

Public Document Pack

Date: 09 October 2019

To: MEMBERS OF THE SOUTH YORKSHIRE
LOCAL PENSION BOARD



**SOUTH YORKSHIRE
LOCAL PENSION BOARD**

18 Regent Street
Barnsley
South Yorkshire
S70 2HG

www.southyorks.gov.uk

This matter is being dealt with by: Gill Richards

Direct Line: 01226 772806

Email: grichards@syjs.gov.uk

Dear Member

SOUTH YORKSHIRE LOCAL PENSION BOARD
Thursday 17 October 2019

A meeting of the South Yorkshire Local Pension Board will be held at 10.00 am on Thursday 17th October, 2019 in Meeting Room 11, Town Hall, Barnsley, S70 2TA.

The agenda is attached.

Yours sincerely

Martin McCarthy
Deputy Clerk

Encs

Distribution: Cllr Tony Damms, Nicola Doolan-Hamer, Rob Fennessy, Andrew Gregory, Nicola Gregory, Steve Loach, Cllr Tosh McDonald, Kevin Morgan, Garry Warwick. and David Webster

Terms of Reference

1. Compliance and Control

- 1.1 To review administrative governance and risk management processes and procedures in order to ensure they remain compliant with the Regulations and Regulators Code of Practice.
- 1.2 To assist with the development and review the implementation of the Authority's various policy documents and procedures.
- 1.3 To review the actions taken in response from internal and external review agencies (such as Internal and External Audit and the Pensions Ombudsman).

2. Administration

- 2.1 To monitor and review the performance of the Scheme administration from the scheme members' and employers' perspective including making any recommendations for changes to the Pensions Administration Strategy.
- 2.2 Assess the quality of service provided by the Pensions Administration Service and identify any areas for improvement.

3. Communications

- 3.1 To monitor and make recommendations as appropriate on the means and content of communication with scheme members and employers.
- 3.2 To produce an Annual Report upon the Board's activities to be submitted to the Pensions Authority.

4. Budget

- 4.1 To agree an annual budget for the operation of the Local Pension Board and submit it to the Authority for approval.

5. Reporting

- 5.1 To make such recommendations to the Authority with regard to the matters set out in these Terms of Reference as it sees fit.

SOUTH YORKSHIRE LOCAL PENSION BOARD

**THURSDAY 17 OCTOBER 2019 AT 10.00 AM IN MEETING ROOM 11, TOWN HALL,
BARNSELY, S70 2TA**

AGENDA

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SOUTH YORKSHIRE PENSIONS AUTHORITY

LOCAL PENSION BOARD

25 JULY 2019

PRESENT: N Gregory (Academy Representative) (Chair)

T Damms (Sheffield City Council), N Doolan-Hamer (Unison),
R Fennessy (South Yorkshire Police) and G Warwick (GMB)

Officers: J Bailey (Head of Pensions Administration),
G Graham (Fund Director), M McCarthy (Deputy Clerk) and
G Richards (Senior Democratic Services Officer)

Apologies for absence were received from A Gregory and
K Morgan

1 WELCOME AND APOLOGIES

Following the resignation of the previous Chair, Nicola Gregory agreed to chair the meeting.

The Chair welcomed everyone to the meeting. Apologies were noted as above.

2 DECLARATIONS OF INTEREST

None.

3 ANNOUNCEMENTS

M McCarthy informed the Board that J Thompson had resigned from the Board for personal reasons.

The Board had been in a state of transition with several resignations over the previous months but Doncaster MBC and Sheffield CC had now appointed members to the Board and a new Scheme member representative had been recruited. It was hoped that all vacancies would be filled before the next meeting in October.

The Board recorded thanks to J Thompson for all her hard work for the Board.

4 MINUTES OF THE MEETING HELD ON 18 APRIL 2019

The Fund Director reminded members of the requirement to complete the Pensions Regulator's online public service toolkit; he had supplied members with a link to this after the last meeting.

The Regulator also had a separate assessment tool for assessing the Authority's governance and administration. It was noted that it would be useful for the Chair of the Board to work through this with either members or officers in the future.

RESOLVED: That the minutes of the meeting of the Board held on 18 April 2019 be agreed as a true record.

5 MEMBERSHIP AND CHAIRING ARRANGEMENTS

The Fund Director presented a report which sought approval to changes to the membership of the Board and to determine arrangements for Chairing the Board.

Members noted the recruitment of three new members to the Board since the last meeting. These were employer representatives Cllr Tony Damms from Sheffield CC, Cllr Tosh McDonald from Doncaster MBC and Andrew Gregory a Scheme Member representative.

In terms of the two remaining vacancies, it was recommended that the Board supported an amendment to the Constitution which would allow the remaining Scheme Member vacancy to be filled by any scheme member rather from the pensioner and deferred membership which had proved a bar to recruitment.

With regard to the employer vacancy, this had previously been seen as representing smaller employees but enquiries had failed to find anyone interested in the role. It was therefore proposed to identify a senior HR/Finance manager from one of the District Councils to fill the position for a three year term.

Members were reminded that the position of Chair was still vacant. At the last meeting members had indicated that they would prefer that the Chair came from amongst its members rather than being an independent. But at that stage no-one was prepared to undertake the role.

Members were invited to consider whether any of them were prepared to undertake the role. Should a member be prepared to do this, the Authority would appoint an Independent Advisor to the Board to work closely with the Chair in framing the agenda and work programme.

The Fund Director stated that should no member take on the role of Chair, the Authority as Scheme Manager would take steps to appoint an independent chair with the aim of having them in place for the next meeting of the Board.

G Warwick commented that he strongly believed that the Chair should come from within the Board's membership. He suggested that the decision be deferred until the October meeting of the Board and in the meantime the Board get together informally to discuss the matter.

Although stating that this was not an ideal situation, the Fund Director agreed. He would proceed to recruit an independent advisor and if the Board could not find a Chair from within their membership the advisor would become the Chair.

It was agreed to hold an informal meeting of the Board in early September which would begin with a member only discussion followed by an induction/refresher session.

RESOLVED:

- i) That the Board support the proposed changes to the composition of the Board as set out in the report and the consequent changes to the Constitution of the board.
- ii) Note the appointment of the following Board Members
 - a) Cllr Tosh McDonald (Doncaster MBC) – Employer
 - b) Cllr Tony Damms (Sheffield CC) – Employer
 - c) Andrew Gregory – Scheme Member
- iii) Defer the decision on the appointment of Chair to the October meeting of the Board.
- iv) Arrange an informal meeting of the Board to discuss chairing arrangements.
- v) Note the intention of the Scheme Manager to appoint an Independent Advisor in the event a member of the Board agreed to undertake the role of Chair.
- vi) Should no member of the Board be willing to undertake the role of Chair, note the intention of the Scheme Manager to appoint an Independent Chair.

6 SOUTH YORKSHIRE LOCAL PENSION BOARD ANNUAL REPORT 2018/19

The Board considered its Annual Report of 2018/19.

The report contained the membership of the Board, member attendance, the work of the Board during the year, member learning and development and future plans.

RESOLVED: That the report is noted and the Board agree to it being published on the website.

7 QUARTERLY ADMINISTRATION UPDATE

The Head of Pensions Administration presented the Administration report to update members on administration performance and issues for the period 1st January 2019 to 30th June 2019.

The Board noted that the report covered two quarters to bring the timing of the report back into line with the Board's meeting cycle.

With regard to staffing issues, the Board noted that there had been two part-time new starters and five leavers. The leavers included one retirement, two voluntary redundancies, and two resignations.

Members were reminded that the administration service was currently in the middle of a consultation on a restructuring of the service designed to facilitate improved resource allocation to the key areas of customer focus. The future structure would be reported to the Board in the next quarterly update.

Members noted the sickness levels for the period. These were expected to fall as two long-term sickness absentees had returned to work.

With regard to casework performance, members noted that overall performance dipped slightly for Quarter 1 due to processing time lost because of some system issues.

Despite this the general direction of travel compared with past years was an upward trend; the report contained a table which provided a summary of performance against the main subject areas.

With regard to employer performance, the Board was informed that the submission of monthly returns remained high. Now that the monthly data file submission process was embedded with employers, a mechanism was being developed to report on employer responsiveness to monthly data queries. It was hoped that this could be reported on from Quarter 3.

The Board noted the results of the customer satisfaction survey which had surveyed members who retired in March, April and May 2019; overall satisfaction levels were high at 92%.

J Bailey reminded members that the annual benefit statements for 2019 would be issued online rather than paper based. An exercise had been carried out to encourage all scheme members to use the inline portal. Appendix A showed the numbers of members who had registered since April 2018.

RESOLVED: That the report be noted.

8 REVIEW OF BREACHES, COMPLAINTS AND APPEALS

A report was presented to update members on the latest available record of reported breaches and provide details of complaints and appeals for the period 1st January 2019 to 30th June 2019.

Members noted that there had been 5 reported breaches during the six month period. In the main, these were breaches by employers and were detailed at Appendix A to the report.

Appendix B was the Data Protection Assurance report which had resulted in a substantial assurance opinion in relation to the internal control framework.

There was one recommendation around GDPR requirements, statutory timeframes, investigation responsibilities, cyber incidents and when to notify the DPO and ICO.

Management had agreed that the existing breach management policy would be updated to explicitly reference the areas mentioned above. The updated policy would be presented to the Board at its next meeting.

With regard to complaints, there had been 11 during the six month period. These mainly were related to the aggregations backlog. The complaints and follow-up actions were at Appendix C to the report.

RESOLVED: That the report be noted.

CHAIR

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Subject	Formalisation of the Membership of the Local Pension Board	Status	For Publication
Report to	Local Pension Board	Date	17 October 2019
Report of	Deputy Clerk		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Gill Richards	Phone	01226 772806
E Mail	grichards@syjs.gov.uk		

1. Purpose of the Report

- 1.1 To formalise membership of the Board.

2 Recommendation

- 2.1 **Members of the Local Pension Board are recommended to:**
- a. **Note the revisions to the membership of the Board.**

3. Link to Corporate Objectives

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

Effective and Transparent Governance

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

It is important that the Pensions Authority as Scheme Manager ensures the Board has a stable membership to enable the Board to operate in an effective way.

4. Implications for the Corporate Risk Register

- 4.1 The actions outlined in this report seek to address the risk contained in the corporate risk register that the degree of instability in the membership of the Board impacts on its effectiveness in fulfilling its role leading to the risk of intervention by the Pensions Regulator.

5. **Background and Options**

5.1 The revised South Yorkshire Pension Board Constitution states, with regard to the membership of the Board:

Employer representatives will consist of:

- 2 Local Authority Councillors (rotated every 2 years), in line with a pattern agreed with the Constituent Authorities
- 1 'Other Large Employer' (appointed for 3 years)
- 1 Academy (appointed for 3 years)
- 1 Local Authority Senior Manager (appointed for 3 years)

Employee representatives will consist of:

- 3 Trades Unions who must be LGPS members (appointed for 3 years)
- 2 members selected from active, pensioner and deferred members (appointed for 3 years)

5.2 The table below shows the current membership of the Board.

		Date of Appointment
Cllr Tony Damms (Sheffield CC)	Local Authority Councillor	July 2019
Cllr Tosh McDonald (Doncaster MBC)	Local Authority Councillor	July 2019
Rob Fennessy (South Yorkshire Police)	'Other Large Employer'	April 2019
Nicola Gregory (Minerva Learning Trust)	Academy	January 2018
Steve Loach (Head of Finance, Barnsley MBC)	1 Local Authority Senior Manager	October 2019
Nicola Doolan-Hamer (Unison)	Trades Union	July 2015
Kevin Morgan (Unite)	Trades Union	July 2015
Garry Warwick (GMB)	Trades Union	July 2015
Andrew Gregory	Scheme Member	July 2019
David Webster	Scheme Member	October 2019

5.3 As stated above, the Local Authority Councillors are rotated every two years; all other appointments are for three years. A member may serve a maximum of two terms of office.

6. **Implications**

6.1 The proposals outlined in this report have the following implications

Financial	None
Human Resources	None
ICT	None
Legal	None
Procurement	None

Gill Richards
Senior Democratic Services Officer

Martin McCarthy
Deputy Clerk

Background Papers	
Document	Place of Inspection

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Agenda Item 6



SOUTH YORKSHIRE
PENSIONS AUTHORITY

Agenda Item

Subject	South Yorkshire Local Pension Board Constitution	Status	For Publication
Report to	Local Pensions Board	Date	17 October 2019
Report of	Fund Director and Clerk		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	George Graham Fund Director	Phone	01226 772887
E Mail	ggraham@sypa.org.uk		

1 Purpose of the Report

- 1.1 To seek approval for an updated constitution for the Local Pension Board.
-

2 Recommendations

- 2.1 Members of the Local Pension Board are recommended to:
- a. **Recommend the Constitution set out at Appendix A to the South Yorkshire Pensions Authority for approval.**
-

3 Link to Corporate Objectives

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

Effective and Transparent Governance

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

Maintaining clear and up to date constitutional documents is an important contribution to maintaining a strong governance framework.

4 Implications for the Corporate Risk Register

- 4.1 The actions outlined in this report serve to reduce the risks identified around the effectiveness of the Local Pension Board.

5 Background and Options

- 5.1 Discussion have taken place over the last few meetings of the Local Pension Board to address issues arising from some instability in membership. Following on from this it

is necessary to formally update the Constitution to reflect the changes agreed and also to ensure that the arrangements set out in the Constitution reflect current practice.

5.2 The revised Constitution set out at Appendix A now incorporates:

- The current agreed membership of the Board;
- The arrangements for the register of interests reflected in the conflicts of interest policy presented to the Local Pension Board for approval at its October 2019 meeting, including provision for publication;
- The Board's up to date terms of reference which were previously a separate document but which properly should be reflected in the Constitution.

5.3 The Pensions Authority has appointed an Independent Adviser to support the Board. While this is a significant and important role as an adviser it does not need to be reflected in the Constitution.

6 Implications

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

Financial	None
Human Resources	None
ICT	None
Legal	Keeping the Constitution up to date and in line with the evolving legal framework is important while the changes in relation to the register of interests reflect best practice.
Procurement	None

George Graham
Fund Director

Sarah Norman
Clerk

Background Papers	
Document	Place of Inspection

CONSTITUTION OF THE SOUTH YORKSHIRE LOCAL PENSION BOARD

Date Approved:	2015
Date Revised:	October 2019
Date of Next Review	October 2020
Responsible Officer:	Monitoring Officer

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1. Name

- 1.1 The name of the Board is “the South Yorkshire Pensions Authority Local Pension Board” and is established by South Yorkshire Pensions Authority (“the Authority”) as the administering authority for the South Yorkshire Pension Fund under the provisions of Section 5 of the Public Sector Pensions Act 2013 (“the Act”) and the Local Government Pension Scheme (Amendment)(Governance) Regulations 2015.

2. Purpose and Role

- 2.1 The role of the Local Pension Board as defined by Sections 5(1) and (2) of the Public Service Pensions Act 2013 is to:
- 2.1.1 Secure the effective and efficient governance and administration of the LGPS for the South Yorkshire Pension Fund
 - 2.1.2 Provide the Scheme Manager with such information as it requires to ensure that any member of the Local Pension Board or person to be appointed to the Local Pension Board does not have a conflict of interest.
 - 2.1.3 Ensure the South Yorkshire Pension Fund effectively complies with the Code of Practice on the Governance and Administration of Public Service Pensions Schemes issued by the Pensions Regulator and is effectively managed and administered in compliance with the Code.
- 2.2 The Board will carry out its role in line with the specific terms of reference set out in Appendix A to this Constitution.

3. Powers of the Local Pension Board

- 3.1 Where any breach of legislation or duties is committed or is alleged to have been committed by the Pensions Authority or its Boards the Local Pension Board shall:
- 3.1.1 Within one month of the possible breach, meet with the Authority Chair (supported by the Head of Paid Service and Section 73 officer) to discuss the breach.
 - 3.1.2 Ask the Authority Chair to explain the actions taken and provide evidence of the legitimacy of the actions taken.
 - 3.1.3 Consider the matter on the facts available and evidence provided by the Chair and shall:
 - 3.1.3.1 Refer it back to the Authority to consider afresh and correct any areas of concern/breaches of duty; or
 - 3.1.3.2 Determine that no breach of duty has taken place.
- 3.2 If under clause 3.1 above it is decided that a breach has occurred, the Local Pension Board shall (as required by the Code of Practice and the Pensions Act 2004):
- 3.2.1 Report the breach to the Scheme Manager who should take prompt and effective action to investigate and correct the breach and its causes and, where appropriate, notify any affected members; or
 - 3.2.2 Where prompt and effective action to remedy the breach has not been taken and/or where scheme members have not been informed when they should have been, report the breach as a breach of material significance to the Pensions Regulator.
- 3.3 As per Regulation 106(6) of the Local Government Pension Scheme (Governance) Regulations 2014 and subject to the terms in this Constitution, the Local Pension Board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.

4. Scheme Manager Consents

4.1 The Local Pension Board shall not:

- 4.1.1 Consider or become involved in any internal dispute resolution appeals or the process itself.
- 4.1.2 Enter into contracts on behalf of the Administering Authority.
- 4.1.3 Use the Local Pension Board to act on behalf of a particular constituency or Pension Fund member in general or in relation to a specific complaint at any time.
- 4.1.4 Compromise the Pensions Authority's ability to comply with its fiduciary duty to the Pension Fund and its members.

4.2 The Local Pension Board must seek written consent from the Scheme Manager before it:

- 4.2.1 instructs the Pension Fund actuary to provide a report of any kind;
- 4.2.2 Requests any external advisor to attend a meeting of the Local Pension Board which shall require any remuneration of any level;
- 4.2.3 incurs a cost to the Pension Fund;
- 4.2.4 Can amend this constitution.

5. Membership

5.1 In accordance with Regulation 107 of the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 the South Yorkshire Local Pension Board will be made up of an equal number of employer and member representatives which is no less than four in total. The South Yorkshire LPB will comprise of 10 members in total.

5.1.1 Employer representatives will consist of:

- 2 Local Authority Councillors (rotated every 2 years) in line with a pattern agreed with the Constituent Authorities
- 1 'Other Large Employer' (appointed for 3 years)
- 1 Academy (appointed for 3 years)
- 1 Local Authority Senior Manager (appointed for 3 years)

5.1.2 Employee representatives will consist of:

- 3 Trades Unions who must be LGPS Scheme members (appointed for 3 years)
- 2 members selected from active, pensioner and deferred members (appointed for 3 years)

5.1.3 Appointment of employer and Trades Union representatives will be by nomination, Scheme member representatives will be appointed by an application process.

5.1.4 A member may serve a maximum of two terms of office.

5.2 No officer of South Yorkshire Pensions Authority or any elected Member appointed by a constituent Authority to serve on the South Yorkshire Pensions Authority may be a Member of a Local Pension Board.

5.3 Members of the Local Pension Board will be voting members; each member shall have one vote. It is expected that the Board will, as far as possible, reach a consensus; the Chair of the Board will have the final deciding vote which will be reported to the Administering Authority.

5.4 Regulation 107 requires that the administering authority, South Yorkshire Pensions Authority, ensures that all employer or member representatives sitting on the Board have relevant experience and capacity to represent the employers or members of the Fund.

- 5.5 Substitute members will not be permitted.
- 5.6 Each Local Pension Board member shall endeavour to attend all LPB meetings during the year.
- 6. Chair**
- 6.1 The Board shall elect a Chair from amongst its members.
- 6.2 The Board shall elect a Vice-Chair from amongst its members.
- 6.3 When the Chair of the Board is from the employer representatives, then the Vice-Chair will be elected from the member representatives, and vice versa.
- 7. Leaving the Board**
- 7.1 A member of the Board shall cease to hold office if:
- 7.1.1 He or she notifies the Board of a wish to resign.
- 7.1.2 He or she is an elected councillor and is appointed to the Pensions Authority.
- 7.1.3 He or she ceases to be employed by the body on behalf of whom he/she acts as a representative, including but not limited to Trade Unions or Scheme employers.
- 7.1.4 A member fails to attend meetings or otherwise comply with the requirements of being a Board member, for example fails to attend the necessary knowledge and understanding training.
- 7.1.5 A member dies or becomes incapable of acting.
- 7.1.6 There exists a conflict of interests in relation to a Board member which cannot be managed within the internal procedures of South Yorkshire Pensions Authority.
- 8. Standards and Interests**
- 8.1 All members of the Board will adhere to the Seven Principles of Public Life. These are:
- Selflessness
 - Integrity
 - Objectivity
 - Accountability
 - Openness
 - Honesty
 - Leadership
- 8.2 In addition, Local Authority Councillors serving on the Board are subject to their Council's Code of Conduct for Members. Members of the Board who are not Councillors but are members of a professional body or represent a Trade Union are subject to any Code of Conduct applicable to that body or Trade Union.
- 8.3 All members of the Board shall complete a declaration of their interest and deposit it with South Yorkshire Pensions Authority's Monitoring Officer as required by Regulation 108 (4) of the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015.
- 8.4 The Monitoring Officer will make arrangements for the publication of the register of interests of members of the Local Pension Board on the website of the South Yorkshire Pensions Authority.
- 9. Conflicts of Interests**
- 9.1 Further to the Regulations, a member shall not be appointed who has an existing conflict of interest.
- 9.2 For the avoidance of doubt, being a member of the Pension Scheme is not a conflict of interest.

- 9.3 Where a member becomes conflicted during their appointment, they shall inform the Scheme Manager without delay and their tenure shall end with immediate effect.
- 9.4 Where a member has been removed from the Board under this clause 9, they will be entitled to be reappointed once the conflict has been resolved.
- 9.5 Such reappointment shall be made to the Board only where written approval from the Scheme Manager (advised by the Monitoring Officer) has been provided.

10. Meetings and Procedures of the Board

- 10.1 The Board shall hold a minimum of four meetings in any municipal year. Additional meetings may be called at any time by the Chair.
- 10.2 In the absence of the Chair at a meeting of the Board, the Vice-Chair will preside over that meeting. In the event that both the Chair and Vice-Chair are absent then the Board will appoint one of its members to preside at that meeting.
- 10.3 The quorum for a meeting of the Board shall be at least 2 employer and 2 employee representatives.
- 10.4 Board meetings shall be held in public. The public may be excluded from the meeting when matters are considered that, in the opinion of the Scheme Manager, contain information covered by exempt/confidential information procedures under Schedule 12A of the Local Government Act 1972 (as amended) or represent data covered by the Data Protection Act 1998.
- 10.5 All agendas and papers for Board meetings will be made publically available on South Yorkshire Pensions Authority's website unless, in the opinion of the Scheme Manager, they are covered by exempt/confidential information procedures under Schedule 12A of the Local Government Act 1972 (as amended) or represent data covered by the Data Protection Act 1998.
- 10.6 Minutes of proceedings at meetings of the Board shall be kept in accordance with statutory requirements. Following the approval of the minutes by the Chair of the Board, they shall be forwarded to all Pension Board members.
- 10.7 Minutes of meetings of the Board shall be published on South Yorkshire Pensions Authority's website.

11. Knowledge, Skills and Training

- 11.1 To be appointed as a member of the Board a person must have knowledge and understanding of and be fully familiar with:
- 11.1.1 The rules of the scheme;
 - 11.1.2 Any document recording policy about the administration of the Scheme which is for the first time being adopted in relation to the Scheme;
 - 11.1.3 The law relating to pensions; and
 - 11.1.4 Any other matters which are prescribed in regulations.
- 11.2 Pension Board members will undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.
- 11.3 Pension Board members will comply with the Scheme Manager's training policies and attend all training provided by the Scheme Manager.
- 11.4 A written record of relevant training and development will be maintained for each member of the Board and details of training undertaken by each member of the Board will be published in the Board's Annual Report.
- 11.5 Training where needed, that is provided by the Scheme Manager, will be charged to the Pension Fund.

11.6 Subject to the Regulations or any advice or requirement issued by the Pensions Regulator, the Board must agree and implement a programme of training in respect of all members of the Board to ensure that they are adequately trained to perform their respective duties.

12. Accountability

12.1 The Local Pension Board will be collectively and individually accountable to the Scheme Manager and the Pensions Regulator.

13. Expenses and Funding

13.1 Members of the Board will be reimbursed for reasonable subsistence and travel expenses in accordance with relevant policies of the Administering Authority.

13.2 For the avoidance of any doubt, Pension Board members shall not receive an annual allowance of any kind.

13.3 The Board will be provided with adequate resources to undertake its role, these will include as a minimum:

- Accommodation and administrative support to conduct its meetings;
- Training; and
- Legal, technical and other professional advice.

13.4 The expenses of the Local Pension Board shall be regarded as part of the costs of the administration of the Fund.

14. Annual Report

14.1 At the end of each Municipal Year the Chair of the Board shall compile an annual report on the activities of the Board, including records of attendance and training, for submission to the Authority and for inclusion in the Authority's Annual Report and Accounts.

15. Variations

15.1 Any variation to this Constitution, considered necessary by the Board, shall be reported to the Scheme Manager for consideration and written consent.

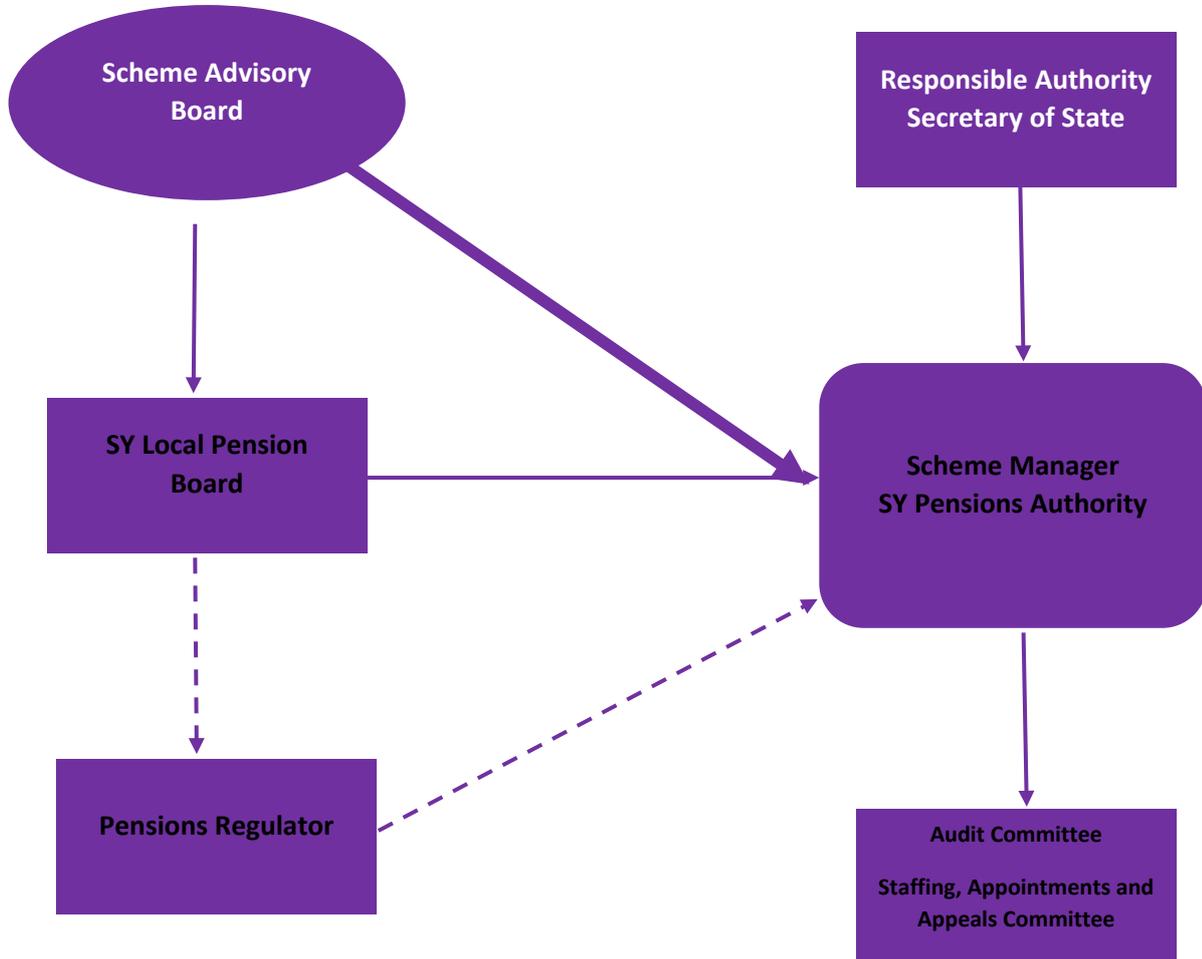
15.2 No variation made by the Board will be valid without the express consent of the Scheme Manager.

16. Data Protection

16.1 The Local Pensions Board will adhere to the Data Protection Policies of the Administering Authority.

17. Governance Structure

17.1 The diagram below shows how the South Yorkshire Local Pension Board fits into the overall governance structure flowing from the Public Sector Pensions Act 2013 and the Local Government Pension Scheme Regulations 2013 (as amended).



Appendix A

South Yorkshire Local Pension Board Terms of Reference

1. Compliance and Control

- 1.1 To review administrative governance and risk management processes and procedures in order to ensure they remain compliant with the Regulations and the Regulator's code of practice.
- 1.2 To assist with the development and review the implementation of the Authority's various policy documents and procedures.
- 1.3 To review the actions taken in response from internal and external review agencies (such as Internal and External Audit and the Pensions Ombudsman).

2. Administration

- 2.1 To monitor and review the performance of Scheme administration from the scheme members' and employers' perspective including making any recommendations for changes to the Pensions Administration Strategy.
- 2.2 To assess the quality of service provided by the pension administration service and identify any areas for improvement.

3. Communications

- 3.1 To monitor and make recommendations as appropriate on the means and content of communication with scheme members and employers
- 3.2 To produce an Annual Report upon the Board's activities to be submitted to the Pensions Authority.

4. Budgets

- 4.1 To agree an annual budget for the operation of the Local Pension Board and submit it to the Authority for approval.

5. Reporting

- 5.1 To make such recommendations to the Authority with regard to the matters set out in these terms of reference as it sees fit.

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Agenda Item 7



SOUTH YORKSHIRE
PENSIONS AUTHORITY

Subject	Quarterly Administration Update	Status	For Publication
Report to	Local Pensions Board	Date	17 October 2019
Report of	Head of Pensions Administration		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Jason Bailey	Phone	01226 772954
E Mail	JBailey@sypa.org.uk		

1 Purpose of the Report

- 1.1 To update Members on administration performance and issues for the period from 1 July 2019 to 30 September 2019
-

2 Recommendations

- 2.1 Members are recommended to:
- a. **Comment on the content of the revised administration update and indicate any areas where they would like to receive further detail.**
-

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). The report includes reference to feedback from our customers as to their experience of the retirement process.

Effective and Transparent Governance

To uphold effective governance showing prudence and propriety at all times. The report includes detail on the overall administration performance to ensure Members are able to scrutinise the service being provided to our customers.

4 Implications for the Corporate Risk Register

- 4.1 The actions outlined in this report have no implications for the Corporate Risk Register.

5 **Background and Options**

- 5.1 This report seeks to make Board Members aware of the main areas of administration performance and any topical issues relevant to the reporting period(s) in question. To ensure that Members have access to the latest available data, this report includes data for the quarter just completed.
- 5.2 Existing Members will note that the content of this administration update was updated this year to include information not provided previously. This is intended to provide Members with a wider view of the issues the administration service is handling and we continue to welcome feedback on any subject areas where Members feel additional reporting would be beneficial.

Staffing Issues

- 5.3 The following table is a summary of joiners and departures for the administration service during the last quarter. There was one departure during the period and two temporary appointments were made at entry level to assist with some routine processing of records, particularly the temporary handling of new joiners and early leavers where it is anticipated increased automation can be introduced as soon as appropriate testing has been completed in conjunction with the software partner. We anticipate this will be around the end of the financial year.

Starters	Comments
Casual Data Processing Assistant (PT) x2	Assisting with routine administration functions ahead of automation.
Leavers	
Acting Team Manager	Voluntary retirement. Post to be filled through service restructure.

- 5.4 Members were advised previously that the administration service was undertaking a formal consultation on a restructuring of the service following approval by the Staffing, Appointments and Appeals Committee on 27 June 2019. The consultation proposed a number of changes to the structure of the service designed to facilitate improved resource allocation to the key areas of customer focus (both employers and scheme members) and the increased application of available technology to improve efficiency.
- 5.5 The consultation period has now closed without the requirement for further revision to the original proposals and the new structure is now in the process of implementation. **Appendix A** shows the previous structure and **Appendix B** shows the final new structure once the proposals are fully implemented. **Appendix C** shows the list of new and deleted posts with the overall staffing numbers increased to reflect the focus on improved engagement as well as an overall reduction in management posts to bring SYPA more in line with organisational structures in the wider public sector. No compulsory redundancies have occurred as a result of the changes.
- 5.6 In terms of sickness absence, the table below shows the absence levels for the last two quarters and the two previous full years for reference. The Board previously requested that sickness absence information be provided in a revised format showing average days lost per year and this is reflected below.

Average Days per FTE	Q2 2019-20 Annualised	Q1 2019-20 Annualised	2018/19	2017/18
Short-Term	3.98	2.24	2.53	3.7
Long-Term	3.68	7.44	11.23	3.22
Total	7.65	9.68	13.76	6.92

5.7 The overall sickness absence levels have reduced for this quarter, though regrettably this may be a short-lived reduction as two new cases of long term absence arose towards the end of the quarter for non-work related conditions. These cases are being actively managed in line with SYPA's existing absence policies.

5.8 There is a potential for negative impact on the service as a result of the latest absences as these are both in the small specialist Technical Team and support is being provided by the management team to minimise disruption as much as possible.

Case Work Performance

5.9 Under the standard reporting protocol, the case work performance of the administration teams for the last quarter is shown below. Previous year figures are shown for comparison.

Category	Volumes		Performance			
	Q2 2019-20	Q1 2019-20	Q2 2019-20	Q1 2019-20	Total 2018-19	Total 2017-18
Priority	1,321	1,372	88%	90%	91%	83%
Non-Priority	15,194	21,468	73%	77%	83%	83%
Overall	16,515	22,840	74%	78%	83%	83%

5.10 It is clear that overall performance on case work dipped significantly for Quarter 2 and there are a combination of factors which contributed to this. Firstly, significant "cleansing" work was undertaken by the operational teams to ensure that the individual membership records were as up to date as possible for both the submission of the valuation extract but also for the preparation of the annual benefit statements. Both of these commitments, as important as they are, drew experienced resource away from the operational teams and this had an impact on "non-priority" work in Quarter 2.

5.11 In addition to the resource commitment outlined above, it is also important to acknowledge that the administration service has been operating with a number of vacancies across the teams pending the restructure of the service and it is likely that this has started to have a short term impact on the delivery of the service. Now that the new structure has been finalised, a recruitment campaign is being initiated to fill a number of the vacant positions, including entry level grades. A combination of the recruitment to vacant posts together with the application of improved automation should lead to an improvement in case work performance but it may take three to six months before any positive impact is felt.

5.12 The table below provides a summary of performance against the main subject areas. Performance on transfers, aggregations and divorce quotations is relatively low in percentage terms but volumes are significantly higher than the previous quarter and

this reflects the fact that processing of these cases re-commenced in Q2 following the updating of the administration system to reflect the new transfer value factors issued by the Government Actuary.

Case Type	Target Days	Q2 19-20 Volume	Q2 19-20 % on time	Q1 19-20 Volume	Q1 19-20 % on time	Q4 18-19 Volume	Q4 18-19 % on time	Comment
Priority								
Retirements	5	957	93%	922	95%	883	96%	
Deaths	4	355	78%	441	80%	406	92%	
Non Priority								
New Joiners	5	1457	88%	1966	91%	2460	93%	
Deferreds	20	1135	58%	1238	49%	980	60%	
Refunds	9	420	71%	131	75%	183	91%	
Transfers In	7	503	29%	92	15%	66	26%	See 5.12
Transfers Out	5	575	38%	55	29%	106	57%	See 5.12
Divorce	5	84	58%	74	66%	104	89%	See 5.12
General enquiries	5	510	91%	626	94%	719	96%	
Estimates	5	1282	77%	408	91%	231	98%	
Aggregations	20	1267	19%	2072	34%	3008	55%	See 5.12

- 5.13 During a recent meeting, members of the Board felt that it would be beneficial to have visibility of the volumes of cases that were outstanding as well as the numbers that had been completed in the period. By means of introducing this data, the table below shows the volumes of cases as at the date of producing this report which are pending (i.e. awaiting information/responses from a third party – whether this be the scheme member, employer or other party) and those which are either being processed or ready to be processed.

Case Type	Volumes of cases pending (awaiting external parties)	Volumes of cases to be processed/in processing
Priority		
Retirements	205	82
Deaths	128	35
Non Priority		
New Joiners	41	68
Deferreds	3584	1023
Refunds	313	214
Transfers In	432	573
Transfers Out	90	92
Divorce	39	10
General enquiries	94	65
Estimates	818	307
Aggregations	910	1682

- 5.14 It is evident that the number of aggregations and transfers in, as well as deferred members, show disproportionately high volumes of cases ready to be processed. With regard to the aggregations, this is the legacy of the backlog project that was previously reported to Members and we would expect to see this number continually reducing

each quarter. Similarly, the high volumes of transfers in reflects the fact that these were placed on hold earlier in the year (see comments above) and we would expect a similar reduction going forward. With regard to deferreds, these are the cases we have targeted for the first phase of automation and we would expect a reduction in outstanding numbers once this is implemented. Progress against all of these areas will be reported to the Board quarterly from now on.

Employer Performance

- 5.15 Members will be aware that employers now submit individual data on a monthly basis and we previously reported that commitment from employers to the monthly data collection process has been strong. Although responsiveness remains high in general, one of the Councils has switched payroll system and has unfortunately not yet been able to deliver their most recent monthly returns. SYPA are working collaboratively with the employer concerned to help ensure this short term problem is remedied as soon as possible and has received assurances from senior managers that the appropriate resources are being allocated to bring matters to a successful resolution.

June 2019 (due July)	Number of returns expected	Returns received	Outstanding	% Success Rate
Total Active Employers in SYPA Fund	502	484	18	96.41%

July 2019 (due August)	Number of returns expected	Returns received	Outstanding	% Success Rate
Total Active Employers in SYPA Fund	498	479	19	96.18%

August 2019 (due Sept)	Number of returns expected	Returns received	Outstanding	% Success Rate
Total Active Employers in SYPA Fund	498	468	30	93.98%

- 5.16 One area that we have not previously reported on is the resolution of queries from employers once the monthly data file has been submitted. This is important because each monthly data file cannot be processed by SYPA until the individual data queries resulting from the previous month's data file have been fully resolved. Now that the monthly data file submission process is embedded with employers, we have developed a mechanism to report on employer responsiveness to both monthly data queries and individual requests for information. This new tool went live from the beginning of October and we hope to be in a position to report the early results to the Board on this from Quarter 3 onwards.

Scheme Member Engagement – Customer Satisfaction

- 5.17 The Authority is keen to improve engagement with our scheme members to measure the levels of satisfaction with our service and had agreed to start with surveying members who have recently retired to understand their experiences. The table below shows the overall satisfaction levels from respondents to the survey issued to members who retired in June and July 2019.

Q. Overall, how satisfied are you with the service you receive from us?	
Very Satisfied	60.87%
Satisfied	31.88%
Dissatisfied	4.35%
Very Dissatisfied	2.90%
Total Number of Respondents	69

- 5.18 Although overall positive satisfaction levels over 92% are pleasing, that clearly leaves 8% of retiring members who were not satisfied with the process. Looking in more detail at the reasons for this, we have received some very useful feedback from those members who were not satisfied with the process which we are looking to act upon.
- 5.19 Following the feedback received in Quarter 1, we had already implemented a change to our retirement letters to confirm the date of the first pension payment. However, for Quarter 2 we also received a number of additional comments which we intend to address going forward. Some of the issues raised in the feedback include:-
- No acknowledgement received to the documents submitted;
 - A step by step flowchart for members would be helpful
 - More detail should be provided on how the pension is worked out
 - The calculations part of the letter was hard to follow
 - The application forms did not seem very cohesive and could be presented in a better way
- 5.20 It was clear from the comments received that our retirement documentation would benefit from a review and this will be undertaken by the Customer Services Manager who has been appointed under our new structure. We would be happy to provide copies of any draft documentation to the Board if they wish to input into the review.

Scheme Member Engagement – online portal

- 5.21 Members may recall that the annual benefit statements for 2019 were due to be issued online rather than paper based (see section 5.24 below) and we have been carrying out an exercise to encourage all scheme members (regardless of status) to sign up to use the online portal which was enhanced and expanded earlier this year. **Appendix D** shows the numbers of scheme members who have registered for the portal since October 2018.
- 5.22 The increase in registrations for Quarter 2 was a direct result of the notification of the online availability of annual benefit statements to active and deferred members (see section 5.24 below). Scheme members can of course request a hard copy of their statement if required, though there are considerable advantages to members in registering for the portal. They can, for example, view their complete pension record, update personal details and (for active and deferred members) generate personalised

retirement illustrations. The functionality of the online portal will continue to be developed over time.

- 5.23 Whilst the increase in online registrations continues, it is evident that we still need to improve the numbers of scheme members who are registered for the portal. We will continue to issue communications to members and, where appropriate, employers, to encourage everyone who has access to the internet to register for the portal. The registration process itself has been simplified which should help improve registrations and both telephone and online support are available if required.

Administration timeline – including Annual Benefit Statements

- 5.24 There is a calendar of activity for the administration service which may not always be visible to members of the Board and **Appendix E** is a summary of the main headline activities for the current financial year. We are very happy to consider providing further information on any aspect of the scheduled activity list in future reporting to the Board.
- 5.25 In the last quarter, the administration service has successfully carried out the activities set out in the timeline and this includes the issuing of annual benefit statements to active and deferred members. Board members will be aware of the difficulties experienced in previous years in meeting the statutory deadline for issuing annual benefit statements. We are pleased to report that we successfully made statements available online to approximately 99.6% of members by the statutory deadline of 31 August 2019. The remaining 75 active member records and 69 deferred member records where members did not receive a statement were primarily a result of individual data queries and these continue to be resolved on an ongoing basis. In practice, all funds are likely to experience a small number of data queries which take some time to resolve as these are often dependant on external responses.
- 5.26 The success rate is the highest percentage achieved since the requirements laid down by the Public Services Pensions Act in 2015 and was made possible primarily as a result of the successful completion of the processing of twelve monthly data submissions for each employer for the first time in 2018/19. We are seeking feedback from our scheme members on the content of the online annual benefit statements and will feed this back to the Board as part of the next quarterly update. Anecdotal evidence from scheme members to date has been very positive.

Employer Movements

- 5.27 The overall number of employers in the Fund continue to grow, partly as a result of academisation in the education sector but also due to employers contracting out services to bodies who join the LGPS through admission agreements. **Appendix F** shows the movements of employers joining the Fund in the last quarter. There were no employer exits from the Fund completed in the period.

Pensions Regulator's report on engagement with LGPS funds

- 5.28 On 20 September 2019, the Fund Director circulated the link to the Pensions Regulator's report on the engagement that took place between October 2018 and July 2019 with 10 local government funds. The link is copied below for reference. We would be pleased to include further information in future reports on any areas highlighted by the Regulator as potentially worthy of consideration.

<https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/governance-and-administration-risks-in-public-service-pension-schemes-an-engagement-report#pagetop>

6 Implications

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

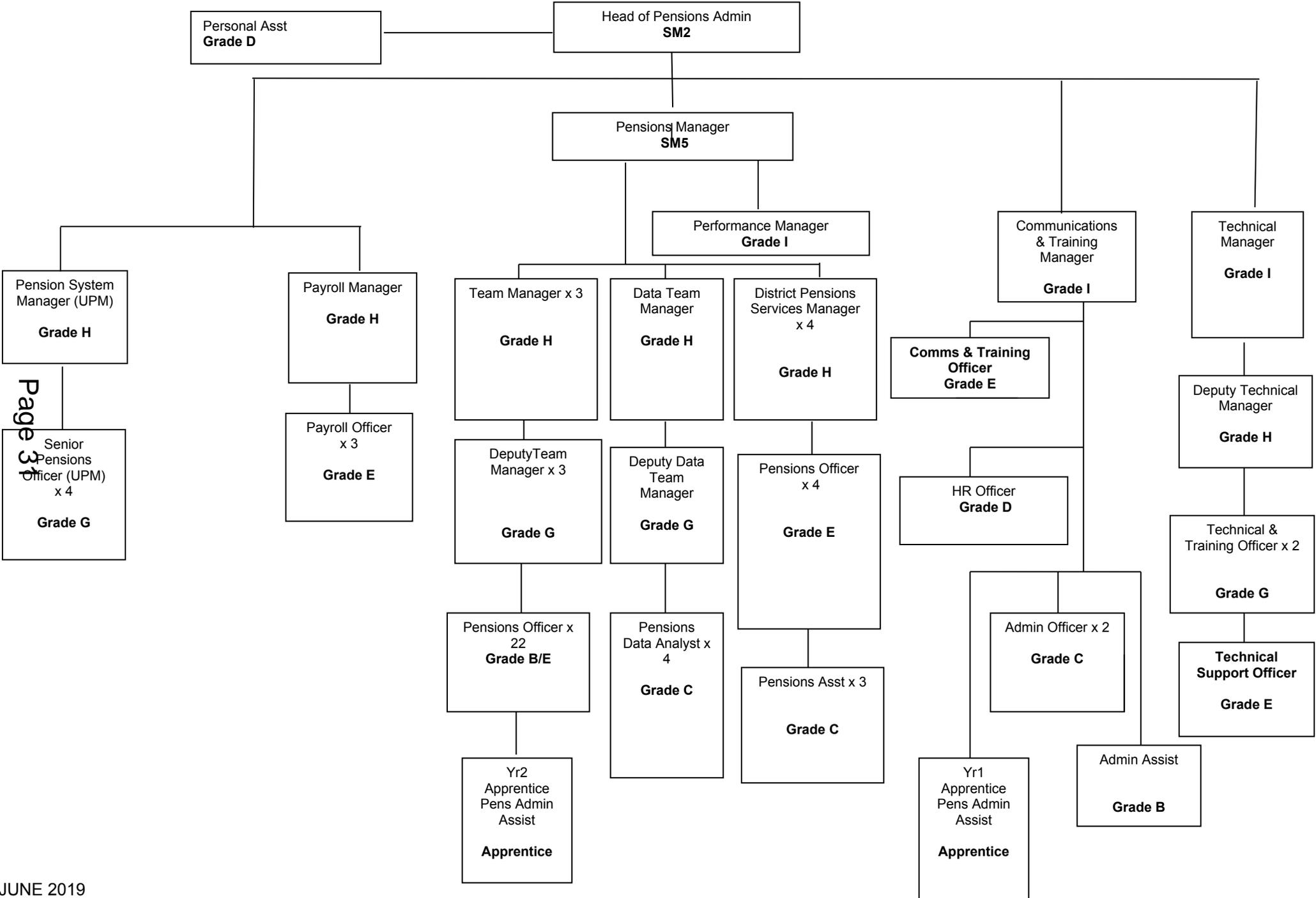
Financial	None apparent.
Human Resources	None
ICT	None
Legal	None
Procurement	None

Jason Bailey

Head of Pensions Administration

Background Papers	
Document	Place of Inspection

**SOUTH YORKSHIRE PENSIONS AUTHORITY
PENSIONS ADMIN FUNCTION**

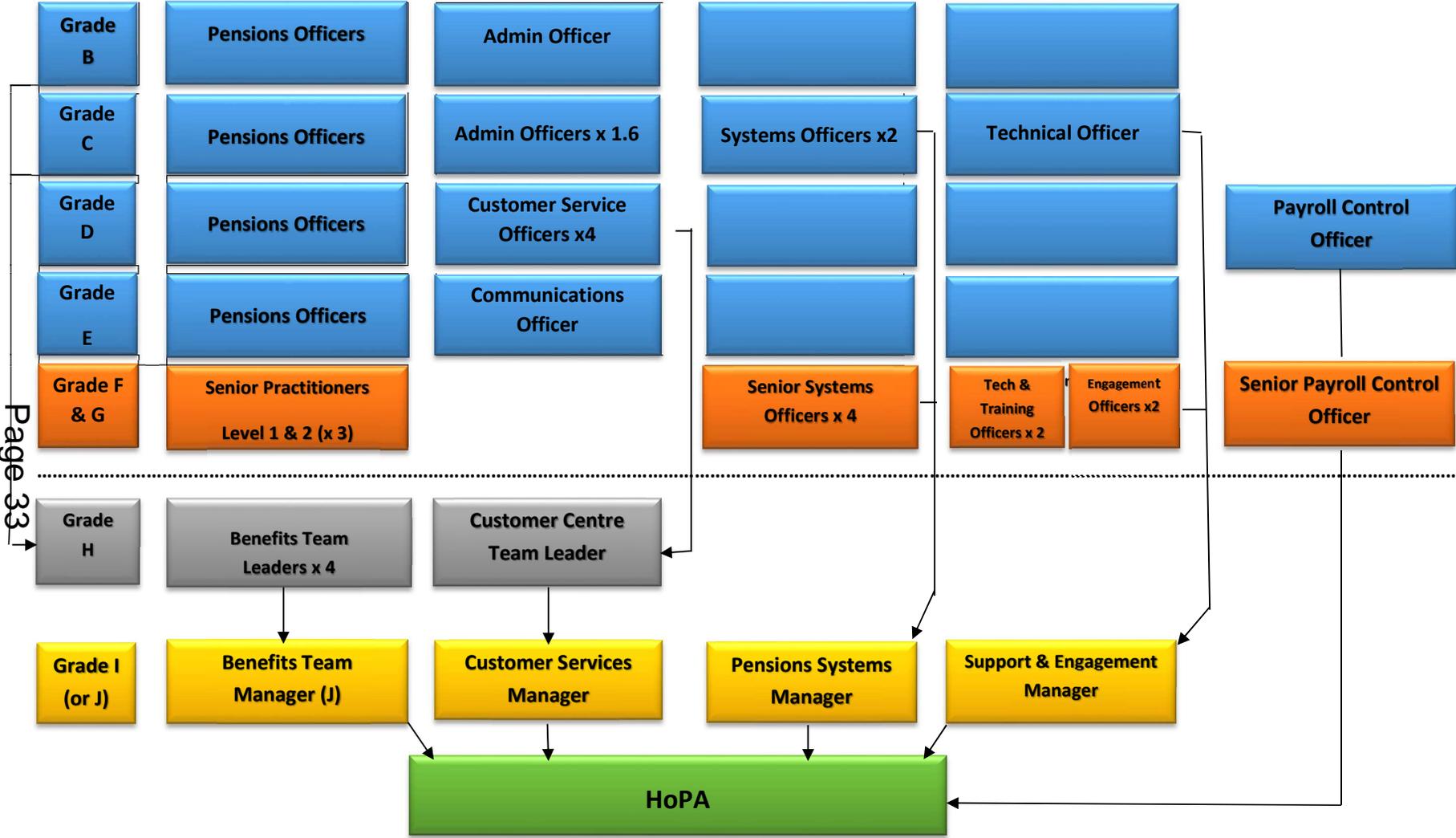


Page 3

Appendix A

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Final Administration Service Structure



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Appendix B

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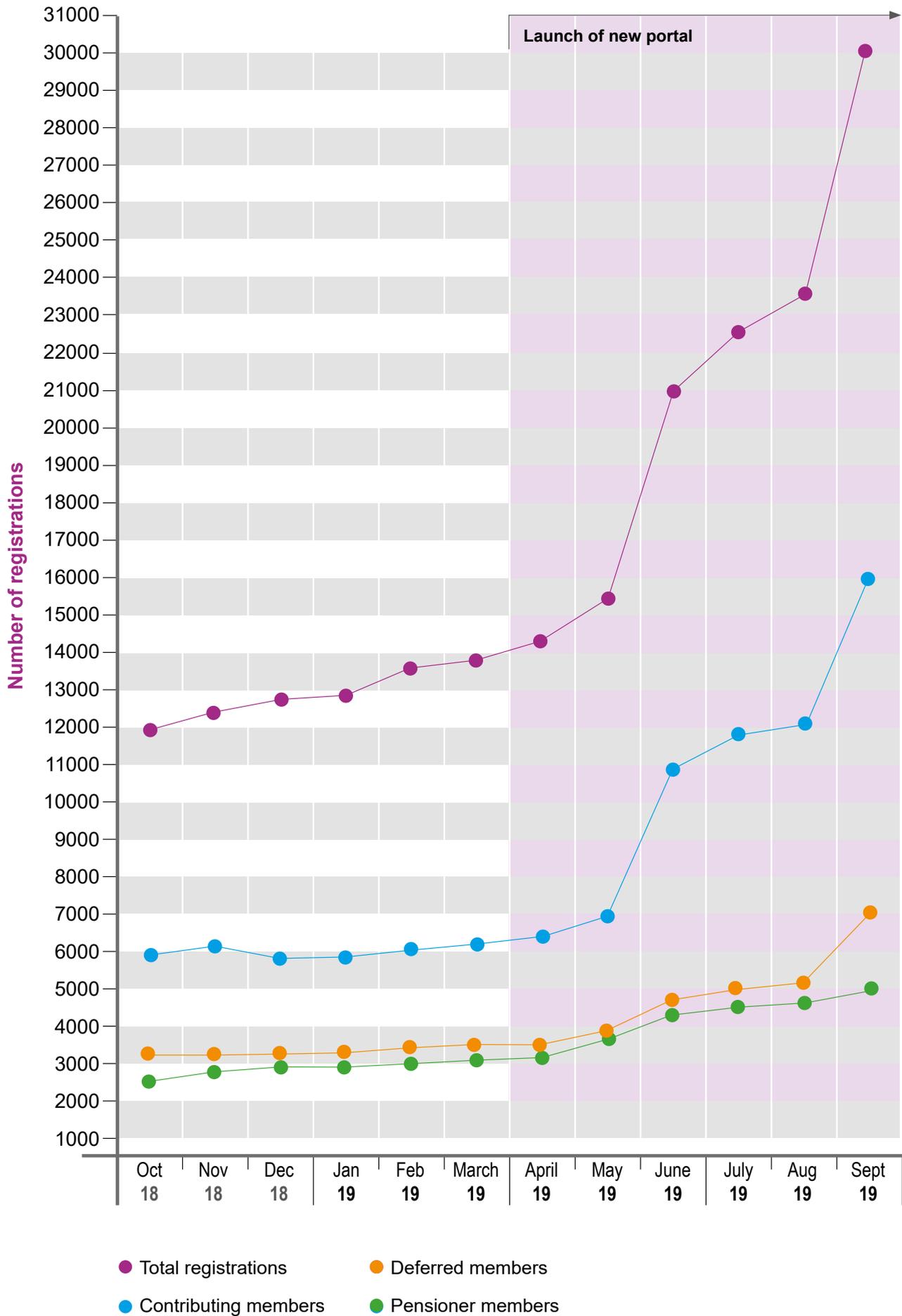
Newly Created Posts

Job Title	Indicative Grade	FTE	Total Salary inc. On-costs
Phase One - 16 FTE			
IT Project Manager	J	1.00	55,003
Benefits Team Manager	J	1.00	55,003
Pension Systems Manager	I	1.00	48,762
Customer Services Manager	I	1.00	48,762
Support & Engagement Manager	I	1.00	48,762
Customer Contact Centre Team Leader	H	1.00	42,309
Benefits Team Leader	H	1.00	42,309
Benefits Team Leader	H	1.00	42,309
Benefits Team Leader	H	1.00	42,309
Benefits Team Leader	H	1.00	42,309
Senior Systems Officer	G	1.00	39,184
Senior Practitioner	G	1.00	39,184
Senior Practitioner	G	1.00	39,184
Senior Practitioner	G	1.00	39,184
Engagement Officer	G	1.00	39,184
Engagement Officer	G	1.00	39,184
Phase Two: 7 FTE			
Systems Officer	C/D	1.00	27,150
Systems Officer	C/D	1.00	27,150
Customer Contact Centre Officer	D	1.00	27,150
Customer Contact Centre Officer	D	1.00	27,150
Pensions Officer	C/D	1.00	27,150
Pensions Officer	C/D	1.00	27,150
Pensions Officer	C/D	1.00	27,150
Phase Three: 3.7 FTE			
Senior Payroll Control Officer	G	0.70	27,072
Payroll Control Officer	D	1.00	27,150
Customer Contact Centre Officer	D	1.00	27,150
Customer Contact Centre Officer	D	1.00	27,150
Totals		26.70	£1,001,513

Removed Posts

Job Title	Grade	FTE	Total Salary inc. On-costs	Post Vacant?
Phase One: 17.57 FTE includes 5 vacant posts				
Pensions Manager	L	1.00	77,349	YES
Performance Manager	I	1.00	48,762	
Communications & Training Manager	I	1.00	48,762	
Technical Manager	I	1.00	48,762	YES
Pensions System Manager (UPM)	H	1.00	42,309	YES
Deputy Technical Manager	H	0.50	20,560	
Deputy Technical Manager	H	0.50	20,560	
Team Manager Districts	H	1.00	42,309	YES
Team Manager Districts	H	1.00	42,309	
Team Manager Districts	H	1.00	42,309	
Team Manager Districts	H	1.00	42,309	
Member Services Team Manager	H	0.50	20,560	
Member Services Team Manager	H	0.50	20,560	
Member Services Team Manager	H	0.50	20,560	
Member Services Team Manager	H	0.50	20,560	
Member Services Team Manager	H	1.00	42,309	YES
Deputy Team Manager	G	0.50	18,997	
Deputy Team Manager	G	0.50	18,997	
Deputy Team Manager	G	1.00	39,184	
Deputy Team Manager	G	0.57	21,742	
Data Team Manager	H	1.00	42,309	
Deputy Data Team Manager	G	1.00	39,184	
Phase Two: 4 FTE includes one vacant post				
Pensions Data Analyst	C	1.00	23,976	YES
Pensions Data Analyst	C	1.00	23,976	
Pension Data Analyst	C	1.00	23,976	
Pension Data Analyst	C	1.00	23,976	
Phase Three: 3.62 FTE				
Payroll Manager	H	0.62	25,866	
Payroll Officer	E	1.00	28,885	
Payroll Officer	E	0.57	16,234	
Payroll Officer	E	1.00	30,101	
Payroll Officer	E	0.43	12,872	
Totals			25.19	£991,124

mypension registrations October 2018 - September 2019



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Administration Service Timeline



2019



APRIL

Pension increase on the first Monday after 5 April and will increase in line with inflation.
New version of **mpension** portal goes live.
Distribution of **Life Certificates**.
Launch of **switchboard service**.



JUNE

Preparation of **Annual Report**.
Retirement Survey distributed.
District Office staff relocate to Gateway Plaza.



AUGUST

Annual Benefit Statements distributed to active and deferred scheme members.



OCTOBER

Annual Fund Meeting for scheme members to be held in Sheffield.
Phase 1 of **restructure** completed.



DECEMBER

First anniversary of move from Regent Street to **Gateway Plaza**. One year in the new building/ environment.
Phase 2 of **restructure** completed.
Customer Centre due to launch.



FEBRUARY

Customer Service Excellence full review.

MAY

Publication of online and printed versions of **Retirement Insight**, the newsletter for pensioner members.



Audit of accounts for the year ended 31 March 2019.

Printed payslips & P60s to all pensioners.

JULY

Benchmarking data submitted to CIPFA and CEM.

Valuation data submitted to Actuary.

Consultation on **restructure** issued.



SEPTEMBER

Publication of online and printed version of **Retirement Insight** (pensioner newsletter), and online versions of **Pension Planning** (active members' newsletter) and **Your Past Is Your Future** (deferred members' newsletter).



Launch of **Employer Query Portal**.

NOVEMBER

Employers' Forum to be held at Holiday Inn, Barnsley.

Provisional **valuation** results announced.

Launch of **Employer Online Quotes**.



JANUARY

Benchmarking results published CEM and CIPFA.



MARCH

Phase 3 of **restructure** completed.

Final **valuation** results published to employers.



2020

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Appendix F

EMPLOYER ENTRIES AND EXITS: JULY TO SEPT 2019

Employer Name	Employer Type	Admission Date	Bond /Guarantor
Pye Bank School	Scheduled Body	01 Jul-19	DfE
Compass (x 15 closed Academy agreements)	Contractor (TAB)	13 April -19	No Bond (outsourcing scheme employer is the de facto guarantor)

NO TERMINATIONS COMPLETED IN REPORTING PERIOD

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Subject	Review of breaches, complaints and appeals	Status	For Publication
Report to	Local Pensions Board	Date	17 October 2019
Report of	Head of Pension Administration		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Jason Bailey	Phone	01226 772954
E Mail	JBailey@sypa.org.uk		

1 **Purpose of the Report**

- 1.1 To update members on the latest available record of reported breaches and provide details of complaints and appeals for the period from 1 July 2019 to 30 September 2019.

2 **Recommendations**

- 2.1 Members are recommended to:
- a. **Note the breaches summary and comment on any further reporting requirements or actions**
 - b. **Review the proposed updates to the breach reporting procedure to meet the outcomes of the recent audit report**
 - c. **Note the outcome of complaints received and comment on any further requirements**

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). Complaints and appeals provide valuable feedback on potential areas for improvement in administration.

Effective and Transparent Governance

To uphold effective governance showing prudence and propriety at all times. The Pensions Regulator's Code of Practice 14 places focus on the requirements to manage breaches of the law and the importance of maintaining a system of recording breaches.

4 Implications for the Corporate Risk Register

- 4.1 The actions outlined in this report are one method of working to mitigate risk O1 in the Corporate Risk Register which centres on the ability of the Authority to protect the data it owns and the data it handles.

5 Background and Options

Breach Reporting

- 5.1 The reporting of breaches was expanded previously at the request of members of the Board to include all the items listed in the latest breaches report which is now attached at **Appendix A**. It should be noted that, although there were nine breaches recorded in the period, five of these were outside of SYPA's control but have been included for transparency.
- 5.2 Of the four breaches that were caused by actions of the administration service, each has been investigated and only one has resulted in an immediate requirement to change an existing process. Members will be aware that the distribution of a customer satisfaction survey to all retiring members commenced in April 2019. Unfortunately, due to an administrative error, one of the surveys was issued to retiring members with the email addresses of all recipients in the distribution list visible. This amounted to approximately 150 recipients. The process of issuing the survey has now been switched to a mail merge facility which does not risk the exposure of individual email addresses.
- 5.3 Members may recall that an outstanding action from a previous audit report on the breach reporting process was that the policy explicitly referenced requirements under the General Data Protection Regulation as well as the Pension Regulator's requirements. A draft updated procedural document is therefore attached at **Appendix B** and this highlights the proposed changes to the procedure to incorporate the audit recommendations.

Complaints

- 5.4 **Appendix C** provides a summary of complaints received in the reporting period(s). As previously requested by members of the Board, the summary report now includes commentary as to whether the complaints received were indicative of a wider process issue which may need review/improvement.
- 5.5 The number of complaints has risen slightly for this quarter compared with recent volumes but a number of these were outside of SYPA's control and, of those where there was a fault of the administration service, there does not seem at face value to be any recurring themes identified that would require further investigation at this stage. It should be noted that there were no complaints in this quarter relating to delays with the handling of aggregations which was a common theme previously.

Formal Appeals

- 5.6 During the reporting period, one formal appeal was completed under the Internal Disputes Resolution Process (IDRP). This was Stage 2 of the IDRP relating to an appeal against an employer's decision not to award ill-health retirement benefits. The outcome of the appeal was that the employer was recommended to re-consider their original decision not to award retirement benefits on the basis of additional medical evidence provided by the member.

6 Implications

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

Financial	None apparent.
Human Resources	None
ICT	None
Legal	None
Procurement	None

Jason Bailey

Head of Pensions Administration

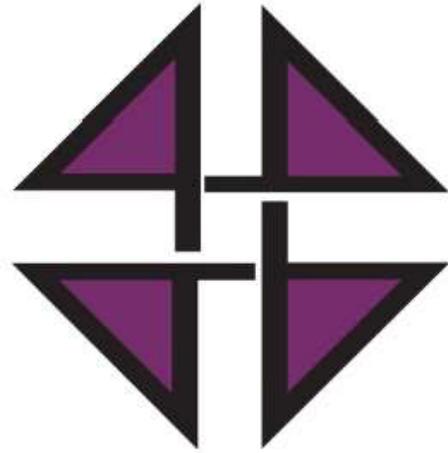
Background Papers	
Document	Place of Inspection

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SYPA Record of Breaches

Year	Ref	Date Identified	Type of Breach (e.g. personal data, contributions, criminal activity, etc)	Description	Action Taken in Response to Breach	Possible Impact (Red/Amber/Green)	Date Reported to Local Pension Board or Authority	Reported to Pensions Regulator or other statutory body (e.g. ICO)?	Reported to Data Protection Officer?	Details of any follow up actions taken/required or wider implications	Breach Open/Closed
2019/20	27	19/07/2019	Personal Data	Employer submitted bulk file which included personal data for employees not in the LGPS.	Notified employer of their error and asked them to exercise care.	Green	17/10/2019 (LPB)	NO	NO	All data sent in error deleted from SYPA systems.	Open pending any Board comments
2019/20	28	24/07/2019	Personal Data	Correspondence issued to member at old address. Monthly data file from employer had old address.	Apologised to member and updated address.	Green	17/10/2019 (LPB)	NO	NO	Employer advised to update address.	Open pending any Board comments
2019/20	29	24/07/2019	Personal Data	Data query sent to wrong employer.	Employer advised to delete data.	Green	17/10/2019 (LPB)	NO	NO	Individual error. Unlikely to recur.	Open pending any Board comments
2019/20	30	16/08/2019	Personal Data	Joiner letter sent to member at work address, not home.	Apologised to member.	Green	17/10/2019 (LPB)	NO	NO	Process map amended to reduce risk of recurrence.	Open pending any Board comments
2019/20	31	03/09/2019	Personal Data	Incorrect death certificate issued by GRO.	Deleted from member record.	Green	17/10/2019 (LPB)	NO	NO	None. Error not caused by SYPA.	Open pending any Board comments
2019/20	32	04/09/2019	Personal Data	Member noticed street number was incorrect on their record.	Updated and apologised to member.	Green	17/10/2019 (LPB)	NO	NO	N/A.	Open pending any Board comments
2019/20	33	09/09/2019	Personal Data	Correspondence issued to member at wrong address. Monthly data file from employer had wrong address.	Apologised to member and updated address.	Green	17/10/2019 (LPB)	NO	NO	Employer advised to update address.	Open pending any Board comments
2019/20	34	10/09/2019	Personal Data	Member's partner had registered for their online account without consent.	Locked down account and ensured member only had access to security settings.	Green	17/10/2019 (LPB)	NO	NO	N/A. For member to pursue action if they wish.	Open pending any Board comments
2019/20	35	16/09/2019	Personal Data	Retirement survey issued electronically with email addresses visible to all recipients.	Apologised to members affected and confirmed procedural change.	Green	17/10/2019 (LPB)	NO	NO	All such emails will be sent via a mail merge process in future to avoid risk of recurrence.	Open pending any Board comments

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SOUTH YORKSHIRE
PENSIONS AUTHORITY

Reporting Breaches Procedure

Draft - v. 2019.01 to incorporate personal data breaches

1. Introduction

- 1.1 This document sets out the procedures to be followed by certain persons involved with the South Yorkshire Pensions Authority, the Local Government Pension Scheme managed and administered by South Yorkshire Pensions Authority, in reporting breaches of the law to the Pensions Regulator. It has been updated and extended to include the procedure to be followed when a personal data breach occurs which involves actual or potential failure to meet the requirements of the Data Protection Act, General Data Protection Regulation (GDPR) and/or common law duty of confidentiality. It is recognised that there may be an overlap between personal data breaches under GDPR and breaches of law in relation to the LGPS.
- 1.2 Breaches, personal data breaches and security incidents, can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.
- 1.3 This Procedure document applies in the main to:
- All members of the South Yorkshire Pensions Authority
 - All members of the South Yorkshire Local Pension Board.
 - All officers involved in the management of the Pension Fund including the Pensions Administration Team, the Investment Team and the Treasurer (Section 151 Officer).
 - Any professional advisors including auditors, actuaries, legal advisors and fund managers.
 - Officers of employers participating in South Yorkshire Pension Fund who are responsible for Local Government Pension Scheme matters.

2. Requirements

- 2.1 This section clarifies the extent of the legal requirements and to whom they apply.

2.2 Pensions Act 2004

Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:

- A trustee or manager of an occupational or personal pension scheme;
- A member of the Pension Board of a public service pensions scheme (in the case of South Yorkshire, the Authority and the Local Pension Board);
- A person who is otherwise involved in the administration of an occupational or personal pension scheme;
- The employer in relation to an occupational pension scheme;
- A professional advisor who is otherwise involved in advising the trustees of managers of an occupational or personal pension scheme in relation to the scheme.

To report a matter to the Pensions Regulator as soon as it becomes practicably possible where that person has reasonable cause to believe that:

- a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and
- b) the failure to comply is likely to be of material significance to the Regulator.

The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse. The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However, the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal advisor and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

2.3 General Data Protection Regulation

GDPR defines a personal data breach as: "a breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data transmitted, stored or otherwise processed." Destruction is where the data no longer exists, or no longer exists in a form that is of any use to the controller. Damage is where personal data has been altered, corrupted, or is no longer complete. In terms of "loss" of personal data, this should be interpreted as the data may still exist, but the controller has lost control or access to it, or no longer has it in its possession. Finally, unauthorised or unlawful processing may include disclosure of personal data to (or access by) recipients who are not authorised to receive (or access) the data, or any other form of processing which violates the GDPR.

A personal data breach can be broadly defined as a security incident that has affected the confidentiality, integrity or availability of personal data. In short, there will be a personal data breach whenever any personal data is lost, destroyed, corrupted or disclosed; if someone accesses the data or passes it on without proper authorisation; or if the data is made unavailable and this unavailability has a significant negative effect on individuals. This highlights the difference between a security incident and a personal data breach – in essence, whilst all personal data breaches are security incidents, not all security incidents are necessarily personal data breaches.

Types of personal data breaches

- Confidentiality breach - where there is an unauthorised or accidental disclosure of, or access to, personal data.
- Availability breach - where there is an accidental or unauthorised loss of access to, or destruction of, personal data.
- Integrity breach - where there is an unauthorised or accidental alteration of personal data.

It should also be noted that, depending on the circumstances, a breach can concern confidentiality, availability and integrity of personal data at the same time, as well as any combination of these.

2.4 The Pension Regulator's Code of Practice

Practical guidance in relation to this legal requirement is included in The Pension Regulator's Code of Practice in the following areas:

- Implementing adequate procedures.
- Judging whether a breach must be reported.
- Submitting a report to the Pensions Regulator.
- Whistleblowing protection and confidentiality.

2.4 Application to the South Yorkshire Pension Fund

This procedure has been developed to reflect the guidance contained in the Pension Regulator's Code of Practice in relation to the South Yorkshire Pension Fund and this document sets out how the Authority will strive to achieve best practice through use of a formal reporting breaches procedure.

3. The South Yorkshire Pension Fund Reporting Breaches Procedure

The following procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of the law or a personal data breach relating to the South Yorkshire Pension Fund. It aims to ensure individuals responsible are able to meet their legal obligations and avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

3.1 Clarification of the law

Individuals may need to refer to regulations and guidance when considering whether or not to report a possible breach. Some of the key provisions are shown below:

- [Section 70\(1\) and 70\(2\) of the Pensions Act 2004](#)
- [Employment Rights Act 1996](#)
- [Occupational and Personal Pension Schemes \(Disclosure of Information\) Regulations 2013 \(Disclosure Regulations\)](#)
- [Public Service Pension Schemes Act 2013](#)
- [Local Government Pension Scheme Regulations Pre 2014 schemes](#)
[2014 scheme](#)
- [General Data Protection Regulation](#)
- [The Pension Regulator's Code of Practice](#)

In particular, individuals should refer to the section on 'Reporting Breaches of the Law' and for information about reporting late payments of employee or employer contributions refer to the section on 'Maintaining Contributions'

Further guidance and assistance can be provided by the Treasurer (s151 Officer) and the Monitoring Officer, provided that requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence).

3.2 Clarification when a breach is suspected

Individuals need to have reasonable cause to believe that a breach has occurred, not just a suspicion. Where a breach is suspected, the individual should carry out further checks to confirm the breach has occurred. Where the individual does not know the facts or events, it will usually be appropriate to check with the Treasurer, the Monitoring Officer, a member of the Pensions Authority or Local Pension Board or others who are able to explain what has happened. However, there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases the Pensions Regulator should be contacted without delay.

3.3 Determining whether the breach is likely to be of material significance

To decide whether a breach is likely to be of material significance an individual should consider the following, both separately and collectively:

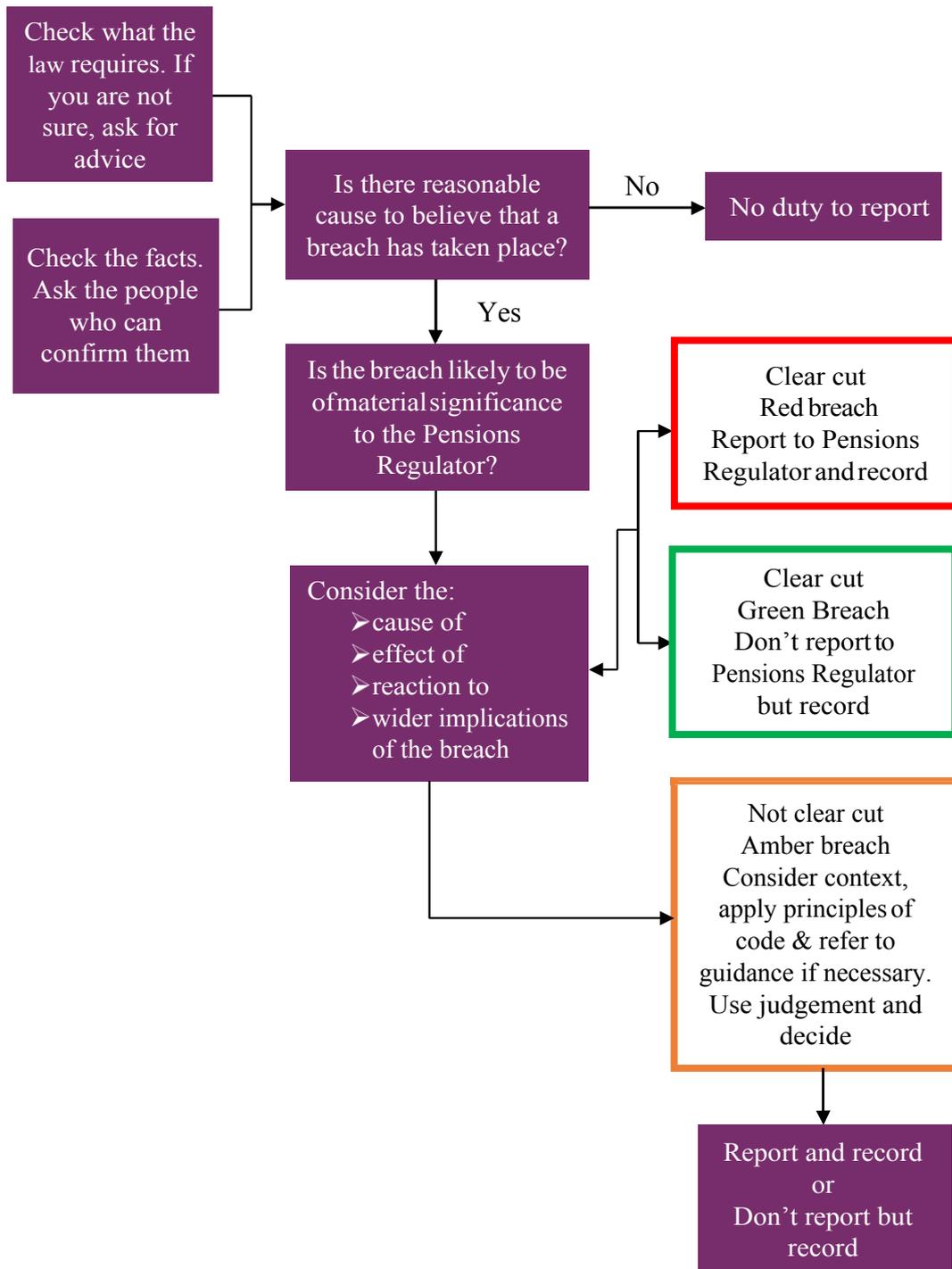
- Cause of the breach (what made it happen).
- Effect of the breach (the consequence(s) of the breach).
- Reaction to the breach.
- Wider implications of the breach.

Further details on the above four considerations are provided in Appendix A to this procedure.

The individual should use the traffic light framework described in Appendix B to help assess the material significance of each breach and to formally support and document their decision.

- 3.4 A decision tree is provided below to show the process for deciding whether or not a breach has taken place and whether it is materially significant and therefore requires to be reported. In relation to personal data breaches identified by officers of the Authority it is expected that all breaches will be recorded on the breach management log and a member of the SYPA Senior Management Team will determine whether an immediate report is required to the Pensions Regulator or to the Data Protection Officer/Information Commissioner's Office.

Decision-tree: deciding whether to report



3.5 Referral to a level of seniority for a decision to be made on whether to report

South Yorkshire Pensions Authority has a designated Monitoring Officer to ensure the Authority acts and operates within the law. They are considered to have appropriate experience to help investigate whether there is reasonable cause to believe a breach has occurred, to check the law and facts of the case, to maintain records of all breaches and to assist in any reporting to the Pensions Regulator, where appropriate. If breaches relate to late or incorrect payment of contributions or pension benefits, the matter should be highlighted to the Monitoring Officer and the Treasurer at the earliest opportunity to ensure the matter is resolved as a matter of urgency. Individuals must bear in mind, however, that the involvement of the Monitoring Officer is to help clarify the potential reporter's thought process and to ensure this procedure is followed. The reporter remains responsible for the final decision as to whether a matter should be reported to the Pensions Regulator.

The matter should not be referred to any of these officers if doing so will alert any person responsible for a possible serious offence to the investigation (as highlighted in section 2). If that is the case, the individual should report the matter to the Pensions Regulator setting out the reasons for reporting, including any uncertainty – a telephone to the Regulator before the submission may be appropriate, particularly in more serious breaches.

3.6 Dealing with complex cases

The Treasurer or Monitoring Officer may be able to provide guidance on particularly complex cases. Information may also be available from national resources such as the Scheme Advisory Board or the [LGPC Secretariat](#) (part of the LGA Group). If timescales allow, legal advice or other professional advice can be sought and the case can be discussed at the next Authority meeting.

3.7 Timescales for reporting

The Pensions Act and Pension Regulators Code require that if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable. Individuals should not rely on waiting for others to report and nor is it necessary for a reporter to gather all the evidence which the Pensions Regulator may require before taking action. A delay in reporting may exacerbate or increase the risk of the breach. The time taken to reach the judgements on "reasonable cause to believe" and on "material significance" should be consistent with the speed implied by 'as soon as reasonably practicable'. In particular, the time taken should reflect the seriousness of the suspected breach.

Specifically in relation to personal data breaches, an officer should inform their line manager immediately who will update the breach reporting system. This prompts a notification to be sent to the Head of Pensions Administration who will investigate whether the breach needs to be notified to the Data Protection Officer.

3.8 Early identification of very serious breaches

In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, the Pensions Regulator does not expect reporters to seek an explanation or to assess the effectiveness of the remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert the Pensions Regulator to the breach.

If an officer suspects a serious breach of personal data, they may immediately report this directly to the Data Protection Officer. The contact details for the Data Protection Officer are available on SharePoint via the Breach Reporting link on the home page.

3.9 Recording all breaches even if they are not reported

The record of past breaches may be relevant in deciding whether to report a breach, for example, it may reveal a systemic issue. South Yorkshire Pensions Authority will maintain a record of all breaches identified by individuals and managers should ensure that the breach reporting log is updated immediately in all cases. Records of unreported breaches should also be provided as soon as reasonably practicable and certainly no later than within 20 working days of the decision not to report. These will be recorded alongside all reported breaches. The record of all breaches (reported or otherwise) will be reported to the Local Pensions Board on a quarterly basis and this will also be shared with the Pensions Authority.

3.10 Reporting a breach to the Regulator

Reports must be submitted in writing via the Pensions Regulator's [online system](#), or by post, email or fax, and should be marked urgent if appropriate. If necessary, a written report can be preceded by a telephone call. Reporters should ensure they receive an acknowledgement for any report they sent to the Pensions Regulator. The Pensions Regulator will acknowledge receipt of all reports within five working days and may contact reporters to request further information. Reporters will not usually be informed of any actions taken by the Pensions Regulator due to restrictions on the disclosure of information.

As a minimum, individuals reporting should provide:

- Full scheme name (South Yorkshire Pensions Authority).
- Description of breach(es).
- Any relevant dates.
- Name, position and contact details.
- Role in connection to the scheme.
- Employer name or name of scheme manager (the latter is South Yorkshire Pensions Authority).

If possible, reporters should also indicate:

- The reason why the breach is thought to be of material significance to the Pensions Regulator.
- Scheme address (provided at the end of this procedure document)
- Scheme manager contact details (provided at the end of this procedure document).
- Pension Scheme registry number (10165252).
- Whether the breach has been reported before.

The reporter should provide further information or reports of further breaches if this may help the Pensions Regulator in the exercise of its functions. The Pensions Regulator may make contact to request further information.

3.11 Confidentiality

If requested, the Pensions Regulator will do its best to protect a reporter's identity and will not disclose information except where it is lawfully required to do so. If an individual's employer decides not to report and the individual employed by them disagrees with this and decides to report a breach themselves, they may have protection under the Employment Rights Act 1996 if they make an individual report in good faith.

3.12 Reporting to South Yorkshire Pensions Authority and the Local Pension Board

A report will be presented to the Pensions Authority and the Local Pension Board on a quarterly basis setting out:

- All breaches, including those reported to the Pensions Regulator and those unreported, with associated dates.
- In relation to each breach, details of what action was taken and the result of any action (where not confidential).
- Any future actions for the prevention of the breach in question being repeated.
- Highlighting new breaches which have arisen in the last year/since the previous meeting.

This information will also be provided upon request by any other individual or organisation (excluding sensitive/confidential cases or ongoing cases where discussion may influence the proceedings).

Review

This Reporting Breaches Procedure will be kept under review and updated as considered appropriate by the Treasurer. It may be changed as a result of legal or regulatory changes, evolving best practice and ongoing review of the effectiveness of the procedure.

Further information

If you require further information about reporting breaches or this procedure, please contact:

Jason Bailey – Head of Pensions
Administration Email: JBailey@sypa.org.uk
Telephone: 01226 772954

George Graham – Fund Director
Email: GGraham@sypa.org.uk
Telephone: 01226 772887

Designated officer contact details:

Treasurer – Neil Copley
Email: neilcopley@barnsley.gov.uk
Telephone: 01227 773237

Monitoring Officer – Andrew Frosdick
Email: andrewfrosdick@barnsley.gov.uk
Telephone: 01226 773001

Determining whether a breach is likely to be of material significance.

To decide whether a breach is likely to be of material significance individuals should consider the following elements, both separately and collectively:

- Cause of the breach (what made it happen).
- Effect of the breach (the consequence(s) of the breach).
- Reaction to the breach.
- Wider implications of the breach.

The cause of the breach

Examples of causes which are likely to be of concern to the Pensions Regulator are provided below:

- Action, or failing to act, in deliberate contravention of the law.
- Incomplete or inaccurate advice.
- Poor administration, i.e. failure to implement adequate administration procedures.
- Poor governance.
- Slow or inappropriate decision-making practices.

When deciding whether a cause is likely to be of material significance individuals should also consider:

- Whether the breach has been caused by an isolated incident such as a power outage, fire, flood or a genuine one-off mistake.
- Whether there have been any other breaches (reported to the Pensions Regulator or not) which when taken together may become materially significant.

The effect of the breach

Examples of possible effects (with possible causes) of breaches which are considered likely to be of material significance to the Pensions Regulator in the context of the LGPS are given below:

- Authority/Board members not having enough knowledge and understanding, resulting in the Authority and Boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements.
- Conflicts of interest of Authority or Board members, resulting in them being prejudiced in the way they carry out their role and/or the ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements.
- Poor internal controls, leading to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time.

- Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement.
- Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time.
- Misappropriation of assets, resulting in scheme assets not being safeguarded.
- Other breaches which result in the scheme being poorly governed, managed or administered.

The reaction to the breach

A breach is likely to be of concern and material significance to the Pensions Regulator where a breach has been identified and those involved:

- Do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence.
- Are not pursuing corrective action to a proper conclusion.
- Fail to notify affected scheme members where it would have been appropriate to do so.

The wider implications of the breach

Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to the Pensions Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the Fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

Traffic light framework for deciding whether or not to report

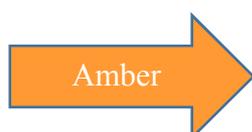
It is recommended that those responsible for reporting use the traffic light framework when deciding whether to report to the Pensions Regulator. This is illustrated below:



Where the cause, effect, reaction and wider implications of a breach, when considered together, are likely to be of material significance.

These must be reported to the Pensions Regulator.

Example: Several members' benefits have been calculated incorrectly. The errors have not been recognised and no action has been taken to identify and tackle the cause or to correct the errors.



Where the cause, effect, reaction and wider implications of a breach, when considered together, may be of material significance. They might consist of several failures of administration that, although not significant in themselves, have a cumulative significance because steps have not been taken to put things right. You will need to exercise your own judgement to determine whether the breach is likely to be of material significance and should be reported.

Example: Several members' benefits have been calculated incorrectly. The errors have been corrected, with no financial detriment to the members. However, the breach was caused by a system error which may have wider implication for other public service schemes using the same system.



Where the cause, effect, reaction and wider implications of a breach, when considered together are not likely to be of material significance. These should be recorded but do not need to be reported.

Example: A members' benefits have been calculated incorrectly. This was an isolated incident, which has been promptly identified and corrected, with no financial detriment to the member. Procedures have been put in place to mitigate against this happening again.

All breaches should be recorded even if the decision is not to report.

When using the traffic light framework, individuals should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together. Some useful examples of this framework is provided by the [Pensions Regulator](#)

COMPLAINT SUMMARY

1 July 2019 to 30 September 2019

Reference	Complainant	Nature of Complaint	Response issued within target response time?	Responsible party	Follow up actions required/taken?
C22	Retiring Member	Delay in progress of deferred into payment.	YES	Member	NA. Member had not returned claim forms.
C23	Retiring Member	Delay in progress of deferred into payment.	YES	Employer	NA. Employer had advised incorrect retirement date.
C24	Retiring Member	Member unhappy that insufficient time provided to make a decision regarding benefits.	YES	Member	NA. member had misunderstood rules.
C25	Retiring Member	Delay in progressing retirement.	YES	Employer/SYPA	Request had been sent to outdated employer contact. Notification to staff to be vigilant regarding contact list.
C26	Beneficiary	Incorrect bereavement letter issued.	YES	Third Party	Apology letter issued to member. Third Party advised of error.
C27	Active Member	Member unhappy with delay in response to queries regarding divorce proceedings.	YES	SYPA	Case not correctly assigned following receipt. Relevant staff reminded of importance of accurate assignment of incoming post.
C28	Third party provider	Lack of response to regarding transfer out	YES	SYPA	NA. Error by member of staff no longer employed.
C29	Retiring Member	Inaccurate calculation of benefits	NO	SYPA/Employer	Employer provided inaccurate pay information but SYPA staff reminded to be more vigilant in querying with employer when processing cases with reductions in pay
Total for Quarter	8				

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Subject	Data Quality and Improvement	Status	For Publication
Report to	Local Pensions Board	Date	17 October 2019
Report of	Head of Pension Administration		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Jason Bailey	Phone	01226 772954
E Mail	JBailey@sypa.org.uk		

1 Purpose of the Report

- 1.1 To update members on progress with the Data Improvement Plan ahead of the Pensions Regulator's annual return.

2 Recommendations

- 2.1 Members are recommended to:
- a. **Note the proposed changes to the measurement of conditional data**
 - b. **Review the progress made with the existing Improvement Plan**

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). Improved data quality leads to more timely and accurate access to member's records.

Effective and Transparent Governance

To uphold effective governance showing prudence and propriety at all times. The Pensions Regulator's Code of Practice 14 sets out that schemes should continually review their data and carry out a data review exercise at least annually.

4 Implications for the Corporate Risk Register

- 4.1 The actions outlined in this report have the following implications for the Corporate Risk Register.

- 4.2 Risk O2 centres on the risk of failure to meet statutory requirements for disclosure of information to members. Maintaining accurate data records are one mitigation against this risk as this reduces the possibility of inaccurate information being provided to members.

5 Background

- 5.1 Members of the Board will be aware that the Pensions Regulator expects funds to maintain good quality data and to have a data improvement plan in place which is reviewed at least annually. Funds were required to report on the quality of **common** and **conditional** data for the first time in 2018/19.

- 5.2 Common data items are basic data items which are used to identify scheme members and are defined by the Regulator. Conditional (or scheme-specific) data items are not specifically defined but are data items which are key to running the scheme and meeting legal obligations. In general terms for the LGPS this will be data such as membership details, pensionable pay, contributions, etc.

Data Scoring for 2018-19

- 5.3 Members may recall that the intention of data scoring for the LGPS was that agreement be reached at national level through the Scheme Advisory Board (SAB) as to which data items held on administration systems should be scored and what the nature of the measurements of those data items would be. In the event, it was not possible for national agreement to be reached and each fund produced its own scoring mechanism.

- 5.4 For SYPA, we had previously developed our own in-house software tool (called DART) which was designed to identify data discrepancies and we used a combination of DART reports and existing guidance to arrive at a data score. For reference, the scores reported to the Regulator were as follows:-

Common Data 2018/19:	96%
Conditional Data 2018/19:	87%

- 5.5 Although informal discussions amongst LGPS funds suggest that these levels of scoring were comparable, the measurements were clearly very subjective and it is difficult therefore to draw any meaningful conclusions about how LGPS funds are performing.

Data Scoring for 2019-2020

- 5.6 For the 2019-20 exercise which will be due to be submitted to the Regulator in November, SAB have taken a slightly different approach. Following discussions with interested parties, including software providers, they have developed draft guidance consisting of a reduced set of 22 conditional data items which they felt LGPS funds should use as a basis for measuring their conditional data. The draft guidance is attached as **Appendix A**.

- 5.7 Although this is only draft guidance, it is intended to start a process of developing a level of consistency across funds in terms of the conditional data scoring. One of the difficulties with the draft guidance however is that, although LGPS software providers were involved in the discussions with SAB, they have not all committed to having a data measuring tool for the 22 data items ready in time for the 2019-20 Annual Return.

- 5.8 As mentioned previously, SYPA have our own data quality software tool (DART) and we have been working to develop this tool to enable us to measure the 22 data items in the way that was outlined by SAB in the draft guidance. This is a complex piece of work involving tailored programming but we hope to have this work completed by the end of the month to enable us to utilise DART to measure the 22 data items proposed by SAB.
- 5.9 In practice, the measurement of conditional data in this way will lead to inconsistencies when attempting to provide year on year comparisons because a separate range of data items and conditional tests were analysed for 2018-19 (though clearly there were some commonalities). Our intention, therefore, is to produce the SAB proposal tests but also to run tests similar to those that were completed in 2018-19 to enable us to measure progress over time in improving data quality. The results will be provided to Board members at the next quarterly meeting.

Data Improvement Plan

- 5.10 Members may recall that a draft data improvement plan was provided at the January 2019 meeting and this was based on the outcomes of the scoring that was carried out. This was intended to be a working document and it is likely that the actions under the Data Improvement Plan will need to change again once the results of the latest scoring proposals outlined above are known.
- 5.11 In the meantime, we have taken the opportunity to update the previous improvement plan to reflect the progress made since the plan was first created at the beginning of the year. **Appendix B** shows the progress against the Common Data plan and **Appendix C** the progress against the previous measures of Conditional Data.
- 5.12 In respect of the Common Data, the main reason for the data failures is the lack of a current postal address for deferred members. SYPA is currently working collaboratively with two other larger LGPS funds on a procurement project for address tracing for deferred members with whom we have lost contact and it is envisaged that, once completed in the next few months, this will improve the common data score significantly.

6 Implications

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

Financial	None identified.
Human Resources	
ICT	
Legal	
Procurement	

Jason Bailey

Head of Pensions Administration

Background Papers	
Document	Place of Inspection

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1.1 Member Benefits

Scheme specific data to be tested	TPR Guidance	Status of members	Recommended Tests
Divorce Details	If a member has had a pension sharing order, check that full details of the benefits transferred to the ex-spouse/ex-civil partner are present.	Actives, deferreds and pensioners	<p>Check there is a value for pension debit</p> <p>Dates for the calculation and payment should be equal to or later than 01/12/2000</p> <p>Check there is a value for a transfer out in respect of the divorce</p> <p>Check the pension debit split is valid. E.g. not 0, blank or over 100%</p>
Transfers in	If benefits have been transferred in, check that all relevant details are recorded. This will include (as a minimum) the details of the previous scheme, the amount of the transfer value (split between protected rights and non protected rights and, if relevant, split between the amount received in respect of the member and employer contributions and AVCs), benefits secured, (if relevant) contracting out details.	Actives and deferreds	<p>Date the transfer in was received is present</p> <p>Ensure the transfer in value isn't blank or 0</p>

Additional Voluntary Contribution (AVC) Details and other additional benefits	Check that there is a history of any AVCs paid, type of investment, current provider, and (if relevant) benefits being secured	Actives and deferred	<p>Ensure an AVC start date is present</p> <p>Added years contract must have a period of added years</p> <p>Added pension contract must have amount of added pension</p>
Total Original Deferred Benefit	Check that total original deferred benefit is present (either derived or explicit).	Deferred	<p>Check there is a total initial pension and current pension</p> <p>Check there is a PI effective date and that it is later than the date the member joined the fund</p>

Tranches of Original Deferred Benefit	Check that there is a breakdown of the various tranches of the total deferred benefit. This must identify tranches with different rates of increases either in deferment or in payment, and tranches with different contingent spouse's/civil partner's benefits. Likely to include such items as pre/post 1997 splits, pre/post 2005 splits, Barber splits, VFM underpin etc. Details of the date at that any tranche is payable, if different from the scheme's normal retirement date, will also be required. The sum of the individual components must equal any total deferred pension that is recorded on the system.	Deferred	Ensure member has the relevant tranche If a member has service between 01/04/2008 (09 S&NI) and 31/03/2014 (15 S&NI) then ensure there is a 60ths tranche If a member has service post 31/03/2014 ensure they have a CARE tranche
Total Gross Pension	Check that a total pension is present (either derived or explicit).	Pensioners (including suspended tier 3)	Check there is a total initial pension and current pension Check there is a PI effective date and that it is later than the date the member joined the fund

Tranches of Pension	Check that there is a breakdown of the various tranches of the total pension, identifying tranches with different rates of increase and contingent spouse's/civil partner's benefits. The sum of the individual components must equal any total pension that is recorded on the system.	Pensioners (including suspended tier 3)	<p>If a member has service between 01/04/2008 (09 S&NI) and 31/03/2014 (15 S&NI) then ensure there is a 60ths tranche</p> <p>If a member has service post 31/03/2014 ensure they have a CARE tranche</p> <p>If the member has 50/50 benefits ensure there is a 50/50 tranche</p> <p>Latest PI date applied equals the latest PI date processed</p>
Total Gross Dependant Pension	Check that a total pension is present (either derived or explicit).	Dependant	<p>Check there is a total initial pension and current pension</p> <p>Check there is a PI effective date</p>
Tranches of Dependant Pension	Check that there is a breakdown of the various tranches of the total pension, identifying tranches with different rates of increase and contingent spouse's/civil partner's benefits. The sum of the individual components must equal any total pension that is recorded on the system.	Dependant	<p>Ensure member has the default tranche</p> <p>If a member has service between 01/04/2008 (09 S&NI) and 31/03/2014 (15 S&NI) then ensure there is a 60ths tranche</p> <p>If a member has service post 31/03/2014 ensure they have a CARE tranche</p>

1.2 Member Details

Date of Leaving	For trust-based schemes, check that member has a date of leaving that is after date joined	Deferreds and pensioners	Check that all non-active members have a date of leaving Ensure that date joined is present and later than 01/01/1900. Date joined should also be earlier than date of leaving
Date Joined scheme	Check that the date joined scheme is present, later than date of birth, and not earlier than date joined company. False dates should be classed as missing data.	Actives, deferreds and pensioners	Check that all key dates (date joined, DoB, Date of hours changes, date joined employer) are present and later than 01/01/1900
Employer Details	For members of multi-employer schemes check that date joined employing company is present and is later than date of birth. False dates should be classed as missing data.	Actives, deferreds and pensioners	Employer details such as the members employer and date joined employer are present.
Salary	Check that there is at least one relevant salary within the last 12 months of membership. Check that a relevant salary exists for each of the last 5 renewal periods of membership and is greater than £0.50.	Active and deferreds	Ensure at least one relevant salary present in last 12 months of membership

1.3 Care Benefits

CARE Data	Check that accrued benefit details are present if they are updated and recorded annually. If benefits are calculated from first principles when member leaves, all relevant salary & contribution will be required instead.	Actives, deferreds where active or date of leaving is after 31/03/2014 (15 S&NI)	Main or 50/50 benefits must be recorded for each year unless the member joined after the end of the previous scheme year
CARE Revaluation	Check that there is a history of revaluation percentage for the accrued pension for each relevant year, if benefits have not been not uprated and recorded annually.	N/A	Revaluation field must be present and have an entry for each 31/03 from 2015 (16 S&NI) to date

1.4 HMRC

Benefit Crystllation Event (BCE) 2 and 6	Check that full details of the dates and amounts paid at each benefit crystallisation event, including details of LTA percentage used, are present.	Pensioners (including suspended tier 3) that left after 05/04/2006	Check that crystallisation date is present and not earlier than date of leaving, that a PLA value and % are present and also PCLS amount present if a lump sum paid
Lifetime allowance	Check that the date and amount of any lifetime allowance charge paid is present.	Pensioners (including suspended tier 3) that left after 05/04/2006	If PLA is higher than 100% an LTA charge should be recorded

Annual allowance	None	Active	Check all active members have had an annual allowance calculation run for each scheme year
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1.5 Contracting Out

Date Contracted Out	Check that this is present and not earlier than 06/04/1978.	Actives, deferreds and pensioners	Ensure that the following are stored on the member's record: Contracted out date present if active before 06/04/2016 Contracted out date must be after 05/04/1978 Contracted out date must be earlier than 06/04/2016
NI contributions and earnings history	Check that members have a full contracted-out history during any period contracted out on a GMP basis. A verified GMP, agreed with NISPI, would be an acceptable alternative. Not required for reduced rate females.	Actives, deferreds and pensioners	A non-active must have a date of retirement and date of leaving EITHER a full NI earnings history OR a GMP must be present
Pre-88 GMP	Check that a member with at least one month of pre 4/88 contracted out service has a pre 88 GMP. GMP must be divisible by 52. May be derived if total GMP and post 4/88 GMP are recorded.	Deferreds and pensioners	Ensure that the following are stored on the member's record: Total GMP at exit must be present if Date Contracted Out < 06/04/1988 Total GMP at exit must not be less than post-88 GMP Total GMP at exit must be divisible by 52

Post-88 GMP	Check that a member with at least one month of post 4/88 service contracted out on a GMP basis has a post 88 GMP. Can be derived or explicit.	Deferreds and pensioners	<p>Ensure that the following are stored on the member's record:</p> <p>Total GMP at exit must be present if Date Contracted Out >05/04/1988 and < 06/04/1997</p> <p>Post-88 GMP at exit must be present</p> <p>Post-88 GMP at exit must be divisible by 52</p>
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Common Data

Reference	Data Category	Description	Errors as at Jan 2019	Current Errors		Status (Active, Deferred, Pensioner)	Action Required	External dependency?	Target Date for Completion	Data Impact	Progress to Date
COM1	NI Number	NI Number is temporary, invalid format, prefix/suffix missing, or duplicated.	525	38	↑	ALL	Manually correct records and investigate duplicates.	NO	Jul-19	High	Task allocated to relevant operations team.
COM2	Surname, Gender, DoB	Gender not consistent with record, DoB invalid.	26	26	↔	ALL	Manually correct inconsistent records.	NO	Apr-19	High	Task allocated to relevant operations team.
COM3	Address	Lost Contact	5,109	4,531	↑	ALL (but vast majority are deferred members)	Engage Tracing Agency to locate potential updated address; send verification form.	YES	Dec-19	Medium	Registered with National Framework ahead of procurement exercise.
COM4	Address	Invalid address, missing postcode etc	75	44	↑	ALL	Manually correct incomplete address records.	NO	Apr-19	Low	Task allocated to relevant operations team.
COM5	Membership dates	Missing start date, date of joining inconsistent with record, duplicated start dates.	60	71	↓	ALL	Investigate and manually correct incomplete records.	NO	Apr-19	High	Task allocated to relevant operations team.
Total No. of Errors			5,795	4,710							
Total No. of Records			158,678								
Overall Data Score Reported to Regulator 2018			96.3%								

Last Updated Sept 2019

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Conditional Data

Reference	Data Category	Description	Errors as at Jan 2019	Current Errors		Status (Active, Deferred, Pensioner)	Action Required	External dependency?	Target Date for Completion	Data Impact	Progress to Date
COND1	Pension Input Amounts	Missing Pension Input Amounts for last scheme year.	5,267	0	↑	ACTIVE	Update missing pay from outstanding EOY Returns in bulk; investigate and manually correct certain individual records; change leavers to correct status.	Partial	Jul-19	High	Task being handled as a bulk exercise by Technical Team.
COND2	Pensionable Pay record	9 Different error types. Generally relate to pay records inconsistent with expected entries.	290	6	↑	ACTIVE	Manually investigate and correct records.	No	Jul-19	Medium	Task allocated to relevant operations team.
COND3	APC/AVC record	Missing/inconsistent date relating to additional conts record.	33	43	↓	ACTIVE	Manually investigate and correct records.	No	Dec-19	Low	Task allocated to relevant operations team.
COND4	Working Hours	Part-time hours shown are inconsistent/ missing.	235	38	↑	ACTIVE	Manually investigate and correct records.	No	Dec-19	Low	Task allocated to relevant operations team.
COND5	Contributions	Contribution rates missing or dates invalid.	222	88	↑	ACTIVE	Manually investigate and correct records.	No	Dec-19	Low	Task allocated to relevant operations team.
COND6	GMP record	GMP data inconsistent with remainder of record.	379	Await GMP reconciliation		ACTIVE	Manually investigate and correct records.	No	Dec-19	Low	Task allocated to relevant operations team.
COND7	Transfer In	6 error types. Generally transfer records inconsistent with expected entries.	184	114	↑	ACTIVE	Manually investigate and correct records.	No	Jul-19	Medium	Task allocated to relevant operations team.
COND8	Service History	16 error types. Generally employer/service details missing or inconsistent.	248	112	↑	ACTIVE	Manually investigate and correct records.	No	Jul-19	Medium	Task allocated to relevant operations team.
Total No. of Errors			6,858								

Total No. of Records	54,760
Overall Data Score Reported to Regulator 2018	87.5%

Updated Sept 19

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Subject	Local Government Pension Scheme – Good Governance Review	Status	For Publication
Report to	Authority Local Pensions Board	Date	17 October 2019
Report of	Fund Director		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	George Graham	Phone	01226 772887
E Mail	ggraham@sypa.org.uk		

1 Purpose of the Report

- 1.1 To receive the conclusions of the Good Governance Review carried out on behalf of the Scheme Advisory Board and consider whether any specific actions are required in light of the conclusions of the review.

2 Recommendations

- 2.1 Members of the Authority and Pension Board are recommended to:
- a. **Note the contents of the Good Governance Review;**
- 2.2 Members of the Authority are, in addition recommended to:
- a. **Approve the limited initial actions proposed pending the Scheme Advisory Board’s final proposals;**
 - b. **Consider whether the implications highlighted in relation to knowledge and skills for members of the Authority should be raised with the District Councils in their consideration of appointments to the Authority.**

3 Link to Corporate Objectives

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

Effective and Transparent Governance

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

The proposals set out in the Good Governance Review are intended to strengthen governance across the Local Government Pension Scheme. While SYPA is unique within LGPS the good practice set out in the review provides a benchmark against which we can measure the effectiveness of our arrangements.

4 Implications for the Corporate Risk Register

- 4.1 At this stage there are no direct implications for the Corporate Risk Register. However, the direction of travel outlined in some proposals supports the emphasis placed on ensuring that members engage fully with learning and development opportunities which is a key mitigating factor in terms of risks which are identified within the risk register relating to the decision making process.

5 Background and Options

- 5.1 On 31 July 2019 the LGPS Scheme Advisory Board published the final report on the work carried out by Hymans Robertson on Good Governance within the scheme. This work originated in a project to examine governance models within LGPS in order to address the conflicts of interest which exist between the role of administering authority/scheme manager and the host council. While clearly such conflicts do not apply to SYPA because of our unique arrangements the work is of considerable interest because our broad governance model provides one of the options which was considered as part of this work.
- 5.2 The work involved a range of detailed interviews and surveys and officers contributed to both interviews and survey responses. Hymans Robertson's final report is attached as Appendix A and is available in the on-line reading room.
- 5.3 Some will view the report as a lost opportunity to establish a more independent governance model for LGPS allowing greater representation for key stakeholders and providing a clear solution to address the conflicts of interest which are apparent in the current arrangements. However, such an approach was never likely as the diversity in current arrangements and in the scale of the 88 LGPS funds in England and Wales makes arriving at a single model which is cost effective extremely difficult. Therefore, while the idea of imposing the model of separate Pensions Authorities across LGPS may be superficially attractive to be delivered sensibly it would require a range of other changes, probably including fund mergers, which means that it would be extremely difficult to implement even if agreement could be reached on such a move given the significant vested interests supporting the status quo.
- 5.4 Consequently the fairly pragmatic approach advocated in the report is probably as much as an exercise of this sort which did not originate as a means of implementing a government direction (and thus is different to investment pooling), could achieve. The recommendations also seek to avoid making changes to the LGPS regulations, presumably on the basis that the chances of finding legislative time for this would be unlikely on any reasonable timescale.
- 5.5 In essence what the Review proposes is a form of enhanced "status quo", supported by updated and strengthened guidance and some form of ring fence around the operational activities of a pension fund where they form part of the host Council and a requirement for the Pensions Committee to be involved in budget setting for these functions. Arrangements such as these are already in place in the best run administering authorities, and are not particularly relevant to SYPA given it is an organisation in its own right, although clearly strengthened guidance in some of these areas may have an implication for us which will need to be considered in due course.
- 5.6 The proposals set out in the review and their implications for SYPA are set out below:

Proposal	Proposed Actions	Comment and Implications for SYPA
<p>An “<i>outcomes based</i>” approach to LGPS governance rather than a prescribed governance structure</p>	<p>Scheme Advisory Board to consult on:</p> <ul style="list-style-type: none"> • Desirable features and attributes of LGPS governance arrangements • The outcomes governance arrangements should be expected to deliver; and • How each administering authority might evidence that its own governance model displays the required attributes. <p>Once identified and agreed through consultation the desirable features and expected outcomes should be set out in statutory MHCLG guidance (replacing the 2008 CLG guidance)</p>	<p>Clearly the implications will depend on both the identified desirable features and outcomes.</p> <p>However, key elements are likely to include the representation of stakeholders. In SYPA’s case scheme members are represented by the Trade Unions, however there is no representation of employers apart from the District Councils. The guidance may also reflect on the matter of voting rights for non-councillors where practice is currently very varied.</p> <p>In general an approach which starts with the desired outcome is more likely to achieve something, and the approach of engaging with the LGPS community to define the outcomes will achieve a greater degree of ownership of the resulting framework.</p>

Proposal	Proposed Actions	Comment and Implications for SYPA
<p>Enhanced training requirements for s151 officers and s101 committee members (in SYPA's case Authority members). This is to include all s151 officers not just those currently with administering authorities</p>	<p>CIPFA to develop a CPD module for s151 practitioners in the LGPS</p> <p>Scheme Advisory Board/ MHCLG statutory guidance to require training for Pension Committee (Authority) members should be on a par with the requirement for Local Pension Boards.</p>	<p>Given the somewhat different arrangements for SYPA the requirements in relation to the s151 officer are perhaps less relevant although nonetheless welcome.</p> <p>The requirement in relation to Authority members addresses a current significant anomaly. However, placing a requirement is not the same as providing members with the time and space required to undertake the relevant learning and development activity. The steps already taken to provide internal seminars, agree minimum requirements (LGA Fundamentals and the Regulator's Toolkit) as well as providing in advance a list of suitable external events currently provide a suitable organisational response.</p>

Proposal	Proposed Actions	Comment and Implications for SYPA
<p>Update relevant guidance and provide better signposting.</p> <p>It would also be helpful to provide greater clarity to officers and elected members on their statutory and fiduciary obligations.</p> <p>As well as signposting there should be clarity on the status of future guidance (e.g. statutory and therefore compulsory or best practice)</p>	<p>CIPFA to review and update guidance for s151s in respect of LGPS governance.</p> <p>MHCLG to review and update the statutory guidance on governance. In particular this should put greater emphasis on non-investment aspects of governance such as administration.</p> <p>Scheme Advisory Board should consider commissioning legal input to give greater clarity on statutory and fiduciary responsibilities of s151 officers and elected members.</p> <p>SAB or MHCLG to provide greater clarity on the status of current and future guidance.</p>	<p>While the CIPFA guidance is helpful in many ways its applicability to SYPA's situation is limited. There is therefore a risk that if this becomes the benchmark for these elements of governance arrangements that SYPA will find itself either "marked down" or having to make change to its organisation which it otherwise would not wish to make.</p> <p>The current guidance on all these areas is considerably out of date and therefore new guidance would be welcomed. However, it would be worth starting with a re-examination of elements of the regulations from first principles in order to avoid simply adding more and more requirements in an already complex area.</p>

5.7 It is evident from the above that there are a number of areas where the proposed framework is unlikely to fit for SYPA (or the Environment Agency and London Pension Fund Authority) and it seems sensible to raise this with the Scheme Advisory Board now and work with these other unique Administering Authorities in order to ensure that the final guidance when produced accommodates not just the "standard" administering authority that forms part of a council but the various other arrangements that are in place across the scheme. Particular areas where there is the potential for there to be a mismatch would appear to be:

- The underlying assumption that the s151 officer will always be the "Head of" the Pension Fund. This is not the case in the three stand-alone administering authorities and in SYPA and the LPFA the "Head of" the Pension Fund is the Head of Paid Service with the s151 officer role having an important but somewhat more limited remit. While not reflected in the statutory roles of individuals a similar de facto situation exists in a number of the larger LGPS funds.

- The addition of further assurance processes in relation to resource levels. As an organisations in its own right SYPA is restricted by its own self-discipline in this regard using the limits set in the Medium Term Financial Strategy. Thus this form of additional assurance seems unnecessary.
- As indicated above there is a danger that for an Administering Authority which is an organisation in its own right the enhanced Governance Compliance Statement will duplicate to a significant extent the Annual Governance Statement, in a way which is not currently the case. A few LGPS funds produce their own Annual Governance Statements and it is something external auditors have previously seen as good practice, so it might be possible to bring processes together to reduce duplication and avoid an additional regulatory burden.

5.8 In addition to this it is proposed that the Fund Director take steps to put the following in place both as a demonstration of best practice and also in preparation for the eventual introduction of the proposed new framework:

- a) Additional benchmarking of the Administration Service in terms of both cost and performance in order to provide data to support an assessment of the adequacy of resources in this area.
- b) The development of a formal conflicts of interest policy covering members and officers of the Authority. This will probably provide more detailed guidance for members and officers on the specific issues arising in the context of the Pensions Authority and cannot supersede the relevant codes of conduct.
- c) An overall assessment of the effectiveness of the Authority’s governance from an independent source. This initial work is probably best carried out by an organisation or individual who has significant knowledge and experience of LGPS and the issues which the Good Governance Review is seeking to address.
- d) In relation to the proposal to include a knowledge and skills requirement for Authority members in the regulations, members are asked to consider whether and how this should be raised with the District Councils in relation to their processes for appointing members to the Authority.

6 **Implications**

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

Financial	<p>Work in relation to additional benchmarking of administration was already factored into the corporate strategy and the resources for this are therefore provided in the budget. Any assessment of the effectiveness of governance will have a cost which will need to be met, in the first instance from the Corporate Strategy Reserve, and built into the budget in future years.</p> <p>A resource gap has already been identified within the organisation in terms of “governance risk and compliance”, and the requirements likely to flow from the Good Governance review will serve to increase this. Officers intend, subject to member approval, to address this within the budget process for 2020/21.</p>
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Human Resources	There are no immediate implications.
ICT	None
Legal	None
Procurement	None

George Graham

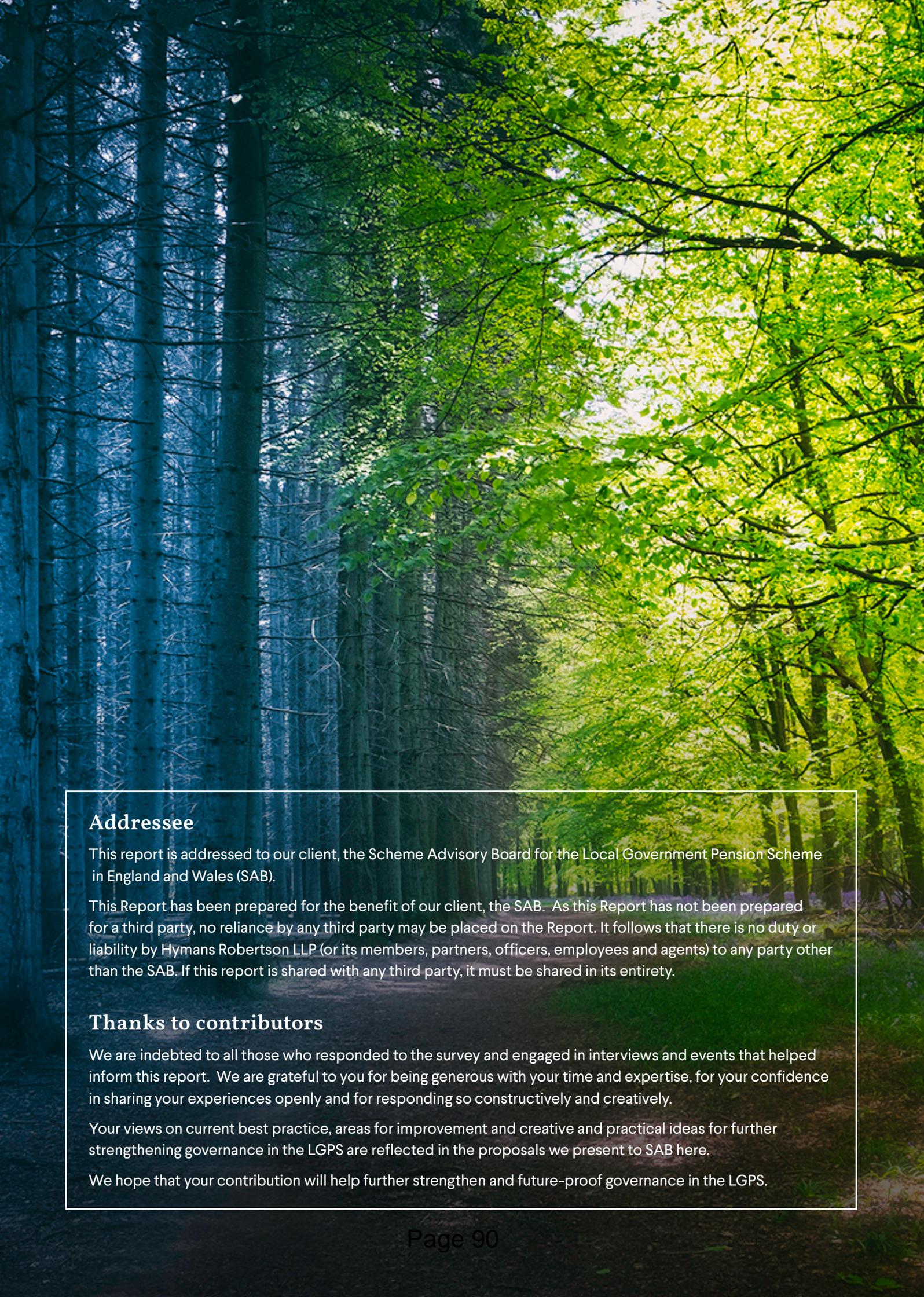
Fund Director

Background Papers	
Document	Place of Inspection

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Good governance in the LGPS

July 2019



Addressee

This report is addressed to our client, the Scheme Advisory Board for the Local Government Pension Scheme in England and Wales (SAB).

This Report has been prepared for the benefit of our client, the SAB. As this Report has not been prepared for a third party, no reliance by any third party may be placed on the Report. It follows that there is no duty or liability by Hymans Robertson LLP (or its members, partners, officers, employees and agents) to any party other than the SAB. If this report is shared with any third party, it must be shared in its entirety.

Thanks to contributors

We are indebted to all those who responded to the survey and engaged in interviews and events that helped inform this report. We are grateful to you for being generous with your time and expertise, for your confidence in sharing your experiences openly and for responding so constructively and creatively.

Your views on current best practice, areas for improvement and creative and practical ideas for further strengthening governance in the LGPS are reflected in the proposals we present to SAB here.

We hope that your contribution will help further strengthen and future-proof governance in the LGPS.

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Authors



Catherine McFadyen

Head of LGPS Actuarial,
Benefits and Governance
catherine.mcfadyen@hymans.co.uk



John Wright

Head of Public Sector
john.wright@hymans.co.uk



Ian Colvin

Head of Benefits Consulting
ian.colvin@hymans.co.uk



Steven Law

Actuary
steven.law@hymans.co.uk

Executive summary

Governance in the LGPS is evolving to accommodate new developments in the last decade, including oversight by The Pensions Regulator, introduction of Local Pension Boards, increasing complexity in scheme benefits and administration, local government funding cuts and pooling of LGPS investments which has changed the role of local pensions committees and the way LGPS administering authorities work with one another.

The SAB commissioned this report to examine the effectiveness of current LGPS governance models and to consider alternatives or enhancements to existing models which can strengthen LGPS governance going forward.

Given the unique nature of the LGPS, guaranteed by administering authorities and funded to a large degree by tax-payers, a criterion specified by SAB is that any models considered must maintain strong links to local democratic accountability.

Process

We engaged extensively with all stakeholder groups and all fund types via an online survey (140 respondents), one-to-one conversations through interviews and seminars (153 respondents), speaking engagements, a workshop with the Association of Local Authority Treasurers (ALATS), and discussion with the CIPFA Pensions Panel and the Society of County Treasurers (SCT).

We focussed on the following criteria for assessing governance arrangements; Standards, Consistency, Representation, Conflict Management, Clarity of Roles and Responsibilities and Cost. We were asked by SAB to consider how existing and alternative governance models fared against these criteria.

We considered four governance models:

- **Model 1:** improved practice
- **Model 2:** Model 1 plus greater ring-fencing
- **Model 3:** joint committee; and
- **Model 4:** separate Local Authority body.

These models were described in qualitative terms with the recognition that some of the characteristics attributed to one model could also be replicated in another model and that the final solution may draw on the features of more than one model.

Results and themes from survey responses

The online survey responses indicated a first preference for governance Model 2 (greater ring-fencing) followed by support for Model 1 (improved practice). Respondents recognised that governance models along these lines may need independent monitoring to add bite and ensure consistency of application. »



140 respondents to our online survey



one-to-one conversations



153 attendees at interviews and seminars



discussions with CIPFA and SCT

Respondents favour developing a set of standards that all funds are required to achieve...

Model 2 was also the clear preference in additional surveys at the PLSA conference in May* and other events (*Models 1 and 2 between them had more than 70% support).

Few respondents supported Model 3 (joint committee) citing no benefits over existing arrangements and considerable added complexity as the main reasons. Some respondents could see value in Model 4 (separate LA body), including one trade union for whom a version of this was the favoured model. However, for most this value was outweighed by concern about weakening relationships with councils who are key sponsors of the scheme and a belief that establishing this model would incur disproportionate cost to any benefits that could be delivered.

Through the written responses, interviews and other engagement, many stakeholders pointed out that their existing models provided many of the features and benefits of Models 1 and 2. Many had found good solutions to some of the challenges faced within the current structure and welcomed the opportunity to share these with peers and learn from others' experiences. This process enabled us to identify

- i. Some best practice within current governance arrangements that is delivering good outcomes and may have potential for wider application across the LGPS; and
- ii. Additional ideas for further strengthening governance within the current regulatory framework.

We have included these in the report.

Conclusions

- It is clear from survey responses that governance structure is not the only determinant of good governance. Funds with similar governance models deliver different results and good examples exist across a range of different set ups.
- Survey respondents were also clear that establishment of new bodies is not required, although this should be facilitated for funds who wish to pursue other arrangements voluntarily. Instead, the focus should be on greater specification of required governance outcomes from within the existing structures, and a process to hold funds to account for this.
- Respondents favour developing a set of standards that all funds are required to achieve, drawing on current best practice and not imposing disproportionate burden on administering authorities or disrupting current practices that deliver good outcomes already.
- Respondents emphasised that independent review is needed to ensure consistency in application of standards.

Key proposals

- 1 **'Outcomes-based' approach** to LGPS governance with minimum standards rather than a prescribed governance model.
- 2 **Critical features of the 'outcomes-based' model** should include:
(a) robust conflict management including clarity on roles and responsibilities for decision-making;
(b) assurance on sufficiency of administration and other resources (quantity and competency) and appropriate budget;
(c) explanation of policy on employer and scheme member engagement and representation in governance; and
(d) regular independent review of governance – this should be based on an enhanced governance compliance statement which should explain how the required outcomes are delivered.
- 3 **Enhanced training requirements** for s151s and s101 committee members (requirements for s101 should be on a par with LPB members).
- 4 **Update relevant guidance and better sign-posting.** This should include 2014 CIPFA guidance for s151s on LGPS responsibilities and 2008 statutory guidance on governance compliance statements. This guidance pre-dates both TPR involvement in LGPS oversight, local pension boards and LGPS investment pooling.

We also set out suggested actions for implementing these proposals if agreed by SAB.

1. Introduction



Governance in the LGPS is evolving to accommodate developments in the last decade...

Context, purpose and scope

Governance in the LGPS is evolving to accommodate new developments in the last decade, including oversight by The Pensions Regulator, introduction of Local Pension Boards, increasing complexity in the scheme benefits and administration, local government funding cuts and pooling of LGPS investments which has changed the role of local pensions committees and the way LGPS administering authorities work with one another.

The purpose of the survey, undertaken for SAB, was to identify ways of further strengthening LGPS governance in the face of these new challenges, setting a bar for standards that all funds should achieve, drawing on current best practice and not imposing additional unnecessary burden on administering authorities or disrupting current practices that deliver good outcomes already.

Given the unique nature of the LGPS, guaranteed and funded to a large degree by council tax-payers, a critical condition specified by the SAB was that any proposals must maintain strong links to local democratic accountability.

In developing the proposals made in this report, we consulted with many LGPS stakeholders. As expected, there were many different views and suggestions made to improve the governance arrangements in the LGPS. We have reflected many of these views in the body of the report, particularly where a view or proposal was articulated by several parties, and where possible we have indicated why some of these views or suggestions have not been taken forward in the final proposals. The proposals submitted to SAB in this report are those we believe would deliver improved governance at proportionate cost and reflect a consensus across most stakeholders.

We recognise that there are a small number of administering authorities (such as London Pensions Fund Authority and the Environment Agency) with unique arrangements. While we engaged with both of these funds to understand their perspectives and approaches to governance we recognise that some of the potential governance models as set out in the survey may not be appropriate, or even possible, for these bodies.

2. Process

The aim of the work we have undertaken was to deliver proposals to the Scheme Advisory Board that:

- Identify and address any actual or perceived issues within current LGPS governance arrangements, including conflicts for LGPS host authorities;
- Are based on a wide consultation to increase the likelihood of stakeholder support;
- Are proportionate and can be readily implemented; and
- Maintain local democratic accountability.

Process

The process we used is described below:

- 1. Fact-find phase:** We carried out interviews based on an open-scripted questionnaire with a diverse range of experienced officers, elected members and other stakeholders in order to identify any issues within current LGPS governance arrangements. The outcome and conclusions were shared with SAB in order to assist in developing the governance models which were consulted on in the online survey.
- 2. Online survey:** We conducted a wider consultation in the form of an online survey on the governance models identified by SAB. Input was sought from all relevant parties including s151 officers, s151 officers of non-administering authorities, pension fund officers, elected members, pension board members including scheme member and employer representatives as well as other interested parties and organisations.
- 3. Other engagement activities:** In addition to the survey, we engaged stakeholders through other activities such as interviews, seminars and speaking events to capture as wide a view as possible.
- 4. Report:** This report sets out the outcomes of our consultation activities including a full analysis of the key issues and proposals for addressing these issues, including commentary on any required legislative or guidance changes were these would realise significant benefits.



Who we consulted

In conducting our wider consultation, we engaged directly with all stakeholder groups and all fund types via:

- Online surveys which were sent to all relevant contacts on SAB's and Hymans Robertson's databases. These were also sent to any individual or organisation that requested them out with the initial mailing lists. In total, 140 responses were received to our online surveys by the closing date.
- One-to-one interviews were carried out with individuals or organisations by request or where further clarification of online responses were sought. Organisations included PSAA, NAO, CIPFA, SLT, Unite and Unison.
- Some organisations, such as CIPFA and PIRC, provided their own written submissions.

- Three seminars were held with open invitations to collate feedback from larger group.

There are 87¹ funds within the LGPS in England and Wales. We had direct feedback from representatives at 76 of these split across the various designations used by SAB in their annual report (see **Table 1**).

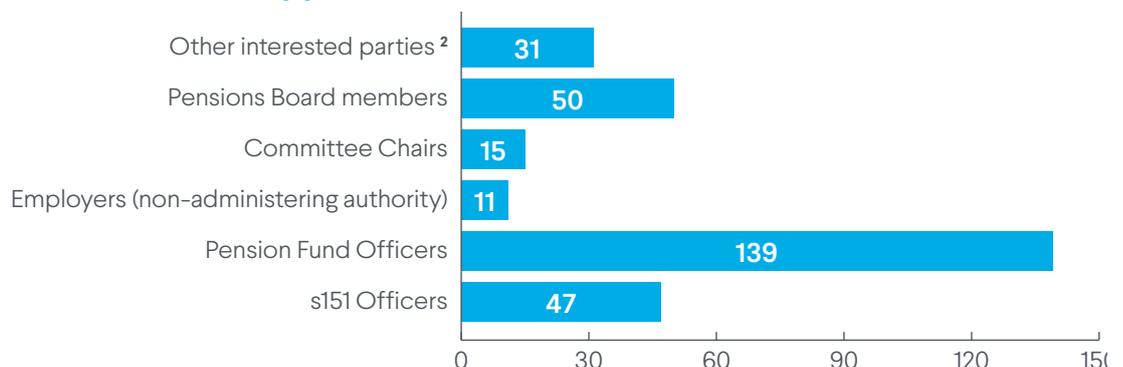
We engaged with a wide variety of stakeholders as set out in **Chart 1** below.

In addition, we have presented and collected feedback at key events over the period including the PLSA conference, CIPFA Pensions Panel, meetings of the Society of County Treasurers, Society of Welsh Treasurers and ALATS. Our findings and proposals reflect feedback from all of these.

Table 1: Respondents from LGPS funds in England and Wales, as designated by SAB annual report

	Universe	Responses	Interaction through	
			Survey	Interview
Unitary Authorities	12	11	24	17
London Boroughs	31	22	20	25
County Councils	27	26	64	55
Welsh Funds	8	8	15	14
Metropolitan Boroughs	6	6	8	17
Other	3	3	2	3
Independent responses			7	22
TOTAL	87	76	140	153

Chart 1: Stakeholders we engaged



¹ Excluding admission body funds, passenger transport funds and the environment agency closed fund.

² Including trade union representatives.

3. Survey results

The online survey issued as part of the consultation is set out in **Appendix A**. We sought views on four potential governance models SAB chose to consult on. All were assessed by respondents against criteria agreed with SAB. This was done through a combination of numerical scoring and free form commentary.

A summary of the numerical scores are set out below for each of the four structures:

- **Model 1 (Improved practice)**
 Introduce guidance or amendments to the LGPS Regulations to enhance the existing arrangements by increasing the independence of the management of the fund and clarifying the standards expected in key areas.
- **Model 2 (Greater ringfencing)**
 Clearer ringfencing of pension fund management from the host authority, including budgets, resourcing and pay policies.
- **Model 3 (Joint committee)** Responsibility for all LGPS functions delegated to a joint committee comprising the administering authority and non-administering authorities in the fund. Inter-authority agreement (IAA) makes joint committee responsible for recommending budget, resourcing and pay policies.
- **Model 4 (New Local Authority Body)**
 An alternative single purpose legal entity that would retain local democratic accountability and be subject to Local Government Act 1972 provisions.

In carrying out the survey, respondents were asked whether each of the models shown would have a positive or negative impact on each of the following criteria:

1	Standards	The model enables funds to meet good standards of governance across all areas of statutory responsibility including TPR requirements.
2	Clarity	The model delivers clarity of accountability and responsibility for each relevant role.
3	Conflict	The model minimises conflicts between the pension function and the host local authority, including but not limited to s151 officer conflicts (in operational areas such as budgets, resourcing, recruitment and pay policies and in strategic areas such as funding and investment policy).
4	Consistency	The model minimises dependence on the professionalism of individuals and existing relationships to deliver statutory responsibilities.
5	Representation	The model allows for appropriate involvement in decision-making for key stakeholders (including administering authority, non-administering authorities, other employer and member representatives).
6	Cost	The cost of implementing and running the model is likely to be worthwhile versus benefits delivered.



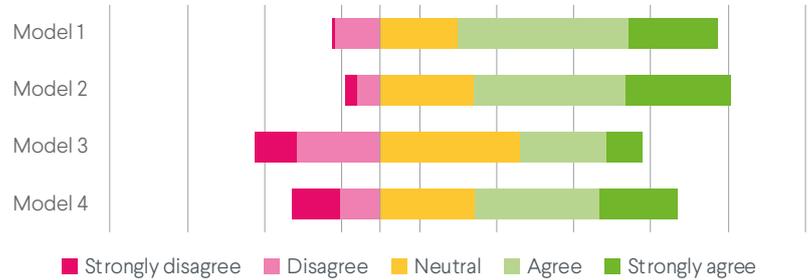
2. Survey results (continued)

The following charts summarise the extent to which respondents agreed that each model delivered against the six criteria. The further to the right the line appears, the more strongly respondents favoured the model against the criteria.

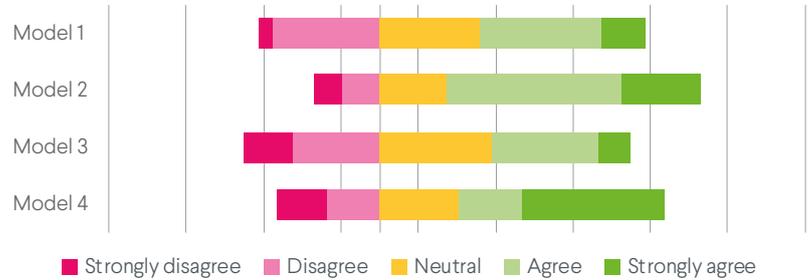
Comments on survey responses

- Across all questions and criteria, respondents gave the highest scores to Model 2, followed closely by Model 1.
- Model 4 scored reasonably well on questions relating to criteria 1 to 4. A minority of respondents supported this model or some variation on it. For example, one of the trade unions favoured a variant of Model 4 with a changed role for local councillors because they believe that it could reduce potential governance conflicts they see in the role of local councillors who must act in the best interests of scheme members and at the same time in the interests of local tax-payers. However, the majority of respondents raised concerns over the question of appropriate involvement in decision making. These respondents felt that democratic accountability may be weakened in this model or the influence of the lead local authority, who is the guarantor of last resort for the fund, would be diluted. The model also scored very poorly on cost or value for money with a majority of respondents feeling that the model would be very expensive and disruptive to implement.
- Model 3 received weakest support overall. Respondents felt that the model would be complex to set up and manage and would deliver no perceived improvements in governance outcomes.
- The sentiment reflected within the commentary in the responses was also strongly in favour of Models 1 and 2, with many respondents identifying features of Models 1 and 2 that are already delivered in their current structure.
- However, responses also recognised that in order to achieve governance improvements through Models 1 and 2, the governance regime needs to include independent monitoring or review of local fund arrangements to ensure that everyone attains a minimum standard and that those beyond that level seek continuous improvement.

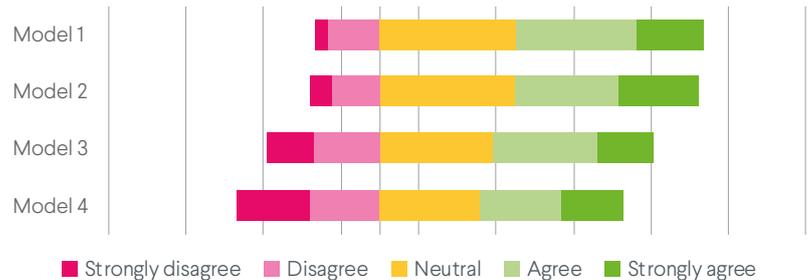
The model enables funds to meet the required standards



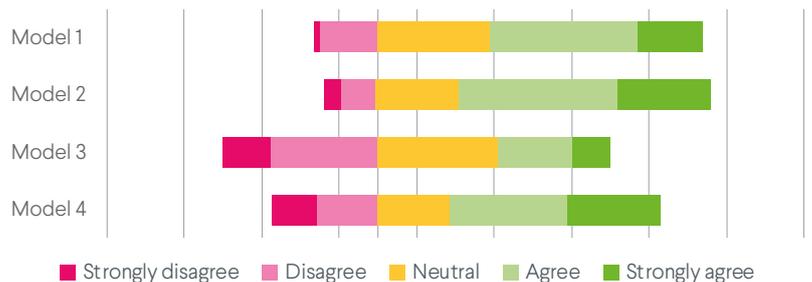
The model minimises conflicts between the pension function and the host local authority



The model allows for appropriate involvement in decision-making for key stakeholder

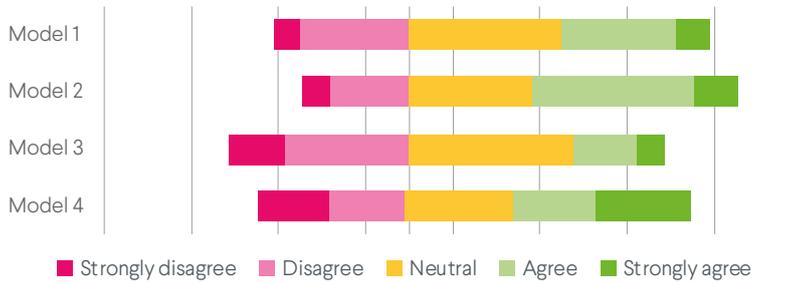


The model delivers clarity of accountability and responsibility for each relevant role

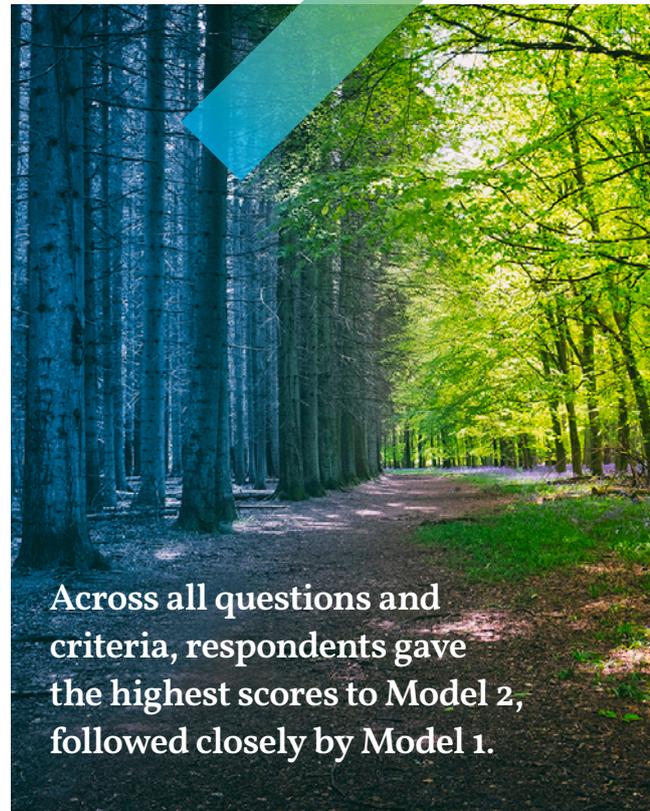


2. Survey results (continued)

The model minimises dependence on professionalism and relationships to deliver statutory responsibilities



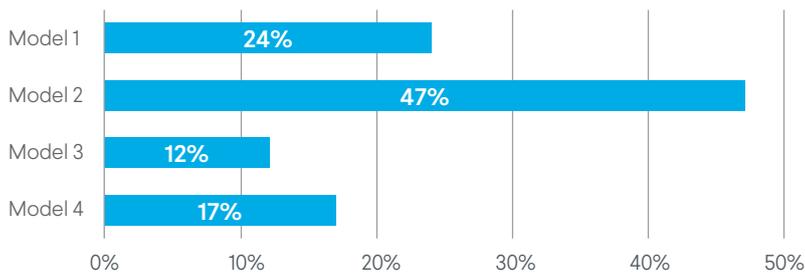
The cost of implementing and running the model is likely to be worthwhile versus benefits delivered



Across all questions and criteria, respondents gave the highest scores to Model 2, followed closely by Model 1.

PLSA

Which structural governance model do you prefer from the four models discussed?



Additional survey data

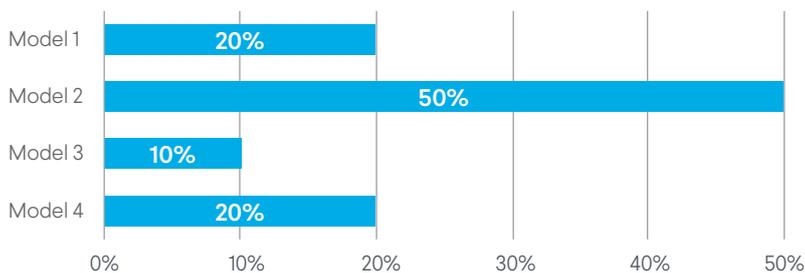
In addition to the online survey, we asked attendees at our PLSA session and other events a set of questions on their preferences.

Around 70% of respondents favoured Models 1 or 2.

Very similar results (from a smaller sample size) were recorded at our webinar.

Webinar

Which structural governance model do you prefer from the four models discussed?



4. Survey themes

The following section reflects some of the views raised during various conversations. Direct quotations reflect a specific point made by an individual which we judged to be representative of views of a number of respondents. Comments not in quotations are our expression of views expressed by a significant number of respondents.

Key:

CC	County Council
Met	Metropolitan
LB	London Borough
TU	Trade Union

Standards

1. There was an almost unanimous view that there should not be a single model of LGPS governance imposed on all funds.
2. The view 'one size does not fit all' was frequently stated by respondents from all categories of respondent.
3. There was a strong view from respondents that members of pension committees should be mandated to have the same level of training as local pension board members.
4. A small minority expressed the view that this would lead to problems getting elected members to sit on pension committees.
5. The fact that pension committee members can change due to elections or being moved around can cause problems with consistency and maintaining knowledge and skills.

“It is a perversion that LPB members require a higher degree of training than elected members.”

Officer, LB

“[The] biggest issue is stability at elected member level. Too much turnover.”

Officer, LB

6. Several respondents said that guidance from several sources caused confusion as to which was current, which was relevant and what are 'musts' (mandatory) and 'shoulds' (guidance or best practice):

“Funds are currently pulled in too many directions by lots of guidance – CIPFA, SAB, TPA etc.”

Officer, CC

“[Guidance from numerous sources] muddies the waters between what is statutory guidance and what isn't.”

Independent Advisor

7. The idea of extending the existing concept of peer challenge to include pensions was mentioned by some respondents. (Committee Chair CC, s151 CC and officers Met)

Clarity of decision-making

1. Some respondents felt that there was already a clear framework around decision making within their authority but other reported that there was very little clarity around where key decisions were made.
2. Two funds suggested that it was unclear who was responsible for decisions around outsourcing the administration function; was it the pension committee, s151 officer, full council?
3. One fund reported it very difficult for the council's constitution to be updated - the updates required for pooling have still not been made.
4. Greater clarity around decision-making is a good idea: **"Some decision-making conventions are lost in the mists of time."**

Officer, CC



Consistency

1. Commentary on Models 1 and 2 recognised that some sort of monitoring, enforcement or independent review would be needed to ensure that the required standards and governance outcomes are delivered.
2. There was strong support for the professionalism of s151 officers and the role they play.
3. A few respondents noted that the work pressures on s151 officers is greater than ever before and worried about their scope to devote the necessary time to the fund.

"My s151 is incredibly supportive and helpful but I accept s151s at other funds are not as engaged or are engaged in the 'wrong way'".

Officer, CC

"Separation would actually push s151s away from the fund, leading to less responsibility and engagement with the fund, leading in turn to less expertise and worse decisions. Better to get s151s more closely involved so they understand the requirements of the LGPS and make better decisions."

Officer, CC

4. A number of respondents stated that "Statutory/ fiduciary duty clarity would be useful."



Conflicts

1. Most respondents felt that there was acknowledgement of the potential conflict faced by elected members and officers and that those potential conflicts were managed well.
2. However, it was not unusual for respondents to suggest that there needed to be better distinction between the employer and administering authority role.

“No one in the council understands the difference between the ‘council’ function and the ‘pension’ function.”

Officer, LB

“The make-up of panel/committees is not working – too much political interference.”

LPB Chair

On conflicts:

“I don’t see abuses. The ability is there for there to be abuse but it doesn’t happen.”

Officer, CC

“LGPS is full of conflict, s101 committees are beholden to the council who are mainly focused on council tax-payers.”

TU

3. Some pointed out that concentrating on conflicts missed some of the advantages of LGPS funds being part of local authorities.

“[This review] should address the many advantages and benefits of working for a large, well-run and modern council.

s151 CC

“[s151] role involves tensions, not conflicts. Tension can’t always be seen as a bad thing.”

Officers, Met

Budgets and resourcing

1. There was a range of approaches when it came to budget setting. In some instances, the budget available to the pension fund was determined as part of the wider council budget setting process with little or no input from pension officers and no role for the pension committee. Other funds reported that budget setting and in-year management of the budget was the responsibility of pension officers and that the local authority’s s151 was ‘kept informed’.

“It hadn’t occurred to me that the [pension] committee could get involved with budget setting. Guidance on that would be good.”

Officer, LB

“Potential problems include transparency in the AA of its costs. Recharges of time. Costs recovered by the AA via the PF.”

LPB Chair

2. There was also a split in terms of whether funds had the ability to set their own staffing or whether they were subject to recruitment freezes or downsizing exercises that apply to the main council.

“[There should be] resourcing such that there is the quality and competence to deliver their statutory duties”

s151, CC

One s151 expressed **“disbelief that blanket hiring bans and pay policies affected the pensions section. s151’s should be flexible enough to understand how to ‘spend’ resources. If they need to pay differently for pensions to get the right experience/quality.”**

s151, CC

When it comes to budgeting and workplans

“...the s101 committee decides including requests for extra resource if required.”

Chair of Committee. CC

Representation

1. Most respondents felt that there was a role for some sort of scheme member presence on pension committees, although there was a difference of opinion about whether this should be a voting role or an observer role. A number of funds suggested that the scheme member role should not be limited to trade union representative. All agreed that the majority representation must lie with the administering authority.

“Less than 50% of our members are in a union.”

s151, CC

“Representation is key – members must have a say”

TU

“Other employers reps and member reps should have voting rights [on the committee]. That’s right and should happen.”

Chair of Committee, CC

“We are warm towards the idea of an independent advisor/trustee who sits on committees.”

s151, CC

“We want to improve things for our members in terms of governance, transparency and representation.”

TU

2. There were strong views on both sides about the value that local pension boards bring. Some feeling that they increased bureaucracy without adding value while for others they had become a useful part of the fund’s governance arrangements.

“I welcome the involvement of the Pension Board it adds value, second opinion.”

Chair Committee, CC

One respondent believed that joint committee and local pension boards **“give scheme members and other employers a voice and avoids duplication.”**

s151, CC

“Many administering authorities see boards as threats rather than opportunities. There are still boards who are dictated to. Need administering authorities to release tight control.”

Chair of LPB

3. There were a range of practices in how funds engaged with employers:

“As s151 of a non-admin authority, I didn’t feel engaged in the pension fund, it was something that was dictated to me every few years.”

s151 speaking of their time in a non administering authority

“Employer liaison is tricky as your participating employers often don’t see it as a priority.”

s151, CC



5. Examples of current best practice

It was apparent during our conversations that many funds exhibited excellent examples of good governance but that practices across funds were not consistent. This section captures some of the examples of best practice that we identified.

Regular governance reviews

A number of funds confirmed that they use internal audit to provide assurance on administration and governance matters. Some reported an annual programme of work with different aspects of delivery being assessed each time.

Other funds had commissioned external governance reviews in order to receive an independent assessment of their current arrangements.

Committee membership and effectiveness

A large number of funds stated that they required pension committee members to attain the same level of knowledge and expertise as local pension board members. This was achieved through training policies which set out clearly how the fund will deliver training and assess its effectiveness.

One fund reported how members of the pension committee are required to sign a declaration stating that they will act in the interests of the fund and not be influenced by party political matters. One view is that councils should waive the requirement for political representation on committees to allow the most appropriate members to sit, rather than allocate places according to political party.

Most funds have some sort of scheme member representation on pension committees and a small number allow scheme member representatives to vote.

Independence

A number of funds reported that there was a clear understanding of, and separation between, the functions of the pension fund and the local authority which recognised the specialist nature of the LGPS. This was typically achieved through one or more of the following features:

- A dedicated Head of Pensions role which was at an appropriately senior level within the authority's structure.
- A recognition by elected members serving on the pension committee that, when carrying fund specific business, they were acting on behalf of scheme members and all of the employers in the fund, not simply their own local authority.
- Independent business planning and resourcing decisions made by pension fund officers and signed off by the pension committee and s151. This allows the pension fund to plan and resource appropriately to deliver its strategic objectives.
- Pension fund not subject to same recruitment freezes or restructuring exercises applied at a council level. Some funds reported using market supplements to attract appropriately skilled staff, where a strong business case could be made.

Focus on quality of service to scheme members

Some funds were prepared to 'go the extra mile' in terms of the quality of service delivered to scheme members. This might involve encouraging face-to-face interaction between pensions staff and scheme members (particularly when considering complex or emotive matters), producing a range of communications aimed at active, deferred and pensioner members or holding annual member meetings to raise awareness of current issues.

6. Proposals

The proposals we set out for consideration by SAB are informed by feedback from stakeholders. Many are things which well-run funds already do.

- **Table 1** shows the proposals in summary.
- **Table 2** sets out the rationale for each proposal and, if SAB agrees with proposals, suggested actions to implement.

Table 1: Summary of proposals

1	'Outcomes-based' approach to LGPS governance with minimum standards rather than a prescribed governance structure.
2	Critical features of the 'outcomes-based' model to include: <ol style="list-style-type: none"> Robust conflict management including clarity on roles and responsibilities for decision making. Assurance on sufficiency of administration and other resources (quantity and competency) and appropriate budget. Explanation of policy on employer and scheme member engagement and representation in governance. Regular independent review of governance - this should be based on an enhanced governance compliance statement which should explain how the required outcomes are delivered.
3	Enhanced training requirements for s151s and s101 committee members (requirements for s101 should be on a par with LPB members).
4	Update relevant guidance and better sign-posting.

Table 2: Rationale for proposals and suggested actions

	Proposal	Why	Suggested actions
1	'Outcomes-based' approach to LGPS governance rather than a prescribed governance structure.	<p>We observe (and the survey evidences) that different administering authorities with the same governance structure can have different outcomes in terms of quality and standards of governance. All the governance models in the SAB survey can deliver good or bad governance outcomes. Focussing on the desirable traits and outcomes expected of LGPS governance will enhance governance in a more reliable and cost-effective manner than prescribed changes in structure.</p> <p>Further, we do not believe it is appropriate to impose a 'one size fits all' approach.</p>	<ol style="list-style-type: none"> SAB should consult on: <ul style="list-style-type: none"> Desirable features and attributes of LGPS governance arrangements; The outcomes governance arrangements should be expected to deliver; and How each administering authority might evidence that its own governance model displays the required attributes. Once identified and agreed through consultation, the desirable features and expected outcomes should be set out in statutory MHCLG guidance (replacing the 2008 CLG guidance).



Table 2: Rationale for proposals and suggested actions (continued)

	Proposal	Why	Suggested actions
2	<p>Critical features of the ‘outcomes-based’ model to include:</p> <ol style="list-style-type: none"> Robust conflict management. Assurance on sufficiency of administration resources (quantity and competency) and appropriate budget. Explanation of policy on employer and scheme member engagement and representation in governance. Regular independent review of governance. 	<p>The detailed specification of the desirable features and expected outcomes of an ‘outcomes-based’ model are beyond the scope of this project and should be determined in a second stage of work and through consultation.</p> <p>However, based on responses to the survey we propose a small number of critical elements to ensure this approach is effective. These proposals are shown below under 2(a) – (d).</p>	<p>SAB to consider making these features mandatory but determining other aspects of the detailed specification of features and expected outcomes in a further phase of work (as per Proposal 1).</p>
2a	<p>Robust conflict management.</p> <p>Administering authorities should be able to decide locally how they will evidence this requirement including for example:</p> <ul style="list-style-type: none"> Published conflicts policy. Protocols for setting and managing budgets. Schemes of delegation. Documented roles and responsibilities of elected members on s101 committees, s151 officers and pension fund officers. 	<p>Elected councillors and s151 officers have multiple competing statutory responsibilities, within their roles in the LGPS and in wider council responsibilities. High professional standards and experience help them to navigate. Additional measures specific to their LGPS duties can help reduce conflicts and perception of conflicts.</p> <p>Many administering authorities already have a conflicts policy or alternative arrangements to help reduce the risk of conflicts including, for example, schemes of delegation or well defined and documented roles and responsibilities.</p>	<p>SAB should consider making this a mandatory feature of any ‘outcomes-based’ governance model.</p>



Table 2: Rationale for proposals and suggested actions (continued)

	Proposal	Why	Suggested actions
2b	<p>Assurance administration and other resource (quantity and competency) sufficient to meet regulatory requirements and budget appropriate.</p> <p>This will require a transparent approach to setting and managing budgets.</p> <p>Administering authorities should be able to decide locally how they will evidence this requirement including for example:</p> <ul style="list-style-type: none"> • Benchmarking. • External expert advice. • Internal or external audit. • Review by LPB with appropriate expert advice. <p>Administering authorities may need freedom to use market supplements to attract and retain staff and should not be tied to council staffing policies such as recruitment freezes.</p>	<p>The administrative burden on the LGPS has increased significantly due to increasing complexity (pre- and post-Hutton benefits) and the massive growth in employer numbers.</p> <p>At the same time, there is increased scrutiny from TPR and risk of fines and other regulator interventions.</p> <p>It is critical that pension administration teams are sufficiently well resourced with competent personnel and appropriate administration systems.</p> <p>This aim must be supported by transparent processes for setting appropriate budgets.</p> <p>Pensions administration is a specialist role and, at the current time, it is difficult to attract and retain staff.</p> <p>Many administering authorities already have pay and recruitment policies relevant to the needs of their pension functions rather than being tied to the general policies of the council.</p>	<p>SAB should consider making this a mandatory feature of any 'outcomes-based' governance model.</p>
2c	<p>Explain policy on employer and member engagement and representation in governance.</p> <p>At the current time, employer and member representation (with or without voting rights) should be encouraged but not compelled. Decisions on the approach to member representation should remain a local matter but administering authorities should explain their approach.</p>	<p>Most administering authorities have non-administering authority employer and scheme member representatives.</p> <p>Non-administering authority employers are often chosen to represent certain employer constituencies (e.g. academies, FE, charities and housing associations).</p> <p>In some cases, scheme member representatives have voting rights.</p> <p>»</p>	<p>SAB to consider making these features mandatory but determining other aspects of the detailed specification of features and expected outcomes in a further phase of work (as per Proposal 1).</p>



Table 2: Rationale for proposals and suggested actions (continued)

	Proposal	Why	Suggested actions
		<p>Many survey respondents support greater encouragement to include scheme member reps on s101 committees.</p> <p>However, administering authorities prefer some local flexibility on this, including how representatives are selected and whether they have voting rights. Importantly, administering authorities should retain majority voting representation because of the statutory responsibilities they bear.</p>	
2d	<p>Regular independent review of governance to assess effectiveness of administering authority's governance arrangements in the context of the desirable features and expected outcomes set out in guidance on an 'outcomes-based' model. This should be based on an enhanced governance compliance statement which should explain how the required outcomes are delivered.</p> <p>Guidance should not prescribe the approach but could set out acceptable methods which may include:</p> <ol style="list-style-type: none"> i. Internal or external audit assessment; ii. Scrutiny by LPBs; iii. A peer review process. 	<p>It is important that any 'outcomes-based' approach is policed.</p> <p>Self-assessment is insufficient. Independent review is required for a more objective assessment.</p> <p>We discovered that some funds do this on a regular basis already using a variety of approaches including internal and external audit and other external experts and advisors.</p>	<p>SAB should consider making this a mandatory feature of any 'outcomes-based' governance model.</p>



Table 2: Rationale for proposals and suggested actions (continued)

	Proposal	Why	Suggested actions
3	<p>Enhanced training requirements for s151s and s101 committee members. This is to include all s151 officers, not just those currently with administering authority responsibilities.</p>	<p>s151s: Current CIPFA training does not have specific pensions modules. CPD for those at or close to s151 level would be more effective and have impact sooner than changes to exam syllabus, although the latter would also have longer term benefit. Greater understanding of the LGPS amongst the wider s151 community may also reduce perception of conflicts.</p> <p>s101 committees: Currently the training requirements for Local Pension Board members (which are statutory) are more onerous than those for s101 committee members. Survey respondents felt this inconsistency was unacceptable and that s101 training should be on a par with LPB requirements.</p>	<ol style="list-style-type: none"> i. CIPFA to develop a CPD module for s151 practitioners in the LGPS. ii. SAB / MHCLG statutory guidance to require training for s101s to be on a par with members of Local Pension Boards.
4	<p>Update relevant guidance and provide better sign-posting.</p> <p>It would also be helpful to provide greater clarity to officers and elected members on their statutory and fiduciary obligations.</p> <p>As well as sign-posting, there should be clarity on the status of current and future guidance (e.g. statutory and therefore compulsory or best practice)</p>	<p>The main guidance relevant to governance includes:</p> <ol style="list-style-type: none"> i. CIPFA guidance for s151s in respect of LGPS responsibilities (2014); and ii. CLG's statutory guidance on governance of governance compliance statements (2008). <p>Both pre-date PSPA 2013, involvement of TPR in LGPS governance and investment pooling.</p> <p>Both must be updated.</p>	<ol style="list-style-type: none"> i. CIPFA to review and update guidance for s151s in respect of LGPS governance. ii. MHCLG to review and update statutory guidance on governance. In particular, this should put greater emphasis on non-investment aspects of governance such as administration. iii. SAB should consider commissioning legal input to give greater clarity on statutory and fiduciary responsibilities of s151 officers and s101 elected members. iv. SAB or MHCLG should provide greater clarity on the status of current and future guidance (e.g. statutory and therefore compulsory or best practice.)

Table 3: Other ideas considered but rejected or out of scope

	Proposal	Reason for non-recommendation
1	Separate s151 for pension fund.	<ul style="list-style-type: none"> • A benefit would be specific focus on LGPS matters and therefore greater depth of understanding. • However, this is unlikely to help reduce conflicts (the pension fund s151 still has fiduciary responsibility to local tax-payers and may report to council s151) and may not be practical for smaller funds with greater resource constraints.
2	Compulsory benchmarking.	<ul style="list-style-type: none"> • Concerns because benchmark data not like for like (e.g. same cost per member but different service); and (ii) risk this drives lowest common denominator results instead of innovation in service delivery • We recognise that benchmarking has a place and would welcome the development of more sophisticated forms of benchmarking that focus on the quality of the service delivered.
3	Legal separation of pension fund accounts.	<ul style="list-style-type: none"> • Requires change in primary legislation. • Pension fund accounts already separated, audited and shown in Pension Fund Annual Report (annual report is a statutory requirement). • It is unclear what additional benefit there is in legal separation of PF accounts from administering authority/council.
4	Mandating extension of audit to include an opinion on suitability of LGPS governance arrangements.	<ul style="list-style-type: none"> • Some funds commission an external (or internal) audit view voluntarily. • NAO has confirmed that this could only be mandated through legal separation of pension fund accounts (see above). • Concerns on some external auditors' lack of LGPS knowledge and lack of continuity due to changing personnel. • Preference to allow flexibility in approach to independent assessment of governance arrangements and their efficacy.
5	Removing s151 from decisions around admin budgeting due to conflicts.	<ul style="list-style-type: none"> • s151 has statutory responsibility.
6	Merger of funds to facilitate different governance models.	<ul style="list-style-type: none"> • Weakened link to local democratic accountability. • Outside of the scope of the project.



Table 4: Suggested follow up work beyond the scope of this report

	Suggested follow up work	Why
1	SAB to consult on detailed specification of desirable features and expected outcomes from an 'outcomes-based' model.	<ul style="list-style-type: none"> • Important to get buy-in and support for the practical details of an 'outcomes-based' governance model.
2	CIPFA and MHCLG to update existing guidance.	<ul style="list-style-type: none"> • Existing guidance is out of date.
3	Commission legal work to provide greater clarity on statutory versus fiduciary obligations (s151 and s101 committee members).	<ul style="list-style-type: none"> • Statutory responsibilities take precedence. • Currently unclear.
4	SAB to consider a 'Good Administration' review.	<ul style="list-style-type: none"> • Survey respondents expressed interest in some work to set out what good administration looks like, examples of current best practice, good approaches to meeting the needs of scheme members and employers, and greater clarity on what standards will be required to satisfy TPR. • This will help administering authorities to be clear what standards they must achieve in order to provide 'assurance' that administration resources are sufficient in quantity and competency, identify any gaps and determine what practical steps they might take to address those gaps.
5	SAB to consider a review of the role of Pension Boards in LGPS.	<ul style="list-style-type: none"> • Very mixed reports on the role and success in working with Pension Boards in the LGPS.



Table 5: 'Outcomes-based' model – concept illustration

	Outcome: examples	How to demonstrate that your governance model complies: examples
1	Robust conflict management.	<ul style="list-style-type: none"> • Conflicts policy. • Scheme of delegation or decision matrix setting out who makes what decisions. • Transparent process for approving budgets. • Documented roles and responsibilities of elected members on s101 committees, s151 officers and pension fund officers.
2	Assurance administration and other resource (quantity and competency) sufficient to meet regulatory requirements and budget appropriate.	<ul style="list-style-type: none"> • Benchmarking. • External expert advice. • Internal or external audit. • Review by LPB with appropriate expert advice. • Process for setting administration budget. • Policies in respect of recruitment and market supplements to attract and retain staff.
3	Explain policy on employer and member engagement and representation in governance.	<ul style="list-style-type: none"> • Set out approach to employer and member engagement e.g. communication plan, AGM, employer liaison and support. • Set out approach to participation of non-administering authority employers in governance of fund e.g. representatives of academies, admitted bodies, FE, charity sector, etc. • Set out approach participation of scheme members in governance (e.g. observers, voting members, how selected, etc.) and rationale for approach.
4	Regular independent assessment of governance arrangements.	<p>State method e.g.</p> <ul style="list-style-type: none"> • Internal or external audit assessment; or • Scrutiny by Local Pension Board; or • External expert / consultant; or • Peer review process. <p>Describe scope and approach e.g.</p> <ul style="list-style-type: none"> • Reviewing policies, meeting minutes. • Reviewing committee efficacy in decision-making, etc.

Appendix A

Scheme Advisory Board: Good Governance Survey

The following pages replicate the online Good Governance survey on governance models for the LGPS. The survey closed on 31 May 2019.

Introduction

The Scheme Advisory Board has commissioned Hymans Robertson to review LGPS governance structures and practices. This survey is part of a key part of the project and we are keen to collect views from as wide a range of stakeholders as possible. Further details on the scope and background to the project can be found on the SAB website.

To help inform this survey and the options for governance change presented for feedback, views were sought from a representative range of LGPS stakeholders (including pension fund officers, section 151 officers, trade unions and other advisors) in order to understand the issues and challenges that the current LGPS governance arrangements present.

Examples of issues cited by respondents included:

- **Clarity:** There is sometimes lack of clarity over roles and responsibilities.
- **Conflicts:** A number of stakeholders raised the issue of perceived conflicts of interest between the fund and the council, in particular for the section 151 of the administering authority given his or her responsibilities for the financial management of other council functions. It was suggested these could manifest themselves in terms of the strategic decisions taken by the fund in respect of funding (contribution rate decisions) and investment or in respect of allocating resource to the pension fund.
- **Consistency:** It is widely recognised that there are many examples of good practice within the LGPS and that section 151s and pension funds manage these conflicts well. However, it was noted that this good practice largely relies on the professionalism and good will of individuals and the ethos of the authority. There is very little regulation or guidance that would safeguard the situation if such high standards were absent.
- **Representation:** The issue of appropriate representation was raised, in particular for non-administering authorities. Some respondents suggested that there could be improvements in the way administering authorities engage with the other employers in the fund on administration resourcing as well as funding, contributions and investment matters.
- **Standards:** It was also noted that LGPS funds evidence varying levels of compliance with the standards for administration, funding and investment set out in statutory legislation, relevant guidance and the TPR Code of Practice 14.
- **Miscellaneous:** Other issues raised included lack of continuity in committee members; shortage of in-house skills, expertise and subject matter knowledge in investment and funding; and restrictions on recruitment and pay policy for the pensions function.

Please use the box below to provide details of any additional issues which you believe the Board should address as part of this exercise.

Comment box provided.



The criteria

Based on the issues raised by stakeholders, the Board has agreed 6 criteria which will be used to assess any proposed changes to LGPS governance arrangements.

Standards	The model enables funds to meet good standards of governance across all areas of statutory responsibility including TPR requirements.
Conflict	The model minimises conflicts between the pension function and the host local authority, including but not limited to s151 officer conflicts (in operational areas such budgets, resourcing, recruitment and pay policies and in strategic areas such as funding and investment policy).
Representation	The model allows for appropriate involvement in decision making for key stakeholders (including administering authority, non-administering authorities, other employer and member representatives).
Clarity	The model delivers clarity of accountability and responsibility for each relevant role.
Consistency	The model minimises dependence on the professionalism of individuals and existing relationships to deliver statutory responsibilities.
Cost	The cost of implementing and running the model is likely to be worthwhile versus benefits delivered.

Please use the box below to provide details of any additional criteria which you believe the Board should consider as part of this exercise.

Comment box provided.



Governance models in this survey

The Scheme Advisory Board would like to hear your views on four governance models set out below.

Option 1 – Improved practice: Introduce guidance or amendments to LGPS Regulations 2013 to enhance the existing arrangements by increasing the independence of the management of the fund and clarifying the standards expected in key areas.

Option 2 – Greater ring fencing of the LGPS within existing structures: Clearer ring-fencing of pension fund management from the host authority, including budgets, resourcing and pay policies.

Option 3 – Joint Committee (JC): Responsibility for all LGPS functions delegated to a JC comprising the administering authority and non-administering authorities in the fund. Inter-authority agreement (IAA) makes JC responsible for recommending budget, resourcing and pay policies.

Option 4 - New local authority body – an alternative single purpose legal entity that would retain local democratic accountability and be subject to Local Government Act provisions.

It is recognised that a one size fits all approach may not be appropriate.

Final recommendations by SAB could be variations on the models described here, taking account of your feedback. Any regulation changes needed will be fully assessed before SAB makes final recommendations. We have not provided detailed costing of each of the models presented in the survey. The cost of implementation would in any case vary across different funds, but, generally, the effort and cost to implement increases as we move from Option 1 to Option 4. Detailed costing of any recommendations emerging from this exercise would be undertaken prior to implementation.

In the next section we set out a brief description of each of the options along with the opportunity for you to provide your views on how well each option compares against the agreed criteria.

For brevity the option descriptions have been included on the next two pages, followed by the response form (which was identical for all four options).



Option 1 - Improved practice

Features

- SAB guidance on minimum expected levels of staffing and resourcing;
- SAB guidance on representation on pension committees and expected levels of training for those on pension committees and officers with an LGPS role. Additional guidance could also be considered on the best practice for pension boards.
- Legal clarification on the fiduciary and statutory duties of key individuals within LGPS funds.
- LGPS regulations set out enhanced process for consulting on FSS and ISS to ensure greater voice for the full range of employers in the fund.

Option 2 - Greater ring fencing of the LGPS within existing structures

Features

- The pension fund budget is set at the start of the financial year with reference to its own business plan and service needs.
- Any charges to the fund in respect of support services provided by the host authority, for example legal support, HR and procurement is included in the budget up front.
- Pension fund related expenditure then comes directly from the fund. This removes the common practice whereby pension fund expenditure is paid through the host authority's revenue account to be recharged at a later date.
- The section 151 of the administering authority would retain responsibility for the pensions function but recommendations on budget (including administration resources required to meet TPR standards) would be made by a pension fund officer to the pensions committee which would be responsible for agreeing the budget. (Alternatively, the pension fund could have a separate s151 officer to reduce conflicts currently faced by s151s.*)
- The pension committee would be responsible for agreeing the budget as well as approving any changes to that budget during the financial year.
- The cost of staffing would be met through the fund including any additional costs such as market supplements or redundancy strain.
- Changes to the Audit and Accounting Regulations 2015 could be considered to make the fund accounts legally separate and subject to a separate audit.

In addition to the budget related aspects outlined above further steps could be taken which would give funds greater autonomy over employment policies. The model is analogous to the fund being treated as an internal business unit of the council.

- Staff will continue to be employed by the host council but polices over certain HR matters such as recruitment and the payment of market supplements will be delegated to the pension committee.
- Decisions over other matters pertinent to the fund, for example investment in new administration technology, would also lie with the pension committee.
- Decisions around the structure of the pension function would be for the fund's management team to make with the approval of the pension committee.*

* Further consideration is required as to whether these practices could simply be encouraged by regulatory bodies or whether it is possible and/or desirable to find a mechanism by which these could be mandated.



Option 3 - Use of new structures: Joint Committees (JC)

Features

- The scheme manager function and all LGPS decision making, which currently sits with the administering authority, would be delegated to a section 102 JC. The committee would comprise all the local authorities who currently participate in the fund as employers.
- Consideration could be given to the representation of other employers and scheme members on the JC.
- Assets and liabilities still sit with the existing administering authority.
- Employment of staff and contractual issues dealt with through a lead authority or a wholly owned company. This could be codified within an Inter Authority Agreement (IAA).
- The IAA would stipulate that the budget will be agreed by the JC. s151s of the constituent local authority employers retain a fiduciary duty to the local taxpayer but the IAA would distance them legally from budget setting responsibilities in respect of the pensions function.

Option 4 - New local authority body

Features

An alternative single purpose legal entity that would retain local democratic accountability and be subject to Local Government Act provisions.

This might be through a combined authority route or through a public body established by statute.

- The new body must retain a strong link to democratic accountability.
- Employment of staff and contractual issues dealt with by the new body.
- Assets and liabilities transferred to the new body.
- Separate accounts based on CIPFA guidance.
- Funded by an element of the contribution rate and by a levy on constituent authorities.
- Officers in the new body are responsible only for the delivery of the LGPS function.



Please use the voting buttons to indicate to what extent moving from existing arrangements to Option (1, 2, 3 or 4) would achieve each of the criteria.

Standards	The model enables funds to meet good standards of governance across all areas of statutory responsibility including TPR requirements.	Strongly disagree 1 2 3 4 5 Strongly agree
Conflict	The model minimises conflicts between the pension function and the host local authority, including but not limited to s151 officer conflicts (in operational areas such budgets, resourcing, recruitment and pay policies and in strategic areas such as funding and investment policy).	Strongly disagree 1 2 3 4 5 Strongly agree
Representation	The model allows for appropriate involvement in decision making for key stakeholders (including administering authority, non-administering authorities, other employer and member representatives).	Strongly disagree 1 2 3 4 5 Strongly agree
Clarity	The model delivers clarity of accountability and responsibility for each relevant role.	Strongly disagree 1 2 3 4 5 Strongly agree
Consistency	The model minimises dependence on professionalism and relationships to deliver statutory responsibilities.	Strongly disagree 1 2 3 4 5 Strongly agree
Cost	The cost of implementing and running the model is likely to be worthwhile versus benefits delivered.	Strongly disagree 1 2 3 4 5 Strongly agree

Please provide any comments you may have regarding Option 1/2/3/4 in the box below.

Comment box provided.

Finally, respondents were asked:

Are there any alternative governance structures not covered between Option 1 – Option 4 which you believe the Board should consider?

Comment box provided.

Appendix B

Abbreviations

Abbreviations

ALATS	The Association of Local Authorities' Treasurers Societies
CIPFA	The Chartered Institute of Public Finance and Accountancy
CLG	Communities and Local Government (former name of MHCLG)
CPD	Continuous Professional Development
FE	Further Education
JC	Joint Committee formed under s102 of the Local Government Act 1972
LA	Local Authority
LGPS	Local Government Pension Scheme
LPB	Local Pension Board
MHCLG	Ministry of Housing, Communities and Local Government
NAO	National Audit Office
PF	Pension Fund
PIRC	Pensions and Investment Research Consultants Ltd
PLSA	Pension and Lifetime Savings Association
PSPA 2013	Public Service Pensions Act 2013
PSAA	Public Sector Audit Appointments
s101	A committee established under s101 of the Local Government Act 1972
s151	An officer with responsibilities under s151 of the Local Government Act 1972
SAB	Scheme Advisory Board for the Local Government Pension Scheme in England and Wales
SCT	Society of County Treasurers
SLT	Society of London Treasurers
SWT	Society of Welsh Treasurers
TPR	The Pensions Regulator





Subject	Review of Conflicts of Interest Policy	Status	For Publication
Report to	Local Pensions Board	Date	17 October 2019
Report of	Clerk and Monitoring Officer		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Martin McCarthy	Phone	01226
E Mail	MartinMcCarthy@barnsley.gov.uk		

1 Purpose of the Report

- 1.1 To allow the Board to consider the Conflicts of Interest Policy following review.

2 Recommendations

- 2.1 Members are recommended to:
- a. **Approve the Conflicts of Interest Policy following review.**
 - b. **Note that following review of the declared interests of members by the Monitoring Officer there are no issues that require additional measures to ensure that they are managed at this point.**
 - c. **Agree that in future both the Policy and the register of interests should be reviewed on an Annual basis and the results of the review reported to the Board to ensure public accountability.**
 - d. **Agree that the register of interests should be publicly available in the same way as for elected members of the Pensions Authority to ensure transparency.**

3 Link to Corporate Objectives

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

Effective and Transparent Governance

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

The effective recognition and management of conflicts of interest is fundamental to ensuring effective and transparent governance.

4 Implications for the Corporate Risk Register

- 4.1 The actions outlined in this report ensure that the Board and the Authority are acting to address the risk of not complying with the requirements laid out in the regulations

which govern the operation of the various aspects of the Local Government Pension Scheme.

5 Background and Options

- 5.1 It is good practice to review both the policy in relation to conflicts of interest and those interests declared by members of the Board on a regular basis. The LGPS Regulations relating to the operation of the Board and the Regulator's Code of Practice both place significant emphasis on the identification and effective management of conflicts in order to ensure that LGPS funds are run demonstrably in the interests of the beneficiaries. No formal review of the Policy has been undertaken since it was originally approved in 2015 and a review is therefore overdue.
- 5.2 Following review the Conflicts of Interest Policy itself requires no significant amendment and is included at Appendix A for approval. The approved version will be published on the internet for purposes of transparency.
- 5.3 The Monitoring Officer has reviewed the interests declared by members of the Board and concluded that there are no declared interests which require specific measures to put in place.
- 5.4 While officers do maintain an ongoing review of conflicts it is important that the Board considers these issues publicly on a regular basis and consequently it is recommended that in future a formal review of both the policy and declared interests should be presented to the Board annually. This is in line with the expectations which the Authority would place on investee companies and therefore it is important that the Authority set an example in this regard.
- 5.5 In addition to this it is recommended that the interests declared by all members of the Board are published in the same way as those for elected councillors, in order to provide transparency.

6 Implications

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

Financial	There are no direct financial implications arising from this report.
Human Resources	None
ICT	None
Legal	None
Procurement	None

Sarah Norman
Clerk

Andrew Frosdick
Monitoring Officer

Background Papers	
Document	Place of Inspection
The Local Government Pension Scheme (Amendment)(Governance) Regulations 2015	https://www.legislation.gov.uk/ukSI/2015/57/contents/made

SOUTH YORKSHIRE PENSIONS AUTHORITY**LOCAL PENSION BOARD****CONFLICTS OF INTEREST POLICY****1. Introduction**

There is a requirement for Local Pension Board (LPB) members not to have a conflict of interest. However, it is important to note that the issue of conflicts of interest must be considered in the light of the LPB's role in assisting the Scheme Manager (South Yorkshire Pensions Authority) in securing compliance with the Local Government Pension Scheme (LGPS) regulations.

The LPB does not make decisions in relation to the Scheme and, therefore, it is not anticipated that significant conflicts will arise. Nevertheless, this Policy has been drafted to assist in the effective identification, monitoring and management of conflicts of interest.

This Policy sets out to meet the requirements that specifically apply by virtue of the Public Service Pensions Act 2013 and the standards of conduct and practice as set out in the Pensions Regulator's Code of Practice.

2. Identifying Conflicts***LPB Members***

For the purposes of a member of the LPB, a conflict of interest is defined in section 5(5) of the 2013 Act as a "financial or other interest likely to prejudice the way in which someone carries out their role as a member of a pension board". It further specifies that a conflict does not include a financial or other interest arising merely by virtue of that person being a member of a relevant pension scheme. Therefore, a conflict of interest may arise when a member the LPB must fulfil their legal duty to assist the Scheme Manager and, at the same time, they have;

- a separate personal interest (financial or otherwise); or
- another responsibility in relation to that matter, giving rise to a possible conflict with their first responsibility as a member of the LPB.

The Scheme Manager must also satisfy itself that those appointed to the LPB do not have an actual conflict of interest prior to appointment and "from time to time". This will be achieved by regular monitoring and review of the declarations of interest register.

There is a corresponding duty on any person who is proposed to be appointed, or an appointed member of the LPB, to provide the Scheme Manager with such information as it may require to be satisfied that there are no conflicts of interest. LPB members will also have the responsibility to anticipate potential conflicts of interest in relation to plans for future LPB activity.

Some examples of how a conflict of interest may arise specifically in relation to an LPB member include;

- a) a finance officer appointed as a member of the LPB may, from time to time, be required to take or scrutinise a decision which may be, or appear to be, in opposition to another interest or responsibility. For example, they may be required as an LPB member to take or scrutinise a decision which involves the use of departmental resources to improve scheme administration, whilst at the same time

- being tasked, by virtue of their employment, with reducing departmental spending.
- b) an LPB member who works closely with the Scheme Manager's internal audit function may be required, as part of their work to audit the administration of the Pension Scheme. For example, the employee may become aware of confidential breaches of law which have not yet been brought to the attention of the LPB.
 - c) an employer representative (elected Member) who also works in the private sector, may also have a conflict of interest as a decision-maker in their own workplace. For example, they may work for a company to which the Scheme Manager has outsourced its pension administration services and the Board are reviewing the standards provided by it.

LPB Advisors

Conflicts of interest may also arise in respect of Advisors to the LPB.

For example: an Advisor may have a conflict of interest if he or she (or the same company) is also advising the Scheme Manager. The risk to the LPB is that the Advisor does not provide, or is not seen to provide, independent advice.

Where there is likely to be a conflict of interest in giving advice, the LPB should consider carefully whether it is appropriate to appoint the Advisor in the first place. It may also be necessary to consider carefully whether they should take steps to remove the Advisor who has already been appointed.

3. Monitoring and Managing Potential Conflicts

In order for the Scheme Manager to fulfil its obligations to ensure the LPB members do not have a conflict of interest, the LPB must include an item on conflicts of interest at each meeting and also in its Annual Report.

The LPB is required to maintain a written register of dual interests and responsibilities which have the potential to become conflicts of interest, which may adversely affect members' or advisors' suitability for the role. Each member (as well as any attendees participating in the meeting) will be expected to declare, on appointment and at each meeting, any matter which may lead to conflicts of interest. Such a conflict could be in relation to a general subject area or to a specific agenda item of an LPB meeting.

The Chair of the LPB must be satisfied that the LPB is acting within;

- the conflicts of interest requirements of the Public Service Pensions Act 2013 and the pension scheme regulations, and
- in the spirit of any national guidance or code of practice in relation to conflicts of interest for LPB members.

Each LPB member, or a person proposed to be appointed to the LPB (as well as any attendees participating in the meeting) must provide the Chair of the LPB with such information as he or she reasonably requires for the purposes of demonstrating that there is no conflict of interest.

LPB members are required to have a clear understanding of their role and the circumstances in which they may find themselves in a position of conflict of interest, and should know how potential conflicts should be managed.

The LPB is required to evaluate the nature of any dual interests and responsibilities, assess the impact on operations and governance were a conflict of interest to materialise and seek to prevent a potential conflict of interest becoming detrimental to the conduct or

decisions of the LPB. The LPB may consider seeking independent legal advice from the Monitoring Officer, or external advisors where necessary, on how to deal with these issues, if appropriate.

Individual members of the LPB must know how to identify when they have a conflict of interest which needs to be declared and which may also restrict their ability to participate in meetings or decision-making. They also need to appreciate that they have a legal duty under the Regulations to provide information to the Scheme Manager in respect of conflicts of interest.

The Member will need to consider how any conflict can best be managed in order to comply with the statutory requirements. Options may include;

- a) the member withdraws from the discussion and any decision-making process on the relevant item(s); or
- b) the member resigns from the LPB if the conflict is so fundamental that it cannot be managed in any other way

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