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To: Members of the Pensions Authority
cc: Appropriate Officers
Press

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Dear Member

SOUTH YORKSHIRE PENSIONS AUTHORITY
13 JANUARY 2011

A meeting of the Pensions Authority will be held on **13 January 2011 at 10.00am at the offices of the South Yorkshire Joint Secretariat, 18 Regent Street, Barnsley.**
Please note that car parking for Members will be available at the rear of the building.

The agenda is attached.

Yours faithfully

M V Oades
Deputy Clerk and Solicitor

Enc

SOUTH YORKSHIRE PENSIONS AUTHORITY

13 JANUARY 2011 AT 10.00AM AT OFFICES OF THE SOUTH YORKSHIRE JOINT SECRETARIAT, 18 REGENT STREET, BARNSELY

Agenda Reports attached unless stated otherwise

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2	Items to be considered in the absence of the public and press. (For items marked * the public and press may be excluded from the meeting).	
3	Announcements.	
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SOUTH YORKSHIRE PENSIONS AUTHORITY

25 NOVEMBER 2010

PRESENT: Councillors: A Sangar (Chair), R Wraith (Vice Chair), D Baker, E Butler, K Goulty, B Perrin, G Weatherall, P Wootton.

In attendance – Mr G Boyington.

Apologies for absence: Councillors J Hesketh, B Johnson, and B Lodge.

Officers - Mr W J Wilkinson (Clerk and Treasurer), Mr J N Hattersley (Fund Manager), Miss M V Oades (Deputy Clerk and Solicitor), Stuart Lunn (Member Services Manager), Mr R Milne (Corporate Strategy Officer), Mr D Wilkinson (Assistant Treasurer).

220/10 URGENT ITEMS

None

221/10 ITEMS TO BE CONSIDERED IN THE ABSENCE OF THE PUBLIC AND PRESS

RESOLVED – That all agenda items be considered in the presence of the public and press.

222/10 ANNOUNCEMENTS

None

223/10 DECLARATIONS OF INTEREST

Councillor R Wraith advised the meeting that he was a contributing member of the Fund.

224/10 MINUTES – 21 OCTOBER 2010

RESOLVED – That the minutes of the meeting of the Authority held on 21 October 2010 be signed by the Chair as a correct record.

225/10 ESTABLISHING THE ADVISORY PANEL

The Clerk and Treasurer referred to minute 15 of 21 October 2010 and reported that one of the pensioner volunteers for membership of the Advisory Panel had withdrawn and efforts were being made to find a replacement, ideally a deferred member.

226/10 WORK PROGRAMME

The Authority considered its Work Programme for 2010/11.

RESOLVED – That the report be noted.

227/10 CHAIR FEEDBACK

The Chair commented that, along with the Clerk and Treasurer, he had presented the Authority's Annual Statement to a meeting of the Leaders and Chief Executives. The main item had been the valuation.

228/10 SECTION 41 MEMBER FEEDBACK

None.

229/10 TRIENNIAL VALUATION

The Fund was undergoing its triennial valuation that would ultimately lead to the Actuary certifying revised employer contribution rates for the three years beginning 1 April 2011. The statutory timetable required the final valuation report to be signed off by 31 March 2011. The Authority's approach needed to be determined at this meeting in order to maintain this timetable.

The Authority received a presentation from Ian Kirk and Jonathan Perera of Mercers on the preliminary results of the actuarial valuation.

It was the role of the Actuary to set employers' contribution rates; the role of the Authority was to agree the actuarial assumptions that the Actuary took into account when calculating the final outcome. Some of these were financial (e.g. assumed rate of inflation which could be derived from financial markets, rate of pensionable pay increase, return on assets), some were demographic (rate of mortality, ill health and other retirements, proportion of retirees commuting pension for cash), and some were legislative (benefit changes under the new Local Government Pension Scheme). Another issue for the Authority was its Funding Strategy Statement that dictated the period over which the employers paid off their notional deficit or received repayment of a notional surplus. The Actuary was required to set contribution rates so as to secure solvency but to have regard to the Funding Strategy. Currently this strategy was to return to solvency by 2029, meaning that the main scheme employers had just over 18 years to pay off their deficit with admission bodies given a shorter period typically 13 years. The Authority needed to consider maintaining this strategy or relaxing the recovery period given the economic climate. The Authority also needed to consider the weaker covenant of admitted bodies and balance the risk of requiring them to pay increased contributions against them ceasing to exist and defaulting on their pension liabilities.

If the Authority needed to amend its Funding Strategy it would need to consult interested parties before it was finalised. Any feedback would then be considered at the Authority meeting on 13 January 2011.

The key decision that the Authority had to make was the length of the Fund's deficit recovery period. Currently this period was 18 years but Mercers had based their presentation on 25 years. Mercers felt that this period presented some risk to the Fund since there was the danger that if the outcome was worse than expected by 2013 then there would be a danger to the then contribution rates. Nevertheless Mercers were able to reassure the Authority that they felt this could be supported on grounds of prudence and that they had taken full account of the forthcoming actions by the scheme employers in response to spending reductions. These meant that the main employers would have a pay freeze but also staffing reductions, the latter having the effect of reducing the fund's income by way of contributions but also increasing liabilities as more people took their benefits. On the other hand if the Authority wished to extend the deficit recovery term beyond 25 years then there was a high risk that the Fund would fall deeper into deficit perhaps greatly so.

The Authority considered the various types of scheme employers in four categories leading them to conclude that scheduled bodies and those admitted bodies underwritten by such bodies should be subject to a common recovery period whilst those admitted bodies with no guarantors backing them should be subject to a shorter period.

RESOLVED –

- 1 That the deficit recovery period for the more secure bodies be set at 25 years; that the period for less secure bodies be set at 20 years (both subject to a maximum to reflect any shorter life expectancy of the organisation) but that the implementation of changes to this aspect of the employer contributions be considered further.
- 2 That the remaining assumptions recommended by Mercers be agreed.

230/10 REVENUE ESTIMATES 2011/12 – ADMINISTRATION AND INVESTMENT MANAGEMENT EXPENSES

The Authority considered the Authority's draft revenue estimates for 2011/12 for administration and investment management expenses and the levy under the Levying Bodies (General) Regulations 1992.

Pensions and investment management costs did not fall directly on council tax but were recovered by a percentage addition to employers' contribution rates, which at the time of the 2007 valuation was 0.5%.

One of the Authority's key strategic objectives was to operate cost effectively. The management of the investment portfolios was mostly in house, so costs

were lower than most other funds. Published statistics showed the administration costs of the Fund significantly below average for Local Government Pension Scheme funds.

In considering its budget the Authority felt that it had a duty to maintain its focus on reducing costs especially in the face of the Chancellor's announcement of 26% average reduction in local authority grants plus other reductions since the original announcement. The Authority also had in mind:

- Reductions in local authority spending would increase retirements and requests from employers and employees for information on entitlements.
- The Government was expected to make wholesale changes to the Local Government Pension Scheme following the Hutton review.
- There was a risk involved in the problems of inaccurate data.

Despite these issues the 2010/11 budget had been reduced by some £12,000 (made up of a saving of £52,400 on the controllable budget offset by an increase of £40,000 in the investment management fees). There were further efficiencies as prospective changes to senior management had been reflected in the budget. Overall the 2011/12 budget would reduce from £5.8m to some £5.68m.

RESOLVED –

- 1 That approval be given to the revised estimates for 2010/11 of £5,796,350.
- 2 That a levy of £551,000 be approved for 2011/12 in accordance with the Levying Bodies (General) Regulations 1992.
- 3 That the preliminary forecasts for 2011/12 be noted and referred to the district councils for comment.
- 4 That the preliminary medium term financial strategy and forecasts for 2012/13 be noted.

231/10 RISK REGISTER

The Authority considered the updated Risk register. This was required by the policy to be considered annually by the Authority, at other times it was considered by the Corporate Planning and Governance Board.

RESOLVED – That the position be noted.

232/10 REVIEW OF CORPORATE STRATEGY

The Authority considered the Corporate Strategy 2010/13; good practice suggested that it be reviewed before the start of the next financial year.

However the Independent Public Service Pensions Commission led by Lord Hutton had produced its Interim Report in October and it was therefore considered unrealistic to complete a review until late March/April, after the Commission's final report had been published.

RESOLVED – That the position be noted and the implications be considered later.

233/10 INDEPENDENT PUBLIC SERVICE PENSIONS COMMISSION

The Authority considered the Independent Public Service Pensions Commission that was inviting further evidence and views following the publication of its interim report on public sector pension reform. The final report was expected to be published by March 2011.

Interested parties had suggested that perhaps one reason why the Local Government Pension Scheme received relatively low key coverage in the interim report was that no one group acted as a co-ordinating response provider. Given the questions now being raised and the relatively tight timescales for submissions with a deadline of 17 December, it was being suggested that administering authorities should not submit individual responses this time but should contribute to other submissions.

RESOLVED – That the Authority not submit an individual submission but provide input into that of the Local Authority Pension Fund Forum.

234/10 SCHEME MEMBERS ANNUAL GENERAL MEETING

The Authority considered the proceedings of the Scheme Members Annual General Meeting held at The Carlton Park Hotel in Rotherham on 21 October. Ninety three people attended of whom 77 were pensioners. A wide range of queries were raised from the floor during the question and answer session.

RESOLVED –

- 1 That the position be noted and that the members and officers involved in the event be congratulated.
- 2 That the same format be adopted for future years.

CHAIR

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SOUTH YORKSHIRE PENSIONS AUTHORITY

CORPORATE PLANNING AND GOVERNANCE BOARD

25 NOVEMBER 2010

PRESENT: Councillor R Wraith (Chair)
Councillors: D Baker and P Wootton.

Trades Unions - Mr G Boyington (Unison)

Officers – Mr W J Wilkinson (Clerk and Treasurer),
Mrs B Clarkson (Operations Manager), J N Hattersley (Fund
Manager), Stuart Lunn (Member Services Manager), Mr R
Milne (Corporate Strategy Officer), Mr R Simmons (Chief
Internal Auditor), Mr D Wilkinson (Assistant Treasurer).

Mr J Prentice and Mrs L Wild (Audit Commission)

Apologies for absence were received from Councillors E Butler
and B Lodge.

235/10 URGENT ITEMS

The Chair had announced that he had added to the agenda the Internal Audit Progress Report.

236/10 ITEMS TO BE CONSIDERED IN THE ABSENCE OF THE PUBLIC AND PRESS

RESOLVED – That agenda item 22 be considered in the absence of the public and press but that all remaining agenda items be considered in the presence of the public and press.

237/10 ANNOUNCEMENTS

None.

238/10 DECLARATIONS OF INTEREST

None.

239/10 MINUTES – 22 JULY 2010

RESOLVED – That the minutes of the meeting of the Board held on the 22 July 2010 be signed by the Chair as a correct record.

240/10 WORK PROGRAMME

The Board's work programme up to May 2011 was noted.

241/10 BUDGET MONITORING

The Board considered the current expenditure levels within the Authority against the approved budget. Whilst a considerable underspend was shown at this stage it was expected that the year end position would be much closer to the budget, a likely underspend position of £12,000/£15,000.

RESOLVED – That the position be noted.

242/10 BUSINESS PLANNING AND PERFORMANCE FRAMEWORK - PERFORMANCE REPORT FOR QUARTER 1

The Board considered the performance results for Quarter 1. These were presented as a summary or *dashboard* accompanied by the full report. For the future it was possible to present the full report or just the *dashboard*.

RESOLVED – That in future reports only the *dashboard* be presented to the Board with fuller details of any areas where performance is falling below targets.

243/10 GOVERNANCE IMPROVEMENT ACTION PLAN FOR 2010/11

The Board considered progress in implementing improvement actions identified in the Governance Improvement Plan for 2010/11.

Of four issues in the Plan three had been completed. The exception was to maintain dialogue with the district councils to secure improvement in the accuracy of pay and contributions data. This had been looked at by the Audit Commission and appeared elsewhere on the agenda.

RESOLVED – That the position be noted.

244/10 RISK REGISTER

The Board considered the updated Risk Register.

Two new risks had been added; budget reductions and future changes to the Local Government Pension Scheme.

RESOLVED – That the position be noted.

245/10 ANNUAL AUDIT LETTER

John Prentice and Linda Wild of the Audit Commission attended the meeting of the Board and presented the Audit Commission's Annual Audit Letter 2009/10.

The District Auditor had issued an unqualified audit opinion on the financial statements and on the Pension Fund. In relation to the Value for Money opinion a qualified conclusion had resulted as the Authority again did not have arrangements in place to produce relevant and reliable data and information to support decision making and manage performance. It was acknowledged that the Authority placed some reliance on the admitted bodies for producing timely and accurate data and this area was one of the main issues of concern in respect of the Value for Money conclusion. On this issue the District Auditor had undertaken a separate review of pension's data flows. This work had involved four separate reviews covering each of the four councils in South Yorkshire. These reports appeared elsewhere on the Board's agenda (minute 241/10).

The District Auditor had also made one significant recommendation; that the Authority should consider whether its current banking arrangements were adequate to meet the requirements of Regulation 6 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 that required separate banking arrangements for the administering authority's accounts and the pension fund accounts. This matter also appeared elsewhere in the Board's agenda (minute 242/10).

RESOLVED – That the position be noted.

246/10 ANTI FRAUD AND CORRUPTION STRATEGY

The Board considered progress in responding to the issues identified in the June 2010 Anti Fraud and Corruption Assessment. The areas of vulnerability had been considered and there were no concerns that needed to be considered by the Board. All the actions in relation to the issue of guidance and the publication of policies had been implemented.

RESOLVED – That the position be noted.

247/10 STATEMENT ON INTERNAL CONTROL: INTERNAL INVESTMENT MANDATE

The Board considered renewal of the internal investment mandate. This mandate, renewed annually, was formally entered into between the Authority and its internal fund managers similar to that with external fund managers. It was best practice under the Myners Principles.

RESOLVED – That the current internal investment mandate be renewed for a further twelve months.

248/10 TREASURY MANAGEMENT: UPDATE

The Board considered an update on the treasury management operations of the Authority. This included an update on the recovery of deposits with Icelandic banks; approximately £3.4m had been received to date. Legal costs associated with the recovery process were below £10,000 so far but were expected to rise in due course.

At the request of a member the Fund Manager commented on financial and market conditions in the Eurozone.

RESOLVED – That the position be noted.

249/10 AUDIT COMMISSION REPORTS ON DATA FLOWS

The Board considered the Audit Commission's reports following their review of the processes and procedures in place at the district councils for passing data to the Authority. This review took the form of one report for each district.

The Pension Scheme Regulations required contributing organisations to supply information on time and Service Level Agreements between the Authority and each district council stated that the employer was responsible for the accurate and timely provision of information to the Authority. None of the councils was meeting these standards and there was a significant backlog of work. This presented significant risks to both organisations. In each case an agreed Action Plan had resulted. This would be monitored by the Audit Commission to track performance.

In considering the Audit Commission reports the Board noted:

- At one stage the Authority had offered to assist the district councils to deal with the problems but the latter had been reluctant to incur additional costs.
- The Audit Commission had noted that two of the councils had put people in place to clear the backlog and another had automated systems to free up people to work on its backlog.
- Better communication between the district councils and the district service officers was needed and more effective communication. Engagement at this level was already beginning and the Audit Commission noted that the intention to address the issues was now there. The Commission would use the September quarter figures as a baseline and would expect quick evidence of progress.

The essential message was that a joint effort had to be made to resolve the problems.

RESOLVED – That the position be noted and that the Audit Commission be thanked for its work.

250/10 LOCAL GOVERNMENT PENSION SCHEME (MANAGEMENT AND INVESTMENT OF FUNDS) REGULATIONS 2009: SI 2009/3093

The Board considered a recommendation of the Investment Board that the requirement included in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 to operate separate administering authority and pension fund bank accounts did not apply to the Authority. This matter had been referred to by the District Auditor in his Annual Audit Letter (see 237/10).

The issue had been considered by the Investment Board in May last; the Department of Communities and Local Government (DCLG) had said that, in its opinion, the Regulations did not apply to this Authority. It was also reported at that meeting that the District Auditor did not agree with that view, and advised that the Authority should introduce a separate bank account. However the District Auditor had also indicated that if the Authority formally determined not to abide by the Regulations he would not qualify the Authority's accounts because of non-compliance.

Legal advice had therefore been sought from Counsel and the Investment Board had considered that advice. Whilst Counsel's arguments were different from those of the DCLG he agreed that the Authority did not wear two hats, one as a local authority and one as a pension fund.

To operate a separate bank account would add a considerable administrative burden (possibly requiring an additional member of staff, increased bank charges, and increased audit fees).

RESOLVED – That approval be given to publishing a statement in the Authority's Annual Governance Statement declaring that the Authority will not comply with Regulation 6(1) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

251/10 LOCAL GOVERNMENT PENSION SCHEME (MISCELLANEOUS) REGULATIONS 2010

The Board considered the policy issues from the Local Government Pension Scheme (Miscellaneous) Regulations 2010.

The Board noted that Regulation 52A of these Regulations enabled the Administering Authority to exercise its discretion to make payment to a third party (for the sole benefit of the pensioner), where a pensioner became incapable of managing their own affairs, without requiring that person to undergo the lengthy and costly process of obtaining Power of Attorney. In such cases the Authority would follow standard procedures to ascertain the pensioner's incapability (obtaining certification from a registered doctor) and to identify a suitable recipient.

RESOLVED – That the position be noted.

252/10 BENCHMARKING RESULTS

The Board considered the results of participation in the Chartered Institute of Public Finance and Accountancy Pensions Administration Benchmarking Club 2010. This benchmarked the cost and performance of the Administration Unit against other local government administrators.

Also available however was a measure comparing the South Yorkshire costs against private sector averages, the latter being taken from Capita Hartshead Annual Pensions Scheme Admin Survey 2010 for funds in excess of 10,000 members. This showed private sector in house funds averaging £47 per member, private sector externally managed averaging £41 per member, compared to the South Yorkshire cost of £19.10 per member. The Board welcomed this information and noted that it compared very favourably with the Hutton Commission interim report that had claimed the private sector was cheaper.

RESOLVED – That the position be noted.

253/10 EMPLOYERS SERVICE LEVEL AGREEMENT PERFORMANCE AND OUTSTANDING WORKLOAD

The Board considered the employers performance and any known levels of outstanding workload.

The latest report covered the quarter ended September 2010 and showed district council performance and the performance of all other employers separately.

In commenting on the report the Assistant Treasurer observed that the district councils had requested their performance to be presented in a way that separated "historical" casework from that produced with event dates within the current period. He advised that the new style performance tables did this but cautioned that it was impossible for the Authority to measure work that should have been produced in the current quarter but hadn't been. The results displayed in the "current workload" table might therefore be incomplete and present a false picture.

Subject to this proviso the following performance was shown by the data:

(The Service Level Agreement required the employer to produce all relevant documentation within the following target days sufficient to enable the member's records to be created or amended and any resultant benefits to be calculated:

New Starter (56 days)

Miscellaneous Change to personal or employment details (28 days)

Early Leaver (56 days)
 Retirement with immediate entitlement to benefit (28 days)
 Death in Service (14 days))

Overall Performance

Performance Against Service Level Agreement					
	New Starters	Miscellaneous Changes	Early Leaver	Retirement with immediate entitlement to benefit	Death in Service
Rotherham MBC	76%	84%	65%	92%	100%
Barnsley MBC	47%	39%	37%	76%	-
Doncaster MBC	39%	29%	29%	85%	75%
Sheffield City Council	16%	15%	39%	87%	100%

RESOLVED – That the position be noted.

254/10 CONSULTATION PROGRAMME - RETIREMENT SURVEY

The Board considered the results of the survey carried out amongst scheme members who had their retirement benefits brought into payment between 1 August and 31 October 2010 with a view to testing customer satisfaction of the service and/or support they received. Under the Authority's Consultation Strategy two user satisfaction surveys were carried out each year.

Overall the service had received positive responses from over 95% of respondent, sometimes well over.

RESOLVED – That the position be noted.

255/10 INTERNAL AUDIT PROGRESS REPORT

The Board considered the work completed by the Internal Audit Team during the first half of the year and the outstanding position on the recommendations made in the reports issued prior to May 2010.

RESOLVED – That the position be noted.

256/10 EXCLUSION OF PUBLIC AND PRESS

RESOLVED – That, under Section 100A of the Local Government Act 1972, the public and press be excluded from the meeting for the following business, on the grounds that it involves the likely disclosure of exempt information as

defined in Part 1 of Schedule 12A of the Act, and the public interest not to disclose information outweighs the public interest in disclosing it.

257/10 EU MEMBER STATE TAX RULES: POTENTIAL TAX REFUNDS (Exempt paragraph 5)

The Board received an update on the progress in pursuing claims for refunds of tax suffered on overseas equity holdings etc. This included estimates of potential recoveries and associated costs as well as an update on the litigation process.

RESOLVED – That the position be noted.

CHAIR

SOUTH YORKSHIRE PENSIONS AUTHORITY

INVESTMENT BOARD

9 DECEMBER 2010

PRESENT – Councillor A Sangar (Chair),
Councillors – K Goulty, J Hesketh, B Perrin, G Weatherall.
In attendance – Councillor R Wraith.
Trades Unions - Mr M Stowe

Officers – Miss M V Oades (Deputy Clerk), Mr J N Hattersley (Fund Manager),
Mrs F Bourne (Administration Officer), Stuart Lunn (Member Services
Manager), Mr R Milne (Corporate Strategy Officer), Mrs S Smith (Assistant
Fund Manager).

Investment Advisors: Ms S Arkle; Mr T Hardy; Mr N MacKinnon (by telephone
link).

258/10 URGENT ITEMS

The Chair announced that he was adding to the agenda an item dealing with
the Independent Public Service Pensions Commission (the Hutton
Commission).

259/10 ITEMS TO BE CONSIDERED IN THE ABSENCE OF THE PUBLIC AND PRESS

The Board considered the merits of the sole agenda item that was listed as an
exempt item, Item 9 Private Equity. This was considered to be an exempt item
by the nature of the Fund's confidentiality obligations to managers of some of
the private equity partnerships.

RESOLVED – That agenda item 9 be considered in the absence of the public
and press but that all remaining items be considered in the presence of the
public and press.

260/10 ANNOUNCEMENTS

None.

261/10 DECLARATIONS OF INTEREST

None

262/10 OVERVIEW OF BUSINESS

A MINUTES – 23 SEPTEMBER 2010

RESOLVED – That the minutes of the meeting of the Board held on the 23 September 2010 be signed by the Chair as a correct record.

B WORK PROGRAMME

The Board noted its work programme up to May 2011.

263/10 LOCAL AUTHORITY PENSION FUND FORUM – OCTOBER 2010 BUSINESS MEETING

The Board considered a note of the items discussed at the business meeting of the Local Authority Pension Fund Forum. There had been a discussion regarding the FairPensions campaign against the oil companies. There was also a discussion on the Hutton Commission's interim report and broad agreement that group responses were likely to be more influential than specific fund submissions. Subsequently the Department of Communities and Local Government had suggested that individual responses were, in fact, more appropriate.

RESOLVED – That the position be noted.

264/10 INSTITUTIONAL INVESTORS GROUP ON CLIMATE CHANGE PAPERS AND SUBSCRIPTION RENEWAL

The Authority was a member of the Institutional Investors Group on Climate Change and considered the Group's annual report and recent activities. The Board agreed that membership should be renewed

RESOLVED – That membership be continued.

265/10 EXCLUSION OF THE PUBLIC AND PRESS

The Board discussed the agenda item on private equity which was listed as containing exempt information. The Fund Manager said that there was reference in the report to specific investments and advised the meeting that the Authority had entered into a number of confidentiality agreements with its managers and partners.

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

266/10 PRIVATE EQUITY
(Exempt paragraph 3)

The Board considered a presentation by Rupert Coull, a member of the in-house investment management team, about the private equity portfolio. He began by explaining the characteristics of the asset class and emphasised how it differed from public markets. He went on to describe the challenges he faced in managing the portfolio (including meeting with managers), the nature of the holdings and the vintage of the sums invested.

The performance cycle of private equity was described and the long term nature of returns. He explained how and why the sector had performed over the recent past and set out reasons for the volatility.

The advisors considered the history of the Fund's exposure to the sector and the prospects for it going forward. On a long term view investors needed to be rewarded for both the inherent risks in the underlying companies and for the lack of liquidity and, on the whole, they had been. This was likely to continue to be the case going forward though the absolute returns achieved might be lower than those previously obtained.

RESOLVED: That Robert Coull be thanked for the presentation and that a further and more detailed report be submitted to a future Board meeting.

AT THIS POINT THE MEETING WAS RE-OPENED TO THE PUBLIC AND PRESS

267/10 ASSET AND LIABILITY STUDY 2010

The Board considered a presentation by Marc Littlewood of Mercers Ltd as well as a report by the Clerk and Treasurer.

The Board has commissioned a *healthcheck* review from Mercers on the risk/return profile of the current investment strategy and their initial findings had been considered at the last meeting of the Board. These were that:

- The current strategy had sufficient return potential to meet the actuarially required return.
- The current strategy was relatively efficient given its return expectation
 - However, increasing diversification within the growth element of the portfolio would help enhance efficiency
- A significant increase in return expectation would require a significant increase in risk
- A significant risk reduction would require increased exposure to inflation linked gilts

- Alternative would be to extend duration of gilts and/or instigation of a leveraged swap based Liability Driven Investment program.
- From a pure tactical asset allocation perspective however Mercers considered inflation linked gilts “extremely overvalued”.

Mark Littlewood commented briefly upon the Fund’s allocation relative to that of the peer group but emphasised that the policy decision should be driven by matching the Fund’s liability profile. The present strategy had worked well.

Given the preliminary results of the actuarial valuation it was important that the investment strategy was aligned with the valuation’s underlying assumptions. The increase in assumed investment return of gilt plus 2.5% was significant but could be accommodated within the existing policy. Mercers had calculated the current strategy to be capable of producing a return of 2.8% pa in excess of that of the least risk portfolio (LRP). This was 90% linkers and 10% gilts). Mark Littlewood outlined the Fund’s efficient frontier, described the potential consequences of a move out in bond yields and set out the key risks associated with the present benchmark allocation. He considered various permutations of the underlying assumptions: in particular he considered different inflation outcomes. He was not of the view that further de-risking of the Fund was required and suggested that a bit of tweaking might result in enhanced returns but cautioned against adding to volatilities. He personally favoured an increased allocation to emerging market equities and greater diversification and thought that index linked gilts were expensive.

Members then asked questions regarding the potential effects upon the Fund, both in the short and long term, of the workforce rationalisation that the district councils were being faced with. Mark Littlewood noted that the need for liquidity would increase but advised caution when disinvesting. He thought that short term interest rates ought to rise.

In summary Mark Littlewood’s view was that if the Board was content with a return of some 2.8% ahead of LRP each year then the existing portfolio was appropriate; if the Board wished to increase the annual target return to 3% then some gilts needed to be sold for growth assets.

It was agreed that the Fund Manager would discuss with Mercers possible alternative strategies for the Fund that would target higher returns than 2.8% over LRP pa.

RESOLVED – That the Fund Manager discuss alternative investment strategies with Mercers and report further to the Board.

268/10 QUARTERLY REPORT TO SEPTEMBER 2010

The Board reviewed the performance of the Fund during the quarter ended 30 September 2010.

During the quarter the Fund had returned 7.9% against the expected benchmark return of 8.5%, with the Fund's valuation rising from £3,832m to £4,136.4m. Asset allocation decisions, being overweight equities and underweight property and bonds, had added 0.2% but stock selection had more than negated this. The positive returns in UK equities, bonds, property, and absolute return funds had not been enough to compensate for the poor relative returns in overseas equities and private equity. If private equity was removed from the return performance had been more or less in line.

Stock markets had been volatile, though all equity markets had advanced over the quarter. The Fund's equity exposure had been increased but the highest allocation had gone into property. Investors were searching for yields. Overseas equities were preferred to UK ones and bonds were not in favour. Cash was at a relatively low level. The global economy was certainly healthier now than eighteen months ago but recovery was very uneven with emerging and Pacific markets outperforming their developed brethren. There was a brief discussion about the tumult within the Eurozone and the outlook for sovereign debt.

RESOLVED – That the position be noted.

269/10 INDEPENDENT PUBLIC SERVICE PENSIONS COMMISSION

At the meeting of the Authority in November the interim report of the Independent Public Service Commission (the Hutton Report) had been discussed. Contrary to the position then reported administering authorities were now being encouraged to make individual submissions to the call for evidence for the final report.

The evidence being sought was based on a number of very broad questions, only one of which was targeted at the Local Government Pension Scheme (LGPS).

The consultation timescale was tight with responses required by 17 December. The Board considered a draft response, largely based upon work by LAPFF and other LGPS funds, which addressed most of the questions raised by the Commission.

It was agreed that a response based upon the draft version now presented be submitted to the Commission.

RESOLVED – That the suggested response be supported with the responsibility for the final draft being delegated to the Clerk and Treasurer.

CHAIR

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South Yorkshire Pensions Authority – cycle of future meetings
South Yorkshire Pensions Authority
Work Programme

South Yorkshire Pensions Authority – cycle of future meetings

Responsibilities	25 November 2010	13 January 2011	17 February 2011	14 April 2011	9 June 2011
	Strategic Overview of Business	Meeting Overview & Context	Meeting Overview & Context	Meeting Overview & Context	Meeting Overview & Context
	S41 feedback	S41 feedback	S41 feedback	S41 feedback	S41 feedback
Training & Development					
Board Scrutiny	Call-Ins	Call-Ins	Call – Ins	Call – Ins	Call – Ins
Corporate Governance	Budget Development	Budgets and revised estimates	Budget Development	Budget Development	Budget Development
	Budgets and Revised Estimates			Annual Review of Risk Policy	CPGB Audit Committee Functions Annual Report
	Risk Register Review				
Review of Strategies	Review of Corporate Strategy	Review of Funding Strategy Statement	Treasury Management Strategy Annual Report	Review of Corporate Strategy	
Business	Initial Actuarial Valuation Results	Authorised Officers Report	Final Actuarial Valuation Results	Fund AGM Report	Appointment of Chair and Vice Chair
			Write Offs	Meeting Cycle Dates	Membership of the Authority
					Appointment of Boards and Committees

South Yorkshire Pensions Authority – cycle of future meetings

	25 November 2010	13 January 2011	17 February 2011	14 April 2011	9 June 2011
					Questions in meetings of District Councils
					Annual Report on Member Training and Development

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SOUTH YORKSHIRE PENSIONS AUTHORITY

13 February 2011

Report of Clerk and Treasurer

MEMBERSHIP OF THE AUTHORITY

1. Purpose of the Report

To note the current membership of the Authority and to consider the appointment of a substitute section 41 member for Doncaster.

2. Recommendations

Members are recommended to:

- a) **Note the current membership of the Authority**
 - b) **Consider the appointment of a section 41 member for Doncaster.**
-

3. Information

3.1 Councillor Jill Arkley-Jevons has resigned her membership of the Authority and Councillor Bob Ford has been appointed both with effect from 3 December 2010. Doncaster has advised that the change is due to the political composition of the Council.

3.2 At the annual meeting of the Authority on 10 June 2010 Councillor Barry Johnson was appointed as the section 41 spokesperson for Doncaster Council but no substitute was appointed at that time. It is only required that arrangements for questions to be answered are made in each of the councils. So one appointment may be sufficient but the Authority has appointed substitutes in the other councils.

4. Implications and risks

Implications

- Financial
- Legal
- Diversity

Legal implications are contained in the main section of the report. There are no financial or diversity implications.

W J Wilkinson
Clerk and Treasurer

Officer responsible: Stuart Lunn
01226 772850; SLunn@sypa.gov.uk

Background papers: letter from Doncaster MBC dated 2 December 2010

Other sources and references: None

SOUTH YORKSHIRE PENSIONS AUTHORITY

13 January 2010

Revised Funding Strategy

1. Purpose of the Report

To seek confirmation of changes to the funding strategy

2. Recommendations

Members are recommended to confirm the changes

3. Information

- 3.1 The pension regulations require the authority to prepare, maintain and publish a written statement setting out their funding strategy. In doing so, regard must be had to the guidance published by CIPFA and its own Statement of Investment Principles (SIP). It must be revised in accordance with any change in policy on the matters set out in the statement and any material change to the SIP. In particular, it must be revised so that the actuary can take account of it when preparing his report on the triennial valuation.
- 3.2 At their November meeting, Members considered the preliminary whole-fund valuation results and agreed that, in recognition of the reduced solvency level and the desire to stabilise employer contributions, there was a need to revise the funding strategy so as to target a return to full solvency by 2036.
- 3.3 Before adopting a new strategy the regulations require the authority to consult with interested parties. This has been done via an employers' newsletter which described the authority's intention to extend the deficit recovery period to 25 years (20 years for those admitted bodies with no guarantors backing them) subject, of course, to a maximum for any particular admitted body of the period that it is expected to remain a participating employer within the Fund.
- 3.4 The newsletter asked for comments by 31 December so that they could be considered at today's meeting. At the time of writing, no comments have been received but I will report verbally should any materialise in the interim period.
- 3.5 If Members confirm their agreement to extend the recovery period as described above, I will arrange to make the consequential changes to the statement (including those actuarial and financial valuation

assumptions that have already been agreed) before publication via the website and the annual report.

4. Implications and risks

- Financial – none
- Legal – the valuation report must be signed off by 31 March. Confirmation of the funding strategy will enable the actuary to complete the triennial valuation and issue revised employer contribution rates by the deadline.
- Diversity – none
- Risk – extending the recovery period beyond 25 years would mean that almost all of the employer contributions would be used to meet interest payments on the deficit without actually addressing the deficit itself leaving very little room to manoeuvre at the 2013 valuation should financial and demographic assumptions prove disappointing during the inter valuation period.

David Wilkinson
Assistant Treasurer
Phone 01226 772935
E-mail Dwilkinson@sypa.org.uk

Background papers used in the preparation of this report are available for inspection in the Pensions Administration Unit.

SOUTH YORKSHIRE PENSIONS AUTHORITY

13 January 2011

Report of Clerk and Treasurer

AUTHORISED SIGNATORIES

1. Purpose of the Report

To confirm the Authority's authorised signatory arrangements.

2. Recommendations

Members are recommended to confirm the authorised signatory arrangements set out in the Appendix to this report.

3. Background Information

3.1 In conducting the Authority's investment business the Authority's officers are often asked to evidence their authority to sign documents on behalf of the Authority. The authorised signatory arrangements approved by the Authority are set out in Procedural Standing Orders, Contract Standing Orders and the Scheme of Delegation to Officers. Although third parties can refer to these documents on the Authority's website their expectation is to see a summary of the arrangements approved or certified by the Authority or a senior officer. The summary attached as an Appendix to this report aims to meet this expectation and I will present this to Members on an annual basis for confirmation.

4. Implications and risks

4.1 There are no financial, legal or diversity implications arising from this report.

W J Wilkinson
Clerk and Treasurer

Officer responsible: Maureen Oades, Deputy Clerk and Solicitor
01226 772856: mvoades@sypa.gov.uk

Background papers used in the preparation of this report are available for inspection at the offices of the Authority in Barnsley.

Other sources and references:

SOUTH YORKSHIRE PENSIONS AUTHORITY AUTHORISED SIGNATORIES INVESTMENTS AND CONTRACTS

1. INTRODUCTION

South Yorkshire Pensions Authority (“the Authority”) is a corporate body established under the Local Government Reorganisation (Pensions etc.) (South Yorkshire) Order 1987 (Statutory Instrument 1987 No.2110).

The Schedule to this Order confers on the Authority the status of a joint authority for the purposes of various local government enactments. It is deemed to be a joint authority for the purposes of sections 101 and 113 of the Local Government Act 1972 (“the Act”). The effect of these provisions is to confer on the Authority the powers under section 101(1) (a) of the Act to arrange for the discharge of its functions by officers of the Authority. Officers in this context include staff directly employed by the Authority and staff placed at its disposal by another authority (seconded officers). The Authority has made arrangements with Barnsley Metropolitan Borough Council for staff of the South Yorkshire Joint Secretariat (a department of Barnsley Council) to be placed at the disposal of the Authority).

The Authority has made arrangements for the sealing and signature of agreements and contracts and the entering into contracts. These arrangements are detailed in the Authority’s:

- Procedural Standing Orders;
- Contract Standing Orders; and
- Scheme of Delegation to Officers.

Extracts from these documents are reproduced below. The Authority for the purposes of providing evidence of these arrangements in connection with due diligence enquiries made by third parties entering into business arrangements with the Authority has reviewed and approved this document at its meeting held on the 17th day of January 2011.

Notes:

- (i) The execution of documents and agreements on behalf of the Authority only requires the signature of one authorised officer and this does not require witnessing.
- (ii) It is the Authority’s practice to affix its seal to deeds and this is witnessed by an authorised officer.

2. PROCEDURAL STANDING ORDERS

The following are extracts from the Authority's Procedural Standing Orders:

PSO No 31. Common Seal of the Authority

- 31.1 The Common Seal of the Authority shall be kept in a safe place in the custody of the Clerk and Treasurer.
- 31.2 A decision of the Authority or of a committee, sub-committee or officer acting under delegated powers shall be a sufficient authority for sealing any document necessary to give effect to the decision.
- 31.3 The Common Seal shall be affixed to those documents which, in the opinion of the Clerk and Treasurer, should be sealed.
- 31.4 The affixing of the Common Seal shall be attested by the Clerk and Treasurer or a duly authorised officer:
- 31.5 The officers authorised for the purposes of SO 31.4 are:
- (i) the Deputy Clerk;
 - (ii) the Deputy Treasurer; and
 - (iii) the Deputy Monitoring Officer
- 31.6 The Clerk and Treasurer shall maintain a register of documents to which the Common Seal shall have been affixed. The person attesting the sealing of a document shall sign the register.

PSO No 32 Signing of Agreements and Contracts

- 32.1 The Authority shall be the contracting party for the purposes of entering into contracts.
- 32.2 The Clerk and Treasurer, the Deputy Clerk, the Deputy Treasurer and the Deputy Monitoring Officer shall each of them be the Agent of the Authority to sign all contracts agreed to be entered into by the Authority, or by any Committee, Sub-Committee or officer acting under delegated powers. Arrangements made by the Authority for the discharge of its functions may provide for additional officers to be the Agent of the Authority for the purposes of signing contracts.

3. **CONTRACT STANDING ORDERS**

The following are extracts from the Authority's Contract Standing Orders.

CSO No 3. Discharge of Functions by Officers

- 3.1 The Clerk and Treasurer, the Fund Manager and the Assistant Treasurer shall be empowered to seek offers for and award contracts for works, supplies or services on behalf of the Authority in accordance with these Standing Orders.
- 3.2 Whenever the office of Clerk and Treasurer, Fund Manager or Assistant Treasurer is vacant, or he/she is for any reason unable to act, the person(s) specified below shall be authorised to act on his/her behalf for the purposes of these Standing Orders.

Clerk and Treasurer	<u>Fund Manager</u>	<u>Assistant Treasurer</u>
Deputy Clerk Deputy Treasurer Deputy Monitoring Officer	Assistant Fund Manager	Principal Pensions Manager

CSO No 14 Form of Contract

- 14.4 Every Contract in writing not made under seal shall be signed by the Clerk and Treasurer or a duly authorised officer.
- 14.5 For the purposes of SO 14.4 the following officers are authorised to sign contracts:
- (a) All Contracts
- the Deputy Clerk;
the Deputy Treasurer;
the Deputy Monitoring Officer
- (b) Contracts not Exceeding £20,000
- the Fund Manager
the Assistant Treasurer
- 14.6 The authorisation provisions applying to the signature of contracts specified in 14.4 and 14.5 shall apply to the signature of official orders for works, supplies or services.
- 14.7 Every contract made under seal shall be dealt with as set out in Procedural Standing Order Number 31.

4. SCHEME OF DELEGATION TO OFFICERS

The following are extracts from the Authority's Scheme of Delegation to Officers

SECTION D

PENSIONS INVESTMENT DELEGATED POWERS

12 FUND MANAGER – DELEGATED POWERS

12.1 (a) In accordance with the Benchmark set by the Authority and, subject to such consultations as the Fund Manager may deem appropriate, the allocation of all monies accruing to the Pension Fund which are not required for payment of benefits for investment in the following categories of investment:-

- (i) UK equities.
- (ii) Overseas equities.
- (iii) UK fixed interest.
- (iv) Index-linked bonds
- (v) Overseas bonds.
- (vi) Corporate bonds.
- (vii) Property
- (viii) Alternative investments.
- (ix) Cash.

(b) To appoint brokers.

(c) Voting execution in accordance with the Authority's agreed policy.

(d) To attend as the Authority's representative at the meeting of any company in which the Authority has a beneficial interest or any meeting of any class of members of such a company as the Authority's representative for the purposes of the Companies Act.

(e) Directorships and Trusts - subsidiary companies/fees

(f) Charging interest under Regulation 44 of the LGPS (Administration) Regulations 2008 on employers or other administering authorities on late payments due under the Fund.

(g) **Property Investment**

The Fund Manager is responsible for the management of the Pension Fund Property Portfolio in accordance with the Benchmark set by the Authority and, subject to Contract Standing Orders and Financial Regulations of the Authority,

and obtaining appropriate legal advice from the Authority's solicitor(s). Delegated powers:-

- (i) the negotiation and acceptance of terms for the acquisition and disposal of land and buildings;
- (ii) the negotiation and acceptance of terms for the granting, renewing, reviewing, varying or assignment of leases, underleases, tenancies, licences, and any other interest in the Fund property;
- (iii) the preparation and implementation of schemes for works of modernisation, improvements, maintenance and repair of the Fund property together with the invitation and acceptance of tenders and the authorisation of expenditure on such works;
- (iv) the appointment and supervision of managing agents and professional advisors (including solicitors) necessary for the effective management of the Pension Fund Property Portfolio.
- (v) the collection of all rents, service charges, insurance premiums and any other monies arising out of the Pension Fund Property Portfolio;
- (vi) the signature of agreements and making arrangements for the execution of documents under seal; (documents under seal are to be executed by one of the officers authorised under Procedural Standing Order No. 31);**
- (vii) dealing with health and safety matters in association with investment properties.
- (h) The authorisation and execution of documents relating to the exercise of the powers and duties delegated to him/her.**
- (i) The powers and duties delegated shall be exercised in accordance with internal control arrangements specified by the Clerk and Treasurer.

12.2 **Assistant Fund Manager - Delegated Powers**

- (a) Whenever the office of Fund Manager is vacant or he/she is for any reason unable to act the investment powers and duties delegated to the Fund Manager may be exercised by the Assistant Fund Manager.
- (b) In accordance with the Benchmark set by the Authority, investing money in UK and overseas equities.
- (c) Appointment of brokers.
- (d) The authorisation and execution of documents relating to the exercise of the powers and duties delegate to him/her. (Documents under**

seal are to be executed by one of the officers authorised under Procedural Standing Order No. 31).

(e) The powers and duties delegated shall be exercised in accordance with internal control arrangements specified by the Clerk and Treasurer.

12.3 Principal Investment Manager(s) - Delegated Powers

(a) In accordance with the Benchmark set by the Authority, investing money in UK and overseas equities.

(b) The authorisation and execution of documents relating to the exercise of the powers and duties delegated to him/her. (Documents under seal are to be executed by one of the officers authorised under Procedural Standing Order No. 31).

(c) The powers and duties delegated shall be exercised in accordance with internal control arrangements specified by the Clerk and Treasurer.

Signed:

Chair of the Authority

Clerk and Treasurer

Date:

Date: