



SOUTH YORKSHIRE
PENSIONS AUTHORITY

Delivering for our Customers — Corporate Performance Report

Quarter 4 2018/19

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1. Introduction

- 1.1 South Yorkshire Pensions Authority only exists to provide services to our customers whether they be scheme members or employers.
- 1.2 This Corporate Performance Report provides a summary view of overall performance in achieving the Authority's objectives; bringing together information on progress against the corporate strategy, a range of key performance measures, financial monitoring, and an ongoing assessment of the risks to the delivery of the Corporate Strategy. By providing this single view of how we are doing it will be easier for councillors and other stakeholders to hold us to account for our performance.
- 1.3 This report presents the information on overall performance during the final quarter of the 2018/19 financial year. More detailed information on the performance of the Authority's investments and the pension administration service during the quarter are contained in other reports which are available on the Authority's website.

2. Headlines

2.1. Key messages for the quarter are highlighted here. The detail and underlying context behind these are set out in the sections of the report that follow.



Estimated funding level above 100%	Pension Administration performance behind target but improving
Savings on operational budget	Increase in sickness absence levels
Employer satisfaction rating of 98%	

3. How are we performing?

- 3.1 This section sets out a range of performance measures which give an overall indication of how the organisation is doing in terms of delivering the services for which it is responsible.

Corporate Measures


- 3.2 These indicators give an idea of the overall health of the organisation. We will be developing further measures in this area for future reports.

Measure	2018/19 Results	2017/18 Results
Sickness Absence – Days Lost per FTE	13.76	6.92
Of which long term sickness (i.e. over 4 weeks) is:	11.23	3.22
Staff turnover	11.0%	4.5%

- 3.3 Three particularly complex and challenging long term sickness cases have resulted in a significant increase in overall sickness absence levels. These cases will be resolved during 2019/20. The level of short term sickness absence has reduced year on year. In addition to this all managers have received additional training in the management of absence in order to increase the focus on these issues and to emphasise the need for early action.
- 3.4 Turnover has increased from 4.5% in 2017/18 to just over 11% in 2018/19, largely due to the impact of a number of retirements which represent a relatively high proportion of a relatively small overall staff establishment.

Investment Measures

- 3.5 The following table presents a high-level summary of the key indicators of investment performance. A more detailed quarterly report on investment performance, including commentary on market conditions and performance is provided elsewhere on this agenda.

Measure	2018/19 Q4 Result	Quarterly Benchmark	2018/19 Result for the Year	Annual Benchmark	Annual Actuarial Target	RAG Indicator
Investment Return – Whole Portfolio	4.40%	6.00%	5.90%	6.20%	5.30%	

- 3.6 At the end of the financial year, the estimated funding level was 101.6%.
- 3.7 At the end of the financial year, 49.4% of the Fund's assets were being managed in pooled structures provided by Border to Coast.

Pension Administration Measures

3.8 The key performance indicators for Pension Administration are presented in the table below. A more detailed report on the performance of the Pension Administration service is provided for the Local Pension Board.

Measure	Performance Quarter 4	Performance 2018/19	Performance 2017/18	Target
Proportion of priority cases processed on time	94%	91%	83%	100%
Proportion of non-priority cases processed on time	84%	83%	83%	100%
Proportion of all cases processed on time	84%	83%	83%	100%
Proportion of employer data submissions on time	99%	98%	NA - Monthly Data Collection not in place	100%

- 3.9 The performance in relation to processing of non-priority cases reflects the fact that the backlog aggregation cases currently being processed are generally out of time.
- 3.10 In 2018/19, the overall volume of cases being handled has increased to 76,000 compared to 71,000 in 2017/18.
- 3.11 The employer data submissions for 2018/19 have now all been received.
- 3.12 During the quarter, 3 new employers were admitted to the Fund.
- 3.13 At the end of the quarter membership of the Fund stood at 159,779 and there were 501 participating employers.

Financial Measures

Authority Operations

3.14 The main financial measure is performance against budget. The table below shows the outturn position compared to the budget for the year. Details of the significant variances are shown beneath the table.

South Yorkshire Pensions Authority Operational Budget	2018/19 Budget £	2018/19 Q4 Outturn £	2018/19 Q4 Outturn Variance £	2018/19 Q4 Outturn Variance %
Investment Strategy	916,000	858,227	(57,773)	-6.3%
Finance	549,800	505,582	(44,218)	-8.0%
Pension Administration	2,752,400	2,515,615	(236,785)	-8.6%
ICT	639,800	577,616	(62,184)	-9.7%
Management & Corporate Costs	400,150	390,191	(9,959)	-2.5%
Democratic Representation	78,150	64,792	(13,358)	-17.1%
Appropriations to Reserves	0	175,038	175,038	100.0%
Total	5,336,300	5,087,061	(249,239)	-4.7%

3.15 The Authority's overall underspend for the year, after transfers to reserves, is (£249k). The majority of this relates to staff vacancy and turnover savings in Pension Administration and ICT. The significant variances in each department are analysed below.

3.16 Investment Strategy: (£58k) Underspend

3.17 Software maintenance costs for the ICON investments system were (£14k) below the budget estimate.

3.18 There were savings of (£13k) on actuarial fees and (£7k) on external advisor costs.

3.19 Finance: (£44k) Underspend

3.20 Staffing costs and travelling expenses were underspent by a total of (£20k), mainly due to the vacancy for the Head of Finance & Corporate Services role which was recruited to during quarter 4 but the post-holder did not commence in post until after the end of the year.

3.21 There was also an underspend of (£10k) on training costs – primarily due to the professional course fee budget not being fully utilised in year.

3.22 Pension Administration: (£236k) Underspend

3.23 Staffing Costs were underspent by (£150k) and there were associated underspends on employee expenses and training budgets totalling (£21k). This is primarily due to vacancies and turnover. Four senior posts were vacated at

- various stages during the second half of the year due to retirement and resignation. All four managerial posts are being covered on an acting up basis by existing staff pending the restructure of the administration function in 2019/20.
- 3.24 Savings of (£23k) have been achieved on postage and printing costs, reflecting the progress made on moving to digital by default and the use of a hybrid mail solution.
- 3.25 There is also a saving of (£31k) in respect of rent and service charges which were lower than budgeted for both former and current office accommodation.
- 3.26 ICT: (£62k) Underspend
- 3.27 A vacant post contributed to an underspend of (£40k) on staffing costs. This will be removed from the establishment in 2019/20.
- 3.28 IT system and infrastructure costs for the year were (£14k) under budget.
- 3.29 Additional income of (£6k) was achieved in respect of the IT and network recharges received from other organisations.
- 3.30 There is a saving of (£13k) within Management and Corporate Costs on fees for external audit arising from scale fee reductions achieved in the central procurement undertaken by Public Sector Audit Appointments Ltd.
- 3.31 In addition to the above, actuarial fees of £45k rechargeable to employers have been incurred during the year.
- 3.32 The above variances mean that the outturn position on the Authority's reserves at 31st March 2019 is as shown below:

Reserve	Balance at 01/04/2018 £	Transfers In £	Transfers Out £	Balance at 31/03/2019 £
Corporate Strategy Reserve	217,735	200,000	(34,904)	382,831
ICT Reserve	74,191	20,942	(11,000)	84,133
Total	291,926	220,942	(45,904)	466,964

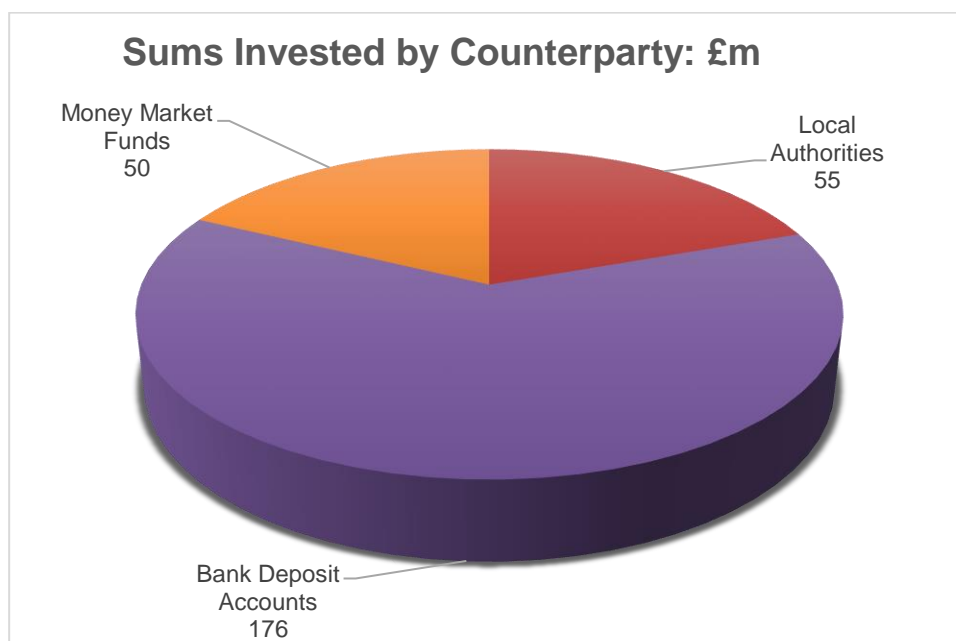
- 3.33 The Corporate Strategy Reserve includes an amount set aside for the costs of the office move. Whilst £35k of this has been utilised in year, there remains a balance of £30k that has been carried forward to be used in 2019/20.
- 3.34 A further £200k has been transferred into the Corporate Strategy Reserve in order to retain some of the savings achieved in 2018/19 and carry this forward to be used in future years. A review will take place during the early part of 2019/20 in order to allocate the amounts set aside to specific planned projects in order to ensure resources are aligned with priorities as set out in the Corporate Strategy.
- 3.35 The ICT Reserve is used to fund expenditure on computer equipment and to enable a rolling programme of hardware replacement and systems development for the Authority. £11k from this reserve was used in the year to fund the purchase of the Aggregations solution for the UPM system. £21k has been transferred into the reserve this year; £7k of which is the income received from sales of software developed in-house, the remaining £14k transferred in will be used for the rolling programme of ICT hardware replacement.

The Pension Fund

- 3.37 The overall value of the Fund has increased to £8.4 billion in the year to 31 March 2019.
- 3.38 One of the key measures for the Fund is around cash flow and ensuring that we can meet the overriding requirement to pay benefits to members as they fall due.
- 3.39 For 2018/19, there was a net cash outflow of £42.4m in relation to dealings with members, whilst investment income was £129.4m for the year, compared to £193.6m for 2017/18. This reflects the fact that the bulk of both UK and overseas equities are now managed within the Border to Coast Pensions Partnership pooled funds so there is no direct income from those funds because it is instead reflected within the valuation of the fund holdings. There was an amount of £69.7m income within these funds in 2018/19.

Treasury Management

- 3.40 The Fund’s cash balances at the end of the financial year stood at £281m. The chart below shows how the balances have been invested with different counterparties in line with the approved treasury management strategy for the year.



- 3.41 Detailed work to review cash management and enhance our cash flow forecasting will take place in 2019/20 with the aim of informing our treasury management strategy going forward.

4. What is getting in the way – Risk Management

- 4.1 We regularly review the things which might get in the way of us achieving our objectives – these are the risks that are set out in detail in the corporate risk register.
- 4.2 This quarter we have:
 - 4.2.1 Added 2 new risks to the register
 - 4.2.2 Reassessed the rating of 3 risks

Risks Added

- 4.3 Risk No. [G2]: Failure to ensure that the Local Pension Board is effective in carrying out its role.
- 4.4 This has been added as a separate risk in light of instability in the membership of the Board, particularly the role of Chair, and the increased focus of the Pensions Regulator on the work of Local Pension Boards. Suitable mitigation actions have been planned and recorded on the register.
- 4.5 Risk No. [I5]: Impact of Climate Change on the value of the Fund’s investment assets and its liabilities.
- 4.6 This risk, along with suitable mitigation actions, has been added to the register recognising the increasing significance of this issue in the light of the most recent Inter Governmental Panel on Climate Change Report.

Risk Rating Changes

- 4.7 Risk No. [G1] in relation to ensuring elected Members have sufficient knowledge and understanding of pensions related activities has increased due to 7 new members being appointed to the Authority following the recent elections. Additional mitigation measures have been added accordingly.
- 4.8 Risk No. [O2] in relation to meeting the statutory requirements for disclosure of information to scheme members has reduced score to reflect the fact that all 12 monthly returns for 2018/19 were received from all employers and preparations for the production of annual benefit statements is already underway with the first statements expected in June 2019. Members now also have access to their own data through the upgraded portal.
- 4.9 Risk No. [P1] regarding maintaining a suitably qualified and experienced workforce which reflects the community the Authority serves has been reduced in order to reflect progress being made and additional mitigation actions identified as part of the ongoing development of services.

Risk Register

- 4.10 The current risk register, reflecting the above changes, is attached at Appendix A.

5. Learning from things that happen

- 5.1 Inevitably when dealing with the number of customers that we do things can go wrong and we try to ensure that we learn from these things. Equally we should celebrate where things go particularly well or where customers feel members of our team have gone the extra mile to help them. This section provides information on the various sources of feedback we receive.

	Received in Q4	Received 2018/19	Received 2017/18
Complaints	6	20	19
Appeals Stage 1	0	4	8
Appeals Stage 2	2	6	3

- 5.2 Of the 6 complaints received this quarter, 3 related to the legacy issues with aggregations and interfunds which are being addressed as a project, 1 related to lack of clarity on a standard document (now updated), 1 was an issue with the pensions portal (user error) and 1 was an incorrect use of a 'protection of pay' certificate. This final one was an error by the administration team but relates to a legacy issue so there are no wider implications.
- 5.3 During the quarter, two Stage 1 appeals were determined with 1 being upheld and 1 rejected. The upheld appeal concerned a member asserting that their transfer in from an external scheme understated the benefits due.
- 5.4 One Stage 2 appeal was determined and rejected during the quarter.

Breaches of Law and Regulation

- 5.5 We are required to maintain a register of breaches, the detail of which is reported to the Local Pension Board at each meeting as part of their oversight role. In this quarter there have been no breaches included in the register; this reflects the fact that as most communications with members have moved to the hybrid mail solution, this has reduced the risk of handling errors.

Compliments

- 5.6 During the quarter we sent a survey to all employers, the detailed results from which were reported to the Local Pension Board in March. As part of the survey, employers were asked about their overall satisfaction with the service they receive from SYPA and the responses were as follows:

Very Satisfied	32%
Satisfied	66%
Dissatisfied	2% (1 respondent)
Very Dissatisfied	0%

- 5.7 These results provide a reasonable level of overall assurance that SYPA is meeting the needs of employers.