

## SOUTH YORKSHIRE PENSIONS AUTHORITY

### CORPORATE PLANNING AND GOVERNANCE BOARD

20 JULY 2016

PRESENT: Councillor S Ellis (Chair)  
Councillors: Z Sykes and K Wyatt

Officers: S Barrett (Interim Fund Director), G Chapman (Head of Pensions Administration SYPA), B Clarkson (Head of Finance), I Blackburn (Principal Auditor), A Hunt (Risk and Governance Manager), P Rogers (Principal Auditor), M McCarthy (Deputy Clerk) and A Shirt (Senior Democratic Services Officer)

F Tyas (UCATT) and G Warwick (GMB)

R Khangura and E Wharton (KPMG)

Apologies for absence were received from Councillor M Stowe, Councillor E Butler, Councillor H Mirfin-Boukouris, Councillor J Wood, J Bell, F Foster, A Frosdick, S Bradley and R Winter

#### 1 APOLOGIES

Apologies for absence were noted as above.

#### 2 ANNOUNCEMENTS

Councillor Ellis informed the Committee that she would be bringing forward discussion of the following agenda items on today's agenda:-

Item 14 – External Audit Annual Governance Report (ISA 260)

Item 15 – Statement of Accounts 2015/16

Item 17 – Letters of Representation

Item 19 – FCA Clients Assets

The Board welcomed Stephen Barrett to the meeting who had recently taken up the appointment of Interim Fund Director, following John Hattersley's retirement from the Authority.

#### 3 URGENT ITEMS

None.

#### 4 ITEMS TO BE CONSIDERED IN THE ABSENCE OF THE PUBLIC AND PRESS

None.

5 DECLARATIONS OF INTEREST

None.

6 EXTERNAL AUDIT ANNUAL GOVERNANCE REPORT (ISA 260)

R Khangura presented KPMG'S annual report to those charged with Governance (ISA 260) 2015/16. The report summarised the key issues identified during their audit of the Authority's financial statements for the year ending 31 March 2016 for both the Authority and its pension fund and their assessment of the Authority's arrangements to secure value for money (VfM) in its use of resources.

It was anticipated that an unqualified opinion would be issued on the financial statements by 29 July 2016.

R Khangura reported that the quality of accounts and supporting working papers provided to audit were good, with some scope for improvement; opportunities for improvement had been discussed with officers. Officers had also dealt efficiently with audit queries and the audit process had been completed within the planned timescales.

KPMG had identified some weaknesses from the key financial systems audit in relation to the identification and resolution of mapping errors arising from data transfer and in accessing controls over changes to pay elements in UPM. KPMG's substantive testing had provided sufficient assurance that the financial statements did not contain material misstatements as a result of these weaknesses. It was noted that there may be some inaccuracies as a result of the data migration process, however, these were not material to the financial statements.

KPMG had identified one VfM risk (Pension's Administration System) in its External Audit Progress Report issued in June 2016. KPMG had worked with officers throughout the year to discuss this VfM risk, concluding that there were no matters of any significance arising as a result of its audit work in these VfM risk areas.

The VfM conclusion had indicated that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. KPMG anticipated issuing an unqualified VfM conclusion by 29 July 2016.

R Khangura thanked officers and Members for their continuing support and cooperation throughout the audit work.

RESOLVED – That the Board notes KPMG anticipate:-

- i) Issuing an unqualified audit opinion on the Authority's 2015/16 financial statements by 29 July 2016;
- ii) Issuing an unqualified audit opinion in relation to the Fund's financial statements, as contained both in the Authority's Statement of Accounts and the Pension Fund Annual Report by 29 July 2016;

iii) Issuing an unqualified opinion on the VfM conclusion by 29 July 2016.

**7**     STATEMENT OF ACCOUNTS 2015/16

A report of the Treasurer was submitted seeking the Board's approval of the audited Statement of Accounts for 2015/16.

RESOLVED – That the audited Statement of Accounts for 2015/16 be approved and that the Chair of the Board be authorised to sign them.

**8**     LETTERS OF REPRESENTATION

A report of the Treasurer was submitted seeking approval of the Treasurer's formal letters to the Auditor confirming that:-

- i) The information in the final accounts for 2015/16 regarding the Authority's liabilities and any outstanding legal issues, and
- ii) The Authority's operations in relation to the Financial Conduct Authority (FCA) and the fact that the Authority does not hold client money or custody assets.

It was noted that this was now a formal part of the annual statutory audit.

RESOLVED –

- i) That Members note and approve both of the above-mentioned formal letters to the Auditor; and
- ii) That the first letter be signed by the Chair of the meeting and the Treasurer.

**9**     FCA CLIENTS ASSETS

R Khangura informed the Board that Members would normally be presented at this time of year, with the final clients' assets report prepared by the external auditor (KPMG) as required under Rule SUP 3.11.2 of the Financial Conduct Authority (FCA).

It was reported that there had been a slight delay in issuing a report this year, due to the Monitoring Officer needing to contact the FCA to ascertain a specific point of clarification.

In the event that a reply not being received by 29 July 2016, for the Authority to meet the FCA's deadline, then KPMG would issue a holding letter to the FCA explaining the current delay.

Members asked that they be kept informed of progress.

L Wharton stated that an update would be included in KPMG's progress update report, which would be presented at the next Board meeting in October.

RESOLVED – That the update be noted.

10 MINUTES OF MEETING HELD ON 2 JUNE 2016

RESOLVED – That the minutes of the meeting of the Board held on 2 June 2016 be agreed and signed by the Chair as a correct record.

11 WORK PROGRAMME

The Board considered its Work Programme to February 2017.

RESOLVED – That the report be noted.

12 ANNUAL REVIEW OF ILL HEALTH RETIREMENTS

A report of the Head of Pensions Administration was submitted informing the Board on the number and cost of ill-health retirements during the period 1 April 2015 to 31 March 2016.

Members noted that there had been 152 referrals in 2015/16 to the Fund's Medical Advisors, compared to 138 in the previous year. 47% of referrals had met the assessment criteria, which was down from 61% in the previous year. 91% of supported ill health retirements were awarded the highest tier of benefits (Tier 1). 41% of Tier 1 awards were in respect of members who were terminally ill.

Across the employers for the period 1 April 2015 to 31 March 2016 there had been a total of 41 ill health retirements at a cost of £4,261,973.00, compared to the period 1 April 2014 to 31 March 2015 of 45 ill health retirements totalling £6,045,541.00.

Members were informed that the cost of ill health retirement was managed through an internal insurance premium for the small and most vulnerable employers. Large employers and transferee admission bodies had an actuarial allowance to pre-fund and pick up the cost of ill health retirements during the valuation period. Direct charges in the form of a cash injection would apply if they used up their actuarial allowance

In 2015/16 there were two ill health retirements where the employer had used up all of its actuarial allowance and required a cash injection into the fund.

RESOLVED – That the report be noted.

13 ANNUAL REVIEW OF APPEALS AND COMPLAINTS 2015/16

A report of the Head of Pensions Administration was submitted which provided Members with an annual review of appeals dealt with through the dispute resolution procedure and customer service complaints.

Members noted that during 2015/16 over 67,993 items of casework had been processed by the Authority, ranging from complex benefit calculations to simple data amendments. From this casework the Authority received the following appeals and complaints:-

Appeal Type	2015/16	2014/15	2013/14
Stage 1 Appeal	1	2	2
Stage 2 Appeal	1	2	0
Complaints	31	13	8
Pensions Ombudsman	1	1	0

In addition to appeals against decisions made by the Authority, the Fund Director had also been required to issue stage 2 determinations regarding decisions made by other employers within the fund on 6 occasions.

Councillor Ellis commented that it was pleasing to note that SYPA staff had dealt with a significant number of informal complaints and resolved the issues first time, without them escalating to the formal appeals process.

RESOLVED –

- i) That the contents of the report be noted.
- ii) That staff be complimented on their handling of informal complaints, thus limiting the number of formal ones received.

14 REVIEW OF PENSIONS ADMINISTRATION

A report was considered which updated the Board on administration issues during the period 1 April 2016 to 30 June 2016.

The Board noted that the number of cases and overall performance had dipped during the period and was currently 78%. This had been caused by the overriding necessity to concentrate resource on year-end work for the reasons identified within the report presented.

G Chapman commented that, whilst resource had been diverted to the year-end, the build-up of casework would require a concentrated and perhaps additional effort to complete and get back on track. It was anticipated that 'normal' service was expected to resume by the end of the year.

Some staff were working overtime again to try and ensure the completion of the year-end work on schedule and to assist with casework that was critical to the valuation data. It was likely that overtime would need to continue after the major ongoing projects had been completed in order to clear backlogs.

During the period, 10 new employers had been admitted to the Fund with no employers exiting the Fund.

Members were pleased to note that staff sickness absence had been very low in the reporting period, especially given the pressures that staff had been, and were still under.

Councillor Sykes asked what steps the Authority was taking to improve staff morale, given the unrelenting pressures of preparing the Annual Benefits statements for members and valuation data for the actuary by the deadline of 31 August 2016.

G Chapman informed Members that the Authority had been considering a number of initiatives to boost staff morale; a staff discount scheme had been put into operation, management had also promised to undertake a review of the Pensions Administration structure and staffing levels and, if necessary, bring a proposal to the Board towards the end of the year.

The Board requested that SYPA staff be congratulated for all their efforts during the reporting period.

RESOLVED –

- i) That the report be noted.
- ii) That SYPA staff be congratulated for all their efforts during the reporting period.

**15 EMPLOYERS SLA PERFORMANCE AND OUTSTANDING WORKLOAD**

A report of the Head of Pensions Administration was submitted to update Members on employers' performance and on any known levels of outstanding workload during the quarter 1 April 2016 to 30 June 2016.

The Board noted that the results from the quarter showed an improvement in overall performance of 4% from the last quarter for the district councils' and an increase of 8% from all other employers'.

It was highlighted that this was the first set of results following the decision not to report on contract changes; this would have had a positive impact on the overall result.

Members noted that retirements continued to be consistently the best performing area which, along with deaths was the category that resulted in actual payments to scheme members and therefore, of most significance.

There had been significant improvement from the poor performance recorded last quarter on the results for 'other' employers. There was still further improvement required. The cause in the reduction in performance was not yet clear; the Authority had ruled out issues relating to its insistence on electronic communications; investigations continued.

With regard to the employers' annual returns, the introduction of the Pensions Administration Strategy showed to have had a significant impact. By the deadline of 31 May 2016, 91% of employers' had submitted their return on time.

In relation to District Council engagement, the Board noted:

Barnsley MBC

Live interface files for new starters using the UPM format were regularly being received. The charges interface file was also being trialled and appeared to be working well so far.

BMBC had queried the number of new starters reported last quarter, as it appeared to be low compared to what they thought had been submitted. The query had identified a change to the reporting methodology, which had not been communicated internally to SYPA and had led to a significant number of new starters being omitted from the report. Instead of 111 cases being received, of which 25% were on time, 225 were received. Of which, 63% were on time; which was a significant improvement.

Doncaster/Rotherham MBC

Automated processes from RMBC payroll continued to be effective, although not in the new UPM format. A meeting was scheduled towards the end of August with a view to agreeing a timetable for implementation.

Sheffield CC

Interfaces from Capita still required intervention, noting that there had been some improvement in recent times. Capita had not yet been moved over to the UPM format. The Authority did not have any indication from Capita as to when the transfer would take place.

Councillor Sykes agreed to follow-up this issue with Capita on behalf of the Authority.

RESOLVED – That Members noted the contents of the report and the steps being taken to address any performance shortfall.

16 LGPS (AMENDMENT) REGULATIONS 2016 (DRAFT)

A report of the Head of Pensions Administration was presented to alert Members to a Department for Communities and Local Government consultation on draft changes to the Local Government Pension Scheme Regulations.

Members noted that the draft Local Government Pension Scheme (Amendment) Regulations 2016 contained a combination of scheme changes and technical corrections. It was noted that most of the changes would have a retrospective application from 1 April 2014, although, this would not be known until the regulations were published. The consultation on the regulations closes on 20 August 2016.

A summary of the main changes were outlined in the report presented to Members'.

RESOLVED –

- i) That Members noted the proposed changes; and
- ii) Authorised the Head of Pensions Administration to formally respond to the consultation where appropriate.

17 RISK MANAGEMENT

A report of the Clerk to the Authority was presented updating Members on the developing Risk Management arrangements for the Authority.

Members noted that the Risk and Governance Manager (BMBC) had met and agreed a scope to develop risk management arrangements for the Authority in liaison with the Clerk, the Fund Director and Head of Pensions Administration.

A Risk Management workshop had been delivered to the Pensions Management Team in February 2016. Following this workshop, a draft Risk Register was developed, and circulated to workshop attendees in March 2016.

A copy of the draft Risk Register was presented for Members' comments, noting that further actions included:

- Development of a draft Risk Management Strategy;
- Development of Risk Management training opportunities for Members, and officers; and,
- Consideration of appropriate review periods for the Risk Register.

RESOLVED – That Members:-

- i) Noted the developing Risk Management arrangements for the Authority.
- ii) Agreed to receive periodic updates regarding Risk Management arrangements for the Authority 2016/17.
- iii) Agreed that the Risk Management Strategy be presented at the October Board meeting.

18 INTERNAL AUDIT PROGRESS REPORT

A report of the Head of Internal Audit was submitted to report on the work of the Internal Audit Team from 1 April 2016 to 30 June 2016.

Members were informed that a total of 34 days of planned work had been delivered to date in accordance with the agreed schedule of work. This was expected at this time of year, as the majority of work was planned for quarter 3 and 4.

As previously reported, the issues with regard to the new UPM system remained with management who were still actively working with/monitoring Civica to resolve. A post implementation review was currently being undertaken, the outcome of which would be reported to the Board in due course.

There was no significant control, compliance issues or longstanding recommendations to bring to the Board's attention.



Members were informed that there had been one amendment to the Annual Plan to date; this was a new review, to provide assurance that the financial accounts relating to the Local Pension Board were accurate and robust.

RESOLVED – That the report be noted.

19 SOUTH YORKSHIRE PENSION FUND ANNUAL REPORT 2015-2016

A report of the Treasurer was submitted to present the draft South Yorkshire Pension Fund Annual Report 2015/16 for Members' consideration.

It was noted that CIPFA had issued guidance, suggesting that it was good practice that the Annual Fund Report be formally reviewed by those charged with governance of the Fund prior to publication.

RESOLVED – That Members approve the draft Annual Fund Report submitted today for publication.

20 BUDGET MONITORING (APRIL-JUNE)

A report of the Treasurer was submitted to advise Members of current expenditure levels within the Authority against approved budget up to 30 June 2016.

A summary of the major budget variances were set out in the report for Members' information.

RESOLVED – That the report be received.

CHAIR