

Delivering for our Customers

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Corporate Performance Report

Quarter 3 2020/21

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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 third 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.

Good progress being made on many of the corporate objectives despite Covid.

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, HR and Equality strategies.

Corporate Plan Deliverables	Start	Finish	Progress Update / Activity Quarter 3	On Target
[MS3] Clear residual backlog cases.	Feb-20	July-21	As reported in Quarter 2, progress on this target was affected by the COVID-19 pandemic and the target date for completion has now been extended by 6 months to July 2021.	✓
[CS3] Actively promote take up of on line services utilising all available routes, including introducing measurement of effectiveness as well as pure volume.	Apr-20	On-going	Registration for the online portal has increased from 41k to 56k over the 12 months to 31 December 2020 and the promotion strategy continues.	✓
[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 contract for a new finance system was awarded during the quarter and the implementation project for this system will commence in Quarter 4. Work on Phase 1 in relation to HR, Payroll and Time & Attendance will be taken forward in Quarter 4.	✓
[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	Self-assessment of effectiveness being conducted by the Local Pension Board. First dry run of enhanced governance compliance statement to be undertaken alongside Annual Governance Statement.	✓
[CO4] Identify preferred option for the Authority's long term accommodation needs.	Jan-20	Dec-20	Heads of Terms for lease agreed and now with lawyers aiming for completion by 1st April. Project Team for the fit out appointed and commencing detailed design phase in line with RIBA process.	✓
[CO9] Replace the Authority's telephony infrastructure Phase 1 – Scoping Phase 2 – Procurement and Implementation	Sep-20 Apr-21	Mar-21 Mar-22	SYPA is working with an independent consultant who has scoped out our telephony requirements and we are proposing to purchase a new web-based solution prior to the office move later in 2021.	✓

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 server hardware replacements were completed to upgrade the capacity of the Authority's datacentre. The initial scoping and specification stages for a new cloud data backup solution were completed.	✓
Using technology to support a step change in the way customers access our services	The Support and Engagement Team delivered several 'live' and 'pre-recorded' online training sessions and demonstrations to a range of audiences including HR/payroll teams at scheme employers and pre-retirement presentations to scheme members.	✓
Using technology to deliver efficient business processes	Work has continued with the testing and development of new functionality for members to retire online via the mypension portal. Upgrades to the Monthly Data Collection process were made to improve system performance and reliability.	✓
Keeping data safe and secure	As part of our commitment to improving our Cyber Security resilience, a security assessment of the ICT infrastructure was commissioned. As a result, we identified and implemented a new security platform which provides automated vulnerability assessments of the ICT infrastructure and web applications.	✓

Human Resources Strategy	Activity this Quarter	On Target
Developing the Current Workforce to meet the Needs of the Organisation	The restructure of Finance & Corporate Services was completed during the quarter. A transition period will follow from January to March involving handover of tasks and training. The new team structure will then take effect from April 2021.	✓
Retaining a high quality workforce	<p>The staff survey was completed in December 2020 using an external consultant in order to establish an engagement index that provides a baseline to measure progress against in future surveys. The results of this survey showed some positive progress and identified some concerns in areas such as career path and role stimulation that are already the focus of the new corporate strategy moving forward.</p> <p>As a Thank You to the staff for all their hard work in a very challenging year, a small gift was sent to each employee for Christmas.</p>	✓




Equality & Diversity Strategy	Activity this Quarter	On Target
Workforce culture, environment, policies and practices that are safe accessible and inclusive for people from all protected characteristics	Research undertaken and a training provider identified to deliver organisation-wide equality & diversity training early in 2021.	

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 3 2020/21	Performance Previous Quarter 2 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	0.38	0.35	0.85	2.3	
Long Term Sickness Absence – Days Lost per FTE	1.26	0.59	1.93	4.1	
Total Days Lost per FTE	1.64	0.94	2.78	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 1.64 days per FTE employee which is an increase on the low rate from the previous quarter; nevertheless, the absence rate is an improvement from this quarter last year which was running at 2.72 days per FTE.

4.5 Three employees fell into the long-term absence category. Two are now back at work but one remains absent and likely to be for some months yet.

4.6 There has been one COVID-19 (positive test) related absence of six days relating to one employee in this quarter. Overall, we are aware of two employees testing positive since the beginning of the pandemic.

Investment Measures

4.7 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 3 2020/21	Quarterly Benchmark	Performance YTD 2020/21	2020/21 Benchmark	2020/21 Actuarial Target	RAG Indicator
Investment Return – ex EP	6.40%	5.80%	19.00%	17.30%		
Investment Return – Whole Fund	6.40%	5.80%	17.70%	17.30%	2.40%	

4.8 At the end of the quarter, 63.1% of the Fund's assets were being managed in pooled structures provided by Border to Coast. This is an increase on the previous quarter due to the transition of 10% of our assets into Border to Coast's Sterling Index-Linked bond fund.

4.9 The estimated funding level at the end of quarter 3 is 108.0%.

Pension Administration Measures

4.10 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 3 2020/21	Quarter 2 2020/21	YTD 2020/21	Previous Year: 2019/20	Target 2020/21	Movement Year on Year
Proportion of priority cases processed on time	77%	78%	77%	89%	100%	
Proportion of non-priority cases processed on time	73%	76%	74%	72%	100%	
Proportion of all cases processed on time	73%	76%	74%	73%	100%	
Proportion of employer data submissions on time	99%	99%	99%	94%	100%	

4.11 As mentioned in the Q2 report, performance levels as measured against our own internal standards are likely to remain stable at these levels whilst remote working continues, though volumes of work completed are 5% higher than the equivalent Q3 period in 2019/20.

4.12 Employers continue to be able to provide monthly submissions, though we are not yet able to measure submission accuracy at point of receipt. Testing is underway on a tool to enable this to be measured in future.

4.13 Three new employers were admitted during the quarter.

4.14 At the end of the quarter, membership of the Fund stood at 164,793 and there were 564 participating employers with active members.

Financial Measures

Authority Operations

4.15 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 Actual Outturn £	2020/21 Budget £	2020/21 Q3 Forecast £	2020/21 Q3 Forecast Variance £	2020/21 Q3 Forecast Variance %
Pensions Administration	2,582,480	2,814,520	2,469,940	(344,580)	(12.20%)
Investment Strategy	715,750	771,700	639,750	(131,950)	(17.10%)
Finance & Corporate Services	612,990	621,855	661,430	39,575	6.40%
ICT	432,730	624,805	593,160	(31,645)	(5.10%)
Management & Corporate	360,190	430,635	424,910	(5,725)	(1.30%)
Democratic Representation	82,910	135,485	121,010	(14,475)	(10.70%)
Capital Expenditure Charged to Revenue	114,800	0	0	0	0.00%
Subtotal before transfers to reserves	4,901,850	5,399,000	4,910,200	(488,800)	(9.10%)
Appropriations to / (from) Reserves	543,750	46,600	535,400	488,800	1048.90%
Total	5,445,600	5,445,600	5,445,600	0	0.00%

4.16 The forecast under-spend for the year before transfers to reserves is (£489k) at the end of quarter 3, compared to the forecast under-spend of (£409k) at the end of the previous quarter. As reported previously, the budget for 2020/21 included a significant amount of growth to enable investment in a number of areas to support the corporate objectives and this included budgets for the creation of several new posts within the organisation.

4.17 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.

4.18 The largest single element of the total budget and forecast outturn relates to Staffing Costs, which is forecast to be (£159k) under budget for the year. The main variances within this are explained in the following table.

Staffing Costs Analysis of Forecast Underspend	Q3 Forecast (Underspend) / Overspend £	Previous Quarter 2 Forecast (Underspend) / Overspend £
Pay Award -budget included assumption of 2%, actual award agreed was 2.75%	20,000	20,000
New / Amended Posts - vacancy savings pending recruitment Governance and Risk Officer Business Support Officers x 2 Communications Officer Communications Assistant Apprentice x 1	(168,300)	(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)	(133,200)	(128,000)
Net effect of differences to budget arising from changes to grade, hours, honoraria etc.	(2,000)	(2,000)
Normal Retirements resulting in additional vacancy savings	(43,000)	(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	101,000
Costs in relation to overtime and employment of casual staff (funded from vacancy savings)	45,900	63,000
Additional cost of working from home disturbance allowance - introduced after the budget was approved.	21,000	21,000
Total	(158,600)	(103,000)

- 4.19 The table shows that there are large vacancy savings forecast due to recruitment not being undertaken as early as was originally planned. Recruitment is now in progress for the new posts of Governance & Risk Officer, Business Support Officers and to fill vacant Pensions Officer roles with interviews taking place in March 2021.
- 4.20 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.

- 4.21 The following table sets out the breakdown of the total under-spends by department between the under-spend on staffing as explained above and the remaining under-spends on running costs which are explained in the commentary beneath the table.

Department	Staffing Costs Q3 Forecast (Underspend) / Overspend £	Running Costs Q3 Forecast (Underspend) / Overspend £	Total Q3 Forecast (Underspend) / Overspend £
Pensions Administration	(215,600)	(128,980)	(344,580)
Investment Strategy	(15,600)	(116,450)	(131,950)
Finance & Corporate Services	61,960	(22,385)	39,575
ICT	(12,740)	(18,905)	(31,645)
Management & Corporate	23,280	(29,005)	(5,725)
Democratic Representation	0	(14,475)	(14,475)
Total	(158,600)	(330,200)	(488,800)

4.22 Pensions Administration

- 4.23 Savings of approximately (£65k) 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.

- 4.24 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 (£47k).

- 4.25 Additional income of (£16k) above budget is forecast in relation to management fees charged for the cost of administering various actuarial disclosures and activity.

4.26 Investment Strategy:

- 4.27 Savings of approximately (£26k) 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.

- 4.28 Additionally there are savings of (£11k) on the budgets for investment advisory services arising from not having the cost of travel, hotel, catering expenses and so on due to COVID-19.

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

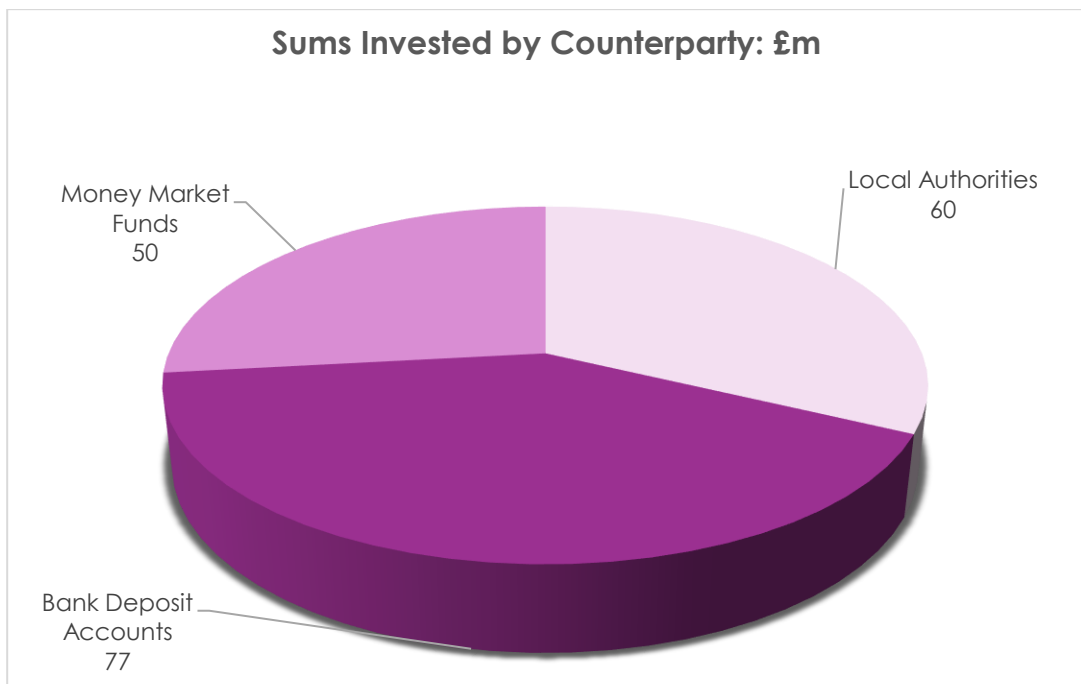
- 4.30 There are forecast savings of (£61k) on corporate subscriptions and services compared to the budget that was set reflecting changing requirements that the budget for next year has now been adjusted for accordingly.
- 4.31 Finance and Corporate Services:
- 4.32 Savings of approximately (£10k) are 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.
- 4.33 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.
- 4.34 ICT:
- 4.35 As previously reported, a saving of (£21k) is forecast on the agile working programme budget this year due to a proportion of the planned expenditure taking place in the last financial year instead in order to respond and equip staff for working from home as a result of lockdown restrictions in March 2020.
- 4.36 There are also savings of (£19k) forecast on the budget for various network and infrastructure costs due to re-phasing of work being undertaken on areas including the planned replacement of the telephony system, IT health check and penetration testing which are scheduled for the coming financial year.
- 4.37 The allocation of overhead costs in relation to office accommodation has been revised to more accurately reflect the numbers of staff in each department; leading to an over-spend of £16k on the ICT budget – although this is offset by an equivalent underspend in the other departments.
- 4.38 The budget for the Pensions Administration software system (UPM) is forecast to be overspent by £5k as a result of enhancements being commissioned in respect of Monthly Data Collection processing.
- 4.39 Management & Corporate Costs:
- 4.40 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.
- 4.41 The budget for central corporate services is forecast to be under-spent by (£9k) as a result of the knock-on effects of remote working.
- 4.42 Expenditure of £10k is forecast on other professional services for items that were not anticipated when the budget was set. These relate to one-off items including 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.
- 4.43 Expenditure of £24k on consultancy for the accommodation appraisal will be funded by a transfer from the corporate strategy reserve.
- 4.44 The budget for external audit fees is forecast to be over-spent by £17k as a result of additional fees being agreed with the external auditor to reflect extra auditing requirements arising from both COVID-19 and also from changes to the Code of Audit Practice.
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- 4.45 There is a forecast saving of (£66k) 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.
- 4.46 Democratic Representation:
- 4.47 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 £6k 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.
- 4.48 Savings of (£14k) on Authority running costs and training costs and (£6k) 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.
- 4.49 Earmarked Reserves
- 4.50 The Authority has two earmarked revenue reserves, the Corporate Strategy reserve and the ICT reserve, as well as a Capital Projects reserve.
- 4.51 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.
- 4.52 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.
- 4.53 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, which is reported elsewhere on the agenda for this meeting) it is proposed that for the moment the balance of the underspend be transferred to the Capital Projects reserve.
- 4.54 The balances and movement in the reserves arising from the above are set out in the table below.
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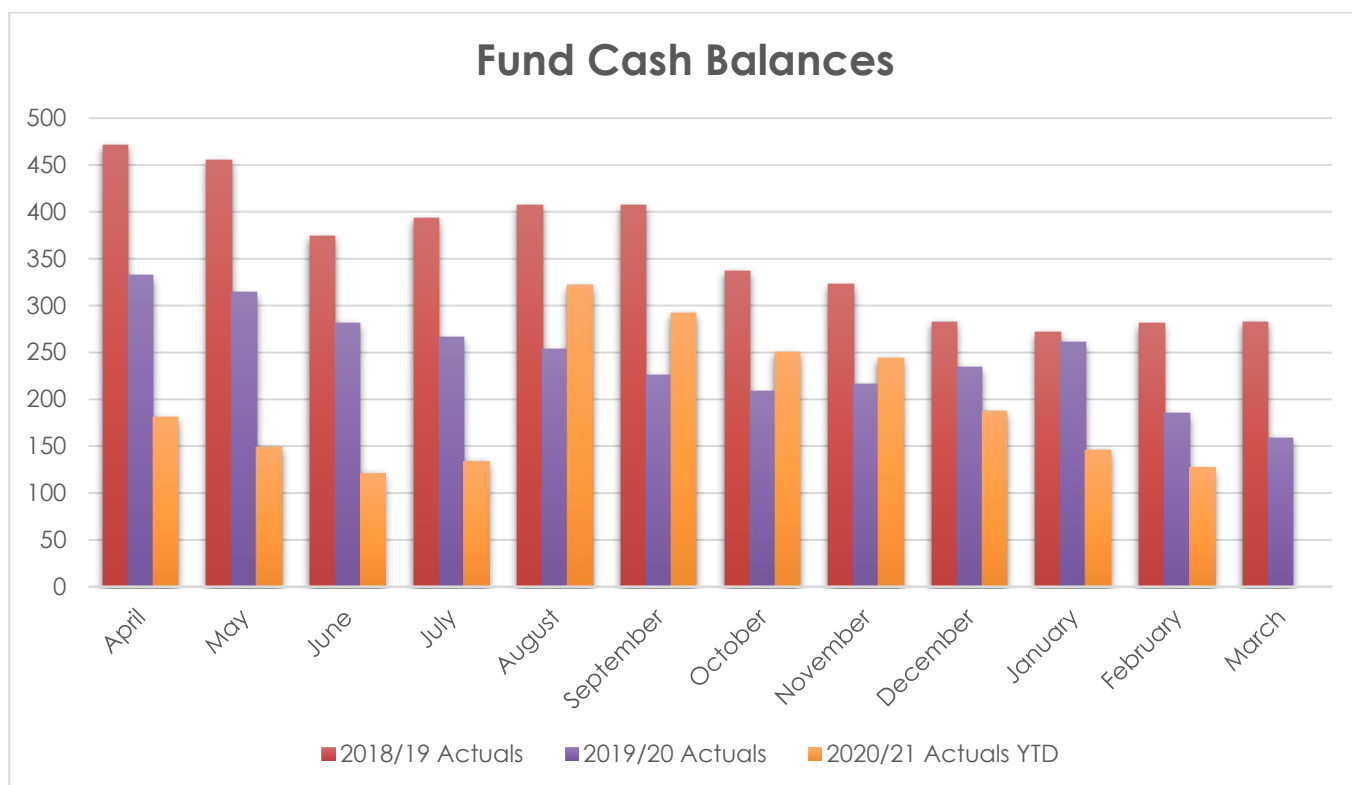
Reserves	Balance at 01/04/2020 £	Transfers In £	Transfers Out £	Forecast Balance at 31/03/2021
Corporate Strategy Reserve	232,831	30,000	(24,000)	238,831
ICT Reserve	112,383	4,000	0	116,383
Subtotal: Revenue Reserves	345,214	34,000	(24,000)	355,214
Capital Projects Reserve	665,500	525,400	0	1,190,900
Total Reserves	1,010,714	559,400	(24,000)	1,546,114

Treasury Management

4.55 The Fund’s cash balances at the end of the third quarter stood at £187m. The chart below shows how the balances have been invested with different counterparties in line with the approved treasury management strategy for the year.



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



4.57 Cash is only held pending Fund investment and the balance of cash at 31 December 2020 represents 1.95% of the Fund, compared with 3.2% at 30 September 2020. This reflects the re-investment during the third quarter of the cash received in August due to the reduction in allocation to UK Equities. The cash allocation remains well within the permitted range of 0% to 10% and is now much closer to the benchmark of 1.5%.

Breach of Treasury Limits and Use of Debt Management Facility

4.58 During December 2020, the limit on the HSBC Capital Account was breached overnight as a result of recovering a £40 million deposit on 21 December in order to ensure sufficient cash would be held for the completion of two property purchases taking place on 22 – 23 December 2020.

4.59 The balance on the account on 21 December was £65 million in breach of the £50 million limit. The balance was reduced on 22 December to £42 million, bringing this back within the limit.

4.60 During January 2021, two deposits were placed with the Debt Management Account Deposit Facility (DMADF) provided by the UK Debt Management Office, an executive agency of HM Treasury. This provides security for the deposits held and the Treasury Management Strategy allows for unlimited balances to be deposited in this facility subject to use of the account being reported to the Authority at the next available meeting.

4.61 Details of the deposits made are as follows.

From	To	No. of Nights	Deposit Amount £m	Rate of Interest
20/01/2021	27/01/2021	7	30	0.03%
27/01/2021	03/02/2021	7	30	0.01%

4.62 This facility is utilised only when required in the absence of any other suitable alternatives.

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 January review of the register resulted in the following changes to risk scores:
 - 5.3 I7 – Business continuity failures mean employers are unable to meet contribution payment deadlines. The target score has been reassessed to a lower level reflecting both experience and the acceptability of risk in this area. The current score has also been reassessed downwards as a result of continuing very high levels of compliance by employers.
 - 5.4 O2 - Failure to meet statutory requirements for disclosure of information to scheme members. The current score has been revised downwards from 12 to 9. Review of the 2020 Annual Benefits Statements process has identified improvements to project management and planning which are now being implemented. In addition compliance with all statutory disclosure standards is now being reported quarterly to the Local Pension Board providing greater visibility on this and in general not raising issues.
 - 5.5 Commentary regarding the review of the other risks, where scores have not changed, is provided in the risk register attached at Appendix A.
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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 Q3 2020/21	Received in Q2 2020/21	Received in Q1 2020/21	Received YTD 2020/21	Received in Previous Year: 2019/20
Complaints	3	5	5	13	29
Appeals Stage 1	0	1	6	7	7
Appeals Stage 2	0	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. Of the three complaints in the period, one was due to delays in receiving information from an employer and the other two were due to individual system errors which have now been resolved.

6.4 During the quarter, three appeals at Stage 1 were determined. Two of these related to objections in relation to the statutory provisions of the LGPS so could not be upheld. The third was partially upheld in that the member had received an overstated estimate of benefits prior to retirement and was therefore compensated for the error made. This was a result of an individual error and not indicative of a systemic issue.

6.5 Three appeals at Stage 2 were determined and rejected in the quarter, all 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 has now been 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 was one breach.

6.7 The individual data breach in the period was caused by an employer providing an incorrect address for a scheme member.

Satisfaction Surveys

6.8 A survey of members retiring during August to October showed that of the 182 respondents, 94% were satisfied with the service they received.

6.9 A survey on customer service received from telephone contact with the customer centre showed that of the 361 respondents, 91% were satisfied with the service they received.