

SOUTH YORKSHIRE PENSIONS AUTHORITY

CORPORATE PLANNING AND GOVERNANCE BOARD

20 JULY 2017

PRESENT: Councillor R Wraith (Chair)

Councillors: S Durant, Z Sykes, K Richardson and K Wyatt

Officers: L Booth (Audit Manager), G Chapman (Head of Pensions Administration), B Clarkson (Head of Finance), N Copley (Treasurer), A Frosdick (Monitoring Officer), M McCarthy (Deputy Clerk), G Richards (Democratic Services Officer) and S Smith (Head of Investments SYPA)

N Doolan-Hamer (Unison) and G Warwick (GMB)

R Khangura (KPMG)

G Boyington, S Ross and J Thompson (Observers)

Apologies for absence were received from Councillor S Ellis, Councillor T Hussain, S Barrett, I Rooth and R Winter

1 APOLOGIES

Apologies were noted as above.

2 ANNOUNCEMENTS

None.

3 URGENT ITEMS.

None.

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

None.

5 DECLARATIONS OF INTEREST

None.

6 MINUTES OF THE MEETING HELD ON 1 JUNE 2017

RESOLVED – That the minutes of the meeting of the Board held on 1 June 2017 be agreed and signed by the Chair as a correct record.

7 WORK PROGRAMME

RESOLVED – That the Board’s Work Programme be noted.

8 ANNUAL REVIEW OF ILL HEALTH RETIREMENTS

A report was submitted to inform Members on the number and cost of ill-health retirements during the period 1st April 2016 to 31st March 2017.

Accompanying the report were extracts from databases which recorded ill-health retirement assessments undertaken by the Fund’s medical advisors on behalf of employers and their associated costs.

- Appendix A showed the number of cases submitted to the Medical Advisors split by employer. There were 143 referrals in 2016/17 compared to 152 the previous year.
- Appendix B split the number of cases assessed into the various case types; 85% of cases were first time assessments.
- Appendix C showed the outcome of assessments; 50% of cases met the criteria, which was up from 47% in the previous year.
- Appendix D showed the tier of benefits recommended for ill-health retirements that were supported; 91% were awarded Tier 1 (the highest tier), 26% of the Tier 1 awards were in respect of members who were terminally ill.
- Appendix E showed the outcome of Tier 3 reviews, 67% had their benefits uplifted to Tier 2 at the 18 month review, whilst 33% were continued for a further 18 months.

With regard to Appendix F, this provided analysis of the costs falling to the pension fund as a result of retirements.

Members were informed that the costs were not directly charged against the employer as they occurred. The large employers and transferee admission bodies had an actuarial allowance to pre-fund the cost of such retirements during the valuation period. Direct costs only occur if an employer used up their allowance (there was one of these during the period which was shown at Appendix G).

In answer to a question, G Chapman informed the Board that any unused valuation would be fed back to the employer at the next actuarial valuation.

RESOLVED – That the report be noted.

9 ANNUAL REVIEW OF APPEALS

The Board considered a report which provided an annual review of appeals dealt with through the dispute resolution procedure and customer service complaints.

Members were reminded that the formal dispute resolution procedure consisted of two stages. At the first stage the member submitted an appeal to the organisation that made the decision being disputed. The second stage is intended to review the initial and first stage decisions and must be considered by SYP as administering authority (delegated responsibility of the Fund Director).

In addition to the formal appeals process, a customer service complaints procedure was operated to deal with issues where a member had been disappointed with performance rather than a regulatory decision made by SYPA.

Once the internal dispute route had been exhausted a member may submit an appeal to the Pensions Ombudsman.

During 2016/17 70,584 items of casework were completed, ranging from complex benefit calculations to simple data amendments. From this casework the following appeals and complaints were received:

Appeal Type	2015/16	2016/17
Stage 1	1	3
Stage 2	1	3
Ombudsman	1	0
Complaints	31	10

In addition to appeals against decisions made by SYPA, the Interim Fund Director had also been required to issue Stage 2 determinations regarding decisions made by other employers within the fund on 9 occasions. The vast majority of those were about ill-health retirement.

RESOLVED – That the report be noted.

10 REVIEW OF PENSIONS ADMINISTRATION

The Board considered a report which gave an update on administration issues for the period 1 April 2017 to 30 June 2017.

G Chapman informed Members that the report was now in a new format which would evolve to provide more information, show trends and also enable Members to plot the recovery from the implementation of the UPM system.

It was reported that performance for the quarter had been the lowest for some time, this was largely due to the impact of new staff arriving at different points in the quarter following the implementation of the new structure from 1 April. As the quarter had progressed and the new staff were becoming more productive performance had started to increase.

It was noted that the four new data team members commenced on 27 April. In the two months following they:

- Completed 4,100 data cleansing queries;
- Completed 1,315 supplementary Pensions Increase processes;
- Completed 275 record amendments; and
- Validated and balanced the majority of the annual year-end returns received so far from employers which now numbered over 440.

The work was not included in the performance and productivity figures shown in the performance tables but their contribution at a time when they had been learning about their roles and becoming familiar with the pensions administration system could not be underestimated.

G Chapman reminded the Board that last year management had directed all resources towards the annual return and year-end exercises which had led to a backlog of over 6,000 cases. The restructure and recruitment of new staff had meant that this year resource and effort could be applied to all areas of administration business. Although it was still early days into the restructure, results appeared to be bearing out and it was felt that the new structure would eventually improve the Authority's performance substantially.

Members were informed that UPM was working in a much better way than at any point since implementation. Despite this, management had noted that the way it was designed added to the ever-increasing complexity of LG Pensions Legislation, meant that processing casework was becoming a much slower business than under the old system.

The UPM team would therefore be looking at ways to streamline and make the process more efficient for completing cases. Management would also look at whether the targets were still fair or if they needed adjusting.

The Board noted that overtime continued throughout the period. With the additional staff now in place it was anticipated that overtime would be more specifically and strategically targeted. Although a definite date could not be given when there would not be a need for overtime, it would not continue into the next financial year.

RESOLVED – That the report be noted.

11 CUSTOMER SERVICE EXCELLENCE AWARD

A report was considered which advised Members that the Pensions Administration Unit had retained external recognition of its quality service.

G Chapman informed Members that in April the Administration Unit had retained the Customer Service Excellence Award for another three years. The award was achieved with 100% compliance in all 57 categories; the full assessment report was attached as an appendix. Although there were no partial compliances the report had suggested areas where service could possibly be enhanced and the feasibility of introducing some or all of the suggestions would be looked into.

Members noted that in order to maintain the accreditation, the assessor would undertake an annual surveillance to ensure that standards continued to be met.

RESOLVED:

- i) That the report be noted.
- ii) That staff be congratulated on retaining the Award.

12 EMPLOYERS SLA PERFORMANCE AND OUTSTANDING WORKLOAD

A report was considered which updated the Board on employers' performance and any known levels of outstanding workload during the quarter 1 April 2017 to 30 June 2017.

G Chapman informed the Board that the overall performance across all employers for the quarter was a record breaking 84% which was an increase of 7% on the last quarter. District council performance had increased by 6% due to a significant improvement in all categories by Sheffield CC. The 'other employers' continued their improvement with an increase of 12%.

In answer to a question Cllr Sykes informed the Board that Sheffield CC payroll was in the process of being brought back in-house.

In relation to the district councils the Board noted the following:

Barnsley MBC

Live interface files for new starters using the UPM format were regularly being received which was continuing to have a positive impact on results.

Doncaster/Rotherham MBC

Automated processes from Rotherham MBC continue. The testing phase for files issued in the new UPM format had identified some administrative issues and consideration was been given to the benefit of moving over to the new format with monthly reconciliation on the horizon.

Sheffield CC

There had been no indication of any changes to the files being supplied, however a big improvement in results suggested this was the case.

RESOLVED – That the report be noted.

13 DISTRICT COUNCIL'S SERVICE LEVEL AGREEMENT PERFORMANCE (ANNUAL REVIEW) 2016/17

A report was submitted to provide Members with an annual review of the performance of the district councils against the agreed service level agreement targets.

The report had been designed to include a comparison of performance over time to show the district council's progress toward clearing backlogs and regularly providing data on time. The Board were reminded that report had not been produced for the past few years due to the implementation of the new administration system, therefore the data for 2016/17 could only be compared with the data from 2013/14.

Members noted that overall performance had improved since the last report; Quarter 3 continued to be the busiest period but monthly reconciliation would have a positive impact on this.

Previous annual performance reports had not included the 'other employers' within the fund as the district councils accounted for a high percentage of the active workforce. However, as a result of transfers of schools to become self-determining academies, the 'other employers' now accounted for 45% of active members and therefore it was important to report on their annual performance.

RESOLVED – That the report be noted.

14 RISK MANAGEMENT

The Board considered the strategic Risk Register.

It was noted that there had been no recent changes to the Register.

With regard to risk number three, 'failure to ensure that required pay and contributions data from customers is provided in an accurate and timely manner' it was noted that it was hoped this could be downgraded from red when monthly posting had been implemented.

RESOLVED – That the report be noted.

15 EXTERNAL AUDIT GOVERNANCE REPORT (ISA 260)

R Khangura presented KPMG's annual report to those charged with governance (ISA 260) 2016/17. The report summarised the key issues identified during their audit of the Authority's financial statements for the year ending 31 March 2017 for both the Authority and its pension fund and their assessment of the Authority's arrangements to secure value for money.

R Khangura informed the Board that it was anticipated that an unqualified opinion on the Authority's financial statements and the Fund would be issued by 31 July 2017.

With regard to the implementation of the pensions administration system and the recommendations in last year's report, subject to the outstanding matters detailed in Appendix 1, sufficient progress had been made to allow reliance on the information contained in the system.

There were no issues to report in association with the triennial valuation, KPMG had substantively agreed the figures submitted to the actuary.

KPMG had reviewed the Authority's Annual Governance Statement and confirmed that it complied with the guidance issued by CIPFA/SOLACE (Delivering Good Governance in Local Government).

In accordance with ISA 260 the auditors were required to report uncorrected audit differences and any material misstatements which had been corrected. KPMG did

not identify and material or significant misstatements. A small number of presentational adjustments were required which the Authority would address.

With regard to the Value for Money (VfM) conclusion, KPMG had picked out three areas to consider as part of their work on the VfM Conclusion.

- Implementation of UPM
- Pooling
- Transfer of the South Yorkshire Passenger Transport Pension Fund

In consideration of the above, KPMG concluded that in 2016/17 the Authority had made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes.

RESOLVED - That the report be noted.

16 FINANCIAL CONDUCT AUTHORITY: CLIENT ASSET REPORT

The Board considered the Client Assets report prepared by the Authority's external auditor, KPMG, as required under Rule SUP 3.11.2 of the Financial Conduct Authority.

The report confirmed that the Authority did not hold client money or custody assets.

RESOLVED – That the report be noted.

17 INTERNAL AUDIT PROGRESS REPORT

A report was submitted to inform the Board of the work completed and that in progress by the Internal Audit Team from 22 May to 30 June 2017.

The Board noted that 44 days of planned work had been completed, including 14 days since the last report, which included Financial Conduct Authority Monthly Compliance, Financial Conduct Authority Quarterly Compliance, AGS Progress and Local Pension Board Financial Accounts.

There were no new significant control or compliance issues to report.

RESOLVED – That the report be noted.

18 LETTERS OF REPRESENTATION

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

- i) The information in the final accounts for 2016/17 regarding the Authority's liabilities and any outstanding legal issues, and
- ii) The Authority's operations in relation to the Financial Conduct Authority 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.
- ii) That the first letter be signed by the Chair of the meeting.

19 STATEMENT OF ACCOUNTS 2016/17

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

The Statement of Accounts had to be signed off by the external Auditor by 31 July 2017 to meet FCA requirements. The Auditor had completed the audit and their findings had been reported earlier in the meeting in the report to those charged with governance (ISO 260) prior to giving their final opinion.

Minor presentational amendments had been made to the Statements as a result of the audit but there had been no material misstatements. Once again, the Statements had to be produced to a very tight timetable to meet FCA requirements.

The Board noted the Summary Fund Account and Net Assets Statement at Appendix A and the Summary of Administration and Investment Management Expenses together with explanations of major variations attached at Appendix B.

RESOLVED – That the Statement of Accounts for 2016/17 be approved and that the Chair of the Board be authorised to sign them.

20 SOUTH YORKSHIRE PENSION FUND ANNUAL REPORT 2016/17

A report of the Treasurer was submitted to present the draft South Yorkshire Pension Fund Annual Report for 2016/17 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 charge with governance of the Fund prior to publication.

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

21 BUDGET MONITORING

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

RESOLVED – That the report be noted.

CHAIR