



SOUTH YORKSHIRE
PENSIONS AUTHORITY

Delivering for our Customers

—

Corporate Performance Report

Quarter 1 2019/20

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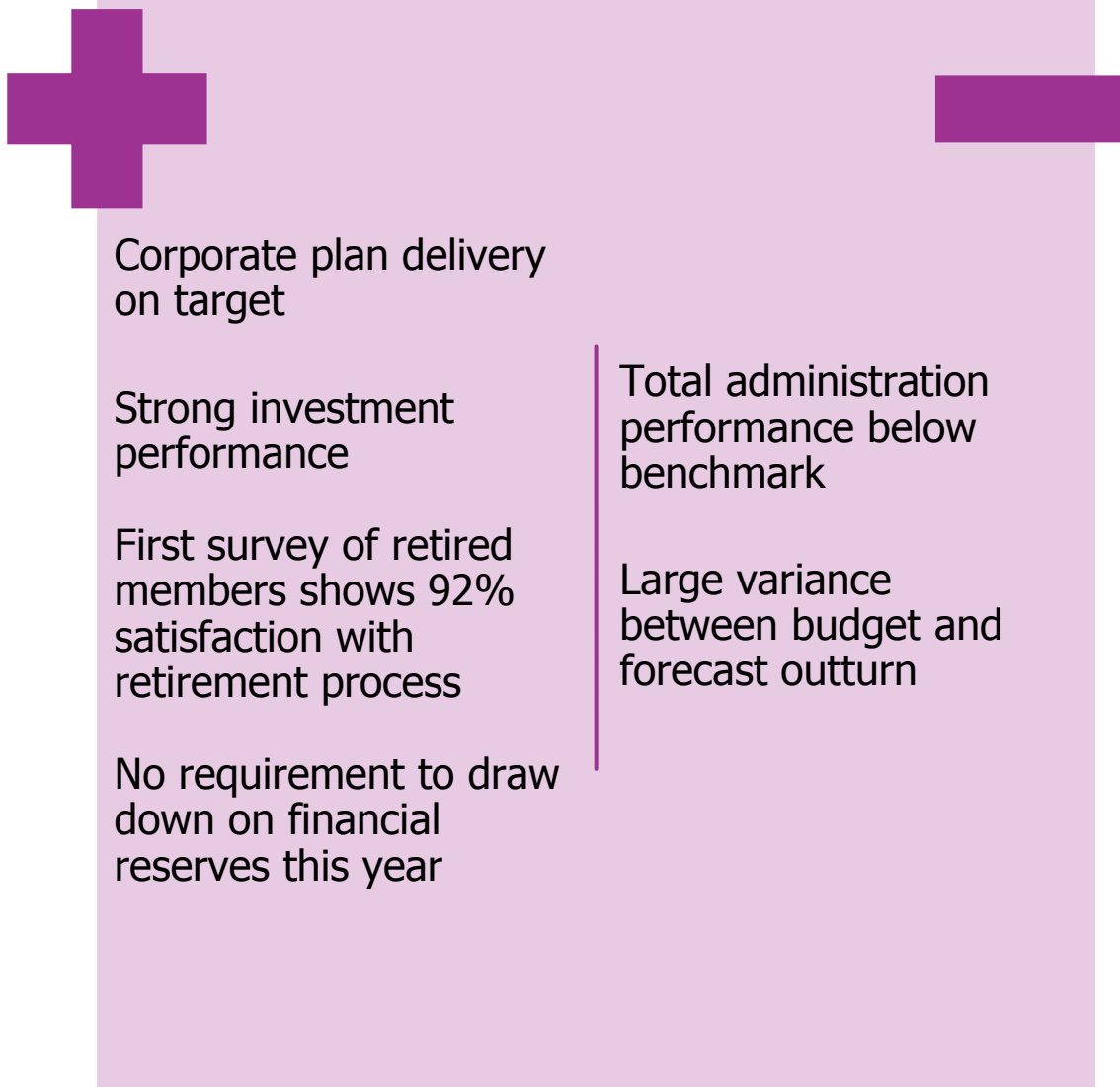
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1. Introduction

- 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 first quarter of the 2019/20 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

1.1. 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.



Corporate plan delivery on target

Strong investment performance

First survey of retired members shows 92% satisfaction with retirement process

No requirement to draw down on financial reserves this year

Total administration performance below benchmark

Large variance between budget and forecast outturn

3. Delivering the Corporate Plan & Supporting Strategies

3.1 This section provides information on the progress we are making on delivering the various strategies which form part of our corporate planning framework.

Corporate Plan Deliverables	Activity this Quarter	On Target
Implementation of a Revised Investment Strategy	Hymans Robertson have been appointed to support the technical work required and timetable has been agreed for work up to March 2020.	✓
An organisation adapted to the requirements of the post-pooling world	First annual review meeting between Investment Advisory Panel and Border to Coast undertaken in June. Work being undertaken to prepare the commercial property portfolio for pooling being reported to September meeting of the Authority	✓
Decision on the future of the Agricultural Property Portfolio	Initial research being undertaken to inform debate within the Investment Strategy Review	✓
Secure improvements in the Environmental, Social and Governance impacts of the Fund's investments	SYPA is actively participating in Border to Coast's Climate Change Working Group which is due to report in September and the results of which will be reflected in the Annual Review of the relevant policies. We have continued to engage with LAPFF and within Border to Coast have been encouraging other funds to address issues with their policies in this area highlighted in a recent Shareaction/Unison report.	✓
Improvements to the reporting of performance in all aspects of the Authority's work	New quarterly corporate performance report now implemented and will continue to evolve over the next year. A new style quarterly administration update has been provided to the Local Pensions Board from Q1 providing a wider range of administration coverage. Contract signed with CEM for new administration external benchmarking, focusing on service quality rather than solely cost - results expected in Q3.	✓
Increased take up of methods of communication that do not rely on either paper or face to face contact	There has been a 51% increase in total members registered to use the online portal (from 13.5k to 20.5k) in this quarter following the start of a promotional campaign.	✓

Corporate Plan Deliverables	Activity this Quarter	On Target
A well trained and motivated workforce that reflects the community we serve	<p>The process of policy review is ongoing but progressing in line with the plan. The opportunity has been taken to rationalise a number of policies.</p> <p>A development programme for the management cohort is currently in progress and initial feedback has been favourable. A session involving middle managers and the Senior Management Team will be held in Sept/Oct to establish shared expectations of managers.</p> <p>There has been some improvement in the reported gender pay gap and it is anticipated that the new pay spine will result in further narrowing of this gap.</p> <p>A new Health, Safety and Wellbeing Committee has begun to meet chaired by the Head of Finance and Corporate Services.</p>	✓
A new way of engaging with employers and scheme members	Restructure of the entire administration service to increase focus on customer engagement and application of technology received approval from Staffing, Appointments and Appeals Committee in June and formal consultation is now underway.	✓
A well governed organisation	<p>New governance arrangements and associated constitutional documents have been produced. Member Learning and Development opportunities being identified and promoted and seminars are scheduled. Work to appoint an Independent Adviser to the Local Pension Board is in hand.</p> <p>Details of support services SLA with BMBC to be reported to September Authority.</p>	✓
An organisation which exploits technology to the greatest extent possible to achieve its objectives	<p>Long term project commenced to introduce facility for members to claim retirement benefits online.</p> <p>Review of business systems will be undertaken during the second half of the year with the aim of producing recommendations for a fully integrated solution.</p>	✓
A longer term plan for meeting the Authority's accommodation requirements	No specific actions this quarter	✓
Delivery of Valuation 2019 and the associated stable and affordable levels of employer contributions	Initial consultation on the framework for the Valuation complete. Data submitted to the actuary on time. Funding Strategy Group created to manage the process of engagement and consultation with employers around the valuation results. Detailed timetable for engagement activities being developed.	✓
Ensure that the Fund operates with accurate data which gives a fair picture of its liabilities.	Data cleansing exercises carried out prior to submission of valuation data extract to the actuary. Further development of in-house data tool (known as DART) to analyse all common and conditional data and improve reporting.	✓

Information and Communications Technology Strategy	Activity this Quarter	On Target
Developing and maintaining our ICT infrastructure to meet the needs of an increasingly agile organisation	Egress Workspace implemented for online document storage and collaboration. Hardware solution for agile working is being implemented for one of our clients which can potentially be utilised by SYPA staff.	✓
Using technology to support a step change in the way customers access our services	New version of online portal launched in April 2019 with improved user experience.	✓
Using technology to deliver efficient business processes	Our in-house data analysis tool has been purchased by Hampshire CC and successfully tested.	✓
Keeping data safe and secure	Cyber Security Essentials Plus accreditation achieved in April 2019.	✓

Human Resources Strategy	Activity this Quarter	On Target
Developing the Current Workforce to meet the Needs of the Organisation	Middle Manager Development programme (Six 1/2 day sessions) more than half way through and positive feedback received. Appraisals for full workforce on-going.	✓
Recruiting a Workforce for the future	No external recruitment to established posts in this quarter.	✓
Retaining a high quality workforce	The Health, Safety and Wellbeing Committee is considering a range of well-being initiatives that will assist in retaining staff.	✓

Equality and Diversity Scheme	Activity this Quarter	On Target
Making our services more accessible to disabled customers	April newsletter for pensioners provided in non-standard format when requested by members.	✓
Promotion of equality and inclusion, helping to bring people from different backgrounds together through engagement activity with scheme members and employers	No specific development activity in this quarter.	✓



Equality and Diversity Scheme	Activity this Quarter	On Target
Decision making processes informed by a robust and clear impact assessment process	No new services or changes requiring an impact assessment in this period.	✓
A diverse workforce that reflects the customers we serve	No specific activity this quarter but work is underway in ensuring we have a process in place for monitoring the diversity of our workforce.	✓
Workforce culture, environment, policies and practices that are safe accessible and inclusive for people from all protected characteristics	Work is on-going in this area.	✓
To reduce any pay gaps where statistically possible	The Gender Pay Gap report was published on time even though this is not a statutory requirement for SYPA. A single grade pay structure was implemented from 1 April 2019.	✓

4. How are we performing?

- 4.1 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



- 4.2 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	Quarter 1 2019/20 Annualised	Year to Date 2019/20 Annualised	Previous Year: 2018/19 Annualised	Movement
Short Term Sickness Absence – Days Lost per FTE	2.24	2.24	1.99	
Long Term Sickness Absence – Days Lost per FTE	7.44	7.44	5.52	
Total Days Lost per FTE	9.68	9.68	7.51	

- 4.3 Sickness absence is now being reported as 'Days lost per FTE' rather than as a percentage.
- 4.4 Overall absence levels at quarter 1, shown on an annualised basis, indicate an increase compared to the previous year. This is largely a result of three individual complex long-term cases and it is expected that the figures will reduce next quarter as two of these have now been resolved during this first quarter and the employees are now back at work. One case remains ongoing and is being actively managed in line with our long term absence policy.

Investment Measures





- 4.5 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	Performance Quarter 1 2019/20	Quarterly Benchmark	Performance Year to Date 2019/20	Year to Date Benchmark	Year to Date Actuarial Target	RAG Indicator
Investment Return – ex Equity Protection	3.80%	3.50%	3.80%	3.50%	1.00%	
Investment Return – Whole Fund	3.30%	3.50%	3.30%	3.50%	1.00%	

- 4.6 At the end of the first quarter, the estimated funding level was 104% and 50.4% of the Fund's assets were being managed in pooled structures provided by Border to Coast.

Pension Administration Measures

- 4.7 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 1 2019/20	Performance Year to Date 2019/20	Performance in Previous Year: 2018/19	Target 2019/20	Movement from previous quarter
Proportion of priority cases processed on time	90%	90%	91%	100%	
Proportion of non-priority cases processed on time	77%	77%	83%	100%	
Proportion of all cases processed on time	78%	78%	83%	100%	
Proportion of employer data submissions on time	93%	93%	98%	100%	

- 4.8 Performance on priority cases dipped slightly as a couple of days processing time were lost in April following system issues associated with the pensions increase exercise. These were issues outside the team's control and a 'lessons learnt' exercise is being arranged with the software supplier to ensure there will be no recurrence in 2020.
- 4.9 The dip in performance on non-priority cases is mainly due to aggregations and transfer cases which were temporarily suspended following the receipt of new factors from the Government Actuary until such time as our calculation systems had been updated.
- 4.10 Total employer data submissions were 100% for April and May. This fell in June due to a delay from Rotherham MBC following migration to a new payroll system. This affected the submissions for 98 employers for whom Rotherham MBC provide payroll services.
- 4.11 At the end of the quarter membership of the Fund stood at 159,311 and there were 482 participating employers with active members. 18 new employers were admitted during the quarter.

Financial Measures

Authority Operations

4.12 The main financial measure is performance against budget. The table below shows the forecast 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	2019/20 Budget £	2019/20 Q1 Forecast £	2019/20 Q1 Forecast Variance £	2019/20 Q1 Forecast Variance %
Investment Strategy	784,900	776,540	(8,360)	(1.10%)
Pensions Administration	3,131,750	2,885,530	(246,220)	(7.90%)
Finance & Corporate Services	530,500	500,870	(29,630)	(5.60%)
ICT	532,950	528,010	(4,940)	(0.90%)
Management & Corporate Costs	382,650	367,470	(15,180)	(4.00%)
Democratic Representation	82,850	81,840	(1,010)	(1.20%)
Subtotal before transfers to reserves	5,445,600	5,140,260	(305,340)	(5.60%)
Appropriations to / (from) Reserves	0	3,000	3,000	100.00%
Total	5,445,600	5,143,260	(302,340)	(5.55%)

4.13 There is currently a forecast total underspend of (£305k) before transfers to reserves. The main variances are explained below

4.14 Pensions Administration (£246k) Underspend

4.15 Staffing costs are currently forecast to be (£295k) under budget; this reflects that a number of vacancies are currently being held, including some at senior grades, pending the restructure of the service which will take place in the second half of this financial year. It is expected that the size of this forecast underspend will reduce later in the year when we'll have further details on the restructure outcomes, together with additional costs to come through from the use of some additional temporary staffing. The employee costs budget will be fully reviewed and revised for 2020/21 in order to reflect the new structure that will be in place.

4.16 Part of the underspend on staffing costs will be used to offset a forecast overspend of £23k on professional fees which is due to additional costs being incurred this year on job evaluation services required to support the work on the restructure.

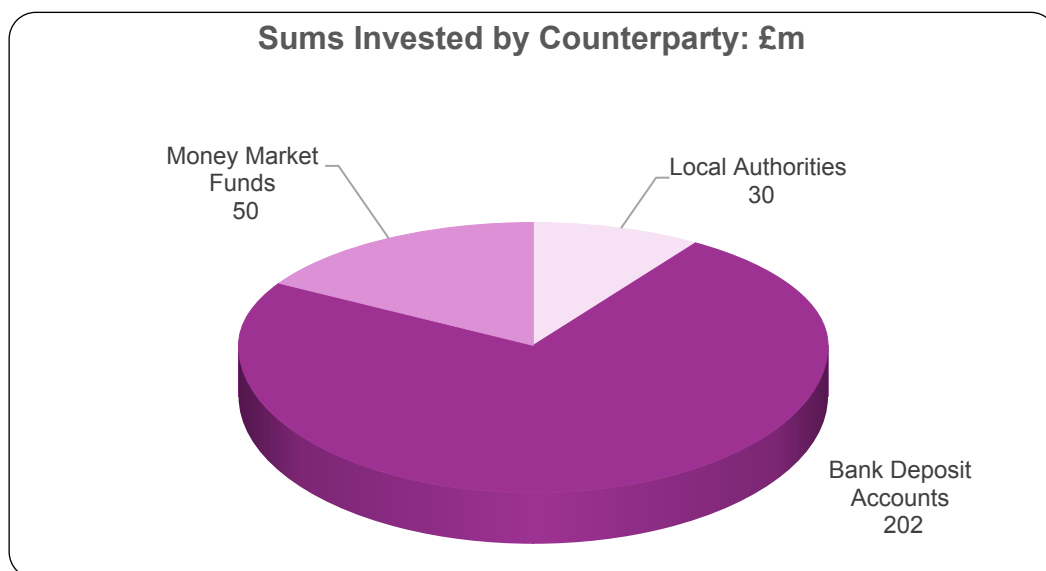
4.17 There will also be additional costs in the region of £35k arising from the ongoing work on the GMP reconciliation exercise and £15k for the implementation of an address tracing service in order to meet the expectation of the Pensions Regulator that we take actions to trace missing scheme members.

- 4.18 There is a planned over spend of £12k on the budget for benchmarking and corporate subscriptions due to the decision to take part in the CEM Benchmarking for pensions administration this year for the first time. The CEM benchmarking service provides a greater focus on the quality of service we provide rather than just cost and will also provide benchmarking against other pension funds both within and outside of the LGPS.
- 4.19 There is a forecast saving of (£21k) on rent and service charges; partly arising from savings achieved from the office move in December 2018 and partly as a result of relocating the district office staff to the head office in the first quarter of this financial year.
- 4.20 The budget for postage costs is expected to be underspent by (£18k) reflecting the recurrent savings being achieved from the move to the hybrid mail solution. This budget will be revised accordingly for 2020/21.
- 4.21 Finance and Corporate Services (£30k) Underspend
- 4.22 The forecast underspend of (£30k) in finance is primarily due to staffing costs. One lower-grade post was disestablished since the 2019/20 budget was set and the Head of Finance & Corporate Services commenced employment part way through the year, resulting in savings on salary and on-costs.
- 4.23 Management & Corporate Costs (£15k) Underspend
- 4.24 The budget for external audit fees is forecast to be underspent by (£15k) reflecting the new scale fees for audit set by Public Sector Audit Appointments Ltd with effect from 2018/19. The audit fee for 2019/20 is £32k. The budget for this will be revised accordingly for the next financial year.
- 4.25 Earmarked Reserves
- 4.26 The Authority currently has two earmarked reserves; the Corporate Strategy reserve is used to fund projects to deliver on corporate plan targets, and the ICT reserve is used for systems development and a rolling programme of hardware replacement.
- 4.27 Given the forecast underspend for this financial year, it will not be necessary to draw down on the Corporate Strategy reserve to fund any projects this year. The balance brought forward on this reserve is at an appropriate level to meet the needs of the Authority in the next financial year and is at the maximum level determined by the Authority's policy (at 7.5% of operational budget) so there are currently no plans to transfer any further funds into the reserve in this financial year.
- 4.28 The Authority generates income from software developed in-house that is sold to other organisations and this income is transferred into the ICT reserve each year. It is estimated that a total of around £7k from this will be transferred into the reserve this year. A project to implement enhanced payroll browser functionality on the pensioner payroll system is taking place this year and it is estimated that a total of £4k from the ICT reserve will be used to fund the costs of this in 2019/20.
- 4.29 The balances and anticipated movement in the reserves arising from the above are set out in the table below.

Reserve	Balance at 01/04/2019 £	Transfers In £	Transfers Out £	Forecast Balance at 31/03/2020 £
Corporate Strategy Reserve	382,831	0	0	382,831
ICT Reserve	84,133	7,000	(4,000)	87,133
Total	466,964	7,000	(4,000)	469,964

Treasury Management

4.30 The Fund’s cash balances at the end of the quarter stood at £282m. The chart below shows how the balances have been invested with different counterparties in line with the approved treasury management strategy for the year.



4.31 Detailed work to review cash management and enhance our cash flow forecasting will take place later this year with the aim of informing our treasury management strategy going forward.

5. What is getting in the way – Risk Management

- 5.1 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.
- 5.2 There have been no new risks added during the quarter but one risk rating has been changed and updates have been made to the details and mitigating measures for two risks. The details are as follows.

Risk Rating Changes

- 5.3 Risk No. [I4] The risk of failure to secure products through Border to Coast that address the requirements of the Investment Strategy: The risk score has reduced as it is now clear that the proposed product range will meet the requirements of the Investment Strategy.

Other Changes

- 5.4 Risk No. [O1] The risk of failure to ensure that the Authority protects the data it owns and handles has been updated to include specific reference to cyber security risk and the mitigating actions in respect of this.
- 5.5 Risk No. [O3] The risk in relation to the closure of Guaranteed Minimum Pension service and reconciliation exercise has been updated with steps that have taken place during the quarter. Responses to mismatch queries were received from HMRC and are currently being handled by the Authority's external provider; the report of reconciliation is due by 30 September and HMRC is due to issue the final report of GMP liability for the scheme by the end of 2019.

Risk Register

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

6. Learning from things that happen

- 6.1 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.

Complaints and Appeals	Received in Q1 2019/20	Received YTD 2019/20	Received in Previous Year: 2018/19
Complaints	5	5	20
Appeals Stage 1	2	2	4
Appeals Stage 2	1	1	6

- 6.2 A detailed report of complaints and action taken has been provided to the Local Pensions Board for scrutiny.
- 6.3 During the quarter, two Stage 1 appeals were determined with 1 being upheld and 1 rejected. The upheld appeal concerned a member whose transfer-in had been incorrectly credited. This was a one-off error caused by a re-calculation.
- 6.4 One Stage 2 appeal was determined and rejected during the quarter.

Breaches of Law and Regulation

- 6.5 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 5 breaches included in the register.
- 6.6 Four of the five breaches were by employers and not by SYPA but are included for transparency. The remaining breach was not considered by the Local Pension Board as material.

Compliments

- 6.7 A survey of members who retired during March to May 2019 was undertaken during the quarter. There were 115 respondents and the responses showed that 92% were satisfied or very satisfied with the service received, which is a pleasing result.
- 6.8 However, that clearly leaves 8% of retiring members who were not satisfied with the process. It is evident that this is mainly due to delays experienced in SYPA receiving the necessary leaver information from the employer to enable benefits to be paid. In some instances we had not communicated the reason for the delay with the member so we will be looking to improve our processes in this area. As importantly, we need to understand more about the issues employers are facing in providing us with the information we need to pay retirement benefits. The restructure of the administration service proposes the creation of two new engagement officer posts working more pro-actively with employers and acting upon the feedback from the survey to understand how we resolve the issues raised will be a key focus of their work.