

SOUTH YORKSHIRE PENSIONS AUTHORITY

CORPORATE PLANNING AND GOVERNANCE BOARD

20 OCTOBER 2016

PRESENT: Councillor M Stowe (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), M McCarthy (Deputy Clerk), S Bradley (Audit Manager, BMBC), A Hunt (Risk and Governance Manager) and G Richards (Democratic Services Officer)

N Doolan-Hamer (Unison), F Tyas (UCATT) and G Warwick (GMB)

L Booth (KPMG)

Apologies for absence were received from Councillor S Ellis, Councillor E Butler, Councillor H Mirfin-Boukouris, F Foster, A Frostdick, R Winter, A Shirt, R Khangura and E Wharton

1 APOLOGIES

Apologies were noted as above.

2 ANNOUNCEMENTS

The Chair reminded the Board that the Annual Fund meeting would be held that evening at 5.30pm at the Holiday Inn, Dodworth.

3 URGENT ITEMS.

None.

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

RESOLVED – That item 18 ‘EU Member State Rules: Potential Tax Refunds’ and item 20 ‘Contract Standing Orders: Tender Report’ be considered in the absence of the public and press.

5 DECLARATIONS OF INTEREST

None.

6 MINUTES OF THE MEETING HELD ON 20 JULY 2016

RESOLVED – That the minutes of the meeting of the Board held on 20 July 2016 be agreed and signed by the Chair as a correct record.

7 WORK PROGRAMME

The Board considered its Work Programme to June 2017.

RESOLVED – That the Work Programme be noted.

8 REVIEW OF PENSIONS ADMINISTRATION

A report was considered which updated the Board on administration issues for the period 1 July 2016 to 30 September 2016.

G Chapman reported that the work associated with the year-end had been completed; member pension forecasts had been issued for 94% of the membership, the remainder would be issued by the end of October.

The actuarial data had been issued during July; the individual employer results would be available early November. These would be discussed at the Employers Forum at the end of November which would be webcast live.

Overall performance and performance on non-priority work had shown a marked improvement over the period, however priority performance had shown a slight downturn. Discussions with the team were ongoing to try and ascertain the reasons for this.

Given that Senior Management had directed that almost all resource over the period should be focused on the year-end work, the performance figures were very good, although not back to where the Authority would like to see them.

Members were informed that overtime would continue for the foreseeable future in an attempt to clear up outstanding casework.

Members noted that 26 new employers had been admitted, making a total of 388 employers, 371 of whom were registered for EPIC.

G Chapman informed the Board of a trial of the new existence process involving a partnership with Western Union for the Fund's pensioners living in the West Indies; the pensioners are required to verify they are alive by visiting a Western Union office with a valid form of ID, such as a passport or driving licence.

This had already resulted in the Authority receiving a telephone call from the West Indies to report a year old death; this immediately saved the Fund more per year than the cost of the exercise. It was hoped to roll this service out to the rest of the world in due course.

Additionally, life certificates had not been returned for three other West Indies pensioner residents following the life certificate exercise. These pensions are now suspended whilst further checks are carried out.

Members noted that although sickness absence levels had risen slightly they were still less than half what they had been in the corresponding quarter last year.

RESOLVED – That the report be noted.

9 DRAFT BENCHMARKING RESULTS

A report was submitted to advise Members of the draft results of the Authority's participation in the CIPFA Pensions Administration Benchmarking Club 2016.

Members were informed that it was the fifteenth year that the Authority had participated in the survey which continued to be the only detailed method by which to compare pensions administration against other LGPS administering authorities.

Unfortunately the number of participants had been falling steadily over recent years which meant the results did not give a true picture as to where the Authority stood compared to the LGPS as a whole. This year there were only 34 participants compared to 42 the previous year.

G Chapman informed the Board that the Authority's costs continue to be below average for the thirteenth year in succession, and the cost per member had dropped to its lowest ever total of £15.87 per member.

Analysis also showed:

- The number of employers in the fund is significantly higher than average (452 compared to the average of 282).
- 90% of members retiring chose to commute some of their pension to tax free cash which is significantly above the average of 56%.
- Internal appeals and appeals to the Ombudsman are below average.
- Staff turnover continued to be low.

K Wyatt commented that results for costs were pleasing but expressed surprise that 90% of members chose to commute some of their pension to a cash lump sum.

G Chapman agreed, the reasons for this were unclear but it was a positive from a funding perspective.

RESOLVED – That the report be noted.

10 EMPLOYERS SLA PERFORMANCE AND OUTSTANDING WORKLOAD

The Board considered a report which gave an update on employers' performance and any know levels of outstanding workload for during the quarter 1 July 2016 to 30 September 2016.

Members noted that overall performance was up 3% from last quarter to 72% although poor figures from Sheffield CC was bringing down overall performance.

There had been a positive improvement over the last three review periods; 642 more cases were issued in this quarter.

Retirement continued to be the best performing area which, along with deaths, was the category that results in actual payments to scheme members and therefore of most significance. Rotherham returned 100% performance in both these categories.

In relation to District Council engagement the Board noted:

Barnsley MBC

Live interface files for new starters using the new UPM format were regularly being received. Discussions about early leavers would take place shortly.

Doncaster/Rotherham MBC

Automated processes from Rotherham MBC payroll continue although not in the new UPM format. A meeting would be scheduled in the near future to discuss moving to the UPM format and to agree a plan of action for dealing with the recent payroll successes with a number of 'out of Rotherham' employers.

Sheffield CC

Interfaces from Capita still require intervention and have not yet been moved to the UPM format, there is no indication from Capita as to when this would happen. A meeting would be arranged in the current period to discuss this and reasons for the poor performance in general.

Councillor Sykes informed the Board that she had brought the matter to the attention of the Cabinet Member and would do so again.

RESOLVED – That the report be noted.

11 CONSULTATION PROGRAMME - COMPLAINTS PROCEDURE SURVEY

A report was submitted to inform Members of the results carried out amongst scheme members who had made a formal complaint during the period 1 April 2015 to 31 March 2016.

G Chapman informed the Board that 31 scheme members had made a formal complaint during the period, 7 of whom had returned the survey; the total number of complaints was significantly higher than the last period due to the problems encountered with UPM.

Members commented that most of the criticisms were in relation to the style and content of the response received to their complaint and sought assurance that this was being addressed.

G Chapman confirmed that all issues raised had been, or were being, addressed.

RESOLVED – That the report be noted.

12 RISK MANAGEMENT

A Hunt, Risk and Governance Manager BMBC, reminded Members that following a Risk Management workshop earlier in the year work continued to develop a Risk Management Strategy; it was hoped to present this to the Board at its February meeting.

The Risk Register, which had been presented to the Board in July, was also under development.

A Learning and Development event – The Role of Internal Audit and Risk Management – had been arranged for 12 December 2016 which it was hoped that Members would find useful.

RESOLVED – That the report be noted.

13 KPMG ANNUAL AUDIT LETTER 2015/16

The Board considered KPMG's Annual Audit Letter, noting the following points:

- An unqualified conclusion on the Authority's value for money arrangements (VfM conclusion) for 2015/16 had been issued on 26 July 2016.
- One VfM risk had been identified regarding problems with the introduction of the new administration system; it had been concluded that the Authority had responded appropriately.
- An unqualified opinion on the Authority's financial statements had been issued on 26 July 2016.
- It was concluded that the Authority's Annual Governance Statement was consistent with KPMG's understanding.
- KPMG issued their certificate on 26 July 2016 which confirmed that the audit for 2015/16 had been concluded in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

RESOLVED – That the report be noted.

14 KPMG TECHNICAL UPDATE INCORPORATING THE EXTERNAL AUDIT TECHNICAL UPDATE

The Board considered KPMG's Technical Update which provided an overview of KPMG's progress in delivering their responsibilities as the Authority's external auditors.

Members noted that KPMG deliver a Client Asset Sourcebook (CASS) audit to the Authority for the Financial Conduct Authority. The work focused on the arrangements around the Passenger Transport Pension Fund and was still ongoing.

The Board were informed that the Authority had sought legal advice as to whether the monies and assets of South Yorkshire Pension Fund should also be treated as client assets subject to CASS regulations. The opinion was clear that this should not be the case and the auditor's response to that was awaited.

RESOLVED – That the report be noted.

15 INTERNAL AUDIT PROGRESS REPORT

A report of the Head of Internal Audit was submitted to inform the Board of the work completed and that in progress from 1 July 2016 to 30 September 2016.

The Board noted that 60 days of work had been delivered out of the planned total of 255 planned days. This was in accordance with the agreed schedule of work; most of the planned work is scheduled in the second half of the year.

There were no long-term outstanding recommendations.

S Bradley informed the Board that the UPM post-implementation review had been completed, due to the issues that remain unresolved, the review concluded with a limited assurance opinion. The supplier had still not delivered their contractual obligation and the system remained unfit for purpose; work was continuing by management to resolve all remaining issues with the supplier and management had welcomed the timeliness of the report to support this work.

With regard to the 2017/2018 Annual Audit Plan, S Bradley informed the Board that a meeting with SYPA management had been arranged for November to discuss the items to be include in the Plan, a draft would be brought to the February meeting of the Board. As the Board did not have a meeting before then, Members were requested to inform the Chair or the Internal Audit team of any items they would like to see included. An email would be circulated to all Members to request that the plan requirements for 2017/2018 are considered and for responses to be sent to the Chair/Head of Internal Audit.

RESOLVED – That the report be noted.

16 STATEMENT ON INTERNAL CONTROL: INTERNAL INVESTMENT MANDATE

A report of the Treasurer was presented to seek renewal of the internal investment mandate.

Members were reminded that following external audit comment it was the practice for the Authority to formally enter into a written mandate with its internal fund managers; the auditor felt that this would be in the spirit of the Myners' Principles.

The mandate was reviewed annually and was last considered in November 2015, no changes had been made to it since then.

RESOLVED – That Internal Investment Mandate be renewed.

17 BUDGET MONITORING

A report was submitted to advise Members of current expenditure levels within the Authority against approved budget.

Members were reminded that a supplementary budget of £99,000 was approved by the Authority in March 2016 for the cost of GMP Reconciliation Services. The costs

to date were now included in overall expenditure under Administration Other Professional Services.

The Board noted the summary of major variances attached at Appendix C to the report.

RESOLVED – That the report be noted.

18 TREASURY MANAGEMENT: UPDATE

The Board considered a report which provided an update on the treasury management operations of the Authority since the last report in June 2016.

Members noted that the UK had experienced historically low level of interest rates for over seven years.

Following the UK's vote to leave the European Union, the exchange rate had fallen and the outlook for growth in the short to medium term had weakened markedly. A package of measures designed to provide monetary stimulus had been announced by the Bank of England's Monetary Policy Committee in August 2016.

The Board were informed the Authority's Treasury Management Strategy allowed the Authority to lend to other local authorities; this was used three times during the period.

The Board noted that the Fund also had the use of a facility with the Debt Management Office; this was used ten times during the period.

With regard to the Icelandic banks there was only one claim left outstanding. The recovery so far was 98% and there was hope of a small final payment in the next 12 months resulting in a return of roughly 98/99p/£.

RESOLVED – That the report be noted.

19 EU MEMBERS STATE TAX RULES: POTENTIAL TAX REFUNDS

A report was submitted to update Members regarding the progress in pursuing potential claims for refunds of tax arising out of legal challenges to the legality of member state tax rules.

RESOLVED – That the report be noted.

20 CONTRACT STANDING ORDERS: TENDER REPORT

A report upon awarded contracts, as required under the Authority's Contract Standing Orders, was considered.

RESOLVED – That the report be noted.

CHAIR