

2 ELECTION OF VICE-CHAIR OF THE LOCAL PENSION BOARD

M McCarthy asked for nominations for the position of Vice-Chair of the Board.

N Gregory nominated R Fennessy. This was seconded by N Doolan-Hamer.

RESOLVED – That R Fennessy be elected as Vice-Chair of the Board for the ensuing year.

3 WELCOME AND APOLOGIES

In the temporary absence of the Chair, due to technical difficulties, R Fennessy took the Chair and welcomed everyone to the meeting.

Apologies were noted as above.

4 DECLARATIONS OF INTEREST

None.

5 ANNOUNCEMENTS

G Graham informed the Board that the government had announced a remedy for the McCloud case.

There would also be changes to the survivor benefits for widowers, the benefits would be brought in line with widows for opposite sex married couples. It was not clear how many this would affect and could involve having to trace survivors of female scheme members who had died.

It had also been announced that the £95k cap on exit payments was to be implemented, it was not yet clear how this would work in the LGPS.

J Bailey commented that the government had now issued enough information to start preparing for McCloud and an internal working group of managers had been set up to start preparations for implementing the McCloud judgement.

6 MINUTES OF THE MEETING HELD ON 13 FEBRUARY 2020

RESOLVED – That the minutes of the meeting of the Board held on 13th February 2020 be agreed as a true record.

7 MEMBERSHIP OF THE LOCAL PENSION BOARD

A report was submitted which updated the membership of the Board

Members were informed that following the resignation of Cllr Tony Damms and the early retirement of Kevin Morgan, Sheffield CC had appointed Cllr Mike Chaplin and Unite had appointed Danny Gawthorpe to the Board.

The Board welcomed Cllr Chaplin to his first meeting.

RESOLVED – That the report be noted.

8 LOCAL PENSION BOARD WORK PROGRAMME

The Board considered a proposed Work Programme for the year which aimed to provide additional clarity for members around future agendas for the Board. The Work Programme set out items which would be considered at every meeting and those that would be considered less frequently and had been constructed with reference to the Pensions Regulator's guidance and expectance.

RESOLVED – That the Work Programme be approved.

9 LOCAL PENSION BOARD CONSTITUTION

A report was submitted which sought approval for revisions to the Board's Constitution which was attached as an Appendix to the report.

Members were informed that there was one proposed change which was to include a provision (at 5.6) to allow for the automatic removal of a member for non-attendance for a period of 6 months, subject to a dispensation being agreed by a meeting of the full Board (for example in the case of a long term illness). This was in line with the Authority's Constitution.

It was confirmed that, if approved, the revised Constitution would take effect from the date of approval.

G Warwick suggested that the rule stating that members could only serve two terms of three years should be amended to three terms of three years. The change to the maximum tenure would not be out of line with corporate governance best practice and would provide more stability and consistency for the Board.

G Graham commented that this was a matter for the Board to decide but any change would need to go to the Authority for approval.

It was agreed that a paper would be drafted considering the options and circulated to Board members for comments.

RESOLVED – That the Board approve the revised Constitution.

10 QUARTERLY ADMINISTRATION UPDATE

A report was considered which updated the Board on administration performance and issues for the period 1st January 2020 to 30th June 2020.

J Bailey informed the Board that the vacant Pensions Officer posts and Customer Services officers had been appointed during the period. Unfortunately the appointments had been made three days before lockdown and had resulted in significant challenges in terms of being able to train and support the new staff.

A Support and Engagement Manager had also been appointed and would attend a future meeting of the Board to update members on engagement with employers.

It was noted that there had been a significant reduction in short and long term sickness during lockdown.

The Board was informed that, with regard to casework, there had been an impact on productivity during the period; technical work took longer when working remotely and staff not being able to engage with colleagues as easily.

Instant messaging and video calls had been utilised to assist with this but was no substitute for face-to-face engagement. It was hoped to get some staff back in the office in the near future.

With regard to reporting performance against statutory disclosure requirements as requested by the Board, J Bailey commented that this had been more difficult than anticipated. The newly appointed Benefits Team Manager who commenced work on 1st July 2020 had been assigned the task as a priority development and it was expected that data on the reporting against statutory disclosures would be presented at the Board's October meeting.

It was noted that the majority of employers had continued to provide monthly data returns despite the difficult circumstances. A table within the report showed the current position of monthly returns received in respect of the last six months and included an additional column that showed the number of scheme members affected.

Members were informed that a new monitoring tool had been in operation with employers whereby individual queries from SYPA were issued to employers through the employer portal. Feedback had been received from employers which suggested that some further development work was required. The newly appointed Support and Engagement Manager had been tasked with developing formal engagement and escalation approach. Appendix A showed the current status of the queries being reported from the new monitoring tool.

C Scott queried whether external influences had affected the issue of the Annual Benefit Statements.

J Bailey commented that it had been hoped to commence the production process in May but in fact had started earlier this month, three quarters of deferred member statements had been issued and active member statements had just commenced. He was confident that all statements would be issued in time to meet the deadline. The plan for next year's exercise would be shared with the Board.

The Board were reminded that SYPA was moving to the collection of contributions via Direct Debit from 1st April 2020. Whilst recognising the difficulty that some employers may have completing the Direct Debit mandates during lockdown, the decision had been made to proceed with implementation. A table within the report showed the number of employers who were now paying by Direct Debit.

With regard to the exercise to encourage all scheme members to sign up to use the online portal, Appendix B showed the numbers of scheme members who had registered to use the portal since January 2019. The increase in numbers had slowed down over the last six months, but it was thought that the issue of online Annual Benefit Statements may lead to an increase in numbers of registrations.

R Fennessy queried whether there was a plan to encourage members who were reluctant to engage.

J Bailey replied that the portal was being developed further to offer more functionality and move more of communications for new members to the portal. More targeted communications would be issued during the next 12 months.

C Scott commented that employers should have a role in communications drive. SYPA could help with this by providing employers with more information to use.

S Loach commented that as everyone was working at home during lockdown most communications were being done by email and perhaps SYPA could tap into that. BMBC as an employer were actively encouraging staff to use online methods where possible, he would be happy to contact colleagues in the Communications Department to promote use of the portal.

R Fennessy thanked J Bailey for a very comprehensive, relevant report which was a useful source of information.

RESOLVED – That the report be noted.

11 REVIEW OF BREACHES, COMPLAINTS AND APPEALS

A report was submitted to update the Board on the latest record of reported breaches and details of complaints and appeals for the period 1st January 2020 to 30th June 2020. The Board also considered the Cyber Security Incident Management Policy.

J Bailey informed the Board that the Authority's main website had recently been hacked. No personal details had been lost and there had only been temporary disruption. There would be an investigation and a report on how the incident had come about.

Members noted there had been six breaches during the period and two cyber security incidents, details of which were attached at Appendix A.

Appendix C gave details of complaints received during the period. The complaints were broadly the same as in previous periods and were mostly out of the Authority's control.

As there were no face-to-face appointments available until next year, N Gregory asked what was available in their place.

J Bailey replied that there was telephone calls, emails, an online chat service and appointments could be booked for video meetings.

Appendix B provided a copy of the draft Cyber Security Incident Management Policy which set out the internal process for reporting incidents and the actions SYPA would take in response.

In answer to a question from C Scott, J Bailey confirmed that internal audit had seen the policy. The Authority had Cyber Essentials+ accreditation and also been independently assessed by an external provider.

RESOLVED – That the Board:

- i) Note the breaches summary.

- ii) Note the draft Cyber Security Incident Management Policy.
- iii) Note the outcome of the complaints received.

12 GOVERNANCE REVIEW

The Board considered the findings of the Governance Review undertaken by Hymans Robertson.

I Colvin thanked everyone who had assisted with the review for their time.

The review had found that SYPA were well governed in all aspects of governance and the Committees and Board were engaged and clear on their roles.

Leadership was strong, and the Director of the Fund had a clear vision of how the organisation should be run in order to be ready for the challenges of the future.

There was pride within the Authority about the culture and history of the organisation but there was also a recognition that as the LGPS changed the organisation would also need to adapt, while staying true to its ultimate objective of delivering a first class LGPS service to its members.

The review suggested 5 recommendations to improve on already strong governance. These were:

1. The Authority should consider adopting a funding objective.
2. The Authority should consider reviewing its LGPS employer discretion policy to include all areas over which it had discretion.
3. Review the arrangements whereby the roles of Clerk, Monitoring Officer and s73 Officer are filled to ensure that the Authority had access to the expert advice and support that it required.
4. Amend the Local Pension Board Constitution to require that a member of the Local Pension Board may not also be an observer at meetings or sub-committees of the Authority. This would have the effect of requiring a new observer to attend Authority meetings.
5. The Learning and Development Policy be extended to cover all those who attend Pension Committee and Board.

G Graham asked the Board for any comments or specific recommendations to the Authority. He also pointed out that the observers referred to in recommendation 4 related to the Trades Union representatives that attended meetings as observers. Recommendation 3 would be discussed with Barnsley MBC colleagues.

G Warwick commented that he disagreed with recommendation 4. He believed there was no conflict of interest as they were there in a non-voting capacity. He

would bring the matter up at the next Scheme Advisory Board meeting to seek their views.

The Deputy Clerk commented that with regard to recommendation 3, this would also have to be discussed with the South Yorkshire Leaders.

C Scott thought that the recommendation around training was positive but there would be an extra onus on the Board and they would need support and to receive the necessary resources from the Authority. The Board also needed to reflect on their position regarding recommendation 4. C Scott also advised the Board that the governance arrangements should withstand individuals who act without integrity.

Several members of the Board felt that they didn't have enough knowledge to form an opinion on recommendation 4.

The Deputy Clerk suggested that the matter could be discussed at the Authority when the Board's minutes were submitted to the next meeting.

G Warwick stated that even if the Board could not form a view on the matter, the Trades Union representatives strongly disagreed with recommendation 4. N Doolan-Hamer agreed with this. It was not known what Unite's position was in regard to this matter.

The Chair thanked I Colvin for a very positive report.

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

13 TPR CODE OF PRACTICE 14

A report was submitted to update members on current levels of compliance with the TPR Code of Practice 14 and the intended next steps.

Members were reminded that The Pensions Regulator (TPR) was required to issue one or more codes of practice covering specific matters relating to public service schemes.

TPR had indicated that the code of practice 14 was directed particularly at scheme managers and members of pension boards. A copy of the code of practice had been placed in the SYPA Reading Room. The document itself covered the following four main areas:

- Governing the Scheme
- Managing Risks
- Administration
- Resolving Issues

Appendix A to the report had been constructed by extracting individual subject areas of the code of practice and providing commentary on existing SYPA compliance for the subject areas.

The Appendix also included a proposed set of actions to either ensure compliance with the code of practice or to further develop improved governance and administration.

The proposal was to create a more detailed Action Plan from the proposed actions which could then be shared routinely with the Board. This would provide assurance that the main areas of best practice detailed within the code of practice were being complied with.

RESOLVED – That the proposal to create an Action Plan for future monitoring is noted.

14 RISK MANAGEMENT

A report was submitted to allow members of the Board to consider the Corporate Risk Register.

The Risk Register, which was attached as an appendix to the report, was reviewed monthly by the Senior Management Team and adjusted in the light of experience. In addition a separate risk register related to the Covid 19 situation had been created, this was elsewhere on the agenda.

The Board noted that the impact of climate change was considered to be the biggest single risk to the Authority's investments.

The Board discussed the different perceptions of this risk and the ways of mitigating it, work was ongoing to reduce carbon exposure in various investment portfolios.

RESOLVED – That the Corporate Risk Register be noted.

15 VALUATION 2019 - REVIEW OF OUTCOMES

A report was submitted to update the Board on the final outcomes of the 2019 valuation process.

This item was taken as read and the Board were asked to feedback any concerns or questions outside of the meeting.

RESOLVED – That the Board note the completion of the valuation process and the range of outcomes that apply to both individual employers and to groups of employers in the Fund.

16 THE PENSIONS AUTHORITY AND THE COVID 19 PANDEMIC

The Board considered a report which gave an update on the impact of the Covid 19 pandemic on the Authority's operations.

This item was taken as read and the Board were asked to feedback any concerns or questions outside of the meeting.

RESOLVED – That the Board note the contents of the report and the actions taken to protect the Authority’s services and staff in response to the Covid 19 pandemic.

17 FEEDBACK ON MEMBER TRAINING

Members gave feedback on training events they had attended.

Several members had attended various CIPFA/Barnett Waddingham events and all gave positive feedback.

Details had recently been circulated of future events and members were asked to contact Gill Richards to book places on any of these events.

C Scott suggested moving the next meeting of the Board to after the next meeting of the Audit Committee as the approval of the accounts had been delayed.

R Fennessy commented that he had found observing the Audit Committee earlier in the day very useful and suggested attending the Audit Committee meeting in the morning and the Local Pension Board meeting in the afternoon.

G Warwick thanked R Fennessy for chairing the meeting at such short notice, commenting that the meeting had been very well managed.

CHAIR

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Subject	Governance Compliance Statement	Status	For Publication
Report to	Authority Local Pension Board	Date	December 2020 October 2020
Report of	Director and Clerk		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	George Graham Director	Phone	01226 772887
E Mail	ggraham@sypa.org.uk		

1 **Purpose of the Report**

- 1.1 To provide an opportunity to review and update the Authority's Governance Compliance Statement.

2 **Recommendations**

- 2.1 Members of the Local Pension Board are recommended to:
- a. **Note the contents of the proposed revised Governance Compliance Statement.**
 - b. **Consider whether the content of the Governance Compliance Statement reflects the arrangements actually in place and make recommendations for changes in light of this consideration**
- 2.2 Members of the Pensions Authority are recommended to:
- a. **Consider any comments or recommendations of the Local Pension Board**
 - b. **Approve the revised Governance Compliance Statement in the light of the review conducted by the Local Pension Board.**

3 **Link to Corporate Objectives**

- 3.1 This report links to the delivery of the following corporate objectives:
Effective and Transparent Governance

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

Adding an independent assessment of the Governance Compliance Statement by the Local Pension Board provides an additional level of assurance within the governance process.

4 Implications for the Corporate Risk Register

- 4.1 The actions outlined in this report do not address any specific risk on the Corporate Risk Register, but reflect an overall approach to reducing the risk of gaps in the governance framework.

5 Background and Options

- 5.1 The Authority is required by the Local Government Pension Scheme Regulations to maintain a Governance Compliance Statement which sets out details of its overall governance arrangements and how these meet certain requirements. Good practice dictates that the Statement should be regularly reviewed, and the reforms to be brought in following the Good Governance Review will require an enhanced version of the statement to be subject to external review every two years.
- 5.2 Set out at Appendix A is an updated version of the Governance Compliance Statement for review / approval. The changes from the previous version are principally to provide more consistent terminology and to clarify wording which was previously not as clear as would be desirable. There have been no changes to the assessment of the degree of compliance.
- 5.3 The Local Pension Board are asked to review and comment on the Statement which will then be submitted to the Authority for approval.

6 Implications

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

Financial	None directly
Human Resources	None
ICT	None
Legal	Maintaining and reviewing the Governance Compliance Statement is a requirement of the LGPS regulations, the process set out in this report is a means of effectively demonstrating compliance with the regulations.
Procurement	None

George Graham

Director

Sarah Norman

Clerk

Background Papers	
Document	Place of Inspection
Local Government Pension Scheme Regulations 2013	https://www.legislation.gov.uk/ukSI/2013/2356/contents



Governance Compliance Statement September 2020

1. Introduction

1.1 As a statutory public service scheme the Local Government Pension Scheme (LGPS) has a different legal status compared to trust based schemes and therefore, the governance arrangements are different as well. This is especially true given the interface with local democratic practice since it is elected councillors who ultimately bear responsibility for the stewardship and management of local authority pension funds. Publication of this Statement is a statutory requirement under s 55(1) of the Local Government Pension Scheme Regulations 2013, which requires:

An administering authority must prepare a written statement setting out—

(a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;

(b) if the authority does so—

- (i) the terms, structure and operational procedures of the delegation,
- (ii) the frequency of any committee or sub-committee meetings,
- (iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;

(c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and

(d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 53(4) (Scheme managers).

An administering authority must keep a statement prepared under paragraph (1) under review, and make such revisions as are appropriate, following a material change to any of the matters mentioned in that paragraph.

Before preparing or revising a statement under this regulation, an administering authority must consult such persons as it considers appropriate.

An administering authority must publish its statement under this regulation, and any revised statement.

1.2 This statement has been revised following an annual review undertaken in preparing the Authority's report and accounts for 2019/20.

2. Governance of the South Yorkshire Pension Fund

- 2.1 The Authority was created by the Local Government Reorganisation (Pensions etc.)(South Yorkshire) Order 1987 made under the Local Government Act 1985, and is a Joint Authority created under that act. As such it is a local authority in its own right, albeit with a prescribed set of functions.
- 2.2 The Authority does not operate under a cabinet structure. The Chair and Vice-Chair are nominated from and elected by its own membership but the Authority as a whole carries the strategic responsibilities of an administering authority.
- 2.3 Under Section 41 of the Local Government Act 1985 arrangements are made enabling the district councils to raise questions at council meetings. The Authority is required to nominate a member or members to answer questions on the discharge of the Authority's functions in meetings of each of the constituent councils. One member from each district has been nominated as the Section 41 spokesperson.
- 2.4 The Authority has created two committee's to support it in its work:
- 2.5 The **Audit Committee** which is responsible for fulfilling the following core audit committee functions:
- a) Consider the effectiveness of the Authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
 - b) Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.
 - c) Be satisfied that the Authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
 - d) Approve (but not direct) internal audit's Charter and annual plan.
 - e) Monitor performance against internal audit's Charter and annual plan.
 - f) Review summary internal audit reports and the main issues arising, and seek assurance that action had been taken where necessary.
 - g) Receive the annual report of the Head of Internal Audit.
 - h) Consider the annual reports of external audit and inspection agencies.
 - i) Ensure that there are effective relationships between internal audit and external audit, inspection agencies and other relevant bodies, and that the value of the process is actively promoted.
 - j) Review financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.
 - k) To oversee the production of and approve the Authority's Annual Governance Statement.
 - l) To review and approve the annual Statement of Accounts and the Authority's Annual Report, focusing on:

- the suitability of, and any changes in accounting policies;
- major judgemental issues e.g. provisions.
- m) To receive and agree the response to the external auditor's report to those charged with governance on issues arising from the audit of the accounts, focusing on significant adjustments and material weaknesses in internal control reported by the external auditor.
- n) Monitor the Authority's risk register and annual governance action plan, reporting issues of concern to the full Authority.

2.6 The **Staffing Appointments and Appeals Committee** which is responsible for the following functions.

- (1) To exercise all the Authority's functions in respect of:
 - a) Appeals by staff (where a right of appeal exists).
 - b) Complaints against senior officers.
- (2) To exercise the Authority's functions in relation to the appointment of Statutory Officers and Chief Officers, subject to legislative requirements regarding the approval of statutory officer appointments by the Authority.
- (3) To approve proposals for changes to the organisation of the Authority's staffing where more than 5 posts are affected.
- (4) Determining appeals and requests under the Local Government Pension Scheme Regulations not otherwise delegated to officers.
- (5) To make appointments of Independent Investment Adviser (s) on behalf of the Authority.
- (6) To approve arrangements for the procurement of external fund managers, the Fund Actuary and Custodian
- (7) To deal with all matters concerning complaints concerning member conduct under the Standards regime.

3. Representation

3.1 Unlike other Administering Authorities within the Local Government Pension Scheme the Authority’s membership is laid down in the Local Government Reorganisation (Pensions etc.) (South Yorkshire) Order 1987 made under the Local Government Act 1985. The four district councils in South Yorkshire nominate members to the Authority, from their own elected members, in the specified proportion –

Constituent Council	Number of Members
Barnsley	2
Doncaster	3
Rotherham	2
Sheffield	5

3.2 In addition the Authority has co-opted 3 non-voting members nominated by the Regional Secretaries of the three largest trade unions recognised by the National Joint Council for Local Government Services. These individuals are provided with the facility to attend and participate in meetings of the Authority and its committees, other than in matters concerned with staffing and labour relations.

3.3 The Audit Committee is chaired by the Authority’s Vice-Chair and contains 4 other Authority Members (including the Chair). Representatives from the trade unions attend as non-voting co-optees.

3.4 The Staffing Appointments and Appeals Committee is chaired by the Authority’s Chair and contains 4 other Authority members (including the Vice Chair). Given that the major business of this Committee is concerned with staffing and labour relations the non-voting co-opted members nominated by the Trades Unions do not routinely attend meetings of this committee.

3.5 Both Committees have full delegated powers but only the Elected Members have voting rights.

4. Reasons for Current Representation

4.1 Myners’ first Principle states that decisions should only be taken by persons or organisations with the skills, information and resources necessary to take them effectively. Where trustees elect to take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take. All members of the Authority are required to undertake the LGA’ fundamentals training and the Pensions Regulator’s Public Sector Toolkit and are exposed, on the occasions that they review investment performance and strategy, to presentations on topical issues, and differing types of investment. In addition a Learning and Development Strategy is in place which identifies individual learning needs and aims to address them through both internal and external means.

4.2 Formal statutory responsibility for the LGPS and fund investment remains with the administering authority that is answerable for the effective and prudent management of the scheme. Current representation of the Authority provides the appropriate balance between accountability and inclusion as required by best practice with councillors serving on the Authority having full voting rights as a matter of course.

5. Arrangements Outside of Formal Governance

- 5.1 The Authority is committed to inclusion of all stakeholders in consultation and communication outside of the formal governance arrangements. A separate Communications Policy Statement can be viewed on our website, and is included with the Annual Report as required by the relevant regulations.
- 5.2 Meetings of the Authority are webcast to provide scheme members and other stakeholders with the opportunity to see the decisions that are being made on their behalf.
- 5.3 The Authority holds an annual meeting, usually in October, to which members and employers are invited. Members attending receive presentations on the financial position of the Fund, a review of investment and administration performance together with news of topical issues. Occasionally, a guest speaker will be invited to address national issues or pension related subjects. Attendees are encouraged to raise questions. A video of this meeting is made available on the internet.
- 5.4 The Authority has in line with the requirements of the Public Sector Pensions Act 2013 established a Local Pension Board comprising equal numbers of employer and scheme member representatives.
- 5.5 The Authority provides each participating organisation with an employer’s guide to the Scheme. In addition, regular newsletters are produced to keep employers up to date with scheme developments and administration issues. These are provided via our dedicated employers’ website and can also be made available in hard copy. Employers’ attention is drawn to LGPC Circulars whenever these are published so that they can view the national perspective as well as the local view.
- 5.6 A variety of meetings are used to communicate with employers. In addition to the Annual Fund Meeting described earlier, the Authority normally holds an annual employers’ forum. This is primarily aimed at topical and administrative issues but is also valuable in providing an opportunity for employer representatives to raise questions and discussion points. Further to these, ad-hoc meetings are called to consider specific issues as and when appropriate. Every employer is offered at least one annual meeting with the Authority’s officers on a one-to-one basis to discuss any topic either side wishes to raise, although experience shows that very few take advantage of this facility.
- 5.7 Officers attend the quarterly meeting of finance department representatives from the four district councils and the other South Yorkshire joint authorities as and when required.

6. Comparison with “Best Practice” Principles

- 6.1 The Authority is required to make a statement as to the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying.
- 6.2 The appendix to this document provides that statement, setting out against each of the principles the extent of compliance supported by further explanation or comments where further action is to be considered.

Principle A – Structure

		Compliant*
a)	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Yes
b)	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Mainly
c)	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Yes
d)	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Yes

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

The Authority’s separate legal status ensures that a), c) and d) are complied with and ensure representation (proportionate to size) of the major local authority employers. It is not practical for the many (over 500) non-local authority employers, whose activities are extremely diverse, to be separately represented. Trades unions representatives attend meetings of the Authority and Audit committee as non-voting co-opted members representing the interests of scheme members. The Local Pension Board as required by regulations operates alongside the formal Authority structure but is intrinsically linked with it.

Principle B – Representation

		Compliant*
a)	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :- i) employing authorities (including non-scheme employers, eg, admitted bodies); ii) scheme members (including deferred and pensioner scheme members), iii) independent professional observers, and iv) expert advisors (on an ad-hoc basis).	Mainly
b)	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Yes

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please see the answer to A(b) above.

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

The Authority appoints 2 independent investment advisers who attend meetings of the Authority and give advice to members during discussion of investment related matters.

Principle C- Selection and role of lay members

		Compliant*
a)	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Yes

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Induction courses are held for all new members who are also required to attend initial basic training via the LGA 3-day programme and the Pensions Regulator’s Public Sector Toolkit. Members are also provided with an annually updated handbook which clearly sets out their responsibilities as “quasi-trustees”.

A series of member seminars to address new topics or cyclical issues such as the actuarial valuation are included in the programme of meetings and members (whether elected or co-optees) are able to attend approved conferences and external seminars details of which are circulated to all members at the beginning of the year and throughout the year as they become available.

Principle D – Voting

		Compliant*
a)	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Yes

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

The Order creating the Authority and its constitution provides full voting rights to all elected Members. Co-optees do not have voting rights.

Principle E – Training/Facility time/Expenses

		Compliant*
a)	That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Yes
b)	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Yes
c)	That the administering authority considers the adoption of training plans for committee members and maintains a log of all such training undertaken.	Mainly

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Induction and in-house training events are made available to all members of the Authority, its Boards and Committees, including Trade Union Observers. In addition, all Authority members are required to undertake the Fundamentals course provided by the LGA and the Pensions Regulators Public Service Toolkit within the first year of their appointment.

Members are offered individual training plans. Records of training received are logged and published.

All members (whether councillors or co-optees) are eligible for the reimbursement of legitimate expenses incurred in undertaking learning and development activity. Councillors receive allowances paid by the Authority in respect of their membership of the Authority. Co-opted members are not eligible for such allowances.

Principle F – Meetings (frequency/quorum)

		Compliant*
a)	That an administering authority’s main committee or committees meet at least quarterly.	Yes
b)	That an administering authority’s secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Yes
c)	That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	Yes

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

The Authority meets at least quarterly, and the Audit Committee meets three times per year. The Staffing Appointments and Appeals Committee, given the nature of its business meets as required. In addition annual forums are held for both fund employers and Scheme members. The Local Pension Board meets 4 times per year which is in excess of the minimum set out in regulations.

Principle G – Access

		Compliant*
a)	That subject to any rules in the council’s constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Yes

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

The only exception to this general principle is that non-voting co-optees are not permitted access to papers concerned with individual staffing matters.

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Principle H Scope

		Compliant*
a)	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Yes

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Principle I – Publicity

		Compliant*
a)	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Yes

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Details of the Authority’s governance arrangements are published both on its website and in its annual report. The details of the Authority’s meetings are publicised both on the website and social media and the public parts of meetings of the full Authority are webcast.

The Authority maintains a specific policy that the number of items to be considered in private is minimised thus opening up the maximum amount of its business to scrutiny by scheme members and the wider public.

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Subject	Review of the Annual Report and Accounts	Status	For Publication
Report to	Local Pension Board	Date	15 th October 2020
Report of	Director and Treasurer		
Equality Impact Assessment	Required	Attached	No
Contact Officer	George Graham Director	Phone	01226 772887
E Mail	ggraham@sypa.org/uk		

1 **Purpose of the Report**

- 1.1 To provide the Local Pension Board with the opportunity to review the Authority's Annual Report against the requirements of the relevant guidance prior to publication and make any recommendation's in line with the Board's responsibilities.

2 **Recommendations**

- 2.1 Members are recommended to:
- a. **Review the draft Annual Report (Appendix B) against the criteria in the guidance produced by CIPFA (Appendix A)**
 - b. **Consider whether they wish to make any recommendations for improving or changing the Annual Report.**

3 **Link to Corporate Objectives**

- 3.1 This report links to the delivery of the following corporate objectives:
Effective and Transparent Governance

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

The Annual Report is the major means by which the Authority provides information which allows stakeholders to hold it to account and consequently it makes a significant contribution to ensuring there is transparency in the Authority's governance.

4 **Implications for the Corporate Risk Register**

- 4.1 The actions outlined in this report relate to the identified risks related to the effectiveness of the Authority's governance arrangements and compliance with regulations.

5 Background and Options

- 5.1 The Authority is required to produce an Annual Report which includes the accounts of the Pension Fund. The relevant regulations and guidance produced by CIPFA (at Appendix A) set out the very significant volume of information required to be provided in this document. The Board has a role in ensuring that the Authority is properly complying with these regulations.
- 5.2 The Authority's Audit Committee is due to approve the Annual Report and Accounts for 2019/20 at its meeting on 23rd October, and the Board is asked to review the draft document (at Appendix B, which is to follow) against the guidance and consider whether it wishes to make any recommendations.

6 Implications

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

Financial	None directly – the annual report is now produced only as an electronic document reducing costs.
Human Resources	None
ICT	None
Legal	The LGPS Regulations require certain information to be included in the Annual Report. Review by the Local Pension Board is part of the process of ensuring compliance with this.
Procurement	None

George Graham

Director

Neil Copley

Treasurer

Background Papers	
Document	Place of Inspection

preparing the annual report

Guidance for Local Government
Pension Scheme Funds
2019 Edition



CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed. As the world's only professional accountancy body to specialise in public services, CIPFA's qualifications are the foundation for a career in public finance. We also champion high performance in public services, translating our experience and insight into clear advice and practical services. Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance.

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preparing the annual report

Guidance for Local Government
Pension Scheme Funds
2019 Edition

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Foreword

When the requirement to publish an annual report was introduced into the Local Government Pension Scheme (LGPS) Regulations in 2013 it represented a major change. All LGPS funds now produce an annual report, promoting awareness of the scheme and providing members and stakeholders with relevant information in an accessible and consistent manner.

A great deal has changed since the last edition of this guidance was published in 2014. Asset pools, new legislation on investing, governance and benefits, and changes to year-end financial reporting have all brought new challenges for practitioners and there is a continued focus on funding levels and investment management costs.

This guidance is published in order to assist practitioners in meeting the requirements of the current regulatory framework, and to support the LGPS Advisory Board in the production of a scheme-wide annual report for England and Wales. Changes to the guidance since 2014 reflect national developments in terms of the following:

- New governance arrangements introduced by the Public Service Pensions Act 2013.
- CIPFA's working group on pension fund administration.
- Post Pool Reporting Guidance (for England and Wales).

Peter Moore,
Chair of CIPFA Pensions Panel

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Background and status

BACKGROUND

The purpose of this guidance is to assist local government pension funds with the preparation and publication of the annual report required by Regulation 57 of The Local Government Pension Scheme Regulations 2013 (England and Wales) and Regulation 55 of The Local Government Pension Scheme (Scotland) Regulations 2018.

The annual report is a key component of communication between pension funds and their stakeholders, who range from individual members and employing bodies to trades unions, government departments, analysts and commentators. In Scotland and Wales the pension fund accounts are no longer included in the administering authority's financial statements, therefore their annual reports must contain sufficient information to meet the demands of this diverse readership and to be read and understood in isolation.

The reform of investment management in the Local Government Pension Scheme (LGPS) for England and Wales began in 2015, with the publication of criteria and guidance on pooling of LGPS assets to deliver significantly reduced costs while maintaining overall investment performance and achieving benefits of scale. The pension funds have come together to form eight asset pools – further details can be found in the [MHCLG guidance on pooling](#). Pension funds in England and Wales are encouraged to use their annual report as a mechanism for informing readers about their pool and the fund's participation, by explaining:

- progress made to date in establishing asset pools, set up costs and transition of assets
- changes to investment costs and expected savings
- changes to asset allocation strategies, investment costs and yields brought about by pooling
- asset pool structures and governance arrangements.

This guidance represents a general framework for reference purposes only. It identifies the topics that need to be covered and provides illustrations of how these requirements could be addressed in practice but does not prescribe the format or level of detail required. There is no requirement for annual reports to follow the ordering or structure of this report, equally there is no 'correct' or 'recommended' length or layout. Funds are encouraged to develop their own reporting style depending on the preference of users, and to:

- adopt the use of graphs, charts and visuals as appropriate
- use cross-referencing within the document to avoid duplication where possible.

STATUS

In England and Wales, the Ministry for Housing, Communities and Local Government (MHCLG) has adopted this guidance as statutory guidance for the purposes of the 2013 Regulations. In Scotland this guidance is advisory only however those funds are encouraged to adopt it on a 'best practice' basis.

In applying this guidance pension funds should ensure that their annual report is suitable for their circumstances and readership. This will require the exercise of local judgement and decisions regarding the level of detail provided in the report or appendices, subject to the scope allowed by legislative requirements and the discretionary elements of this guidance.

This guidance uses the following terms for different elements:

Must	Compliance is mandatory. Any non-compliance should be clearly identified in the annual report and an explanation provided.
Should	Compliance is anticipated but is discretionary. Where non-compliance may be significant or material for the readers the non-compliance should be identified and explained.
May	Compliance is recommended but is discretionary.

This guidance is applicable to 2018/19 annual reports and later years. For items where data has not previously been collated, pension funds should exercise judgement regarding the costs and benefits of compiling data retrospectively and consider whether alternative data can be provided for 2018/19. Where significant variation from this guidance is considered appropriate an explanation should be provided.

For England and Wales this guidance includes recommendations and illustrations in relation to asset pooling arrangements. The MHCLG and the LGPS Scheme Advisory Board have indicated that they will, so far as possible, use data provided in pension fund annual reports to draft future national reports for the LGPS in England and Wales and to review progress made in implementing asset pools. Where annual reports do not provide sufficient or consistent information, these bodies have advised that pension funds may be contacted directly in order to obtain additional data.

STATUTORY REQUIREMENTS

In England and Wales, the statutory basis for LGPS annual reports for periods beginning on or after 1 April 2014 is Regulation 57 of the Local Government Pension Scheme Regulations 2013 (as amended), which is reproduced below:

Pension fund annual report

57.— (1) *An administering authority must, in relation to each year beginning on 1st April 2014 and each subsequent year, prepare a document (“the pension fund annual report”)*

which contains—

- (a) *a report about the management and financial performance during the year of each of the pension funds maintained by the authority;*
 - (b) *a report explaining the authority’s investment policy for each of those funds and reviewing the performance during the year of the investments of each fund;*
 - (c) *a report of the arrangements made during the year for the administration of each of those funds;*
 - (d) *for each of those funds, a statement by the actuary who carried out the most recent valuation of the assets and liabilities of the fund in accordance with regulation 62 (actuarial valuations and certificates), of the level of funding disclosed by that valuation;*
 - (e) *the current version of the statement under regulation 55 (governance compliance statement);*
 - (f) *for each of those funds, the fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper practices;*
 - (g) *an annual report dealing with—*
 - (i) *the extent to which the authority and the Scheme employers in relation to which it is the administering authority have achieved any levels of performance set out in the pension administration strategy in accordance with regulation 65(2)(b), and*
 - (ii) *such other matters arising from their pension administration strategy as they consider appropriate;*
 - (h) *the current version of the statement referred to in regulation 58 (Funding Strategy Statement);*
 - (i) *[From 1st April 2017, the current version of the investment strategy statement as required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016] (formerly the statement of investment principles);*
 - (j) *the current version of the statement under regulation 61 (statements of policy concerning communications with members and Scheme employers); and*
 - (k) *any other material which the authority considers appropriate.*
- (2) *The authority must publish the pension fund annual report on or before 1st December following the year end.*
- (3) *In preparing and publishing the pension fund annual report, the authority must have regard to guidance given by the Secretary of State.*

In Scotland Regulation 55 of the LGPS (Scotland) Regulations 2018 mirrors the above requirements except that:

- Scottish pension funds are required to publish a statement of investment principles under the LGPS (Management and Investment of Funds) (Scotland) Regulations 2010 in place of an investment strategy statement
- Scottish pension fund annual reports are required to include details of external borrowing (Section N refers).

As stand-alone documents comprising year-end financial statements, annual reports in Scotland and Wales are required to contain specific information in order to meet the requirements of CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom (The Code or CoP), and the accounts and audit regulations in these jurisdictions. Section N provides further details.

Publication of annual reports

MANNER OF PUBLICATION

The annual report must be published as either a printed document or as an electronic publication on the pension fund or administering authority's website. The full document must be provided and not just a summary. Statutory requirements in England and Wales are to publish the following documents in full as part of the annual report:

- the funding strategy statement
- the investment strategy statement (in Scotland the statement of investment principles)
- the governance compliance statement, and
- the communication policy.

Other information may be provided using web-links or signposting to alternative sources of information as appropriate.

TIMING OF PUBLICATION

Regulations require the annual report to be published on or before 1 December in England, Wales and Scotland.

In Scotland and Wales, the pension fund annual report is the only publication required to contain the full year-end statement of accounts, whereas in England the pension fund accounts are also published as part of the administering authority's audited financial statements.

AUTHORISATION

Although not specifically required by legislation, the annual report should be formally reviewed by those charged with governance at the pension fund and authorised by the chair of the pensions committee and the director of finance (or their equivalents). This should not be confused with the separate process for the review and approval of the administering authority's annual accounts, which is a legal requirement under each jurisdiction's accounts and audit regulations.

Local pension boards, established in 2015, are not decision-making bodies but do have a specific remit under The Public Service Pensions Act 2013 to ensure that pension funds meet all relevant legal requirements. The Scheme Advisory Board for England and Wales has therefore recommended that part of their remit should be to review the financial statements and annual report prior to publication (see Schedule A of Scheme Advisory Board Guidance, published February 2015).

CHAPTER 3

The guidance

INTRODUCTION

This guidance follows the structure of Regulation 57 (Regulation 55 in Scotland) with a section for each of the requirements listed. There is no requirement for annual reports published by LGPS pension funds to follow the structure of this report.

A: OVERALL FUND MANAGEMENT

Scheme management and advisers

The report **must** list the names and, where appropriate, contact details for:

- officers responsible for the fund
- the asset pool and asset pool operator (England and Wales)
- investment managers used by the fund, including where applicable contact details for any elements of the fund which are managed internally
- the fund custodian and actuary
- additional voluntary contribution (AVC) providers
- legal advisors and bankers to the fund
- the fund accountant/director of finance
- the external auditor
- scheme administrators
- any independent advisers retained by the fund (eg for investment and governance).

Risk management

The report **should** contain a commentary on the arrangements for the identification and management of risk which is consistent with (and cross references to) disclosures regarding the use of financial instruments in the year-end accounts. Pension funds **may** for example wish to explain:

- how risk management is integrated within the governance structure
- how risks are identified, managed and reviewed
- what actions are being taken to mitigate the key risks identified
- assurance provided by the work of internal audit
- how investment risk is managed
- risks relating to investment pooling arrangements

- the approach taken to managing third party risk such as late payment of contributions
- how assurance is sought over third party operations, eg ISAE 3402 (formerly AAF 01/06) and SSAE16 (formerly SAS70) reports.

The 2018 CIPFA publication [Managing Risk in the LGPS](#) provides more detail on the identification, management and reporting of risks, and some examples of risk management disclosures are provided below for information:

a) Pension fund risk register

Risk area	Risk rating	Responsible officer	Mitigating actions
<p>Administration</p> <p>Third parties undertaking administration work do not maintain accurate and up to date membership records.</p>	●	Pensions administrator	Sample testing by internal audit of 1% of all files will enable accurate assessment of error rate and resources needed to clear administration backlog.
<p>Regulation</p> <p>MiFID II restricts investment options and increases IM costs.</p>	●	City treasurer	MiFID II training for all pension committee members and all staff involved in the opting up process.
<p>Investment</p> <p>Fund managers fail to achieve target returns.</p>	●	City treasurer	Independent monitoring of fund manager performance against targets. Fund manager performance is reviewed quarterly.

b) Controls assurance reports

Fund manager	Type of report	Assurance obtained	Reporting accountant
Bailie Gifford	ISAE 3402	Reasonable assurance	KPMG LLP
Hermes	ISAE 3402	Reasonable assurance	Deloitte LLP
Insight	ISAE 3402	Reasonable assurance	PwC LLP
Standard Life	ISAE 3402	Reasonable assurance	PwC LLP
Custodian			
Northern Trust	ISAE 3402	Reasonable assurance	KPMG LLP

c) Internal audit testing.

Benefit payments and lump sums	Annual testing	Yes	
Employee contributions	Annual testing	Yes	
Employer contributions	Annual testing	Yes	
Membership records	Annual testing	Yes	
Administration and Governance costs	Every 5 years	No	N/a
Investment management costs	Every 3 years	No	N/a

B: FINANCIAL PERFORMANCE

While other sections of the annual report consider the management of pension fund investments, this section **must** provide an overview of the fund's financial performance, focused primarily on income, expenditure and cash flows.

Pension funds **must** meet this requirement by providing an analysis or narrative explanation of in-year expenses and income together with a comparison over time or against budget. This **should** separately identify major categories of income and expenditure, for example:

- staff costs (both direct and internal recharges), premises, IT, supplies and services, costs of democracy and any other administration costs and miscellaneous income
- benefits payable, transfers in and out, investment management and governance expenses
- members' and employers' contributions
- net inflows and outflows to the fund in respect of dealings with members.

Pension funds **may** also wish to include forecasts of future income and expenditure, or cash flow forecasts. As a minimum, pension funds **should** explain the relationship between changes to costs and income and factors such as changes in membership numbers, age profile of pensioners, bulk transfers etc.

Pension fund annual reports **must** also include the following information:

- a brief commentary on any significant changes to non-investment assets and liabilities during the year
- employers' and employees' contributions as a % of pensionable pay, details of late and overdue contributions, and of whether the option to levy interest on overdue contributions has been exercised
- analysis of pension overpayments, recoveries and any amounts written off
- results of participation in National Fraud Initiative (NFI) exercises (data matches, overpayments identified, actions taken, etc)
- other examples of fraud, credit losses, provisions, contingent liabilities or impairments.

C: INVESTMENT POLICY AND PERFORMANCE REPORT

This section of the annual report is intended to demonstrate how the investment strategy statement has been put into practice during the year and how this links to the funding strategy statement. Readers **should** be able to understand the fund's investment management arrangements and the risks, returns and management costs associated with the investment portfolio.

The planned asset allocation **must** be provided along with the actual asset allocation for the beginning and end of the financial year in question, together with explanations for significant changes during the year. This section of the report **must** also include a commentary on the implementation and application of the funding strategy statement during the reporting period, or cross-refer to where this statement is provided in the annual report.

This section of the report **must** include details of investment administration and custodianship, and describe who looks after which part of the portfolio (if not already provided elsewhere). Investment performance for each fund manager or asset class **must** be reported alongside the information used by managers and members to assess fund performance such as:

- comparison with returns achieved by similar pension funds with appropriate narrative contextual information
- performance targets in fund manager's contracts where this is not commercially sensitive, or industry benchmarks for one year, three years and five years.

The pension fund **may** also wish to provide details of any environmental, social and governance issues, and other initiatives such as engagement with companies and any collaborative ventures with other funds. This might include, for example:

- the fund's response to the UK Stewardship Code
- details of any bodies of which the fund is an active member, subscriber or signatory, such as CIPFA, PLSA LAPFF, UKSIF, UNPRI, etc
- summary information on where and how voting rights have been exercised
- information on responsible investing
- actions taken to comply with Myners' investment principles or similar codes of practice.

The CIPFA publication [Accounting for Local Government Pension Scheme Management Expenses](#) (2016) recommends that this section of the annual report **should** also be used to:

- identify fees and costs incurred by third parties which affect overall investment returns
- explain the relationship between fees, risk and investment return
- indicate how the pension fund is responding to the Transparency Code, and the use being made of data provided by fund managers using the transparency code templates. See the Local Government Pension Scheme Advisory Board's [website](#) for further details.

D: SCHEME ADMINISTRATION

The scheme administration section of the annual report **must** cover the following areas:

- a statement on the value for money achieved by the administration function

- a summary of activities undertaken by the service during the year
- key performance data including data quality standards
- other qualitative information such as customer satisfaction levels, communication policies and the complaints procedure
- an explanation of organisational arrangements ie how the service is delivered.

Value for money statement

This statement **should** demonstrate the efficiency and effectiveness of each fund's scheme administration and the commitment to enhancing the value for money of this function. This **should** include reflecting on the level of resources and comparability of key performance indicators over time and to national averages. There **should** also be a comment on the current levels of data quality on common data standards which are fundamental for both the valuation of the funds' liabilities and how this is subsequently reported in the fund accounts and risk management arrangements.

Summary of activity

This section **should** outline the work undertaken by the administration section of the fund during the year. The pension fund **may**, for example, include information in respect of:

- major pieces of work/projects undertaken by the fund (eg guaranteed minimum pensions reconciliation exercises), summarising action taken during the year, progress achieved and next steps for the following year, where applicable
- technological or pensions administration systems developments taking place during the year, including details of the impact that they have/will have. For instance, moving from annual to monthly reporting systems or improvements in the timeliness and accuracy of data received from employers
- action being taken to improve data quality, outlining data quality audit arrangements and scores reported to The Pensions Regulator (TPR) in the TPR Scheme Return on Common and Scheme Specific Data.

Key performance data

This section of the annual report **should** cover the following:

Performance indicators	<ul style="list-style-type: none"> ■ Details of the most common casework areas ■ % of tasks completed against target.
Financial indicators	<ul style="list-style-type: none"> ■ unit costs per member including and excluding investment costs ■ benchmarking of unit costs against appropriate comparators (either formal benchmarking or informal peer comparison).
Staffing	<ul style="list-style-type: none"> ■ staff numbers (FTE) and staff to fund member ratios ■ average cases per member of staff.

A working party set up by CIPFA during 2018 is aiming to develop a process whereby scheme administration data can be captured on a consistent basis and shared between funds. This group has suggested that as a first step towards effective benchmarking all LGPS pension

funds **should** collect and publish in their annual reports a summary of the information included in Annex 2. For further details please contact the [CIPFA Pensions Network](#). As an alternative, data from SF3 forms or locally determined key performance indicators **may** be used. Whatever method is selected, the annual report **should** explain:

- the source of key performance data included in the annual report
- the services this information relates to
- which costs have been included or excluded and why
- what action has been taken to verify information provided by third parties
- the action has been or is being taken to maintain and improve performance levels.

Other information

As requested by the Local Government Pension Scheme Advisory Board, which wishes to collate this information for inclusion in its national annual report, the administration section of the annual report **must** also contain:

- analysis of the fund’s membership data (active, deferred, pensioner and undecided leavers – ie those members who are no longer accruing service and to whom a refund of contributions or transfer out may be due)
- details of new pensioners each year analysed by ill-health, early and normal retirement
- a summary of the number of employers in the fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities). This data **should** be shown in tabular format as follows:

	Active	Ceased	Total
Scheduled body	xx	xx	xxx
Admitted body	xx	xx	xxx
Total	xxx	xxx	xxx

Pension funds **may** also wish to provide details of:

- complaints received, and satisfaction levels for employers and members based on surveys, questionnaires or other feedback received
- a commentary on how employer discretions have been exercised in the reporting period eg added years’ service, early retirement or enhanced payments.

How the service is delivered

This section of the annual report **must** include a description of the key services provided to pensioners, members and employing bodies. This **should** cover, for example:

- areas where technology is used by the fund eg member and employer self-service portals
- key information sources for members such as websites, helpdesk facilities and workplace representatives

- for both scheme membership records and benefits administration, a broad outline of the arrangements in place including who undertakes each activity and how they can best be contacted
- arrangements in place for ensuring accuracy and confidentiality.

Where administration functions have been outsourced, annual reports **should** explain how these arrangements operate in practice and how the pension fund monitors these operations.

This section of the report **may** also contain:

- an outline of the fund's internal dispute resolution procedure, any new dispute cases arising during the year and how these have been resolved
- contact details for the Pensions Advisory Service and the Pensions Ombudsman
- information on how to access any policies or guidance produced by the LGPS for employing bodies or members.

E: ACTUARIAL REPORT ON FUNDS

All LGPS funds are required to commission a revaluation of all of their funds on a specified date every three years. Under Regulation 57 in England and Wales (Regulation 55 in Scotland) the annual report **must** disclose the current level of funding as reported by the actuary at the last triennial revaluation.

This section of the annual report **should** also include either the actuary's full report or a web-link to the actuary's report on the pension fund website. The pension fund **may** provide additional information as necessary to assist the reader, for example:

- a comparison between current and previous funding levels
- a comparison of funding levels with other local government pension schemes
- an explanation of what is being done to improve low funding levels
- details of any significant variations in funding levels between employing bodies
- the results of any subsequent interim valuations
- key assumptions underpinning the valuation such as pensioner longevity, asset returns and discount rates
- use of discretionary powers which are impacting on the fund's solvency.

F: GOVERNANCE

Regulation 55 of the LGPS Regulations 2013 (Regulation 53 in Scotland) prescribes the content of the governance compliance statement which **must** be included in the annual report. The governance compliance statement **should** outline the overall governance structure in place including:

- the respective roles and responsibilities of the pensions panel, pensions or investments committee, local pensions board and any related sub-committees or advisory panels, explaining whether each one is executive or advisory

- membership of each panel, board, committee or sub-committee with a matrix showing each member’s voting rights, record of attendance at meetings and details of training received during the reporting period
- how the CIPFA Knowledge and Skills Framework has been applied
- how oversight and governance of the asset pool takes place (see Section H)
- other key elements of the governance structure (eg key officers, risk management arrangements)
- policies and processes for managing conflicts of interest (eg codes of conduct, register of interests).

Some pension funds set out this information using a table or matrix as shown below:

	Chair	Vice chair	AB council Member	AB council member	CD council member	CD council member	EF council member	Other employer	Employee representative
Committees (three hours)									
Special Committee April 2017	✓	✓	✓	✓	✓	✓	✓	✓	✓
May 2017	✓	✓	✓	✓	✓		✓	✓	✓
July 2017	✓	✓	✓	✓	✓	✓	✓	✓	✓
Training attended									
Governance (one day)	✓	✓	✓	✓	✓	✓	✓		✓
Funding and actuarial (one day)		✓	✓	✓	✓	✓	✓	✓	✓
Investments (one day)		✓	✓	✓			✓	✓	✓
Accounting		✓		✓	✓		✓		✓

Either in the governance compliance statement itself or in a separate section of the annual report, pension funds **should** illustrate how governance works in everyday terms for the reader, eg by including:

- a commentary on the work undertaken during the year by both the pensions committee (or equivalent) and the local pension board
- a copy or summary of any annual report produced by the pensions committee (or equivalent) and/or the local pension board, or
- links to the above.

Other information may also be included, for example:

- explanations of how codes of conduct operate in practice
- details of training offered and take-up (training is mandatory for local pension board members but not for a pensions committee)

- how the fund meets the requirements of the CIPFA/SOLACE *Good Governance Framework*.

G: FUND ACCOUNT, NET ASSETS STATEMENT AND NOTES

The annual report **must** include a fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper accounting practices for each of its pension funds. The financial statements **must** be drawn up in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom issued by CIPFA/LASAAC (the Code) which sets out the proper accounting practices to be followed.

Detailed guidance on the accounting and disclosure requirements for LGPS financial statements is published by CIPFA and [can be found online](#). This guidance includes a Code disclosure checklist.

In England, the primary financial reporting of the pension fund is currently through the annual statement of accounts for the pension fund administering authority, therefore the pension fund accounts in the annual report **must** match those in the administering authority's annual statement of accounts. In Scotland and Wales, the annual report is the only reporting route for the pension fund annual accounts.

H: ASSET POOLS (ENGLAND AND WALES)

In 2015 the Department of Housing, Communities and Local Government (as it then was) issued LGPS: Investment Reform Criteria and Guidance which set out how the government expected funds to establish asset pooling arrangements. The objective was to deliver:

- benefits of scale
- strong governance and decision making
- reduced costs and excellent value for money, and
- an improved capacity and capability to invest in infrastructure.

This has led to the creation of eight asset pools which have significantly changed the previous approach to investing, although it should be stressed that the responsibility for determining asset allocations and the investment strategy remains with individual pension funds.

In 2016 CIPFA and AON published *Investment Pooling Governance Principles*, in order to support LGPS funds through the transition to asset pools and specifically to ensure they continued to operate strong governance arrangements. There are a number of governance issues to consider with new pooling arrangements, specifically:

- the relationship between the pension fund and the asset pool
- the governance structure of the pool – most have decided to adopt joint committee arrangements for oversight and governance functions
- the role and involvement of administering authorities.

The following information relating to investment pooling arrangements must be set out in the annual report as part of the process of communicating with stakeholders*:

- opening and closing value and proportion of pooled assets by asset class
- opening and closing value and proportion of local assets by asset class

- net and gross performance of pooled assets by asset class
- total costs of pooled assets by asset class
- for actively managed listed assets, net performance by asset class net of total costs compared to appropriate passive indices over a one, three and five year period
- net and gross performance of local assets by asset class
- total costs of local assets by asset class
- asset transition during the reporting year
- transition plans for local assets
- pool set-up and transition costs, presented alongside in-year and cumulative savings from pooling
- ongoing investment management costs by type, with a breakdown between pooled assets and local assets

**in line with current draft guidance on asset pooling published by MHCLG (January 2019)*

This information **may** be presented all together or in separate sections of the annual report, as shown below:

MANAGEMENT AND FINANCIAL PERFORMANCE REPORT

- Scheme management and advisors – **must** include name and contact details of the pool company.
- Risk management – **should** include risks relating to the investment pooling arrangements.
- Financial performance – information **must** include costs associated with the appointment and management of the pool company including set up costs, investment management expenses, and costs relating to the oversight committee – see below for further details.

INVESTMENT POLICY AND PERFORMANCE REPORT

This section of the annual report **must** highlight which areas of the portfolio are part of the investment pooling arrangement and which are not. Where assets are both pooled and not pooled, the report **must** provide key investment information separately.

GOVERNANCE COMPLIANCE STATEMENT

This **should** be an updated version including information relating to the pool governance body.

FUND ACCOUNT, NET ASSETS STATEMENT AND NOTES

In preparing this information, local authorities **must** account for pension funds in accordance with the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* which includes comment that preparers have due regard to CIPFA's *Accounting for Local Government Pension Scheme Management Expenses* (CIPFA, 2016).

All pool companies **should** be familiar with these requirements and provide information in line with CIPFA's management expenses guidance as well as with the Code of Practice. Consideration will also need to be given to identification and disclosure of costs relating to the pool governance body, training, administration and adviser costs.

INVESTMENT STRATEGY STATEMENT

The investment strategy statement **should** be updated to include the approach to asset pooling and the proportion of assets that will be invested through the pool. This **should** include the structure and governance arrangements and the mechanisms by which the administering authority can hold the pool to account.

ANY OTHER APPROPRIATE MATERIAL

This **may** include, for example, information relating to knowledge and skills and training relevant to asset pooling. All information relating to investment assets **must** clearly state whether the assets are held via the pool company or not.

POST POOL REPORTING

The CIPFA publication [Proposals for Post Pool Reporting](#) (May 2018) acknowledged that there was a legitimate public interest in asset pools which could not be adequately met from information contained in year-end accounts. Annual reports **should** therefore include a narrative commentary explaining changes to investment costs where appropriate in terms of:

- changes in the value of investment assets between pooled and non-pooled investments
- changes in investment strategies and asset allocations
- changes implemented as a result of pooling, such as re-balancing of direct and pooled investments, changes in the split of active and passive investments, renegotiated fund mandates, new fee structures (eg changes to ad valorem fees) or new suppliers
- changes in the supplier market (eg regulation, competition, innovation)
- exceptional costs, including costs of establishing pools and transitioning to them
- increased transparency – changes in the way the information is presented
- any other factors.

Proposals for Post Pool Reporting identified additional information requirements at four specific stages in the process of transitioning to regional asset pools:

- pool set up costs
- ongoing investment management costs
- asset allocations and performance
- savings delivery.

Each is considered in turn below. Tables have been developed to promote consistency of disclosure between pension funds and to assist the MHCLG and Scheme Advisory Board. A summary of frequently asked questions on these tables is provided in Annex 3.

In order to assist the reader, the purpose of each table included in the annual report **should** be clearly explained.

Pool set up costs

The following information on set up costs **must** be included in the annual report. Since set up costs are likely to straddle more than one financial year, cost disclosures in annual reports **must** include the cumulative position as shown below. For pools operating outside London, actual costs **should** be compared to March 2015 Business Case submissions to MHCLG.

	Direct	Indirect	Total	Cumulative
	£000s	£000s	£000s	£000s
Set up costs:				
■ Recruitment				
■ Legal				
■ Procurement				
■ Other support costs eg IT, accommodation				
■ Share purchase/subscription costs*				
■ Other working capital provided eg loans				
■ Staff costs**				
■ Other costs				
TOTAL SET UP COSTS				
Transition costs:				
■ Transition fees				
■ Taxation (seeding relief)				
■ Other transition costs				
TOTAL TRANSITION COSTS				

* Include the cost of purchasing shares in the asset pool vehicle where this is a company limited by share capital. Even if these costs have been treated as an investment in the pension fund accounts or single entity authority accounts, these are a directly attributable cost of setting up the asset pool and so should be included in the table above. Similarly until the asset pools are fully operational it is likely that asset pools may need to charge a subscription fee to pool members, which should be included in the set-up costs.

** Include costs of seconded and directly employed staff involved in establishing the asset pool and working for the pool company prior to commencement of trading. For directly employed staff, costs should also include employers' pension contributions and past service pension costs if these have been transferred from their previous employment.

Set-up costs **should** then be compared to actual and expected savings. This **may** be presented in table form as set out below, alternatively charts, graphics or narrative explanations may be preferred, so long as the relevant figures are readily discernible:

- (a) Total expected costs and savings (as per business case submissions)

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Set up costs	X	X							
Transition costs		X	X	X	X	X			
Fee savings			(X)	(X)	(X)	(X)	(X)	(X)	(X)
Net savings realised	X	X	X	X	(X)	(X)	(X)	(X)	(X)

- (b) Expected vs actual costs and savings to date (this table would be extended in future years as more actual data becomes available). NB: if actual and expected figures are significantly different an explanation should be provided.

	2016/17				2017/18			
	Actual		Budget		Actual		Budget	
	In-year	Cumulative to date	In-year	Cumulative to date	In-year	Cumulative to date	In-year	Cumulative to date
	£000	£000	£000	£000	£000	£000	£000	£000
Set up costs (1)	X	X	X	X	X	X	X	X
Transition costs (1)			X	X	X	X	X	X
Fee savings (2)					(X)	(X)	(X)	(X)
Net savings realised	X	X	X	X	X	X	X	X

(1) – **should** agree to pool set up costs table above

(2) – **should** agree to savings variance analysis later in this section.

NB: this example is based on a pool outside London in the early stages of transition where fee savings have yet to be realised.

Ongoing investment management costs

Information provided in the annual report **must** enable the reader to compare ongoing investment management costs between asset pools and non-pooled investment arrangements. This information **should** be based on the analysis of investment management costs that most pension funds already include in their year-end statement of accounts, as follows:

	Asset Pool				Non-Asset Pool				Fund Total	
	Direct	Indirect	Total		Direct	Indirect	Total			
	£000s	£000s	£000s	bps	£000s	£000s	£000s	bps	£000s	bps
Management fees										
■ ad valorem										
■ performance										
■ research										
■ PRIIPS compliance										
Asset pool shared costs										
Transaction costs										
■ commissions										
■ acquisition/issue costs										
■ disposal costs										
■ registration/filing fees										
■ taxes and stamp duty										
Custody										
Other										
Total £000										

Asset allocations and performance

Gross and net investment returns **should** be reported separately for investment mandates which have transitioned to asset pools and those which have not. The Scheme Advisory Board has requested that gross and net return are reported by asset class shown alongside the relevant passive index for quoted investments and local performance benchmarks for unquoted investments, as set out in the pension fund’s investment strategy.

Performance **should** be measured over one, three and five year timeframes and annual reports **should** explain exactly which performance benchmark is being applied. Presentation **should** be in table form, as shown below, with investments categorised according to their primary purpose:

Asset category	Opening value		Closing value		Performance		Passive Index*	Local Target
					Gross	Net		
	£000s	%	£000s	%	%	%	%	%
Asset pool managed investments								
■ Active listed equity								
■ Active listed fixed income								
■ Passive listed equity								
■ Passive listed fixed income								
■ Private debt								
■ Property								
■ Unlisted equity								
■ Infrastructure								
■ Cash								
■ Multi-asset funds/diversified growth funds								
■ Derivatives								
■ Hedge funds								
■ Insurance policies								
■ Other								
Total								
Non-asset pool managed investments								
■ Active listed equity								
■ Active listed fixed income								
■ Passive listed equity								
■ Passive listed fixed income								
■ Private debt								
■ Property								
■ Unlisted equity								
■ Infrastructure								
■ Cash								
■ Multi-asset funds/diversified growth funds								
■ Derivatives								
■ Hedge funds								
■ Insurance policies								
■ Other								
Total								

Savings delivery

To measure the extent to which pension funds have saved fees as a result of pooling, pension funds **should** calculate price and quantity variances. The price variance measures the extent to which fee rates have generated savings. The quantity variance measures the extent to which fees have changed in line with the value of the assets on which they are based, therefore:

- the price variance is calculated as the fund value currently x (old fee rate – new fee rate)
- the quantity variance is calculated as the old fee rate x (old fund value – current fund value).

Worked examples are set out in Annex 3 and **should** be accompanied by a qualitative explanation (changes in price, volume, asset mix, etc) and presented in the context of changes in performance and risk.

I: PENSIONS ADMINISTRATION STRATEGY REPORT

Pension funds have discretion as to whether or not they prepare a pensions administration strategy. Where such a strategy is produced, Regulation 59 of The Local Government Pension Scheme Regulations 2013 (Regulation 57 in Scotland) specifies the matters to be included and under Regulation 57 (Regulation 55 in Scotland) the strategy **must** be published as part of the annual report.

The annual report **should** describe the significant service standards contained in any service level agreements with fund employers and report on whether or not these requirements are being met. Examples of service standards agreed with employers include, for example:

- the provision of named pensions contacts for the employer
- the provision of an employer discretions policy document
- the submission of statements of compliance regarding the administration of the scheme within the employer
- the timeliness of data submissions by the employer
- the timeliness of employer responses to fund queries.

The report **should** also set out any use of powers to seek compensation from employers in respect of any service standard breaches.

J: FUNDING STRATEGY STATEMENT

Since 2004, pension funds have been required to prepare, publish and maintain a funding strategy statement (FSS) under Regulation 58 of the LGPS Regulations 2013 (Regulation 56 in Scotland). The Regulation requires the pension fund to keep its FSS under review and to make such revisions as are appropriate following a material change either to its policy on matters covered by the statement or to the investment strategy statement (England and Wales) or statement of investment principles (Scotland). Guidance has been provided in the 2016 CIPFA publication [Preparing and Maintaining a Funding Strategy Statement](#).

It is possible, therefore, that more than one FSS may be published during the reporting period but, for the purposes of the annual report, the FSS as it stood at the end of the reporting period **must** be reproduced in full. The annual report **should** also direct the reader to where the previous version/s in force during the reporting period may be found.

K: INVESTMENT STRATEGY STATEMENT (ENGLAND AND WALES) OR STATEMENT OF INVESTMENT PRINCIPLES (SCOTLAND)

In England and Wales, MHCLG guidance published in September 2016 and July 2017 sets out the detailed requirements for LGPS to prepare, publish, and maintain both a funding strategy statement and an investment strategy statement, the latter replacing the statement of investment principles from 2017/18. The guidance requires that the investment strategy statement contains, among other things:

- the strategy and processes in place for managing investment risk
- allocation of investments across asset class
- approach to pooling and participation in national asset pools
- risk management arrangements
- social and environmental policies and corporate governance considerations
- the exercise of rights attached to investments.

In Scotland, Regulation 12 of the LGPS (Management and Investment of Funds)(Scotland) Regulations 2010 requires pension funds to prepare, maintain and publish a statement of investment principles (SIP). The SIP sets out the pension fund's principles for investing fund monies. In doing so it should:

- State the extent to which it complies with statutory guidance for producing the SIP, including any reasons for non-compliance. The CIPFA publication [Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom](#) (CIPFA, 2012) constitutes the relevant statutory guidance.
- Link with the investment policy and performance section of the annual report (Section B).
- Link with the financial instrument risk disclosures included in the pension fund accounts (Section F).

Current versions of the investment strategy statement (in England and Wales) or statement of investment principles (in Scotland) **must** be included in the pension fund annual report

L: COMMUNICATIONS POLICY STATEMENT

Pension funds are required to prepare, maintain and publish a written statement of their policy concerning communication with members, representatives of members and employing authorities. For England and Wales refer to Regulation 61 of the LGPS Regulations 2013 and for Scotland refer to Regulation 59 of the Scottish Regulations.

This policy statement **must** be included in the pension fund annual report. The report **should** also contain a commentary on how the fund has met the commitments set out in the communications policy statement including:

- how scheme information has been provided to members, their representatives and employers
- in what format and how frequently information has been provided
- what steps the fund has taken to promote scheme membership to prospective members.

M: EXTERNAL AUDIT OPINION

The external auditor's opinion on the pension fund's statement of accounts **must** be included in the annual report. For Welsh and Scottish pension funds this will be a standalone audit opinion, whereas in England it is likely to be a 'consistent with' opinion referring back to the certificate given on the administering authority's statement of accounts.

As LGPS currently do not make separate audit appointments, it will be the administering authority's appointed external auditor (currently one of the large accountancy firms) who carries out the audit work and issues the opinion.

There is no requirement to audit the pension fund annual report as a separate exercise, therefore the scope of the audit will primarily be restricted to the financial statements included in the annual report, rather than the content of the annual report overall. However, where audited accounts are published alongside other financial information, auditors have a responsibility to ensure that the audited and unaudited information being presented to the reader is internally consistent. In practice this means that:

- the external auditor will need to receive and review not just a set of financial statements but also a draft of the annual report before he/she can issue a separate opinion on the pension fund
- the auditor is likely to query any information reported in other sections of the annual report that appears to be materially inconsistent with the information contained in the accounts. Where information is different eg because sub-fund expenses have been added in to investment management costs in order to meet Transparency Code requirements, reconciliations between the two sets of figures should be prepared and made available for audit.

N: OTHER MATERIAL

Specific requirements

Scottish pension funds – management commentary

Local Government Finance Circular 1/2018 explains that pension accounts are a separate set of accounts of the administering authority for the purpose of the Local Authority Accounts Regulations 2014 (the Accounts Regulations). The Accounts Regulations require local authority annual accounts to include a management commentary and an annual governance statement.

Circular 1/2018 states that the pension fund annual report meets the requirements for a management commentary in respect of the pension fund.

Scottish and Welsh pension funds

As a stand-alone set of financial statements, to meet CIPFA Code of Practice requirements Scottish and Welsh annual reports **must** include the following:

- a statement of responsibilities for the statement of accounts
- member approval and publication dates
- an annual governance statement setting out how the pension fund complies with the CIPFA/SOLACE publication *Delivering Good Governance in Local Government Framework*.

Following either statutory requirements or best practice, annual governance reports are normally produced as the outcome of annual 'governance reviews' carried out by management which consider, among other things:

- the overall governance and risk management structures in place
- any changes made to these arrangements since last year
- how the organisation complies with the CIPFA/SOLACE publication *Delivering Good Governance in Local Government: Framework*
- assurance provided through internal audit work or third parties
- assurance reviews carried out by service managers.

In Scotland, Local Government Finance Circular 1/2018 advises that pension funds adopt one of the following two approaches:

- a single governance statement with two sections – the first section being the annual governance statement, and the second section being the governance compliance statement, or
- two separate statements – the first statement is to be the annual governance statement, followed immediately by the governance compliance statement.

At the date of publication, the Welsh Government was considering a similar approach for Welsh pension funds to follow.

Additional information

Although Regulation 57 of the LGPS Regulations 2013 and Regulation 55 of the Scottish Regulations prescribe what must be included in the pension fund annual report, pension funds are free to include other information as they see fit. For example, funds **may** wish to include:

- the statement of compliance with the CIPFA *Code of Practice on Public Sector Pensions Finance Knowledge and Skills*
- evidence to demonstrate compliance with the Code, such as a report on officer and member training undertaken during the year (if not reported elsewhere), skills and knowledge reviews undertaken, etc

- the role played by internal audit in providing assurance and managing risk, and a summary of assurance activity undertaken during the year (including any key points arising from such reviews or from the review of ISAE 3402 controls assurance reports)
- a summary of freedom of information requests
- a glossary of commonly used pension fund terms to aid readers.

ANNEX 1

Annual report checklist

Set out below is a summary of must, should and may disclosures for LGPS annual reports.

1	Scheme management and advisors	
	The report must list the names and contact details for:	YES NO N/A
1-1	■ the officers responsible for the fund	YES NO N/A
1-2	■ investment managers used by the fund	YES NO N/A
1-3	■ the fund custodian	YES NO N/A
1-4	■ AVC providers	YES NO N/A
1-5	■ the fund actuary	YES NO N/A
1-6	■ legal advisors	YES NO N/A
1-7	■ bankers to the fund	YES NO N/A
1-8	■ the external auditor	YES NO N/A
1-9	■ the scheme administrators	YES NO N/A
1-10	■ any independent advisors	YES NO N/A
2	Risk management	
	The report should explain:	YES NO N/A
2-1	■ how risk management is integrated within the governance structure	YES NO N/A
2-2	■ how risks are identified, managed and reviewed. This might for example include:	YES NO N/A
2-3	■ a summary of the key risks and what actions are being taken to mitigate those risks	YES NO N/A
2-4	■ how assurance is sought over third party operations, eg ISAE 3402 (f AAF 01/06) and SSAE16/70 reports	YES NO N/A
2-5	■ levels of assurance gained from internal audit work	YES NO N/A
2-6	■ how investment risk is managed.	YES NO N/A
3	Financial performance	
	The report must provide an overview of the fund's financial performance which includes:	YES NO N/A
3-1	■ current year performance against budget, highlighting and explaining any significant variances	YES NO N/A
3-2	■ a brief commentary on the movement in non-investment assets and liabilities (or a cross-reference to where this can be found in the financial statements)	YES NO N/A

		Yes/no/not applicable	Comments
3-3	<ul style="list-style-type: none"> Information about the level of contributions as a % of pensionable pay, the timeliness of receipt of contributions and whether the option to levy interest on overdue contributions has been exercised 	YES NO N/A	
3-4	<ul style="list-style-type: none"> forecast v outturn report on the pension fund cash flows 	YES NO N/A	
3-5	<ul style="list-style-type: none"> details of pension overpayments, recoveries and any amounts written off, including the results of participation in (NFI) exercises (data matches, overpayments identified, actions taken, etc). 	YES NO N/A	
The financial overview should also include:			
3-6	<ul style="list-style-type: none"> details of the net operational expenses of administering the fund, identifying as a minimum staff costs (both direct and internal recharges), premises, IT, supplies and services, costs of democracy and any other costs and income 	YES NO N/A	
3-7	<ul style="list-style-type: none"> details of benefits payable, transfers in and out, plus income from contributions from members and employers, showing a net inflow or outflow to the fund. 	YES NO N/A	
3-8	<ul style="list-style-type: none"> The financial overview may also include longer term forecasts of income, expenditure and cash flows. 	YES NO N/A	
4 Pension scheme administration			
The annual report must include the following:			
4-1	<ul style="list-style-type: none"> analysis of membership data (active, deferred pensioners and leavers) 	YES NO N/A	
4-2	<ul style="list-style-type: none"> a list of contributing employers analysed by admitted and scheduled bodies showing the value of contributions received from both employer and employees during the year 	YES NO N/A	
4-3	<ul style="list-style-type: none"> details of new pensioners analysed by ill health, early and normal retirements. 	YES NO N/A	
The annual report must include a description of key administration activities including:			
4-4	<ul style="list-style-type: none"> services provided to members, pensioners and employing bodies, together with an explanation of how these services are delivered 	YES NO N/A	
4-5	<ul style="list-style-type: none"> a statement on value for money 	YES NO N/A	
4-6	<ul style="list-style-type: none"> a summary of key performance data and qualitative information 	YES NO N/A	
4-7	<ul style="list-style-type: none"> a summary of key financial information and staffing levels. 	YES NO N/A	
Key performance data should include:			

		Yes/no/not applicable	Comments
4-8	■ caseload analysis	YES NO N/A	
4-9	■ accuracy of membership data	YES NO N/A	
4-10	■ the percentage of pensions transactions completed on time against targets	YES NO N/A	
4-11	■ satisfaction levels of employers and members	YES NO N/A	
4-12	■ numbers of complaints and complaints as a percentage of workload.	YES NO N/A	
	Financial indicators of administrative efficiency should include:	YES NO N/A	
4-13	■ unit costs per member	YES NO N/A	
4-14	■ benchmarking of unit costs against appropriate comparators.	YES NO N/A	
	Key staffing indicators should include:	YES NO N/A	
4-15	■ staff numbers and trends	YES NO N/A	
4-16	■ staff to fund-member ratios	YES NO N/A	
4-17	■ average cases per member of staff	YES NO N/A	
4-18	■ benchmarking of staffing levels against appropriate comparators.	YES NO N/A	
	A CIPFA working group has recommended that the following information is collected and the results should be summarised in the annual report.		
4-19	Time taken to process the following:		
	■ acknowledgement of death	YES NO N/A	
	■ death benefit and/or survivor pension	YES NO N/A	
	■ provide pension or CETV estimate	YES NO N/A	
	■ payment of lump sum retirement	YES NO N/A	
	■ calculate and notify deferred benefits	YES NO N/A	
	■ transfers in and out	YES NO N/A	
	■ calculate and pay a refund	YES NO N/A	
	■ send formal notification of joining.	YES NO N/A	
4-20	Actual time taken compared to legal requirements and internal target/SLA KPI.	YES NO N/A	
4-21	Numbers of each case type processed each year and outstanding at the year end.	YES NO N/A	
4-22	Average caseload per FTE.	YES NO N/A	
4-23	Satisfaction levels of employers and members.	YES NO N/A	
4-24	Administration, oversight and governance – unit costs per member.	YES NO N/A	
4-25	Staff to fund-member ratios.	YES NO N/A	

		Yes/no/not applicable	Comments
4-26	The annual report should summarise <ul style="list-style-type: none"> ■ helpdesk arrangements and information available to members and employees via websites, self-service options and other information sources 	YES NO N/A	
4-27	<ul style="list-style-type: none"> ■ contact details 	YES NO N/A	
4-28	<ul style="list-style-type: none"> ■ explanation of any outsourcing arrangements 	YES NO N/A	
4-29	<ul style="list-style-type: none"> ■ monitoring arrangements for gathering assurance over the effective and efficient operation of these operations. 	YES NO N/A	
This section may also contain:			
4-30	<ul style="list-style-type: none"> ■ an outline of the fund’s internal dispute resolution procedure, any new dispute cases arising during the year and how these have been resolved ■ contact details for the Pensions Advisory Service and the Pensions Ombudsman ■ information on how to access any policies or guidance produced by the LGPS for employing bodies or members. 	YES NO N/A	
5 Investment Policy and Performance Report			
5-1	The planned asset allocation must be stated along with the actual asset allocation for the financial year.	YES NO N/A	
5-2	Investment performance must be set out for each asset class and fund manager against the benchmarks set for one year, three years and five years.	YES NO N/A	
5-3	Pension funds may wish to explain any responsible investment policies and any environmental, social and governance policies along with voting arrangements and other initiatives such as engagement with companies and any collaborative ventures with other funds.	YES NO N/A	
5-4	The report may also: <ul style="list-style-type: none"> ■ outline the fund’s approach to the UK Stewardship Code 	YES NO N/A	
5-5	<ul style="list-style-type: none"> ■ list any bodies of which the fund is member, subscriber or signatory, such as NAPF, LAPFF, UKSIF, UNPRI, etc 	YES NO N/A	
5-6	<ul style="list-style-type: none"> ■ record how voting rights have been exercised 	YES NO N/A	
5-7	<ul style="list-style-type: none"> ■ explain what actions have been taken to pursue responsible investment aims 	YES NO N/A	
5-8	<ul style="list-style-type: none"> ■ explain actions taken to demonstrate compliance with the Myners principles or any other code of principles adopted. 	YES NO N/A	

		Yes/no/not applicable	Comments
5-9	This section of the report must also include details of investment administration and custody, describing who looks after which part of the portfolio if this has not already been reported elsewhere.	YES NO N/A	
6	Investment management costs		
6-1	Pension funds should take steps to identify fees and costs incurred by third parties which impact on overall return achieved, and explain these in the annual report.	YES NO N/A	
6-2	The annual report should help readers understand the relationship between costs, risks and return associated with the pension fund portfolio. Areas for consideration might include the costs and related returns from:		
	■ active v. passive portfolios	YES NO N/A	
	■ different asset classes including alternatives	YES NO N/A	
	■ pooled funds, layered funds and 'fund of fund' arrangements	YES NO N/A	
	■ different fund managers.	YES NO N/A	
6-3	The annual report should explain how the pension fund is responding to the Scheme Advisory Board's Transparency Code and what use is being made of information obtained from fund managers using the Scheme's template reports.	YES NO N/A	
7	Post pool reporting		
7-1	Investments analysis by fund manager must be split between assets transferred, and not yet transferred, to national pools.	YES NO N/A	
7-2	The annual report must include details of pool set up costs eg:		
	■ share purchase/subscription costs	YES NO N/A	
	■ other working capital provided eg loans	YES NO N/A	
	■ staff costs	YES NO N/A	
	■ accommodation costs	YES NO N/A	
	■ other services provided eg IT costs	YES NO N/A	
	■ transition fees and taxes	YES NO N/A	
	■ recruitment	YES NO N/A	
	■ legal	YES NO N/A	
	■ procurement.	YES NO N/A	
7-3	Details of set up costs should be presented alongside the total savings expected from pooling and the in-year and cumulative savings achieved to date.	YES NO N/A	

		Yes/no/not applicable	Comments
7-4	Analysis of ongoing investment management costs must be split between pooled and non-pooled assets	YES NO N/A	
7-5	To measure the extent to which pension funds have saved fees as a result of pooling, the annual report should include details of ongoing fee savings based on the price and quantity variance methodology set out in the Post Pooling Guidance report.	YES NO N/A	
7-6	Annual reports should compare gross and net investment yield for each class of asset, analysed between pooled and non-pooled investments and comparing actual return achieved during the year to the relevant passive return index (for quoted investments) or the local target return (for non-quoted investments).	YES NO N/A	
7-7	Where tables are used to provide the data in 7-2 to 7-6 above, the tables should be clearly explained.	YES NO N/A	
7-8	Narrative commentary should explain changes to investment costs in terms of: <ul style="list-style-type: none"> ■ change in the value of assets under management and how this is split between pooled and non-pooled investments ■ changes in investment strategies and asset allocations ■ changes implemented as a result of pooling, such as re-balancing of direct vs pooled investments, changes in the split of active and passive investments, renegotiated fund mandates, new fee structures (eg changes to ad valorem fees) or new suppliers ■ changes in the supplier market (eg regulation, competition, innovation) ■ exceptional costs, including costs of establishing pools and transitioning to them ■ increased transparency – changes in the way the information is presented ■ any other factors. 	YES NO N/A	
7-9	Annual reports must include: the name and contact details of the regional pool operator	YES NO N/A	
7-10	planned versus actual asset allocation – within the pool and otherwise. Annual reports should also include the following information relating to the regional asset pool:		
7-11	a summary of identified risks relating to pooling arrangements	YES NO N/A	

		Yes/no/not applicable	Comments
7-11	<ul style="list-style-type: none"> a copy or summary of the annual report from the asset pool oversight committee 	YES NO N/A	
	The pension fund may also wish to disclose:		
7-12	<ul style="list-style-type: none"> how the pension fund and pool operator respectively are exercising voting rights and taking action to pursue responsible investment commitments 	YES NO N/A	
7-13	<ul style="list-style-type: none"> what action the pool operator is taking to demonstrate compliance with the Myners principles 	YES NO N/A	
7-14	<ul style="list-style-type: none"> information relating to knowledge and skills and training relevant to asset pooling. 	YES NO N/A	
8	Actuarial report	YES NO N/A	
8-1	The annual report must include a statement by the actuary setting out the pension fund's overall level of funding as reported at the last triennial valuation.	YES NO N/A	
	It should also include:		
8-2	<ul style="list-style-type: none"> a summary of the last triennial valuation report and details of where the full version of the actuarial report can be obtained. 	YES NO N/A	
8-3	In addition the pension fund may wish to disclose: <ul style="list-style-type: none"> the results of any interim valuations 	YES NO N/A	
8-4	<ul style="list-style-type: none"> where such monitoring is undertaken, the results of any monitoring of key variables such as longevity experience, ill health retirements and use of discretionary powers impacting on the fund's solvency. 	YES NO N/A	
9	Governance policy and compliance statement		
	Regulation 31 of the Administration Regulations 2008 (Regulation 55 of The Local Government Pension Scheme Regulations 2013) (Regulation 27 in Scotland) prescribes the content of this statement which must be included in the annual report.		
	This section of the annual report should also include:		
9-1	An outline of the overall governance structure for the pension fund and the roles and responsibilities of each element within the structure (including whether the element is executive or advisory)	YES NO N/A	
9-2	Terms of reference for the pensions committee (or equivalent), local pensions board and related sub-committees or advisory panels	YES NO N/A	
9-3	Membership of each panel/committee during the year with a matrix showing for each member:	YES NO N/A	
9-4	<ul style="list-style-type: none"> voting rights 	YES NO N/A	

		Yes/no/not applicable	Comments
9-5	■ attendance at meetings	YES NO N/A	
9-6	■ training received during the reporting period.	YES NO N/A	
9-7	Policy and processes for managing any conflicts of interest.	YES NO N/A	
9-8	The annual report from the local pension board.	YES NO N/A	
9-9	Annual reports should include some form of commentary to illustrate how governance works in everyday terms for the reader. This may include, for example: <ul style="list-style-type: none"> ■ explanations of how codes of conduct operate in practice ■ how the CIPFA Knowledge and Skills Framework has been applied ■ details of training offered and take-up (training is mandatory for local pension board members but not for a pensions committee). 	YES NO N/A	
9-10	how the fund and pool operator are meeting the requirements of the CIPFA/SOLACE <i>Good Governance Framework</i> .	YES NO N/A	
10 Financial statements			
10-1	The annual report must include the fund's full financial statements ie the fund account, net asset statement and disclosure notes.	YES NO N/A	
10-2	The annual report must also contain a copy of the external auditor's opinion on these accounts.	YES NO N/A	
11 Dealings with employing bodies			
11-1	The annual report must include a summary of the number of employers in the fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities). The data should be shown in tabular format.	YES NO N/A	
	The annual report should set out the arrangements for dealing with employer bodies. Examples may include:		
11-2	■ service standards set and agreed between the fund and each employer	YES NO N/A	
11-3	■ the provision of named pensions contacts for the employer	YES NO N/A	
11-4	■ an employer discretions policy document	YES NO N/A	
11-5	■ a new admissions policy	YES NO N/A	
11-6	■ pensions advice for employers entering into outsourcing/TUPE arrangements	YES NO N/A	

		Yes/no/not applicable	Comments
11-7	■ requirement for annual statements of compliance regarding the administration of the scheme by each employer	YES NO N/A	
11-8	■ the timeliness of data submissions by the employer	YES NO N/A	
11-9	■ the timeliness of employer responses to fund queries.	YES NO N/A	
11-10	The report should set out any use of powers to seek compensation from employers in respect of any service standard breaches.	YES NO N/A	
12	Communications Policy Statement		
12-1	For English and Welsh pension funds, Regulation 61 of the Administration Regulations requires them to prepare, maintain and publish a written statement of their policy concerning communication with members, representatives of members and employing authorities. This must be included in the annual report	YES NO N/A	
13	Funding strategy statement		
13-1	Pension funds are required to prepare, publish and maintain funding strategy statements (FSS) under Regulation 58 of The Local Government Pension Scheme Regulations 2013) (Regulation 31 in Scotland). For the purposes of the pension fund annual report, the statement as it stood at the end of the reporting period must be reproduced in full. This section of the report should also include a commentary on matters relating to the implementation and application of the funding strategy statement during the period, such as:	YES NO N/A	
13-2	■ implementation of any contribution increases	YES NO N/A	
13-3	■ management of admitted bodies	YES NO N/A	
13-4	■ any bonds or any other secured funding arrangements entered into.	YES NO N/A	
13-5	Links between the FSS and ISS should be set out in the annual report	YES NO N/A	
14	Investment strategy statement		
14-1	Pension funds are required to prepare, maintain and publish an investment strategy statement (ISS), which replaced the previous statement of investment principles (SIP) in 2016/17. The annual report must include the current version of the ISS.	YES NO N/A	
14-2	The Annual report should set out the extent to which the ISS and FSS meet statutory guidance and explain the reasons for any areas of non-compliance identified.	YES NO N/A	

		Yes/no/not applicable	Comments
14-3	The ISS should explain how the pension fund intends to transition funds to the regional asset pool, setting out expected timings, mandates affected etc.	YES NO N/A	
15	Other material		
	For example, funds may wish to include:		
15-1	■ the statement of compliance with the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills	YES NO N/A	
15-2	■ evidence to demonstrate compliance with the code of practice, reports on officer and member training undertaken during the year (if not reported elsewhere), skills and knowledge reviews, planned training events etc	YES NO N/A	
15-3	■ the role played by internal audit in providing assurance and managing risk, and a summary of assurance activity undertaken during the year	YES NO N/A	
15-4	■ other policy documents or strategies in place or under development	YES NO N/A	
15-5	■ a commentary on how employer discretions have been exercised in the reporting period	YES NO N/A	
15-6	■ a glossary of commonly used pension fund terms to aid readers.	YES NO N/A	
15-7	Chairman's report.	YES NO N/A	
16	Requirements for Welsh and Scottish LGPS only		
	The annual reports must include:	YES NO N/A	
16-1	a statement of responsibilities	YES NO N/A	
16-2	approval and issue dates	YES NO N/A	
16-3	an annual governance report, based on:	YES NO N/A	
	■ compliance with CIPFA/SOLACE framework	YES NO N/A	
	■ outcomes from internal audit coverage/head of internal audit assurance report	YES NO N/A	
	■ third party assurance reports.	YES NO N/A	
	Must be included for Scottish pension funds only		
16-4	A management commentary	YES NO N/A	

ANNEX 2

Scheme administration

A working party set up by CIPFA during 2018 is aiming to develop a process whereby scheme administration data can be captured on a consistent basis and shared between funds. The group has suggested that as a first step the following information is captured and reported:

Table 1: Key performance information

Process	No. cases outstanding at start of the period	No. cases commenced in year	No. cases completed in year	No. cases outstanding at year end	% completed in year
Deaths – Initial letter acknowledgement death of active/deferred/pensioner member					
Deaths – Letter notifying amount of dependant’s benefit					
Retirements – Letter notifying estimate of retirement benefits (include all retirement types: normal, ill heath, early, late etc)	Active				
	Deferred				
	Total				
Retirements – Letter notifying actual retirement benefits (include all retirement types: normal, ill heath, early, late etc)	Active				
	Deferred				
	Total				
Retirements – process and pay lump sum retirement grant (include all retirement types: normal, ill heath, early, late etc)	Active				
	Deferred				
	Total				
Deferment – calculate and notify deferred benefits					

Process	No. cases outstanding at start of the period	No. cases commenced in year	No. cases completed in year	No. cases outstanding at year end	% completed in year
Transfers in – Letter detailing transfer <i>in</i> quote					
Transfers in – Letter detailing transfer <i>in</i>					
Transfers out – Letter detailing transfer <i>out</i> quote					
Transfers out – Letter detailing transfer <i>out</i>					
Refund – Process and pay a refund					
Divorce quote – Letter detailing cash equivalent value and other benefits					
Divorce settlement – Letter detailing implementation of cash equivalent value and application of pension sharing order					
Member estimates/projections					
Joiners – Send notification of joining the LGPS to scheme member					
Aggregation – Send notification of aggregation options					

Table 2: Key performance indicators

Process	Fund KPI's	%	No. cases completed within KPI	Legal Requirement (from notification)	%	No.
Deaths – Initial letter acknowledgement death of active/deferred/pensioner member	5 days			2 months		
Deaths – Letter notifying amount of dependant's benefit	10 days			2 months		
Retirements – Letter notifying estimate of retirement benefits (include all retirement types: normal, ill health, early, late etc)	Active	15 days		2 months		
	Deferred					
	Total (if not separated)					
Retirements – Letter notifying actual retirement benefits (include all retirement types: normal, ill health, early, late etc)	Active	15 days		2 months		
	Deferred					
	Total (if not separated)					
Retirements – process and pay lump sum retirement grant (include all retirement types: normal, ill health, early, late etc)	Active	15 days		2 months		
	Deferred					
	Total (if not separated)					
Deferred into pay – process and pay lump sum retirement grant	15 days			2 months		
Deferral – Calculate and notify deferred benefits	30 days			2 months		
Transfers in – Letter detailing transfer <i>in</i> quote	10 days			2 months		
Transfers out – Letter detailing transfer <i>out</i> quote	10 days			2 months		
Refund – Process and pay a refund	10 days			2 months		
Divorce quote – Letter detailing cash equivalent value and other benefits	45 days			3 months		
Divorce settlement – Letter detailing implementation of cash equivalent value and application of pension sharing order	15 days			3 months		
Joiners – Send notification of joining the LGPS to scheme member	40 days			2 months		

CIPFA is updating the Pension Administration Benchmarking Club return to reflect the indicators shown above and this will include further guidance on how to obtain these figures although further work in this area is anticipated, including working with system providers to develop reporting directly from system information.

Table 3: Unit cost per member

Process	2013/14	2014/15	2015/16	2016/17	2017/18
Investment management expenses					
Total cost (£'000)					
Total membership (no.)					
Sub cost per member (£)					
Administration costs					
Total cost (£'000)					
Total membership (no.)					
Sub cost per member (£)					
Oversight and governance costs					
Total cost (£'000)					
Total membership (no.)					
Sub cost per member (£)					
Total cost per member (£)					

This information could also be shown as a chart or graph which may accentuate the movements between years more easily.

ANNEX 3

Post pool reporting

TECHNIQUES TO CALCULATE SAVINGS FROM ASSET POOLING

Variance analysis – worked example A – ad valorem fees

Calculating price and quantity variances for an asset portfolio transferred to an asset pool at 1/10/16, as at 31/3/18

Value of assets at 1/10/16	£112m
ad valorem fee rate	55bp per £1m
Value of assets at 31/3/18	£156m
ad valorem fee rate	50bp per £1m on first £100m
	45bp per £1m on next £30m
Fund	40bp per £1m on next £30m

Price variance

Current fund value at old rate	£156m x £0.0055 =	£858,000
Current value at new fee rate	£100m x £0.0050 =	£500,000
	£30m x £0.0045 =	£135,000
	£26m x £0.0040 =	£104,000
		£739,000

PRICE VARIANCE

£119,000

Quantity variance

Old rate x (old fund value – new fund value) = £0.0055 x (£112m – £156m)

QUANTITY VARIANCE

(£242,000)

Total variance

TOTAL VARIANCE Old fees – new fees = £616,000 – £739,000 = (£123,000)

Variance analysis – worked example B – performance related fees

Calculating price and quantity variances for an asset portfolio transferred to an asset pool at 1/10/16, as at 31/3/18

Value of assets at 1/10/16	£112m
ad valorem fee rate	55bp per £1m
Value of assets at 31/3/18	£156m
ad valorem fee rate	50bp per £1m on first £100m
	45bp per £1m on next £30m
Fund	40bp per £1m on next £30m

Price variance

Current fund value at old rate	£156m x 0.0055 =	£858,000
Current value at new fee rate	£100m x 0.0050 =	£500,000
	£30m x 0.0045 =	£135,000
	£26m x 0.0040 =	£104,000
Performance fee		£641,143
		£1,380,143
PRICE VARIANCE		(£522,143)

Quantity variance

Old rate x (old fund value – new fund value) =	£0.0055 x (£112m – £156m)
QUANTITY VARIANCE	(£242,000)

Total variance

TOTAL VARIANCE	Old fees – new fees =	£616,000 – £739,000 =	(£764,143)
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Note that in the above example:

- a performance fee is payable of 20%
- the performance fee is subject to a ‘hurdle’ of 4% over the benchmark index
- the performance fee is subject to a high water mark clause.

Frequently asked questions

Question 1

Q: Where we have received consultancy advice for a project, where would the cost be disclosed?

A: As part of set up costs if this relates to new pooling arrangements. Otherwise as part of administration expenses.

Question 2

Q: What are indirect costs? Can CIPFA provide examples?

A: These would include, for example, overhead costs incurred by the administering authority or the pool in respect of senior management time, accommodation or support services recharged on a % of time/floor area basis as opposed to being directly linked to pension fund activities.

Question 3

Q: Will there be any changes to the example accounts as a result of these disclosures?

A: The only change is that the analysis of investments by manager will now be split between pooled and non-pooled investments; see [example LGPS accounts for 2018/19](#).

Question 4

Q: How will we show that the tables in the annual report reconcile to the notes in the accounts? If there are no changes in the example accounts are we expected to show a reconciliation?

A: Reconciliations should be prepared where the figures are different as external audit will need to check consistency between figures reported in the accounts and figures reported elsewhere in the annual report before they can issue a 'consistent with' opinion on the annual report. There is no requirement to include these reconciliations in either the annual report or the accounts – however, to assist the reader, a short explanation should be provided below each table in the annual report to explain what the key differences are.

Question 5

Q: Clarification on asset allocation and yield table – should there be sub-totals for the active and passive pooled investment vehicles?

A: The published guidance does not include sub-totals as a requirement but you could certainly add them if it makes the table clearer in your local circumstances.

Question 6

Q: How should we present pooling savings?

A: Via (1) the variance analysis which is the suggested method for calculating savings, and (2) comparison between savings achieved and set up costs.

Question 7

Q: Are the contractual costs within the pool direct or indirect costs?

A: Usually these would be direct costs but see comments above.

Question 8

Q: Will we be expected to include any of the pooled tables in the pension fund section of the parent county council's accounts?

A: Only the analysis of investments by manager, see above.

Question 9

Q: Tables seem more suited to pools that have built their own operator as opposed to pools that procure and rent. Our pool has mostly transition costs as opposed to set up costs.

A: Inevitably some pools will have higher set up costs and lower transition costs whereas other pools will have the reverse depending on the structures and operating models they adopt. Put the costs where you feel they best fit and include a footnote to the table explaining what has been done and why. It may be that some costs from a single advisor, consultant or fund manager need allocating between different categories in the tables depending on what they are actually doing or have done.

Question 10

Q: Will we be provided with an example of how these tables tie in to the accounts?

A: The figures included in the table on set up costs and transitioning should be identified from all three categories of expenditure included in the management expenses total in the fund account, but individual components will need to be identified and re-analysed. This table is also cumulative as it expected these costs to be incurred over a number of years. The table for ongoing investment costs should reconcile back to the IME line in the fund account and the asset allocations and performance table should reconcile back to the net return on investments (total yield) and analysis of investments by manager (total opening and closing values).

Question 11

Q: Set up costs – should staff costs include support provided by pension fund staff to the pool (ie ad-hoc support)?

A: Yes.

Question 12

Q: Asset allocation and performance table – where should private equity be reported?

A: Private equity is described as unlisted equity in this table.

Question 13

Q: Variance analysis – we are likely to be in the situation where we are joining a pooled fund asset portfolio we didn't have before. How do we show the variance analysis as we will not have an old rate to compare to the new rate? In this situation are we able to use the asset portfolio's standard quoted fee rate (eg 60bp) and compare it to the negotiated pool fee rate (eg 50bp)?

A: Yes, just include a footnote explaining which approach has been adopted and why.



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Agenda Item 8a



Subject	Quarterly Administration Update	Status	For Publication
Report to	Local Pension Board	Date	15 October 2020
Report of	Head of Pensions 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 Members on administration performance and issues for the period from 1 July 2020 to 30 September 2020.
-

2 **Recommendations**

- 2.1 Members are recommended to:
- a. **Comment on the content of the revised administration update and indicate any areas where they would like to receive further detail**
 - b. **Highlight any areas of administration where further assurance may be required**
-

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 report includes reference to feedback from our customers as to their experience of the retirement process

Listening to our stakeholders

To ensure that stakeholders' views are heard within our decision making processes. The report includes information about the engagement with the employers in the scheme and how SYPA can support them to complete their responsibilities.

Effective and Transparent Governance

To uphold effective governance showing prudence and propriety at all times. The report includes detail on the overall administration performance to ensure Members are able to scrutinise the service being provided to our customers.

4 Implications for the Corporate Risk Register

- 4.1 The actions outlined in this report do not have implications for the Corporate Risk Register.

5 Background and Options

- 5.1 This report seeks to make Board Members aware of the main areas of administration performance and any topical issues relevant to the reporting period(s) in question. To ensure that Members have access to the latest available data, this report includes data for the quarter just completed.
- 5.2 Members will note that the content of this administration update is continually reviewed to ensure it is appropriate to support scrutiny of the administration service and includes information not provided previously. This is intended to provide Members with a wider view of the issues the administration service is handling and we continue to welcome feedback on any subject areas where Members feel additional reporting would be beneficial.

Staffing

- 5.3 The following table is a summary of joiners and leavers for the administration service during the last three months. Following the completion of the Pensions Administration restructure last year, all senior vacant posts have now finally been filled within the service and this should hopefully have a positive impact on performance in due course. Clearly the appointment of new staff with no direct experience of the LGPS (as applies to all five appointments shown below) has provided some operational challenges in lockdown but these will be issues experienced by many organisations.
- 5.4 Following the resignation set out below, recruitment is underway for new Pensions Officers as referred to in a separate report presented to the Board.

Starters	Comments
Benefits Team Manager	External appointment - manager with overall responsibility for case load processing.
Project and Improvement Lead	External appointment – fixed term contract for 18 months.
Apprentices (Business Admin) x 2	External appointments.
Customer Centre Officer	External appointment following vacancy in Customer Centre created by a resignation.
Leavers	
Pensions Officer	Voluntary retirement

- 5.5 In terms of sickness absence, the table overleaf shows the annualised absence levels for the last two quarters and the two previous full years for reference. Unfortunately, sickness absence increased significantly compared with Quarter 1, though still remains well below the levels present in the last couple of years. Two members of staff were on long-term absence but both have since returned to work so we would expect a recovery next quarter in long-term absence.
- 5.6 In terms of both short and long term absence, none of these were directly related to Covid-19. However, it does appear that home working has proved difficult for a very small number of employees, particularly those with child care or other caring

responsibilities, and this has contributed to the increase in absence. Managers will continue to monitor the position and provide support where possible and it is likely that the re-opening of schools would have eased the burden on some individuals.

Average Days per FTE	Q2 2020-21 Annualised	Q1 2020-21 Annualised	2019/20	2018/19
Short-Term	1.76	0.48	3.14	2.53
Long-Term	2.92	0.32	4.71	11.23
Total	4.68	0.80	7.85	13.76

Case Work Performance

- 5.7 The reporting of performance has been updated in order that members can more easily compare like-for-like periods. The table below shows the casework volumes for the last two quarters, compared with the previous quarter but also compared with the corresponding quarter for the prior year for comparison.

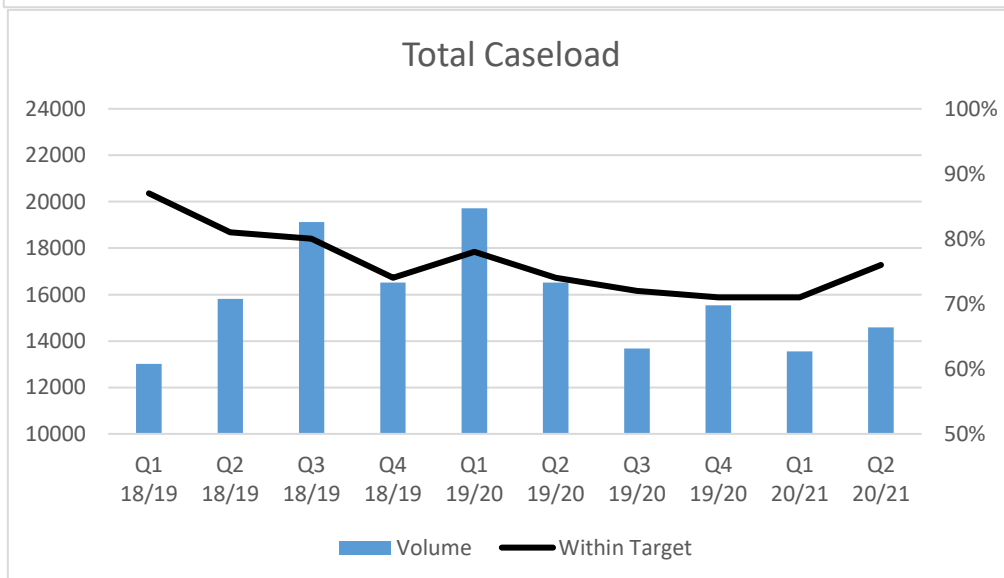
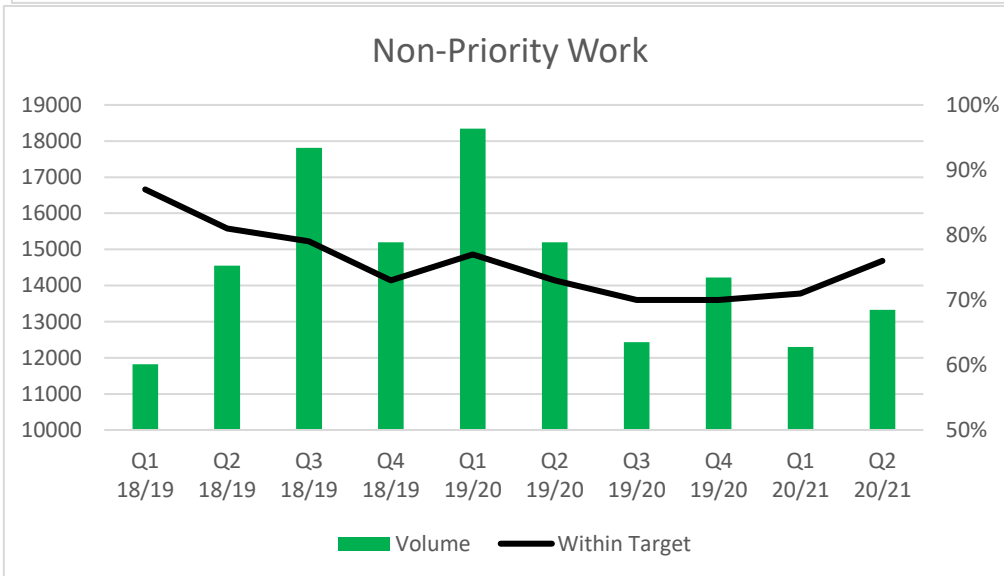
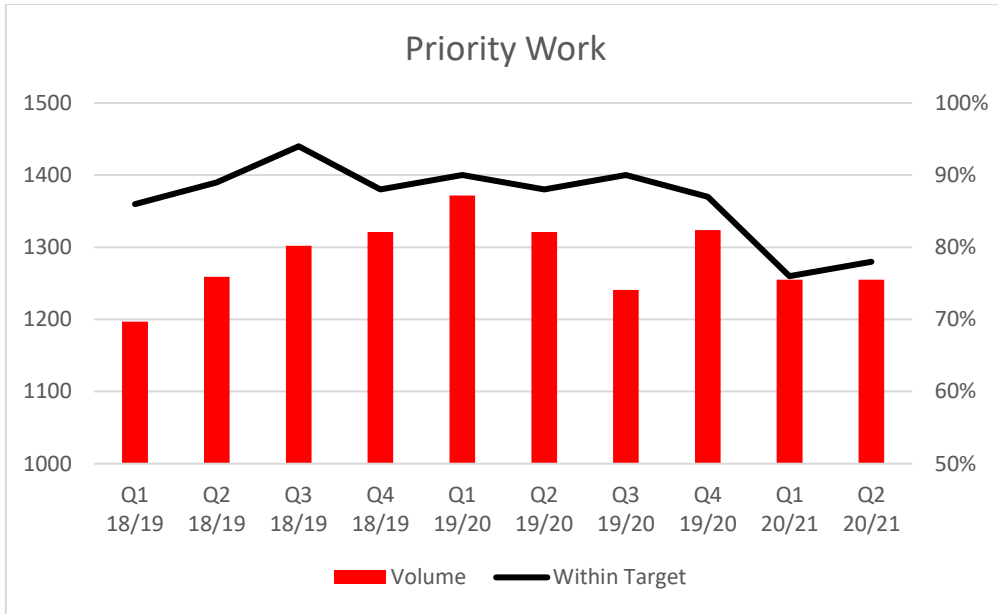
Category	Volumes			Variance to Comparators	
	Q2 2020-21	Q1 2020-21	Q2 2019-20	To Q1 2020-21	To Q2 2019-20
Priority	1,255	1,255	1,321	-	(66)
Non-Priority	13,329	12,297	15,194	1,032	(1,865)
Overall	14,584	13,552	16,515	1,032	(1,931)

Overall volumes of case work processed across the quarter has improved when compared with Quarter 1. This, in part, is due to a phased return to the office for the more junior members of staff in order to support their learning and development as shown in an improvement in the non-priority completion rates. However, this now been put on hold due to the current guidance stating members of staff should work from home where possible and managers are endeavouring to revert to remote training where possible.

The table below shows the performance within the service standards and it is also noticeable that the overall performance has increased slightly from Quarter 1 as staff have settled into the demands of home-working.

Category	Performance		
	Q2 2020-21	Q1 2020-21	Q2 2019-20
Priority	78%	76%	88%
Non-Priority	76%	70%	73%
Overall	76%	71%	74%

The graphs below are intended to illustrate the trends in terms of work volume and completion rates.



5.8 Whilst lockdown had a material impact on productivity in Quarter 1, it is hoped that the upward trend shown in Quarter 2 represents the start of a return to the levels of

productivity experienced before lockdown and that we can start to see real benefits from the recruitment of the entry level staff earlier this year.

5.9 The table below provides a summary of performance against the main subject areas. Performance levels have remained fairly static for the individual subject areas when compared with Quarter 1 in the main.

Case Type	Target Days	Q2 20-21 Volume	Q2 20-21 % on time	Q1 20-21 Volume	Q1 20-21 % on time	Q2 19-20 Volume	Q2 19-20 % on time	Comment
Priority								
Retirements	5	831	80%	734	77%	957	93%	
Deaths	4	418	74%	510	76%	355	78%	See below
Non Priority								
New Joiners	5	2412	90%	2106	90%	1457	88%	
Deferreds	20	654	67%	951	49%	1135	58%	
Refunds	9	474	74%	251	78%	420	71%	
Transfers In	7	340	56%	320	48%	503	29%	
Transfers Out	5	259	77%	272	76%	575	38%	
Divorce	5	99	91%	72	90%	84	58%	
General enquiries	5	883	84%	733	88%	510	91%	
Estimates	5	1371	86%	1062	78%	1282	77%	
Aggregations	20	1493	49%	2138	43%	1267	19%	

At the last meeting, we reported that we were still measuring performance for the processing of death cases against the former performance criteria (of 4 days to process the entire case). Members of the Authority previously approved a revised service standard for handling death cases but our reporting mechanisms had not been updated to reflect the revised standard. We do now have mechanisms to measure this revised standard and the table below shows the revised output. Clearly this is much improved on the figures shown in the table above and explains why we do not generally receive any complaints regarding the processing times for death cases.

Case Type	Target Days	Q2 20-21 Volume	Q2 20-21 Performance
Death Acknowledgement	5	324	99%
Death Payments	5	400	97%

5.10 At the last meeting, members of the Board were provided with a summary of cases outstanding at the end of Quarter 1 of 2020/21. The tables below update these to 30 September 2020. The first table shows cases in pending whilst we await information from third parties and the second table shows cases ready to be processed.

Case Type	Number of cases pending (awaiting external parties)	Number of cases pending (awaiting external parties)	Variance to prior	Number of cases pending (awaiting external parties)

	End Q2	End Q1	reporting period	End Q2 (19/20)
Priority				
Retirements	241	369	(128)	205
Deaths	211	219	(8)	128
Non Priority				
New Joiners	78	30	48	41
Deferreds	3131	3126	5	3584
Refunds	218	149	69	313
Transfers In	380	394	(14)	432
Transfers Out	206	210	(4)	90
Divorce	38	54	(16)	39
General enquiries	79	71	8	94
Estimates	901	855	46	818
Aggregations	463	591	(128)	910
Unprocessed Leavers	1352	1023	329	

Case Type	Number of cases to be processed/in processing End Q2	Number of cases to be processed/in processing End Q1	Variance to prior reporting period	Number of cases to be processed/in processing End Q2 (19/20)
Priority				
Retirements	65	56	9	82
Deaths	44	54	(10)	35
Non Priority				
New Joiners	793	125	668	68
Deferreds	774	356	418	1023
Refunds	459	211	248	214
Transfers In	147	107	40	573
Transfers Out	115	84	30	92
Divorce	13	9	4	10
General enquiries	77	48	29	65
Estimates	234	355	(121)	307
Aggregations	3407	3133	274	1682*
Unprocessed Leavers	2507	88	2419	

- 5.11 Members will note the significant increase in unprocessed leavers due for processing. This increase has been largely due to the retrospective processing of Monthly Data files for the employers using Rotherham MBC payroll services (see later update on Annual Benefit Statements). A wider project has just commenced to identify ways in which these unprocessed leavers can be completed either by the use of automated tools or via bulk processing (or more likely a combination of both) and it is estimated that this tool should be available for use by the end of the calendar year.

Statutory Disclosure Reporting

- 5.12 The Board previously requested some additional information about reporting performance against statutory disclosure requirements. The time limits for statutory disclosures are less rigid but they often measure different time scales to those

historically measured by SYPA. As mentioned previously, we have been developing our reporting in this area following the appointment of the Benefits Team Manager and **Appendix A** shows most of the areas covered under the various disclosure regulations. We will continue to develop this reporting to cover all areas but the Appendix provides some level of assurance that statutory targets are generally being met in the main areas. In general this data shows 100% compliance in terms of areas that SYPA can control and even where measures include the time required to receive information from employers the level of compliance is extremely high. This does give us some pointers as to areas where further engagement with, and training for, employers could be beneficial.

Employer Performance

- 5.13 Members will be aware that employers now submit individual data on a monthly basis and we previously reported that commitment from employers to the monthly data collection process has been good. There was concern that Covid-19 would have impacted the ability of some employers to deliver the monthly submissions. However, this does not seem to be the case and submissions have continued to be provided. The tables below show the **current** position of monthly returns received in respect of the last three months.

	Number of returns expected	Returns received	Currently Outstanding	% Completion Rate	Total Scheme Members not submitted
May 2020 (due June)	529	528	1	99.8%	1
June 2020 (due July)	532	531	1	99.8%	1
July 2020 (due August)	533	528	5	99%	18

- 5.14 Fortunately, the vast majority of employers have continued to provide the monthly returns even in these difficult circumstances and this is beneficial because it is now directly linked to the collection of contributions via Direct Debit (see below). An additional (highlighted) column has been added to the table above to provide some context to the missing returns. This shows the total number of scheme members that should have appeared on the monthly returns that are yet to be received.

- 5.15 It is clear that, in the main, the employers who have not been able to submit monthly returns for the three months are small employers (mainly charities and Parish Councils) who only have one or two members in the LGPS and who have likely struggled with resourcing given the scale of their organisations. These employers are being actively pursued but the impact on the overall membership of the fund is minimal.

Individual query employer reporting

- 5.16 One new area of reporting provided to the Board for Quarter 1 was the monitoring of the performance of employers in respect of responding to individual queries raised by SYPA. Examples of the sorts of queries raised with employers are the provision of starter or leaver forms (where additional information is required beyond that included on the monthly returns); confirmation of hours changes; confirmation of personal details, etc.

- 5.17 In Quarter 1 we shared the status of queries showing as outstanding from the new monitoring tool and indicated this was being used to commence informal engagement with employers in the first instance. For transparency, we have shown the current position regarding outstanding queries at **Appendix B**. The overall level of outstanding queries has risen (from 2,991 in July to 3,760 in October) but this is likely to be a timing issue in that preparation for annual exercises (such as Annual Benefit Statements and Pension Savings statements) generates a much higher volume of queries. The figures will be more meaningful when we can measure progress over time and we expect to report to the Board on this trend analysis in future. We are also aware that, currently, further development work is needed with the employer query system to provide more accurate reporting (for example, a query resolved by an employer outside of the portal will not be marked as complete) but the new system does provide a level of oversight that was not previously possible.
- 5.18 Note that the case completion rates showing the percentage ‘in time’ are based on our own internal targets for expected response levels which are 5 working days for urgent queries and 20 working days for standard queries. It is also the fact that there is a direct relationship between the number of members an employer has and the number of queries. Thus it would always be expected that Sheffield CC as by some margin the largest employer would have more queries. Sheffield CC has actually made some progress since Quarter 1 in resolving the outstanding queries with an increase in completion rate from 42% in July to 49% in October following informal engagement. Engagement has also started with the other employers with the most outstanding queries to support them in bringing these down to more acceptable levels.

Contribution Payments

- 5.19 Members may recall that SYPA moved to the collection of contributions via Direct Debit from 1 April 2020. Once lockdown commenced, the Senior Management Team recognised that a number of employers would be likely to have difficulty in completing the Direct Debit mandates because of the requirements around authorised signatories and the need for a ‘wet’ signature to comply with banking regulations. On balance, the decision was taken to proceed with implementation of the new arrangements with the understanding that some flexibility would be required.
- 5.20 The tables below shows the current status of employers in relation to the new Direct Debit collection arrangements as well as the latest available monthly collection data.

Total Number of Employers Paying By Direct Debit

June 2020 Contributions	410
July 2020 Contributions	430
August 2020 Contributions	455*

*Of the remaining employers not yet signed up to Direct Debit, these are predominantly service contract providers with multiple ‘employer’ contracts where they have unusual pay cycles which do not fit neatly with the monthly collection process and we have temporarily agreed they can continue to pay by BACS.

August 2020 - Payment of Contributions

No. of
employers

Paid on time by Direct Debit	452
Paid on time by BACS	45
Payment received late by BACS	20
Payment outstanding (see comment 5.21)	4

- 5.21 Of the four employers indicated as having payments outstanding for August, two of these are academies that have completed Direct Debit mandates and two are contract service providers who are being pursued to make payment. Interest will be applied for late payment as appropriate.

Scheme Member Engagement – Customer Satisfaction

- 5.22 The Authority is keen to improve engagement with our scheme members to measure the levels of satisfaction with our service and had agreed to start with surveying members who have recently retired to understand their experiences. The table below shows the overall satisfaction levels from respondents to the survey issued to members who retired in May 2020, June 2020 and July 2020.

Q. Overall, how satisfied are you with the service you receive from us?	
Very Satisfied	61%
Satisfied	32%
Dissatisfied	5%
Very Dissatisfied	2%
Total Number of Respondents	82 out of 528 issued

- 5.23 The percentage of members who were in the green category remains above 90% as per previous surveys. Analysis of the six members who were dissatisfied does not reveal any systemic issues to be addressed, though one of the members also appears in the complaints report as his estimate of benefits was based on a higher figure.

Scheme Member Engagement – Customer Centre

- 5.24 Members of the Board will be aware that the Customer Centre was launched on 1 January 2020 to provide a single point of contact for scheme members and employers. Initial feedback for the Customer Centre has been positive overall. A survey was issued to 1,914 members who had reason to contact us over the months of July and August to ask about their experience of our service delivery and for ideas on service improvements. The results of the survey are shown below.

Q. Overall, how satisfied are you with the service you receive from us?	
Very Satisfied	68%
Satisfied	26%

Dissatisfied	5%
Very Dissatisfied	1%
Total Number of Respondents	263

5.25 The 6% who were dissatisfied represented 16 individuals. Although not all provided further information, it is worth noting that six comments related to difficulties logging on to the member portal which we have tried to address by providing easier instructions in our publications. Of the remaining cases, four related to issues with communications from the Customer Centre staff which are training issues that are being addressed. We expect these to be ironed out and will continue to feed back to the Board on the results of the surveys from the Customer Centre.

5.26 Separately, the administration service also offers a Live Chat facility via the website and we ask members using this facility to feed back at the end of the Chat. The feedback for the months of May, June and July is shown below. Most of the (small number of) dissatisfied comments related to connectivity issue which may have been beyond SYPA control.

Q. Overall, how satisfied are you with the service you receive from us?	
Very Satisfied – (Great)	62%
Satisfied – (Good)	34%
Dissatisfied – (Bad)	2%
Very Dissatisfied – (Poor)	2%
Total Number of Respondents	222

Scheme Member Engagement – online portal

5.27 Members may recall that we have been carrying out an exercise to encourage all scheme members (regardless of status) to sign up to use the online portal which was enhanced and expanded in 2019. **Appendix C** shows the numbers of scheme members who have registered for the portal since January 2019 and these numbers are continuing to increase.

5.28 Although the numbers registered to engage with us online are not as high as we would wish as a proportion of the scheme membership overall, evidence from other funds does suggest that our levels of registration are at least comparable with the percentage of members signed up to use online services within the LGPS more widely.

Annual Benefit Statements

5.29 Members of the Board will be aware that there is a statutory target of 31 August 2020 for issuing Annual Benefit Statements (ABS's) to active and deferred members. At the last meeting, we commented positively in relation to the feasibility of meeting the deadline this year, despite the combined difficulties of the Covid impact and the particular challenges of the monthly data provided by Rotherham payroll services following their HR/payroll system migration.

5.30 At that time, we were confident that we would be able to meet the deadline of 31 August but unfortunately it became apparent that was not going to be possible. Despite

devoting significant additional resource to resolving the data issues, the combination of poor data and the limited flexibility of the monthly data upload process meant that we were going to be in breach of the statutory deadline and we submitted a breach report to the Regulator, a copy of which is provided at **Appendix D**.

5.31 Although we were eventually able to complete the exercise broadly in line with the extended timeline, the difficulties experienced this year revealed that further development work is needed to ensure we have sufficient resilience to avoid a recurrence in future years. A 'lessons learnt' project has now been launched internally (to be led by our new Project and Improvement Lead) with the focus on a number of key areas:-

- Short-term fixes and long-term enhancements to the Monthly Data Collection process to remove the significant levels of manual intervention currently required when data from employers is not as expected;
- Early identification and intervention of poor data quality submissions from employers;
- Targeting employer support and training where required
- Planning a robust timetable to deliver the 2021 Annual Benefit Statements significantly ahead of the 31 August deadline.

5.32 A report on the outcome of this review will be brought to the next meeting of the Board to provide assurance that the issues identified during this year's exercise have been addressed.

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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STATUTORY TARGETS

Ref	Process	The Regulations that apply	The time limits	Number of Cases Q2	SYPA compliance within disclosure	SYPA Compliance when exclude time waiting on third party
JOINING & CONTRIBUTING MEMBERS						
1	Joiner (Applies to all new joiners)	The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 - SI 2734 Regulation 6 - Basic scheme information	Basic information about the LGPS must be provided to a member within one month of receiving jobholder information telling us that the member has enrolled or re-enrolled under the Automatic Enrolment Regulations, or if not, within two months of the date that they became an active member.	NA	NA. This is an employer responsibility, though we may wish to measure our own documentation.	NA. This is an employer responsibility, though we may wish to measure our own documentation.
2	Transfer Value In - Quotation (Applies to all contributors or prospective contributions who are enquiring about transferring benefits in)	The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 - SI 2734 Regulation 14 - Transfer credits	A statement, containing details of the cash equivalent transfer value provided by another scheme and what transfer credits this would buy in the LGPS, must be provided to a member or prospective member within two months of the date of their request. The two month time limit includes the time taken to obtain transfer value information from the ceding scheme.	132	100%	100%
3	Transfer Value In - Payment (Applies to all contributors who have elected to transfer benefits in)	Pension Schemes Act 1993 Regulation 99 - Trustees duties after exercise of option	If the member makes an election to transfer, a Club or non Club transfer in payment must be sent by the previous scheme (possibly via the scheme member) within six months of the date the quotation was issued.	187	100%	100%
		The Local Government Pension Scheme Regulations 2013 - SI 2013 No. 2356 Regulation 73 - Notification of first instance decisions	The six month time limit should include the requirement to issue a 'first instance decision' of the effect of the transfer credit on the members LGPS benefits under Reg 73 of the LGPS regs ("notified of it in writing by the body which made it as soon as is reasonably practicable after the decision is made".)			
4	Active Member Benefit Statements (Applies to all contributors who were contributors on 31 March)	The Local Government Pension Scheme Regulations 2013 - SI 2013 No. 2356 Regulation 89 - Annual benefit statements (Also Section 14 Chapter 25 Public Service Pensions Act 2013)	Annual benefit statements as at 31 March must be provided to active members no later than 31 August. If a member makes a request in writing to receive it earlier, it should be supplied to the member unless there is a reason why the Administering Authority is unable to do so.	46516	See separate update in Admin report.	
MEMBERS WHO ARE LEAVING OR HAVE LEFT THE LGPS BEFORE RETIREMENT						
5	Deferred Benefit - Notification of Entitlement (Applies to any member who leaves before they have reached their normal pension age)	The Occupational Pension Schemes (Preservation of Benefit) Regulations 1991 Regulation 27A - Information to be furnished to early leavers	Details of all the rights and options that a member has when leaving before their normal pension age must be provided to the member within two months of the date that the Administering Authority has been informed that they have left.	1615	92.10%	Reporting to be developed

STATUTORY TARGETS

Ref	Process	The Regulations that apply	The time limits	Number of Cases Q2	SYPA compliance within disclosure	SYPA Compliance when exclude time waiting on third party
6	Transfer Value Out -Quotation (Applies to leavers who are entitled to transfer out of the Scheme or contributors who want a quotation because they are due to leave shortly or for another reason)	Occupational Pension Schemes (transfer values) Regulations 1996 Part III - Statements of entitlement and calculation of transfer values - (11) Disclosure	Unless a CETV quote has already been provided within the last twelve months, a quote must be provided to the member within three months of the date that they make the request.	93	91.40%	100%
7	Transfer Value Out -Payment (Applies to any leaver who is entitled to a transfer out)	Pension Schemes Act 1993 Regulation 99 - Trustees duties after exercise of option	If the member makes an election to transfer, a Club or non Club transfer out payment must be issued within six months of the date the quotation was issued.		Reporting to be developed but 6 month time limit will have been met.	Reporting to be developed but 6 month time limit will have been met.
11	Deferred Member and Pension Credit Member Benefit Statements (Applies to all deferred members, deferred pensioners and pension credit members who were deferred on 31 March)	The Local Government Pension Scheme Regulations 2013 - SI 2013 No. 2356 Regulation 89 - Annual benefit statements (Also Section 14 Chapter 25 Public Service Pensions Act 2013)	Annual benefit statements as at 31 March must be provided to deferred members no later than 31 August. If a member makes a request in writing to receive it earlier, it should be supplied to the member unless there is a reason why the Administering Authority is unable to do so.	47843	100%	100%
RETIRING & RETIRED MEMBERS						
12	Immediate Payment of Pension - Offer (Applies to all contributors who are entitled to the immediate payment of benefits)	The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 - SI 2734 Regulation 16 - Statement of benefits: non money purchase benefits	A statement containing retirement benefit information must be provided to the member within two months of the member's request.	977	90.38%	99.80%
13	Immediate Payment of Pension - Payment (Applies to all contributors who are entitled to the immediate payment of benefits)	The Local Government Pension Scheme Regulations 2013 - SI 2013 No. 2356 Regulation 73 - Notification of first instance decisions	A statement confirming the final amounts payable must be provided to the member as soon as is reasonably practicable.	644	97.67%	100%
ALL MEMBERS						
17	Divorce information - quotation (Applies to all members who need pension information required for divorce proceedings)	The Pensions on Divorce etc. (Provision of Information) Regulations 2000 Regulation 2 - Basic information about pensions and divorce	Information for divorce purposes must be provided within six weeks or a shorter period as specified by the court if court proceedings have commenced, or within three months if not.	66	98.48%	100%

STATUTORY TARGETS

Ref	Process	The Regulations that apply	The time limits	Number of Cases Q2	SYPA compliance within disclosure	SYPA Compliance when exclude time waiting on third party
18	<p>Divorce information - pension sharing order received - pre implementation</p> <p>(Applies to all members who have had a pension sharing order made as part of their divorce proceedings)</p>	<p>The Pensions on Divorce etc. (Provision of Information) Regulations 2000</p> <p>Regulation 7 - Provision of information after receiving a pension sharing order</p>	Statements containing the listed information must be provided to the relevant parties within 21 days of the order being received	1	100%	100%
BEREAVEMENTS						
22	<p>Death (all types)</p> <p>(Applies to all beneficiaries)</p>	<p>The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 - SI 2734</p> <p>Regulation 21 - Accessing benefits on the death of the member or beneficiary</p>	Information must be provided to beneficiaries within two months of the Administering Authority becoming aware of the death.	324	99.38%	100%
		<p>The Local Government Pension Scheme Regulations 2013 - SI 2013 No. 2356</p> <p>Regulation 73 - Notification of first instance decisions</p>	Information must be provided to beneficiaries as soon as is reasonably practicable.	400	100%	100%

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10 Employers with the most outstanding queries

Employer	High Priority Outstanding	Standard Outstanding	Total Outstanding
[00600] Sheffield City Council	75	629	704
[00500] Rotherham MBC	34	332	366
[00400] Doncaster MBC	29	264	293
Capita	8	122	130
[00300] Barnsley MBC	23	69	92
[00295] The Chief Constable	8	77	85
[00224] Sheffield Hallam University	3	76	79
EPM	4	50	54
[00473] Doncaster Childrens Services Tru	2	52	54
[00529] Maltby Academy	3	41	44
[00548] Places for People (RMBC)	3	36	39
[00222] The Sheffield College	4	35	39

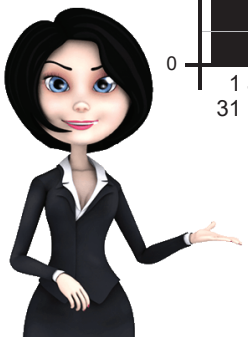
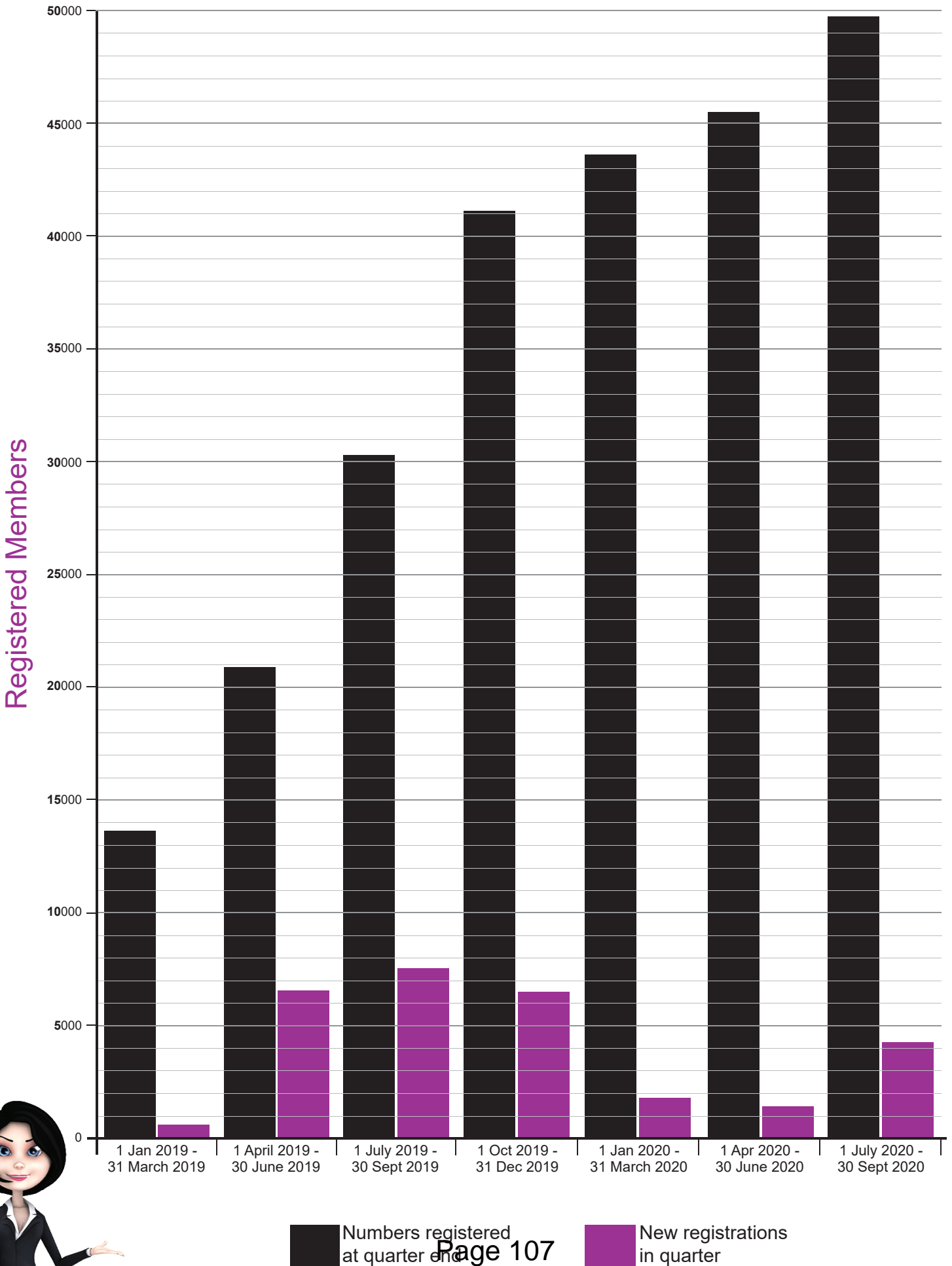
SLA Performance for 10 employers with the most queries

Employer	Total Completed Queries	High Priority Performance	Standard Performance	Overall Performance
[00600] Sheffield City Council	665	19%	38%	28%
[00500] Rotherham MBC	325	39%	28%	34%
[00300] Barnsley MBC	324	78%	89%	84%
[00224] Sheffield Hallam University	310	46%	72%	63%
[00400] Doncaster MBC	307	35%	23%	31%
[00295] The Chief Constable	202	35%	45%	40%
Capita	190	9%	17%	14%
[00232] R N N Group	161	56%	86%	78%
[00220] Barnsley College	89	24%	41%	36%
[00222] The Sheffield College	62	10%	21%	16%

% of queries completed for 10 employers with the most queries

Employer	Total Queries	Queries Completed	Queries Outstanding	% of queries completed
[00600] Sheffield City Council	1369	665	704	49%
[00500] Rotherham MBC	691	325	366	47%
[00400] Doncaster MBC	600	307	293	51%
[00300] Barnsley MBC	416	324	92	78%
[00224] Sheffield Hallam University	389	310	79	80%
Capita	320	190	130	59%
[00295] The Chief Constable	287	202	85	70%
[00232] R N N Group	193	161	32	83%
[00222] The Sheffield College	101	62	39	61%
[00220] Barnsley College	99	89	10	90%

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The Pensions Regulator
via secure exchange

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Email: JBailey@sypa.org.uk
Date: 27 August 2020

PRIVATE AND CONFIDENTIAL

Dear Sir/Madam

LOCAL GOVERNMENT PENSION SCHEME (LGPS) NOTIFICATION OF BREACH – ANNUAL BENEFIT STATEMENTS

I am writing to notify you of a reportable breach by South Yorkshire Pensions Authority (SYPA) in relation to the issue of Annual Benefit Statements (ABSs) for active members of the fund.

The paragraph below is a summary of the breach that will occur imminently and we then set out some further information on the background to the breach and the steps that SYPA (and the relevant payroll provider) have already taken to address the breach and the further actions committed to.

Summary of the Breach

Nature of Breach: Failure to issue ABSs to certain active members by 31 August 2020

Number of Active Members Impacted: 15,069 out of 49,295 active members

Number of Deferred Members Impacted: None

Cause: Monthly data submissions from a payroll provider

Expected Date of Resolution: 30 September 2020

Background

Your records will indicate that, in 2017, SYPA previously reported a breach of the requirement to issue ABS's to all active and deferred members by 31 August of each year.

One of the key improvements identified at the time of the previous ABS breach and, in fact, already in progress, was the move from annual to monthly collection of data from employers in the fund. SYPA was one of the first LGPS funds using the UPM pensions administration system to implement Monthly Data Collection (MDC) and this went live successfully in April 2018.

The first 12 months of MDC submissions were therefore completed for the 2018/19 financial year and all ABSs (active and deferred members) with illustrations as at 31 March 2019 were issued by the statutory deadline of 31 August 2019 following successful completion of the 2018/19 collection.

The MDC process has, generally, been a marked success to the extent that, with effect from April 2020, the monthly MDC files themselves have formed the basis of the monthly collection of contributions from employers by Direct Debit. This is a significant efficiency saving in terms of the reconciliation of contributions against individual member data and it is understood that SYPA is one of the first LGPS funds to have introduced this way of working.

2020 ABS exercise – payroll provider issue

As indicated above, the MDC process is working well with the majority of employers and the timeliness of MDC submissions from employers in the fund is reported quarterly to the Local Pension Board as part of the regular detailed update on all aspects of LGPS administration.

One specific payroll provider, Rotherham Metropolitan Borough Council (RMBC), delivers a payroll service for a significant number of employers in the SYPA fund, representing a total of approximately one third of the fund's active membership. This includes two large metropolitan Councils (Rotherham MBC and Doncaster MBC) and a number of other establishments (mainly academies).

RMBC took the decision to migrate to a new HR/payroll system for all their client base and this went live in June 2019. Unfortunately, despite SYPA's early engagement with the migration process, the migration was not successful in relation to the creation of the MDC files for the fund and this has had a significant negative impact on the fund's ability to process the 12 MDC files from April 2019 to March 2020 required to produce the 2020 ABSs for the members covered by RMBCs payroll service.

RMBC have helpfully provided a summary of the issues they encountered (and the work they have undertaken to resolve this) and this is attached to this breach report for reference. The impact for SYPA is that we have had to devote significant additional in-house resource to process the marked increase in individual data queries that required resolution before we were confident we could update member records on a month by month basis. Although we have worked extensively in an attempt to meet the 31 August deadline, the compounded impact of the flawed data submissions on a month by month basis for 2019/20 has meant a short period of extended time (one month) is required to update monthly records to 31 March 2020 and complete the ABS exercise for the impacted staff.

It is worth noting that the extensive validation checks already in place for the MDC process do provide assurance that the data is accurate at the point it is loaded to SYPA records but, in order to reach that level of assurance, the volume of queries requiring resolution by RMBC has increased exponentially in respect of the post-migration 2019/20 monthly files.

Actions Already Taken

SYPA have been working collaboratively with RMBC throughout the post-migration period to support the resolution of the issues they encountered and a number of steps have already been taken to address the migration issues, both for the short and long term:-

1. SYPA have devoted additional resource (approximately 5 FTE for the last two months) to handle the additional query level and this resource will continue in place until the 2019/20 issues are resolved, and beyond.

2. Active engagement at senior level between the two organisations since the beginning of the year with weekly and monthly progress reports provided between the two parties on query resolution and issues identified.
3. A 48 hour turnaround time agreed for RMBC to respond to individual data queries to enable the resolution of the data queries.
4. As set out in the accompanying document, SYPA have worked with RMBC to ensure the quality of their MDC submissions will be restored to the previous high levels from 2020/21. In that sense, this should be a legacy issue.

Further Steps to be Taken

SYPA recognises that, although the **timeliness** of the submission of MDC files is successfully monitored on a monthly basis with high levels of employer responsiveness and a clear escalation path, the difficulties with RMBC have highlighted that the **quality** of the individual data on the MDC submissions could potentially be subject to greater scrutiny at the point of submission. This would lead to earlier identification of any concerns and timely intervention with employers.

Following a restructuring of the entire administration service, a new senior post of Project and Improvement Lead was created earlier this year and an external appointment has been made to this post with an expected start date of mid-September. The first project assigned to this new post holder, an experienced and qualified project manager, will be to conduct a thorough review of the effectiveness of the existing MDC process now that we have had been live for over two years. The scope of this review will include, but not be limited to, the following:-

- 1) System and process improvements to identify early resolution of MDC individual data quality issues;
- 2) Feasibility of data integrity checks against live database at point of employer submission (this is not part of the current UPM system but is a feature of other MDC products)
- 3) Automation of query generation and resolution
- 4) Internal workload distribution and allocation of MDC processing
- 5) Effectiveness of existing MDC training and support to employers

One of the outcomes of the review will also be the creation of a project plan for the 2021 ABS exercise which will be presented to the Local Pension Board later this year. This will help to ensure that any potential employer issues of the type experienced in 2019/20 can be identified and early intervention and support provided.

Other Considerations

SYPA has a robust *Pensions Administration Strategy* in place which sets out levels of expected employer performance and this can be used for formal measures (e.g. financial penalties) where required. It should be noted that the focus remains on collaboration and engagement in the first instance (an approach which continues with RMBC following the issues identified above).

The focus on employer engagement was a key outcome of the recent restructure of the pensions administration function referenced earlier in this report with new posts created dedicated solely to improving employer engagement and a focus on improving the level of training and support available to assist employers with meeting their statutory requirements, including the submission of MDC files.

Please do not hesitate to contact me if I can be of any further assistance.

Yours sincerely



Jason Bailey
Head of Pensions Administration

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<h1>BRIEFING</h1>	TO:	Jason Bailey (SYPA)
	DATE:	26 th August 2020
	LEAD OFFICER:	Alan Rodgers HR Operations Manager Assistant Chief Executive's Directorate 01709 823586
	TITLE:	SYPA MDC File Provision

1. Background

1.1	<p>During the 18/19 financial year RMBC successfully implemented a new HR & Payroll system (iTrent), with the first live payments being processed in June of 2019.</p> <p>As would be expected with any large-scale system replacement project, there was a degree of disruption; with resource contention issues and the need to train staff on the new system.</p> <p>The requirement to provide the MDC information for SYPA was included in the specification and tender for the new system, with reports built and factory tested ahead of the system go live date.</p> <p>It however soon became apparent, once processing live data and submitting files to SYPA, that this interface was not working correctly; with RMBC unable to submit balanced files between June and September and data quality issue with subsequent files.</p>
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2. Key Issues

2.1	<p>Working with MHR and SYPA to understand the problems, over the investigation period several key issues were identified, including:</p> <ol style="list-style-type: none"> 1) Missing and/or duplicated payment lines resulting in the MDC file totals not balancing to the actual payments processed through Payroll. 2) Re-use of positions within the HR system creating bad links between records in the output files. 3) The omission of joiner details for retrospective starters and opt-ins; where the pension start date fell in a previous month. 4) The omission of leaver details for retrospective leavers and opt-outs; where the pension end date fell in a previous month. 5) The omission of selected absence type records. 6) The inclusion of the full maternity period rather than the period of zero pay. 7) Confusion and data quality issues around the transfer from folder reference to occupancy reference record keys. 8) Differences between the SYPA MDC specification and the file outputs generated by the solution.
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3. Key Actions and Timelines

3.1 A soon as the scale of the problem became evident the problem was escalated with the system supplier, initially via the Project Manager and Business Intelligence Team and later, due to delays in resolving the issues, up to Chief Executive level.

July 2019 – September 2019

The initial focus was on generating balanced files ([key issue 1](#)), with MHR resource required to undertake this work.

Due to the lead in time in securing the MHR BO reporting resource, and the time taken to identify and resolve the balancing problems with the report, this activity was not completed until the end of September 2019.

October 2019 – December 2019

In addition to the MHR delivered report changes an internal balancing process was implemented using standard iTrent system report and Excel templates to cross check the file values at an individual level.

Once balanced files (still with an amount of manual intervention required) were available the files were submitted to SYPA for the missed periods and each following month as per schedule.

SYPA attempted to start loading the balanced files, however this is when the other key issues became apparent. These issues prevented the loading of files due to missing or incorrect information within them.

These issues where raised and regularly escalated with MHR, with BO Reporting resource booked to work on them on 3 separate occasions during this period.

An alteration to the BO reporting universe and SQL amends to underlying data issues managed to resolve further issues ([key issues 2 and 7](#)).

January 2020 – March 2020

With numerous issues still outstanding RMBC continued to work with MHR, and through 2 further BO Reporting resource bookings and internal review/process changes managed to address two further problems ([key issues 5 & 6](#)).

April 2020 - Onwards

After nearly 10 months of back and forth with the system supplier, and with a number of issue still unresolved, RMBC took the decision to leverage the system and BO reporting knowledge that had been built since the system implementation and to rewrite the MDC reporting process in house.

Once the re-write has addressed the remaining problems ([key issues 3, 4 and 8](#)) the focus shifted to ensuring the backlog of none-loaded MDC files could be processed, with any manual intervention required to support this given top priority.

This was not a small task, as RMBC process the payroll transactions of over 100 SYPA employers and given the amount of time, and as a result additional changes, that had occurred since the files were originally created.

4. Recommendations

4.1	<p>Based on the substantial progress made with the MDC report, and the fact the system is now bedded in, there should no longer be a notable impact on administrative performance from the system replacement.</p> <p>Accordingly we have every expectation that, working in close partnership with SYPA, the proposed timescales will be met and future processing will not be impacted.</p>
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Subject	Review of Breaches, Complaints and Appeals	Status	For Publication
Report to	Local Pensions Board	Date	15 October 2020
Report of	Head of Pensions 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 members on the latest available record of reported breaches and provide details of complaints and appeals for the period from 1 July 2020 to 30 September 2020.

2 Recommendations

- 2.1 Members are recommended to:
- a. **Note the breaches summary and comment on any further reporting requirements or actions**
 - b. **Note the outcome of complaints received and comment on any further requirements**

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). Complaints and appeals provide valuable feedback on potential areas for improvement in administration

Effective and Transparent Governance

to uphold effective governance showing prudence and propriety at all times. The Pensions Regulator's Code of Practice 14 places focus on the requirements to manage breaches of the law and the importance of maintaining a system of recording breaches.

4 Implications for the Corporate Risk Register

- 4.1 The actions outlined in this report one method of working to mitigate risk O1 in the Corporate Risk Register which centres on the ability of the Authority to protect the data it owns and the data it handles.

5 **Background and Options**

Breach Reporting

- 5.1 The reporting of breaches was expanded previously at the request of members of the Board to include all the items listed in the latest breaches report which is now attached at **Appendix A**. The breach report includes four individual breaches in addition to the breach in relation to the Annual Benefit Statements which is referenced in the Quarter Two Administration Update.
- 5.2 Of the four individual breaches in the three month period, three were individual data breaches caused by the incorrect member address being held on file, originally stemming from information from employers. The fourth breach relates to the incorrect disclosure of ten email addresses for scheme members in a group mailing. A new 'delayed send' process has been introduced to minimise the risk of this recurring.

Cyber Security Incidents

- 5.3 In order to improve visibility for the Board, an additional area was added to the Breaches Log showing the instances of potential cyber security incidents and the actions taken in mitigation. There has been one incident in the last three months which involved the hacking of the SYPA website and creation of temporary web pages.
- 5.4 A full investigation was carried out by the ICT Manager and documented but essentially the issue was caused by some vulnerabilities in the Content Management System (CMS) which have now been addressed via an upgrade and some other additional security measures in relation to access routes having been put in place. Note that no personal data was at risk of being lost or disclosed as a result of the tampering with the website and none of the existing SYPA website information was impacted.

Complaints

- 5.5 **Appendix B** provides a summary of complaints received in the reporting period(s). As previously requested by members of the Board, the summary report now includes commentary as to whether the complaints received were indicative of a wider process issue which may need review/improvement. For the first time, we have also included a trend analysis to provide visibility for the Board on the level of complaints.
- 5.6 The total number of complaints received in the Quarter was five, which is reasonably consistent with previous periods. Of these, three were outside of SYPA's control, though one has resulted in a review of our transfer documentation to ensure that members are aware of the statutory time limit for transferring out of the scheme.
- 5.7 Of the two complaints that were caused by SYPA actions, one was a simple failure to acknowledge receipt of some documentation in a timely manner. The second one is also individual human error but is currently under investigation to establish if any positive actions can be taken (other than individual training) to avoid the issue recurring as it did result in a retirement estimate being lower quoted.

Formal Appeals

- 5.8 During the reporting period, five Internal Dispute Resolution Procedure appeals were determined and the details are shown below.

Ref	Reason for Appeal	Stage 1 or 2	Upheld?
SH	Member not eligible for ill-health retirement	Stage 2	No
JH	Member not eligible for ill-health retirement	Stage 2	No
JW	Member not eligible for ill-health retirement	Stage 2	No
GR	Member not eligible for compassionate benefits	Stage 2	No
GC	Member not eligible for transfer out of LGPS due to age limits	Stage 1	No

- 5.9 As set out above, none of the appeals was upheld. In relation to the ill-health retirement cases, although the outcome of the decision remains the same the appeals did highlight some procedural issues with a couple of employers in relation to the communication of the decision making process. These issues have been addressed with the two employers concerned but, more widely, the Engagement team are offering some additional training to all employers to ensure that they fully understand the procedural steps regarding consideration for ill-health retirement.

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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SYPA Record of Breaches

Year	Ref	Date Identified	Type of Breach (e.g. personal data, contributions, criminal activity, etc)	Description	Action Taken in Response to Breach	Possible Impact (Red/Amber/Green)	Date Reported to Local Pension Board or Authority	Reported to Pensions Regulator or other statutory body (e.g. ICO)?	Reported to Data Protection Officer?	Details of any follow up actions taken/required or wider implications	Breach Open/Closed
2020/21	44	31/07/20	Personal Data	Deferred Benefit notification sent to wrong member following incorrect address change provided by employer.	Member disposed of notification confidentially.	Green	15/10/2020 (LPB)	NO	NO	Employer notified of their error.	Open pending any Board comments
2020/21	45	12/08/20	Personal Data	Invite to view deferred benefit statement online was sent to member at wrong address.	Apologised to member. Letter did not contain any financial information.	Green	15/10/2020 (LPB)	NO	NO	NA. Wrong address had been held historically but never queried by member.	Open pending any Board comments
2020/21	46	25/08/20	Personal Data	Refund notification sent to member at wrong address as incorrect address provided by employer.	Recipient asked to return or destroy letter.	Green	15/10/2020 (LPB)	NO	NO	Employer notified of their error.	Open pending any Board comments
2020/21	47	24/09/20	Personal Data	Group Email sent to 10 members about the portal which displayed all 10 email addresses.	Apologised to members. No other personal information disclosed.	Green	15/10/2020 (LPB)	NO	NO	Delay mechanism added to this procedure to reduce risk of recurrence.	Open pending any Board comments
		01/08/20	Statutory Disclosure	Delay in issuing Annual Benefit Statements to some members	Refer to Admin Report	Red	15/10/2020 (LPB)	YES	NO	Refer to Admin Report	Open pending any Board comments

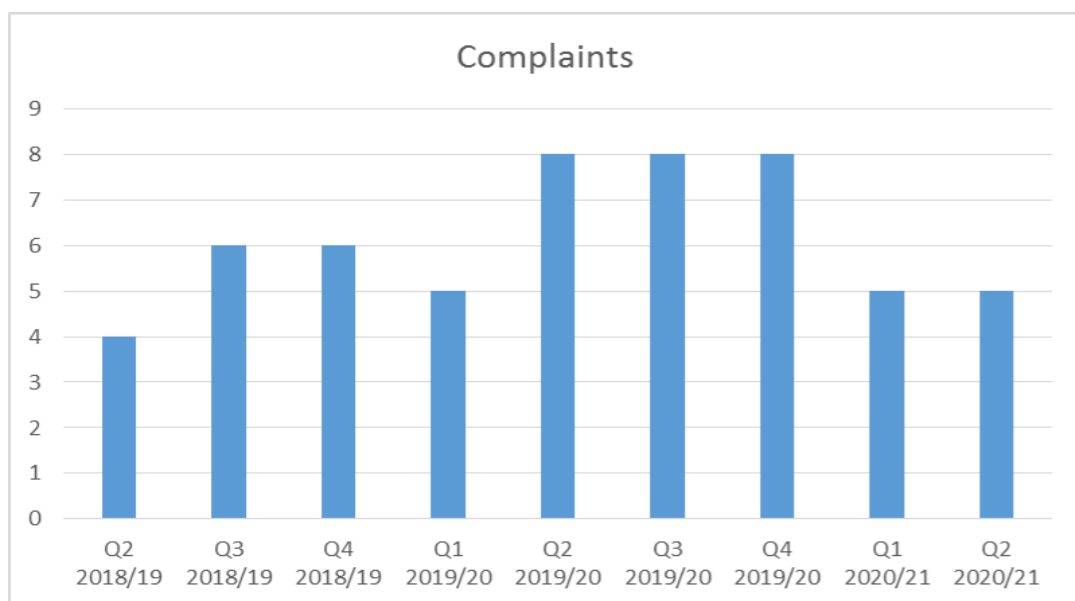
Year	Ref	Date Identified	Description of Cybersecurity Incident	Action Taken in Response to Incident	Date Reported to Local Pension Board or Authority	Reported to Pensions Regulator or other statutory body (e.g. ICO)?	Reported to Data Protection Officer?	Details of any follow up actions taken/required or wider implications	Incident Open/Closed
2020/21	CS3	20/07/20	Email alerts received from Google to notify that a new owner had been added to the website folder structure. Hacker had created html webpages with links to live football streaming sites.	Full incident report prepared and actions taken as summarised. No breach of personal data involved.	15/10/2020 (LPB)	NO	NO	Website checked to confirm integrity and then restored to earlier version. Cause identified (vulnerability within CMS). Access restricted and CMS upgraded to remove vulnerability. New weekly checks introduced.	Closed

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COMPLAINT SUMMARY

1 July 2020 to 30 September 2020

Reference	Complainant	Nature of Complaint	Response issued within target response time?	Responsible party	Follow up actions required/taken?
C51	Retiring Member	Member provided with incorrect retirement figures (overstated)	YES	SYPA	Recalculate and issue replacement figures, settle benefits - now resolved but member may appeal.
C52	Deferred Member	Member unhappy with delay in transferring out AVC to Personal Pension Plan	YES	Third Party	Scottish Widows delayed completion of Transfer Out Forms - now resolved
C53	Deferred Member	Member unhappy at lack of information provided	YES	Third Party	Member was part of Passenger Transport Fund. Information provided for GMPF
C54	Retiring Member	Member unhappy with lack of confirmation of receipt of retirement forms	YES	SYPA	Apology email sent
C55	Deferred Member	Member unhappy at being unable to transfer his benefits to another arrangement	YES	None - Scheme Rules	Letter issued explaining member is within 12 months of NRA and currently active with Deveon Pension Fund. Transfer documentation being reviewed to explain this.
Total for Three Months	5				



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Subject	The Impact of Regulatory Changes on the Administration Service	Status	For Publication
Report to	Authority	Date	15 th October 2020
Report of	Head of Pensions 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 inform the Board of the forecast impact on the administration service of various regulatory and other changes which are currently in process and the steps being taken to ensure the maintenance of standards of customer service.
-

2 **Recommendations**

- 2.1 Members are recommended to:
- a. **Note the forthcoming administrative impacts that LGPS funds are facing and the steps approved by the Authority to address them.**
-

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).

SYPA needs to be in the best possible place to avoid any detrimental impact on our existing customer service expectations once the McCloud remedy is finalised.

Listening to our stakeholders

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

The Scheme Advisory Board, LGA and other advisers to LGPS funds are all stressing the importance of project managing and planning for the increased workload that the McCloud judgement will bring.

Valuing and engaging our Employees

To ensure that all our employees are able to develop a career with SYPA and are actively engaged in improving our services.

It is key for wellbeing to demonstrate that strategic planning is in place to anticipate and address known workload increases and ensure staff do not feel overwhelmed.

4 Implications for the Corporate Risk Register

- 4.1 The actions outlined in this report have implications for operational risk O2 in the Corporate Risk Register – the proposal is aimed at reducing the risk that the Authority cannot continue to meet statutory deadlines for disclosure of information to scheme members.

5 Background and Options

- 5.1 Members will be aware that the full restructure of the administration service was completed in late 2019 and, following some senior appointments in the summer of 2020, the new administration service is finally approaching full establishment. Clearly the pandemic has impacted the operational effectiveness of the team but it is anticipated this will be a temporary distraction as staff adapt to a more agile way of working in the longer term.
- 5.2 In planning for the resourcing levels required to sustain a high quality service to members and employers, there are a number of key 'unexpected' developments within the LGPS environment on the immediate horizon which will require significant additional work to be undertaken within the service. This paper set out details of these and provides details of additional resources approved by the Authority to address both the additional work required and ensure that standards of customer service can be maintained.

McCloud judgement

- 5.3 The most significant new administrative challenge faced by LGPS funds is the forthcoming impact of the McCloud judgement. SYPA has established a working group to plan for the anticipated workload that will impact when the remedy is finally agreed, expected to be later this year. The work streams involved in this project are wide-ranging and include:-
- Ongoing administration process changes
 - Retrospective reviews of leaver benefits (back to April 2014)
 - Additional Data Collection
 - Systems development
 - Scheme member and employer communications
 - Accounting and funding implications

- 5.4 The working group has estimated that the following volumes of member types are in scope for review, albeit that the actual numbers of members whose benefits will be directly impacted will be a small proportion of these.

Status of Member impacted	Approx. numbers in scope for review
Active	22,000
Deferred	10,000
Pensioner	9000
Transfer Out	600
Deceased	500
Others	150

- 5.5 Each of the different membership types will require quite different assessment and, where appropriate, remedy approaches and this will be a significant project to manage. Fortunately, in terms of project management, the restructure of the administration service accommodated a new senior post of Project and Improvement Lead and an experienced project manager has recently been appointed to this post.

Other Age discrimination cases – Goodwin, Brewster et al

- 5.6 At the same time as the McCloud judgement, the Government has faced a number of court challenges in relation to the discriminatory nature of the discrepancies that have historically existed in the public sector schemes in relation to provisions for partner pensions. A couple of cases have been linked to unequal treatment in relation to co-habiting partners pensions but the most recent case, in the Teachers' Pension Scheme (TPS), relates to the unequal treatment between male survivors of female scheme members and a comparable same-sex survivor.
- 5.7 In July 2020, the Treasury confirmed that the remedy required as a result of this TPS case would need to be applied to all public sector schemes. In practice, what this is likely to mean for the LGPS once the remedy is agreed is both the retrospective recalculation of a number of partner pensions in payments but also the identification of new pension entitlements which had not previously been paid. As with most retrospective adjustments, in practice manual updates will be required at some stage in the process.

GMP reconciliation

- 5.8 The long standing project stemming from the Government's cessation of contracting-out (of the State Second Pension) and the implications for contracted-out schemes in relation to applying GMPs is finally reaching Stage 3 (rectification) as the final 'cut' of GMP data for each pension scheme from HMRC is expected imminently.
- 5.9 Stage 3 of the GMP reconciliation project is where the impacts will be felt directly by pensioners and beneficiaries (both positive and negative) and where the administration team will need to be involved in the recalculation of pensions in payment. In practice, the retrospective nature of the complex recalculations will inevitably involve manual processes and, more importantly, the resourcing time which will inevitably need to be devoted to communicating and explaining to pensioners these complex changes which are not of their making.

- 5.10 Although it is not possible to quantify the exact number of recalculations required until the final HMRC data cut has been received and reconciled, it is estimated that the numbers impacted will be at least in the low hundreds, and potentially higher. Based on the latest available information from HMRC, it is expected that work will need to commence on Stage 3 of the project by January 2021. Clearly there is also the potential for these changes in benefits to interact with those arising from the McCloud remedy further complicating implementation of both remedies.

£ 95k cap and exit payment reform

- 5.11 Members have been provided with a separate briefing not on the implications of the £ 95k cap and the reform of exit payments. Although this is at its core an employer issue, it is worth drawing attention to the fact that the Governments proposals published this month will, as drafted, lead to a significant increase in workload for administering authorities in relation to exit payments.

Addressing the Resource Implications

- 5.12 Administering authorities are constantly faced with challenges which require resources to be flexed, and the continued investment in technology (in particular automated functionality such as 'retire online') will lead to efficiency improvements which will address some of the additional resourcing requirements flowing from the changes in the scheme set out above. However, in totality, the sum of the forthcoming changes outlined above do face LGPS funds with some exceptional resourcing challenges.
- 5.13 One option, favoured by many funds, is to buy in additional expertise on a short-term basis from benefit consultants and similar providers but these can be an expensive solution with little long-term benefit. Following the administration service restructure, SYPA is well placed to manage the various projects from a structural perspective but there will inevitably be a significant increase in administrator resource requirements over a sustained period of time.
- 5.14 Consequently at its meeting on 30th September the Authority adopted its preferred approach which is to invest ahead of the curve in bringing in entry or junior level pensions officer posts and using existing training structures to develop capacity in-house. Members therefore approved the appointment of a maximum of up to 3 Pensions Officer posts to sustain the Authority during the forthcoming projects outlined above. The resource allocations will be kept under continual review for effectiveness and, given the age profile of the Pensions Officers within the organisation, it should be possible to manage any reductions required in future through 'natural' means. A recruitment process has already begun to fill an existing Pensions Officer post vacant due to a retirement and this process will be used to fill two of the additional posts immediately. Further recruitment will be governed by an ongoing assessment of actual workloads arising from these projects and will if possible be arranged to coincide with the filling of any existing posts that become vacant in the ordinary course of events meaning that we are bringing new staff into the organisation in small cohorts which can then receive appropriate training and support.
- 5.15 The total additional costs will be up to £ 75,000 per year and, for the current financial year, these can be met from forecast savings in the staffing budget from part-year vacancies.

6. Implications

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

Financial	Approximately £ 75,000 per annum. As indicated the overall financial position in the current year will allow the part year impact of immediate recruitment to be absorbed within the overall financial position. Current estimates are that this growth in the establishment can be accommodated within the overall budget envelope for 2021/22.
Human Resources	Increase in core establishment.
ICT	None
Legal	None
Procurement	None

Jason Bailey

Head of Pensions Administration

Background Papers	
Document	Place of Inspection

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