

Subject	The Pensions Authority and the Covid 19 Pandemic	Status	For Publication
Report to	Authority	Date	11 th June 2020
Report of	Director		
Equality Impact Assessment	Not Required	Attached	No
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1 Purpose of the Report

- 1.1 To update members on the impact of the Covid 19 Pandemic on the Authority's operations.

2 Recommendations

- 2.1 Members are recommended to:
- a. **Note the contents of this report and the actions taken to protect the Authority's services and staff in response to the Covid 19 Pandemic.**
 - b. **Endorse the waiving of contract standing orders, as set out in para 5.3 by the Director in order to protect the Authority's services and staff as a matter of urgency.**

3 Link to Corporate Objectives

- 3.1 This report links to the delivery of the following corporate objectives:

Customer Focus

To design our services around the needs of our customers (whether scheme members or employers).

A key focus in the changes that have had to be made to the way in which the Authority operates is the maintenance of services to customers.

Effective and Transparent Governance

To uphold effective governance showing prudence and propriety at all times.

In any response to an emergency situation it is important that decision making by those exercising enhanced levels of delegated authority due to the urgency of the situation is as transparent as possible.

Valuing and engaging our Employees

To ensure that all our employees are able to develop a career with SYPA and are actively engaged in improving our services.

In responding to an emergency situation of any sort the Authority must have proper regard to its duty of care towards its staff as failure to do so will ultimately negatively impact on the ability to maintain services to scheme members.

4 Implications for the Corporate Risk Register

- 4.1 While risks around business interruption feature to some extent in the ICT related risks on the Corporate Risk Register the risks associated with a global pandemic did not. Recognising the potential wide ranging and significant risks arising from the Covid 19 situation the Senior Management Team has, in line with the Authority's risk management framework created a specific risk register related to the emergency and kept it under review. This latest update of this register is at Appendix A to this report.

5 Background and Options

- 5.1 The global Covid 19 pandemic has affected every individual and organisation in the country in some way or other. Local authorities have been central to the community based response of the public services providing leadership to communities and support for the vulnerable. While SYPA is a part of the local government family it would be entirely wrong to claim that we have been able to do anything but sit in lockdown and cheer on our district council colleagues and others in their efforts on behalf of us all. But, Covid 19 has had a fundamental impact on the organisation and how it has been able to operate and this report provides information for members on actions that have had to be taken and their implications as well as identifying some areas of learning that will influence the work of the Authority going forward.

Remote Working

- 5.2 The Authority's intention to develop a more agile work style combining home and office based work is reflected in the corporate plan and changes to our ICT provision in terms of hardware and software had been identified and budgeted over something like an 18 month period. This timescale allowed the gradual roll out of hardware together with time to acquire and implement new and enhanced software and develop a range of policies to support people working at home as part of their overall work pattern. This time was also necessary to give time to provide training to managers in managing a more dispersed workforce and to help staff adapt to the different challenges that splitting work between home and office presents. When it became clear in early March that some form of restriction on movement was going to be put in place these careful measured plans had to be put to one side, although we will return to them, in order to simply provide every member of staff with the ability to work at home.
- 5.3 In order to achieve this simple goal the ICT team had to procure, configure, issue and support the set-up of 65 laptops in a compressed timescale. In order to secure this many lap tops in the required timescale it was necessary to waive standing orders to go directly to suppliers, although given the number of machines involved a number of suppliers were used. A waiver was also required to extend the licensing of the software that provides secure external access to the Authority's network. Subsequently the Team have had to secure an upgrade to the capacity of the Authority's internet connection and bring forward the scheduled replacement of a server which had

become unreliable due to the increased load being placed on it as a result of remote working. The server replacement also required an urgent waiver of contract standing orders.

- 5.4 Staff were moved to homeworking on a phased basis with those with identified vulnerabilities such as auto-immune disorders, and those healthy but self-isolating on a precautionary basis prioritised. Given the timing of the closure of Gateway Plaza this did mean a small number of staff were at home without a laptop for a short period but again this was dealt with on a prioritised basis so as to best support key elements of the administration function around the payment of pensioners, processing of retirements and handling of deaths. While this process was going on managers were provided with guidance in relation to the maintenance of communication within teams during the potentially prolonged period of homeworking including the need for more frequent team meetings by phone as well as regular check ins with individuals and the need to escalate specific concerns. Recognising that we were dictating that staff were being instructed to work at home and that we had not had the opportunity to develop the wider policy framework around this a nominal disturbance allowance is being paid to all staff (except the Director) initially for 3 months (April to June). This is without prejudice to any homeworking scheme we might develop in the future and will be reviewed in the light of changes to the overall lockdown arrangements.
- 5.5 Having to move to remote working at short notice meant that key elements of the infrastructure to support this form of working such as the integration of voice and data communications and the large scale use of video-conferencing were not available. The phone system did present a particular issue with an answerphone and call back service in place for a number of days while this was resolved. However, this has been resolved and contact for customers through the customer centre is now operating normally. A project to replace the current telephone system is included in the Corporate Strategy, although this is clearly a very significant piece of work.
- 5.6 Video conferencing using Webex which is a product for which we already had licences has been gradually rolled out across the organisation and can be used for team meetings, training sessions etc. The ICT team have been trialling Microsoft Teams, which it had, in any case, been intended that the Authority would acquire later this year. However, a successful roll out of Teams will require much other work and proper planning in order to ensure that all the potential benefits are realised.
- 5.7 The fact that the Authority has been able to adapt to this situation so quickly and without any significant service disruption is very much the result of the work of our ICT team, and is a real credit to their hard work, professionalism and technical knowhow. Our experience in this area supports the continuation of the plans that were already in place to move to a new telephony platform and fully develop our approach to more agile working. In addition while our business continuity plan worked we do need to carry out a review to make improvements in areas that were perhaps less well developed and to understand whether we need to continue with the idea of a “shadow office” which can be activated in the event of an emergency, and this review is reflected in the Annual Governance Statement, which will be submitted to the Audit Committee in July.

Process Change and Transaction Processing

- 5.8 With all the Authority's staff working at home the usual processes which we would have operated for processing transactions often involving manual signatures on physical paper are no longer practical. This has led to the accelerated delivery of projects that were already in train to make the processing of investment transactions paperless, while other transactions such as accounts payable and expenses processing quickly adapted their processes to move on line. Some of these solutions are sufficient to deal with the situation until the Authority's business systems are replaced as planned with more modern systems capable of paperless operation while others will meet the immediate need but will need to be developed further as the lockdown continues.
- 5.9 Again our experience here indicates that we need to continue, and if anything, accelerate our plans to automate processes outside pension administration, and this is something that teams are reflecting on as working from home becomes normalised and they are able to begin focussing on their development agendas.

Communication

- 5.10 The nature of the impacts of the crisis on financial markets has understandably caused concern for stakeholders about the safety of pension savings and has resulted in a noticeable increase nationally in the level of "scam" related activity, while staff are clearly concerned about the issues facing them and their families. As a result a more active approach to communication internally and externally has been undertaken. Specifically:
- The website home page has been redesigned to give priority to scam related warnings and to highlights FAQ's for both scheme members and employers. Additional messages have been provided in the Pensioner Newsletter, and on all the Authority's Social Media channels.
 - Active engagement has taken place with a range of employers to address specific issues in terms of data collection and issues such as the interaction of LGPS and the furlough scheme.
 - Specific updates have been sent to District Council Finance Directors relating to the valuation of the Fund and potential issues of discussion and contention with external auditors in relation to pension liability figures in the accounts.
 - A weekly update has been provided to members of the Authority and the Local Pension Board.
 - Initially updates for staff were being provided daily. As the situation has stabilised these have reduced to weekly, supplemented by additional updates dealing with specific issues for example the implications of the announcements regarding changes to the "lockdown" arrangements
 - Managers have been instructed to hold more regular team "catch ups" and to ensure regular contact with each member of their team. As the use of Webex has been rolled out it has become possible to do this visually.
 - Both Authority and Local Pension Board members and scheme employers have been signposted to relevant on line sessions from amongst the ever increasing number of such events being provided by a wide range of providers.
- 5.11 All of this activity indicates the significant changes in the way in which we communicate, and supports the steps we were already taking to redefine the role of Communications Officer and focus it more on electronic communications and social media away from the previous focus on print media.

Operational Impacts

- 5.12 The most significant measure of whether the Authority has managed the impact of Covid-19 on its operations is whether there has been any impact on operational performance. It would be wrong to say that there is no impact on operational performance, things take longer to do when everyone is working remotely, and certainly for pension administrators not having access to two larger screens (as is the case in the office) has some impact on productivity. However, while things may be taking longer they are still getting done and we have continued to pay benefits, process retirements and deal with the deaths of scheme members. Clearly it is likely that there could be some impact on performance levels, and managers are being asked to monitor average times to process work as well as % in time in order to indicate whether overall member experience is being maintained in acceptable bounds. At the same time we have implemented the annual pension increase which in itself is a major piece of work. We have also continued to make investments where necessary and to manage down the various legacy holdings which have been retained following transition to Border to Coast.
- 5.13 There are two areas of significant operational impact. Firstly, the number of scheme member deaths. The table below provides a comparison of the numbers of deaths for March and April 2020 compared to the same period in 2019. The increase is clearly significant and could have a material impact on individual smaller employers funding levels. More importantly in the short term as these cases represent the highest priority type of work the need to process them has impacted on lower priority cases. As this work is also more complex it tends to be carried out by a relatively small number of more experienced pension administrators, and it is important that the potential mental health and welfare impacts of this increase in this form of workload are recognised. An exercise to collect data on the volume of deaths across LGPS is being carried out, but what is clear from discussions with other funds is that while the scale of increase varies from place to place there is an increase in all cases.

	March and April 2019	March and April 2020	Increase	Increase Percentage
Active	3	11	8	266.7%
Deferred	14	21	7	50.0%
Pensioner	234	336	102	43.6%
	251	368	117	46.6%

- 5.14 The second area of operational impact is in relation to rent collection for the commercial property portfolio. Many businesses have seen their income dry up virtually overnight thus losing the ability to pay rents. While the Government has provided support in terms of business rates holidays and various forms of grants and loans large quarterly rent bills have represented a significant challenge for many tenants and while the March payment day was a little early to see a major impact as it was only a week after the lockdown measures the period since then has seen considerable activity and discussion with tenants. The approach we have taken

supported by Aberdeen Standard (ASI) as our investment manager has been to agree to move tenants to monthly payment on request which assists them in managing their cash flow and to consider requests for rent deferral on a case by case basis. Overall information from ASI and comparisons with data from property fund managers indicate that the quality of our tenant base means that we are currently performing somewhat better than average in getting rents in. However, it is, at present, probably too early to say what the longer term impact will be. Undoubtedly some of our tenants may not survive the crisis, either because they were fragile going into the crisis or because the way the crisis changes how things are done undermines what was previously a sound business model. This will be a long term impact which is likely to play out over the next 2 to 3 years.

- 5.15 There has clearly been an impact on wider investment performance which is dealt with in the performance report which appears elsewhere on the agenda. The fragile recovery in the listed markets has benefited the Authority with figures to the end of April indicating a recouping of the losses during 2019/20.
- 5.15 Overall the fact that SYPA is an organisation that only does one thing (run a pension fund) has meant that it has been relatively easy to define our priorities in this situation and to maintain a focus on them. Clearly this will be more difficult for traditional administering authorities which form part of councils some of whom have seen staff redeployed to deal with higher priority work, although indications are that nationally the LGPS show has been kept on the road with remarkably little disruption.

Employer Issues

- 5.16 The impact of the crisis on employer can be seen as having two aspects, one administrative, the other financial.
- 5.17 The administrative aspect is the ability of employers to fulfil their responsibilities for the provision of information to allow the maintenance of pension records and calculation of benefits. In general employers (and their payroll providers) seem to have coped reasonably well and where specific problems have been identified the Support and Engagement Team have become involved, this has particularly been the case in relation to employers dealing with the furlough scheme. While it would be wrong to say that this has been business as usual the degree of disruption to the information flow has been far less than we anticipated at the beginning of this process.
- 5.18 The financial issue is one of affordability of contributions. To date two relatively small employers (one with a guarantee from a tax raising employer and one without) have requested deferral of contribution payments. These requests are being considered on a case by case basis within a framework of principles agreed with the actuary. However, the LGPS regulations grant little discretion and currently only allow for deferral within the financial year. There are a number of categories of employer heavily dependent on sales type income streams where we anticipate financial challenges but where the scale and nature of the challenges has yet to fully materialise. We are taking pro-active steps to engage with these employers so as to gain an early understanding of their position and the implications for the Pension Fund.

Responsible Investment

- 5.19 There are a number of specific impacts on the Authority's Responsible Investment work arising from the pandemic. Firstly as outlined in the regular report elsewhere on the agenda early on in the first quarter of the year firms began moving their AGM's on line. However, more importantly the pandemic has impacted on companies trading positions and in some cases longer term sustainability. Along with many other investors Border to Coast issued a statement setting out their approach to companies during the pandemic indicating that as a long term investor they would take a balanced approach and support boards and management teams who reflect the long term in their decision making. Specifically Border to Coast working with Robeco is monitoring the response of companies to the pandemic in a number of areas:
- Human Capital Management – Are companies for example making use of furlough schemes, or simply making staff redundant.
 - Capital allocation
 - Dividends and share buyback – Are companies maintaining dividends while profits are likely to take a significant hit?
 - Remuneration – Are executive remuneration packages being increased when the company is facing an uncertain future?
- 5.20 In some cases governments and Regulators have taken specific actions (for example by stating that banks should not pay dividends) which mean that to comply with regulation companies may need to act in a way which would fall foul of our voting guidelines, which in the case of dividends expect the policy to be agreed with shareholders. In cases of this sort a pragmatic approach is being taken which will likely result in some votes being cast apparently against the agreed voting guidelines. These cases will be monitored and reported in due course.

6 Implications

- 6.1 The proposals outlined in this report have the following implications:

Financial	<p>Expenditure of £86,000 has been incurred in relation to ICT equipment. In essence this expenditure has been brought forward rather than being additional. However, this will cause an imbalance in the ICT replacement programme that will need to be addressed in future years.</p> <p>The payment of disturbance allowances to staff will cost less than £1,000 per month for the period required and can be accommodated through in year vacancy savings.</p> <p>As indicated there are significant implications in relation to the ability of commercial tenants to pay rent, which will impact on commercial property returns going forward and clearly there is a risk that some tenants may go out of business leaving both arrears and void costs.</p> <p>Finally while the number of employers raising issues about contributions is small at this stage as indicated this could potentially be a more significant issue than is currently evident.</p>
Human Resources	<p>The changes in the way we work necessitated by the lockdown have highlighted the specific developments we will</p>

	need to make to our HR policy framework in order to accommodate a more agile workforce.
ICT	Significant changes to the capacity of the network to support remote working in a secure way have been necessary and have been implemented with little, if any, disruption to services. Further work will be required on a planned basis to ensure that the network infrastructure can support this significantly enhanced level of remote working alongside greater use of video etc. on a more permanent basis.
Legal	As indicated the Constitution does provide a range of powers in relation to matters of urgency which have been used to deal with the current situation. However, in order to provide absolute clarity a specific set of powers related to civil emergency situations such as this is proposed for inclusion in the latest update to the Constitution.
Procurement	Clearly waivers to Contract Standing Orders are not desirable, although allowed in emergency situations such as this, and in the case of PC's multiple suppliers were used which achieved a degree of competition and price comparison.

George Graham

Director

Background Papers	
Document	Place of Inspection
Decision Records for Waivers of Standing Orders and Disturbance Allowances	https://www.southyorks.gov.uk/JAGUHome/Pensions/OfficerDecisions.aspx