

SOUTH YORKSHIRE PENSIONS AUTHORITY

LOCAL PENSION BOARD

14 OCTOBER 2021

PRESENT: G Warwick (GMB) (Chair)

Councillor M Chaplin (Sheffield CC), 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) and G Richards

C Scott (Independent Advisor to the Board)

Apologies for absence were received from N Doolan-Hamer and N Gregory

1 **WELCOME AND APOLOGIES**

The Chair 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**

RESOLVED – That item 19 ‘Annual Review of the Border to Coast Pensions Partnership’ and item 20 ‘Officer Arrangements and the Establishment of a Governance Function’ be considered in the absence of the public and press.

5 **DECLARATIONS OF INTEREST**

C Scott, the Board’s Independent Advisor, declared an interest in item 19, ‘Annual Review of the Border to Coast Pensions Partnership’, as she was an advisor to Cumbria Pension Fund which was a shareholder and client of Border to Coast.

6 MINUTES OF THE MEETING HELD ON 15TH JULY 2021 AND ACTIONS AND MATTERS ARISING

G Graham informed the Board that the vacancy on the Board for a local authority councillor had still not been filled.

With regard to the suggestion that the terms of office for local council appointments to the Board be extended to three years, it was noted that the Leaders meeting scheduled for September had been cancelled so the matter could not be addressed. It was believed that the meeting would now be held in January 2022.

R Fennessy was nominated and seconded for the position of Vice-Chair of the Board and duly accepted.

It was noted that the revisions to the Constitution made at the Board's last meeting had been approved by the Authority.

G Graham informed the Board that with regard to the recent election of Scheme Member representation on the Border to Coast Joint Committee, Nicholas Wirz had been reappointed until 2024 and Deidre Burnet until 2023.

RESOLVED – That the minutes of the meeting held on 15 July 2021 be agreed as a true record.

7 REVIEW OF THE CORPORATE RISK REGISTER

The Board considered the updated Corporate Risk Register.

It was noted that the scores for two risks had been reduced at the last review. Details were contained within the report.

It was noted that the highest risk was around the impact of climate change on the Fund's investment assets and liabilities.

The Director explained what was being done to decarbonise portfolios, the progress against the Action Plan and the work being done to get a clearer idea of how far the whole portfolio had to go to meet the target. It was noted that progress on emissions had already been made in terms of the equity portfolio but also acknowledged that the net zero goal was extremely ambitious.

It was clear that climate change was seen as an existential threat in the investment world and the government and regulators were getting involved. It was expected that draft regulations on climate change reporting for the Local Government Pension Scheme would be released just before COP26 in November.

The Board thought it would be beneficial if time could be set aside for training/information sessions to ensure that they fully understood the situation and their role in monitoring it.

G Graham replied that the next member seminar on the 28th October would be on understanding impact and data issues and limitations, which related both to climate change and other issues, all Board members had been invited to attend. Border to Coast would also be releasing video content following the recent adoption of their Climate Change policy. If the Board felt that they needed more training or information, this could be arranged.

In answer to a question from Cllr Chaplin, G Graham commented that all Border to Coast Partner Funds had recognised climate issues but what they were doing to address it varied and they were all at different stages of the decision making process.

RESOLVED – That the Board:

- i) Note the latest version of the Corporate Risk Register.
- ii) Note that they would be supplied with regular updates on the Action Plan on Climate Risk.
- iii) Note that training/information sessions, including on the risks associated with climate change and the potential trade-off in investment returns, would be held as and when necessary and any external opportunities be considered

8 REVIEW OF THE ANNUAL REPORT AND ACCOUNTS

A report was submitted to provide the Board with an opportunity to review the content of the Annual Report and Accounts.

Members were reminded that at the Board's previous meeting, the timing of the completion of the audit process and the availability of some of the content of the Annual Report, meant that it had not been possible for it to be brought forward for pre-publication review.

The audit process had now been completed and the report, which had been sent to members electronically due to its size, had now been published.

G Graham informed the Board that only 9% of local authorities and two of Border to Coast's Partner Funds had completed their audits on time.

Cllr Chaplin praised officers for their efforts in ensuring the audit was completed on time.

It was acknowledged that the report was a very large document that covered all aspects of the operation of the Authority.

C Scott commented that the Board should concentrate on risks and other key issues such as the actions identified in the Annual Governance Statement Action Plan.

G Graham commented that the Board needed to be assured that the Authority was effectively managing its responsibilities but warned against duplicating the work of the Audit Committee.

RESOLVED – That the Board:

- i) Note the report.
- ii) Congratulate officers for their efforts in ensuring the accounts and audit were completed on time

9 DECISIONS TAKEN BY THE AUTHORITY

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

Members noted that the Annual meeting had dealt with a range of constitutional formalities including membership of the Authority and also had approved the Member Learning and Development Strategy.

Clare Scott asked how the new members were settling in and getting up to speed.

G Graham replied that it was varied, some had previous experience of the Authority whilst others had a personal level of understanding. The Learning and Development Strategy required new members to complete an induction before their first meeting. Due to the current circumstances this had been done by circulating a video to the new members. This did not provide a way of ongoing monitoring other than self-reporting. Pleasingly, the new members were challenging and participating in discussions.

There was a need for Authority and Board members to inform officers of any training/conferences attended so their training records could be kept up to date. This in turn would provide assurance to the Board that the Learning and Development was being applied. It was agreed that it would be useful for the Board to see the training records on a regular basis to provide some assurance.

RESOLVED – That the Board:

- i) Note the report.
- ii) Agree that training records of the Authority and Board members should be reported to the Board on a regular basis to demonstrate compliance with the Learning and Development Strategy

10 ACTION PLAN FROM THE BOARD'S EFFECTIVENESS REVIEW

The Board discussed the Action Plan from the Board's Effectiveness Review.

As previously mentioned the proposal to increase the term of office of the local authority members was still outstanding.

Members discussed the merits of face-to-face meetings and virtual meetings.

There was a general consensus for a preference for face-to-face meetings whilst acknowledging there could be a need for a virtual meeting in the future.

G Graham commented that the facilities would be better following the move to Oakwell House. There would be the technology to hold hybrid meetings and all meetings could be webcast or recorded.

It was noted that the knowledge and skills assessment was still outstanding. Following this it was the intention to produce individual training plans.

C Scott expressed concern that there was a potential for members to become over-reliant on her briefings and encouraged members to read all the papers.

The proposed Action Record to be produced after each meeting was still outstanding. Extra planned governance resource would assist with this.

With regard to communications between the Board and the Authority, it was noted that Garry had not met formally with the Chair of the Authority as yet. It was thought that this would not be difficult to arrange. Members would be encouraged to attend each other's meetings – this would be easier after the move to Oakwell House when more facilities were available.

G Warwick commented that he felt internal training sessions were very valuable.

G Graham reminded the Board that various seminars were held throughout the year. There would be a seminar in November around actuarial valuations and a date had been reserved in March for a LPB specific session. There was also a brief training session before each meeting of the Audit Committee.

J Bailey commented that there was also value in attending external sessions where members could meet members from other Boards

11 QUARTERLY ADMINISTRATION UPDATE

J Bailey presented the Quarterly Administration update for the period 1st July 2021 to 30th September 2021.

Staffing

A table contained within the report summarised the joiners and leavers – there had been limited movement during the period as most vacant posts had been filled.

Sickness absence had increased significantly during the quarter, details were contained within the report.

Casework Performance

Overall case volumes completed in the Quarter remained comparable with previous period but there had been a reduction in the rate of case completion rates within KPI measures. This was due to two main factors:

- The increased level of sickness absence was largely among senior Pensions Officers who were responsible for much of the priority work.
- Senior officers were also involved in fixing a number of data errors identified during the production of the Annual Benefit Statements.

Statutory Disclosure Reporting

The Board had previously asked for additional information about reporting performance against statutory disclosure requirements. Reporting had been developed in this area and Appendix A showed the Quarter 2 report for the areas covered under the various disclosure regulations.

Employer Performance

The vast majority of employers had continued to provide monthly returns.

Individual Query Employer Reporting

Appendix B showed the performance in recent quarters for the employers or payroll providers with the highest volume of queries, as requested by the Board.

Members noted that the trend analysis indicated an increase in the volumes of outstanding queries for Rotherham and Doncaster Councils (both administered by Rotherham payroll services). There had also been a reduction in responsiveness from Rotherham payroll as a result of resourcing pressures. Positive engagements had continued with senior HR representatives and further meetings had been planned.

Two payroll providers (Capita and EPM) now appeared on the list of employers/providers with high volumes of queries outstanding. Meetings with Capita had discussed an improvement plan and progress would be monitored.

It was noted that Sheffield CC had made very positive progress in reducing the numbers of outstanding queries.

In answer to a question from D Webster, J Bailey confirmed that the software issues in relation to the monthly data files from Rotherham MBC had been resolved.

C Scott queried whether any issues had been considered serious enough to report to the Regulator.

J Bailey replied that the monthly data issues had been resolved and the reallocation of resources was expected to resolve the individual queries problem

over time but this would be actively monitored. If there was no improvement there were a number of potential escalation routes – including use of the Admin Strategy and if necessary a report to the Regulator.

It was noted that the direct debit process continued to be successful.

Customer satisfaction in all areas measured remained high.

Annual Benefit Statements

The Statutory Disclosure report at Appendix A confirmed that 99.7% of statements to active members and 100% of statements to deferred members had been issued to members by the 31st August deadline.

A number of miscellaneous data issues had been identified that needed to be resolved to ensure accurate statements could be issued. These were all corrected during the production process but did cause a short term drain on resources which impacted on the overall case performance for the quarter. A lessons learned exercise was taking place to understand the cause of the data issues.

RESOLVED – That the report be noted.

12 REVIEW OF BREACHES, COMPLAINTS AND APPEALS

A report was submitted which update members on the latest available record of reported breaches and provided details of complaints and appeals for the period form 1st July 2021 to 30th September 2021.

The reporting of breaches had been expanded at the request of members to include all the items in the latest breach report which was attached at Appendix A. Quarter 2 had seen just one individual data breach.

There had been three cyber security incidents during the period all of which related to phishing emails. The staff involved had recognised that the emails were not legitimate and immediately reported the incidents.

The total number of complaints received in the Quarter was five. Details were contained in Appendix B.

During the reporting period just one Internal Dispute Resolution Procedure appeal was determined. Details were contained within the report.

RESOLVED – That the Board:

- i) Note the breaches summary.
- ii) Note the outcomes of complaints received.

13 FUNCTIONALITY OF PENSIONS ADMINISTRATION SOFTWARE (PAS)

The Board considered a report which provided an update on the expected improvements to the pensions administration software system (PAS) from February 2022.

Members were reminded that after a full procurement exercise conducted through the National LGPS Framework, the new contract for the PAS was awarded to the incumbent provider CIVICA.

The new Specification of Requirements contained several enhancements and improved functionality. The Specification was broken up into a series of categories that were listed in the first column of Appendix A. The Appendix also summarised the areas where SYPA believed there was a current shortfall based on experience of using the system.

Once agreement had been reached with CIVICA on the assessment of the functionality and service gaps it was expected that they would produce an implementation/assurance plan that would set out their proposals for breaching the gaps prior to the commencement of the new contract in February 2022.

It was noted that SYPA would have the option to bring any new PAS contract to a premature end without penalty if it was felt that CIVICA was not delivering the PAS that was agreed.

In answer to questions from members, J Bailey stated that he was confident that issues around aggregations could be solved before February and he expected improvements in the more significant areas. Some of the longer-standing issues that only affected small numbers of cases might take longer to resolve.

RESOLVED – That the Board:

- i) Note the expected improvements in the PAS from February 2022 and the monitoring arrangements out in place.
- ii) Request that a progress report be brought to the next meeting of the Board in January.

14 LOCAL PENSION BOARD BUDGET 2022/23

A report was considered which set out the proposed Local Pension Board Budget for 2022/23.

It was noted that the current year budget for the Board was expected to be underspent by £4,900 which comprised a forecast underspend on training of £3,920 and the remainder from a smaller number of underspends in relation to costs for room hire, catering and travel which reflected the continued impact from the Covid-19 pandemic and related restrictions.

The budget proposed for 2022/23 was £13,400, a small reduction on the budget for the previous year.

As mentioned previously, the training budget had been significantly underspent and members were encouraged to take up training opportunities.

A table within the report set out the current forecast budget outturn for 2021/22 and the proposed budget for 2022/23.

It was confirmed that additional resources could be made available for training if required.

RESOLVED – That the Board:

- i) Receive the budget proposals for 2022/23 totalling £13,400.
- ii) Recommend the draft budget to the Authority for its approval as part of the Authority's overall budget.

15 FEEDBACK ON TRAINING ATTENDED

Members thought that the Border to Coast training had been worthwhile. It was noted that a link to the videos would be available shortly. The Board were reminded that they had committed to complete the Hymans Robertson Online Learning Academy by Christmas.

16 RECOMMENDATIONS TO THE AUTHORITY

RESOLVED – That recommendations to the Authority would in future be contained in resolutions to agenda items and this item would be removed from the work plan.

17 WORK PROGRAMME

The Board considered its Work Programme.

Proposed amendments were items on:

- Compliance with the Pensions Regulators Code of Practice.
- Implementation of the McCloud judgement (as required)
- Election of Vice-Chair (annually).

R Fennessy suggested that progress on the Pensions Dashboard should be included.

J Bailey replied that he would be happy to provide an update when more information was available and include in the Administration report. A training session may also be appropriate.

RESOLVED – That the Board approve the amendments to their Work Programme.

18 UPDATE ON SYPA OFFICE MOVE

G Graham gave an update on the office move to Oakwell House.

It was noted that the building project was on target and should be completed by 11th November.

A walk-round video of the new premises had been shared with staff.

Supply chain issues were emerging and there were delays to deliveries of office furniture and IT equipment, although these were being managed without impacting the ability to vacate the existing office on time.

At present the project was in line with the budget.

A tender for the Facilities Management contract had gone out this week.

RESOLVED – That the update be noted.

Exclusion of the Public and Press

RESOLVED – That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act and the public interest not to disclose information outweighs the public interest in disclosing it.

19 ANNUAL REVIEW OF BORDER TO COAST PENSIONS PARTNERSHIP

A report was submitted to allow the Board to review the arrangements in place for oversight of the Border to Coast Pensions Partnership by the Authority.

RESOLVED – That the report be noted.

20 STATUTORY OFFICER ARRANGEMENTS AND THE ESTABLISHMENT OF A GOVERNANCE FUNCTION

The Board considered a report which allowed them to consider the changes proposed in the Authority's statutory officer and associated arrangements.

RESOLVED – That the Board support the changes suggested within the report.

CHAIR