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Date: 25 October 2022

To: MEMBERS OF THE SOUTH YORKSHIRE LOCAL PENSION BOARD

Oakwell House
2 Beevor Court
Pontefract Road
Barnsley
S71 1HG

www.sypensions.org.uk

This matter is being dealt with by: Gill Richards
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Dear Member

<u>SOUTH YORKSHIRE LOCAL PENSION BOARD</u>
<u>Thursday, 3 November 2022</u>

A meeting of the South Yorkshire Local Pension Board will be held at **Oakwell House, 2 Beevor Court, Pontefract Road, Barnsley, S71 1HG on Thursday, 3rd November, 2022 at 10.00 am.**

The agenda is attached.

Yours sincerely

Sarah Norman
Clerk

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Distribution: Garry Warwick (Chair), Cllr Mike Chaplin, Nicola Doolan-Hamer, Rob Fennessy, Danny Gawthorpe, Andrew Gregory, Nicola Gregory, 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, 3 NOVEMBER 2022 AT 10.00 AM, OAKWELL HOUSE, 2 BEEVOR COURT, PONTEFRACT ROAD, BARNSLEY, S71 1HG

AGENDA

SOUTH YORKSHIRE PENSIONS AUTHORITY

LOCAL PENSION BOARD

4 AUGUST 2022

PRESENT: G Warwick (GMB) (Chair)

Councillor M Chaplin (Sheffield CC), N Doolan-Hamer (Unison), R Fennessy (South Yorkshire Police), D Gawthorpe (Scheme Member Representative), A Gregory (Scheme Member Representative) and D Webster (Scheme Member Representative)

Officers: J Bailey (Head of Pensions Administration), G Graham (Director), A Palmer (Governanca and Risk Officer) and G Richards (Governance Officer)

C Scott (Independent Advisor to the Board)

Apologies for absence were received from N Gregory and Councillor K Richardson

1 WELCOME AND APOLOGIES

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

2 ANNOUNCEMENTS

None.

3 URGENT ITEMS

None.

4 ITEMS TO BE CONSIDERED IN THE ABSENCE OF THE PUBLIC AND PRESS

None.

5 DECLARATIONS OF INTEREST

With regard to Item 9 Appendix C, which was an update on Rotherham MBC's administrative performance levels, D Webster commented that in his role as Head of Audit at Rotherham MBC, his Team were responsible for reviewing payroll. He had discussed the matter with J Bailey and Clare Scott and it had been decided that there was no need to declare an interest but that the Board should be made aware of the situation.

The Board was comfortable with this and the Director agreed that it was not prejudicial but it was important to mention for the sake of transparency.

6 ELECTION OF CHAIR

G Graham informed members that discussions had taken place prior to the meeting and, if the Board was agreeable, G Warwick had agreed to continue as Chair for the ensuing year.

RESOLVED – That G Warwick be elected Chair of the Local Pension Board for the ensuing year.

7 ELECTION OF VICE-CHAIR

Similarly, following discussion before the meeting, R Fennessy had agreed to continue as Vice-Chair for the ensuing year, if the Board was agreeable.

RESOLVED – That R Fennessy be elected as Vice-Chair of the Local Pension Board for the ensuing year.

8 MINUTES OF THE MEETING HELD ON 28 APRIL 2022 AND ACTIONS AND MATTERS ARISING

RESOLVED – That the minutes of the meeting of the Board held on 28th April 2022 be agreed as a true record.

9 QUARTERLY ADMINISTRATION UPDATE

J Bailey introduced Lee Mann and Alan Rogers from Rotherham MBC who were in attendance, as requested by the Board at its last meeting, to provide an update on performance relating to long-standing individual member queries which members had expressed concerns about.

Members noted that, following years of good performance reporting, problems arose between late 2018 to early 2020 culminating in SYPA formally raising concerns in April 2020.

Three main areas of concern were highlighted. These were:

- Individual Member Queries
- Monthly Data Collection (MDC) File Submission
- Payment Discrepancies

An investigation found two main causes for the reduction in performance levels:

- Lost MDC interface functionality, and general disruption, caused by the implementation of a new HR & Payroll system at RMBC.
- The transfer of five key activity strands from SYPA to RMBC.

A programme of work to address the issues was agreed with both SYPA and RMBC investing significant time and resource to tackle the issues. It was noted that substantial progress had been achieved during the last two years with two of the three areas of concern fully addressed and key aspects of the third progressed, but there remained a backlog of individual member queries to be cleared.

The briefing gave full details of all three areas of concern and the solutions identified and implemented.

With regard to individual member queries, based on the resolution of most of the underlying query causes and the addition of resource to the Pensions Team, the original expectation was that the query backlog would be worked down over period of 6 to 12 months.

This planned clearance of the backlog had not yet been delivered due to a number of factors. The progress made and the impacting factors were detailed within the briefing as was a Clearance Plan.

It had become evident that further resource was required to clear the backlog and budgetary approval had now been given to recruit two additional temporary posts (for 12 months) within the Pensions Team with a sole focus on the SYPA backlog.

The target was to clear the backlog by the end of the financial year. It was noted that this would be a challenging target that would be monitored on a regular basis as activity was progressed.

J Bailey confirmed that two of the three areas of concern had been successfully addressed. With regard to the Clearance Plan, SYPA would meet regularly with RMBC and offer support where possible. The plan to clear the backlog seemed realistic and would be kept under constant review.

In answer to a question from A Gregory, L Mann agreed that filling the temporary posts could be a challenge, but there would be an opportunity for internal development and, if necessary, agency staff could be used.

C Scott, on behalf of the Board, welcomed the engagement as a positive move and queried whether other employers who RMBC provided payroll services for were aware of the backlog.

It was confirmed by A Rogers that Doncaster MBC had been fully briefed.

J Bailey commented that SYPA had not directly contacted the other affected employers but would now keep them up to date with discussions and progress.

D Webster queried what would happen if the backlog was not reduced as expected.

A Rogers replied that, having tackled the root causes, and made sure the team were ‘working smarter’ and looking at all the other issues, the only solution would be to allocate yet more resources. The situation would be monitored regularly to ensure it was on track.

The Chair thanked A Rogers and L Mann for attending the meeting to explain the current position, it was very much appreciated.

The Director commented that the Board now needed to formally decide how to progress. There was the option to let the process run its course or receive further updates.

N Doolan-Hamer suggested that further monitoring would be needed.

J Bailey agreed and suggested an update at the next Board meeting in October, further updates could also be provided in the monthly updates which were now provided for Authority and Board members.

The Board discussed what further steps could be taken if improvement was not seen in the coming months.

J Bailey commented that the Administration Strategy could be used to issue fines but he felt that that was not needed at the moment due to the efforts RMBC were making to address the issue. Ultimately the matter could be reported to the Pensions Regulator. Again it was thought that this was not appropriate at the moment, but if the situation changed it would be imperative to ensure that all affected employers were aware of the situation.

J Bailey continued with the Administration update providing details of staffing and sickness levels. In response to a question from N Doolan-Hamer, J Bailey confirmed that staff who tested positive for Covid but were well enough to work would do so but were advised to work from home.

A lot of feedback had been received from staff regarding the Authority’s flexible working policy which would be reviewed over the next few months looking at how it was working for both staff and the organisation.

C Scott queried whether productivity whilst working from home, or in general, would be looked at as part of the review.

J Bailey commented that a detailed piece of work had not yet been done due to the difficulty of like-for-like comparisons during lockdown although it was intended to look at this in the future.

He also confirmed that, at the moment, with the current establishment and no vacancies, his view was that there was enough resource to deal with the current casework. However it was recognised that development projects had been adversely impacted over the last couple of years. In the next few months the position would be clearer around the success of dealing with backlogs and this would be presented to the Board in future.

G Graham commented that he had been asked to do a piece of work for a meeting of the Staffing Committee in October around the longer-term resources and organisational resilience.

The biggest decision that would have to be made late this year/early next year in terms of running the organisation would be regarding the Pensions Administration system if Civica had failed to deliver the improvements promised by the dates set out in the improvement plan. It was recognised that this was a massive decision both financially and operationally. The Board would be kept informed of the situation.

Members attention was drawn to the table at paragraph 5.9 which showed performance figures for the first full quarter for deferred members who had used the facility to retire online. This showed that the percentage completed within target was a lot higher than for those who had not used the facility. It was now being investigated if this could also be used for active members.

Paragraph 5.11 provided a summary of cases outstanding to 30th June 2022. There remained two areas of concern – aggregations and unprocessed leavers.

N Doolan-Hamer commented that the number of cases did not seem to be reducing as expected.

J Bailey replied that work on the valuation and Annual Benefit Statements had impacted on this area. Now the valuation was nearing completion there should be no barriers to the Projects Team focusing on aggregations and reducing the numbers in the future. By the end of next quarter it should be possible to estimate what could realistically be achieved by the end of the financial year.

The report also gave details on:

- Statutory Disclosure Reporting
- Employer Performance
- Individual Query Employer Reporting
- Contribution Payments
- Scheme Member Engagement
- Annual Benefit Statements and the Triennial Valuation
- Child Review Exercise

In answer to a question from C Scott, J Bailey confirmed that there would be an update on the Data Quality Plan at the next meeting.

RESOLVED:

i) That the report be noted.

ii) That an update on Rotherham MBC's performance in relation to outstanding individual member queries be brought to the next meeting of the Board.

10 <u>REVIEW OF BREACHES, COMPLAINTS & APPEALS</u>

A report was submitted which updated members on the latest available record of reported breaches and provided details of complaints and appeals for the period 1st April 2022 to 30th June 2022.

It was noted that there had been two cyber security incidents, seven complaints and three appeals during the period. Full details were contained within the report and appendices.

RESOLVED – That members:

i) Note the breaches summary.

ii) Note the outcomes of the complaints and appeals.

11 DECISIONS TAKEN BY THE AUTHORITY

The Board considered a report which provided an update on decisions taken by the Authority at its meeting June.

RESOLVED – That the report be noted.

12 CONSULTATION ON CHANGES TO THE FUNDING STRATEGY STATEMENT

A report was submitted which sought the Board's views on proposed changes to the Funding Strategy Statement as part of a wider consultation with stakeholders.

Members were informed that, at its meeting in June, the Authority approved the beginning of a consultation on changes to its Funding Strategy Statement as set out in in Appendix A.

It was noted that most of the changes were relatively technical but there was one major matter related to the way in which contribution rates for contractor bodies were set. There were detailed in full in the attached report.

In response to a question from D Gawthorpe, J Bailey informed the Board that it was the responsibility of the employer to inform staff if they were going to contract out services. SYPA was engaging with employers and reminding them of their responsibilities.

RESOLVED – That the report be noted.

13 LOCAL PENSION BOARD CONSTITUTION

The Board considered a report which presented the revised Constitution which had been approved by the Authority at its June meeting.

With regard to paragraph 3.1.1. which stated: "within one month of the possible breach, meet with the Authority Chair to discuss the breach", it was noted that this did not fit with timescales as breaches were only reported to the Board quarterly.

It was agreed that this paragraph would be re-worded at the next revision.

RESOLVED – That the revised Constitution is approved.

14 RISK REGISTER UPDATE

The Chair welcomed A Palmer, the Authority's Governance and Risk Officer, to her first meeting.

A Palmer presented a report which provided the Board with the opportunity to review the updated Risk Register, the latest version of which was attached as an Appendix to the report.

It was noted that the scores for three risks had been reduced. These were:

- G2 – Governance – Local Pension Board Knowledge and Understanding.
- G3 – Governance – Breakdown of the Control Environment
- I3 – Investment and Funding – Key Risks

The Risk Register provided commentary on the reasoning for these reductions and also the reasoning for not changing the scores for the other risks including, where relevant, the likely timescales for a change on the score.

A Palmer informed the Board that the Governance Team were looking to identify Risk Management software that would suit SYPA's needs and would then be involved in an options appraisal exercise. This would hopefully provide more functionality including trend analysis.

Cllr Chaplin requested that acronyms were avoided e.g. TCFD (Task Force on Climate-Related Financial Disclosures).

C Scott commented that at the Board's last meeting it was questioned whether there should be a risk around Border to Coast underperformance and officers were going to discuss this when they next reviewed the Risk Register.

The Director replied that the annual review of Border to Coast had just been completed and would be presented to the Authority at its December meeting. The performance of Border to Coast's products that SYPA was invested in was good and from that point of view it was felt that it was unnecessary to add another risk beyond the generic risk on investment performance that was included in the Risk Register.

RESOLVED – That the report be noted,

15 LOCAL PENSION BOARD MEMBERSHIP

J Bailey informed the Board that, since the last meeting, Barnsley MBC had appointed Cllr Ken Richardson to the Board for a 3-year term and Riaz Nurennabi, Head of Pensions Development at Sheffield Hallam University had also agreed to join the Board as an employer representative. This meant that the Board was now up to full strength.

The Chair thanked J Bailey for the update.

16 ANY OTHER BUSINESS

The Chair commented that in the pre-meeting there had been a discussion on whether a method could be devised for members to contribute to Board agendas.

G Graham commented that he would be happy to facilitate this but that timings would have to be carefully considered. There was no issue in principle just with practicalities to ensure that officers could deliver reports in line with expectations.

C Scott would take this up with J Garrison when they met next month.

In answer to a question from R Fennessy, J Bailey informed the Board that the staging date for the Pensions Dashboard had been put back to October 2024.

At the moment options were being looked at for a service provider. An update would be provided at the next Board meeting.

The Chair thanked everyone for attending the meeting.

CHAIR

Subject	Quarterly Administration Update	Status	For Publication
Report to	Local Pension Board	**Date**	3 November 2022
Report of	Head of Pensions Administration		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Jason Bailey	**Phone**	01226 666431
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 2022 to 30 September 2022

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**

b. **Highlight any areas of administration where further assurance may be required**

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 as well as those who have been in contact with our Customer Centre.

Listening to our stakeholders

To ensure that stakeholders' views are heard within our decision-making processes. The report includes information about the engagement with the employers in the scheme and how SYPA can support them to complete their responsibilities.

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 do not have 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 Members will note that the content of this administration update is continually reviewed to ensure it is appropriate to support scrutiny of the administration service and includes 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

5.3 The following table is a summary of joiners and leavers for the administration service (i.e. excluding the smaller Investment and Finance/Corporate Services teams) during the last three months. The Authority has been successful in recruiting to existing vacancies, including a key appointment of a Benefits Team Manager following the incumbent obtaining a promotion externally. The organisational resilience report recently presented to the Staffing and Appointments committee will result in a number of new vacancies over time which will be reported in future updates.

Starters	**Comments**
1 x Customer Services Officer	Temporary covering maternity leave.
1 x Communications Officer	
3 x Pensions Officers	Entry level.
Leavers	
1 x Pensions Officer	Resignation
1 x Customer Services Officer	Temporary.
1 x Senior Systems Officer	Retirement/resignation
1 x Benefits Team Manager	Resignation
Vacancies in Administration	
1 x Benefits Team Manager	Appointment made – starts October.
1 x Senior Systems Officer	Recruitment underway.
1 x Customer Services Officer	Offer made and checks underway.
1 x Systems Officer	Entry level.

5.4 In terms of sickness absence, the table below shows the annualised absence levels for the administration service for the last two quarters and the two previous full years for reference. Overall, sickness absence has increased significantly for both short-term and long-term absence this quarter. Absence for Covid related illness is no longer reported separately, though our records suggest over 50% of the short-term absences were Covid related, with a spike in July.

5.5 The incidence of long-term absence mainly represents two staff on long-term absence, both of whom are now on phased returns and are being managed and supported in line with our Attendance Management arrangements so we would expect a reduction in long-term absence in Quarter 3.

Average Days per FTE (Admin Service only)	2020-21	2021-22	Q4 2021-22 Annualised	Q1 2022-23 Annualised	Q2 2022-23 Annualised
Short-Term	1.5	3.27	3.6	2.92	4.99
Long-Term	3	5.48	4.88	2.8	7.90
Total	4.15	8.74	8.48	5.76	12.89

Case Work Performance

5.6 The reporting of performance will follow shortly as a separate appendix due to temporary staff availability issues.

Statutory Disclosure Reporting

5.7 See 5.6

Employer Performance

5.8 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 good. There was previously concern that Covid-19 would have impacted the ability of some employers to deliver the monthly submissions. However, this does not seem to be the case and submissions have continued to be provided. The tables below show the **current** position of monthly returns received in respect of the last three months.

	Number of returns expected	Returns received	**Currently** Outstanding	% Completion Rate	Total Scheme Members not submitted
June 2022 (due July)	540	540	0	100%	0
July 2022 (due Aug)	540	540	0	100%	0
Aug 2022 (due Sept)	534	533	1	>99%	<5

5.9 Fortunately, the vast majority of employers have continued to provide the monthly returns and this is important because it is now directly linked to the collection of contributions via Direct Debit (see below). An additional (highlighted) column has been added to the table above to provide some context to the missing returns. This shows the total number of scheme members that should have appeared on the monthly returns that are yet to be received.

5.10 There is one employer with outstanding returns. This is a new multi-academy trust central team with just a couple of members of staff and there are not expected to be any issues with the submissions of the returns once an initial training need is resolved.

Individual query employer reporting

5.11 Last year we started monitoring performance of employers in respect of responding to individual queries raised by SYPA. Examples of the sorts of queries raised with employers are the provision of 2008 Scheme Final Pay for leavers (where additional information is required beyond the CARE pay included on the monthly returns); confirmation of hours changes; confirmation of role changes, confirmation of pay for Annual Allowance purposes, etc.

5.12 The Board previously requested that the reporting be updated to reflect the actual performance of key employers and payroll providers for each quarter so that the trends could be more effectively monitored. **Appendix A** therefore shows the performance in recent quarters for the employers or payroll providers with the highest volumes of queries.

5.13 Members will be aware of ongoing dialogue between SYPA and Rotherham MBC payroll services in relation to the volumes of outstanding queries for employers for whom they provide a payroll support service and Rotherham MBC attended the last Board meeting to report on their improvement plans. It is clear that there has been progress in reducing the outstanding query volumes since the start of the financial year and regular meetings continue to take place between SYPA and Rotherham MBC to ensure they remain focused on delivering against their target of resolving the backlog by 31 March 2023.

5.14 Following the refining of the reporting, two payroll providers (Capita and EPM) appear on the list of employers/providers with high volumes of queries outstanding. Both organisations have recently undergone a number of personnel changes which have caused operational difficulties at their end and the Support and Engagement Manager and his team are continuing to liaise with the new contacts provided to ensure they understand their statutory responsibilities and to provide any training/support required.

5.15 Note that the case completion rates showing the percentage ‘in time’ are based on our own internal targets for expected response levels which are 5 working days for urgent queries and 20 working days for standard queries. It is also the fact that there is a direct relationship between the number of members an employer has and the number of queries. It would normally be expected that Sheffield CC as by some margin the largest employer would have more queries. However, following our earlier engagement Sheffield CC have now devoted significant resources to resolve the volumes of outstanding queries and their continued positive progress in reducing the numbers of queries outstanding should be noted.

Contribution Payments

5.16 Members may recall that SYPA moved to the collection of contributions via Direct Debit from April 2020. The tables below show the status of payments in respect of contributions due for the latest available three months, as well as the details of any outstanding payments. Of the remaining employers not yet signed up to Direct Debit, these are predominantly service contract providers with multiple ‘employer’ contracts where they have unusual pay cycles which do not fit neatly with the monthly collection process and we have temporarily agreed they can continue to pay by BACS.

	Jun 22 (due July)	July 22 (due Aug)	Aug 22 (due Sept)
Employers Paid by Direct Debit	513	504	506
Employers Paid on time by BACS	27	36	27
Payment received late by BACS	0	0	0
Payment outstanding (see 5.17 and 5.10)	0	0	1

5.17 The one body with a payment outstanding is the small new multi-academy trust team with just two members of staff and payment is being collected with the October contribution. Interest will be applied to any late payments where applicable but the amount is likely to be modest as the total payment outstanding relates to just two scheme members in total.

Scheme Member Engagement – Customer Satisfaction

5.18 The Authority is always keen to improve engagement with our scheme members to measure the levels of satisfaction with our service and each month surveys all 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 May 2022, June 2022 and July 2022 who provided an email address.

Q. Overall, how satisfied are you with the service you receive from us?	
Very Satisfied	60%
Satisfied	29%
Dissatisfied	9%
Very Dissatisfied	2%
Total Number of Respondents	105 out of 449 issued

5.19 The percentage of members has dropped below 90% so some further analysis was carried out to identify the root causes. There were 11 members who were dissatisfied and they provided the following comments:-

- They need to respond quicker to messages put on 'My pension'. I messaged on a few occasions, but these were not responded to in a timely manner.
- Took too long, could not upload more than one document at a time.
- Give regular updates if there are issues.
- When I contacted you regarding my underpayment, I was referred to payroll who no longer hold my full employment records. So unfortunately, I lost 2 years of my pension.
- Keep in contact during the process, especially if there are delays. Chase up more quickly anything that might be missing.
- A handout which shows the step by step process of retiring, what you need to do, what letters/documents you can expect to receive and when
- If you are going to take more than month to make payment please tell the people affected
- If you cant answer secure online portal messages within stated time do something about it. I would not have needed to phone 5 times if I got prompt answers via email sort out your online process to allow application online if an AVC is included sort out your portal - it is regularly inaccessible and merely tells me my login is wrong - which it isnt as it works the

next day. Useless service. Even though HMRC issued me with a tax code before you made payment you still used emergency tax. No one has told me when my AVC lump sum will be paid and I doubt they will til it turns up in my bank.

- I had trouble with my AVC - incorrect forms were sent to me, when I queried them I was given incorrect advice over the phone I have been put on an emergency tax code and although the correct one was used in August, it hasn't been applied retrospectively so I'm owed tax. It's not been a great experience

The actions we have taken in response to this, and earlier feedback, are summarised below.

- Whilst we have an action in our work process when a member submits their retirement documents earlier than one month from their retirement date, we don't currently have anything in the process to prompt staff to update members if there is likely to be a delay, for example due to requesting further information from their employer, resulting in benefits being placed on hold. As a result, work is now underway to update the current retirement process. Each time a case is placed on hold members will receive an email update.
- Our current service level agreement for responding to member enquiries is 5 days. Member enquiries submitted through the online portal mypension are dealt with by our Customer Services team who have had various resourcing shortages over the last few months. Alongside resourcing issues, it was discovered that the online confirmation a member receives when submitting a query securely confirmed we aimed to reply within 24 hours. This has now been updated in line with our SLA's and staffing issues are starting to get back on track.
- Tax Codes – Information around tax has appeared on several feedback forms since surveying members, and although we have updated the website and provided more information around tax, we are still receiving comments. After following up on concerns in this area we now understand more about the issues our members are reporting regarding tax and we are working on changing the initial tax code we apply to a member's pension in the absence of a P45 when they first start receiving their pension. Within our retirement claim forms we will ask members about their income in the current tax year. Their reply will determine the tax code we operate until we receive confirmation from the tax office. Operating this method will mean a high number of our members won't pay basic rate tax on their first payment and won't need to spend time contacting the tax office to ensure they receive a tax refund. Given that the average pension from the LGPS is less than 1/12th of the standard personal allowance, we hope this will be a more reasonable approach.

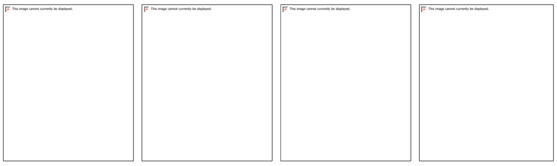
Scheme Member Engagement – Customer Centre

5.20 Members of the Board will be aware that the Customer Centre exists to provide a single point of contact for scheme members and employers. Feedback for the Customer Centre continues to be reasonably positive overall, though satisfaction levels were slightly below 90% this quarter. An electronic survey was issued to 3,662 members with an email address who had contacted us by phone over the months of May, June and July 2022 to ask about their experience of our service delivery and for ideas on service improvements.

Q. Overall, how satisfied are you with the service you receive from us?	
Very Satisfied	58%
Satisfied	31%
Dissatisfied	7%
Very Dissatisfied	4%
Total Number of Respondents	**480 out of 3,662**

The 11% who were dissatisfied represented 51 individuals. As many do not leave specific comments it is often difficult to identify any recurring concerns but there are some clear themes that continue to emerge in relation to the accessibility of the online portal as well as some comments around offering face to face appointments. Guidance and prompts have been added to our online portal to assist users and we are also now offering some member sessions both in person and online to help with the registration process, logging on issues and general site navigation. Separately, we have also started to offer face to face appointments at our Oakwell House office for any general support (outside of the portal) that members may need. A full list of the comments received in response to the survey has not been provided as an appendix for this Quarter but can be made readily available if members wish to receive a copy.

5.21 Email is an important channel for many of our members and, since October 2020, we have been monitoring customer satisfaction levels with our email responses by embedding “click face” surveys into our email signatures (see example below).



The table below shows the overall satisfaction levels for May, June and July 2022.

Q. Overall, how satisfied are you with the service you receive from us?	
Excellent	54%
Good	28%
OK	6%
Poor	12% (8 members)
Total Number of Respondents	65 out of 4,594 emails sent

As with the telephony survey, the ratings have dropped slightly below 90% for this quarter. The response rates are relatively low and not all members provide information but we do follow up separately with those who leave contact details. From the information received, a number of members continue to be unhappy with the use of our secure email system (Egress) for sending personal information. Much of this seems to relate to a reluctance to create an Egress account. We will shortly be commencing a project to review the information that is currently being sent via secure email with a view to redirecting as much of this traffic as possible via the portal (albeit we have to recognise that some members would prefer not to use the portal either).

Scheme Member Engagement – online portal

5.22 We continue to encourage all scheme members (regardless of status) to sign up to use the online portal which was enhanced and expanded in 2019. There were a total of **5,065** new registrations in the quarter to the end of September.

5.23 Although the numbers registered to engage with us online are not as high as we would wish as a proportion of the scheme membership overall, evidence from other funds does suggest that our levels of registration are at least comparable with the percentage of members signed up to use online services within the LGPS more widely.

Scheme Member Engagement – New Joiner survey

5.24 As part of our wider engagement with scheme members, we wanted to gain some insight into how members who had recently joined the scheme rated our service. A survey was issued to 701 members who had joined the scheme in May, June and July 22022. The new joiner survey specifically asks about the welcome email/letter, including registration for the online portal. The results of the survey are shown below.

Q. Overall, how satisfied are you with the service you receive from us?	
Very Satisfied	12.5%
Satisfied	42.5%
Dissatisfied	37.5%
Very Dissatisfied	7.5%
Total Number of Respondents	47 out of 701 emails issued

5.25 The 45% of new joiners who responded who were not satisfied represents 18 members and this is clearly a concern. The following comments were made:-

- I called to check about my membership and was told to wait for the letter.
- Slow in contacting new members.
- Communication is shocking I only hear from you asking about this survey, nothing to do with joining.
- Did not know I was part of the pension scheme had no communication from my employer to let me know and how much will be taken from my income.
- I'd rather receive letters updating me than have to sign into a portal and remember another password.
- Response to emails and follow through could be better.
- It's very over complicated and wordy, nothing very easy to locate.
- Trying to find out how to access the portal is not easy from the website.
- Communication regarding transfers in has been lacking.
- I contacted you by email on 22.7.22, returning my previous pension rights form. I requested that my previous pension held with SYPA (I was previously employed by South Yorkshire Police) be merged with my new RMBC pension. As yet I have received no response.

It is clear that we need to improve our service to members joining the scheme and this will be a project assigned to our Communications Officer who is new in post. Part (and it is recognised only part) of the issue is related to delays in contacting new members and this is a resourcing issue related to the internal processing of monthly data files. Following the outcome of a significant cross team project aimed at improving the processing of monthly data and the associated report on Organisational Resilience and Sustainability recently approved by the Staffing Committee, a new team with expanded line management and resourcing is being created to manage the processing of monthly data files and it is envisaged this will significantly improve the processing times once established.

Annual Benefit Statements (ABS) and the triennial valuation

5.26 Members will be aware of the 2022 exercise to ensure all members receive their ABS ahead of the statutory deadline of 31 August 2022. As 2022 is a triennial valuation and the new fund actuary will require details of all liabilities as at 31 March 2022, the ABS project team had initially intended to issue the ABS's over a two month period between 1 May 2022 and 30 June 2022, two months ahead of the deadline. This was intended to assist with ensuring we met the timescales for both the submission of the valuation data to the actuary (end of July 2022) and the provision of Pension Savings Statements (October 2022).

5.27 In the last report, we updated members that we had successfully prepared statements for all deferred members but unfortunately Civica somewhat unexpectedly issued significant systems upgrade which needed to be tested and installed before the ABS production process for active members could commence. This upgrade contained a significant number of long-standing fixes and required extensive testing which delayed the original plan to have completed all statements by the end of June. In the event Civica delivered a system fix outside of the upgrade (due to the volumes of issues identified with the upgrade) which enabled production of the ABS's for active members and the exercise was successfully completed ahead of the 31 August 2022 deadline. The total number of active member statements issued by 31 August was 46,942 which was well over 99% of the eligible membership.

5.28 Separate to this, the data quality checks and corrections to enable the valuation data to be submitted to the actuary had been ongoing with the Projects Team for some time and we were able to provide the data to the actuary in accordance with the agreed timelines. Provisional fund level and individual employer level results have been partially received from the actuary and the queries on individual employer cases are currently being worked through. It is now envisaged we will be offering results sessions with groups of employers in November.

Administration System update

5.29 Members will recall that SYPA had entered into a new software contract with the system provider, Civica, in February 2022. Part of the new contract was the inclusion of an Improvement Plan in which Civica were committed to completing a range of service improvements by 30 September 2022. The latest summary against the Improvement Plan provided by Civica is attached at **Appendix B** and demonstrates that there are still a number of shortfalls in system performance. SYPA continues to engage with Civica on these issues but is currently considering a range of options for future provision to be presented to the Authority in February 2023.

Implications

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

Financial	None
Human Resources	None
ICT	None
Legal	None
Procurement	None

Jason Bailey

Head of Pensions Administration

Background Papers	
Document	**Place of Inspection**

Summary of Employer Queries Raised, Completed and Outstanding
Shown by Quarter for 10 Employers with highest total query volumes to up to 30 September 2022

SOUTH YORKSHIRE PENSIONS AUTHORITY

Employer	Q3 2021/22			Q4 2021/22			Q1 2022/23			Q2 2022/23		
	Raised In Quarter	Completed In Quarter	Outstanding Quarter End	Raised In Quarter	Completed In Quarter	Outstanding Quarter End	Raised In Quarter	Completed In Quarter	Outstanding Quarter End	Raised In Quarter	Completed In Quarter	Outstanding Quarter End
[00500] Rotherham MBC	199	137	787	271	242	816	211	343	684	187	292	579
High	48	62	4	75	68	11	46	52	7	60	51	16
Standard	151	75	783	196	174	805	165	291	677	127	241	563
[00400] Doncaster MBC	124	131	706	286	597	395	219	329	285	187	189	283
High	28	41	1	65	61	5	50	50	5	72	60	17
Standard	96	90	705	221	536	390	169	279	280	115	129	266
[00600] Capita	48	34	328	98	73	353	57	58	352	55	39	368
High	8	9	24	16	9	31	11	11	31	11	10	32
Standard	40	0	304	82	64	322	46	47	321	44	29	336
[00600] Sheffield CC	154	183	150	219	228	141	147	196	92	221	253	60
High	46	43	6	74	69	11	78	89	0	78	78	0
Standard	108	140	144	145	159	130	69	107	92	143	175	60
[00600] EPM	24	13	184	75	19	240	17	16	241	22	23	240
High	4	3	14	1	6	9	4	5	8	14	13	9
Standard	20	10	170	74	13	231	13	11	233	8	10	231
[00473] Doncaster Childrens Services	24	30	128	71	98	101	26	39	88	27	95	20
High	6	10	0	15	14	1	12	11	2	3	4	1
Standard	18	20	128	56	84	100	14	28	86	24	91	19
[00300] Barnsley MDC	66	91	65	105	90	80	102	126	56	109	122	43
High	34	38	3	28	29	2	40	36	6	43	45	4
Standard	32	53	62	77	61	78	62	90	50	66	77	39
[00372] Greenacre Academy	8	2	71	14	12	73	9	10	72	3	3	72
High	0	0	0	3	2	1	5	3	3	1	1	3
Standard	8	2	71	11	10	72	4	7	69	2	2	69
[00222] The Sheffield College	4	4	50	16	7	59	24	8	75	25	21	79
High	1	1	1	4	0	5	7	3	9	14	9	14
Standard	3	3	49	12	7	54	17	5	66	11	12	65
[00295] The Chief Constable	28	37	48	56	50	54	34	53	35	35	39	31
High	9	0	3	16	17	2	6	8	0	16	15	1
Standard	19	0	45	40	33	52	28	45	35	19	24	30

Appendix A

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Summary of improvements needed to comply with Specification of Requirements

Main Category	Sub Category (if applicable)	Reference (if applicable)	Current Status of Compliance	Summary of improvements needed/comments	How the improvement will be met	Timescale	Civica monthly summary of internal progress (Sept)	Summary of any relevant engagement with clients (Sept)	RAG Status with expected delivery date	Other comments (e.g. any SYPA actions required, unforeseen impacts, etc etc)
General Requirements of the Provider	Client relationship management		Meets requirements	May need to improve reporting on issues identified below.	Updated and improved Known Errors List	30-Sep-22	Civica conducted an exercise to reduce the KDL by some 200 items in line with the UPMv29.4 release. The resulting KDL was published on our User Hub site. An updated version wil be issued with each UPM release.	The content and operation of the KDL is an agenda item of the Public Sector User Group to review how issues raised are added to the KDL to make it as current as possible.		
	Performance and reporting	3.3.2	Partially meets requirements	Visibility on errors/ommissions reported by other clients			The KDL consolidates all known issues and identifies their origin.	The process to determine items for inclusion on the KDL and the point at which they should be added is subject to discussion at the Public Sector User Group.		
	Upgrade Services	3.5.9	Partially meets requirements	Need to treat errors in upgrade implementation as priority fixes	Ongoing improvement plan	On-going	Issues identified during release UAT should be raised on the Civica Service desk and prefixed with the current relelase reference. These are then prioritised by SD for support.	Following the relelase/implementation of UPM v2022. Feedback will be sought from customers about their experience of the release via meetings with Account Managers		
		3.5.10	Partially meets requirements	Upgrade documentation needs to be comprehensive and include full details of all new, improved or amended functionality			Civica has taken on feedback from cusomters on the content and format of the relelase documentation has implemented the changes.	Positive feedback on the revised documentation has been received from customers		
	Training and system guidance	3.6.8	Partially meets requirements	Comprehensive user manuals needed in some areas			The availability of online user documentation is part of the UPM longer term strategy.			
	General Consultancy	3.7.2	Not currently provided	Comprehensive back up and maintenance plans for SQL databases	See Call-Off Schedule B section 5.1.1 which defines the UPM Database Management Service included within the services in the contract	01-Mar-22	Proposals for the Civica DBA service were signed off by SYPF and the service is being delivered at SYPA			
			Not currently provided	System Health checks						
			Not currently provided	Advice on database housekeeping to ensure optimal performance						
Data Requirements	Bulk Data Load	5.1.4	Partially meets requirements	Enhance data load facility by producing errors and warnings prior to system update	Project to improve Monthly Data Collection in place with the following items to be reviewed. LANDesk Number: 267561,186748, 264729, 18593, 21769, 24515, 300519, 319373, 341664, 345371, 424237, 302731, 331176, 370543, 555525, 564811, 566468, 588159, 598296, 600220, 631939, 677795	30-Sep-22	Fixes for all SYPA LANDESK calls in relation to Monthly Returns that have been classified as a Production Defect (ie – do not perform as outlined in the original specification) will be included in an Aggregation/MR release before 30 September 2022.	Engagement with customers has identified a number fo enhancements to the Monthly Returns functionality. These enhancements will be delivered in a later UPM release.		
		5.1.8	Partially meets requirements	Improve functionality for system to continue to be used during bulk loading/interfacing (e.g. MDC)						
Reporting		8.3.6	Partially meets requirements	Need ability to report reliably on TPR common and conditional data (currently done by DART)	This facility is already available					[redacted]
Benefit Calculations	Aggregations	12.2.1	Partially meets requirements	Multiple calculation and write-back errors to be resolved		30-Sep-22	Fixes for all SYPA LANDESK calls in relation to Aggregation that have been classified as a Production Defect (ie – do not perform as outlined in the original specification) will be included in an Aggregation/MR release before 30 September 2022. Known defect up to April 2022 were fixed in the April 2022 Calculation release with the Calculations Warranty release due for delivery before end of September 2022			
	Aggregations		Partially meets requirements	Also issues with subsequent benefit calculations.	To be addressed as part of calculations improvements project					
	Transfers in	12.2.2		Number of known errors to be resolved.						
	AVCs	12.2.4		Certain update fields missing.						
	Annual Allowance/scheme pays debits	12.2.7	Not currently provided	A large number of deficiences. Functionality included in latest release (in test) but a number of significant gaps identified.						
	Pension sharing	12.2.8	Partially meets requirements	Number of known errors to be resolved.						
	Refunds/Deferreds	12.2.10	Partially meets requirements	Number of known errors to be resolved.						
	Death Benefits	Various	Partially meets requirements	Number of known errors to be resolved for death from different status types.						
	Voluntary Retirement	12.2.12	Partially meets requirements	2 known errors to be resolved.						
	Flexible Retirements	12.2.13	Partially meets requirements	System can not calculate partial flexible retirement.						
	Transfer out	12.3.2	Partially meets requirements	Significant number of known errors.						
	Deferred into payment	12.3.5	Partially meets requirements	6 known errors to be resolved.						
	Pension adjustments	12.4.1	Partially meets requirements	Known errors with retirement recalculations						
	Civica Known Error Log	Not listed		Contains significant number overall of known issues (many included above).						
Bulk Processing	Annual Pensions Increase	11.2.1	Partially meets requirements	Development work required on Pensions Increase program	Delivered in release 29.4	31-Jan-22				
	CARE Revaluation	11.3	Partially meets requirements	Number of identified errors with CARE Revaluation						
Payroll and Payroll Interface		13.1.6	Partially meets requirements	Pre-RTI submission checks and reports required.	To be Delivered in the next Main software Release	30-Sep-22	Work on the the overpayments functionality has progressed to the specification stage. However, currently there is no timeline for when this will be available. Further update on Payroll to follow			
		13.4.4	Partially meets requirements	Improve functionality to update GL for stopped or rejected payments						
		13.6.4	Not currently provided	Calculation of net overpayments (e.g. on deaths) and updating payroll						
		13.9.2	Partially meets requirements	Reconciliation of pensioner numbers between payrolls						
		13.9.4	Not currently provided	Individual payroll result calculations						
System Environment, Security and IT	Microsoft Compatability	15.8.2	Partially meets requirements	Need to ensure compatability with latest MS software as caused issues in past.		on-going	Microsoft product compatibility is released annually - We maintaint the list of supported MS software in the release documentation.			

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Subject	**Data Quality Improvement Plan**	**Status**	For Publication
Report to	Local Pensions Board	**Date**	3 November 2022
Report of	Head of Pensions Administration		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Jason Bailey	**Phone**	01226 666431
E Mail	JBailey@sypa.org.uk		

1 Purpose of the Report

1.1 To update members on the latest iteration of the Data Quality Improvement Plan and the data scoring likely to be provided to the Pensions Regulator.

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2 Recommendations

2.1 Members are recommended to:

a. **Note the updated Data Quality Improvement Plan summary and comment on any further reporting requirements or actions**

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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). Maintaining high quality data for scheme members is an important part of encouraging members to engage online and have confidence in accessing their own pension accounts.

Effective and Transparent Governance

to uphold effective governance showing prudence and propriety at all times. The Pensions Regulator's Code of Practice 14 advises that schemes should continually review their data and carry out a data review exercise at least annually. This should include an assessment of the accuracy and completeness of the member information held.

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4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report 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.

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5 **<u>Background and Options</u>**

TPR Annual Scheme Return

5.1 Members may be aware that, since 2018, LGPS funds have been required to report annually to the Pensions Regulator (usually each November) on the quality of common and conditional (scheme specific) data in the submission of the annual Scheme Return.

5.2 **Common** data are basic data items which are used to identify scheme members and are defined by the Regulator. These consist of:-

National Insurance number; Surname; First Name or Initials; Sex; Date of Birth; Retirement Age; Last status event; Address including Postcode; Start Date; Membership Status

5.3 **Conditional** (scheme-specific) data is not explicitly defined by the Regulator but is data which is 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. The Scheme Advisory Board (SAB) developed guidance for LGPS funds on the specific data fields which should make up the measurement of conditional data and SYPA follows this guidance. It should be noted that it is not mandatory to follow the guidance and some funds may use local measures which makes direct comparisons difficult.

5.4 The data scores reported to TPR for the previous four years are shown below. Although there has been incremental progress in the past four years, the likely results for 2022 (due to be submitted in November) have levelled off in terms of the overall percentage of errors, despite a modest reduction in the numbers of outstanding queries. The Plan referred to in paragraph 5.6 seeks to address this challenge over the next six months.

	2022 expected	2021	2020	2019	2018
Common Data Score	*97%*	97%	96%	96%	96%
Conditional Data Score	*94%*	94%	93%	91%	87%

5.5 Noting the comment in Section 5.3 regarding the difficulties of comparison, the table overleaf shows anonymised information previously provided by other LGPS funds in the Border to Coast pool. It should be noted that not all funds responded to the request. The figures available suggest that SYPA are well within the ranges achieved by other funds but that there is further work to be done to match the highest scores achieved.

	Common	Conditional
SYPA	97%	94%
Fund A	97%	95%
Fund B	93%	95%
Fund C	96%	97%
Fund D	98%	94%
Fund E	96%	84%

Data Quality Improvement Plan

5.6 TPR advises that schemes should have a data quality improvement plan in place. SYPA have shared previous iterations of the plan with the Board but this has been revised on a number of occasions to reflect changing guidance and priorities. The current data improvement plan is maintained by the Pensions Technical Adviser and **Appendices A (common data) and B (conditional data)** are provided as a summary extract of the current plan which highlights where individual teams have ownership of specific areas.

5.7 It is worth highlighting a couple of areas where more significant movement on reducing the numbers of errors might otherwise have been expected. Firstly, in relation to common data, there was a significant reduction in the number of lost contacts during the year but the exercise to issue annual statements to deferred members has resulted in a recent increase in returned communications. A data tracing tool is being applied to locate lost contacts but it may take a few months before the impact of this work filters through into an overall reduction.

5.8 The second area relates to conditional data and the impact of the GMP reconciliation in reducing query volumes. The exercise is now due for completion in April 2023 so the impact of this will not be registered until that point.

Pension Dashboards

5.9 Members will be aware from previous updates that SYPA will need to be connected to the Pensions Dashboard which is a national initiative designed to allow all individuals to access a summary of all their pension scheme arrangements in one place. The staging deadline for the LGPS is 30 September 2024.

5.10 SYPA will need to select an Integrated Service Provider (ISP) to facilitate the connectivity to the national Dashboard infrastructure. Discussions have taken place with a number of potential ISP providers and quotations of the costs (initial set up and annual running costs) have been obtained.

5.11 The technical aspects of connecting to the national infrastructure would be primarily driven by the ISP provider (with the appropriate security arrangements a key element of this process) but it will be important for schemes to prepare for the Dashboard by checking and improving the quality of the data that will need to be supplied to the Dashboard.

5.12 The Pensions Administration Standards Association (PASA) has published some detailed guidance in relation to data accuracy for all pension schemes to consider. SYPA has a Data Integrity tool (known as DART) developed in-house and plans to further develop DART over the next few months to measure the quality of the data held on SYPA records which will need to be submitted to the Dashboard. This analysis will form part of the future reporting of the Data Quality Improvement Plan.

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6 Implications

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

Financial	None directly but there will be costs involved in procuring an ISP for the Dashboard connectivity
Human Resources	None
ICT	None
Legal	SYPA has a statutory obligation to submit a data score to the Pensions Regulator.
Procurement	

Jason Bailey

Head of Pensions Administration

Background Papers	
Document	**Place of Inspection**

Common Data

Reference	Data Category	Examples of Error Types	Status (Active, Deferred, Pensioner)	Action Required	External dependency?	Data Impact	Number of Errors at Jan 2022	Movement since last update	Number of Errors at Sept 22	Commentary	Team now responsible	Revised Target Date (if applicable)
COM1	NI Number	NI Number is temporary, invalid format, prefix/suffix missing, or duplicated.	ALL	Manually correct records and investigate duplicates.	NO	Low	309	↓	306	Most of these are unclaimed refunds with a temp NI number. Exercise to contact members after address tracing complete.	Projects Team	Mar-23
COM2	Expected Retirement Date	Scheme Retirement Date inconsistent	ALL	Manually/bulk correct records	NO	Low	247	↑	417	Bulk correction run required but no impact on valuation data.	Technical Adviser	Nov-22
COM3	Membership Status	Active with Date Left	ALL	Manually correct inconsistent records.	NO	Low	139	↓	17	Project team have removed majority of errors.	Projects Team	
COM4	Address	Lost Contact	Deferred Members	Engage Tracing Agency to locate potential updated address; send verification form.	YES	Medium	4301	↓	3992	Numbers of lost contacts had significantly reduced but volumes increased again following 2022 Deferred Benefit exercise.	Customer Services	Process commenced in September 2021 and will continue during 2022 and early 2023.
COM5	Address	Invalid address, missing postcode etc	ALL	Manually correct incomplete address records.	NO	Low	581	↑	606	To be completed as part of COM4 address tracing exercise.	Customer Services	As above.
COM6	Last Status Event	Duplicate status history	ALL	Manually correct inconsistent records.	NO	Low	44	↑	86	Low priority error with no impact.	Projects Team	Mar-23
COM7	Membership dates	Missing start date, date of joining inconsistent with record, duplicated start dates.	ALL	Investigate and manually/bulk correct incomplete records.	NO	Low	30	↓	17	Bulk correction exercise to be run.	Technical Adviser	Dec-22

	Jan 2022	Sept 22
Total No of Errors	**5,651**	**5,441**
Total Records	179,137	181,902
Data Score	97%	97%

Appendix A

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Conditional Data

Reference	Data Category	Examples of Error Types	Status (Active, Deferred, Pensioner)	Action Required	External dependency?	Data Impact	Number of Errors at Jan 2022	Movement since last update	Number of Errors at Sept 2022	Commentary	Team now responsible	Revised Target Date (if applicable)
COND1	Divorce Details (Dataview)	Court order information missing (cosmetic).	ALL	Check documentation on file and manually update.	Partial	Low	79	↔	85	Numbers increased due to system upgrade issue. Sytems fix required but no impact on member.	Projects Team	Mar-23
COND2	Transfer In (Dataview)	Missing transfer payment dates and amounts (cosmetic)	ACTIVE and DEFERRED	Check documentation on file and manually update.	No	Low	229	↓	215	Cosmetic corrections with no impact.	Projects Team	Mar-23
COND3	Miscellaneous Missing Dataviews	Missing/inconsistent date relating to additional conts record.	DEFERRED and PENSIONER	Manually investigate and correct records.	No	Medium	194	↓	49	Cases potentially impacted by Pensions Increase were resolved.	Projects Team	Mar-23
COND4	Salary Information	Part-time hours shown are inconsistent/ missing.	ACTIVE	Manually investigate and correct records.	No	Low	513	↓	37	Most errors cleared by bulk correction.	Systems and Project Team	Dec-22
COND5	CARE Data	CARE Pension Missing	ACTIVE and DEFERRED	Investigate and bulk/manually correct records.	No	Medium	175	↓	131		Projects Team	Dec-22
COND6	CARE Revaluation	CARE Revaluation Missing	ACTIVE and DEFERRED	Investigate and bulk/manually correct records.	No	Medium	530	↑	708	Bulk correction required before next CARE update.	Projects and Systems Team	Mar-23
COND7	HMRC Crystallisation (Dataview)	Crystallisation Lump Sum Value missing (cosmetic)	Pensioner	Manually investigate and correct records.	No	Low	243	↑	249	Cosmetic corrections with no impact.	Projects Team/Customer Services Team	May-23
COND8	Annual Allowance (dataview)	Pension Input Amounts missing	ACTIVE	Investigate and bulk/manually correct records.	No	Medium	2306	↓	2123	Many of these will be resolved by update processes.	Projects Team	Mar-23
COND9	Contracting out Date	Date out of range (system error)	Active	Bulk system correction	Yes	Low	437	↑	616	Cosmetic corrections with no impact.	Civica log raised	
COND10	GMP Data	Missing GMP Value	DEFERRED and PENSIONER	Update after GMP reconciliation compete	Yes	Medium	6151	↓	5998	GMP Reconciliation project to clear these.	ITM/Systems Team	Apr-23
					Total Errors		10,857		10,211			
					Total Records		179,137		181,902			
					Data Score		94%		94%			

Appendix B

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Subject	Review of breaches, complaints and appeals	Status	For Publication
Report to	Local Pensions Board	Date	3 November 2022
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 the latest available record of reported beaches and provide details of complaints and appeals for the period from 1 July 2022 to 30 September 2022.

2 Recommendations

2.1 Members are recommended to:

a. **Note the breaches summary and comment on any further reporting requirements or actions**

b. **Note the outcome of complaints and appeals handled 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 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.** Quarter 2 has seen just one data breach, albeit a significant one, where the SYPA external post box was compromised and a number of documents from scheme member documents containing personal data were removed. The breach is summarised on the breaches report attached for completeness but the details are also covered in a separate Governance report at this meeting. The motivation for the crime does not appear to be identity theft but more likely an unsuccessful attempt at a monetary crime. This has been reported to the police. All known affected members have been contacted directly to inform them of the situation and the post box has been removed from the building whilst alternative options are investigated.

Cyber Security Incidents

5.2 To improve visibility for the Board, the breach report now includes details of cyber security incidents. There were three incidents in the quarter, two of which were the common issue of phishing emails. Fortunately, the relevant members of staff identified the emails as such and these were reported to ICT in line with our incident reporting process.

5.3 The third incident was a result of a member of staff accidentally clicking on a notification purporting to be from an anti-virus provider. The notification was switched off, genuine anti-virus scans were run and an alert was posted to all staff reminding them of the risks of clicking on notifications from websites not confirmed as legitimate. No data was compromised.

Complaints

5.4 **Appendix B** provides a summary of complaints received in the reporting period(s). As previously requested by members of the Board, the summary report includes commentary as to whether the complaints received were indicative of a wider process issue which may need review/improvement. We have also included a trend analysis to provide visibility for the Board on the level of complaints.

5.5 The total number of complaints received in the Quarter was four, which is a reduction from those received in recent quarters. Of these, two were outside of SYPA control as they were a result of either delays from third-party providers, regulatory requirements or actions not taken by the member.

5.6 Of the two complaints that were directly attributable to SYPA, one was from a member who was unhappy with the delay in processing his aggregation. This is a known issue currently and referenced in the administration report. The second was a member who had experienced a delay with the payment of their retirement benefits which was compounded by SYPA after an initial employer delay. This was a training issue with an individual member of staff who did not correctly assign a workflow task and has been addressed.

Formal Appeals

5.7 During the reporting period there were three formal appeals determined at Stage One of the IDRP process. The first was a member who had initially been incorrectly provided with a transfer value quotation even though she was above the age limit to transfer and wanted this to be honoured. SYPA systems have since been updated to prevent a transfer being calculated in these circumstances but the member was compensated for the error.

5.8 The second case related to a member who had been overquoted on an estimate of benefits because of the Final Pay estimate given by the employer. This was primarily an error on the part of the employer but it would have been prudent for SYPA to have identified this when checking the case so the member was given a modest compensation award.

5.9 The final case related to a member who had been overquoted on an estimate of benefits because the service history was showing full-time and not part-time service. This had been corrected by the employer but SYPA had not updated the records in a timely manner so, as with the case above, a modest compensation award was given. Arrangements have been put in place to ensure any service history corrections are actioned much sooner than happened in this case.

Ref	Reason for Appeal	Stage	Upheld?	Comments
LE	Member not eligible to transfer out of the LGPS	Stage 1	No	Compensation awarded for case
AW	Member wanted estimated benefits quoted to be honoured	Stage 1	No	Compensation awarded for case
VA	Member wanted estimated benefits quoted to be honoured	Stage 1	No	Compensation awarded for case

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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

Jason Bailey

Head of Pensions Administration

Background Papers	
Document	**Place of Inspection**

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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
2022/23	61	22/09/22	Criminal Activity	SYPA's external post box was broken into and documentation strewn to the floor.	Online police report filed. Members affected were informed and advised to contact us if they were concerned about loss of personal data. ICO and DPO informed.	Green	03/11/2022 (LPB)	Yes - ICO - see separate report.	Yes	Post box removed whilst alternative options are considered. Await any further information from ICO.	Open pending any Board comments

Year	Ref	Date Identified	Description of Cybersecurity Incident	Action Taken in Response to Incident	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	Incident Open/Closed
2022/23	CS18	19/08/22	Phishing email sent to Head of Finance purporting to be a "Employee Reference Check"	Email removed - checked to confirm no other recipients.	03/11/2022 (LPB)	NO	NO	NA	Closed
2022/23	CS19	21/09/22	Phishing email sent to member of Finance team purporting to be from an individual contact.	Email removed - checked to confirm no other recipients.	03/11/2022 (LPB)	NO	NO	NA	Closed
2022/23	CS20	06/10/22	Staff member turned on notifications from a website purporting to be anti-virus.	Notification switched off, ran virus scan and posted alert to all staff.	03/11/2022 (LPB)	NO	NO	NA	Closed

Appendix A

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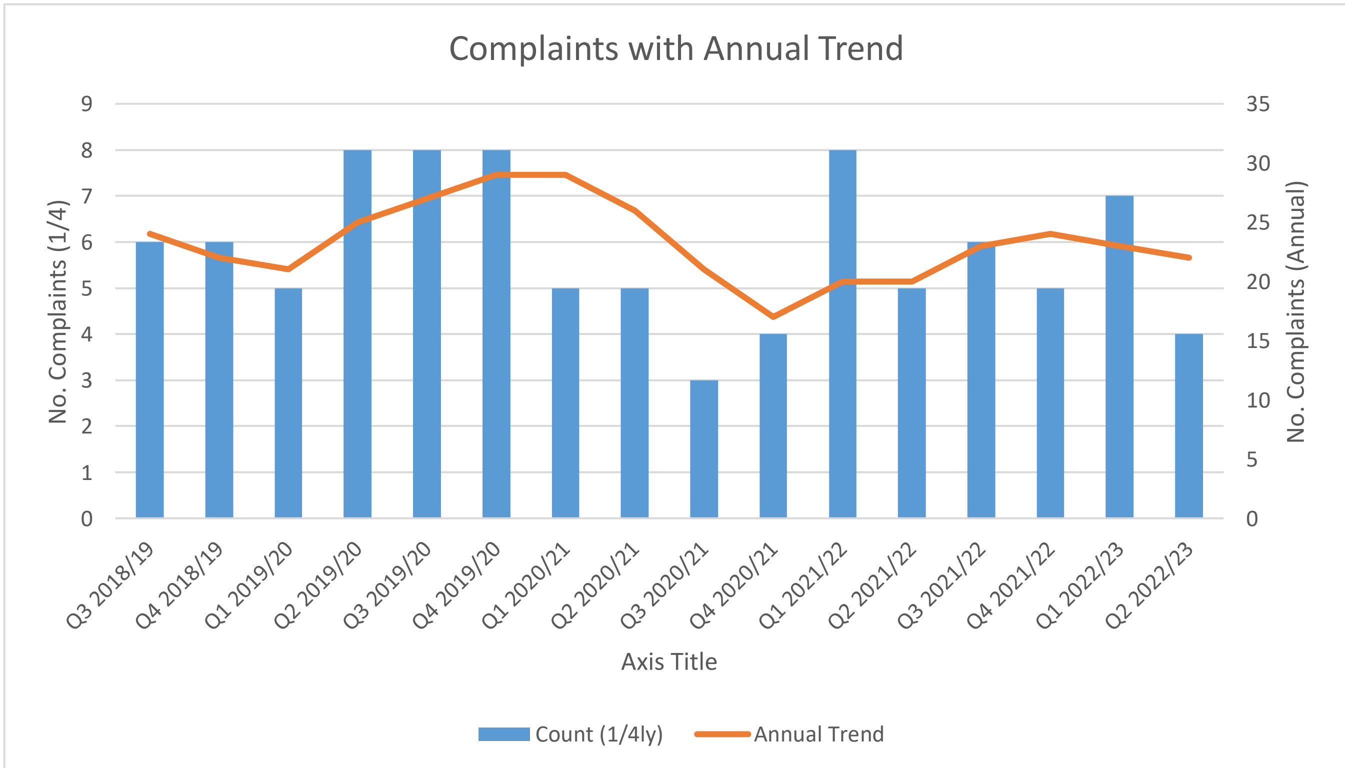
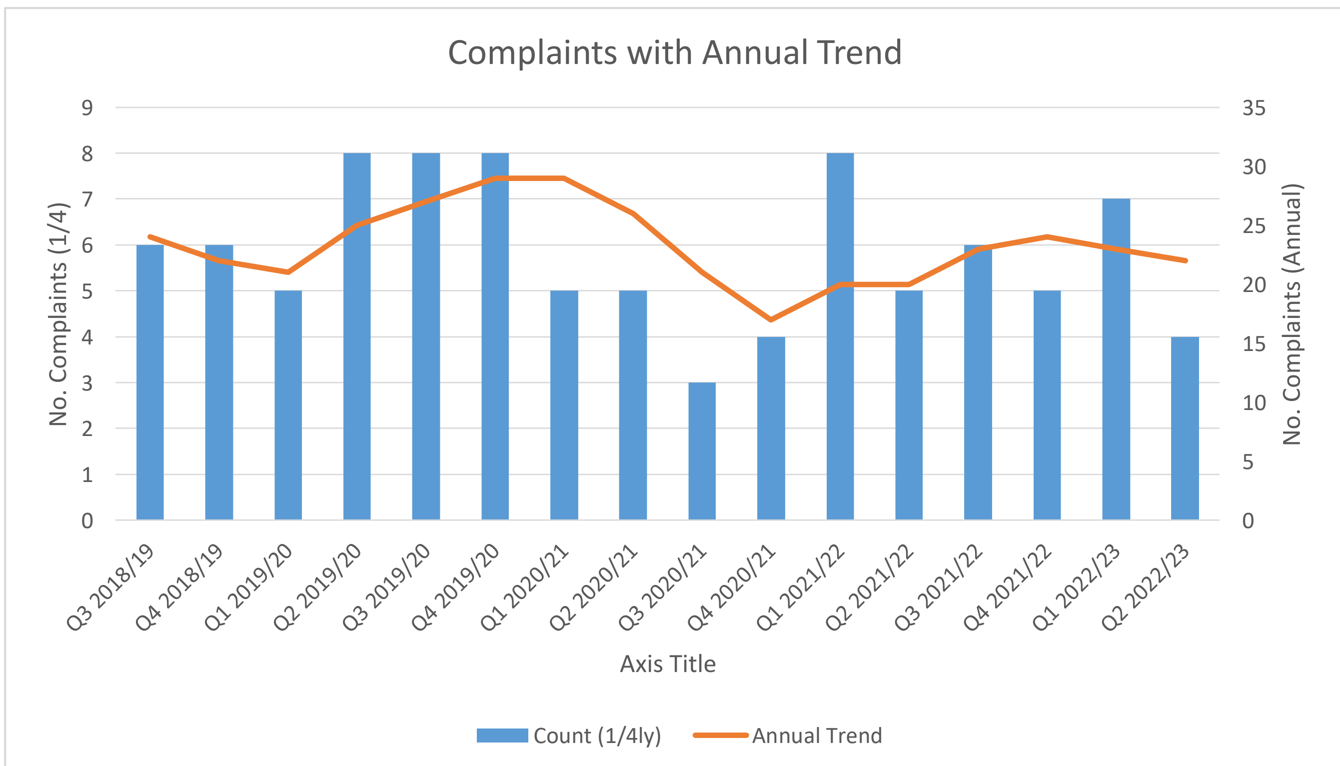
COMPLAINT SUMMARY **1 July 2022 to 30 September 2022**

Reference	Complainant	Nature of Complaint	Response issued within target response time?	Responsible party	Follow up actions required/taken?
C94	Retiring Member	Member was unhappy at delay in paying her retirement benefits.	Yes	SYPA/Employer	Initial delay with employer but then training issue with member processing the leaver form and not correctly assigning workflow - now addressed.
C95	Active Member	Member unhappy at delay with transfer in to the LGPS being received.	Yes	Third Party	None - delay was with previous scheme. Chased frequently by SYPA.
C96	Active Member	Member unhappy at delay to settling Aggregation request.	Yes	SYPA	Aggregation settlement prioritised and completed. Apology for delay provided to member.
C97	Deferred Member	Member unhappy at delay in providing transfer out information to financial adviser.	Yes	Third Party	None - delay was with receiving leaver information from employer.
Total for Three Months	**4**				





Appendix B

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Subject	Key scheme communications	Status	For Publication
Report to	Local Pension Board	**Date**	3 November 2022
Report of	Head of Pensions Administration		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Jason Bailey	**Phone**	01226 666431
E Mail	JBailey@sypa.org.uk		

1 Purpose of the Report

1.1 To provide members with the opportunity to comment on the content of a number of scheme communications.

---

2 Recommendations

2.1 Members are recommended to:

a. **Review the draft content of scheme member newsletters and comment as appropriate**

b. **Note the content of recent employer communications**

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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). Regular newsletters are a key method of communicating with the scheme membership.

Listening to our stakeholders

To ensure that stakeholders' views are heard within our decision making processes. Members of the Board are uniquely placed to comment on communications with scheme members and employers.

4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report do not have implications for the Corporate Risk Register.

5 Background and Options

5.1 At previous meetings of the Board, suggestions have been made that it might be beneficial for the Board to be sighted on global communications intended to be distributed to scheme members as the members of the Board have a unique perspective as representatives of both scheme members and employers which might not otherwise be considered.

5.2 In line with the Communication Strategy, SYPA issues newsletters to all current and past scheme members at least annually and the newsletters for active members and for pensioners are currently being drafted. This provides an opportunity for the Board to review the proposed content and make any suggestions either for amendments to the existing draft content or for articles which could helpfully be included in any future publications.

5.3 This report therefore includes copies of the following draft newsletters:-

Appendix A – current (unproofed) design draft of 'Retirement Insight' which is the newsletter for Pensioner Members
Appendix B – current (undesigned) draft of content for 'Pension Planning' which is the newsletter for active members

5.4 SYPA also regularly communicates quarterly with employers in the fund and **Appendix C** shows the latest newsletter that was issued to employers. This is for information purposes only on this occasion as the employer communication has already been issued.

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

Jason Bailey

Head of Pensions Administration

Background Papers	
Document	**Place of Inspection**

SOUTH YORKSHIRE PENSIONS AUTHORITY

Newsletter for Local Government Pension Scheme retired members

RETIREMENT insight

November 2022

Issue 57

Access your account online, 24/7 from anywhere in world with mypension!

SOUTH YORKSHIRE PENSIONS AUTHORITY

Sign up for an online account and:

- **Check your pension payments ahead of pay day.**
- **Update your personal details.**
- **Update your bank details.**
- **View your P60 and Payslips.**

These are just a few of the features available on our secure online Portal.

All you need to do now is register at *https://mypension.sypensions.org.uk/* and follow the simple two-step process.

continues on page 2 >>

In this issue:

mypension ..... continued

Step 1 - set up a username and password. Please make sure you have your National Insurance number and email address to hand. Once registration has been completed you will receive a one-time activation code to your email address.

Step 2 - with your username, password and one-time activation code, login to your secure account and have a look around your account.

If you experience any difficulties with the registration process, please call us on **0300 303 6160** we will be happy to help.

Help getting online

Would you benefit from help to register for an online account?

Would you like a tour around the online account mypension?

If you answer **YES** to any of the above, then one of our online pension sessions may be of interest to you.

Come and join us at Oakwell House, 2 Beevor Court, Pontefract Road, Barnsley, S71 1HG, on either:

- Thursday 15 December at 10.00am or
- Tuesday 10 January at 11.00am.

Places will be limited to 40 members per session, and will be offered on a first come first served basis.

Don't worry if you can't make it in person, we will be offering a live stream of the sessions and the links will be added to the news section of our website closer to the time *https://www.sypensions.org.uk/News* Please note you do not need to book to attend the virtual session, you can simply access this on the day using the link on the website.

To book your place on one of the in-person sessions, please email *customerservices@sypa.org.uk* or telephone **0300 303 6160** and let our team know which session you would like to attend.

Parking is available onsite and directions to Oakwell House can be found here *https://www.sypensions.org.uk/Contact/Visit-us*

2023 Pensions Increase

Local Government Pensions expected to increase by xx % from 10 April 2023. Once we receive confirmation from the Government, we will make a further announcement.

Pension Pay Dates

Wednesday 30 November 2022
Friday 30 December 2022
Tuesday 31 January 2023
Tuesday 28 February 2023
Friday 31 March 2023
Friday 28 April 2023
Quarterly 30 December 2022, 31 March 2023, 30 June 2023 & 29 September 2023
Bi-annual 31 March 2023 & 29 September 2023
Annually 31 March 2023

You may remember in the last issue of this newsletter we introduced our new and improved website. Six months on and we would love to hear your feedback.

We want to make sure the site is working as expected and that it also meets your needs and expectations. We want to keep it fresh and create a first point of contact for information.

If there is any aspect of the website that you feel needs improving or certain information isn't available, please let us know by emailing *website@sypa.org.uk*

ANNUAL GENERAL MEETING 2022

4.30 pm on Thursday 24 November 2022

We would like to invite you to this year's Annual Fund Meeting on Thursday 24 November 2022.

When ?

From 4.30 pm to 6.30 pm.

Where ?

Oakwell House, 2 Beevor Court, Pontefract Road, Barnsley, South Yorkshire S71 1HG.

Agenda items will include:

- A Review of the Investment Performance.
- A Review of Pensions Administration.

At the end of the meeting there will be the opportunity for a Q&A session and questions can be submitted for this prior to the event by emailing *agm@sypa.org.uk*.

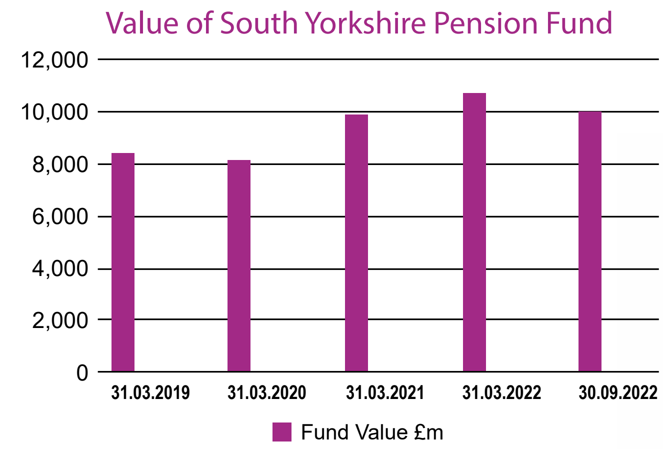
Don't worry if you can't make it in person, you can watch the meeting on a live stream from our website and a recording will be available to view after the event.

For further information and to register for the Annual General Meeting visit: *https://www.sypensions.org.uk/*. To book your place please email *agm@sypa.org.uk* or call us on **0300 303 6061**.

Please note the capacity for the event is 40 and places will be offered on a first come first served basis to SYPA members only.

FUND UPDATE October 2022

Financial markets have seen some significant ups and downs since the turn of the financial year in April and the graph below shows how the value of the Fund has evolved over the last few years.



Since the last valuation of the Fund in 2019 the total value of the Fund has climbed to over £10bn in March this year and remains close to £10bn even after the recent turmoil which has particularly affected the value of the pound and the price of government bonds. However, the main holdings in shares in UK and overseas companies have performed ahead of their benchmarks as have our investments in “alternatives” such as private equity and infrastructure funds.

At the time of writing around 70% of the fund is invested in pooled products provided by the Border to Coast Pensions Partnership. This includes a commitment of £250m over the next three years to a climate opportunities fund which will invest in the opportunities presented by the transition to a low carbon economy. We are also continuing to grow our investments in the local economy increasing the number and scale of loans we provide to support local developments of housing and industrial space, and we provide regular updates on these on our website if you want to see if there is one near you.

It is important to remember that the benefits received by individuals are not affected by the changes in the value of the Fund’s investments with these risks being borne by scheme employers, so while the current turbulence in markets is unhelpful from the point of view of managing the Fund it does not affect the benefits you are receiving or will receive.

PENSIONS FOR PURPOSE

SYPA have been shortlisted for two Pensions for Purpose Awards

We are pleased to announce that the Authority has made the shortlist for two awards in the **Pensions for Purpose** annual awards.

The categories we've made the shortlist for are:

- Impact Investing Adopter Award; and
- Place Based Impact Investing Award.

The first submission was about the work we are doing to understand our impact on people and planet and why this is an important part of how we do investment as we strongly believe that investing in well governed and sustainable assets is key to delivering the long-term investment returns that are required by our Pension Fund.

The second submission looked at how we are allocating a portfolio of local development loans managed by CBRE that was initially agreed at £80m but scheduled to grow to £100m helping to bring create new jobs and homes and boost the local economy in South Yorkshire.

The winners will be announced on 1 February 2023 at the Pensions for Purpose Annual Stakeholder and Awards Event in London, so please keep your fingers crossed for us!

Reassurance about your pension

The LGPS is one of the largest pension schemes in the UK. It is a defined benefit pension scheme which means we calculate pensions based on salary and length of membership in the Scheme. A member’s pension is not affected by how well investments perform and therefore the current volatile conditions in the market will have no effect on your pension. The LGPS provides you with a secure and guaranteed income every year in retirement.

Data sharing for the prevention and detection of fraud

South Yorkshire Pensions Authority is required by law to protect the public funds we manage. We may share information provided to us with other bodies responsible for auditing, or administering public funds, or when undertaking a public function, to prevent and detect fraud.

The Cabinet Office is responsible for carrying out data matching exercises and we participate in their National Fraud Initiative, to assist in the prevention and detection of fraud.

We are required to provide particular sets of data to the Minister for the Cabinet Office for matching for each exercise, as detailed on the government's National Fraud Initiative website: *https://www.gov.uk/government/collections/national-fraud-initiative*.

The processing of data by the Cabinet Office in a data matching exercise is carried out with statutory authority under its powers in Part 6 of the Local Audit and Accountability Act 2014. It does not require the consent of the individuals concerned under the Data Protection Act 2018.

Data matching involves comparing computer records, usually personal information, held by one body against other computer records held by the same or another body to see how far they match. Computerised data matching allows potentially fraudulent claims and payments to be identified. Where a match is found it may indicate that there is an inconsistency which requires further investigation. No assumption can be made as to whether there is fraud, error or other explanation until an investigation is carried out.

For more information on the Cabinet Office's legal powers and the reason why it matches particular information use the link below to view the National Fraud Initiative privacy notice: *https://www.gov.uk/government/publications/fair-processing-national-fraud-initiative/fair-processing-level-3-full-text*.

Pension Puzzler

solve the puzzle and you could win a £20 M&S VOUCHER

In each set of scrambled words, one of the words describes a topic. The other fourteen words are related to that topic. Can you solve each word scramble puzzle?

NWSANOM MTCAHSISR LISCEIC
REIWNT TIVESEF YTUERK
FFGNSUIT EILTOSTME RECKCRA
DEVNAT SANFOLEKW RSFAC
LESVOG LUIDYEET SERPNSTE

Return your answers and the topic, with your name, address, telephone number and National Insurance number to; Word Scramble, SYPA, Oakwell House, Beevor Court, Pontefract Road, Barnsley, South Yorkshire S71 1HG.

Or email us at *customerservices@sypa.org.uk* before 31 December 2022.

There can only be one winner, so the first correct entry to be drawn will win a £20 Marks & Spencer voucher. (No cash alternative can be substituted). ***Good Luck!***

The winner of the Pension Puzzler in the last issue of Retirement Insight was **Betty Howe**. **Congratulations!**

Power of Attorney

Office of the Public Guardian

If someone holds Power of Attorney for you, please send us a certified copy of the whole document so that we can update our records.

- To certify the Power of Attorney the person who appointed the attorney (the donor) must write on each page - 'I certify this is a true and complete copy of the corresponding page of the original lasting power of attorney'
- On the final page, the donor must write - 'I certify this is a true and complete copy of the lasting power of attorney'
- Each page must be signed and dated.
- Alternatively, a solicitor or public notary can also certify a copy of lasting power of attorney.
- If a certified copy is not possible then you can provide the original Power of Attorney documentation. These are sent at your own risk, and we suggest you send this using recorded delivery. We'll return original certificates by recorded delivery.

We're unable to make any changes until these documents has been received.

100th birthdays

Congratulations to another one of our centenarians, **Alice Thwaites** who celebrated her 100th birthday on the 18th June.

Alice was Head Cook for school meals in Rotherham for a number of years up to her retirement.

William (Bill) Moore celebrated his 100th birthday in March this year.

Bill was born in Constantinople (Istanbul) in 1922, his father was stationed there as part of the Royal Army Ordnance Corps.

After his father left the army and they returned to England they settled in Sheffield. Upon leaving school Bill got an apprenticeship with a typewriter company learning to repair typewriters.

When the war broke out he joined the Home Guard until he was 18 when he enlisted. He wanted to join the Navy, but he was told there were no places left and had to choose between the Army and the RAF. Not keen on the Army he joined the RAF. Following initial training he was posted overseas and found himself in Egypt, where he was assigned as a driver to AMES (Air Mistry Experimental Station).

This was the secret radar unit and he was part of the group that transported, erected and dismantled the equipment. They were backwards and forwards across North Africa, then on to Sicily and finally on to Italy where they steadily worked their way up the east coast as far as Austria.

He was demobbed in 1946 when he married his sweetheart Kathleen (Kath) Clarkson. They had three children Janet, Brian and David. Seven grandchildren and numerous great grandchildren followed.

Soon after returning to Sheffield Bill took up the position of driver with Sheffield Transport. He received a diploma from The Royal Society for the Prevention of Accidents for having been free from accidents for which he was blameworthy whilst driving during the year ending 31st December 1947. He continued to get these certificates until the awards changed in 1955 to the Road Operations Council (ROSCO) safe driving awards. He went on to get their award for the next 27 years, quite an achievement. In the last few years of his career with Sheffield Transport, following the introduction of one-man buses, he worked in the maintenance depot.

After retiring Bill and Kath took up country dancing. They went to events all over the country.

Laterally they moved to Hornsea, East Yorkshire to be nearer their daughter. Kath passed away in 2010, they were married for 64 years. Bill continued to drive until he was 94, still safely all be it a bit slowly!

Bill was still living independently until the end of 2021 when mobility difficulties meant he had to move into a care home where he is happy to be taken care off and has a view out to sea and he wonders how different his life would have been if he had his wish to join the Navy.

Death Benefits

When it comes to death benefits it's important to know the difference between a death grant and a long-term pension. You can nominate any individual or number of individuals to receive a one-off death grant payment. The long-term pension is only paid to those shown to be financially dependent on you such as your partner and/or children at the date of death.

Who will receive a dependant's pension in the event of my death?

A dependant's pension is a regular payment to someone dependent on you at the time of your death. For example, a spouse, registered civil partner, or, subject to certain qualifying conditions, an eligible cohabiting partner (if you were a member of the LGPS on or after 1 April 2008) We may also pay children who are below a certain age or who meet other criteria.

Please be aware that you cannot nominate someone to receive a dependants' pension in the event of your death. If you don't have anyone dependent at the date of date, then no further payments would be made.

When is a lump sum death grant paid?

The calculation of a death grant all depends on when you left the pension scheme, and which set of regulations apply. A death grant will be paid if:

- You left after 31 March 2008 and have been receiving your pension for less that 10 years and you are under age 75.
- You left the LGPS between 1 April 1998 and 31 March 2008 and have been receiving your pension for less than 5 years and you are under age 75.
- If you left before 1 April 1998 and are receiving your pension, a death grant may be paid when you die. The calculation is more complex.

If when you die you are also still paying into the pension scheme and/or you have a deferred benefit, then the lump sum death grant paid is the greater of:

- The total of any lump sum death grants payable form the deferred and/or pension in payment.
- Three times your pensionable pay in the job you were working at the date of death.

Please note: To comply with overriding Tax law, no death grant can be paid in respect of a death after a person's 75^{th} birthday. Therefore, if for example you retire at age 75 and pass away within 10 years of retirement, no lump sum death grant would be payable, only an eligible dependant's pension.

HERE to HELP

For any pension related queries please contact us on **0300 303 6160**.

Other ways to contact us;

Email: customerservices@ sypa.org.uk

Telephone: 0300 303 6160

Web: www.sypensions.org.uk

Text: 07786 204697 *(always quote your National Insurance number and subject).*

Write: South Yorkshire Pensions Authority, Oakwell House, 2 Beevor Court, Pontefract Road, Barnsley, S71 1HG.

If you would like this, or future newsletters, in any other format such as large type, on audio CD or Braille, please contact Customer Services on **0300 303 6160** or write to the address above.

You can also follow us on Facebook, Twitter and YouTube at;

www.sypensions.org uk/ facebook

www.twitter.com/ sypensions

www.youtube.com/ sypensions

Register for mypension at: https://mypension. sypensions.org.uk/

Produced by South Yorkshire Pensions Authority, Oakwell House, Beevor Court, Pontefract Road, Barnsley. S71 1HG

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Access your account online, 24/7 from anywhere in world with mypension!

Sign up for an online account and:

- Run your own retirement quotes.
- Update your personal details.
- View your annual pension forecasts.
- Make/update your death grant nomination details.

These are just a few of the features available on our secure online Portal. All you need to do now is register at https://mypension.sypensions.org.uk/ and follow the simple two-step process.

Step 1 - set up a username and password. Please make sure you have your National Insurance number and email address to hand. Once registration has been completed you will receive a one-time activation code to your email address.
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If you experience any difficulties with the registration process, please call us on 0300 303 6160 and we'll help get you online.

Annual General Meeting 2022 – 4.30 pm on Thursday, 24 November 2022

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When: From 4.30 pm to 6.30 pm.
Where: Oakwell House, 2 Beevor Court, Pontefract Road, Barnsley, South Yorkshire S71 1HG.

Agenda items will include:

- A Review of the Investment Performance.
- A Review of Pensions Administration.

At the end of the meeting there will be the opportunity for a Q&A session and questions can be submitted for this prior to the event by emailing agm@sypa.org.uk. Don't worry if you can't make it in person, you can watch the meeting on a live stream from our website and a recording will be available to view after the event.

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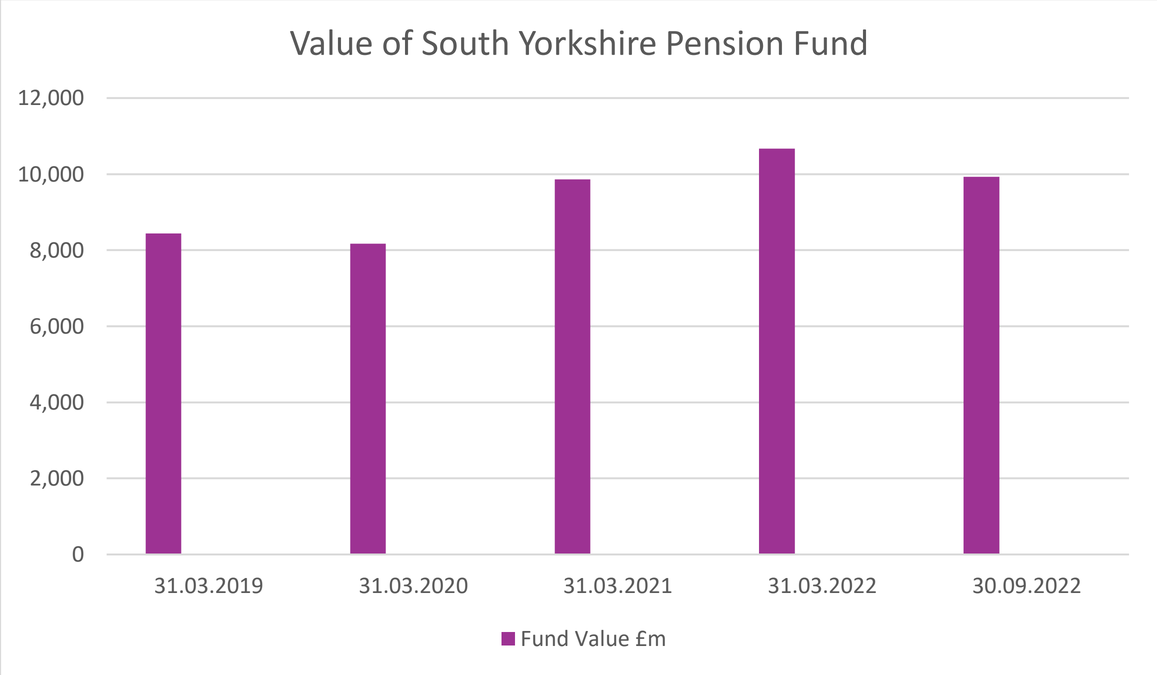
Fund Update - October 2022

Financial markets have seen some significant ups and downs since the turn of the financial year in April and the graph below shows how the value of the Fund has evolved over the last few years



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At the time of writing around 70% of the fund is invested in pooled products provided by the Border to Coast Pensions Partnership. This includes a commitment of £250m over the next three years to a climate opportunities fund which will invest in the opportunities presented by the transition to a low carbon economy. We are also continuing to grow our investments in the local economy increasing the number and scale of loans we provide to support local developments of housing and industrial space, and we provide regular updates on these on our website if you want to see if there is one near you.

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SYPA have been shortlisted for two Pensions for Purpose Awards

We are pleased to announce that The Authority has made the shortlist for two awards in the Pensions for Purpose annual awards. The categories we've made the shortlist for are:

•Impact Investing Adopter Award; and

•Place Based Impact Investing Award.

The first submission was about the work we are doing to understand our impact on people and planet and why this is an important part of how we do investment as we strongly believe that investing in well governed and sustainable assets is key to delivering the long-term investment returns that are required by our Pension Fund.

The second submission looked at how we are allocating a portfolio of local development loans managed by CBRE that was initially agreed at £80m but scheduled to grow to £100m helping to bring create new jobs and homes and boost the local economy in South Yorkshire.

The winners will be announced on 1st February 2023 at the Pensions for Purpose Annual Stakeholder and Awards Event in London, so please keep your fingers crossed for us!

Death Benefits

Protect your loved ones Your pension isn't just about you, it also provides for your family if the worst should happen. When it comes to death benefits it's important to know the difference between a death grant and a long-term pension. You can nominate any individual or number of individuals to receive a one-off death grant payment. The long-term pension is only paid to those shown to be financially dependent on you such as your partner and/or children. Read our Death benefits factsheet.

Link to Death Benefits info https://www.sypensions.org.uk/Members/All-members/Pensions-for-Partners

Pensions Made Simple

We Understand Pensions can be complicated. That's why we've created videos to help highlight key information. Videos include mid-life and pre-retirement planning, so why not take a look at our website for the latest videos.

https://www.sypensions.org.uk/Members/All-members/Pensions-Made-Simple

The videos on the website will help you to understand different subjects to do with pensions. They have been made in a way to limit the amount of jargon used.

Salary Sacrifice Scheme – send Martin a separate document

Trivial Commutation

Taking all your pension benefits as a lump sum

If your LGPS monthly pension is small, you may be able to take all your benefits as a one-off lump sum payment. This is known as a trivial commutation.

What is Trivial Commutation?

A trivial commutation is where your pension benefits are paid as a single payment instead of a monthly pension. Trivial commutations extinguish your rights in the pension scheme and those of any dependants; this means that after a trivial commutation is paid, no further benefits would be due to you or any dependants at any point in the future.

The rules governing whether you can take a trivial commutation are quite complex and depend on whether you want to take a trivial commutation from more than one pension scheme or from the LGPS only.

Trivial commutation from more than one pension scheme

If the total value of your benefits is less than £30,000* and your benefits are in more than one scheme (for example, LGPS and non-LGPS but not including state pension) you may be able to take a trivial commutation payment. Generally, you must be:

- Age 55 or over, or if you have scheme membership before 6 April 1997, age 60 for a female or age 65 for a male; and
- You have not received payment of a previous trivial commutation lump sum. If so, it has been paid within the last 12 months.
- If you have an ongoing pensionable employment, trivial commutation is not an option.

Trivial commutation from the LGPS only

If the total value of your pension benefits in the LGPS is less than £10,000* you may be able to take a one-off payment. To be eligible:

- You must have left the scheme after 31 March 2008.
- You must be age 55 or over, or if you have scheme membership before 6 April 1997, age 60 for a female or age 65 for a male; and
- The value of your LGPS benefits must include any benefits you have in other LGPS funds in England and Wales.
- You have not transferred any benefits out of the LGPS in the last 3 years; and
- If you left the pension scheme before 1 April 2014, you must not have received a transfer into the scheme during the 5 years preceding the date of the commutation payment; and

- You are not a "Controlling Director" of any employer in the LGPS.

It's important to note that 75% of a trivial commutation lump sum payment is subject to tax.

If we believe you meet the conditions for trivial commutation, when we provide your final retirement figures along with your retirement claim forms we will ask if you want further details for a trivial commutation.

*Please note: The capital value is the value of your pension benefits and not the annual amount of pension payable. To test against the £10,000 or £30,000 limit, pensions being paid are valued at 20 times the annual pension income. For example, a pension of £750 a year would be valued at £15,000 (20 x £750). If you are due a tax-free lump sum when your pension is due to commence, the amount of the lump sum is added to this value.

Getting Guidance about your Additional Voluntary Contributions (AVC) Options

The Government has recently introduced legislation to ensure that individuals are made aware of Pension Wise guidance as part of their application process for drawing or transferring their AVC fund.

The aim is to protect people by helping them make informed decisions. Pension Wise is a government service from MoneyHelper that offers free, impartial pensions guidance.

Deciding how to use your AVC plan is one of the most important financial decisions you are likely to make, therefore obtaining guidance from Pension Wise to help you decide which option is best for you, is the right thing to do.

As part of our retirement process, if you have an AVC fund, we will provide details on how to book an appointment with Pension Wise. Because it is such an important decision, we are not allowed to proceed with your application until you tell us that you have either received guidance from Pensions Wise (in connection with your application to take your AVCs in the LGPS) or you do not wish to take Pension Wise guidance. This is a legal requirement.

Getting help with all your pension questions

You can get guidance on both your AVC and LGPS pension from the MoneyHelper pensions guidance helpline. This is a free, impartial money and pension service sponsored by the Government. It is a separate service to Pension Wise.

You cannot make an appointment with MoneyHelper pensions guidance but you can contact them online or by phone on 0800 011 3797. See the MoneyHelper website for more information: www.moneyhelper.org.uk

During the retirement process, if you have an AVC fund, we will provide all the information you need to proceed.

50/50 Section

During your life there may be times when you are in a difficult position financially and might think about opting-out of the scheme to save money.

At these times, you can choose to pay half your normal contributions and still build valuable pension benefits. If you choose to do this, you will build half your normal benefits. This is known as the 50/50 section of the scheme.

Further information about the 50/50 section can be found on our website:

https://www.sypensions.org.uk/Members/Active-members/50-50-Section

Join our community

It's easy to stay up to date with us wherever you are. Follow us on any of our social channels for the latest news and updates. We're on:

- Facebook
- Twitter
- LinkedIn
- YouTube

employernews

SOUTH YORKSHIRE
PENSIONS AUTHORITY

Local Government Pension Scheme

Issue 9 **October 2022**

Welcome to the latest edition of **Employer News**

It seems like we are moving even closer to normality as we managed to open our doors to Oakwell House in recent months to Employers, Payroll Providers and Members. More events are planned, as we move to in-person appointments and sessions.

INSIDE THIS ISSUE

Just click on the page link below to take you to the article.

►►►roll up, roll up,

payroll update

►►► Annual Allowance

Our Annual Benefit Statement production process has identified approximately 500 scheme members who may have had pension growth close to the Annual Allowance limit and therefore further information will be requested to allow us to provide accurate statements to these members. The Annual Allowance data form query issued through the EmployerWeb portal has a pre-populated response where you just add the figures requested and submit the form. There are strict HMRC deadlines to adhere to and therefore these data form queries have the same priority as the High Priority data forms i.e., **5** days to respond. There are 3 versions of the Annual Allowance query:

Annual Allowance - Last Year Latest Check (just wants latest years information)

Annual Allowance - Partial Check (may require further information as well as the latest tax year information)

Annual Allowance - First Time Check (requires all pay figures for the last 5+ years)

Could we request that you keep checking your Group Tray for the Data Form queries and respond to them quickly to enable us to issue pension savings statements to these members.

►►► Local Government Association Training

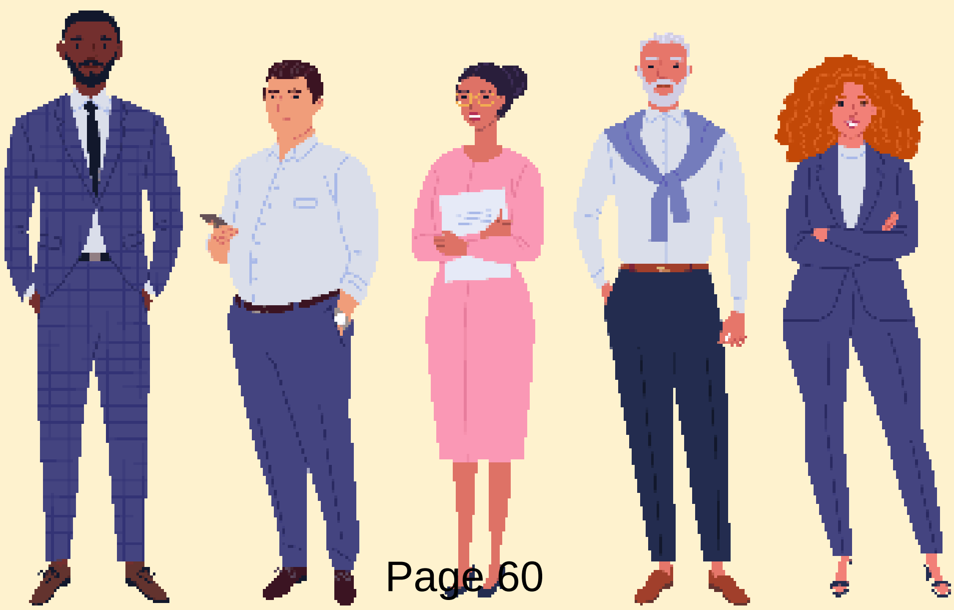
Final pay bitesize training

The LGA have recently published final pay bitesize training. This free, interactive training is aimed at employers and payroll providers. It covers how to calculate final pay for members with final salary benefits. Final salary benefits were generally built up before April 2014. It also covers final pay protection where a member's pensionable pay is reduced or restricted in certain circumstances.

You can find the final pay bitesize training on the *employer bite size training* page of *www.lgpsregs.org*

A text only version of the course is also available.

Continues on next page >>



►►►roll up, roll up,

payroll update

. . . . . continued

Employer role training

The LGA have recently scheduled some more employer role training dates. These events are now live on the *LGA website*. This is a live site and bookings are on a first come, first serve basis.

Please note that the LGA can only invoice those that are members of the LGA. All other payments will have to be made via debit/credit card. If you input the wrong authority, your place will automatically be cancelled from the system.

For your ease of reference each date has a link attached to the direct booking page:

8 December 2022 ......**Online Teams**
10 January 2023........**Online Teams**

The LGA employer training courses are limited to a maximum of 15 attendees. This is to ensure that everyone has sufficient opportunity to interact with the trainer and other attendees. For this reason, and as a revenue protection measure, the LGA ask that all attendees have their cameras turned on for the duration of the training.

Please contact Lisa Clarkson, LGPS Pensions Adviser, if you have any questions about the final pay bitesize training or the employer role training course, *lisa.clarkson@local.gov.uk* or 07465432596.

►►►Opt Outs

When are opt out forms required to be sent to SYPA?

Under 3 months **in the scheme** with a refund of contributions paid through payroll or contributions never deducted. We **do not** require sight of these forms as you will have informed us on your monthly data submission. You do need to retain these opt out forms signed by the member however to satisfy any auto enrolment legislative requirements.

Over 3 months in the scheme. Membership should end on the last day of the month following receipt of the opt out form. We **do** require a copy of the opt out form which can be uploaded via our employer's portal Employerweb under *"actions - upload a document"* or emailed to *customerservices@sypa.org.uk*

We also require you to mark these on your monthly data submission as an opt out with more than 3 months membership. If we require any further information to complete an individual case we will request it via a Query process on Employerweb.

employer's page

►►►In Person Pension Appointments

Individual 1:1 in person pension appointments are back!

We are changing the way that we do this and instead of being in a central location in each of the towns and cities in South Yorkshire on a specific day, we can come to your workplace!

If this is a service that your scheme members would like we need:

- **A minimum of 4 appointments.**
- **A private room.**
- **Access to Wi-Fi.**
- **An employer contact to liaise with.**

Please email any requests for this service to *engagement@sypa.org.uk*

Members can also book virtual or in person appointments at our Oakwell House Head Office by visiting our website; *https://www.sypensions.org.uk/Contact/Appointments/Book-Appointment*

►►►Pension Presentations

As we are offering member appointments in person, we are able to do the same for scheme member and employers presentations. Please visit our website to view the presentations available *Employer Engagement (sypensions.org.uk)* and complete the relevant enquiry form.

We will still be offering all presentations via Microsoft Teams and can use other platforms if invited to do so.

►►►Pension Awareness Week

Although the Pension Awareness Week was postponed until 31 October - 4 November, we continued with the planned sessions for the original week 12 - 16 September. We contacted all scheme members over the age of 30 with the offer of attending our new offices in person or watching a live stream of a presentation. Two presentations were given by the Engagement Team:

The **Mid Life session** - topics including what the LGPS is and how we work out your retirement benefits, how and when your benefits are paid, how you can increase your benefits and your options if you leave before retirement.

The **Pre-Retirement** session included information on the different retirement types including ages, how your pension benefits are calculated and when they will be payable, and options if you leave before retirement.

The event was a great success with over 150 members being able to attend in person. The recordings of the presentation can be found here *News & information (sypensions.org.uk)*

►►►Talk Money Week

7 - 11 November

We will be providing a few **Understanding Your Pension Sessions** during Talk Money Week at Oakwell House. The sessions will be promoted on our website shortly, could you please direct your staff to the sessions. The hybrid sessions will be available on a first come first served basis with spaces for 40 attending members per session.
A link to watch live will be available on our website closer to the date, the sessions will be recorded and available to watch later.

employer's page .... continued

Annual Fund Meeting 24 November

The Annual Fund Meeting will be held in November at Oakwell House. It will also be available to watch live through a link on our website. The Annual Fund Meeting is primarily intended for all scheme members (past and present) but Employers are also welcome to attend. Please look out for the link on our website.

Valuation

We are expecting the results of the triennial Fund Valuation shortly which will set employer contribution rates for the three years from 1 April 2023. We will be contacting employers finance contacts separately via email with an invite to attend a virtual meeting where the individual employer results will be shared so please keep an eye out for your invite.

Cost of Living Crisis - 50/50 Section of Scheme

We understand that many members will be feeling the effects of the cost-of-living crisis and it is not surprising that some members might think about opting out of the scheme in order to save money. We understand that, as employers, you are not responsible for advising individuals on their own financial decision making but we would request that if you are contacted by scheme members considering opting out that you draw their attention to the option of moving to the 50/50 section of the scheme, where the member can choose to pay half their normal contributions and build up half their pension benefits.

To do this, they will need to complete the *Election to Join the 50/50 Section form* and return it to their Employer/ Payroll Provider. They will start paying half their normal contributions from the next available pay period.

Who can choose the 50/50?

Any member of the scheme can choose to pay into the 50/50 section at any time. There is no limit to the number of times you can choose to move between the main and 50/50 sections, and back again.

If they have more than one job where they contribute to the Scheme, they must specify in which job(s) they want to be moved to the 50/50 section.

What happens to my life assurance and ill health cover when I'm in the 50/50 section?

If they die in service, the lump sum death grant, and any survivor pensions, would be worked out as if they were in the main section of the scheme.

If they are awarded an ill-health pension under Tier 1 or Tier 2 whilst in the 50/50 section, the amount of ill-health enhancement added to the pension is worked out as if you they were in the main section of the Scheme.

How long can members remain in the 50/50 section?

The 50/50 section is designed to be a short-term option for when times are tough financially. Because of this, employers must move members back into the main section of the Scheme every three years. This will be carried out at the employer's automatic re-enrolment date. The employer will tell the member when this is and, if they want to, they can move back to the 50/50 section of the Scheme by completing another election form.

What happens to members on sick leave?

If they are in the 50/50 section and move onto a period of no pay due to sickness or injury, they must be moved into the main section of the Scheme. By doing this, they will start to build up full pension again, even though they will not be paying any contributions.

How do members move back into the main section?

Whilst in the 50/50 section, members can choose to move back to the main section of the Scheme at any time by completing the Election to Re-join the Main Section Form.

If they have more than one job where they contribute to the Scheme, they must specify in which job(s) they want to be moved to the main section.

What does the employer pay scheme members are in the 50/50 section?

The employer continues to pay their normal contribution rate (not half their rate) when members are in the 50/50 section of the Scheme.

employer's page . . . . continued

Example of the main section compared to the 50/50 section:

This example is based on an employee earning £24,500 per year who pays a normal contribution rate of 6.5% for one year in the Scheme.

MAIN SECTION	50/50 SECTION
Gross contribution in the main section (for 1 year) **6.5% = £1,592.50**	Gross contribution in the 50/50 section (for 1 year) **3.25% = £796.25**
Pension build up before revaluation in the main section (for 1 year) **£500 for each year in retirement**	Pension build up before revaluation in the 50/50 section (for 1 year) **£250 for each year in retirement**
*Lump Sum Life Assurance Cover **£73,500**	*Lump Sum Life Assurance Cover **£73,500**
Full ill health cover	**Full ill health cover**

The Employer cannot issue Opt-out forms, but they can direct their members to the 50/50 section of the scheme.

Annual Benefit Statement

As you can see, we have issued a great many statements to our members by 31 August which is the deadline we work to. This has been achieved with the training, co-operation and improved level of data quality from employers and payroll providers as well as hard work and dedication from all teams here at SYPA.

Active Members

Statement Produced

Folders: 47,743 (99.27%)

Deferred members

Statement Produced

Folders: 47,890 (99.97%)

Employer Focus Group

Thank you to the Employers who volunteered to be part of our inaugural Employer Focus Groups. The first meetings were held in person at our offices in Barnsley on 23 and 26 September and discussed the following topics:

Cost of Living Crisis and the LGPS • McCloud Update • MDC • Ill Health Retirement

Outcome:

Cost of Living Crisis and the LGPS

We wanted to understand from Employers if there had been an influx of members wanting to opt out of the scheme due to the cost-of-living crisis. We are aware that it is the re-enrolment date for the four largest Employers in the fund so would be difficult to monitor. Reiterated to make sure all contractual enrolments were on the MDC files, even if they had opted out from day one, and to flag them on the MDC as opted out. We can then run a report of all non-members.

A discussion around the promotion of the 50/50 scheme took place. Whether a 50/50 Flyer would be useful, with a lot of members now working hybrid, could Employers make this accessible to members?

Suggestions for the flyer included:

- The useful link to the 50/50 section of the SYPA Website for more information and the forms.
- Concerns were raised as would the promotion of the 50/50 Scheme create a negative effect and increase opt outs?
- Would it be possible to show the differences between opting out v 50/50 section, pros and cons?

Other suggestions included:

- Pop up message promoting the 50/50 section when a member clicks on the Opt out page.
- 50/50 Information on mypension.

We will be producing a flyer for employers to share with members.

We discussed the expected cost-of-living increases to CARE pots in April 2023 and the effect on members, especially those with long service, potentially reaching the Annual Allowance limits. This could result in a large number of requests for Annual Allowance pay figures. Employers asked if there was an easy-to-follow guide for Employers to understand why someone could hit the Annual Allowance. We agreed that we would work on a guide to show at the next Focus Group for comments.

Timescales for Valuation - end of October beginning of November and that there would be Employer meetings set up to discuss the results (see article on page 5).

McCloud Update

Awaiting Legislative Guidance and a software update, but the steer from SYPA was to continue to submit hour changes and absences, therefore the records should be OK if the steer has been followed.

SYPA will be requesting Employers to check the service history records from April 2014 onwards for every member who has been in the scheme. We will also be contacting members to check their records. It is the **Employers** responsibility to keep members records updated.

Employer Web shows the membership for all active members. Smaller Employers could check that the members records are correct for their active members.

Issues raised:

Previous Payroll Provider Issues -
Who supplies the information?

SYPA reiterated that it is the employer's responsibility to provide information on working hours.

Employer Focus Group continued

MDC

We are aware of software issues related to moving MDC processes from Group Tray to Work Tray, currently assigning the MDC process to the Employer Web user who submitted the previous months. Please contact *customerservices@sypa.org.uk* if the MDC process needs to be assigned to a different user.

Reminder emails are issued to MDC contacts and can be issued to more than one person per Employer. If you need to update who receives the reminder emails, please email *engagement@sypa.org.uk* with your Employer Details, including Employer Code, and the email address of the staff you wish to receive the reminders.

Explained that we are working on a new MDC Data Form to be completed via the portal rather than emailing a list of the individual MDC queries. It is still in its infancy and there are a few issues we have currently found - for example, employers can't partially respond to queries - they all have to be answered before the form can be submitted.

Suggestions Raised:

- Before submitting the MDC can it be run alongside a validator to see the potential problems to stop the queries, similar to the Teachers MCR
- Could the Folder References be sent out, this used to happen and now has stopped.

Ill Health Retirement

Reiterated that the Ill Health Retirement process is Employer Led and the decision still rests with the Employer after taking advice from the Independent Registered Medical Practitioner (IRMP) opinion.

Anecdotally, a lot of Employers simply take the IRMP recommendation, but employers should have a documented decision-making process in place. It is technically possible for an employer to reach a different decision to the IRMP provided this can be justified. SYPA would seek confirmation of the justification in these circumstances but would be unlikely to challenge this if the decision-making process was robust.

Employers can contact the SYPA team to discuss the rationale if they are considering reaching a different outcome to the IRMP opinion. Remember that there is a full Internal Dispute appeals process if a member does not agree with an employer decision in relation to ill-health retirement.

Reminder

All Forms and Guidance in relation to ill-health retirement is available on the SYPA website under the *Employer Section*.

Topics for the next Focus Group (February 2023)

Valuation • Annual Allowance • March MDC's

The next Focus Group will be in person and online (hybrid).

Training Sessions

We are working on developing video training sessions on the following:

- **Replying to Data Forms**
- **Running Retirement Quotes**
- **Termination Form/Pensionable Pay**
- **Ill-Health Retirement**

The sessions will be available on our new Website under the Employer section in the next few months.

We will still be providing Training Sessions on request. These can be arranged for individual Employers/Payroll Providers. Have a look at the Employer Presentations we already offer and get in touch at **engagement@sypa.org.uk** or the *Contact Us* form on the website if there is anything that you would like a specific session on.

Changes to Payroll Contact?

Please make sure you contact **engagement@sypa.org.uk** if you need to notify SYPA of a change to our usual payroll contact. Whether this is due to changing Payroll Providers or the usual contact is leaving. We require time to set up access to the Employer Web portal and update the contact details on EPIC.

lgps

Regulations & Guidance

Please click on the link to see regulations and guidance from the LGPS Website.

http://www.lgpsregs.org/resources/guidesetc.php

https://www.lgpsregs.org/employer-resources/guidesetc.php

Make sure to keep up to date with your responsibilities as an employer and contact us if you need any training or support.

Remember to read the monthly LGPC bulletins as these often contain important information for employers. They can be found here: **https://www.lgpsregs.org/bulletinsetc/bulletins.php"**

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Subject	**Compliance with Pensions Regulator Code of Practice Update Report**	**Status**	For Publication
Report to	Local Pension Board	**Date**	03/11/2022
Report of	Corporate Manager - Governance		
Equality Impact Assessment	Not Required	Attached	Na
Contact Officer	Jo Stone Corporate Manager – Governance	**Phone**	01226 666418
E Mail	jstone@sypa.org.uk		

1 Purpose of the Report

1.1 To provide members with an update on current position of compliance with the Pensions Regulator Code of Practice.

1.2 A report will be provided regularly to provide assurance and monitoring of information across many areas of the business.

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2 Recommendations

2.1 Members are recommended to:

a. Note the updates for information.

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3 Link to Corporate Objectives

3.1 This report links to the delivery of the following corporate objectives:
Effective and Transparent Governance

3.2 To uphold effective governance always showing prudence and propriety.

4 Implications for the Corporate Risk Register

4.1 The contents of this report link to a specific risk in the corporate risk register; and set out the actions being taken in several areas that will contribute to addressing various risks in relation to operations and governance as detailed in the original audit reports.

5 Background and Options

5.1 The Regulator Code of Practice actions have been updated and the keys areas of progress have been in relation to learning and development of members. There have been other significant improvements in governance as outlined in Appendix 1 since the last report to the Local Pension Board.

5.2 The wider actions of the Code have seen incremental improvements.

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

Jo Stone

Corporate Manager - Governance

Background Papers	
Document	**Place of Inspection**
None	-

Code Section / Sub Section	Legal Requirements		TPR's Guidance	How we comply	Evidenced by	Action(s) identified & reference to action plan	July 2021 Update	Further Actions Required (if any)	October 2022 Update
Knowledge and understanding required by pension board members [30 - 60]	A member of the pension board of a public service pension scheme **must** be conversant with: a) the rules of the scheme b) any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme A member of a pension board **must** have knowledge and understanding of: a) the law relating to pensions b) any other matters that are prescribed in regulations	1	Schemes should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding [38]	Requirements set out in LPB Constitution	https://www.southyorks.gov.uk/JAGUHome/Pensions/PensionsLocalPensionBoard.aspx	Amend Member Learning and Development Strategy to apply to both the Board and the Authority's members.	Amended L&D Strategy agreed by both LPB and Authority.	None specifically, although monitoring of the strategy will be undertaken.	Monitoring arrangements now in place and compliance with requirements of the strategy has markedly improved
		2	Schemes should designate a person to take responsibility for 1 above [38]	Clerk as set out in the Authority's constitution	https://meetings.southyorks.gov.uk/ecSDDisplay.aspx?NAME=Constitution&ID=206&RPID=24536&sch=doc&cat=13051&path=13051&zTS=C				Completed - this responsibility now rests with the Corporate Manager Governance
		3	Schemes should prepare and keep an updated list of documents and legislation, with which they consider pension board members need to be conversant [41 & 46]	Member Handbook updated annually and provided to all Board and Authority members contains signposts to relevant documents. Documents and learning materials stored in an on line reading room	Reflected in the Member Handbook which is available	Add hyperlinks to the Member Handbook	Additional signposting included in the 2021/22 Handbook.	Include hyperlinks in 2022/23 Handbook following completion of the new website.	Completed
		4	Clear guidance on the roles and responsibilities and duties of boards and its members should be set out in scheme documentation [47]	Set out in the Board's Constitution and Terms of Reference.	ref above				
		5	Schemes should assist pension board members to determine the degree of knowledge an understanding needed [48]	Training Needs Analysis conducted by the Clerk with support from the Board's Independent Adviser		Produce a single Annual TNA document and training plan covering Board and Authority members	Work in hand	See previous column.	Ongoing
		6	Schemes should provide board members with the relevant training and support that they require [55]	Programme of internally organised seminars for all Board and Authority members, Pre Board meeting sessions with Independent Adviser. Specific external activities signposted and sufficient budget available to fund attendance.	ref above	May need to introduce additional funding to facilitate release of members from employment to attend external events	Core training programme established. Specific sessions for LPB to have topics identified as a result of needs analysis and short sessions to be provided alongside Board meetings. On Line Learning Academy acquired.	Assess resource requirements as part of next Board Effectiveness Review.	Ongoing
		7	Schemes should offer pre-appointment training or arrange for mentoring by existing board members [56]	1:1 induction session offered to new members with Director and also introductory conversation with the Independent Adviser.		Introduce mandatory requirement to complete TPR on line learning and IGA fundamentals in the first year of membership	Requirement introduced but amended to replace fundamentals with the On Line Learning Academy for practical reasons. Fundamentals will continue to be supported for any member who wishes.		No further update
		8	Pension Board members should undertake a personal training needs analysis and use a personalised training plan to document and address any identified gaps or weaknesses [57]	TNA undertaken with Clerk	ref above	Translate TNA into individual training plans	Work in hand	See previous column.	Completed June 2022
		9	Learning programs should be flexible, cover the type and degrees of knowledge and understanding required, reflect the legal requirements and be delivered with an appropriate timescale [58]	The Learning and Development Strategy is reviewed annually to determine the most appropriate mediums through which to deliver training on key issues - a key objective is to ensure it is delivered in a proprtionate and understandable manner	Member L&D Strategy approved at Authority in June 2019 (2020 update postponed pending Hymans Governance Review)	Create a single L&D Strategy covering both the Board and Authority in line with Hymans recommendation	Ammended L&D Strategy agreed by both LPB and Authority		No further update
		10	Schemes should keep appropriate records of learning activities of board members [60]	Maintained by the Clerk	Summary information provided in the Annual Report which is available on line	Records should be matched to TNA's and individual training plans	Additional support provided to members for record keeping.	Examine additional means of capturing data making it easy for members to input. Examine use of Modern.gov for publication of records.	Completed
Conflicts of interest and representation [61 - 91]	In relation to the Pension Board, scheme regulations **must** include provision requiring the scheme manager to be satisfied : a) that a person to be appointed as a member of the Pension Board does not have a conflict of interest b) from time to time, that non of the members of the Pension Board has a conflict of interest. Scheme regulations **must** require each member or proposed member of a Pension Board to provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of meeting the requirements referred to above. Scheme regulations **must** include provision requiring the Pension Board to include employer representatives and member representatives in equal numbers.	1	Only potential conflicts of interest are identified for pension board members (actual conflicts of interest are prohibited) [68]	Conflicts policy in place and provided to new members and covered in 1:1 induction,	Policy available on line	Full publication of declarations of interest in the same way as Authoritymembers when Moderngov improvements implemented.	Declarations published.	Improve data capture and publication using Modern.gov.	Ongoing
		2	The 'Seven principles of public life' should be applied to all board members [70]	Refelcted in the conflicts policy	Policy available on line				
		3	Schemes should incorporate these principles into any codes of conduct (and across their policies and processes) and other internal standards for boards [70]	Refelcted in the conflicts policy for the Board and the codes of conduct for Authority members and officers.	Policy available on line				
		4	Schemes should set out clear guidance on the roles, responsibilities and duties of those pension boards and the members of those boards in scheme documentation [73]	Reflected in the constitution of the Board and the Constitution of the Authority.	Constitutions of the Board and the Authority both available on line				
		5	Take professional legal advice when considering issue to do with conflict of interests [74]	Legal advice available when required through the monitoring officer initially and specialist advice can be called from the LGPS legal framework if necessary					
		6	Schemes should ensure that there is an agreed and documented conflicts policy and procedure that should be kept under regular review [76]	In place and reviewed in 2019.	Specific policy for the Board available on line. Specific policy for the Authority now included in the constitution also on line.				
		7	Schemes should cultivate a culture of openness and transparency [78]	Very significant amount of information placed in the public domain through the Authority's website including details of policies and practices, corporate strategies reports and investment holdings	https://www.sypensions.org.uk/#openinnewwindow	Upgrade website and integrate all content within a single framework	Project in hand to upgrade, update and restructure the website including the upgrade and full integration of Modern.gov	See previous column.	The updated website contains significantly more information which is easier to locate than previously
		8	Board members should have a clear understanding of their role and the circumstances in which they may find themselves in a position of conflict of interest [78]	Delivered as part of the Appointment/Induction Process.	Induction presentation and member handbook available	Develop separate induction packages for Board and Authority	Not progressed due to other prirorities	To be examined in 2022/23 when additional staff resource can support the work necessary.	Not progressed due to other priorities
		9	Board members should know how to manage potential conflicts [78]	*Process set out in the policy*	Policy available on line				

Page 71

Appendix A

Code Section / Sub Section	Legal Requirements		TPR's Guidance	How we comply	Evidenced by	Action(s) identified & reference to action plan	July 2021 Update	Further Actions Required (if any)	October 2022 Update
		10	Pension Board members should be appointed under procedures that require them to disclose any interest or responsibilities that could become conflicts of interest [80]	In place	Declarations available on line	Formalise appointment process and relevant checks in a procedure document	No further progress due to other priorities	To be examined in 2022/23 when additional staff resource can support the work necessary.	Not progressed due to other priorities
		11	All terms of engagement should include a clause requiring disclosure of all interests and responsibilities that could become conflicts of interest as soon as they arise [81]	Referenced in the Declaration of Interests form	Copy available				
		12	All disclosed interests should be recorded [81]	Declarations process in place.	Declarations available on line				
		13	Schemes should consider what important matters or decisions are likely to be considered during, for example, the year ahead and identify and consider any potential or actual conflicts of interest [82]	A work progrmme for the forthcomonh year is devised and whilst a fluid document provides for such scrutiny	Copy available				
		14	Identify, evaluate and manage dual interests [84]	Identifed via the staement of particulars form					
		15	Use a register of interests to record and monitor dual interests [84]	ref above					
		16	Capture decisions about how to manage potential conflicts of interest in their risk register or elsewhere [84]	Not specifically captured in the risk register (although effective operation of the Board is) how to manage conflicts is covered in the Policy.					
		17	The register of interest and other relevant documents should be circulated to the board for ongoing review [84]	For the Pensions Authority it is avaialble on the Authority's website	https://www.southyorks.gov.uk/webcomponents/jsec.aspx				
		18	The register of interest and other relevant documents should be published [84]	In place	via website as referenced above	Improve access when Moderngov installation is undertaken	Modern.gov installation due later this financial year.	See previous column.	
		19	Conflicts of interest should be included as an opening agenda item at board meetings and revisited during the meeting where necessary [85]	In place	**Copy of agenda front sheet?**				
		20	Establish and operate procedures that ensure boards are not compromised by potentially conflicted members [86]	On an Authority level arrnagements are in place to liasie with constituent councils Monitoring Officers to provide updated information where required. Annual exercise undertaken in establishing any such conflicts. Potential conflicts in relation to Board members would be considered as part of the appointment process					
		21	Be open and transparent about the way they manage potential conflicts of interest [87]	Any such scenario would be reported to the Authority. Advice provided where necessary.					
		22	Consider seeking professional legal advice when assessing any option when seeking to manage a potential conflict of interest [88]	The Authority through an SLA is able to call on the legal services dept of Barnsley MBC to offer advice in this area.					
		23	Membership of boards should be designated with regard to proportionality, fairness and transparency and with the aim of ensuring that the board has the right balance of skills, experience and representation [91]	Make up of Board - split between Employer/Employee reps/sector reps/tu reps	Membership list available				
Publishing information about schemes [92 - 99]	The scheme manager for a public service scheme must publish information about the pension board for the scheme(s) and keep that information up-to-date. The information must include: a) who the members of the pension board are b) representation on the board of members of the scheme(s) c) the matters falling within the pension board's responsibility	1	Scheme managers must publish the information required about the pension board and keep that information up to date [95]	Relevant web pages maintained	https://www.sypensions.org.uk/Home/About-Us/Local-Pension-Board	Bring format of data published in line with that for the Authority when changes made to Moderngov installation.	Modern.gov installation due later this year. This work will be undertaken following initial migration.	See previous column.	
		2	Schemes should also publish useful related information about the Pension Board (such as set out in 96 and 97)	*ref above*					
		3	Have policies and processes to monitor all published data on an ongoing basis to ensure it is accurate and complete [98]	ref above					

SOUTH YORKSHIRE PENSIONS AUTHORITY

Subject	**Funding Strategy Statement Consultation**	**Status**	For Publication
Report to	Local Pensions Board	**Date**	3 November 2022
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 seek the Board's views on the Funding Strategy Statement and associated policies as part of a wider consultation with stakeholders.

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2 Recommendations

2.1 Members are recommended to:

a. **Note and comment on the proposed Funding Strategy Statement and associated policies to be issued for consultation**

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3 Link to Corporate Objectives

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

Listening to our Stakeholders

to ensure that our stakeholders' views are heard within our decision making processes.

Effective and Transparent Governance

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

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4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report address the various funding risks identified in the Corporate Risk Register.

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5 Background and Options

5.1 Members may recall at the previous Board meeting in August 2022 a report was provided regarded some proposed changes to the Funding Strategy Statement (FSS) that were being consulted on informally with employers. The changes were relatively technical in many cases reflecting changes in the way in which things are expressed by the new actuary but there was also a significant change to the way in which contribution rates would be set for contractor bodies in future (the proposed “pass-through” arrangements).

5.1 Following the informal consultation in the summer, the draft new FSS will shortly be issued to employers for formal consultation. In addition to the proposed change outlined in paragraph 5.1 above, the main difference from the existing FSS is that it has now been separated into a reduced ‘core’ FSS with a range of ‘satellite’ policies that would previously have been incorporated into a single FSS document. The advantage of this approach is two-fold:-

A) Employers and other stakeholders should more easily be able to locate the specific policy document they are interested in (e.g. the Fund’s admission policy);
B) If required, it will be possible to consult on any individual changes to specific aspects of the FSS in future without the need to consult on the entire document, most of which is likely to be unchanged

5.2 A current example of the latter point is that the policy on cessations (primarily admitted bodies leaving the SYPA fund when there are no longer any active members) has been separated from the core FSS. This is currently being reviewed in the light of the recent turbulence in the financial markets to minimise the risk to the fund and will therefore be consulted on separately.

5.3 Whilst reviewing the FSS in conjunction with the new fund actuary, the opportunity has been taken to include a number of additional policies for clarity which would not specifically have been addressed in any detail in the existing FSS. One of these relates to the fund’s policy on allowing employers to make pre-payments of contributions, another relates to contributions reviews in between valuations and the third is the fund’s policy on dealing with bulk transfers.

5.4 The full list of policies to be issued for consultation with employers is shown below and attached (albeit the documents are currently in draft form with some minor updates required) and the Board are invited to make any comments they feel appropriate.

Appendix A – Core FSS

Appendix B – Pass Through Policy

Appendix C – Admissions Policy

Cessations Policy (temporarily removed – see above)

Appendix D – Bulk Transfers Policy

Appendix E – Contribution Reviews Policy

Appendix F – Academies Policy

Appendix G – Covenant assessment and monitoring Policy

Appendix H – Prepayments Policy

Appendix I – ill health Risk Management Policy

6 Implications

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

Financial	None directly, though the principles set out in the FSS do contribute to the assessment of employer contribution levels
Human Resources	None
ICT	None
Legal	Funds have a statutory obligation to consult on changes to the FSS
Procurement	None

Jason Bailey

Head of Pensions Administration

Background Papers	
Document	**Place of Inspection**

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South Yorkshire Pension Fund
Funding Strategy Statement
September 2022

Contents

Effective date	
Date approved	
Next review	

1 Welcome to South Yorkshire Pension Fund's funding strategy statement

This document sets out the funding strategy statement (FSS) for South Yorkshire Pension Fund.

The South Yorkshire Pension Fund is administered by the South Yorkshire Pensions Authority (the Authority), known as the administering authority. The Authority worked with the fund's actuary, Hymans Robertson, to prepare this FSS which is effective from [DATE POST CONSULTATION].

There's a regulatory requirement for the Authority to prepare an FSS. You can find out more about the regulatory framework in Appendix A. If you have any queries about the FSS, contact person@lgpsfund.gov.uk

1.1 What is the South Yorkshire Pension Fund?

The South Yorkshire Pension Fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at www.lgpsmember.org. The administering authority runs the fund on behalf of participating employers, their employees and current and future pensioners. You can find out more about roles and responsibilities in Appendix B.

1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

1.3 Who is the FSS for?

The FSS is mainly for employers participating in the fund, because it sets out how money will be collected from them to meet the fund's obligations to pay members' benefits.

Different types of employers participate in the fund:

Scheduled bodies

Employers who are specified in a schedule to the LGPS regulations, including councils and employers like academies and further education establishments. Scheduled bodies must give employees access to the LGPS if they can't accrue benefits in another pension scheme, such as another public service pension scheme.

Designating employers

Employers like town and parish councils can join the LGPS through a resolution. If a resolution is passed, the fund can't refuse entry. The employer then decides which employees can join the scheme.

Admission bodies

Other employers can join through an admission agreement. The fund can set participation criteria for them and can refuse entry if the requirements aren't met. This type of employer includes contractors providing outsourced services like cleaning or catering to a scheduled body.

Some existing employers may be referred to as **community admission bodies** (CABs). CABs are employers with a community of interest with another scheme employer. Others may be called **transferee admission bodies** (TABs), that provide services for scheme employers. These terms aren't defined under current regulations but remain in common use from previous regulations.

1.4 How does the funding strategy link to the investment strategy?

The funding strategy sets out how money will be collected from employers to meet the fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the administering authority. You can find the investment strategy at [link].

The funding and investment strategies are closely linked. The fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the fund won't be able to pay benefits, so higher contributions would be required from employers.

1.5 Does the funding strategy reflect the investment strategy?

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that funds take a 'prudent longer-term view' of funding liabilities (see Appendix A)

1.6 How is the funding strategy specific to the South Yorkshire Pension Fund?

The funding strategy reflects the specific characteristics of the fund employers and its own investment strategy.

2 How does the fund calculate employer contributions?

2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer contributions are made up of three elements:

- **the primary contribution rate** – contributions payable towards future benefits
- **the secondary contribution rate** – the difference between the primary rate and the total employer contribution
- The primary rate also includes an allowance for the **fund's expenses.**

The fund actuary uses a model to project each employer's asset share over a range of future economic scenarios. The contribution rate takes each employer's assets into account as well as the projected benefits due to their members. The value of the projected benefits is worked out using employer membership data and the assumptions in Appendix D.

The total contribution rate for each employer is then based on:

- **the funding target** – how much money the fund aims to hold for each employer
- **the time horizon** – the time over which the employer aims to achieve the funding target
- **the likelihood of success** – the proportion of modelled scenarios where the funding target is met.

This approach takes into account the maturing profile of the membership when setting employer contribution rates.

The fund permits the prepayment of employer contributions in specific circumstances. The fund's policy on prepayments is detailed in Appendix K.

2.2 The contribution rate calculation

Table 2: contribution rate calculation for individual or pooled employers

Type of employer	Scheduled bodies			CABs and designating employers		TABs
Sub-type	**Local authorities, police, fire**	**Colleges & universities**	**Academies**	**Open to new entrants**	**Closed to new entrants**	**(all)**
Funding target*	Ongoing	Ongoing	Ongoing	Ongoing, but may move to low-risk exit basis		Contractor exit basis, assuming fixed-term contract in the fund
Minimum likelihood of success	70%	70%	70%	70%	70%	x%
Maximum time horizon	16 years	16 years	16 years	16 years (guarantee)	As per for open employers (or average	16 years (limited to remaining

Type of employer	Scheduled bodies			CABs and designating employers		TABs
Sub-type	Local authorities, police, fire	Colleges & universities	Academies	Open to new entrants	Closed to new entrants	(all)
				11 years (no guarantee)	future working lifetime, if less)	lifetime of the contract)
Primary rate approach	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon					
Secondary rate	Monetary amount					
Stabilised contribution rate?	Yes	Yes	No	No	No	No
Treatment of surplus	Covered by stabilisation arrangement	Covered by stabilisation arrangement	Reduce contributions where appropriate, but total contributions will generally not be reduced relative to the current total rate in payment.	Preferred approach: contributions kept at primary rate. Reductions may be permitted by the administering authority		Reduce contributions by spreading the surplus over the remaining contract term
Phasing of contribution changes	Covered by stabilisation arrangement	Covered by stabilisation arrangement	Phasing of increases to secondary contribution rates may be permitted.	Phasing of increases to secondary contribution rates may be permitted.		None

** Employers participating in the fund under a pass-through agreement will pay a contribution rate as agreed between the contractor and letting authority*

*** See Appendix D for further information on funding targets.*

2.3 Making contribution rates stable

Making employer contribution rates reasonably stable is an important funding objective. Where appropriate, contributions are set with this objective in mind. The fund may adopt a stabilised approach to setting contributions for individual employers, which keeps contribution variations within a pre-determined range from year-to-year.

After taking advice from the fund actuary, the administering authority believes a stabilised approach is a prudent longer-term strategy.

Table 1: current stabilisation approach

Type of employer	Councils	Mayoral Combined Authority	Police and Fire	HE / FE institutions
Maximum contribution increase per year	+0.5% of pay	+1.0% of pay	+1.5% of pay	+2.0% of pay
Maximum contribution decrease per year	-0.5% of pay	-1.0% of pay	-1.5% of pay	-2.0% of pay

The criteria outlined in the table above are expected to apply until at least 31 March 2026, at which point a long term stabilisation mechanism of ±0.5% per annum is expected to apply.

Stabilisation criteria and limits are reviewed during the valuation process. The administering authority may review them between valuations to respond to membership or employer changes.

2.4 Reviewing contributions between valuations

The fund may amend contribution rates between formal valuations, in line with its policy on contribution reviews. The fund's policy is available in Appendix H. The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contributions.

2.5 What is pooling?

The administering authority operates funding pools for similar types of employers. Contribution rates can be volatile for smaller employers that are more sensitive to individual membership changes – pooling across a group of employers minimises this. In this type of pooling arrangement, employers do not target full funding at exit. While the fund receives the contributions required, the risk that employers will be entitled to a surplus payment on exit increases.

Employers in a pool maintain their individual funding positions, tracked by the fund actuary. That means some employers may be better funded or more poorly funded than the pool average. If pooled employers used stand-alone funding rather than pooling, their contribution rates could be higher or lower than the pool rate.

Pooled employers are identified in the rates and adjustments certificate and only have their pooled contributions certified. Individual contribution rates aren't disclosed to pooled employers, unless agreed by the administering authority.

CABs that are closed to new entrants aren't usually allowed to enter a pool.

If an employer leaves the fund, the required contributions are based on their own funding position rather than the pool average. Cessation terms also apply, which means higher contributions may be required at that point.

2.6 What are the current contribution pools?

The following pooling arrangements exist in the Fund:

- **Academies** – Multi Academy Trusts (MATs) are groups of Academies managed and operated by one proprietor. The Fund's default position is that the combined funding position and average contribution requirements will apply (unless the MAT requests separate contribution rates). Notwithstanding this, the Fund will continue to track the constituent academies separately on an approximate basis.

- **Schools** – generally pool with their funding council, although there may be exceptions for specialist or independent schools.
- **Smaller TABs** – may be pooled with the letting employer (for example as part of a pass through arrangement).

2.7 Administering authority discretion

Individual employers may be affected by circumstances not easily managed within the FSS rules and policies. If this happens, the administering authority may adopt alternative funding approaches on a case-by-case basis.

Additionally, the administering authority may allow greater flexibility to the employer's contributions if added security is provided. Flexibility could include things like a reduced contribution rate, extended time horizon, or permission to join a pool. Added security may include a suitable bond, a legally binding guarantee from an appropriate third party, or security over an asset.

The fund permits the prepayment of employer contributions in specific circumstances. Further details are set out in the fund's prepayment policy detailed in Appendix K.

2.8 Insurance of certain benefits

The contributions for any employer may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs (aside from ill-health retirement costs which are already insured for eligible employers) being insured with a third party or internally within the Fund. More detail on how the Fund currently insures ill health costs for eligible employers is set out in Appendix L.

3 What additional contributions may be payable?

3.1 Pension costs – awarding additional pension and early retirement on non ill-health grounds

If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers are required to pay additional contributions called strain payments.

Employers are required to make strain payments as an immediate single lump sum.

3.2 Pension costs – early retirement on ill-health grounds

If a member retires early because of ill-health, their employer must pay a funding strain, which may be a large sum.

The size of any funding strain will depend on how the cost of that ill health retirement compares with the expected cost built in the actuarial assumptions for that employer. The actual cost will also depend on the level of any benefit enhancements awarded (which depend on the circumstances of the ill health retirement) and also how early the benefits are brought into payment.

The treatment of any ill-health retirement strain cost emerging will vary depending on the type of employer:

- For those employers who participate in the ill-health insurance captive, any ill-health retirement strain cost emerging will be met by a contribution from the captive fund as part of the subsequent actuarial valuation (or termination assessment if sooner). No additional contributions will be due immediately from the employer although an adjustment to the "premium" payable may emerge following the subsequent actuarial valuation, depending on the overall experience of the captive fund.

- For those employers who don't participate in the ill-health captive, the primary rate payable includes an allowance for ill-health retirement costs. Any ill-health retirement strain costs emerging will form part of the contribution rate assessment for the employer at the subsequent actuarial valuation (or termination assessment if sooner). No additional contributions will be due immediately from the employer

The administering authority's approach to help manage ill-health early retirement costs was put in place on 1 October 2014 and this is reviewed at each formal valuation.

The Fund's policy of managing ill health retirement risk is detailed in Appendix L.

4 How does the fund calculate assets and liabilities?

4.1 How are employer asset shares calculated?

The fund adopts a cashflow approach to track individual employer assets.

Each fund employer has a notional share of the fund's assets, which is assessed yearly by the actuary. The actuary starts with assets from the previous year-end, adding cashflows paid in/out and investment returns to give a new year-end asset value. The fund actuary makes a simplifying assumption, that all cashflow and investment returns have been paid uniformly over the year. This assumption means that the sum of all employers' asset values is slightly different from the whole fund asset total over time. This minimal difference is split between employers in proportion to their asset shares at each valuation.

4.2 How are employer liabilities calculated?

The fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in Appendix D, the fund actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

4.3 What is a funding level?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 2 for further information on rates.

5 What happens when an employer joins the fund?

5.1 When can an employer join the fund

Employers can join the fund if they are a new scheduled body or a new admission body. New designated employers may also join the fund if they pass a designation to do so.

On joining, the fund will determine the assets and liabilities for that employer within the Fund. The calculation will depend on the type of employer and the circumstances of joining.

A contribution rate will also be set. This will be set in accordance with the calculation set out in Section 2, unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement). More details on this are included in the fund's admissions policy in Appendix E.

5.2 New academies

New academies (including free schools) join the fund as separate scheduled employers. Only active members of former council schools transfer to new academies. Free schools do not transfer active members from a converting school but must allow new active members to transfer in any eligible service.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the fund actuary on the day before conversion to an academy. Liabilities relating to the converting school's former employees (ie members with deferred or pensioner status) remain with the ceding council.

New academies will be allocated an asset share based on the school's share of the historic local authority deficit prior to its conversion. This deficit is calculated as the capitalised secondary contributions (over the time horizon) the school would have made to the Fund had it not converted to academy status, subject to a minimum asset share of nil and a maximum asset share equal to the value of the transferring liabilities.

The fund treats new academies as separate employers in their own right, who are responsible for their allocated assets and liabilities. They won't be pooled with other employers unless the academy is part of a MAT, in which case the new academy will pay the MAT contribution rate.

The new academies' contribution rate is based on the current funding strategy (set out in section 2) and the transferring membership.

If an academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT.

The fund's policies on academies may change based on updates to guidance from the Department for Levelling Up, Housing and Communities or the Department for Education. Any changes will be communicated and reflected in future funding strategy statements.

The Fund's full policy on academy participation is detailed in Appendix I.

5.3 New admission bodies as a results of outsourcing services

New admission bodies usually join the fund because an existing employer (usually a scheduled body like a council or academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting employer or a replacement contractor.

The Fund's policy is to require all new admission bodies to be set up with a pass-through arrangement.

5.4 Other new employers

There may be other circumstances that lead to a new admission body entering the fund, eg set up of a wholly owned subsidiary company by a Local Authority. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

New designated employers may also join the fund. These are usually town and parish councils. Contribution rates will be set using the same approach as other designated employers in the fund.

5.5 Risk assessment for new admission bodies

Under the LGPS regulations, a new admission body must assess the risks it poses to the fund if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. In practice, the fund actuary assesses this because the assessment must be carried out to the administering authority's satisfaction.

After considering the assessment, the administering authority may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

- strain costs of any early retirements, if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

The Fund's admissions policy is detailed in Appendix E.

7 What happens if an employer has a bulk transfer of staff?

Bulk transfer cases will be looked at individually, but generally:

- the fund won't pay bulk transfers greater in value than either the asset share of the transferring employer in the fund, or the value of the liabilities of the transferring members, whichever is lower
- the fund won't grant added benefits to members bringing in entitlements from another fund, unless the asset transfer is enough to meet the added liabilities
- the fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

The Fund's bulk transfer policy is available in Appendix G.

8 What happens when an employer leaves the fund?

8.1 What is a cessation event?

Triggers for considering cessation from the fund are:

- the last active member stops participation in the fund. The administering authority, at their discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation won't be triggered if the employer takes on one or more active members during the agreed time
- insolvency, winding up or liquidation of the admission body
- a breach of the agreement obligations that isn't remedied to the fund's satisfaction
- failure to pay any sums due within the period required
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor
- termination of a deferred debt arrangement (DDA).

If no DDA exists, the administering authority will instruct the fund actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the fund leaves the scheme.

8.2 What happens on cessation?

The administering authority must protect the interests of the remaining fund employers when an employer leaves the scheme. The actuary aims to protect remaining employers from the risk of future loss. The funding target adopted for the cessation calculation is below. These are defined in Appendix D.

(a) Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in Appendix D.

(b) Where there is a guarantor, the guarantee will be considered before the cessation valuation. Where the guarantor is a guarantor of last resort, this will have no effect on the cessation valuation. If this isn't the case, cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the fund.

(c) Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guarantee terms.

If the fund can't recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other fund employers. This may require an immediate revision to the rates and adjustments certificate or be reflected in the contribution rates set at the next formal valuation.

The fund actuary charges a fee for cessation valuations and there may be other cessation expenses. Fees and expenses are at the employer's expense and are deducted from the cessation surplus or added to the cessation deficit. This improves efficiency by reducing transactions between employer and fund.

The cessation policy is available in Appendix F.

8.3 What happens if there is a surplus?

If the cessation valuation shows the exiting employer has more assets than liabilities – an exit credit – the administering authority can decide how much will be paid back to the employer based on:

- the surplus amount
- the proportion of the surplus due to the employer's contributions
- any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support
- any other relevant factors.

The Fund's policy on exit credit policy is included in the cessation policy in Appendix F.

8.4 How do employers repay cessation debts?

If there is a deficit, full payment will usually be expected in a single lump sum or:

- spread over an agreed period, if the employer enters into a deferred spreading agreement
- if an exiting employer enters into a deferred debt agreement, it stays in the fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

The Fund's policy on employer flexibilities is included in the cessation policy in Appendix F.

8.5 What if an employer has no active members?

When employers leave the fund because their last active member has left, they may pay a cessation debt, receive an exit credit or enter a DDA/DSA. Beyond this they have no further obligation to the fund and either:

a) their asset share runs out before all ex-employees' benefits have been paid. The other fund employers will be required to contribute to the remaining benefits. The fund actuary will portion the liabilities on a pro-rata basis at the formal valuation.

b) the last ex-employee or dependant dies before the employer's asset share is fully run down. The fund actuary will apportion the remaining assets to the other fund employers.

9 What are the statutory reporting requirements?

9.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report should include confirmation that employer contributions are set at the right level to ensure the fund's solvency and long-term cost efficiency.

9.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other funds. Either:

(a) employers collectively can increase their contributions, or the fund can realise contingencies to target a 100% funding level

or

(b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

9.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the administering authority may consider absolute and relative factors.

Relative factors include:

1. comparing LGPS funds with each other
2. the implied deficit recovery period
3. the investment return required to achieve full funding after 20 years.

Absolute factors include:

1. comparing funds with an objective benchmark
2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
4. the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate
5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the fund's actuarial bases don't offer straightforward comparisons.

Appendices

Appendix A – The regulatory framework

A1 Why do funds need a funding strategy statement?

The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish a funding strategy statement (FSS). According to the Department for Levelling Up, Housing and Communities (DLUHC) the purpose of the FSS is to document the processes the administering authority uses to:

- *establish a **clear and transparent fund-specific strategy** identifying how employers' pension liabilities are best met going forward*
- *support the regulatory framework to maintain **as nearly constant employer contribution rates as possible***
- *ensure the fund meets its **solvency and long-term cost efficiency** objectives*
- *take a **prudent longer-term view** of funding those liabilities.*

To prepare this FSS, the administering authority has used guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA).

A2 Consultation

Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with "*persons the authority considers appropriate*". This should include '*meaningful dialogue… with council tax raising authorities and representatives of other participating employers*'.

The consultation process included issuing a draft version to participating employers and attending an open employers' forum.

A3 How is the FSS published?

The FSS is emailed to participating employers and employee and pensioner representatives. Summaries are issued to members and a full copy is included in the fund's annual report and accounts and the Fund's website. Copies are freely available on request and sent to investment managers and independent advisers.

This could include:

- publishing on the administering authority's website
- publishing on social media
- local publicity, for example in local authority newsletters
- sending copies to each employer
- sending a summary statement to all scheme members
- including the full statement or summary in final accounts
- adding the FSS to the agenda of pension fund AGMs
- sending copies to members of the local pension board

- sending copies to employee/pensioner representatives
- sending copies to investment managers and independent advisers
- making copies freely available on request.

The FSS is published at [URL].

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the valuation. Amendments may be made before then if there are regulatory or operational changes. Any amendments will be consulted on, agreed by the Pensions Committee and included in the Committee meeting minutes.

A5 How does the FSS fit into the overall fund documentation?

The FSS is a summary of the fund's approach to funding liabilities. It isn't exhaustive – the fund publishes other statements like the statement of investment principles, investment strategy statement, governance strategy and communications strategy. The fund's annual report and accounts also includes up-to-date fund information.

You can see all fund documentation at [URL].

Appendix B – Roles and responsibilities

B1 The administering authority:

1 operates the fund and follows all Local Government Pension Scheme (LGPS) regulations

2 manages any conflicts of interest from its dual role as administering authority and a fund employer

3 collects employer and employee contributions, investment income and other amounts due

4 ensures cash is available to meet benefit payments when due

5 pays all benefits and entitlements

6 invests surplus money like contributions and income which isn't needed to pay immediate benefits, in line with regulation and the investment strategy

7 communicates with employers so they understand their obligations

8 safeguards the fund against employer default

9 works with the fund actuary to manage the valuation process

10 provides information to the Government Actuary's Department so they can carry out their statutory obligations

11 consults on, prepares and maintains the funding and investment strategy statements

12 tells the actuary about changes which could affect funding

13 monitors the fund's performance and funding, amending the strategy statements as necessary

14 enables the local pension board to review the valuation process.

B2 Individual employers:

1 deduct the correct contributions from employees' pay

2 pay all contributions by the due date

3 have appropriate policies in place to work within the regulatory framework

4 make additional contributions as agreed, for example to augment scheme benefits or early retirement strain

5 tell the administering authority promptly about any changes to circumstances, prospects or membership which could affect future funding.

6 make any required exit payments when leaving the fund.

B3 The fund actuary:

1 prepares valuations, including setting employers' contribution rates, agreeing assumptions, working within FSS and LGPS regulations and appropriately targeting fund solvency and long-term cost efficiency

2 provides information to the Government Actuary Department so they can carry out their statutory obligations

3 advises on fund employers, including giving advice about and monitoring bonds or other security

4 prepares advice and calculations around bulk transfers and individual benefits

5 assists the administering authority to consider changes to employer contributions between formal valuations

6 advises on terminating employers’ participation in the fund

7 fully reflects actuarial professional guidance and requirements in all advice.

B4 Other parties:

1 Internal and external investment advisers ensure the investment strategy statement (ISS) is consistent with the funding strategy statement

2 Investment managers, custodians and bankers play their part in the effective investment and dis-investment of fund assets in line with the ISS

3 Auditors comply with standards, ensure fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements

4 Governance advisers may be asked to advise the administering authority on processes and working methods

5 Internal and external legal advisers ensure the fund complies with all regulations and broader local government requirements, including the administering authority’s own procedures

6 The Department for Levelling Up, Housing and Communities, assisted by the Government Actuary’s Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.

Appendix C – Risks and controls

C1 Managing risks

The administering authority has a risk management programme to identify and control financial, demographic, regulatory and governance risks.

Details of the key fund-specific risks and controls are below.

C2 Financial risks

The financial risks are as follows;

- Investment markets fail to perform in line with expectations
- Protection and risk management policies fail to perform in line with expectations
- Market outlook moves at variance with assumptions
- Investment Fund Managers fail to achieve performance targets over the longer term
- Asset re-allocations in volatile markets may lock in past losses
- Pay and price inflation significantly more or less than anticipated
- Future underperformance arising as a result of participating in the larger asset pooling vehicle
- An employer ceasing to exist without prior notification, resulting in a large exit credit requirement from the Fund impacting on cashflow requirements

Any increase in employer contribution rates (as a result of these risks), may in turn impact on the service delivery of that employer and their financial position.

In practice the extent to which these risks can be reduced is limited. However, the Fund's asset allocation is kept under constant review and the performance of the investment managers is regularly monitored. In addition, the implementation of a risk management framework to manage the key financial risks will help reduce risk over time.

C3 Demographic risks

The demographic risks are as follows;

- Future changes in life expectancy (longevity) cannot be predicted with any certainty
- Potential strains from ill health retirements, over and above what is allowed for in the valuation assumptions
- Unanticipated acceleration of the maturing of the Fund resulting in materially negative cashflows and shortening of liability durations

Increasing longevity is something which government policies, both national and local, are designed to promote. It does, however, result in a greater liability for pension funds. Ill health retirements can be costly for employers, particularly small employers where one or two costly ill health retirements can take them well above the "average" implied by the valuation assumptions. Increasingly we are seeing employers mitigate the number of ill health retirements by employing HR / occupational health preventative measures. These in conjunction with ensuring the regulatory procedures in place to ensure that ill-health retirements are properly controlled, can help control exposure to this demographic risk.

The Fund's ill health captive arrangement will also help to ensure that the eligible employers are not exposed to large deficits due to the ill health retirement of one or more of their members (see further information in Appendix L).

Apart from the regulatory procedures in place to ensure that ill-health retirements are properly controlled, employing bodies should be doing everything in their power to minimise the number of ill-health retirements.

Early retirements for reasons of redundancy and efficiency do not immediately affect the solvency of the Fund because they are the subject of a direct charge. With regards to increasing maturity (e.g. due to further cuts in workforce and/or restrictions on new employees accessing the Fund), the Administering Authority regularly monitors the position in terms of cashflow requirements and considers the impact on the investment strategy.

C4 Regulatory risks

The key regulatory risks are as follows;

- Changes to Regulations, e.g. changes to the benefits package, retirement age, potential new entrants to scheme. Typically these would be via the Cost Management Process although in light of the McCloud discrimination case there can be exceptional circumstances which give rise to unexpected changes in Regulations
- Changes to national pension requirements and/or HMRC Rules
- Political risk that the guarantee from the Department for Education for academies is removed or modified along with the operational risks as a consequence of the potential for a large increase in the number of academies in the Fund due to Government policy.

Membership of the Local Government Pension Scheme is open to all local government staff and should be encouraged as a valuable part of the contract of employment. However, increasing membership does result in higher employer monetary costs.

C5 Governance risks

Governance risks are as follows;

- The quality of membership data deteriorates materially due to breakdown in processes for updating the information resulting in liabilities being under or overstated
- Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements) with the result that contribution rates are set at too low a level
- Administering Authority not advised of an employer closing to new entrants, something which would normally require an increase in contribution rates
- An employer ceasing to exist with insufficient funding or adequacy of a bond
- Political risk that the academies guarantee from the Department for Education is removed, especially given the large increase in the number of academies in the Fund.

For these risks to be minimised much depends on information being supplied to the Administering Authority by the employing bodies. Arrangements are strictly controlled and monitored (e.g. with regular data reconciliations with employers), but in most cases the employer, rather than the Fund as a whole, bears the risk

C6 Employer covenant assessment and monitoring

Many of the employers participating in the fund, such as admitted bodies (including TABs and CABs), have no local tax-raising powers. The fund assesses and monitors the long-term financial health of these employers to assess an appropriate level of risk for each employer's funding strategy.

Type of employer	Assessment	Monitoring
Local Authorities, Police, Fire	Tax-raising or government-backed, no individual assessment required	n/a
Colleges & Universities	{Detail of initial covenant assessment}	{Detail of monitoring arrangements}
Academies	Government-backed, covered by DfE guarantee in event of MAT failure	Check that DfE guarantee continues, after regular scheduled DfE review
Admission bodies (including TABs & CABs)	{Detail of initial covenant assessment}	{Detail of monitoring arrangements}
Designating employers	{Detail of initial covenant assessment}	{Detail of monitoring arrangements}

C7 Climate risk and TCFD reporting

The fund included climate scenario stress testing in the contribution modelling exercise for the stabilised employers at the 2022 valuation. The modelling results under the stress tests were slightly worse than the core results but were still within risk tolerance levels, particularly given the severity of the stresses applied.

The results provide assurance that the modelling approach does not significantly underestimate the potential impact of climate change and that the funding strategy is resilient to climate risks. The results of these stress tests may be used in future to assist with disclosures prepared in line with Task Force on Climate-Related Financial Disclosures (TCFD) principles.

The same stress tests were not applied to the funding strategy modelling for smaller employers. However, given that the same underlying model is used for all employers and that the local authority employers make up the vast majority of the fund's assets and liabilities, applying the stress tests to all employers was not deemed proportionate at this stage and would not be expected to result in any changes to the agreed contribution plans.

The Fund has a Responsible Investment Policy Framework and a separate Climate Change Policy, both of which were last agreed by Pensions Authority in mmmm yyyy.

C8 Local Pension Board

The Pension Board was established in April 2015 in accordance with the Public Service Pensions Act 2013, the national statutory governance framework delivered through the LGPS Regulations and guidance as issued by the Scheme Advisory Board.

The Board seeks to assist the South Yorkshire Pensions Authority to maintain effective and efficient administration and governance. The LPB comprises both Scheme members, retired and active, together with employer representatives. Employer representation is not restricted to the four large local Councils.

It meets quarterly and all Board Members have undertaken training and have established a work programme that will enable them to meet their obligations to ensure that the Fund complies with the relevant codes of practice and current legislation.

The Board is now supported by an Independent Adviser in order to ensure that it can provide effective challenge to the Authority and its officers

Appendix D – Actuarial assumptions

The fund's actuary uses a set of assumptions to determine the strategy, and so assumptions are a fundamental part of the funding strategy statement.

D1 What are assumptions?

Assumptions are used to estimate the benefits due to be paid to members. Financial assumptions determine the amount of benefit to be paid to each member, and the expected investment return on the assets held to meet those benefits. Demographic assumptions are used to work out when benefit payments are made and for how long.

The funding target is the money the fund aims to hold to meet the benefits earned to date.

Any change in the assumptions will affect the funding target and contribution rate, but different assumptions don't affect the actual benefits the fund will pay in future.

D2 What assumptions are used to set the contribution rate?

The fund doesn't rely on a single set of assumptions when setting contribution rates, instead using Hymans Robertson's Economic Scenario Service (ESS) to project each employer's assets, benefits and cashflows to the end of the funding time horizon.

ESS projects future benefit payments, contributions and investment returns under 5,000 possible economic scenarios, using variables for future inflation and investment returns for each asset class, rather than a single fixed value.

For any projection, the fund actuary can assess if the funding target is satisfied at the end of the time horizon.

Table: Summary of assumptions underlying the ESS, 31 March 2022

		Annualised total returns											
		Cash	Index Linked Gilts (medium)	UK Equity	Overseas Equity	Private Equity	Property	Infrastructure Equity	Multi Asset Credit (sub inv grade)	Global High Yield Debt	Inflation (CPI)	17 year real yield (CPI)	17 year yield
10 years	16th %'ile	0.8%	-1.9%	-0.4%	-0.7%	-1.2%	-0.6%	-1.1%	1.7%	0.6%	1.6%	-1.7%	1.1%
	50th %'ile	1.8%	0.2%	5.7%	5.6%	9.4%	4.4%	4.9%	3.5%	3.4%	3.3%	-0.5%	2.5%
	84th %'ile	2.9%	2.4%	11.6%	11.7%	20.1%	9.5%	10.9%	5.2%	5.8%	4.9%	0.7%	4.3%
20 years	16th %'ile	1.0%	-1.5%	1.7%	1.5%	2.4%	1.4%	1.2%	2.8%	2.1%	1.2%	-0.7%	1.3%
	50th %'ile	2.4%	0.1%	6.2%	6.1%	10.0%	5.0%	5.6%	4.4%	4.2%	2.7%	1.1%	3.2%
	84th %'ile	4.0%	1.9%	10.6%	10.8%	17.6%	8.9%	10.1%	6.0%	6.4%	4.3%	2.7%	5.7%
40 years	16th %'ile	1.2%	-0.3%	3.2%	3.1%	4.7%	2.6%	2.6%	3.6%	3.1%	0.9%	-0.6%	1.1%
	50th %'ile	2.9%	1.2%	6.7%	6.5%	10.3%	5.5%	6.1%	5.3%	5.1%	2.2%	1.3%	3.3%
	84th %'ile	4.9%	3.1%	10.2%	10.2%	16.1%	8.8%	9.8%	7.1%	7.2%	3.7%	3.2%	6.1%
	Volatility (Disp) (1 yr)	2%	7%	18%	19%	30%	15%	18%	6%	8%	3%		

D3 What financial assumptions were used?

Future investment returns and discount rate

The fund uses a risk-based approach to generate assumptions about future investment returns over the funding time horizon, based on the investment strategy.

The discount rate is the annual rate of future investment return assumed to be earned on assets after the end of the funding time horizon. The discount rate assumption is set as a margin above the risk-free rate.

Assumptions for future investment returns depend on the funding objective.

	Employer type	Margin above risk-free rate
Ongoing basis	All employers except transferee admission bodies and closed community admission bodies	2.3%
Low-risk exit basis	Community admission bodies closed to new entrants	0%
Contractor exit basis	Transferee admission bodies	Ongoing basis

Discount rate (for funding level calculation as at 31 March 2022 only)

For the purpose of calculating a funding level at the 2022 valuation, a discount rate of 4.45% applies. This is based on a prudent estimate of investment returns, specifically, that there is a 70% likelihood that the fund's assets will future investment returns of 4.45% over the 20 years following the 2022 valuation date.

Pension increases and CARE revaluation

Deferment and payment increases to pensions and revaluation of CARE benefits are in line with the Consumer Price Index (CPI) and determined by the regulations.

The CPI assumption is based on Hymans Robertson's ESS model. The median value of average CPI inflation over the next 20 years from the ESS was 2.7% pa on 31 March 2022.

Salary growth

The salary increase assumption at the latest valuation has been set to 0.6% above CPI pa plus a promotional salary scale.

D4 What demographic assumptions were used?

Demographic assumptions are best estimates of future experience. The fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in their results.

Life expectancy

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2021 version of the continuous mortality investigation (CMI) published by the actuarial profession. The starting point has been adjusted by +0.25% to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

The smoothing parameter used in the CMI model is 7.0. There is little evidence currently available on the long-term effect of Covid-19 on life expectancies. To avoid an undue impact from recently mortality experience on long-term assumptions, no weighting has been placed on data from 2020 and 2021 in the CMI.

Other demographic assumptions

Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Males are assumed to be 3 years older than females, and partner dependants are assumed to be opposite sex to members.
Commutation	50% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits
50:50 option	0% of members will choose the 50:50 option.

Males

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.17	242.58	487.81	0	0	0	0
25	117	0.17	160.24	322.22	0	0	0	0
30	131	0.2	113.69	228.58	0	0	0	0
35	144	0.24	88.83	178.58	0.1	0.07	0.02	0.01
40	150	0.41	71.52	143.73	0.16	0.12	0.03	0.02
45	157	0.68	67.18	134.98	0.35	0.27	0.07	0.05
50	162	1.09	55.38	111.14	0.9	0.68	0.23	0.17
55	162	1.7	43.61	87.56	3.54	2.65	0.51	0.38
60	162	3.06	38.87	78.01	6.23	4.67	0.44	0.33
65	162	5.1	0	0	11.83	8.87	0	0

Females

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.1	211.45	280.42	0	0	0	0
25	117	0.1	142.28	188.66	0.1	0.07	0.02	0.01
30	131	0.14	119.27	158.13	0.13	0.1	0.03	0.02
35	144	0.24	102.94	136.43	0.26	0.19	0.05	0.04
40	150	0.38	85.67	113.51	0.39	0.29	0.08	0.06
45	157	0.62	79.95	105.91	0.52	0.39	0.1	0.08
50	162	0.9	67.41	89.19	0.97	0.73	0.24	0.18
55	162	1.19	50.3	66.62	3.59	2.69	0.52	0.39
60	162	1.52	40.53	53.62	5.71	4.28	0.54	0.4
65	162	1.95	0	0	10.26	7.69	0	0

D5 What assumptions apply in a cessation valuation following an employer's exit from the fund?

Low-risk exit basis

Where there is no guarantor, the low-risk exit basis will apply.

The financial and demographic assumptions underlying the low-risk exit basis are explained below:

- The discount rate is set equal to the annualised yield on long dated government bonds at the cessation date, with a 0% margin. This was 1.7% pa on 31 March 2022.
- The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.
- Life expectancy assumptions are those used to set contribution rates, with one adjustment. A higher long-term rate of mortality improvements of 1.75% pa is assumed.

Contractor exit basis

Where there is a guarantor (eg in the case of contractors where the local authority guarantees the contractor's admission in the fund), the contractor exit basis will apply.

The financial and demographic assumptions underlying the contractor exit basis are equal to those set for calculating contributions rates. Specifically, the discount rate is set equal to the expected returns over the period of 16 years based on a 70% probability.

South Yorkshire Pension Authority Policy for granting contractors Admitted Body Status to the South Yorkshire Pension Fund

This policy has been produced by the South Yorkshire Pensions Authority ("the Pensions Authority") as the Administering Authority for the South Yorkshire Pension Fund ("the Fund").

SUMMARY OF GENERAL PRINCIPLES

- Pass through is the default approach for the admission of all new contractors to the Fund from the effective date of this policy. For the avoidance of doubt, this would apply to contracts established by councils, Police & Fire authorities, and academy trusts ("the ceding employer").

- The contractor's pension contribution rate is set equal to the Primary contribution rate payable by the ceding employer. This will change from time to time in line with changes to the ceding employer's Primary contribution rate (i.e. following future actuarial valuations).

- The Council retains responsibility for variations in funding level, for instance due to investment performance, changes in market conditions, longevity, and salary experience under its pass-through arrangement, irrespective of the size of the outsourcing.

- The contractor will meet the cost of additional liabilities arising from (non-ill health) early retirements and augmentations.

- Ill health experience will be pooled with the ceding employer and no additional strain payments will be levied on the contractor in respect of ill health retirements.

- The contractor will not be required to obtain an indemnity bond.

- There will be no notional transfer of assets to the contractor within the Fund. This means that all assets and liabilities relating to the contractor's staff will remain the responsibility of the ceding employer during the period of participation.

- At the end of the contract (or when there are no longer any active members participating in the Fund, for whatever reason), the admission agreement will cease and no further payment will be required from the contractor (or the ceding employer) to the Fund, save for any outstanding regular contributions and/or invoices relating to the cost of early retirement strains and/or augmentations. Likewise, no "exit credit" payment will be required from the Fund to the contractor (or ceding employer).

- The terms of the pass though agreement will be documented by way of the admission agreement between the Pensions Authority, the ceding employer, and the contractor.

- All existing admission agreements are unaffected by this Policy.

- The principles outlined above are the default principles which will apply; however, the ceding employer may request the specific details of a particular agreement to differ from the principles outlined above. The Pensions Authority are not obliged to agree to a departure from the principles set out in this policy but will consider such requests and engage with the ceding employer to reach agreement.

1. INTRODUCTION

1.1 Employees outsourced from Local Authorities, or from Independent Schools (generally academies, regulated by the Department for Education) must be offered pension benefits that are the same, better than, or count as being broadly comparable to, the Local Government Pension Scheme (as per the Best Value Authorities Staff Transfer (Pensions) Direction 2007).

1.2 This may be achieved by offering affected employees membership of an alternative broadly comparable scheme, however this is typically achieved by employees remaining in the LGPS and the new employer becoming an admitted body to the Fund and making the requisite employer contributions.

1.3 For the avoidance of doubt, this policy includes all outsourcings from Local Education Authority funded schools which include members eligible for participation in the LGPS.

2. PASS THROUGH ARRANGEMENTS FOR CONTRACTORS ADMITTED TO THE SOUTH YORKSHIRE PENSION FUND

2.1 Pass through is an arrangement whereby the ceding employer (the local authority or the independent school) retains the main risks of fluctuations in the employer contribution rate during the life of the contract and the risk that the contributions paid may be insufficient to meet the employees' pension benefits at the end of the contract. Examples of risks which could cause the employer contribution rate to fluctuate could include the interest on the surplus / deficit, investment performance, changes to the investment return and inflation assumptions, changes to longevity assumptions, and changes in the membership profile (including, for example, longevity, and salary experience).

2.2 The contractor is responsible for (non-ill health) early retirement strain costs and the cost of any benefit augmentations awarded by the contractor.

2.3 The ceding employer retains responsibility for the cost of ill health retirements.

2.4 The ceding employer is arguably the party best able to manage these risks, which allows for a smooth and structured transition from the ceding employer to contractors, as well as smoother ongoing arrangements.

2.5 All assets and liabilities held in the Fund in respect of outsourced employees will remain the responsibility of the ceding employer. This reflects the sharing of risks between the ceding employer and the contractor i.e. the contractor is only responsible for paying the certified contribution rate and for meeting the cost of any one-off increases to liabilities due to (non-ill health) early retirement and augmentations.

2.6 It is the Pensions Authority's understanding that contractors may be able to account for such pass-through admissions on a defined contribution basis and therefore no formal FRS102 / IAS19 report may be required (contractors are effectively paying a fixed rate and are largely indemnified from the risks inherent in providing defined benefit pensions). However, as the ceding employer retaining most of the pension fund risk relating to contractors, these liabilities (and assets) will be included in the ceding employers' FRS102 / IAS19 disclosures.

2.7 Adherence to this policy is the responsibility of the relevant responsible service manager for any given outsourcing.

2.8 Ceding employers may request terms which differ from those set out in this policy and such request will be considered by the Pensions Authority.

2.9 All existing admission agreements (i.e. which commenced prior to the effective date of this policy) are unaffected by this Policy.

3. OUTSOURCINGS OF EMPLOYEES WHO ARE ACTIVE MEMBERS IN THE FUND

3.1 The Pensions Authority and the Fund Actuary must always be notified that an outsourcing has taken place, regardless of the number of members involved.

3.2 The contribution rate payable by the contractor over the period of participation will be set equal to the Primary Rate payable by the ceding employer from time to time. This means that the contractor's contribution rate will change once every three years, following the triennial actuarial valuation, but not between those times. Even then, this would always be in line with changes in the ceding employer's future service Primary rate, and not affected by the (generally more volatile) changes in past service funding level.

3.3 The Rates and Adjustment certificate will reflect the rate applicable to each contractor.

3.4 Contractors must pay the Fund the appropriate employer and employee contributions by the 19^{th} day of the following month.

3.5 The ceding employer will retain the risk of the contractor becoming insolvent during the period of admission and so no indemnity bond will be required from contractors participating in the Fund on a pass-through basis. The ceding employer is effectively guaranteeing the contractor's participation in the Fund.

3.6 A cessation valuation is required when a contractor no longer has any active members in the Fund (as per Regulation 64 of the Local Government Pension Scheme Regulations 2013). This could be due to a contract coming to its natural end, insolvency of a contractor or the last active member leaving employment or opting out of the LGPS.

3.7 Where a pass-through arrangement is in place, the Fund assets and liabilities associated with outsourced employees are retained by the ceding employer. At the end of the admission, the cessation valuation will therefore record nil assets and liabilities for the ceasing and therefore that no cessation debt or exit credit is payable to or from the Fund.

3.8 The contractor will be required to pay any outstanding regular contributions and/or unpaid invoices relating to the cost of (non-ill health) early retirement strains and/or augmentations at the end of the contract.

3.9 However, in some circumstances, the winning bidder will be liable for additional pension costs that arise due to items over which it exerts control. The risk allocation is as follows:

Risks	Council	Contractor
Surplus/deficit prior to the transfer date	✓	
Interest on surplus/deficit	✓	
Investment performance of assets held by the Fund	✓	
Changes to the discount rate that affect past service liabilities	✓	
Changes to the discount rate that affect future service accrual*		✓
Change in longevity assumptions that affect past service liabilities	✓	
Changes to longevity that affect future accrual*		✓
Price inflation / pension increases that affect past service liabilities	✓	
Price inflation / pension increases that affect future accrual*		✓
Exchange of pension for tax free cash (commutation rate)	✓	
Ill health retirement experience (pooled with the ceding employer)	✓	
Strain costs attributable to granting early retirements not due to ill health (e.g. redundancy, efficiency, waiving actuarial reductions on voluntary early retirements)		✓
Greater/lesser level of withdrawals	✓	
Rise in average age of contractor's employee membership	✓	
Changes to LGPS benefit package*		✓
Excess liabilities attributable to the contractor granting pay rises that exceed those assumed in the last formal actuarial valuation of the Fund	✓	
Award of additional pension or augmentation		✓

*These elements would be picked up at the next triennial valuation, if the contractor is still active in the Fund at that time, and would feed through into the ceding employer's Primary contribution rate and hence the contractor's contribution rate.

4. Process

4.1 **Initial policy distribution** – The procurement department at each ceding employer that has responsibility for staff/service outsourcing must be advised of this policy. The process detailed below from paragraph 4.2 to 4.9 must be adhered to by the ceding employer and (where applicable) the winning bidder.

4.2 **Tender Notification** - The ceding employer must publicise this pass-through policy as part of its tender process to bidders. This should confirm that the winning bidder will not be responsible for ensuring that the liabilities of outsourced employees are fully funded at the end of the contract, and that the winning bidder will only be responsible for paying contributions to the Fund during the period of participation and meeting the cost of (non-ill health) early retirement strains and the cost of benefit augmentations (assuming the terms of this policy are adhered to). It should also advise the employer contribution rate as detailed in **paragraph 3.2**.

4.3 **Initial notification to Pension Team** – The ceding employer must contact the Pensions Authority when a tender (or re-render) of an outsourcing contract is taking place and staff (or former staff) are impacted. The Pensions Authority must be advised prior to the start of the tender and the ceding employer must also confirm that the terms of this Policy have been adhered to.

4.4 **Confirmation of winning bidder** – The ceding employer must immediately advise the Pensions Authority of the winning bidder.

4.5 **Request for winning bidder to become an admitted body** – The winning bidder (in combination with the ceding employer), should request to the Pensions Authority that it wishes to become an admitted body within the Fund.

4.6 **Template admission agreement** – a template admission agreement will be used for admissions under this policy. It will set out all agreed points relating to employer contribution rate, employer funding responsibilities, and exit conditions. Only in exceptional circumstances, and only with the prior agreement of the Pensions Authority, will the wording within the template agreement be changed. All admission agreements must be reviewed (including any changes) by the Pension Authority and possibly its legal advisors.

4.7 **Post commercial contract** – Once the commercial contract has been signed, the winning bidder is then able to enter the Fund.

4.8 **Signed admission agreement** - Signing of the admission agreement can then take place between an appropriate representative of the winning bidder, the Lead Finance Officer of the ceding employer, and the Fund Director at the South Yorkshire Pensions Authority. It is at this point the Fund can start to receive contributions from the contractor and its employee members (backdated if necessary).

4.9 **Admitted body status** – The ceding employer will advise the contractor of its requirements and responsibilities within the Fund.

5. Review

5.1 This policy takes effect for all new admission agreements commencing on or after 1 #### 2022.

5.2 The policy will be reviewed every three years as part of formal actuarial valuations of the Fund (the next is due 31 March 2025) or when relevant changes to the LGPS Regulations take place.

South Yorkshire Pension Fund

Policy on admissions

Effective date of policy	
Date approved	
Next review	

1 Introduction

The purpose of this policy is to set out the administering authority's default approach to admitting new employers into the fund.

While it is possible for a prospective new employer to request alternatives, any deviation from the stated default position would have to ensure no risk to other scheme employers and will be at the discretion of the Fund to agree to.

In addition, and subject to review on a case-by-case basis, the fund may be willing to apply its pass-through principles to other admission bodies where liabilities are covered by a guarantor within the fund.

1.1 Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- Set out how the fund ensures that only appropriate bodies are admitted to the Fund and that the financial risk to the fund and to other employers in the fund is identified, minimised, and managed accordingly.
- Set out the Fund's default position in relation to the admission of new employers.
- In respect of the admission of new contractors, to set out the calculation of contribution rates and how risks are shared under the pass-through arrangement.
- To outline the process for admitting new employers into the fund.

1.2 Background

It is essential for the administering authority to establish its fundamental approach to the risks involved in the admission of new employers to the fund.

The regulatory framework relating to the different types of employer that may join the fund is set out in the next section.

1.3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) set out the various types of employer that can participated in the fund and the different requirements that apply to each. These can be summarised as:

- **Scheduled Bodies** listed in Part 1 to Schedule 2 – the councils, further education colleges, academies, police and fire services. These bodies must provide access to the LGPS to their employees (assuming they are not eligible to be members of other pension schemes)
- **Designating employers** listed in Part 2 to Schedule 2 – have the right to decide who of their employees are eligible to join the scheme. Includes town and parish councils, as well as entities connected to bodies in

Part 1 above. If a relevant designation is made the Administering Authority cannot refuse entry into the scheme in respect of that employer.

- **Admission bodies listed in part 3 to schedule 2** – who can apply to participate in the scheme. Admission bodies can encompass a variety of different types of employer. These are –
  - a body which provides a public service in the United Kingdom which operates otherwise than for the purposes of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest (whether because the operations of the body are dependent on the operations of the Scheme employer or otherwise);
  - a body, to the funds of which a Scheme employer contributes;
  - a body representative of any Scheme employers, or local authorities or officers of local authorities;
  - a body that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of—
    - the transfer of the service or assets by means of a contract or other arrangement (i.e. outsourcing),
    - a direction made under section 15 of the Local Government Act 1999,
    - directions made under section 497A of the Education Act 1996;
  - a body which provides a public service in the United Kingdom and is approved in writing by the Secretary of State for the purpose of admission to the Scheme.

When an administering authority is considering permitting a body to become an admission body, the LGPS Regulations include some discretions relating to the creation and management of admission agreements. These discretions are considered within this policy. The discretionary areas are:

- Part 3 of Schedule 2 (para 1) – Whether or not to proceed with admission agreements
- Part 3 of Schedule 2 (para 9(d)) – Whether to terminate the admission agreement
- Regulation 54(1) – If the Fund will set up separate pension funds in respect of admission agreements

Further, the regulations contain requirements around the determination of employer contributions, and the relevant provisions regarding the payment of these, specifically:

- Regulation 67 – which sets out the requirement for employers to pay contributions in line with the Rates and Adjustments (R&A) certificate.
- Regulation 64 - covers the requirements for a cessation valuation following the exit of a participating employer from the fund.

Employees outsourced from local authorities, police and fire authorities or from independent schools (generally academies, regulated by the Department for Education) must be offered pension benefits that are the same, better than, or count as being broadly comparable to, the Local Government Pension Scheme (as per the Best Value Authorities Staff Transfer (Pensions) Direction 2007). This is typically achieved by employees remaining in the LGPS and the new employer becoming an admitted body to the Fund and making the requisite employer contributions.

2 Statement of principles

2.1 General

The administering authority's policy is drafted on the basis of the following key principles:

- to ensure the long-term solvency of the fund as a whole and the solvency of each of the notional sub-funds allocated to the individual employers;
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the fund so that the administering authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- to set clear principles and ensure there is a consistency of requirement for employers in respect of all admissions and cessations to and from the fund.
- to ensure employers recognise the impact of their participation in the LGPS, helping them manage their pension liabilities as they accrue and understanding the effect of those liabilities on the ongoing operation of their business;
- to minimise the degree of short-term change in the level of each employer's contributions where the administering authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the council taxpayer from an employer ceasing participation or defaulting on its pension obligations;
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective; and
- to maintain the affordability of the Fund to employers as far as is reasonable over the longer term.

There is also an overriding objective to ensure that the LGPS Regulations and any supplementary guidance (in particular the Best Value Authorities Staff Transfer (Pensions) Direction 2007 and Fair Deal guidance) as they pertain to admission agreements are adhered to.

2.2 New contractors

This statement of principles covers the **admission of new contractors** to the fund. Each case will be treated on its own merits, but in general:

- In the absence of a preferred approach from the letting authority, pass-through is the default approach for the admission of all new contractors to the fund from the effective date of this policy. For the avoidance of doubt, this would apply to contracts established by councils, police & fire authorities, and academy trusts ("the letting authority").
- Pass-through is an arrangement whereby the letting authority (the local authority or the independent school) retains the main risks of fluctuations in the employer contribution rate during the life of the contract, and the risk that the employer's assets may be insufficient to meet the employees' pension benefits at the end of the contract.
- The contractor's pension contribution rate is set equal to the primary contribution rate payable by the letting authority. This will change from time to time in line with changes to the letting authority's primary contribution rate (i.e. following future actuarial valuations).

- The letting authority retains responsibility for variations in funding level, for instance due to investment performance, changes in market conditions, longevity, and salary experience under its pass-through arrangement, irrespective of the size of the outsourcing.
- The contractor will meet the cost of additional liabilities arising from (non-ill health) early retirements and augmentations.
- Ill health experience will be pooled with the letting authority and no additional strain payments will be levied on the contractor in respect of ill health retirements.
- The contractor will not be required to obtain an indemnity bond.
- There will be no notional transfer of assets to the contractor within the Fund. This means that all assets and liabilities relating to the contractor's staff will remain the responsibility of the letting authority during the period of participation.
- At the end of the contract (or when there are no longer any active members participating in the fund, for whatever reason), the admission agreement will cease and no further payment will be required from the contractor (or the letting authority) to the fund, save for any outstanding regular contributions and/or invoices relating to the cost of early retirement strains and/or augmentations and/or salary experience. Likewise, no "exit credit" payment will be required from the Fund to the contractor (or letting authority).
- The terms of the pass-though agreement will be documented by way of the admission agreement between the administering authority, the letting authority, and the contractor.
- All existing admission agreements are unaffected by this policy.

The principles outlined above are the default principles which will apply for the admission of new contractors, however, the letting authority may request the specific details of a particular agreement to differ from the principles outlined above.

The administering authority is not obliged to agree to a departure from the principles set out in this policy but will consider such requests and engage with the letting authority to reach agreement.

3 Policy and process – all employers

3.1 Entry conditions

The following entry conditions apply;

- **Scheduled bodies** must ensure that the fund is aware of their creation.
- **Designating employers** must ensure that the fund is aware of their creation and provide the fund with a copy of its resolution, confirming who is eligible for membership of the fund.
- **Admission bodies**. The fund will consider applications from bodies;
    - with links to a scheme employer, or
    - that provides services or assets on behalf of a scheme employer

  Agreements can be open or closed so long as necessary protections are in place.

3.2 Security

The security requirements (i.e. via a bond, indemnity and/or guarantor) are as follows:

- The are no security requirements for **scheduled bodies** and **designating employers**.

- **Admission bodies**. Where contractors are being admitted to the fund under a pass-through arrangement, the requirement set out in Section 4 will apply. For all other admission bodies:
    - the admission body is required to undertake risk assessment to the satisfaction of the administering authority (and scheme employer where seeking admission as a body under Par 1(d) to Part 3 of Schedule 2).
    - the admission body is required to put in place a secure and financially durable bond to the satisfaction of the administering authority or agree an alternative guarantor (generally with a scheme employer and/or government department).
    - Documentary evidence of the bond or guarantee must be provided to the administering authority by the admission body.
    - The level of risk must be reviewed and any associated security renewed on an annual basis

3.3 Approval

The process for approving the participation of a new employer in the fund is as follows;

- **Scheduled bodies**. The Fund has no power to refuse participation of any new employer set up under Part 1 of schedule 2 and where the Fund is designated as the appropriate Fund for that employer.
- **Designating employers** The Fund has no power to refuse participation of an employer under Part 2 of schedule 2, although it will require sight of a signed copy of the relevant resolution to confirm the employees eligible for participation in the scheme.
- **Admission bodies**. Fund officers to be responsible for ensuring prospective admission bodies meet the necessary criteria. Admission agreement template will generally be standard and non-negotiable

All new employers will be reported to the Pension Authority Board and Pension Board for information only.

3.4 Asset allocation

The starting asset allocation for new employers will be determined in the following way;

- **Scheduled bodies and designating employers.** Assets for any new employer will be calculated using the Fund's ongoing funding basis, as set out in the Funding Strategy Statement (FSS).

  Academies may be pooled with other academies as part of a Multi Academy Trust (MAT).

  Where a new employer is created from an existing scheme employer, the initial asset allocation will be based on a share of the ceding employer's assets, with consideration taken of the ceding employer's estimated deficit as at the date of transfer.
- **Admission bodies**. The asset allocation will be agreed on a case by case basis. For new contractors participating in the fund under a pass-through arrangement, the fund assets (and liabilities) associated with outsourced employees are retained by the letting authority.

3.5 Contributions

Contribution rates will be set in accordance with the FSS.

3.6 Costs

Employer being admitted to the fund will be required to meet the cost of this, which includes (but is not limited to) the actuarial fees incurred by the administering authority.

3.7 Employer specific policy

Connected entities

Connected entities by definition have close ties to a scheme employer given that a connected entity is included in the financial statements of the scheme employer. Although connected entities are “designating bodies” under the regulations, they have similar characteristics to admitted bodies (in that there is an “outsourcing employer”). However, the regulations do not strictly require such bodies to have a guarantee from a scheme employer. However, to limit the risk to the fund, the administering authority will require that the scheme employer provides a guarantee for their connected entity, in order that the ongoing funding basis will be applied to value the liabilities.

Children’s centre transfer to academy trusts

Local education authorities have an obligation to provide children’s centres under the Childcare Act 2006. The Act places duties on these authorities in relation to establishing and running children’s centres and therefore the financial obligation to cover the LGPS costs of eligible staff remains a responsibility of the local education authority regardless of service delivery vehicle. The local education authority is liable for all the LGPS liabilities of the children’s centre.

As the staff cannot be employed directly by an academy or academy trust, the fund will permit admission of a separate participating employer (with its own contribution rate requirements based on the transferring staff), through a tri-partite admission agreement between the fund, the local education authority of the ceding council and the body responsible for managing the children’s centre (this could be an academy trust or private sector employer).

Second generation outsourcings

A 2nd generation outsourcing is one where a service is being outsourced for the second time, usually after the previous contract has come to an end. For Best Value Authorities, principally the unitary authorities, they are bound by The Best Value Authorities Staff Transfers (Pensions) Direction 2007 so far as 2nd generation outsourcings are concerned. In the case of most other employing bodies, they should have regard to Fair Deal Guidance issued by the Government.

It is usually the case that where services have previously been outsourced, the transferees are employees of the contractor as opposed to the original scheme employer and as such will transfer from one contractor to another without being re-employed by the original scheme employer. There are even instances where staff can be transferred from one contractor to another without ever being employed by the outsourcing scheme employer that is party to the Admission Agreement. This can occur when one employing body takes over the responsibilities of another, such as a maintained school (run by the local education authority) becoming an academy.

In this instance the contracting body is termed a ‘Related Employer’ for the purposes of the Local Government Pension Scheme Regulations and is obliged to guarantee the pension liabilities incurred by the contractor. “Related Employer” is defined as “any Scheme employer or other such contracting body which is a party to the admission agreement (other than an administering authority in its role as an administering authority)”

4 Policy and process – new contractors

4.1 Compliance

Adherence to this policy is the responsibility of the relevant responsible service manager for any given outsourcing.

The administering authority and the fund actuary must always be notified that an outsourcing has taken place, regardless of the number of members involved.

4.2 Contribution rates

The contribution rate payable by the contractor over the period of participation will be set equal to the primary rate payable by the letting authority from time to time. This means that the contractor's contribution rate will change once every three years, following the triennial actuarial valuation, but not between those times. Even then, this would always be in line with changes in the letting authority future service primary rate, and not affected by the (generally more volatile) changes in past service funding level.

4.3 Risk sharing and cessation valuation

The letting authority will retain the risk of the contractor becoming insolvent during the period of admission and so no indemnity bond will be required from contractors participating in the Fund on a pass-through basis. The letting authority is effectively guaranteeing the contractor's participation in the fund.

A cessation valuation is required when a contractor no longer has any active members in the fund. This could be due to a contract coming to its natural end, insolvency of a contractor or the last active member leaving employment or opting out of the LGPS.

Where a pass-through arrangement is in place, the fund assets and liabilities associated with outsourced employees are retained by the letting authority. At the end of the admission, the cessation valuation will therefore record nil assets and liabilities for the ceasing employer and therefore that no cessation debt or exit credit is payable to or from the Fund.

The contractor will be required to pay any outstanding regular contributions and/or unpaid invoices relating to the cost of (non-ill health) early retirement strains and/or augmentations at the end of the contract.

However, in some circumstances, the winning bidder will be liable for additional pension costs that arise due to items over which it exerts control. The risk allocation is as follows:

Risks	**Letting authority**	**Contractor/ Admitted body**
Surplus/deficit prior to the transfer date	✓	
Interest on surplus/deficit	✓	
Investment performance of assets held by the Fund	✓	
Changes to the discount rate that affect past service liabilities	✓	
Changes to the discount rate that affect future service accrual *		✓
Change in longevity assumptions that affect past service liabilities	✓	
Changes to longevity that affect future accrual *		✓
Price inflation affects past service liabilities	✓	
Price inflation / pension increases that affect future accrual *		✓
Exchange of pension for tax free cash	✓	
Ill health retirement experience	✓	

Strain costs attributable to granting early retirements (not due to ill health (e.g. redundancy, efficiency, waiving actuarial reductions on voluntary early retirements)		✓
Greater/lesser level of withdrawals	✓	
Rise in average age of contractor's employee membership	✓	
Changes to LGPS benefit package *		✓
Excess liabilities attributable to the contractor granting pay rises that exceed those assumed in the last formal actuarial valuation of the Fund	✓	
Award of additional pension or augmentation		✓

** These elements would be picked up at the next triennial valuation, if the contractor is still active in the Fund at that time, and would feed through into the letting authority's primary contribution rate and hence the contractor's contribution rate.*

4.4 Accounting valuations

Accounting for pensions costs is a responsibility for individual employers.

It is the administering authority's understanding that contractors may be able to account for such pass-through admissions on a defined contribution basis and therefore no formal FRS102 / IAS19 report may be required (contractors are effectively paying a fixed rate and are largely indemnified from the risks inherent in providing defined benefit pensions).

As the letting authority retains most of the pension fund risk relating to contractors, it is the administering authority's understanding that these liabilities (and assets) should be included in the letting authority's FRS102 / IAS19 disclosures.

The administering authority expect employers to seek approval to the treatment of pension costs from their auditor.

4.5 Application

Letting authorities may request terms which differ from those set out in this policy and any such request will be considered by the Administering authority.

All existing admission agreements (i.e. which commenced prior to the effective date of this policy) are unaffected by this policy.

4.6 Process

The procurement department at each letting authority that has responsibility for staff/service outsourcing must be advised of this policy. The process detailed below must be adhered to by the letting authority and (where applicable) the winning bidder.

- **Tender Notification** - The letting authority must publicise this pass-through policy as part of its tender process to bidders. This should confirm that the winning bidder will not be responsible for ensuring that the liabilities of outsourced employees are fully funded at the end of the contract, and that the winning bidder will only be responsible for paying contributions to the fund during the period of participation and meeting the cost of (non-ill health) early retirement strains, the cost of benefit augmentations and excessive salary growth (assuming the terms of this policy are adhered to). It should also advise the employer contribution rate as detailed in paragraph 4.2.

- **Initial notification to Pension Team** – The letting authority must contact the administering authority when a tender (or re-tender) of an outsourcing contract is taking place and staff (or former staff) are impacted. The administering authority must be advised prior to the start of the tender and the letting authority must also confirm that the terms of this policy have been adhered to.

- **Confirmation of winning bidder** – The letting authority must immediately advise the administering authority of the winning bidder.
- **Request for winning bidder to become an admitted body** – The winning bidder (in combination with the letting authority), should request to the administering authority that it wishes to become an admitted body within the Fund.
- **Template admission agreement** – a template pass-through admission agreement will be used for admissions under this policy. It will set out all agreed points relating to employer contribution rate, employer funding responsibilities, and exit conditions. Only in exceptional circumstances, and only with the prior agreement of the Administering authority, will the wording within the template agreement be changed. All admission agreements must be reviewed (including any changes) by the administering authority and possibly its legal advisors.
- **Signed admission agreement** - Signing of the admission agreement can then take place between an appropriate representative of the winning bidder, the lead finance officer of the letting authority, and the administering authority. It is at this point the fund can start to receive contributions from the contractor and its employee members (backdated if necessary).
- **Admitted body status** – The letting authority will advise the contractor of its requirements and responsibilities within the Fund.

5 Related Policies

The information contained with the FSS applies equally to admission bodies as to other participating employers within the Fund. This admissions policy, therefore, supplements the general policy of the Fund as set out in the FSS and should be read in conjunction with that document, together with its associated funding policies.

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South Yorkshire Pension Fund

Policy on bulk transfers

Effective date of policy	
Date approved	
Next review	

1 Introduction

The purpose of this policy is to set out the administering authority's approach to dealing with the bulk transfer of scheme member pension rights into and out of the fund in prescribed circumstances.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

1.1 Aims and Objectives

The administering authority's aims and objectives related to this policy are as follows:

- Bulk transfers out of the fund do not allow a deficit to remain behind unless a scheme employer is committed to repairing this; and
- Bulk transfers received by the fund must be sufficient to pay for the added benefits being awarded to the members, again with the scheme employer making good any shortfall where necessary.

Bulk transfer requests will be considered on a case-by-case basis.

1.2 Background

Bulk transfers into and out of the fund can occur for a variety of reasons, such as:

- where an outsourcing arrangement is entered into and active fund members join another LGPS fund, or leave the LGPS to join a broadly comparable scheme;
- where an outsourcing arrangement ceases and active scheme members re-join the Fund from another LGPS fund or a broadly comparable scheme;
- where there is a reorganisation of central government operations (transfers in from, or out to, other government sponsored schemes);
- where there is a reorganisation or consolidation of local operations (brought about by, for example, local government shared services, college mergers or multi-academy trust consolidations); or
- a national restructuring resulting in the admission of an employer whose employees have LGPS service in another LGPS fund, or vice versa.

Unlike bulk transfers out of the LGPS, there is no specific provision to allow for bulk transfers into the LGPS. As a result, any transfer value received into the LGPS, whether on the voluntary movement of an individual or the compulsory transfer of a number of employees, must be treated the same way as individual transfers.

1.3 Guidance and regulatory framework

Local Government Pension Scheme Regulations

When considering any circumstances involving bulk transfer provisions, the administering authority will always ensure adherence to any overriding requirements set out in the Local Government Pension Scheme Regulations 2013 (as amended), including:

- Regulation 98 – applies on transfer out to non-LGPS schemes. It allows for the payment of a bulk transfer value where at least two active members of the LGPS cease scheme membership and join another approved pension arrangement.

- Regulation 99 - gives the LGPS actuary discretion as to the choice of method of calculation used to calculate the bulk transfer value.

- Regulation 100 – allows an individual who holds relevant pension rights under a previous employer to request to be admitted for past service into the LGPS. Members wishing to transfer in accrued rights from a Club scheme (that is schemes with benefits broadly similar to those of the LGPS), who request to do so within 12 months of joining their new LGPS employment, must be granted their request. For members with "non-Club" accrued rights the LGPS fund does not have to grant the request. Any request must be received in writing from the individual within 12 months of active employment commencing or longer at the discretion of the employer and the administering authority.

- Regulation 103 - states that any transfer between one LGPS fund and another LGPS fund (in England and Wales) where 10 or more members elect to transfer will trigger bulk transfer negotiations between Fund actuaries.

Best Value authorities

The Best Value Authorities Staff Transfers (Pensions) Direction 2007, which came into force on 1 October 2007, applies to all "Best Value Authorities" in England. Best Value Authorities include all county, district and borough councils in England, together with police and fire and rescue authorities, National Park Authorities and waste disposal authorities. The Direction:

- requires the contractor to secure pension protection for each transferring employee through the provision of pension rights that are the same as or are broadly comparable to or better than those they had as an employee of the authority, and

- provides that the provision of pension protection is enforceable by the employee.

The Direction also requires similar pension protection in relation to those former employees of an authority, who were transferred under TUPE to a contractor, in respect of any re-tendering of a contract for the provision of services (i.e. second and subsequent rounds of outsourcing).

Academies and multi-academy trusts

New Fair Deal guidance, introduced in October 2013, applies to academies and multi-academy trusts. It requires that, where they outsource services, they ensure pension protection for non-teaching staff transferred is achieved via continued access to the LGPS. As a result the fund would not expect to have any bulk transfers out of the LGPS in respect of outsourcings from academies or multi-academy trusts.

Other employers

For all scheme employers that do not fall under the definition of a Best Value Authority or are not an academy (i.e. town and parish councils, arms-length organisations, further and higher education establishments, charities and other admitted bodies), and who are not subject to the requirements of Best Value Direction or new Fair Deal guidance, there is no explicit requirement to provide pension protection on the outsourcing or insourcing of services. However, any successful contractor is free to seek admission body status in the fund, subject to complying with the administering authority's requirements (e.g. having a bond or guarantor in place).

The old Fair Deal guidance may still apply to a specific staff transfer if permitted by the new Fair Deal guidance or if outside the coverage of the new Fair Deal guidance. (If the individual remains in their original scheme then their past service rights are automatically protected). In the absence of a bulk transfer agreement the administering authority would not expect to pay out more than individual Cash Equivalent Transfer Value (CETV) amounts, in accordance with appropriate Government Actuary's Department (GAD) guidance.

2 Statement of principles

This statement of principles covers bulk transfer payments into and out of the fund. Each case will be treated on its own merits alongside appropriate actuarial advice, but in general:

- Where a group of active scheme members joins (or leaves) the fund, the administering authority's objective is to ensure that sufficient assets are received (or paid out) to meet the cost of providing those benefits.
- Ordinarily the administering authority's default approach for bulk transfers out (or in) will be to propose (or accept) that the transfer value is calculated using ongoing assumptions based on the employer's share of fund assets (capped at 100% of the value of the liabilities). The fund will retain the discretion to amend the bulk transfer basis to reflect the specific circumstances of each transfer – including (but not restricted to):
    - the use of cessation assumptions where unsecured liabilities are being left behind;
    - where a subset of an employer's membership is transferring (in or out), the Fund may consider an approach of calculating the bulk transfer payment as the sum of CETVs for the members concerned; or
    - where transfer terms are subject to commercial factors.
- Where an entire employer is transferring in or out of the fund the bulk transfer should equal the asset share of the employer in the transferring fund regardless of whether this is greater or lesser than the value of past service liabilities for members.
- There may be situations where the fund accepts a transfer in amount which is less than required to fully fund the transferred in benefits on the fund's ongoing basis (e.g. where the employer has suitable strength of covenant and commits to meeting that shortfall over an appropriate period). In such cases the administering authority reserves the right to require the receiving employer to fund this shortfall (either by lump sum or by increasing in ongoing employer contributions) ahead of the next formal valuation.
- Any shortfall between the bulk transfer payable by the fund and that which the receiving scheme is prepared to accept must be dealt with outside of the fund, for example by a top up from the employer to the receiving scheme or through higher ongoing contributions to that scheme.
- Service credits granted to transferring scheme members should fully reflect the value of the benefits being transferred, irrespective of the size of the transfer value paid or received.

3 Policy

The following summarises the various scenarios for bulk transfers in or out of the fund, together with the Administering Authority's associated policies.

3.1 Inter-fund transfer (transfer between the fund and another LGPS fund) (to be discussed)

Scenario	Bulk transfer mechanism	Policy	Methodology
In	< 10 members – GAD guidance	CETVs in accordance with GAD guidance.	On receipt of a transfer value (calculated in line with the CETV transfer out formulae), the Fund will award the member a pension credit on a day-for-day basis.
	10 or more members – Regulation 103 of the Local Government Pension Scheme Regulations 2013	Where agreement can be reached, the Fund and the transferring fund (and their two actuaries) may agree to a negotiated bulk transfer arrangement. However, where agreement cannot be reached: **Actives only transferring:** CETVs in accordance with GAD guidance using transferring fund's actual fund returns for roll up to date of payment (rather than the interest applied for standard CETV's). **All members transferring (i.e. all actives, deferred and pensioners):** Receive all assets attributable to the membership within the transferring scheme.	The Fund's default policy is to accept a transfer value that is at least equal to the total of the individual CETVs calculated using the Club transfer-out formulae. The Fund will consult with the scheme employer whose funding position will be impacted by the transfer before agreeing to a negotiated bulk transfer arrangement. Pension credits will be awarded to the transferring members on a day-for-day basis.
Out	< 10 members – GAD guidance	CETVs in accordance with GAD guidance.	The transfer value paid to the receiving fund will be calculated in line with the CETV transfer-out formulae.
	10 or more members – Regulation 103 of the Local Government Pension Scheme Regulations 2013	Where agreement can be reached, the Fund and the receiving Fund (and their two actuaries) may agree to a negotiated bulk transfer arrangement. However, where agreement cannot be reached: **Actives only transferring (i.e. remaining members left behind):** CETV in accordance with GAD guidance using transferring fund's actual fund returns for roll-up to date of payment (rather than the interest applied for standard CETV's). **All actives transferring (i.e. deferred and pensioner members left behind):** Assets will be retained by the Fund to cover the liabilities of the deferred and pensioner members calculated using the Fund's cessation assumptions. The residual assets will then be transferred to the receiving scheme.	The Fund's default policy is to offer a transfer value that is equal to the total of the individual CETV calculated using the Club transfer-out formulae. The Fund will consult with the scheme employer whose funding position will be impacted by the transfer before agreeing to a negotiated bulk transfer arrangement. Discretion exists to amend this to reflect specific circumstances of the situation.

		All members transferring (i.e. all actives, deferred and pensioners): Transfer all assets attributable to the membership to the receiving scheme.	

3.2 Club Scheme

Scenario	Bulk transfer mechanism	Policy	Methodology
In	Club Memorandum	The Club mechanism ensures the pension credit in the Fund provides actuarially equivalent benefits.	The pension credit awarded to members transferring in will be calculated in line with the Club transfer-in formulae.
Out	Regulation 98 of the Local Government Pension Scheme Regulations 2013 or Club Memorandum	Where agreement can be reached, the Fund and the receiving scheme (and their two actuaries) may agree to a negotiated bulk transfer arrangement. Or Where agreement cannot be reached, revert to the Club transfer out formulae in accordance with GAD guidance.	The Fund's default policy is to offer the receiving scheme transfers out calculated using ongoing assumptions based on the ceding employer's share of fund assets (capped at 100% of the liability value). Discretion exists to amend this to reflect specific circumstances of the situation.

3.3 Broadly Comparable Scheme or non-Club scheme

Scenario	Bulk transfer mechanism	Policy	Methodology
In	GAD guidance	Non-Club transfer in formulae in accordance with GAD guidance	The pension credit awarded to members transferring in will be calculated in line with the non-Club transfer in formulae.
Out	1 member only – GAD guidance	CETV in accordance with GAD guidance	The transfer value paid to the receiving scheme will be calculated in line with the CETV transfer-out formulae.
	2 or more members – Regulation 98 of the Local Government Pension Scheme Regulations 2013	Where agreement can be reached, the fund and the receiving scheme (and their two actuaries) may agree to a negotiated bulk transfer arrangement. Or Where agreement cannot be reached, revert to cash equivalent transfer values under GAD guidance	The fund's default policy is to offer the receiving scheme transfers out calculated in line with the CETV transfer-out formulae. Discretion exists to amend this to reflect specific circumstances of the situation.

4 Practicalities and process

4.1 Format of transfer payment

Ordinarily payment will be in cash.

A deduction from the bulk transfer will be made for any administration, legal and transaction costs incurred by the Fund as a result of having to disinvest any assets to meet the form of payment that suits the receiving scheme.

4.2 Impact on transferring employer

Any transfer out or in of pension rights may have an effect on the valuation position of the employer and consequently their individual contribution rate.

The Fund will agree with the transferring employer how this change is dealt with. Though it is likely this will be through adjustments to its employer contribution rate, the Fund may require a lump sum payment or instalments of lump sums to cover any relative deterioration in deficit, for example where the deterioration in deficit is a large proportion of its total notional assets and liabilities. Where the transfer is small relative to the employer's share of the Fund, any adjustment may be deferred to the next valuation.

4.3 Consent

Where required within the Regulations, for any bulk transfer the Administering Authority will ensure the necessary consent is obtained from each individual eligible to be part of the transfer.

4.4 Approval process

The Fund will normally agree to bulk transfers into or out of the Fund where this policy is adhered to.

4.5 Non-negotiable

It should be noted that, as far as possible, the Fund's preferred terms on bulk transfers are non-negotiable. Any differences between the value the Fund is prepared to pay (or receive) and that which the other scheme involved is prepared to accept (or pay) should be dealt with by the employers concerned outside the Fund.

4.6 Costs

Actuarial and other professional costs will be recharged in full to the employer.

Staff time involved on the Fund side will be charged at the rate defined within the Administration Strategy Statement.

5 Related Policies

Section 7 of the Fund's Funding Strategy Statement.

South Yorkshire Pension Fund

Policy on contribution reviews

Effective date of policy	
Date approved	
Next review	

1 Introduction

The purpose of this policy is to set out the administering authority's approach to reviewing contribution rates between triennial valuations.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

1.1 Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To provide employers with clarity around the circumstances where contribution rates may be reviewed between valuations.
- To outline specific circumstances where contribution rates will not be reviewed.

1.2 Background

The Fund may amend contribution rates between valuations for 'significant change' to the liabilities or covenant of an employer.

Such reviews may be instigated by the fund or at the request of a participating employer.

Any review may lead to a change in the required contributions from the employer.

1.3 Guidance and regulatory framework

Regulation 64 of the Local Government Pension Scheme Regulations 2013 (as amended) sets out the way in which LGPS funds should determine employer contributions, including the following;

- Regulation 64 (4) – allows the administering authority to review the contribution rate if it becomes likely that an employer will cease participation in the fund, with a view to ensuring that the employer is fully funded at the expected exit date.
- Regulation 64A - sets out specific circumstances where the administering authority may revise contributions between valuations (including where a review is requested by one or more employers).

This policy also reflects statutory guidance from the Department for Levelling Up, Housing and Communities on preparing and maintaining policies relating to the review of employer contributions. Interested parties may want to refer to an accompanying guide that has been produced by the Scheme Advisory Board.

2 Statement of principles

This statement of principles covers review of contributions between valuations. Each case will be treated on its own merits, but in general:

- The administering authority reserves the right to review contributions in line with the provisions set out in the LGPS Regulations. It will also consider requests from employers to do so.
- The decision to make a change to contribution rates rests with the administering authority, subject to consultation with employers during the review period.
- Full justification for any change in contribution rates will be provided to employers.
- Advice will be taken from the fund actuary in respect of any review of contribution rates.
- Any revision to contribution rates will be reflected in the Rates & Adjustment certificate.

3 Policy

3.1 Circumstances for review

The fund would consider the following circumstances as a potential trigger for review:

- in the opinion of an administering authority there are circumstances which make it likely that an employer (including an admission body) will become an exiting employer sooner than anticipated at the last valuation;
- an employer is approaching exit from the fund within the next two years and before completion of the next triennial valuation;
- there are changes to the benefit structure set out in the LGPS Regulations which have not been allowed for at the last valuation;
- it appears likely to the administering authority that the amount of the liabilities arising or likely to arise for an employer or employers has changed significantly since the last valuation;
- it appears likely to the administering authority that there has been a significant change in the ability of an employer or employers to meet their obligations (e.g. a material change in employer covenant, or provision of additional security);
- it appears to the administering authority that the membership of the employer has changed materially such as bulk transfers, significant reductions to payroll or large-scale restructuring; or
- where an employer has failed to pay contributions or has not arranged appropriate security as required by the administering authority.

3.2 Employer requests

The administering authority will also consider a request from any employer to review contributions where the employer has undertaken to meet the costs of that review and sets out the reasoning for the review (which would be expected to fall into one of the above categories, such as a belief that their covenant has changed materially, or they are going through a significant restructuring impacting their membership).

The administering authority will require additional information to support a contribution review made at the employer's request. The specific requirements will be confirmed following any request and this is likely to include the following:

- a copy of the latest accounts;
- details of any additional security being offered (which may include insurance certificates);
- budget forecasts; and/or
- information relating to sources of funding.

The costs incurred by the administering authority in carrying out a contribution review (at the employer's request) will be met by the employer. These will be confirmed upfront to the employer prior to the review taking place.

3.3 Other employers

When undertaking any review of contributions, the administering authority will also consider the impact of a change to contribution rates on other fund employers. This will include the following factors:

- The existence of a guarantor.
- The amount of any other security held.
- The size of the employer's liabilities relative to the whole fund.

The administering authority will consult with other fund employers as necessary.

3.4 Effect of market volatility

Except in circumstances such as an employer nearing cessation, the administering authority will not consider market volatility or changes to asset values as a basis for a change in contributions outside a formal valuation. However, if a contribution change is proposed, this may take account of changes in markets and asset values since the last formal valuation.

3.5 Documentation

Where revisions to contribution rates are necessary, the fund will provide the employer with a note of the information used to determine these, including:

- Explanation of the key factors leading to the need for a review of the contribution rates, including, if appropriate, the updated funding position.
- A note of the new contribution rates and effective date of these.
- Date of next review.
- Details of any processes in place to monitor any change in the employer's circumstances (if appropriate), including information required by the administering authority to carry out this monitoring.

The Rates & Adjustments certificate will be updated to reflect the revised contribution rates.

4 Related Policies

The fund's approach to setting employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the fund calculate employer contributions?".

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South Yorkshire Pension Fund

Policy on academy funding

Effective date of policy	
Date approved	
Next review	

1 Introduction

The purpose of this policy is to set out the administering authority's funding principles relating to academies and Multi-Academy Trusts (MATs).

1.1 Aims and Objectives

The administering authority's objectives related to this policy are as follows:

- to state the approach for the treatment and valuation of academy liabilities and asset shares on conversion from a local maintained school, if establishing as a new academy or when joining or leaving a MAT
- to state the approach for setting contribution rates for MATs
- to outline the responsibilities of academies seeking to consolidate
- to outline the responsibilities of academies when outsourcing

1.2 Background

As described in Section 5.2 of the Funding Strategy Statement (FSS), new academies join the fund on conversion from a local authority school or on creation (eg newly established academies, Free Schools, etc). Upon joining the fund, for funding purposes, academies may become stand-alone employers or may join an existing MAT.

Funding policy relating to academies and MATs is largely at the fund's discretion, however guidance on how the fund will apply this discretion is set out within this policy.

1.3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) contains general guidance on Scheme employers' participation within the fund which may be relevant but is not specific to academies.

There is currently a written ministerial guarantee of academy LGPS liabilities, which was reviewed in 2022.

Academy guidance from the Department for Education and the Department for Levelling Up, Housing and Communities may also be relevant.

2 Statement of Principles

This Statement of Principles covers the fund's approach to funding academies and MATs. Each case will be treated on its own merits but in general:

- the fund will seek to apply a consistent approach to funding academies that achieves fairness to the ceding councils, MATs and individual academies.

- the fund's current approach is to treat all academies within a MAT as a single employer (effectively operating as a funding pool where all pension risks are shared).
- academies must consult with the fund prior to carrying out any outsourcing activity.
- the fund will generally not consider receiving additional academies into the fund as part of a consolidation exercise.

3 Policies

3.1 Admission to the fund

As set out in section 5.2 of the FSS:

Asset allocation on conversion

New academies will be allocated an asset share based on the school's share of the historic local authority deficit prior to its conversion. This deficit is calculated as the capitalised secondary contributions (over the time horizon) the school would have made to the Fund had it not converted to academy status, subject to a minimum asset share of nil and a maximum asset share equal to the value of the transferring liabilities.

Contribution rate

New academy contribution rates are based on the current funding strategy (set out in section 2 of the FSS) and the transferring membership.

If an academy is joining an existing MAT within the fund then it will pay the MAT contribution rate (which may or may not be updated as a result - see below).

3.2 Multi-academy trusts

Asset tracking

The fund's current policy is to pool assets (and liabilities) of all the academies within a MAT. Once an academy joins a MAT the individual asset share of that academy is merged into the MAT.

In the interests of transparency and clarity around entry and exit of individual academies to the Trust in the future, the asset share for individual academies will continue to be tracked separately.

Contribution rate

The MAT is treated as a 'full funding risks' pool meaning that all academies within the MAT pay the same contribution rate to the fund and all membership experience is shared across the MAT (ie full cross-subsidy exists).

Any transferring academy will pay the certified contribution rate of the MAT it is joining. At the discretion of the fund, the MAT's contribution rate may be revised by the fund actuary to allow for impact of the transferring academy joining.

Academies leaving a MAT

If an academy(ies) leaves a MAT all active, deferred and pensioner members will transfer from the MAT to the new MAT or standalone employer.

3.3 Merging of MATs (contribution rates)

If two MATs merge during the period between formal valuations, the new merged MAT will pay the higher of the two certified individual MAT rates until the rates are reassessed at the next formal valuation (NB where one or both MATs are paying a monetary secondary contribution rate these will be converted to a % of pay for the purposes of determining the new merged contribution rate).

Alternatively, as set out in the fund's contribution review policy and per Regulation 64 A (1)(b) (iii) the MAT may request that a contribution review is carried out. The MAT would be liable for the costs of this review.

3.4 Cessations of academies and multi-academy trusts

A cessation event will occur if a current academy or MAT ceases to exist as an entity or an employer in the fund.

The cessation treatment will depend on the circumstances:

- If the cessation event occurs due to an academy or MAT merging with another academy or MAT within the fund, all assets and liabilities from each of the merging entities will be combined and will become the responsibility of the new merged entity.
- If the MAT is split into more than one new or existing employers within the fund, the actuary will calculate a split of the assets and liabilities to be transferred from the exiting employer to the new employers as described in 3.2 above.
- In all other circumstances, and following payment of any cessation debt, section 8.5 of the FSS would apply.

3.5 Academy consolidations

If an academy or MAT is seeking to merge with another MAT outside of the fund they would need to seek approval from the secretary of state to consolidate their liabilities (and assets) into one LGPS fund. It is the fund preference that academies do not seek to consolidate.

Where a direction has been granted the fund does not generally accept academy consolidations into the fund. The fund will provide the necessary administrative assistance to academies seeking to consolidate into another LGPS fund, however the academy (or MAT) will be fully liable for all actuarial, professional and administrative costs.

3.6 Outsourcing

An academy (or MAT) may outsource or transfer a part of its services and workforce via an admission agreement to another organisation (usually a contractor). The contractor becomes a new participating fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership.

The contractor will pay towards the LGPS benefits accrued by the transferring members for the duration of the contract, but ultimately the obligation to pay for these benefits will revert to the academy (or MAT) at the end of the contract.

It is critical for any academy (or MAT) considering any outsourcing to contact the fund initially to fully understand the administrative and funding implications. The academy should also read and fully understand the fund's admissions policy.

In some cases, it is necessary to seek approval from Department for Education before completing an outsourcing (including seeking confirmation that the guarantee provided to academies will remain in place for the transferring members).

The academy (or MAT) will provide the Fund with a copy of the contract (between the ceding Academy and the new contractor) in order to satisfy the regulatory requirement that the Admission Agreement covers one contract.

The Admission Agreement will need to have provision for adding future employees should any academies join the MAT subsequent to the commencement date.

3.7 Accounting

Academies (or MATs) may choose to prepare combined FRS102 disclosures (eg for all academies within a MAT). Any pooling arrangements for accounting purposes may be independent of the funding arrangements (eg academies may be pooled for contribution or funding risks but prepare individual disclosures, or vice versa).

4 Related Policies

The fund's approach to admitting new academies into the fund is set out in the Funding Strategy Statement, specifically "Section 5 – What happens when an employer joins the fund?"

The following Fund policies are also relevant:

- Contribution review policy
- Cessation policy
- Bulk transfer policy

South Yorkshire Pension Fund

Policy on covenant assessment and monitoring

Effective date of policy	
Date approved	
Next review	

1 Introduction

The purpose of this policy is to set out the administering authority's approach to assessing and monitoring covenant.

1.1 Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To outline the general approach taken by the fund when carrying out a covenant assessment, including the key risk criteria.
- To outline the process for monitoring covenant strength.

1.2 Background

An employer's covenant underpins its legal obligation and ability to meet its financial responsibilities now and in the future. The strength of covenant depends upon the robustness of the legal agreements in place and the likelihood that the employer can meet them. The covenant effectively underwrites the risks to which the Fund is exposed, including underfunding, longevity, investment and market forces.

An assessment of employer covenant focuses on determining the following:

- Type of body and its origins
- Nature and enforceability of legal agreements
- Whether there is a bond in place and the level of the bond
- Whether a more accelerated recovery plan should be enforced
- Whether there is an option to call in contingent assets
- Is there a need for monitoring of ongoing and cessation funding ahead of the next actuarial valuation?

The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital.

2 Statement of principles

The assessment criteria upon which an employer should be reviewed includes the following;

- Nature and prospects of the employer's industry
- Employer's competitive position and relative size
- Management ability and track record
- Financial policy of the employer
- Profitability, cashflow and financial flexibility
- Employer's credit rating
- Position of the economy as a whole

Not all of the above would be applicable to assessing employer risk within the Fund; rather a proportionate approach to consideration of the above criteria would be made, with further consideration given to the following:

- The scale of obligations to the pension scheme relative to the size of the employer's operating cashflow
- The employer's obligations to other pension schemes
- The relative priority placed on the pension scheme compared to corporate finances
- An estimate of the amount, which might be available to the scheme on insolvency of the employer as well as the likelihood of that eventuality
- The presence and nature of any guarantee provided by another scheme employer within the fund

3 Policy and process

3.1 Assessing employer covenant

The employer covenant will be assessed objectively and its ability to meet its obligations will be viewed in the context of the Fund's exposure to risk and volatility based on publicly available information and/or information provided by the employer. The monitoring of covenant strength along with the funding position (including on the cessation basis) enables the Fund to anticipate and pre-empt employer funding issues and thus adopt a proactive approach. In order to objectively monitor the strength of an employer's covenant, adjacent to the risk posed to the Fund, a number of fundamental financial metrics will be reviewed to develop an overview of the employer's stability and a rating score will be applied using a Red/Amber/Green (RAG) rating structure.

In order to accurately monitor employer covenant, it will be necessary for research to be carried out into employers' backgrounds and, in addition, for those employers to be contacted to gather as much information as possible. Focus will be placed on the regular monitoring of employers with a proactive rather than reactive view to mitigating risk.

The covenant assessment will be combined with the funding position to derive an overall risk score. Action will be taken if these metrics meet certain triggers based on funding level, covenant rating and the overall risk score.

3.2 Frequency of monitoring

The funding position and contribution rate for each employer participating in the Fund will be reviewed as a matter of course with each triennial actuarial valuation. However, it is important that the relative financial strength of employers is reviewed regularly to allow for a thorough assessment of the financial metrics. The funding position will be monitored (including on the termination basis) using an online system provided to officers by the Fund Actuary. Employers subject to a more detailed review, where a risk criterion is triggered, will be reviewed at least every six months, but more realistically with a quarterly focus.

3.3 Covenant risk management

The focus of the Fund's risk management is the identification and treatment of the risks and it will be a continuous and evolving process which runs throughout the Fund's strategy. Mechanisms that will be explored with certain employers, as necessary, will include but are not limited to the following:

- Parental Guarantee and/or Indemnifying Bond.
- Transfer to a more prudent actuarial basis (e.g. the termination basis).
- Shortened recovery periods and increased cash contributions.
- Managed exit strategies and bespoke investment strategies in the run up to exit.
- Contingent assets and/or other security such as escrow accounts.

4 Related policies

A summary of the Fund's policy on covenant assessment and monitoring, as they apply to employer groups, is set out in the FSS, specifically "Appendix C6 – Employer covenant assessment and monitoring?".

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South Yorkshire Pension Fund

Policy on Prepayments

Effective date of policy	
Date approved	
Next review	

1 Introduction

The purpose of this policy is to set out the administering authority's approach to the prepayment of regular contributions due by participating employers.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

1.1 Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To provide employers with clarity around the circumstances where prepayment of contributions will be permitted.
- To outline the key principles followed when calculating prepayment amounts.
- To outline the approach taken to assess the suitability of a prepayment as sufficient to meet the required contributions.

1.2 Background

It is common practice in the LGPS for employers to pre-pay regular contributions that were otherwise due to be paid to the fund in future. Employer contributions include the 'Primary Rate' – which is expressed as a percentage of payroll and reflects the employer's share of the cost of future service benefits, and the 'Secondary Rate' – which can be expressed as a percentage of payroll or a monetary amount and is an additional contribution designed to ensure that the total contributions payable by the Employer meet the funding objective in the long term.

On 22 March 2022, following a request from the LGPS Scheme Advisory Board, James Goudie QC provided an Opinion on the legal status of prepayments. This Opinion found that the prepayment of employee and employer contributions was not illegal, subject to the basis for determining the prepayment amount being reasonable, proportionate and prudent. Further, the Opinion set out specific requirements around the presentation of prepayments.

1.3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) set out the way in which LGPS funds should determine employer contributions and contain relevant provisions regarding the payment of these, including the following:

- Regulation 67 – sets out the requirement for employers to pay contributions in line with the Rates and Adjustments (R&A) certificate and specifies that primary contributions be expressed as a percentage of pensionable pay of active members.
- Regulation 62 - sets the requirement for an administering authority to prepare an R&A certificate.

- Regulation 9 – outlines the contribution rates payable by active members

2 Statement of principles

This statement of principles covers the prepayment of regular employer contributions to the fund. Each case will be treated on its own merits, but in general:

- The administering authority will permit the prepayment of employer contributions.
- Prepaying contributions expressed as a percentage of pay introduces the risk that the prepayment amount will be insufficient to meet the scheduled contribution (as a result of differences between expected and actual payroll). Prepaying contributions is therefore only permissible in the case of secure, long-term employers (e.g. local authorities).
- Prepayment of secondary contributions (which are typically expressed as monetary amounts) is permitted for all employers.
- The prepayment of employee contributions is not permitted.
- A discount will be applied where employer contributions are prepaid, to reflect the investment return that is assumed to be generated by the fund over the period of prepayment.
- The fund actuary will determine the prepayment amount, which may require assumptions to be made about payroll over the period which the scheduled contribution is due.
- Where contributions expressed as a percentage of pay have been prepaid, the administering authority will carry out an annual check (and additional contributions may be required by the employer) to make sure that the actual amounts paid are sufficient to meet the contribution requirements set out in the R&A certificate.
- Prepayment agreements will be documented by way of correspondence between the administering authority and the employer.
- The Rates & Adjustments (R&A) certificate will be updated on an annual basis to reflect any prepayment agreements in place.
- Employers are responsible for ensuring that any prepayment agreement is treated appropriately when accounting for pensions costs, and for ensuring the agreement of their own auditor.
- Prepayment agreements can cover any annual period of the R&A (or a consecutive number of annual periods).

3 Policy

3.1 Eligibility and periods covered

The fund is happy to consider requests from any employers to pre-pay certified primary and secondary contributions. However, in general, the prepayment of primary contributions is only appropriate for large, secure employers with stable active memberships. Employer contributions over the period of the existing R&A certificate (and, where a draft R&A certificate is being prepared following the triennial valuation, the draft R&A certificate) may be pre-paid by employers.

Prepayment of contributions due after the end of the existing (or draft) R&A certificate is not permitted, e.g. it would not be possible to prepay employer contributions due in the 2026/27 year until the results of the 2025 valuation are known and a draft R&A certificate covering the 2026 to 2029 period has been prepared.

3.2 Request and timing

Prior to making any prepayment, employers are required to inform the fund in writing of their wish to prepay employer contributions and to request details of the amount required by the fund to meet the scheduled future contribution.

This request should be received by the fund within 2 months of the start of the period for which the prepayment is in respect of.

The fund will then provide the employer with a note of the prepayment amount and the date by which this should be paid. In general, the prepayment should be made as close as possible to the beginning of the appropriate R&A period and by 31 May at the latest.

Failure to pay the prepayment amount by the specified date may lead to the need for an additional and immediate payment from the employer to ensure that the amount paid is sufficient to meet the certified amount set out in the R&A certificate.

3.3 Calculation

The fund actuary will determine the prepayment amount required.

Where the prepayment is in respect of contributions expressed as a percentage of pay:

- The fund actuary will determine the discounted value of scheduled contributions based on an estimate of payroll over the period (using the information available and assumptions set at the previous valuation) and the discount rate set for the purpose of the previous actuarial valuation (as specified in the previous actuarial valuation report).
- A sufficiency check will be required at the end of the period (see section 3.4)

Where the prepayment is in respect of contributions expressed as a monetary amount:

- The fund actuary will determine the discounted value of scheduled contributions based on the discount rate set for the purpose of the previous actuarial valuation (as specified in the previous actuarial valuation report).
- No sufficiency check will be required

Employers may pay more than the prepayment amount determined by the fund actuary.

No allowance for expected outsourcing of services and/or expected academy conversions will be made in the fund actuary's estimation of payroll for the prepayment period.

3.4 Sufficiency check

Where required, the fund actuary will carry out an **annual** assessment to check that sufficient contributions have been prepaid in respect of that period. Specifically, this will review the prepayment calculation based on actual payroll of active members over the period and this may lead to a top-up payment being required from the employer.

If this sufficiency check reveals that the prepayment amount was higher than that which would have been required based on actual payroll (i.e. if actual payroll over the period is less than was assumed), this will not lead to a refund of contributions to the employer.

The sufficiency check will not compare the assumed investment return (i.e. the discount rate) with actual returns generated over the period. i.e. the check considers payroll only. Any excess/shortfall arising due to actual investment returns being higher/lower than that assumed will form part of the regular contribution assessment at the next valuation (as per the normal course of events).

The administering authority will notify the employer of any top-up amount payable following this annual sufficiency check and the date by which any top-up payment should be made.

3.5 Documentation and auditor approval

The fund will provide the employer with a note of the information used to determine the prepayment amount, including:

- Discount rate used in the calculations
- The estimate of payroll (where applicable)
- The effective date of the calculation (and the date by which payment should be made)
- The scheduled regular payments which the prepayment amount covers.

The prepayment agreement will be reflected in the R&A certificate as follows:

- The unadjusted employer regular contribution rate payable over the period of the certificate
- As a note to the contribution rate table, information relating to the prepayment amount and the discount applied, for each employer where a prepayment agreement exists.

The R&A certificate will be updated on an annual basis to reflect any prepayment agreements in place.

Employers should discuss the prepayment agreement with their auditor prior to making payment and agree the accounting treatment of this. The fund will not accept any responsibility for the accounting implications of any prepayment agreement.

3.6 Costs

Employers entering into a prepayment agreement will be required to meet the cost of this, which includes (but is not limited to) the actuarial fees incurred by the administering authority.

3.7 Risks

Employers enter into prepayment agreements on the expectation that the fund will be able to generate higher returns than the employers can over the prepayment period. Employers should be aware that future returns are not guaranteed, and it is possible that the returns generated on prepayment amounts may be lower than that which can be generated by the employer. It is also possible that negative returns will arise, which lead to the value of any prepayment being less than that which was scheduled to be paid. In such circumstances, a top-up payment would not be required (as the sufficiency check only considers the effect of actual payroll being different to that assumed in the prepayment calculation), however the employer's asset share would be lower than it would have been if contributions were paid as scheduled. This would be considered by the fund actuary at the next triennial valuation (as per the normal course of events).

4 Related Policies

The fund's approach to setting regular employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the fund calculate employer contributions?".

South Yorkshire Pension Fund

Policy on ill health risk management

Effective date of policy	
Date approved	
Next review	

1 Introduction

The purpose of this policy is to set out the administering authority's approach to managing the risk arising due to ill health retirements.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

1.1 Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To explain the approach taken to manage ill health risk
- To specify circumstances where a review of experience may lead to additional contributions.
- To outline the key risks and benefits to this arrangement.

1.2 Background

Additional liabilities can arise following the retirement of members due to ill health. These additional liabilities can include the unreduced early payment of pension benefits and the award of additional service. The level of pension benefits paid on ill health depends on the severity of the member's condition.

The LGPS Regulations require the additional liabilities to be funded by way of payments from employers. Payment of large lump sums to meet strains as and when they arise can lead to unexpected payments and put significant strain on employers' budgets. LGPS funds are able to put arrangements in place which mitigate the risk of having to pay a large cash sum due to an ill health retirement strain.

To mitigate this risk to employers and to evidence good governance and risk management, the decision has been taken to operate a captive insurance arrangement within the Fund.

1.3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) set out the benefits payable to members and the way in which additional benefits (such as those arising on ill health early retirement) should be funded. These include the following:

- Regulation 35 – permits the early retirement of pension on ill health grounds.
- Regulation 39 – sets out the calculation of the pension payable in the instance of ill health retirement.
- Regulation 68 – sets out the additional contributions payable by the employer to meet the liability strain caused by a member retiring through ill health.

2 Statement of principles

This statement of principles covers the captive insurance arrangement in place to manage the risks created by ill health retirements. In general:

- This arrangement applies to all employers in the Fund (expect the secure major employers).
- Eligible employers are unable to opt out of this arrangement.
- A separate pot of assets (the 'captive fund') will be maintained to meet the cost of ill health retirement strains.
- Regular contributions payable by employers will include amounts equal to the expected cost of assumed ill health retirements. These amounts will be paid into the captive fund, and will be reassessed at each triennial actuarial valuation.
- Eligible employers will not be required to pay lump sum amounts to meet ill health retirement strains (in the normal course of events).
- Both Tier 1 and Tier 2 ill health retirement strains will be covered by this arrangement.
- The fund will look to protect eligible employers against the risk of unusually high ill health retirement experience of other employers.
- Employers not eligible to join the captive arrangement (i.e. secure long-term employers) will be responsible for meeting their own ill health retirement experience.

3 Policy

3.1 Purpose

The purpose of this captive insurance arrangement is to share the cost of ill health retirement experience across all small employers.

3.2 Eligibility

Eligible employers are:

- Academies and former grant-maintained schools
- All admitted bodies (including those legacy admitted bodies referred to as Community Admission Bodies and Transferee Admission Bodies)
- Designating / resolution bodies
- Other scheduled bodies as determined by the administering authority
- All other bodies with less than 100 members.

All ill health experience since 1 October 2014 is pooled as per the captive insurance arrangement.

3.3 Operation

The captive arrangement works as follows:

- Contribution rates are set by the Fund Actuary every three years as part of the triennial valuation. Primary contribution rates include allowance for the expected cost of assumed ill health retirements (expressed as a percentage of payroll) – this is referred to as the 'ill health premium').

- Ill health premiums are paid into the 'captive fund' – this is a separate pot of assets which is tracked by the Fund Actuary at each triennial valuation.
- All ill health retirement strains arising in respect of eligible employers are then met by the captive fund. In practice, assets equal to the strain payment due would be transferred within the fund from the captive fund to the employer's asset share.
- Note that this arrangement covers the initial employer strain cost, and does not monitor the actual cost of ill-health early retirements thereafter: in effect, each employer bears the risks (and receives the potential benefits) of its ill-health members incurring a higher or lower cost over the years than was anticipated by the strain cost.
- The ill health premiums will be reviewed at each triennial valuation with a view to ensuring that the captive fund is sufficient to meet the cost of ill health retirement strains over time. This review will consider the expected level of future ill health retirements and recognise the effect of any adverse/favourable ill health retirement experience. Advice will be taken from the Fund Actuary in the review of ill health premia, but in general:
    - Where a shortfall exists in the captive fund, this shortfall may be allocated across all eligible employers and/or this may lead to an increase in ill health premiums following the next triennial valuation.
    - Where excess funds exist in the captive fund, these may be used as a buffer against future adverse experience. Excess funds may be transferred to the eligible employers at the discretion of the administering authority.

The ill health retirement experience across eligible employers is likely to differ. This introduces cross-subsidies, in particular where the experience of one employer is very high compared to that of another. This is a feature of the captive insurance arrangement in place and no asset recalibration will take place to address such cross subsidies.

3.4 Review and additional contributions

The administering authority will review the level of ill health experience across all employers at each triennial valuation.

If an employer has an unusually high incidence of ill health retirement over the previous inter-valuation period, the administering authority will engage with the employer to understand the reasons for this. In the event of concerns around the eligibility criteria applied by the employer in granting ill health retirements, this could lead to the need for the employer to pay additional contributions to the fund (which would then be shared across all other employers as recompense for meeting this unusually high level of ill health retirement strains).

3.5 Costs

The costs of operating the captive insurance arrangement will be met by the fund.

3.6 Ineligible employers

Secure, long-term employers (such as Local Authorities) are not eligible to join the captive arrangement.
For these ineligible employers, regular contributions paid include the expected cost of assumed ill health retirements. No additional contributions would be required from these employers as a result of actual ill health retirement experience. A review of experience will be carried out each triennial valuation, which will be used to set the assumptions underlying the calculation of contribution rates payable.

4 Related Policies

The fund's approach to setting regular employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the fund calculate employer contributions?".

Subject	**Authority Governance Update Report**	**Status**	For Publication
Report to	Local Pension Board	**Date**	03/11/2022
Report of	Corporate Manager - Governance		
Equality Impact Assessment	Not Required	Attached	Na
Contact Officer	Jo Stone Corporate Manager – Governance	**Phone**	01226 666418
E Mail	jstone@sypa.org.uk		

1 Purpose of the Report

1.1 To provide members with an update on current Authority governance related activity. To update Members on the actions being taken in response to audit findings by both internal audit and external audit during the current financial year and in previous financial years. Finally, to provide members with an update on recent decisions made by the Authority.

1.2 A report will be provided regularly to provide assurance and monitoring of Authority governance across many areas of the business.

2 Recommendations

2.1 Members are recommended to:

a. **Note the current Authority governance position, including decisions made between meetings.**

b. **Note the progress on training and development of LPB and Authority members.**

c. **Note the external training session completed to increase knowledge and skills across SYPA members.**

d. **Note the progress being made on implementing agreed management actions.**

3 Link to Corporate Objectives

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

Effective and Transparent Governance

3.2 To uphold effective governance always showing prudence and propriety.

3.3 The reporting of audit findings and agreed actions in response to these, is a key part of providing assurance on the adequacy of the Authority's corporate governance arrangements, particularly those relating to internal control and financial and risk management.

4 Implications for the Corporate Risk Register

4.1 The contents of this report set out the actions being taken in several areas that will contribute to addressing various risks in relation to operations and governance as detailed in the original audit reports.

5 Background and Options

5.1 Considerable activity has taken place to enhance the Authority's governance arrangements since May 2022. This has included monitoring and managing elected members' knowledge and skills to ensure mandatory training compliance and expertise across the organisation. The initiation of activities to implement a second layer of risk and audit assurance across the business to enhance governance processes and ensure middle management roles and responsibility for risk and a tier of escalation to SMT. This will require a revision the Risk Management Framework once implemented. To support this work, a software system has been identified and the governance team, working with the programmes and performance team are currently scoping a business case to present to SMT in December with the intention of embedding a system to enhance risk management arrangements and provide relevant tools and guidance for managers to be responsible for risk identified in their teams.

5.2 Work is underway with the transition of the Monitoring Officer role from an external to an internal function. An initial meeting took place with the current Monitoring Officer, Jason Field of Barnsley MBC and the Head of Finance and Corporate Services and Corporate Manager - Governance in early October to plan a managed handover between now and 1 April 2023.

5.3 Two activities have begun regarding legal requirements of the organisation. One area is to secure a contract with a firm of solicitors to act as a legal retainer in all matters on an ad hoc basis. The secondary requirement is to undertake a full review of the Constitution. This activity will include engagement with Members of the Authority, the Director and SMT, the Independent Adviser, Auditors and Monitoring Officer to review the document and ensure a current version is ready for approval by the Authority at the first meeting of the 2023/24 municipal year in June 2023.

5.4 Training and Development of members will be reported in a separate report later in the meeting but there is significant improvement to the mandatory training completed by members and an expectation that the Authority will be fully compliant by 06 December 2022.

5.5 There is a separate report on Information Governance and the large-scale programme of work that is underway to ensure SYPA is fully compliant to the Data Protection requirements under the ICO regulations. This area of work will continue into next year.

5.6 Two decisions have been required since the previous meeting of the Authority. Border to Coast have circulated several shareholder resolutions for approval at the forthcoming Annual Meeting of shareholders. These include:

1. The approval of the Annual Report and Accounts.
2. The reappointment of KPMG as auditors.
3. The approval of the annual review of conflicts of interest for Board members
4. The reappointment of Andrew November as a Non-Executive Director.
5. The making of provision for the appointment of an additional Non-Executive Director following the Board Effectiveness Review.

5.7 Having considered the advice of the Director, the Chair agreed that the Authority's vote should be cast in favour of all five resolutions.

5.8 The Director has, under delegated powers, approved the use of a market supplement to assist in recruiting to a vacant post in the Finance Team. Three attempts had been made to fill this key role with the support of specialist recruitment agencies who advised that the salary range for the role was significantly "off market". The market supplement is subject to review following the outcomes of the wider pay and benefits review which will be concluded later in the year.

5.9 Training sessions have been delivered to all members in the following areas to increase knowledge and skills:

- 28 July – Roles and responsibilities of the Audit Committee
- 08 September – Investment Strategy Presentation (Hymans)
- 15 September – Actuarial valuation results and issues (Hymans)
- 20 October – Risk Management training

5.10 The Authority's Local Code of Corporate Governance sets out the framework in which the Authority complies with the seven principles of good governance; one of which is "*managing risks and performance through robust internal control and strong public financial management*". One aspect of achieving this is having arrangements for assurance and effective accountability in place and ensuring that findings and/or recommendations made by both external audit and internal audit are addressed and acted upon.

5.11 The Audit Committee receives reports of the external auditor and of the Head of Internal Audit at regular intervals throughout the financial year. On 20 October 2022, the Audit Committee reviewed the summary of actions taken, and progress being made on implementing the actions agreed in response to audit findings during the current and previous financial years. This included agreed timescales for future completion and is actively monitored.

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

Jo Stone

Corporate Manager - Governance

Background Papers	
Document	**Place of Inspection**
None	-

Subject	Membership and Training Update Report	Status	For Publication
Report to	Local Pension Board	Date	03/11/2022
Report of	Corporate Manager - Governance		
Equality Impact Assessment	Not Required	Attached	Na
Contact Officer	Jo Stone Corporate Manager – Governance	Phone	01226 666418
E Mail	jstone@sypa.org.uk		

1 Purpose of the Report

1.1 To provide members with an update on current information governance activity and to report a reportable data breach to the Information Commissioners Office (ICO).

1.2 A report will be provided regularly to provide assurance and monitoring of information governance across many areas of the business.

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2 Recommendations

2.1 Members are recommended to:

a. **Note the current position of compliance with mandatory training requirements.**
b. **Ensure all training modules are completed by LPB members by 06 December 2022.**

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3 Link to Corporate Objectives

3.1 This report links to the delivery of the following corporate objectives:
Effective and Transparent Governance

3.2 To uphold effective governance always showing prudence and propriety.

4 Implications for the Corporate Risk Register

4.1 The contents of this report support the actions being taken to address a specific risk in the corporate risk register in relation to maintaining adequate levels of knowledge and understanding of Local Pension Board members.

5 Background and Options

5.1 Considerable activity has commenced to enhance LPB members' knowledge and skills in addition to that of the wider SYPA Authority members. In June 2022 a full training needs analysis activity was undertaken by all members and the following results recorded. Only two members of the LPB had fully completed the mandatory training requirements and one member of the Authority. LGPS on-line modules should be completed within the first six months of joining SYPA.

5.2 The training needs analysis report showed an overall knowledge of 50.05% for Authority members and 40.21% for LPB members. The areas identified for urgent support of training were, investment, actuarial and funding matters also administration/funding matters.

5.3 Members continue to work with the new governance team, supported by a hybrid training model of on-line, face to face and Teams facilities to ensure training is supported and completed timely to provide the organisation and external bodies with assurance of full compliance.

5.4 The current position shows 7 of 12 Authority members have completed all six training modules and 5 of 10 LPB members are fully compliant. One LPB member is currently not compliant in completing the initial 3 modules identified for completion by the end of September 2022.

5.5 The remaining three modules are scheduled for delivery on 10 November 2022 and 06 December 2022 to ensure all members are fully compliant by December 2022. The training next year can then focus on more bespoke and detailed training on specific areas to enhance members knowledge, skills, and expertise to ensure they are fully equipped with the necessary understanding for carrying out their roles.

5.6 Additional training has been delivered to members which is set out in the Authority Governance Update Report elsewhere on this agenda. Bespoke training has also been delivered to members of the Audit Committee by the Authority's internal auditors to increase knowledge of roles and responsibilities regarding risk management. CIPFA will also deliver a bespoke session in January 2023 on the responsibilities of Local Authority Audit Committees to strengthen governance further. All members will be invited to the training session.

5.7 Moving forward, the intention will be to review training and development needs with individual members on an annual basis to ensure knowledge and skills are kept up-to-date and enhanced.

5.8 A national training needs and analysis exercise will take place in 2023 through Hymans Robertson, and it is hoped that this will show a marked increase in the percentage of knowledge and skills compared to the results in June 2022, reflecting the significant progress made since then and that is continuing over the next few months.

6 <u>Implications</u>

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

Financial	Members training budget is reviewed to ensure costs remain on track for externally delivered training.

Human Resources	None
ICT	None
Legal	None
Procurement	None

Jo Stone

Corporate Manager - Governance

Background Papers	
Document	**Place of Inspection**
None	-

Subject	Information Governance Update Report	Status	For Publication
Report to	Local Pension Board	Date	03/11/2022
Report of	Corporate Manager - Governance		
Equality Impact Assessment	Not Required	Attached	Na
Contact Officer	Jo Stone Corporate Manager – Governance	Phone	01226 666418
E Mail	jstone@sypa.org.uk		

1 Purpose of the Report

1.1 To provide members with an update on current information governance activity and to report on a data breach that has been reported to the Information Commissioners Office (ICO), along with the actions taken.

1.2 A report will be provided regularly to provide assurance and monitoring of information governance across many areas of the business.

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2 Recommendations

2.1 Members are recommended to:

a. **Note the reportable data breach and actions taken, and consider any further information required from officers.**
b. **Note the information governance activity to enhance processes and procedures.**

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3 Link to Corporate Objectives

3.1 This report links to the delivery of the following corporate objectives:
Effective and Transparent Governance

3.2 To uphold effective governance always showing prudence and propriety.

4 Implications for the Corporate Risk Register

4.1 The contents of this report link to a the risks around Data Protection and regulatory Compliance in the corporate risk register; and set out the actions being taken to mitigate these risks.

5 Background and Options

5.1 Considerable activity has commenced to enhance SYPA information governance. This will include IT and Cyber Security going forward, although this is not reported in this update. The governance team are working with internal audit to enhance processes and procedures throughout the organisation. A focused action tracker has been implemented and agreed with the auditors which scopes those areas that the team will focus on during the remainder of 2022/23 and agreed timeframes for implementation. This action plan is attached at Appendix 1. The internal audit role is to act as a “critical friend” in an advisory capacity as we work on the information governance improvements. A full audit review will be carried out during Q4 of the current year to track progress and provide assurance on the robustness of the controls in this area.

5.2 A data breach occurred on 19 September 2022, a bank holiday when the office was closed. The external letter box was tampered with and post stolen and strewn across the path and road outside the building. The documentation retrieved identified 17 data subjects (scheme members) documentation was tampered. Through CCTV footage it is evident that the assailant’s intentions were to seek cash, and therefore the documentation was discarded. It is not known whether any further post was taken from site.

5.3 Investigation revealed documentation such as birth certificates, passport numbers and marriage certificates were damaged but not removed from site.

5.4 All internal protocols were followed and reported to the Data Protection Officer (Rob Winter – Head of Internal Audit). Whilst the incident was low risk and pertained to a small number of data subjects, the decision was taken by the DPO, Corporate Manager – Governance and the Governance and Risk Officer to report the incident to the ICO.

5.5 No communication or recommendations have been received by the ICO to date.

5.6 All 17 data subjects have been informed of the data breach and assurance provided that the documentation was retrieved. Each data subject has been informed that any damaged documentation will be replaced and/or costs reimbursed by the Authority. The external letter box was immediately taken out of use and post is now only accepted during office hours when it can be handed to a member of staff.

6 Implications

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

Financial	Costs of any reimbursement fees to scheme members for replacement documentation will be met from existing budgets.
Human Resources	None
ICT	None
Legal	The data breach was reported to the ICO in line with legal requirements.
Procurement	None

Jo Stone

Corporate Manager - Governance

Background Papers	
Document	**Place of Inspection**
None	-

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Appendix 1: Information Governance Action Plan

SOUTH YORKSHIRE PENSIONS AUTHORITY

Action	Implication - Description	Status	Target Impl. Date	Revised Target Impl. Date	No of Date Revisions	Agreed Action	Update	Action Owner	Supported By
Data Protection Impact Assessment (DPIA)	New projects, procurements and process may impact on personal data - an effective DPIA process needs to be implemented as standard	Not Yet Due	30-Nov-2022			DPIA to be drafted and implemented. Any person who is responsible for introducing new or revised service or changes to a system, process or information asset is responsible for ensuring the completion of a DPIA.	03/10/22 Initial draft being reviewed by internal team.	HoPA	CMG G&RO
Information Sharing Agreement (ISA)	Current arrangements are for individual contract wording to capture data sharing. A consistent approach is required in the form of SYPA Information Sharing Agreement	Not Yet Due	30-Nov-2022			ISA to be drafted and implemented. Will be used for all new contracts moving forward and built into Procurement gateway approval process	03/10/22 Initial draft being reviewed by internal team.	HoPA	CMG G&RO
Data Breach Process	Breach process review to take place - looking to enhance current systems rather than rewrite	Not Yet Due	31-Dec-2022			Governance Team to be set up with Data Breach e-mail Alert from SharePoint Breach System. General Information Governance inbox to be set up for Governance Team for above alerts and any other Information Management queries		HoPA	CMG G&RO
Data Protection Policy	Current policy potential updates required	Not Yet Due	31-Dec-2022			Full review and update of Data Protection Policy		HoPA	CMG G&RO
Freedom of Information Process (FOI)	Systems in place - ensure policy references are up to date	Not Yet Due	31-Jan-2022			Review of inbox process along with any policy and procedural references		HoPA	CMG G&RO
Data Subject Access Request (DSAR)	Ensure systems and operating procedures in place to ensure timely response	Not Yet Due	31-Jan-2022			Review of notification process, draft operating procedures, review any policy references		HoPA	CMG G&RO
Retention Policy	Requires review and update - particular focus on retention of medical information.	Not Yet Due	31-Mar-2022			Initial review to be in place by end of March, however this will be a bigger piece of work linking into Asset Registers		HoPA	CMG G&RO
Asset Register	Registers currently in place but require review with a view to avoiding duplication of data in multiple teams	Not Yet Due	end of year			Large piece of work starting March next year - linking to potential use of new systems/software		HoPA	CMG G&RO
Data Protection Training	Training material , including cyber security ,to be reviewed in good time for refresher training	Not Yet Due	30-Apr-2022			Look at potential new sources of training (may link to new systems)		HoPA	CMG G&RO

Appendix A

Appendix 1: Information Governance Action Plan

Action	Implication - Description	Status	Target Impl. Date	Revised Target Impl. Date	No of Date Revisions	Agreed Action	Update	Action Owner	Supported By
Privacy Notices	Ensure that all relevant stakeholders are covered	Not Yet Due	31-Dec-2022			Review and update or draft where necessary - Scheme members (inc children), Staff, Authority and Board Members.		HoPA	CSM, CO
Policy Review	To ensure all policies and associated operating procedures are up to date	Not Yet Due	30-Jun-2022			Overarching policy tracker to be in place (will include all information management policies). Potential link to new risk. Projects system - will ID policy owner, review dates, if statutory, requires website upload etc.		Governance Team	CMG G&RO CO
General raising awareness	Promoting good practice and awareness of procedures to avoid breaches	Not Yet Due	31-Jan-2022			Develop ideas such as screensavers etc. to give simple messages and raise awareness - How to report etc. Work with Comms Officer and ICT team on this		HoPA	CMG G&RO

Development and Approval Process
1. Responsible person/team prepares draft
2. Review by internal colleagues as appropriate
3. Initial sign off by HoPA
4. Internal Audit review
5. SMT sign off
6. Work with Comms Officer to share with staff, publish on website/SharePoint etc.
7. Review at appropriate timescale

Key:
HoPA: Head of Pensions Administration
CMG: Corporate Manager - Governance
G&RO: Governance & Risk Officer
CSM: Customer Services Manager
CO: Communications Officer

SOUTH YORKSHIRE PENSIONS AUTHORITY

Subject	**Local Pension Board Budget 2023/24**	**Status**	For Publication
Report to	Local Pension Board	**Date**	3 November 2022
Report of	Director and Treasurer		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Gillian Taberner Head of Finance & Corporate Services	**Phone**	01226 666420
E Mail	gtaberner@sypa.org.uk		

1 Purpose of the Report

1.1 To receive the Board's proposed budget for 2023/24.

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2 Recommendations

2.1 Members are recommended to:

a. **Receive and comment on the budget proposals, totalling £14,400, for the Board for 2023/24.**

b. **Recommend the draft budget to the Authority for its approval as part of the Authority's overall budget.**

---

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).

Resourcing the Board to effectively carry out its role will allow it to contribute to ensuring that services are designed and delivered with customers in mind.

Effective and Transparent Governance

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

One of the benchmarks of effective governance is a transparent budget process of which this report forms a part.

4 Implications for the Corporate Risk Register

4.1 The budget proposals outlined in this report contribute to addressing the risks identified in the Corporate Risks Register associated with the effective operation of the Board. They do not, however, eliminate such risks which will depend on the way in which Board members fulfil the obligations placed on them through membership of the Board.

5 Background and Options

5.1 This report sets out the proposed Local Pension Board Budget for 2023/24.

5.2 The current year budget for the Board is currently expected to be underspent by around (£800) which comprises a forecast underspend on training of (£950) and the remainder from minor variances on other running costs.

5.3 The budget proposed for 2023/24 includes an inflationary increase for adviser costs and other running costs.

5.4 In previous years, the training budget was significantly underspent, and members were encouraged to take up training opportunities. During this financial year, the Governance team have brought a renewed focus to the training requirements for members and delivery of such, making more use of the training budget on items such as the Hymans Robertson Online modules, knowledge progress assessments and additional support and time from the Board's Independent Adviser.

5.5 The table below sets out the current forecast budget outturn for 2022/23 and the proposed budget for 2023/24.

Local Pension Board – Draft Budget 2023/24	2022/23 Budget	2022/23 Q2 Forecast Outturn £	2022/23 Q2 Outturn Variance £	2023/24 Proposed Budget £
Independent Adviser Fees & Expenses	7,100	7,350	250	7,800
Catering, Printing, etc.	250	200	-50	300
Member travel expenses (Meetings)	300	250	-50	300
Training and associated travel and subsistence	6,000	5,050	-950	6,000
Total	**13,650**	**12,850**	**-800**	**14,400**

5.6 Members of the Board are invited to comment on the draft budget and frame a recommendation to the Authority for consideration at its meeting on 9 February 2023.

6 Implications

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

Financial	As set out in the body of the report
Human Resources	None apparent
ICT	None
Legal	None
Procurement	None

George Graham **Neil Copley**

Director **Treasurer**

Background Papers	
Document	**Place of Inspection**
-	-

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Subject	**Updated Risk Register**	**Status**	For Publication
Report to	Local Pension Board	**Date**	3rd November 2022
Report of	Director		
Equality Impact Assessment	Not Required	Attached	Na
Contact Officer	Annie Palmer Governance and Risk Officer	**Phone**	01226 666404
E Mail	apalmer@sypa.org.uk		

1 Purpose of the Report

1.1 To provide members of the Board with the opportunity to review the updated risk register which supports the corporate strategy.

---

2 Recommendations

2.1 Members are recommended to:

a. Note and comment upon the revised risk register.

---

3 Link to Corporate Objectives

3.1 This report links to the delivery of all the corporate objectives because the corporate risk register is focussed on assessing and managing the range of risks to the organisation in meeting any of these objectives.

Customer Focus

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

Listening to our stakeholders

To ensure that stakeholders' views are heard within our decision making processes.

Investment Returns

To maintain an investment strategy which delivers the best financial return, commensurate with appropriate levels of risk, to ensure that the Fund can meet both its immediate and long term liabilities.

Responsible Investment

To develop our investment options within the context of a sustainable and responsible investment strategy.

Scheme Funding

to maintain a position of full funding (for the fund as a whole) combined with stable and affordable employer contributions on an ongoing basis.

Effective and Transparent Governance

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

Valuing and engaging our Employees

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

4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report address the entirety of the risk landscape facing the Authority.

5 Background and Options

5.1 The Board's workplan requires it to regularly review the Authority's Corporate Risk Register. The latest version of the Register, which was considered by the Authority at its meeting on 8th September 2022, is at Appendix A. The latest management review of the Register did not result in any changes to the risk scores.

5.2 Commentary is provided within Appendix A that outlines details relating to each risk, setting out the mitigations currently in place, and the results of the latest review including the reasoning for not changing the scores.

5.3 Work is progressing in relation to a new Risk Management Software system. A preferred option has been identified, and the Governance and Programmes & Performance teams are currently working with the provider to submit a proposal and develop a draft business case to present to SMT during December 2022.

5.4 As part of the setup of the new risk management system, training will be delivered to existing risk owners and the new system piloted with middle managers to enable the rollout of the next stage of the action plan. This will capture next level operational risks which will be regularly reported to SMT to inform any impact on the Strategic Risk Register. Subject to approval to proceed, this is planned to take place early in 2023.

5.5 The Board are asked to review the Risk Register and in particular to consider whether any significant areas of risk are not captured.

6 Implications

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

Financial	None directly from this report but mitigation of individual risks will have implications.
Human Resources	None directly from this report but mitigation of individual risks will have implications.
ICT	None directly from this report but mitigation of individual risks will have implications.
Legal	None directly from this report but mitigation of individual risks will have implications.
Procurement	None directly from this report but mitigation of individual risks will have implications.

George Graham

Director

Background Papers	
Document	**Place of Inspection**
None	N/A

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South Yorkshire Pensions Authority Risk Register As At
17 August 2022

Key:

Key: P = Probability I = Impact VL (1) = Very Low; L (2) = Low; M (3) = Medium; H (4) = High; VH (5) = Very High

Risk Matrix

5 Very High	5	10	15	20	25
4 High	4	8	12	16	20
3 Medium	3	6	9	12	15
2 Low	2	4	6	8	10
1 Very Low	1	2	3	4	5
	1 Very Low	2 Low	3 Medium	4 High	5 Very High

PROBABILITY

Risk Score

Risk Score	RAG Rating
0 – 5	Low
6-14	Moderate
15-25	High

SOUTH YORKSHIRE PENSIONS AUTHORITY RISK REGISTER

Risk No	Risk Type	Risk Title	Risk Consequences	Risk Owner	Existing Control Measures	Current Score	Probability & Impact	Target Score	Probability & Impact	Risk Mitigation Action	Owner	Risk Change at Review	Last Review Date
G1	Governance	Failure of members of the Authority to maintain adequate levels of knowledge and understanding	Poor decision making not supported by appropriate advice. Regulatory criticism/action Insufficient challenge being provided to officers	Corporate Manager - Governance	Member Learning and Development Strategy and associated mandatory requirements. Provision of on-line learning resources and knowledge assessment tools. Provision of internal seminars programme. Support for attendance at appropriate external events.	12	P=M I=H	6	P=L I=M	Additional support to complete knowledge assessments for all members. Examination of additional bite size learning options. Provide further internal seminars and examine options for more individualised "tuition". ***Comment 16/08/2022 :*** *Whilst improvement has been made, and Authority members have completed the Hymans online learning module, we are still not fully compliant. The expectation would be that by December 2022 members will have completed the majority of mandatory training required, at which point the risk score could be reduced significantly.* *Further work has identified additional training which has now been diarised throughout the coming year which will strengthen Governance and Compliance throughout the organisation.*	Corporate Manager - Governance		16/08/2022
G2	Governance	Failure of members of the Local Pension Board to maintain adequate levels of knowledge and understanding	Poor decision making not supported by appropriate advice. Regulatory criticism/action. Insufficient challenge being provided to officers.	Corporate Manager - Governance	Member Learning and Development Strategy and associated mandatory requirements. Provision of on line learning resources and knowledge assessment tools. Provision of internal seminars programme. Support for attendance at appropriate external events. Additional support from the Board's Independent Adviser	9	P=M I=M	6	P=L I=M	Additional support to complete knowledge assessments for all members Examination of additional bite size learning options Provide further internal seminars and examine options for more individualised "tuition". ***Comment 16/08/2022:*** *The comments still stand from the May review, in that the Board has a stable membership and sound level of knowledge. We would hope to further reduce the score in December 2022 with the mandatory training replicating that for the Authority members.* *Further work has identified additional training which has now been diarised throughout the coming year which will strengthen Governance and Compliance throughout the organisation.*	Corporate Manager - Governance		16/08/2022
G3	Governance	Breakdown of the control environment	Exposure to the risk of loss due to fraud or error. Critical external audit reports leading to regulatory action.	Senior Management Team	Documented internal controls. Senior Management review of controls to provide assurance as part of the process for developing the Annual Governance Statement. Effective Internal Audit service to provide assurance to management in relation to the control framework. Ongoing replacement of aging systems which require manual controls with more modern systems which allow controls to be automated	8	P=L I=H	4	P=L I=L	Completion of system replacement and upgrade programmes. Extension of management assurance process to Team Managers. Adoption of Governance Assurance Framework suggested by Internal Audit ***Comment 16/08/2022:*** *The consensus at the last review was that the probability was low, impact would however still remain high therefore no justification for further change at this stage.*	Senior Management Team		16/08/2022

Risk No	Risk Type	Risk Title	Risk Consequences	Risk Owner	Existing Control Measures	Current Score	Probability & Impact	Target Score	Probability & Impact	Risk Mitigation Action	Owner	Risk Change at Review	Last Review Date
G4	Governance	Weak or ineffective project management arrangements	Failure to deliver key projects included within the Corporate Strategy	Director	Some project management training delivered for key staff. Limited project management support.	**16**	P=H I=H	**6**	P=L I=M	Appoint to redefined role of Project / Programme Manager. Provide all managers responsible for leading and delivering projects with a standard toolkit to follow to ensure consistent planning and delivery. Institute a more formal and documented process of reporting on the progress of projects. ***Comment 16/08/2022:*** *A successful appointment has been made and the new Programmes and Performance Team Manager is now in post. Due to the recent nature of the appointment the score will remain as is. It is however likely that, following new systems implementations, both elements of the score will be reduced at the next review.*	Director		16/08/2022
I1	Investment and Funding	Material changes to the value of investment assets and/or liabilities due to major market movements	Sharp and sudden movements in the overall funding level	Head of Investment Strategy	Investment Strategy focussed on relatively lower risk and less volatile investments. Element of inflation protection built into the asset allocation both through specific assets (such as index linked gilts) and proxies such as property and infrastructure.	**15**	P=M I=VH	**9**	P=M I=M	Ability to implement protection strategies if market circumstances indicate they are appropriate. ***Comment 16/08/2022:*** *There has been significant market volatility in the first part if the year which has resulted in some reduction in the value of the fund. However this has to some degree been mitigated by the overall mix of assets held and the lower volatility approach used in most of the products in which the Authority has invested. At this stage there is no basis for reducing the risk score.*	Head of Investment Strategy		16/08/2022
I2	Investment and Funding	Failure to mitigate the impact of climate change on the value of the Fund's investment assets and liabilities	Significant deterioration in the funding level	Director	Climate Change Policies and Net Zero Goals adopted by both the Authority and Border to Coast. Asset allocation tilted to favour more climate positive investments. Reporting in line with the requirements of TCFD and regular monitoring of the level of emissions from portfolios, with outline targets for reductions. Work commenced to provide more comprehensive data on private market investments.	**20**	P=H I=VH	**12**	P=H I=M	Review of Investment Strategy following the 2022 Valuation to integrate the achievement of Net Zero within the Strategic Asset Allocation. Clear targets for emission reduction to be set for all portfolios. Additional engagement with Border to Coast to identify potentially climate positive investments. Analysis of end of year climate data to gain a detailed understanding of the current emissions trajectory. ***Comment 16/08/2022:*** *There remains no basis for adjusting this score down however, in the last quarter targets for the main listed portfolio have been set and the latest estimated trajectory for the achievement of net zero in these indicates a date of around 2045. Whilst not in line with the 2030 goal this does represent an improvement on our previous position.*	Director		16/08/2022

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I3	Investment and Funding	Failure to manage the key risks identified in the Border to Coast Strategic Plan	Decline in investment performance. Increased costs as a result of the need to move to more expensive products. Potential changes in the risk and volatility levels within the portfolio	Director	Process of engagement between the Company and stakeholders to agree the Company's Strategic Plan and Budget containing appropriate mitigations. Succession and contingency planning arrangements in place within the Company Programme of specific risk mitigations agreed as part of the 2022 - 2025 Strategic Plan and Budget	**9**	P=M I=M	**6**	P=L I=M	Ongoing monitoring of Programme of specific risk mitigations set out in 2022 - 2025 strategic plane. ***Comment 16/08/2022:*** *There continues to be evidence that points in the right direction, however the risk score remains the same at this stage, with a potential to be revised at the next review.*	Director		16/08/2022
I4	Investment and Funding	Imbalance in cashflows	Inability to pay pensions without resorting to borrowing or "fire sale" liquidation of investments. Potential negative impacts on individual pensioners.	Head of Investment Strategy	Maintenance of "cash buffer" of liquidity sufficient to cover more than one monthly payroll. Process for monitoring and forecasting cashflows	**10**	P=L I=VH	**5**	P=VL I=VH	Further improvements in cashflow forecasting,. Implementation of strategies to more regularly harvest income from investments. ***Comment 16/08/2022:*** *At the last review was no justification to reduce the score. The same comment applies to this review, particularly given the higher level of inflation which will significantly increase the amount of benefits from April. Work will need to be done to forecast cashflows following the valuation and agreement of prepayment with employers in order to ensure current levels are maintained.*	Head of Investment Strategy		16/08/2022
I5	Investment and Funding	Affordability of contributions	Negative impact on employer financial viability. Default on the making of contributions by employers.	Director	Investment strategy focussed on less volatile investments. Focus in the valuation process on delivering longer term stability in contribution rates. Retention of elements of any surplus to manage the risks to contribution stability.	**9**	P=M I=M	**6**	P=M I=L	Adjustments to balance of the investment strategy between growth and protection according to market circumstances ***Comment 16/08/2022:*** *At this stage there is no justification to reduce the score.*	Director		16/08/2022
O1	Operational	Failure to maintain effective cyber defences	Significant disruption to the provision of services. Loss / unauthorised release of key data.	Corporate Manager - ICT & Digital	Regularly updated firewalls and other protections. Regular refresher training on cyber security for all staff with a requirement to achieve a minimum level of pass. Regular penetration testing.	**16**	P=H I=H	**12**	P=M I=H	Additional testing of disaster recovery arrangements Cyber Security Essentials Plus Certification ***Comment 17/08/2022:*** *The annual Cyber Security Essentials Plus accreditation recertification has been successful. Whilst this does not reduce the risk probability, as it is an existing measure, it is worth noting that the standards have continued to be raised year on year and we were already working to this increased level. At this stage there is no justification for a change in the score.*	Corporate Manager - ICT & Digital		17/08/2022
O2	Operational	Impact of poor data quality on operational project delivery	Failure to deliver key projects such as McCloud rectification on time. Provision of inaccurate information to members such as Annual Benefit Statements. Inaccurate data impacting the valuation of liabilities during the triennial valuation.	Head of Pensions Administration	Ongoing data improvement plan. Projects Team put in place to resource specific exercises to address data improvement. Implementation of front end validation of employer data submissions.	**12**	P=M I=H	**6**	P=M I=L	Additional actuarial validation checks undertaken on an ongoing basis ***Comment 17/08/2022:*** *Unforeseen admin system issues as a result of the upgrades delivered by the system provider have meant that expected improvements have not been delivered as yet* . An overarching review of the current system provider will take place in the Autumn. At this stage there is no justification for a reduction in the score.	Head of Pensions Administration		17/08/2022

Risk No	Risk Type	Risk Title	Risk Consequences	Risk Owner	Existing Control Measures	Current Score	Probability & Impact	Target Score	Probability & Impact	Risk Mitigation Action	Owner	Risk Change at Review	Last Review Date
O3	Operational	Data Protection and GDPR	Unauthorised release of personal data. Action by the Information Commissioner.	Head of Pensions Administration	Review process built into processes involving the release of information. Secure e-mail facility used where personal information involved. Mandatory staff training in relation to data protection issues repeated on a regular basis. Regular internal audit work to review and test controls.	**12**	P=M I=H	**6**	P=M I=L	Increase in the volume of member correspondence managed through the member portal **Comment 17/08/2022:** *At this stage the is no justification for a reduction in the score, however it is likely that this could be reduced at the end of 2022 following the implementation of:* *Data protection refresher training for all staff due to be completed by the end of September 2022.* *Review of Information Management Policies, including the development of a formal information sharing agreement by December 2022.* *DPIA process to be piloted and rolled out to whole organisation early 2023.*	Head of Pensions Administration		17/08/2022
O4	Operational	Regulatory Compliance	Enforcement action by relevant regulatory authorities	Senior Management Team	Reporting of compliance with relevant standards. Ongoing process of awareness raising and training for staff in relation to operational matters such as TPR Scams requirements. Basic assessment of compliance with TPR CoP 14 in place.	**12**	P=M I=H	**8**	P=L I=H	More detailed assessment of compliance with emerging TPR Single Code and other regulatory requirements with associated action plan and enhanced regular reporting. Additional training for Authority and Pension Board Members to enable improved oversight. ***Comment 17/08/2022:*** *There is no justification at this stage to reduce the score. Existing systems are in place for individual areas however the implementation of the new risk/compliance system may warrant a reduction in the overall risk score in December 2022. TPR Single Code has not yet been issued yet and is expected no earlier than the end of 2022, further compliance requirements will be reviewed at that stage.*	Corporate Manager - Governance		17/08/2022
P1	People	Ability to recruit and retain an appropriately skilled and qualified workforce	High level of vacancies	Director	Pay and benefits package with emphasis on employee wellbeing. Career grade scheme in place for Pensions Officers.	**12**	P=H I=M	**6**	P=M I=L	Review of pay and benefits package. Introduction of additional personal development opportunities. Introduction of a structured approach to succession planning. ***Comment 16/08/2022:*** *The pay and benefit review is planned to take place in the Autumn.* *Recruitment is continuing taking place, some areas are problematic, however impact to this will be assessed after the pay and benefit review.* *At this stage there is no justification to reduce the score.*	Director		16/08/2022

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Local Pension Board - Cycle of Business 2022				
Date of Meeting	**Timings**	**Agenda Item**	**Lead**	**Staff member support**
Q1 04 August 2022	10:00	Welcome and Introductions	Chair	
		Election of Chair and Vice Chair	Chair	Governance Manager
		Risk Register (Update and actions)	Chair	Head of Performance Administration
		Progress on actions resulting from audits/inspections	Chair	Governance Manager
		Compliance with Pensions Regulator Code of Practice	Chair	Independent Adviser
		Updates on regulations, consultations or guidance (all)	Chair	Independent Adviser
		Performance Indicators (including statutory standards, disclosure standards and receipt of employer contributions)	Chair	Head of Performance Administration
		Breaches, Complaints and Appeals	Chair	Head of Performance Administration
		Authority Governance recent meetings and decisions	Chair	Governance Manager
		LPB Membership & Training updates - feedback from training, training needs analysis of LPB members, forth coming training	Chair	Governance Manager
		Relevant Policies of the Authority including Internal Controls and Anti-Fraud	Chair	Head of Performance Administration
		Reports from External Inspection Agencies	Chair	External Agency
		Consultation and Communications Policy (TBC if correct quarter for reporting)	Chair	Communications Manager
	12:00	Review of key communications	Chair	Head of Performance Administration

Local Pension Board - Cycle of Business 2022				
Date of Meeting	Timings	Agenda Item	Lead	Staff member support
Q2 03 November 2022	10:00	Welcome and Introductions	Chair	
		Performance Indicators (including statutory standards, disclosure standards and receipt of employer contributions) Members and Employer Surverys	Chair	Head of Performance Administration
		Data Quality, Improvement Plans and Progress Updates	Chair	Head of Performance Administration
		Breaches, Complaints and Appeals	Chair	Head of Performance Administration
		Review of key communications	Chair	Head of Performance Administration
		Compliance with Pensions Regulator Code of Practice	Chair	Head of Performance Administration
		Updates on regulations, consultations or guidance	Chair	Head of Performance Administration
		Relevant Policies of the Authority including Internal Controls and Anti-Fraud	Chair	Head of Performance Administration
		Reports from External Inspection Agencies	Chair	External Agency
		Authority Governance recent meetings and decisions including progress on actions from audits/inspections aucturial matters	Chair	Governance Manager
		LPB Membership & Training updates - feedback from training, training needs analysis of LPB members, forth coming training	Chair	Governance Manager
		LPB Budget Setting - monitoring of spend against budget - LATE FOR BUDGET SETTING?	Chair	Head of Finance and Corporate Services
	12:00	Risk Register (Update and actions)	Chair	Head of Performance Administration

Local Pension Board - Cycle of Business 2022				
Date of Meeting	Timings	Agenda Item	Lead	Staff member support
Q3 **02 February 2023**	10:00	Welcome and Introductions	Chair	
		Annual Report of LPB	Independent Adviser	Governance Manager
		Risk Register (Update and actions)	Chair	Head of Performance Administration
		Progress on actions resulting from audits/inspections	Chair	Governance Manager
		Governance Compliance Statement	Chair	Governance Manager
		Annual Report and Accounts - TOO EARLY IN THE YEAR????	Chair	Independent Adviser
		Updates on regulations, consultations or guidance	Chair	Independent Adviser
		Implementation of McCloud judgements (TBC)	Chair	Head of Performance Administration
		Performance Indicators (including statutory standards, disclosure standards and receipt of employer contributions)	Chair	Head of Performance Administration
		Breaches, Complaints and Appeals	Chair	Head of Performance Administration
		Authority Governance recent meetings and decisions	Chair	Governance Manager
		LPB Membership & Training updates - feedback from training, training needs analysis of LPB members, forth coming training	Chair	Governance Manager
		Relevant Policies of the Authority including Internal Controls and Anti-Fraud	Chair	Head of Performance Administration
		Reports from External Inspection Agencies	Chair	External Agency

Local Pension Board - Cycle of Business 2022				
Date of Meeting	Timings	Agenda Item	Lead	Staff member support
	10:00	Welcome and Introductions	Chair	
		Risk Register (Update and actions)	Chair	Head of Performance Administration
		Progress on actions resulting from audits/inspections	Chair	Governance Manager
		Governance Compliance Statement -TOO EARLY IN THE YEAR?	Chair	Governance Manager
		Annual Report and Accounts - TOO EARLY IN THE YEAR?	Chair	Independent Adviser
		Data Quality, Improvement Plans and Progress Updates	Chair	Head of Performance Administration
		Compliance with Pensions Regulator Code of Practice	Chair	Independent Adviser
		Updates on regulations, consultations or guidance	Chair	Independent Adviser
		Performance Indicators (including statutory standards, disclosure standards and receipt of employer contributions)	Chair	Head of Performance Administration
Q4		Breaches, Complaints and Appeals	Chair	Head of Performance Administration
27 April 2023		Authority Governance recent meetings and decisions	Chair	Governance Manager
		LPB Membership & Training updates - feedback from training, training needs analysis of LPB members, forth coming training	Chair	Governance Manager
		Relevant Policies of the Authority including Internal Controls and Anti-Fraud	Chair	Head of Performance Administration
		Reports from External Inspection Agencies	Chair	External Agency