

# SOUTH YORKSHIRE PENSIONS AUTHORITY

## LOCAL PENSION BOARD

28 APRIL 2022

PRESENT: G Warwick (GMB) (Chair)

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

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

C Scott (Independent Advisor to the Board)

Apologies for absence were received from D Gawthorpe

### 1 WELCOME AND APOLOGIES

The Chair welcomed everyone to the meeting.

There were no apologies.

### 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

None.

### 6 MINUTES OF THE MEETING HELD ON 27 JANUARY 2022 AND ACTIONS AND MATTERS ARISING

G Graham informed the Board that Steve Loach, the local authority senior manager member of the Board, had ceased to be a member due to a lack of attendance, therefore there was a need to seek a replacement.

Members discussed the structure of the Board and the importance of members having a variety of specialities which was difficult to achieve in practice, especially when taking into account the general pressures facing senior LA managers.

The Chair asked whether there was any flexibility in who to appoint also bearing in mind the councillor vacancy on the Board. The Director suggested a preference for a HR manager.

The Director replied that this would need approval from the Authority to change the Constitution, but this would be possible if Board members so wished. He commented that one significant employer group – higher and further education institutions – was not represented on the Board and suggested this as an alternative.

The Board agreed that the Authority should be asked to amend the constitution to allow more flexibility for Board member appointments.

C Scott also reminded the Board that it had been agreed to request a change to the Constitution extend the term of local authority councillor appointments.

It was noted that Barnsley MBC had been requested to appoint a councillor to fill the current vacancy on the Board, but it was acknowledged that this would not be until the council's annual meeting at the end of May.

In answer to a question from C Scott, G Graham announced that Jo Garrison, formerly the Director of Governance at DN Colleges Group had been appointed as Corporate Manager – Governance and would be joining the Authority on Tuesday 3<sup>rd</sup> May. Her first priority would be member learning and development and communications for members of the Board and Authority.

RESOLVED – That:

- i) That the Authority be asked to amend the Board's Constitution to allow more flexibility for Board member appointments.
- ii) The minutes of the meeting held on 27<sup>th</sup> January 2022 be agreed as a true record.

## 7 RISK REGISTER UPDATE

A report was submitted which provided the Board with the opportunity to review the updated Risk Register which supported the new Corporate Strategy.

Members were reminded that as part of the process of creating the new Corporate Strategy, a fundamental rebasing of the Corporate Risk Register had been undertaken. This was attached at Appendix A to the report.

It was noted that many of the risks in the "new" register were either identical or similar to those included previously. However, the scores attached to the risks had changed – there had broadly been an upward drift reflecting changes in the

external environment (e.g. instability caused by the war in Ukraine and the higher base level of inflation) rather than any weakening in mitigation or the broader control environment within the organisation.

The Director pointed out that there were now four red risks as opposed to one on the previous version of the Risk Register, including one around project management delivery, it had been found that the current review did not highlight issues early enough and it was intended to recruit resources to assist with this.

J Bailey commented on the cyber security risk informing the Board that a recent cyber security audit had provided a 'substantial' opinion with just two low risk recommendations. The Authority had re-applied for the Cyber Essentials + accreditation and penetration testing was planned in the near future.

The Chair commented that he found the Risk Register difficult to follow and asked if there could be a simplified format with larger text. Other members of the Board agreed.

The Director took the point commenting that the Corporate Strategy and Annual Report contained a heat map but this contained less detail. It was difficult to find another format which would give enough detail but would be looked at to see if improvements could be made; the new Risk and Performance Management system may allow presentation in a different way when implemented, although this was some way into the future.

The Chair queried how the risk of underperformance from investments managed by Border to Coast was being managed. The Director agreed to add specific wording to risk I1 to address this aspect of the risk.

C Scott queried whether it was still the policy to remove risks from the register once they had reached their target score.

G Graham replied that risks were removed once they were viewed as having been sufficiently mitigated as they then ceased to be an area of focus. There could be a case for a separate list for these risks but in his view they should not remain on the Risk Register.

RESOLVED – That the Risk Register be noted.

## 8 ADMINISTRATION QUARTERLY REPORT

J Bailey presented the Quarterly Administration update for the period 1<sup>st</sup> January 2022 to 31<sup>st</sup> March 2022.

### Staffing

The report contained a summary of joiners and leavers for the administration service during the period. It was noted that the Benefits Team (the largest administration team) now had a full complement of Pensions Officers, but in Quarter four two long standing and experienced officers had left for better paid and

more senior positions externally. The role profiles for these vacancies had been refreshed after consultation and were being advertised in April 2022.

It was noted that overall sickness absence had increased during the quarter, though the incidence of short-term absence had decreased slightly as had the number of staff contracting Covid.

#### Case Work Performance

It was noted that overall case volumes completed during the Quarter had dropped slightly compared with the previous quarter, this was likely due to a loss of processing time in March whilst the running of the 2022 pensions increase was undertaken.

Staff had returned to the office for part of the working week during Quarter 4, but it was too early to see whether this would have a positive impact on case processing productivity.

#### Statutory Disclosure Reporting

Appendix A showed the Quarter 4 report for the areas covered under the various disclosure regulations and provided some assurance that statutory targets were generally being met in the main areas.

#### Employer Performance

A table within the report showed the current position of employer monthly data returns and indicated that the vast majority of employers were continuing to provide the monthly returns, with no reported concerns.

Following a question from the Board, J Bailey confirmed that future reporting on performance of payroll providers would also be provided to the employers which was important for employers who had outsourced payroll services.

#### Individual Query Employer Reporting

The Board was reminded that the performance of employers in respect of responding to individual queries raised by SYPA had been monitored since last year.

Appendix B showed the performance in recent quarters for the employers with the highest volume of queries. This now also included two payroll providers (Capita and EPM) who had both recently undergone a number of personnel changes which had caused operational difficulties. The Head of Pensions Administration and members of the Engagement team were liaising with the new contacts to ensure they understood their statutory responsibilities and to provide any support/training required.

The Board noted that the trend analysis clearly indicated some good progress had been made with the volumes of outstanding queries for Doncaster MBC

(administered by Rotherham payroll service) although outstanding numbers remained high for Rotherham MBC. Monitoring meetings had been held regularly with Rotherham payroll and additional resources had been allocated to reduce the outstanding volumes. Sheffield CC had also devoted significant resources to resolve the volumes of outstanding queries and the Board noted their continued positive progress in this area.

The Board felt that although RMBC had made some progress, the outstanding figures were still high and not reducing sufficiently quickly. The Board requested that RMBC be asked to prepare (and potentially deliver) a report outlining the steps they were taking to improve performance and the intended timescales to resolve the issues.

N Doolan-Hamer queried the figures for Sheffield College which had gone from zero in the first two quarters followed by a sudden jump. J Bailey would look into this and report back.

The report contained details of scheme member engagement in the areas of customer satisfaction, the Customer Centre and email responses all which remained positive.

The Board was reminded that a satisfaction survey had been issued to employers before Christmas. A total of 42 responses were received with an overall satisfaction level of 94%. The feedback from the survey was presented at the virtual Employers Forum in March, a copy of which was at Appendix D.

The Board noted that preparations continued to ensure all scheme members received their Annual Benefit Statement (ABS) ahead of the statutory deadline of 31<sup>st</sup> August 2022. The ABS project team remained on target with the current plan to produce the ABS's over a two-month period between 1<sup>st</sup> May 2022 and 20<sup>th</sup> June 2022.

With regard to the Pensions Administration system, it was confirmed that the new software contract with Civica had been completed. Civica had committed to resolving all significant outstanding issues by September 2022 as per the Improvement Plan which was summarised at Appendix E.

In answer to a question from D Webster, J Bailey commented that there were no financial sanctions if Civica did not resolve the issues within the stated time as the contract was signed under a national framework. There were other options including the option to terminate the contract early.

The report also gave details of the Life Certificate Exercise, Appendix F summarised the outcomes of the exercise.

The Chair thanked J Bailey for the report.

**RESOLVED – That the Board:**

- i) Note the report.

- ii) Request a report from Rotherham Borough Council outlining the steps that they intended to take to improve their performance with regard to individual query employer reporting including the timescale to resolve the issue.

## 9 BREACHES, COMPLAINTS AND APPEALS

A report was considered which provided an update on the latest available record of reported breaches and provided details of complaints and appeals for the period 1<sup>st</sup> January 2022 to 31<sup>st</sup> March 2022.

Members noted that, in regard to a separate matter, one of the AVC providers, Prudential, had reported at the end of March that they had been unable to meet the statutory deadline for issuing member AVC statements for the 2020-21 year. It was noted that the administration problems with Prudential had been well documented and Prudential had already reported themselves to The Pensions Regulator (TPR).

Prudential had not shared details of their correspondence with TPR so, as a precautionary measure, SYPA had prepared a report to TPR to ensure they were aware of the breach specifically in relation to the SYPA Fund.

It was agreed that the report to TPR would be shared with the Board.

The breach report also included reference to the late issue of the Pensions Savings Statements for 2020/21.

It was noted that there had been one data breach during the period, one cyber security incident and five complaints, details of which were contained within the appendices. No formal appeals had been determined during the quarter.

RESOLVED – That members note the breaches summary and the outcomes of t complaints.

## 10 BENCHMARKING INVESTMENT COSTS & PERFORMANCE

A report was submitted which provided an update on the results of benchmarking work undertaken on the Authority's investment performance and costs.

The Board was informed that, as part of efforts to establish the success of the pooling process in improving both the cost efficiency and performance of the Local Government Pension Scheme (LGPS), the government encouraged LGPS funds to participate in investment benchmarking exercises. SYPA, along with most other LGPS funds and pools had, for the last seven years, participated in a benchmarking exercise undertaken by CEM, a global provider of such services.

The report gave details of:

- Cost Comparison
  - Impact of investment choices on costs
  - Price impact on costs

- Change in costs over time
- Performance Comparison
  - Comparative return over time
  - Development of risk over time
  - Comparative risk appetite

CEM's overall conclusion was that the Fund was delivering positive value add at low (tending towards median) cost. This was what was wanted but an eye would have to be kept on whether the continuing changes to the asset mix were delivering both the required performance and risk at reasonable cost.

RESOLVED – That the Board note the results of the investment benchmarking exercise.

## 11 ANNUAL ALLOWANCE 2021 - LESSONS LEARNED EXERCISE

A report was considered which provided an update on the results of the 2020/21 Pensions Savings Statements exercise and also set out the actions being taken to ensure the success of the 2021/22 exercise.

J Bailey explained the Annual Allowance, which was introduced by HMRC in April 2006, and the subsequent need to provide scheme members who had exceeded the AA limit for a specific tax year with a Pension Savings statement.

The Board was informed that for the year 2020/21 a total of 105 Pension Savings statements were issued where members had exceeded the £40,000 limit, but only five of these were issued within six months of the end of the tax year.

Appendix A to the report provided a high-level summary of the issues that led to the late production of the Pension Savings statements and also summarised the Action (Improvement) Plan which had been put together to rectify the issues experienced in 2020/21 and to ensure successful and timely completion of the 2021/22 and future exercises. It was noted that the status column on the Action Plan highlighted that the exercise was currently on target; a further update would be provided to the Board at its next meeting to provide assurance that the statements would be issued on time for 2021/22.

As this appeared to be a one-off issue affecting a relatively small number of members and there was a comprehensive list of actions and mitigations in place, the Board agreed with the Authority's position that the breach should not be reported to The Pensions Regulator.

RESOLVED – That members:

- i) Note the actions taken to address the late delivery of the 2020/21 Pension Savings Statement exercise and ensure successful completion for 2021/22.

- ii) Agree that the breach was not material enough to report to The Pensions Regulator.

## 12 ANNUAL REPORT OF THE LOCAL PENSION BOARD

The Board considered its Annual Report for 2021/22 which was submitted for approval subject to the inclusion of attendance at today's meeting. It was noted that, when approved, the Annual Report would be published on the Authority's website and included in SYPA's Annual Report.

Members felt that, in general, the content of the report was good. It was suggested that individual terms of office be included in the membership table.

C Scott commented that, as it was an individual's obligation to undertake training, the training events should be listed to show which individual had attended each event.

RESOLVED – That, subject to the amendments above and the inclusion of attendance at today's meeting, the Board approve its Annual Report for 2021/22.

## 13 BOARD EFFECTIVENESS REVIEW

The Board considered its Review of Effectiveness for 2022 which had been determined by a survey completed in March 2022 followed by a workshop to discuss the results of the survey and agree potential changes in the way the Board worked to improve its effectiveness. The report summarised improvements discussed at the workshop.

Discussions at the workshop and the survey included questions on the way Board meetings were conducted and knowledge, skills and capacity. The survey was completed by four of the nine members of the Board.

The results from the survey were broadly positive, and the report contained proposed actions for improvement.

With regard to further training, the Director commented that the results of the Knowledge Assessment would influence the Training Programme over the next 12 months which would also be driven by events such as the Actuarial Valuation and the investment strategy review. It was intended to run more Local Pension Board specific sessions and use more external resources. Because issues covered by the Authority were wide-ranging it would be impossible to cover everything and therefore self-learning would be important. He encouraged members to make use of the Hymans Robertson Online Learning Academy and attend the webinars offered when possible.

The Director agreed with all the suggestions and actions to improve effectiveness with the exception of the request to receive up-to-date documents irrespective of whether they had been considered by the Authority beforehand. This would be constitutionally inappropriate for the Board to consider a report before the Authority as the decision-making body.



With regard to the request for a glossary of terms, it was noted that the Online Learning Academy had a 'Jargon Buster' and a glossary from Border to Coast used by their Joint Committee could be shared with the Board.

RESOLVED – That the Board agree to all the actions and suggestions arising from the Review of Effectiveness and survey results as detailed in the report.

14 UPDATE ON AUTHORITY DECISIONS

A report was considered which updated the Board on decisions taken by the Authority at its February and March meetings.

RESOVLED – That members note the various decisions taken by the Authority.

CHAIR