

Delivering for our Customers

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Corporate Performance Report

Quarter 2 2020/21

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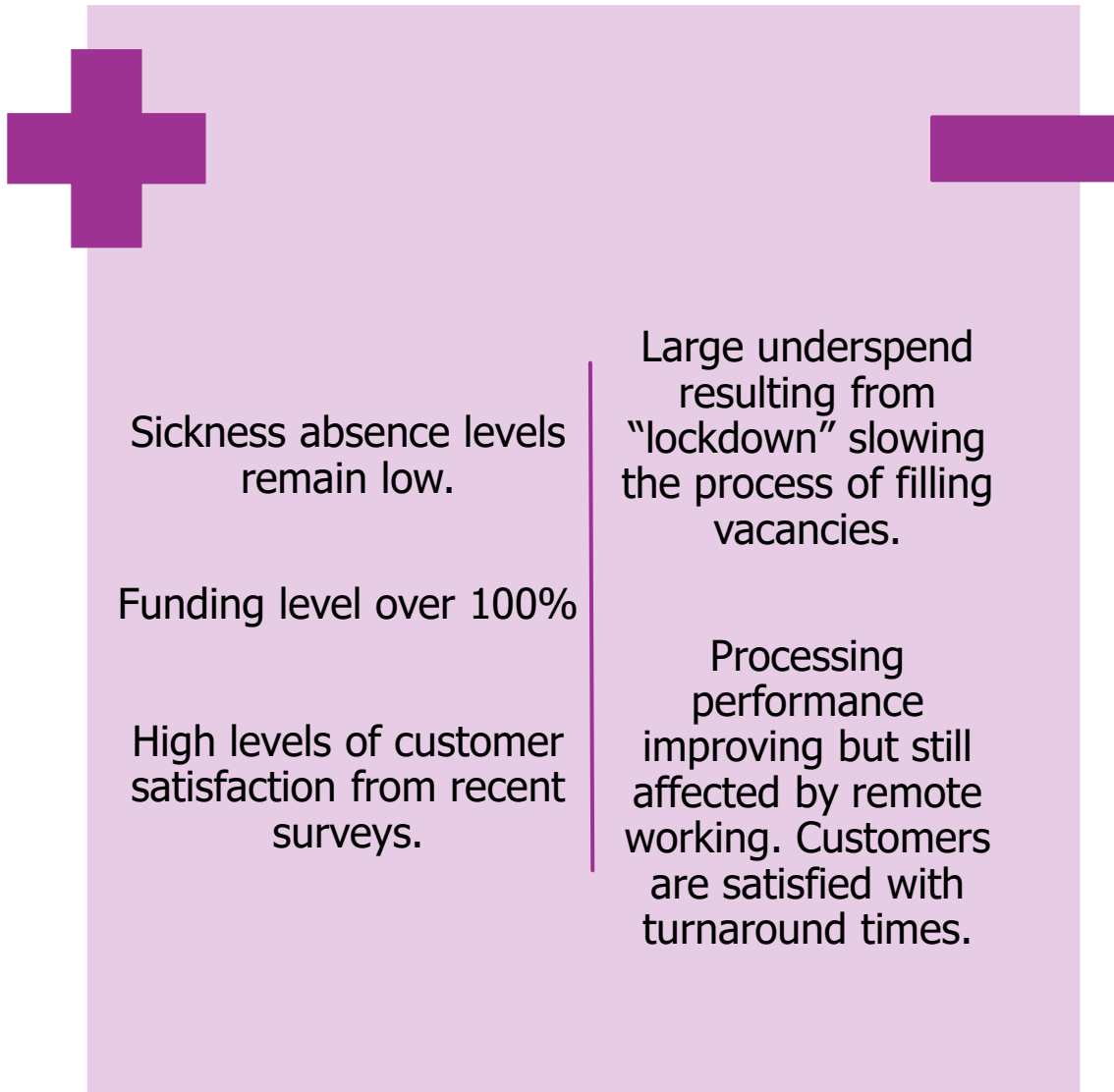
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1. Introduction

- 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 second quarter of the 2020/21 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.



Sickness absence levels remain low.

Funding level over 100%





High levels of customer satisfaction from recent surveys.

Large underspend resulting from “lockdown” slowing the process of filling vacancies.

Processing performance improving but still affected by remote working. Customers are satisfied with turnaround times.

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.
- 3.2 The Corporate Strategy for 2020-2023 was approved in January 2020 and sets out a range of changes and improvements over the whole range of the Authority's activities that have been planned to take place over this three year period. In order to manage these more easily and provide clear accountability, these have been divided into programmes of work each led by a member of the Senior Management Team. These cover:
- a) Services to Scheme Members and Employers (MS) – which is linked to the corporate objectives around Customer Focus and Listening to our Stakeholders
 - b) Customer Service and Engagement (CS) - which is linked to the corporate objectives around Customer Focus and Listening to our Stakeholders
 - c) Delivering the Investment Strategy (IS) – which is linked to the corporate objectives around Investment Returns and Responsible Investment; and
 - d) Supporting the Corporate Organisation (CO) – which is linked to the corporate objectives around Effective and Transparent Governance and Valuing and engaging our Employees.
- 3.3 The following tables provide updates in respect of developments that have taken place during the quarter in delivering these programmes of work, as well as updates in respect of activity that has taken place to deliver on the ICT strategy. There were no key deliverables under the HR Strategy and Equality and Diversity Scheme this quarter.

Corporate Plan Deliverables	Start	Finish	Progress Update / Activity Quarter 1	On Target
[MS3] Clear residual backlog cases.	Feb-20	Dec-20	Some residual backlogs have been targeted and cleared (e.g. retirement recalculations) but Covid has impacted progress in this area. New staff are currently being recruited who, once trained, will be able to contribute to the remaining backlogs but these are not now expected to be cleared fully until Summer of 2021.	
[MS5] Provide additional support to staff to maximise their effectiveness > Create a Technical Training Officer Post funded from part of the additional investment in learning and development in order to progress staff through the career grade more quickly and give greater access to training support. > Create an easily accessible and updated single knowledge base for pension administrators based on the existing portal which has not been kept up to date > Implement a structured development programme for Pension Officers reaching to top of the career grade	Mar-20 Apr-20 Feb-20	Ongoing Mar-21 Jul-20	The principles of the new career grade arrangements have been agreed with the Union, and the Benefits Team Manager is working with impacted staff to agree transitional arrangements.	
[CO1] Replace the Authority's Business Systems covering Finance, HR, Staff Payroll and Time and Attendance. Phase 1 – Scoping, specification and procurement.	Feb-20	Mar-21	The work on Phase 1 in relation to the Finance systems has been undertaken and is the subject of a separate report to the Authority elsewhere on the agenda. Work on Phase 1 in relation to HR, Payroll and Time & Attendance will be taken forward in the new year.	
[CO2] Implement learning and development tools to improve the links between appraisal and training delivery maximising the benefit of the additional budget investment in learning and development: > Initial changes to the appraisal system to address Internal Audit recommendations.	Jan-20	Mar-20	Changes made to appraisal system including manager guidance and implementation of regular one-to-one's, including guidance and form for completion.	

Corporate Plan Deliverables	Start	Finish	Progress Update / Activity Quarter 1	On Target
[CO3] Implement the recommendations arising from the Hymans Robertson review of governance that was conducted in light of the Good Governance review.	Apr-20	Mar-22	Action plan discussed and agreed by the Authority and Local Pension Board. Specific actions in relation to formalising the constitutional arrangements for non-voting members of the Authority and overlapping membership of the Authority and Local Pension Board have been completed	✓
[CO4] Identify preferred option for the Authority's long term accommodation needs.	Jan-20	Dec-20	Options appraisal report received. Conclusions being reported to December meeting of the Authority for decision on the way forward.	✓
[CO5] Phase out acceptance of cheque payments and introduce on line and telephone payments.	Apr-20	Apr-22	Work is in progress to reduce the number of cheques being received as a method of payment; this has been helped by the introduction of direct debits for employer contributions. In the first six months of the financial year, a total of 46 cheques were received. On receipt of a cheque, contact is made with the payer to provide details of alternative payment methods.	✓




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	Further procurement of new laptops to replace end of life devices. Preparation work for staff returning to the office and commencement of an Agile working project to facilitate a seamless configuration for staff working from home and in the office.	✓
Using technology to support a step change in the way customers access our services	The Live Web Chat service has been extended to the <i>mypension</i> scheme member web portal in anticipation of Annual Benefit statement queries.	✓
Using technology to deliver efficient business processes	New functionality is being developed within the <i>mypension</i> web portal to automate important notifications and requests for information to scheme members.	✓
Keeping data safe and secure	The ICT department undertook a simulated Spear phishing campaign, targeting around a third of the workforce. Follow on actions include additional training for users and a revision to the Password Policy and guidance.	✓

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 The level of sickness absence in the quarter and year to date is as follows.

Measure	Performance Quarter 2 2020/21	Performance Previous Quarter 1 2020/21	Performance Year to Date 2020/21	Performance in Previous Year: 2019/20	Movement Year on Year
Short Term Sickness Absence – Days Lost per FTE	0.35	0.12	0.47	2.3	
Long Term Sickness Absence – Days Lost per FTE	0.59	0.08	0.67	4.1	
Total Days Lost per FTE	0.94	0.20	1.14	6.4	



4.3 Sickness absence is reported as 'Days lost per FTE' rather than as a percentage and the measures are calculated as annualised figures to enable comparison from year to year.

4.4 For this quarter, days lost is 0.94 days per FTE employee which is an increase on the very low rate from the previous quarter; nevertheless, the absence rate is an improvement from this quarter last year which was running at 1.54 days per FTE.

4.5 One long-term sickness absence ended during the quarter, but two long-term absences commenced.

Investment Measures

4.6 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, was provided at the previous Authority meeting in September.





Measure	Performance Quarter 2 2020/21	Quarterly Benchmark	Performance YTD 2020/21	2020/21 Benchmark	2020/21 Actuarial Target	RAG Indicator
Investment Return – ex EP	0.80%	0.90%	11.90%	10.90%		
Investment Return – Whole Fund	0.80%	0.90%	10.70%	10.90%	1.12%	

4.7 At the end of the quarter, 51.7% of the Fund's assets were being managed in pooled structures provided by Border to Coast. This reduced from the 53.7% in the previous quarter because we cut our weighting to UK Equities in August in order to meet the new benchmark weight. This will, however, increase to a likely level of over 60% in the next quarter following the planned transition of sterling index linked bonds.

4.8 The estimated funding level at the end of quarter 2 is 101.2%.

Pension Administration Measures

4.9 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 each meeting of the Local Pension Board.

Measure	Quarter 2 2020/21	Quarter 1 2020/21	YTD 2020/21	Previous Year: 2019/20	Target 2020/21	Movement Year on Year
Proportion of priority cases processed on time	78%	76%	77%	89%	100%	
Proportion of non-priority cases processed on time	76%	71%	74%	72%	100%	
Proportion of all cases processed on time	76%	71%	74%	73%	100%	
Proportion of employer data submissions on time	99%	99%	99%	94%	100%	

4.10 Productivity levels as measured against our own challenging service standards have increased very slightly as staff adapt to home working. Though productivity is likely to remain at this level until we can return to the office, customers generally remain satisfied with turnaround times.

4.11 Employers continue to be able to provide monthly submissions on time, though we are not yet able to measure submission accuracy. Development work is underway to enable this to be measured in future.

4.12 Eight new employers were admitted during the quarter.

4.13 At the end of the quarter, membership of the Fund stood at 162,691 and there were 559 participating employers with active members.

Financial Measures

Authority Operations

4.14 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	2019/20 Actual Outturn £	2020/21 Budget £	2020/21 Q1 Forecast £	2020/21 Q1 Forecast Variance £	2020/21 Q1 Forecast Variance %
Pension Administration	2,582,480	2,814,520	2,546,990	(267,530)	(9.50%)
Investment Strategy	715,750	771,700	675,310	(96,390)	(12.50%)
Finance & Corporate Services	612,990	621,855	671,840	49,985	8.00%
ICT	432,730	624,805	557,910	(66,895)	(10.70%)
Management & Corporate	360,190	430,635	414,560	(16,075)	(3.70%)
Democratic Representation	82,910	135,485	123,350	(12,135)	(9.00%)
Capital Expenditure Charged to Revenue	114,800	0	0	0	0.00%
Subtotal before transfers to reserves	4,901,850	5,399,000	4,989,960	(409,040)	(7.60%)
Appropriations to / (from) Reserves	543,750	46,600	455,640	409,040	877.8%
Total	5,445,600	5,445,600	5,445,600	0	0.00%

4.15 The forecast under-spend for the year before transfers to reserves is (£409k). Members will recall that the budget that was set for 2020/21, whilst remaining within the cash limit from the previous year, included a significant amount of growth to enable investment in a number of areas such as agile working, learning and development, and governance and compliance to support the corporate objectives. This included budgets for the creation of several new posts within the organisation.

4.16 The impact of the COVID-19 pandemic has affected the progress in relation to these objectives; there has also been a general reduction in costs relating to travel, conferences, stationery / office consumables etc. arising from the move to organisation-wide remote working.

4.17 The largest single element of the total budget and forecast outturn relates to Staffing Costs, which is forecast to be (£103k) under budget for the year. The main variances within this are explained in the following table.

Staffing Costs Analysis of Forecast Underspend	Q2 Forecast (Underspend) / Overspend £
Pay Award -budget included assumption of 2%, actual award agreed was 2.75%	20,000
New / Amended Posts - vacancy savings pending recruitment Governance, Risk and Compliance Officer Business Support Officers x 2 Communications Officer Communications Assistant Apprentice x 1	(135,000)
Other vacancy savings - including following posts now filled: Benefits Team Manager (July 2020) Support & Engagement Team Manager (June 2020) Project & Improvement Lead (September 2020) Customer Services Officer (September 2020) Apprentices x 2 (September 2020)	(128,000)
Net effect of differences to budget arising from changes to grade, hours, honoraria etc.	(2,000)
Retirements resulting in additional vacancy savings	(43,000)
Net additional cost arising from review of Business Support and Finance & Corporate Services Restructure exercises - comprising vacancy savings pending restructure & additional forecast one-off costs (e.g. pension strain costs)	101,000
Costs in relation to overtime and employment of casual staff (funded from vacancy savings)	63,000
Additional cost of working from home disturbance allowance - introduced after the budget was approved.	21,000
Total	(103,000)

- 4.18 The table shows that there are large vacancy savings forecast due to recruitment not being undertaken as early as was originally planned. These savings are being partially offset by additional costs in relation to the requirement for overtime and casual staff cover for the vacancies, the cost of providing an allowance for homeworking which was not known about when the budget was approved, and will enable one-off costs in relation to restructure exercises to be fully met this year from the remaining staffing under-spends.
- 4.19 The main variances within the other running costs of the organisation are as follows.

4.20 Pension Administration

4.21 Savings of approximately (£52k) are currently forecast across budgets for travel expenses, office-related expenses, catering, training courses, conferences, and subsistence as a result of remote working and the knock-on effects from COVID-19.

4.22 The printing and postage budgets for 2020/21 were reduced compared to previous years to take account of savings being achieved from using hybrid mail and the increasing move to paperless processing. There are further savings forecast this year of around (£33k).

4.23 Additional income of (£10k) above budget is forecast in relation to management fees charged for the cost of administering various actuarial disclosures and activity.

4.24 Investment Strategy:

4.25 Savings of approximately (£21k) are currently forecast across budgets for travel expenses, office-related expenses, catering, conferences, and subsistence as a result of remote working and the knock-on effects from COVID-19.

4.26 Costs of actuarial fees in relation to Investment Strategy are forecast to be (£18k) lower than budget.

4.27 There are forecast savings of (£40k) on corporate subscriptions and services compared to the budget that was set – this will be reviewed and the budget for next year adjusted accordingly.

4.28 Finance and Corporate Services:

4.29 Savings of approximately (£9k) are currently forecast across budgets for travel expenses, office-related expenses, catering, conferences, and subsistence as a result of remote working and the knock-on effects from COVID-19.

4.30 The budget for professional qualification courses is forecast to be under-spent by (£12k) this year based on the timing of courses being completed but it is likely to be used more fully in future years following the restructure of the service.

4.31 ICT:

4.32 As reported in the previous quarter, a saving of (£25k) is forecast on the agile working programme budget this year as a result of the planned phased rollout having to be undertaken rapidly as a result of lockdown restrictions in March 2020. Some costs relating to agile working remain this year as expenditure on hardware and on the required infrastructure such as server capacity and virtual networking licences has been incurred since April.

4.33 There are also savings of (£23k) forecast on the budget in relation to the planned replacement of the telephony system which is now likely to be undertaken in the next financial year.

4.34 Management & Corporate Costs:

4.35 A saving of (£5k) is forecast on the budget for insurance as a result of savings achieved following the re-procurement of this contract that took effect from 1 April.

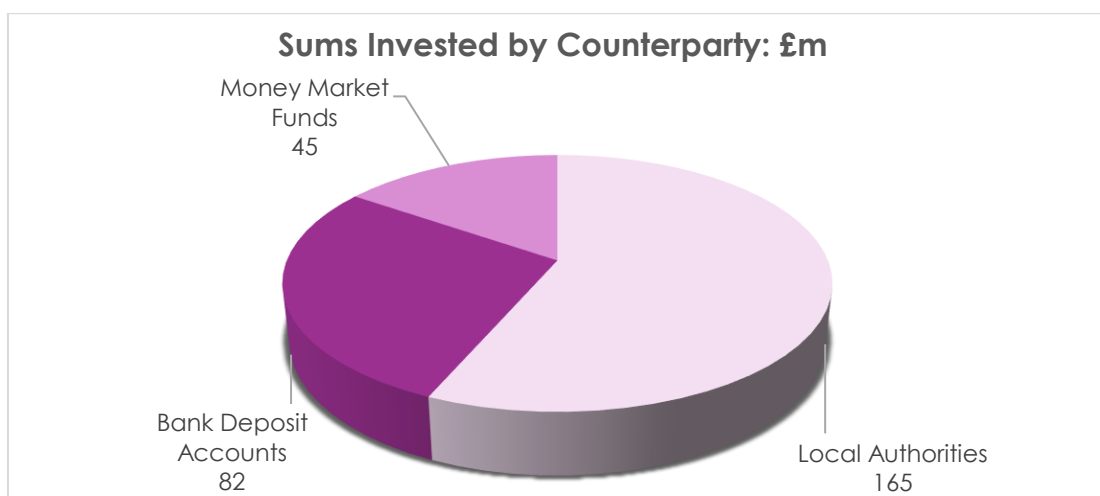
4.36 Expenditure of £8k is forecast on other professional services for items that were not anticipated when the budget was set. These relate to one-off costs that came forward from the previous year in relation to the finalisation of the Governance Review report and consultancy regarding the introduction of the Members Allowances scheme.

- 4.37 Expenditure of £24k on consultancy for the accommodation appraisal will be funded by a transfer from the corporate strategy reserve.
- 4.38 There is a forecast saving of (£75k) on the organisational training and development budget that was added as a growth item. Due to the impact of COVID-19 and remote working, it has not been possible to make the anticipated progress this year. It is proposed that £30k of this saving is set aside in the corporate strategy reserve to be used for providing a placement opportunity in 2021/22 for an HR undergraduate. This would provide the needed additional staff resource to support and take forward some of the plans around training and development including production of an e-learning package for new staff.
- 4.39 Democratic Representation:
- 4.40 The budget set for Member Allowances was based on an estimate of the likely costs of the scheme prior to the final scheme being approved by the Authority in March 2020. This budget is forecast to be over-spent by £4k this year based on the actual costs of the agreed scheme and taking into account the 2.75% pay award applied with effect from 1 April.
- 4.41 Savings of (£14k) on Authority running costs and training costs and (£4k) on the costs for the Local Pension Board are currently forecast due to taking account of the reduction to costs for room hire, catering, travel, subsistence and conferences arising from the knock-on effects of COVID-19.
- 4.42 Earmarked Reserves
- 4.43 The Authority has two earmarked revenue reserves, the Corporate Strategy reserve and the ICT reserve, as well as a Capital Projects reserve.
- 4.44 As outlined above, it is proposed to transfer £24k out of the corporate strategy reserve to fund the costs of the accommodation appraisal review and to transfer £30k into the corporate strategy reserve from the savings on the organisational training and development budget to be used for providing an HR undergraduate placement in 2021/22.
- 4.45 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. The forecast position is for a total of £4k to be transferred into the reserve this year.
- 4.46 It is also proposed that, given the scale of costs identified within the accommodation options appraisal and the known costs of the business systems project together with the potential costs involved in the need to re-procure the pension administration system (regardless of the result of the process) it is proposed that for the moment the balance of the underspend be transferred to the Capital Projects reserve. This position will be reviewed at the March meeting of the Authority in the light of the decisions made in relation to the pension administration system.
- 4.47 The balances and movement in the reserves arising from the above are set out in the table below.

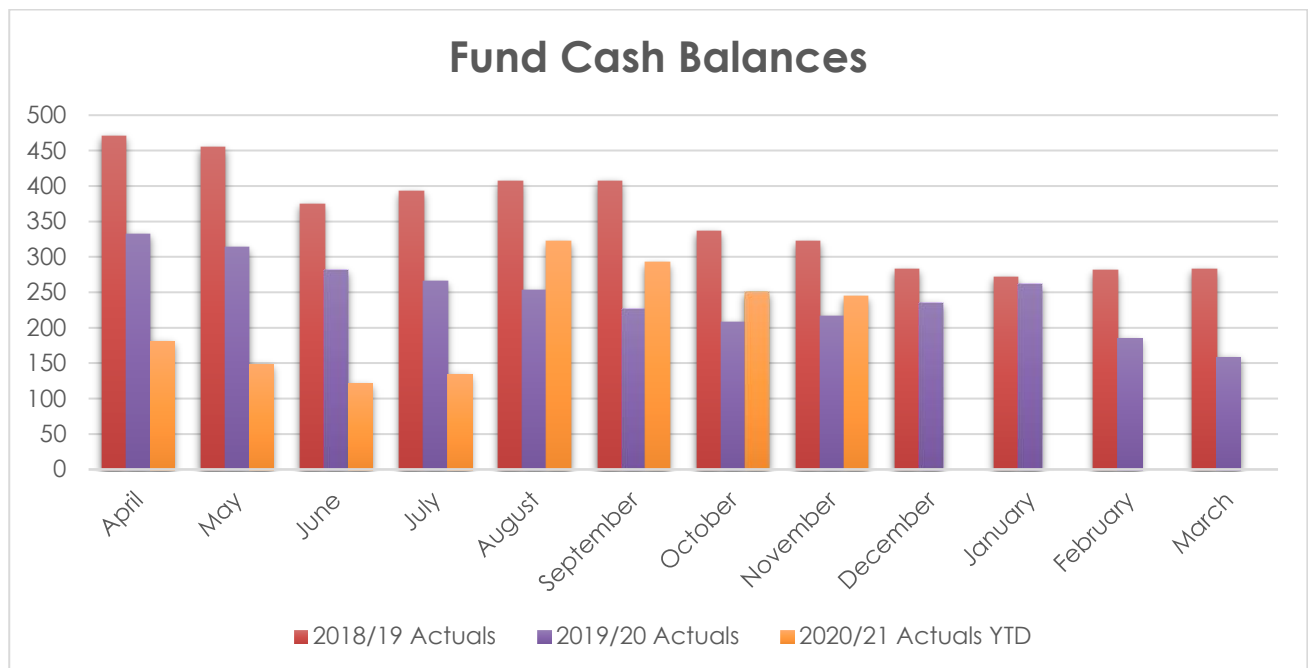
Reserves	Balance at 01/04/2020 £	Transfers In £	Transfers Out £	Forecast Balance at 31/03/2021 £
Corporate Strategy Reserve	232,831	30,000	(24,000)	238,831
ICT Reserve	112,383	4,000	0	116,383
Subtotal: Revenue Reserves	345,214	34,000	(24,000)	355,214
Capital Projects Reserve	665,500	445,640	0	1,111,140
Total Reserves	1,010,714	479,640	(24,000)	1,466,354

Treasury Management

4.48 The Fund’s cash balances at the end of the second quarter stood at £292m. The chart below shows how the balances have been invested with different counterparties in line with the approved treasury management strategy for the year.



4.49 The following chart shows the movement in cash balances held for the last two financial years and this financial year to date.



4.50 Cash is only held pending Fund investment and the balance of cash at 30 September 2020 represents 3.2% of the Fund, compared with 1.4% at 30 June 2020. This increase in cash is due to the reduction in allocation to UK Equities undertaken in August which resulted in an increase of £230m to cash held. This will be re-invested in other investment classes over the remainder of the financial year. The cash allocation remains well within the permitted range of 0% to 10%.

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 The Corporate Risk Register is attached at Appendix A. The October review of the register resulted in the following changes to risk scores:
- 5.3 G2 – Failure to ensure that the Local Pension Board is effective in carrying out its role. Current and target scores reduced in line with the scores for Risk G1 relating to the Authority. The work of the Board’s independent adviser is helping to ensure that the Board is addressing the regulator’s key requirements.
- 5.4 I2 – Failure to maintain gains in funding levels. Score reduced reflecting that whilst markets remain ‘fragile’ funding levels have recovered since March 2020 and remain around 100% and the changes following the review of the Investment Strategy are helping to reduce risk in this regard.
- 5.5 I3 – Failure to implement effective arrangements for oversight of investment management undertaken by Border to Coast. Score reduced and is now at its target score due to Border to Coast now holding quarterly briefings on all their products which addresses the key oversight gap that had been identified in the Authority’s annual review exercise.
- 5.6 I6 – Contribution rates for employers unaffordable due to business interruption. This remains a risk, but the score has been reduced reflecting that there have been no further deferral requests, and the employers most likely to be affected have some form of guarantee in place to mitigate risk to the Fund overall.
- 5.7 O1 – Data Protection and Cyber Security. Score reduced in light of additional protective measures put in place to protect the network.
- 5.8 O4 – Reduction in productivity due to impact of virus on sickness absence levels. Score reduced in response to measures being put in place for additional staffing, the fact that sickness levels have reduced, and the performance being achieved is at 80%.

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.

	Received in Q2 2020/21	Received in Q1 2020/21	Received YTD 2020/21	Received in Previous Year: 2019/20
Complaints	5	5	10	29
Appeals Stage 1	1	6	7	7
Appeals Stage 2	2	2	4	8

6.2 A detailed report of complaints and action taken is provided to the Local Pensions Board for scrutiny.

6.3 Formal complaints remain low compared with past years - this may be partly our scheme members understanding the challenges faced. Three complaints received were outside of SYPA control. Of the two that were caused by SYPA actions, one was a failure to acknowledge receipt of some documentation in a timely manner. The second was individual human error but a revision to the retirement process where AVCs are involved is to be implemented as the error resulted in a retirement estimate being over-quoted.

6.4 During the quarter, one appeal at Stage 1 was determined and rejected. This related to a member who was appealing about the right to transfer out of the scheme but the application was outside the statutory time limits.

6.5 Four Stage 2 appeals were determined and rejected in the quarter, three of which related to ill-health retirements. Though the appeals were rejected, there were some procedural issues identified regarding the communication of decisions by employers, and training is being offered to employers to assist in the understanding of the ill-health process.

Breaches of Law and Regulation

6.6 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 five breaches.

6.7 One material breach was the late issue of a proportion of Annual Benefit Statements. This was mainly caused by poor provision of monthly data for 2019/20 submitted by a large payroll provider which meant significant additional resource was required by SYPA. The breach was reported to the Pensions Regulator who has acknowledged the steps taken with the payroll provider to address the data issues and has confirmed they intend to take no further action.

- 6.8 Of the four individual breaches, three were caused by an incorrect member address being supplied by the employer. The fourth breach was the incorrect disclosure of ten email addresses in a group mailing and a new 'delayed send' process has been introduced to mitigate the risk of recurrence.

Satisfaction Surveys

- 6.9 A survey of members retiring during the quarter showed that of the 82 respondents, 96% were satisfied with the service they received.
- 6.10 A survey on customer service received from the customer centre showed that of the 263 respondents, 94% were satisfied with the service they received which is a very pleasing result.